

**CONDENSED INTERIM  
CONSOLIDATED FINANCIAL INFORMATION  
AS AT 30 JUNE 2019**



**SPUERKEESS**

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## **SPUERKEESS GROUP MANAGEMENT REPORT BASED ON THE INTERIM CONDENSED CONSOLIDATED INFORMATION AS AT 30 JUNE 2019**

Luxembourg's economy was driven by the dynamism of the construction sector and non-financial services in first-half 2019. Industrial production appears to have stabilised after falling sharply in 2018.

Thanks to the buoyant economic environment, outstanding loans and advances to customers increased by 3,0% in Spuerkeess's financial statements over the six-month period. This sharp rise was driven by growth in loans and advances to retail and corporate customers, which were up 3,5%, illustrating the Bank's continuing desire to support the projects of individuals and businesses. In contrast, outstanding loans and advances to public sector customers decreased compared with 31 December 2018.

Customer deposits increased by 1,4% compared with 31 December 2018. This improvement can be attributed to the increase in deposits from retail and corporate customers, which confirms the lasting trust our customers have in us.

The funding of the Bank through the issue of securities intended for institutional customers increased by 41,2% in the first half of the year and reflects Spuerkeess's ongoing appeal as an issuer.

The Spuerkeess group's banking income, driven by strong sales momentum in all business lines, recorded an increase of 15,6% compared with first-half 2018 to stand at EUR 296,8 million.

Net interest margin, boosted by growth in the lending activity and the adjustment to market conditions of interest rates on savings accounts and the fee structure for sight accounts held by corporate entities and the public sector, rose by 4,5%.

Fee income was up by 1,0%. The increase in the parent company's fee income stemmed from strong growth in the asset management activities and credit fees, while fees from fully consolidated subsidiaries declined relative to 30 June 2018.

Income from financial instruments rose sharply from 2018 to stand at EUR 17,7 million. Most of the increase in income was due to the impact of the change in long-term rates on existing economic hedging relationships and to foreign exchange income.

On the expenditure side, general expenses increased by 5,8% in first-half 2019. This change can be attributed to the increase in personnel expenses, following the transposition of the new civil service wage agreement and the entry into force of a new indexation on 1 August 2018, as well as the increase in allowances for impairment of tangible and intangible assets due to the significant investments made to implement new regulations and improve our risk management and monitoring systems.

Cost of risk continued to decline, a trend that reflects favourable economic conditions and the Bank's conservative risk model, as well as good control over the loan process, from origination to maturity.

In light of the above, the Spuerkeess Group reported half-yearly net income of EUR 121,9 million, up 31,0% compared with first-half 2018.

Total Group equity at 30 June 2019 was EUR 4.341,0 million compared with EUR 4.349,6 million at 31 December 2018, demonstrating the group's strong capitalisation. The slight decline in equity can be attributed to the cumulative effect of the change in actuarial gains and losses on the Bank's pension fund, the change in the

"Revaluation reserve for securities measured at fair value" line, the distribution for financial year 2018, the addition of half-yearly net income, and the equity method adjustment.

In an effort to improve its internal operations, the Bank restructured its Information Technologies department effective 15 April. The aim is to optimise its human and technical resources to meet the many challenges of data management and digitalisation. The new structure will also allow us to account for the regulator's requirements and establish an internal governance system that is consistent with the "three lines of defence" concept. The Bank also combined the payment services activities into a single pool of expertise. This restructuring, in which three units were ultimately merged, took effect on 1 June 2019.

Spuerkeess opened its new Cloche d'Or branch in the Centre Commercial Cloche d'Or in May 2019. It thus expects to also attract cross-border customers and expatriates.

### **Outlook for second-half 2019**

The European Commission has lowered its growth forecasts for the eurozone for 2019. The trade war between China and the United States, uncertainties surrounding the process for the United Kingdom's withdrawal from the European Union, and the political crisis in Italy are causing a decline in foreign demand and having an adverse impact on the short-term economic outlook.

Growth forecasts for Luxembourg for 2019 have also been lowered due to the deterioration in the international environment, which reduces foreign demand. Growth should continue to be driven by the non-financial sector and the increase in household consumption. The latest forecasts indicate that the unemployment rate should remain stable.

No significant events occurred after the 30 June 2019 reporting date that could impact the normal course of the Spuerkeess Group's business.

Luxembourg, 30 August 2019

For the Executive Committee

Aly Kohll  
Executive Vice President  
Member of the Executive Committee

Doris Engel  
Executive Vice President  
Member of the Executive Committee

Luxembourg, August 30, 2019

**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, 2019 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*  
*Executive Vice President*  
*Member of the Executive Committee*

*Doris Engel*  
*Executive Vice President*  
*Member of the Executive Committee*



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

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

**Company registration: Luxembourg B 30775**

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

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

**STATUTORY AUDITOR'S REPORT  
30 June 2019**

## **Report on review of interim condensed consolidated financial statements**

To the Comité de direction of Banque et Caisse d'Epargne de l'Etat, Luxembourg

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Banque et Caisse d'Epargne de l'Etat, Luxembourg and its subsidiaries (the "Group") as of 30 June 2019, which comprise the interim consolidated balance sheet and the related interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated cash flow statement for the period from 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019 and the appendix including a summary of the main accounting principles and explanatory notes. The Comité de direction is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

Christoph Haas

Luxembourg, 30 August 2019

*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 2019**

**Condensed consolidated balance sheet as at 30 June 2019**

ASSETS	Notes	31/12/2018	30/06/2019
Cash and sight accounts with central banks	3.1	4.237.236.592	6.548.154.267
Loans and advances at amortised cost – Credit institutions	3.2	2.580.582.943	3.176.302.753
Loans and advances at amortised cost - Customers	3.3	21.796.184.932	22.456.977.621
Financial instruments held for trading	3.4 2.11	220.216.547	134.084.897
Hedging derivative financial instruments	3.11	65.470.560	55.796.205
Financial assets mandatorily recognised at fair value through profit or loss	3.5	1.234.840.351	1.230.059.971
Fixed-income securities recognised at amortised cost	3.6	14.226.659.024	14.053.532.832
Variable-income securities recognised at fair value through the revaluation reserve	3.7	863.396.081	818.204.885
Investments in associates accounted for using the equity method	3.8	355.552.522	384.975.291
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	3.12	69.027.154	228.867.372
Tangible assets for own use	3.13	277.961.253	280.786.503
Investment property		12.762.728	15.737.723
Intangible assets		27.475.050	25.324.949
Deferred taxes	3.14	2.273.119	26.970.258
Other assets	3.15	13.963.485	13.748.819
<b>TOTAL ASSETS</b>		<b>45.983.602.339</b>	<b>49.449.524.346</b>
LIABILITIES	Notes	31/12/2018	30/06/2019
Deposits at amortised cost – Credit institutions	3.16	4.840.845.065	5.897.897.292
Deposits at amortised cost – Customers	3.17	31.877.149.050	32.337.390.045
Financial instruments held for trading	3.4 2.11	133.331.389	183.026.094
Hedging derivative financial instruments	3.11	606.826.289	909.709.918
Financial liabilities designated at fair value through profit or loss	3.18	151.566.706	163.925.741
Issuance of debt securities	3.19	3.646.594.429	5.197.883.598
Provisions	3.20	21.825.180	21.973.318
Other liabilities	3.21	83.759.400	40.530.470
Current taxes	3.14	46.813.738	43.809.908
Pension fund	3.22	225.285.987	312.398.242
<b>Sub-total of LIABILITIES (before equity capital) to be carried forward</b>		<b>41.633.997.232</b>	<b>45.108.544.626</b>

**Condensed consolidated balance sheet as at 30 June 2019 (continued)**

EQUITY	31/12/2018	30/06/2019
<b>Sub-total of LIABILITIES (before equity capital) carried forward</b>	<b>41.633.997.232</b>	<b>45.108.544.626</b>
Share capital	173.525.467	173.525.467
Revaluation reserve	539.724.951	494.901.906
° <i>Variable-income securities measured at fair value through the revaluation reserve</i>	537.630.440	493.811.461
Consolidated reserves	3.474.618.717	3.549.860.744
° <i>Equity method adjustment</i>	288.716.938	313.473.962
° <i>Gains or losses on disposals of variable-income securities measured at fair value</i>	688.104	37.303
Income for the year/period	158.938.807	120.952.331
Sub-total of equity attributable to the equity holder of the parent company	4.346.807.942	4.339.240.448
Minority interests	2.797.165	1.739.272
<b>Total equity</b>	<b>4.349.605.107</b>	<b>4.340.979.720</b>
<b>TOTAL LIABILITIES, including EQUITY</b>	<b>45.983.602.339</b>	<b>49.449.524.346</b>

**Condensed consolidated income statement as at 30 June 2019**

in euros	Notes	30/06/2018	30/06/2019
Interest income	4.1.	176.161.370	184.157.722
Income from variable-income securities	4.2.	30.761.609	30.973.892
Fee and commission income	4.3.	73.852.475	74.569.033
<b>INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS</b>		<b>280.775.454</b>	<b>289.700.647</b>
Income from financial instruments not recognised at fair value through profit or loss	4.4.	250.662	157.850
Income from financial instruments held for trading	4.5.	-138.612	17.711.399
Income from financial instruments designated at fair value through profit or loss	4.6	-546.250	-11.728.801
Income from financial instruments mandatorily measured at fair value through profit or loss	4.7	-3.663.630	3.185.069
Income from hedging transactions	4.8	485.163	1.754.222
Exchange gains or losses		4.908.573	6.660.295
Other operating income	4.9	5.740.435	5.213.719
Other operating expenditure	4.9	-31.142.831	-15.901.667
<b>BANKING INCOME</b>		<b>256.668.964</b>	<b>296.752.733</b>
Personnel expenses	4.10	-107.062.607	-115.043.248
Other general and administrative expenses	4.11	-39.424.878	-38.416.819
Allowances for impairment of tangible and intangible assets		-17.037.837	-19.491.527
<i>of which allowances for impairment of right-of-use assets in relation to leases</i>		-	-1.601.872
<b>INCOME AFTER GENERAL EXPENSES</b>		<b>93.143.642</b>	<b>123.801.139</b>
Net allowances for impairment of individual and collective credit risks	4.12	14.334.443	4.104.948
Provisions	4.13	1.439.609	1.324.804
Share in the profit of equity-accounted associates		5.211.501	14.100.532
<b>INCOME BEFORE TAXES AND NON-CURRENT ASSETS</b>		<b>114.129.195</b>	<b>143.331.423</b>
Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations		258.589	385.304
Tax on income from continuing operations	4.14	-29.023.272	-28.539.813
Deferred taxes	4.14	7.687.456	6.701.595
<b>INCOME FOR THE PERIOD</b>		<b>93.051.968</b>	<b>121.878.509</b>
<i>OF WHICH INCOME FOR THE PERIOD ATTRIBUTABLE TO</i>			
<i>- MINORITY INTERESTS</i>		<i>1.026.518</i>	<i>926.178</i>
<i>- EQUITY HOLDERS OF THE PARENT COMPANY</i>		<i>92.025.450</i>	<i>120.952.331</i>

**Condensed consolidated statement of comprehensive income as at 30 June 2019**

in euros	30/06/2018	30/06/2019
<b>INCOME FOR THE PERIOD</b>	<b>93.051.968</b>	<b>121.878.509</b>
<b>Items not reclassified in net income subsequently</b>	<b>59.276.534</b>	<b>-86.825.317</b>
Actuarial gains/(losses) on the defined-benefit pension scheme	-869.198	-85.681.905
Contribution of equity-accounted associates	-27.782.559	24.757.025
Variable-income securities recognised at fair value through the revaluation reserve	87.585.046	-43.895.981
° <i>Variation in measurement results</i>	86.776.647	-43.933.284
° <i>Income from sales</i>	808.399	37.303
Impact of deferred taxes	343.245	17.995.544
<b>Items to be reclassified in net income subsequently</b>	<b>454.070</b>	<b>-1.004.066</b>
Cash flow hedges	613.692	-1.378.038
Impact of deferred taxes	-159.622	373.972
<b>Total items of comprehensive income for the period - net of tax</b>	<b>59.730.604</b>	<b>-87.829.383</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>152.782.572</b>	<b>34.049.126</b>
<i>share attributable to</i>		
- <i>minority interests:</i>	1.026.518	926.178
- <i>equity holders of the parent company:</i>	151.756.054	33.122.948

**BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG**  
 Interim condensed consolidated financial information  
 as at 30 June 2019

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**Condensed statement of changes in consolidated equity as at 30 June 2019**

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity of the parent	Minority interests	Total equity
<b>As at 1 January 2019</b>	<b>173.525.467</b>	<b>3.474.618.717</b>	<b>539.724.951</b>	<b>158.938.807</b>	<b>4.346.807.942</b>	<b>2.797.165</b>	<b>4.349.605.107</b>
Appropriation of 2018 income	-	158.938.807	-	-158.938.807	-	-	-
First-half 2019 net income	-	-	-	120.952.331	120.952.331	926.178	121.878.509
Distribution for FY 2018	-	-40.000.000	-	-	-40.000.000	-	-40.000.000
Actuarial gains/(losses) on pension fund	-	-68.174.638	-	-	-68.174.638	-	-68.174.638
Value adjustment on financial instruments measured at fair value through the revaluation reserve net of deferred taxes	-	-	-43.818.979	-	-43.818.979	-	-43.818.979
Net measurement results of cash flow hedges	-	-	-1.004.066	-	-1.004.066	-	-1.004.066
Net income from variable-income securities recognised at fair value through the revaluation reserve	-	37.303	-	-	37.303	-	37.303
Equity method adjustment	-	24.757.025	-	-	24.757.025	-	24.757.025
Other	-	-316.470	-	-	-316.470	-1.984.071	-2.300.541
<b>As at 30 June 2019</b>	<b>173.525.467</b>	<b>3.549.860.744</b>	<b>494.901.906</b>	<b>120.952.331</b>	<b>4.339.240.448</b>	<b>1.739.272</b>	<b>4.340.979.720</b>

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity of the parent	Minority interests	Total equity
<b>As at 1 January 2018</b>	<b>173.525.467</b>	<b>3.350.713.675</b>	<b>455.873.461</b>	<b>256.610.845</b>	<b>4.236.723.448</b>	<b>2.896.600</b>	<b>4.239.620.048</b>
FTA impact*	-	-30.315.146	-92.535.767	-	-122.850.913	-	-122.850.913
<b>As at 1 January 2018 after FTA</b>	<b>173.525.467</b>	<b>3.320.398.529</b>	<b>363.337.694</b>	<b>256.610.845</b>	<b>4.113.872.535</b>	<b>2.896.600</b>	<b>4.116.769.135</b>
Appropriation of 2017 income	-	256.610.845	-	-256.610.845	-	-	-
First-half 2018 net income	-	-	-	92.025.450	92.025.450	1.026.518	93.051.968
Distribution for FY 2017	-	-40.000.000	-	-	-40.000.000	-	-40.000.000
Actuarial gains/(losses) on pension fund	-	-643.120	-	-	-643.120	-	-643.120
Value adjustment on financial instruments measured at fair value through the revaluation reserve net of deferred taxes	-	-	87.112.714	-	87.112.714	-	87.112.714
Net measurement results of cash flow hedges	-	-	454.070	-	454.070	-	454.070
Other	-	-18.735.016	-	-	-18.735.016	-2.139.004	-20.874.020
<b>As at 30 June 2018</b>	<b>173.525.467</b>	<b>3.517.631.238</b>	<b>450.904.477</b>	<b>92.025.450</b>	<b>4.234.086.633</b>	<b>1.784.114</b>	<b>4.235.870.747</b>

\* First Time Adoption of IFRS 9

**Condensed consolidated statement of cash flows as at 30 June 2019**

in euros	30/06/2018	30/06/2019
<b>Cash and cash equivalents</b>		
Cash and sight accounts with central banks	4.253.722.960	6.550.497.868
Loans and advances at amortised cost – Credit institutions	2.040.017.261	1.495.433.026
Loans and advances at amortised cost – Customers	920.246.288	1.769.454.546
Financial instruments held for trading	774	-
<b>Total</b>	<b>7.213.987.284</b>	<b>9.815.385.439</b>

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 different cash flow statements for the 30 June 2018 period have been restated for readers' convenience.

**Cash flow from operating activities**

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

in euros	30/06/2018	30/06/2019
Interest received	433.208.173	483.261.449
Interest paid	-234.972.004	-291.141.290
Income from securities	30.512.984	30.973.892
Fees and commissions received	94.864.182	97.549.834
Fees and commissions paid	-21.011.707	-22.980.801
Other operating income	5.704.944	4.345.633
Other operating expenditure	-31.142.831	-15.540.509
Current taxes	-29.023.272	-28.539.813
Personnel expenses and other general and administrative expenses	-139.410.117	-145.747.105
<b>Sub-total</b>	<b>108.730.352</b>	<b>112.181.290</b>

Cash flow from changes in operating assets:

Net changes in euros	30/06/2018	30/06/2019
Financial instruments held for trading	1.986.188	6.572.091
Variable-income securities recognised at fair value through the revaluation reserve	-	59.188.734
Financial assets mandatorily recognised at fair value through profit or loss	-30.906.996	1.741.675
Loans and advances at amortised cost – Credit institutions	-402.832.996	471.766.008
Loans and advances at amortised cost – Customers	-1.263.537.012	-599.569.710
Hedging derivative financial instruments	-4.115.847	-13.290.103
Other assets	-62.995.833	-5.167.956
<b>Sub-total</b>	<b>-1.762.402.496</b>	<b>-78.759.261</b>

- Cash flow from changes in operating liabilities:

Net change	30/06/2018	30/06/2019
Financial instruments held for trading	6.813.547	4.931.357
Financial liabilities designated at fair value through profit or loss	167.295	370.595
Deposits at amortised cost – Credit institutions	1.027.333.588	1.223.063.659
Deposits at amortised cost – Customers	-374.016.959	850.664.392
Hedging derivative financial instruments	23.313.670	97.996.406
Other liabilities	34.788.441	8.880.719
Issuance of debt securities	528.643.115	1.456.867.994
<b>Sub-total</b>	<b>1.247.042.697</b>	<b>3.642.775.122</b>
<b>Cash flow from operating activities</b>	<b>-406.629.447</b>	<b>3.676.197.151</b>

Cash flow from investment activities

in euros	30/06/2018	30/06/2019
Acquisition of variable-income securities	-	-
Disposals of variable-income securities	254.804	1.465.500
Acquisition of investments in associates accounted for using the equity method	-1.300.000	-5.691.671
Disposal of investments in associates accounted for using the equity method	-	721.900
Acquisition of fixed-income securities at amortised cost	-2.128.297.777	-1.971.784.674
Disposal/redemption of fixed-income securities at amortised cost	1.419.374.785	2.228.728.069
Acquisitions/disposals of intangible and tangible assets	-7.077.164	-22.537.258
<b>Cash flow from investment activities</b>	<b>-717.045.353</b>	<b>230.901.866</b>

Cash flow from financing activities

in euros	30/06/2018	30/06/2019
Proceeds from subordinated liabilities	-	-
Expenses related to leases	-	-1.601.872
Income distribution	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-1.601.872</b>

Profit distribution for financial year 2018 was made to the Luxembourg state on 1 July 2019.

Reconciliation of cash flows from financing activities:

in euros	01/01/2018	Cash flow	Unrelated to cash flow	30/06/2018
Proceeds from subordinated liabilities	100.971.040	-	-243.781	100.727.259
<hr/>				
in euros	01/01/2019	Cash flow	Unrelated to cash flow	30/06/2019
Proceeds from subordinated liabilities	100.483.038	-	-236.450	100.246.588

Net change in cash:

in euros	30/06/2018	30/06/2019
Cash flow from operating activities	-406.629.447	3.676.197.151
Cash flow from investment activities	-717.045.353	230.901.866
Cash flow from financing activities	-	-1.601.872
<b>Net change</b>	<b>-1.123.674.800</b>	<b>3.905.497.145</b>

Change in cash and cash equivalents:

	2018	2019
<b>Position as at 1 January</b>	<b>8.733.447.563</b>	<b>6.419.562.587</b>
Net change in cash	-1.123.674.800	3.905.497.145
Effect of exchange rates on cash and cash equivalents	-395.785.479	-509.674.292
<b>Position as at 30 June</b>	<b>7.213.987.284</b>	<b>9.815.385.439</b>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**  
**30 June 2019**

## 1 GENERAL INFORMATION

Banque et Caisse d'Epargne de l'Etat, Luxembourg (hereinafter the "Bank" or the "Group's parent company"), established by the law of 21 February 1856 and governed by the law of 24 March 1989, is an autonomous public 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 2019, the Executive Committee of the Group's parent company authorised the publication of the interim condensed consolidated financial information as at 30 June 2019.

The Group had an average headcount as at 30 June 2019 of 1.878 (1.877 as at 31 December 2018).

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 2019 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 2018, which were prepared under IFRS, as adopted by the European Union.

- a) New or revised standards that have been adopted and that had an impact on the Group at 1 January 2019:
  - IFRS 16: Leases.
- b) New or revised standards that have been adopted and that had no impact or no material impact on the Group at 1 January 2019:
  - Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
  - IFRIC 23: Uncertainty over Income Tax Treatments;
  - Improvements to IFRS, 2015-2017 cycle, which are a series of amendments to the existing standards;
  - Amendments to IFRS 9: Pre-payment Features with Negative Compensation;
  - Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- c) New and revised standards and interpretations relevant for the Group, which are not yet compulsory and which have not been adopted by the European Union:
  - IFRS 17: Insurance Contracts;
  - Amendments to References to the Conceptual Framework in IFRS Standards;
  - Amendments to IFRS 3: Business Combinations;
  - Amendments to IAS 1 and IAS 8: Definition of Material.

### **2.2 Accounting principles and rules**

With the exception of the changes introduced by IFRS 16 "Leases", the accounting principles are the same as those applied to the consolidated financial statements as at 31 December 2018 and described therein. The changes relating to IFRS 16 were implemented using the modified retrospective approach.

Impairments of financial assets were determined on the basis of the macroeconomic scenarios detailed in point 3.3.4 of the consolidated financial statements as at 31 December 2018.

## 2.2.1 Scope of consolidation

### 2.2.1.1 Fully consolidated subsidiaries

The scope of fully consolidated subsidiaries was unchanged relative to 31 December 2018.

Subsidiaries included in the scope of consolidation:

Name	Business	% of voting rights held	
		31/12/2018	30/06/2019
Lux-Fund Advisory S.A.	Investment advice	89,08	89,48
BCEE Asset Management S.A.	UCI management company	90,00	90,00
Bourbon Immobilière S.A.	Real estate	100,00	100,00
Luxembourg State and Savings Bank Trust Company S.A.	Acquisition of shareholdings	100,00	100,00
Spuerkeess Ré S.A.	Reinsurance	100,00	100,00

### 2.2.1.2 Investments in associates

The scope of investments in associates has changed since 31 December 2018. The parent company increased its direct interest in EFA S.A. from 10,51% at the end of financial year 2018 to 31,67% at the end of first-half 2019. EFA Partners S.A. was subsequently dissolved. The indirect interest in Pecoma International S.A. was sold in first-half 2019.

The Group's investments in associates:

Associates	Business	% of capital held	
		31/12/2018	30/06/2019
<b>Direct interests</b>			
Société Nationale de Circulation Automobile S.à r.l.	Automotive services	20,00	20,00
Luxair S.A.	Air transport	21,81	21,81
Société de la Bourse de Luxembourg S.A.	Financial services	22,75	22,75
Europay Luxembourg S.C.	Financial services	30,10	30,10
EFA S.A.	Financial services	-	31,67
LuxHub S.A.	Financial services	32,50	32,50
Visalux S.C.	Financial services	34,66	34,66
Lalux Group S.A.	Insurance	40,00	40,00
BioTechCube (BTC) Luxembourg S.A.	Investments in biotechnology	50,00	50,00
<b>Indirect interests</b>			
Pecoma International S.A.	Consultation	33,33	-
EFA Partners S.A.	Financial services	29,05	-

## 2.3 Foreign currency transactions

The following exchange rates were used for translation of the main currencies in the consolidated financial statements. The Group's functional currency is the euro (EUR).

One euro is equal to:

Currency	31/12/2018	30/06/2019
CHF	1,1268	1,1104
GBP	0,8985	0,8986
JPY	126,0000	122,5800
SEK	10,2395	10,5461
USD	1,1450	1,1386

## 2.4 Information on the introduction of IFRS 16 "Leases"

IFRS 16 "Leases" replaced IAS 17 of the same name on 1 January 2019. IFRS 16 mainly introduces a single accounting treatment for leasing.

While the new standard continues to distinguish between operational and financial leases and does not introduce any accounting changes for the Group when it is the lessor, it removes this distinction for leases where the Group is the lessee.

Under IFRS 16, all leasing contracts require recognition of a right-of-use asset and a lease liability:

- the cost of the asset includes the initial amount of the lease liability as well as, where applicable, rent payments already made, initial direct costs and dismantling costs. This right of use is recognised under the asset item where the corresponding underlying assets would have been presented, i.e., the "tangible assets" item. Detailed information can be found in the table in Note 3.13;
- the lease liability represents the present value of the lease payments that are not yet paid. This lease liability is recognised on the liabilities side under "other liabilities". Detailed information can be found in the table in Note 3.21.

The Group has opted for the practical expedient in IFRS 16 §C3 whereby it is not required to reassess whether a contract is, or contains, a lease at the date of initial application. The Group has identified all leases that must be capitalised under IFRS 16 at 1 January 2019 based on leases considered as such under IAS 17. The leases covered by the new standard are mainly related to buildings, car parks and S-BANK ATMs.

After simulating the impact of a discount on rents based on the "Euro master yield curve 0 coupon", which corresponds to the Bank's financing rate excluding credit spread, and in view of the non-material nature of the discount amount obtained, the Group has opted for capitalisation of undiscounted rents.

The Group used the modified retrospective approach to apply IFRS 16, with the cumulative effect of initially applying the standard recognised at the date of initial application in accordance with IFRS 16 §C5 (b).

At 1 January 2019, the impact of the capitalisation of leases where the Group is the lessee was quantified at EUR 14,4 million on the assets and liabilities sides, with no impact on equity.

**3 NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET<sup>1</sup>**  
 (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 included in "Deposits with central banks".

Headings	31/12/2018	30/06/2019
Cash	70.836.202	76.584.361
Deposits with central banks	3.935.963.844	5.164.245.669
Other sight deposits	230.436.545	1.307.324.237
<b>Total</b>	<b>4.237.236.592</b>	<b>6.548.154.267</b>
<i>Impairment of financial assets</i>	-257.151	-1.701.023

**3.2 Loans and advances at amortised cost – Credit institutions**

Headings	31/12/2018	30/06/2019
Interbank loans	1.824.798.367	1.464.594.109
Reverse repurchase/Repurchase agreements	652.447.089	1.654.471.339
Roll-over loans	53.869.044	44.081.217
Finance leases	258.616	63.675
Other	49.209.827	13.092.413
<b>Sub-total</b>	<b>2.580.582.943</b>	<b>3.176.302.753</b>
Undrawn confirmed credits	308.924.579	565.898.477
<i>Impairment of financial assets</i>	-1.128.895	-1.122.003
<i>of which FTA impact</i>	<i>-1.165.109</i>	<i>-</i>

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 2019.

<sup>1</sup> 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.

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG  
 Notes to the interim condensed consolidated financial information  
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Change in impairments:

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2018</b>	<b>1.165.083</b>	<b>26</b>	-	<b>1.165.109</b>
<b>Stage transfers</b>	<b>4</b>	<b>-4</b>	-	-
<i>Transfer from Stage 1</i>	-2	2	-	-
<i>Transfer from Stage 2</i>	7	-7	-	-
<i>Transfer from Stage 3</i>	-	-	-	-
<i>Other</i>	-	-	-	-
<i>Position as at 31 December 2018 before changes</i>	1.165.087	22	-	1.165.109
<b>Changes</b>	<b>-36.284</b>	<b>69</b>	-	<b>-36.215</b>
Increase due to acquisition and origination	893.923	-	-	893.923
Decrease due to repayment	-17.936	-	-	-17.936
Change related to credit risk	-914.732	69	-	-914.663
Other net changes	-	-	-	-
Depreciation	-	-	-	-
Exchange gain or loss	2.463	-	-	2.463
<b>Position as at 31 December 2018</b>	<b>1.128.803</b>	<b>90</b>	-	<b>1.128.894</b>

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	Total
Transfer from Stage 1	311	-311	-	-
Transfer from Stage 2	-409	409	-	-
Transfer from Stage 3	-	-	-	-
Outstanding amounts covered by provisions at 31/12/2018	Stage 1*	Stage 2	Stage 3	Total
Outstanding amounts	2.581.703.363	8.480	-	2.581.711.843

\* Outstanding amounts included in Stage 1 have been adjusted for the amount of central bank outstandings.

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	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2019</b>	<b>1.128.805</b>	<b>90</b>	-	<b>1.128.895</b>
<b>Changes</b>	<b>-6.998</b>	<b>106</b>	-	<b>-6.892</b>
Increase due to acquisition and origination	858.401	-	-	858.401
Decrease due to repayment	-20.340	-	-	-20.340
Change related to credit risk	-293.805	105	-	-293.700
Other net changes	-553.373	-	-	-553.373
Depreciation	-	-	-	-
Exchange gain or loss	2.120	-	-	2.120
<b>Position as at 30 June 2019</b>	<b>1.121.807</b>	<b>196</b>	-	<b>1.122.003</b>
Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	Total
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	-	-	-	-
<i>Transfer from Stage 3</i>	-	-	-	-
Outstanding amounts covered by provisions at 30/06/2019	Stage 1	Stage 2	Stage 3	Total
Outstanding amounts	3.177.412.941	11.815	-	3.177.424.756

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

### 3.3 Loans and advances at amortised cost – Customers

Headings	31/12/2018	30/06/2019
Retail customers	14.645.965.291	15.174.625.337
Corporate customers	5.455.461.813	5.632.286.508
Public sector	1.694.757.828	1.650.065.776
<b>Total</b>	<b>21.796.184.932</b>	<b>22.456.977.621</b>
<i>of which finance leases</i>	<i>120.854.195</i>	<i>138.615.871</i>
Undrawn confirmed credits	5.042.602.610	5.486.224.922
Impairment of financial assets	-119.379.985	-114.428.204
<i>of which FTA impact</i>	<i>-43.361.125</i>	-

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**Impairment of loans and receivables:**

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2018</b>	<b>16.068.034</b>	<b>41.434.063</b>	<b>78.946.715</b>	<b>136.448.812</b>
<i>of which</i>				
<i>Retail customers</i>	2.422.355	17.754.327	17.493.774	37.670.456
<i>Corporate customers</i>	13.587.287	23.679.737	61.452.941	98.719.965
<i>Public sector</i>	58.391	-	-	58.391
<b>Stage transfers</b>	<b>12.800.502</b>	<b>-8.205.551</b>	<b>-4.596.951</b>	<b>-1.999</b>
Retail customers	6.761.954	-3.901.570	-2.684.465	175.919
<i>Transfer from Stage 1</i>	-180.054	152.004	28.050	-
<i>Transfer from Stage 2</i>	6.717.559	-6.717.559	-	-
<i>Transfer from Stage 3</i>	216.652	2.493.863	-2.710.515	-
<i>Other</i>	7.798	170.122	-2.000	175.919
Corporate customers	6.038.548	-4.303.981	-1.912.485	-177.919
<i>Transfer from Stage 1</i>	-289.757	268.935	20.822	-
<i>Transfer from Stage 2</i>	6.031.480	-6.544.891	513.411	-
<i>Transfer from Stage 3</i>	304.621	2.142.097	-2.446.719	-
<i>Other</i>	-7.797	-170.122	-	-177.919
Public sector	-	-	-	-
<b>Position as at 31 December 2018 before changes</b>	<b>28.868.536</b>	<b>33.228.513</b>	<b>74.349.765</b>	<b>136.446.813</b>
<i>of which</i>				
<i>Retail customers</i>	9.184.310	13.852.757	14.809.309	37.846.375
<i>Corporate customers</i>	19.625.834	19.375.756	59.540.456	98.542.047
<i>Public sector</i>	58.391	-	-	58.391
<b>Changes</b>	<b>-11.228.032</b>	<b>-1.909.448</b>	<b>-3.929.347</b>	<b>-17.066.827</b>
Increase due to acquisition and origination	7.410.994	1.513.543	10.004	8.934.540
Decrease due to repayment	-627.878	-610.953	-1.682.805	-2.921.636
Change related to credit risk	-18.016.948	-2.813.673	-1.769.621	-22.600.241
Depreciation	-	1.634	26	1.660
Other changes	-31	-	-575.703	-575.734
Exchange gain or loss	5.830	1	88.752	94.583
<b>Position as at 31 December 2018</b>	<b>17.640.503</b>	<b>31.319.065</b>	<b>70.420.417</b>	<b>119.379.985</b>
<i>of which</i>				
<i>Retail customers</i>	2.468.640	17.609.502	12.834.552	32.912.695
<i>Corporate customers</i>	15.134.631	13.709.563	57.585.865	86.430.059
<i>Public sector</i>	37.231	-	-	37.231

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<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Retail customers</b>	<b>38.217.020</b>	<b>-35.440.961</b>	<b>-2.776.060</b>	-
<i>Transfer from Stage 1</i>	-591.377.468	586.128.198	5.249.270	-
<i>Transfer from Stage 2</i>	624.050.221	-636.688.433	12.638.212	-
<i>Transfer from Stage 3</i>	5.544.267	15.119.275	-20.663.542	-
<b>Corporate customers</b>	<b>44.241.806</b>	<b>-40.489.663</b>	<b>-3.752.143</b>	-
<i>Transfer from Stage 1</i>	-71.101.106	69.889.212	1.211.894	-
<i>Transfer from Stage 2</i>	114.128.610	-116.286.968	2.158.358	-
<i>Transfer from Stage 3</i>	1.214.303	5.908.092	-7.122.395	-
<b>Public sector</b>	-	-	-	-
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	-	-	-	-
<i>Transfer from Stage 3</i>	-	-	-	-
<b>Outstanding amounts covered by provisions at 31/12/2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Retail customers	13.294.042.675	1.318.681.330	66.153.991	14.678.877.996
Corporate customers	4.940.533.768	404.066.363	197.291.731	5.541.891.862
Public sector	1.694.795.059	-	-	1.694.795.059

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG  
 Notes to the interim condensed consolidated financial information  
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	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2019</b>	<b>17.640.503</b>	<b>31.319.065</b>	<b>70.420.417</b>	<b>119.379.985</b>
<i>of which</i>				
<i>Retail customers</i>	2.468.640	17.609.502	12.834.552	32.912.695
<i>Corporate customers</i>	15.134.631	13.709.563	57.585.865	86.430.059
<i>Public sector</i>	37.231	-	-	37.231
<b>Changes</b>	<b>1.340.692</b>	<b>-5.926.696</b>	<b>-365.776</b>	<b>-4.951.781</b>
Increase due to acquisition and origination	5.616.920	5.619.793	21.338.404	32.575.118
Decrease due to repayment	-183.844	-139.542	-20.297.186	-20.620.572
Change related to credit risk	-4.093.167	-11.439.936	-1.408.982	-16.942.084
Other net changes	-	32.987	-	32.987
Depreciation	-	-	-	-
Exchange gain or loss	782	1	1.988	2.771
<b>Position as at 30 June 2019</b>	<b>18.981.195</b>	<b>25.392.368</b>	<b>70.054.641</b>	<b>114.428.204</b>
<i>of which</i>				
<i>Retail customers</i>	2.246.328	14.532.995	11.619.749	28.399.072
<i>Corporate customers</i>	16.682.930	10.859.373	58.434.893	85.977.196
<i>Public sector</i>	51.936	-	-	51.936
Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	Total
<b>Retail customers</b>	<b>4.099.351</b>	<b>-21.468.311</b>	<b>17.368.960</b>	-
Transfer from Stage 1	-610.797.040	599.648.653	11.148.387	-
Transfer from Stage 2	613.040.683	-626.456.270	13.415.587	-
Transfer from Stage 3	1.855.709	5.339.306	-7.195.014	-
<b>Corporate customers</b>	<b>-3.661.437</b>	<b>-31.373.481</b>	<b>35.034.918</b>	-
Transfer from Stage 1	-107.080.566	72.626.403	34.454.163	-
Transfer from Stage 2	101.653.404	-104.095.241	2.441.837	-
Transfer from Stage 3	1.765.725	95.357	-1.861.082	-
<b>Public sector</b>	-	-	-	-
Outstanding amounts covered by provisions at 30/06/2019	Stage 1	Stage 2	Stage 3	Total
Retail customers	13.830.950.079	1.296.470.164	75.604.166	15.203.024.409
Corporate customers	5.100.525.876	386.399.059	231.338.773	5.718.263.708
Public sector	1.650.117.715	-	-	1.650.117.715

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. According to the EBA's definition, financial restructurings are characterised by a deterioration in the customer's position due to its financial difficulties and the fact that the financing conditions granted to the customer 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 31/12/2018	Performing restructured loans		Non-performing restructured loans		Total restructured loans	
	Outstanding	Impairment	Outstanding	Impairment	Outstanding	Impairment
Retail customers	29.559.727	736.036	11.650.585	1.850.590	41.210.311	2.586.625
Corporate customers	19.539.702	125.858	169.320.520	32.142.491	188.860.222	32.268.348
<b>Total</b>	<b>49.099.428</b>	<b>861.893</b>	<b>180.971.105</b>	<b>33.993.080</b>	<b>230.070.534</b>	<b>34.854.973</b>

  

as at 30/06/2019	Performing restructured loans		Non-performing restructured loans		Total restructured loans	
	Outstanding	Impairment	Outstanding	Impairment	Outstanding	Impairment
Retail customers	32.503.158	682.227	10.477.919	907.639	42.981.077	1.589.866
Corporate customers	26.031.456	5.143.126	203.853.971	32.475.384	229.885.427	37.618.511
<b>Total</b>	<b>58.534.614</b>	<b>5.825.354</b>	<b>214.331.890</b>	<b>33.383.023</b>	<b>272.866.505</b>	<b>39.208.377</b>

### 3.4 **Assets and liabilities held for trading**

<b>Assets</b>	<b>31/12/2018</b>	<b>30/06/2019</b>
Non-derivative financial instruments	-	2.596
Derivative financial instruments (note 3.11.)	220.216.547	134.082.302
<b>Total</b>	<b>220.216.547</b>	<b>134.084.897</b>
<b>Liabilities</b>	<b>31/12/2018</b>	<b>30/06/2019</b>
Non-derivative financial instruments	-	1.000.000
Derivative financial instruments (note 3.11.)	133.331.388	182.026.094
<b>Total</b>	<b>133.331.388</b>	<b>183.026.094</b>
<b>Assets - Non-derivative financial instruments</b>	<b>31/12/2018</b>	<b>30/06/2019</b>
<b>Debt instruments</b>	-	-
<i>Public sector</i>	-	-
<i>Credit institutions</i>	-	-
<i>Corporate customers</i>	-	-
<b>Equity instruments</b>	-	<b>2.596</b>
<b>Total</b>	-	<b>2.596</b>
Unrealised profit/loss at the reporting date	-	-
<b>Liabilities - Non-derivative financial instruments</b>	<b>31/12/2018</b>	<b>30/06/2019</b>
<b>Short sales</b>	-	<b>1.000.000</b>
<i>Bonds</i>	-	<b>1.000.000</b>
<i>Shares</i>	-	-
<b>Total</b>	-	<b>1.000.000</b>

### **3.5 Financial assets mandatorily recognised at fair value through profit or loss**

Headings	31/12/2018	30/06/2019
<b>Debt instruments</b>	<b>1.232.035.164</b>	<b>1.227.119.848</b>
<i>Public sector</i>	65.002.389	64.976.303
<i>Credit institutions</i>	631.152.634	620.892.547
<i>Corporate customers</i>	535.880.141	541.250.998
<b>Loans and advances</b>	<b>2.805.188</b>	<b>2.940.123</b>
<i>Public sector</i>	-	-
<i>Credit institutions</i>	-	-
<i>Corporate customers</i>	2.805.188	2.940.123
<b>Total</b>	<b>1.234.840.351</b>	<b>1.230.059.971</b>
Unrealised profit/loss	-180.700	23.483

This caption includes financial instruments which, depending on their characteristics, do not meet the "Solely Payment of Principal and Interest" (SPPI) criterion and are therefore not eligible for measurement at amortised cost or at fair value through the revaluation reserve. These instruments, because they are measured at fair value through profit or loss, are not subject to a value adjustment calculation.

### **3.6 Fixed-income securities recognised at amortised cost**

This caption includes debt instruments in the form of variable-rate, fixed-rate and other interest-rate bonds subject to compliance with the "Solely Payment of Principal and Interest" (SPPI) criterion in the context of the hold-to-collect (HTC) business model.

Some fixed-rate bonds are converted into variable-rate bonds using derivative financial instruments (asset swaps). The Group applies fair value hedge accounting to these transactions. Prospective and retrospective effectiveness is close to 100%.

Headings	31/12/2018	30/06/2019
<b>Debt instruments</b>	<b>14.226.659.023</b>	<b>14.053.532.832</b>
<i>Public sector</i>	2.734.046.239	2.804.003.157
<i>Credit institutions</i>	7.864.933.758	7.320.951.624
<i>Corporate customers</i>	3.627.679.026	3.928.578.051
Impairment of financial assets	-11.806.825	-11.239.379
Fair value (interest-rate component) for the purposes of hedge accounting	148.921.008	243.472.536

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Change in impairments:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Position as at 1 January 2018</b>	<b>7.207.851</b>	<b>172.044</b>	<b>8.362.241</b>	<b>15.742.136</b>
<i>of which</i>				
<i>Public sector</i>	732.031	-	-	732.031
<i>Credit institutions</i>	4.199.104	-	-	4.199.104
<i>Corporate customers</i>	2.276.716	172.044	8.362.241	10.811.001
<b>Stage transfers</b>	<b>2.866.394</b>	<b>831.908</b>	<b>-3.698.302</b>	<b>-</b>
<i>Public sector</i>	-	-	-	-
<i>Credit institutions</i>	-	-	-	-
<i>Corporate customers</i>	<b>2.866.394</b>	<b>831.908</b>	<b>-3.698.302</b>	<b>-</b>
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	119.981	-119.981	-	-
<i>Transfer from Stage 3</i>	2.746.413	951.889	-3.698.302	-
<b>Position as at 31 December 2018 before changes</b>	<b>10.074.246</b>	<b>1.003.952</b>	<b>4.663.938</b>	<b>15.742.136</b>
<b>Changes</b>	<b>-2.343.312</b>	<b>-978.756</b>	<b>-613.243</b>	<b>-3.935.311</b>
Increase due to acquisition and origination	2.172.413	-	-	2.172.413
Decrease due to repayment	-	-	-	-
Change related to credit risk	-4.518.444	-978.756	-613.682	-6.110.882
Other changes	-	-	-	-
Depreciation	-	-	-	-
Exchange gain or loss	2.719	-	438	3.158
<b>Position as at 31 December 2018</b>	<b>7.730.934</b>	<b>25.196</b>	<b>4.050.695</b>	<b>11.806.825</b>
<i>of which</i>				
<i>Public sector</i>	546.290	-	-	546.290
<i>Credit institutions</i>	4.067.444	-	-	4.067.444
<i>Corporate customers</i>	3.117.199	25.196	4.050.695	7.193.090
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Public sector</b>	-	-	-	-
<b>Credit institutions</b>	-	-	-	-
<b>Corporate customers</b>	<b>20.204.777</b>	<b>-823.728</b>	<b>-19.381.049</b>	<b>-</b>
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	3.231.168	-3.231.168	-	-
<i>Transfer from Stage 3</i>	16.973.610	2.407.439	-19.381.049	-
<b>Exposure by stage at 31 December 2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<i>Public sector</i>	2.734.592.530	-	-	2.734.592.530
<i>Credit institutions</i>	7.869.001.203	-	-	7.869.001.203
<i>Corporate customers</i>	3.620.168.091	7.497.262	7.206.764	3.634.872.116

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	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Position as at 1 January 2019</b>	<b>7.730.934</b>	<b>25.196</b>	<b>4.050.695</b>	<b>11.806.825</b>
<i>of which</i>				
<i>Public sector</i>	546.290	-	-	546.290
<i>Credit institutions</i>	4.067.444	-	-	4.067.444
<i>Corporate customers</i>	3.117.199	25.196	4.050.695	7.193.090
<b>Changes</b>	<b>564.766</b>	<b>-25.196</b>	<b>-1.107.017</b>	<b>-567.447</b>
Increase due to acquisition and origination	1.535.970	-	-	1.535.970
Decrease due to repayment	-386.471	-	-	-386.471
Change related to credit risk	-591.826	-25.196	-1.084.747	-1.701.769
Other net changes	-	-	-	-
Depreciation	-	-	-22.407	-22.407
Exchange gain or loss	7.092	-	137	7.229
<b>Position as at 30 June 2019</b>	<b>8.295.699</b>	<b>-</b>	<b>2.943.678</b>	<b>11.239.377</b>
<i>of which</i>				
<i>Public sector</i>	437.903	-	-	437.903
<i>Credit institutions</i>	4.786.394	-	-	4.786.394
<i>Corporate customers</i>	3.071.402	-	2.943.678	6.015.080
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Public sector</b>	-	-	-	-
<b>Credit institutions</b>	-	-	-	-
<b>Corporate customers</b>	<b>5.162.425</b>	<b>-2.280.857</b>	<b>-2.881.568</b>	-
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	5.162.425	-5.162.425	-	-
<i>Transfer from Stage 3</i>	-	2.881.568	-2.881.568	-
<b>Exposure by stage at 30 June 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Public sector	2.804.441.058	-	-	2.804.441.058
Credit institutions	7.325.738.019	-	-	7.325.738.019
Corporate customers	3.925.585.221	5.151.361	3.856.546	3.934.593.129

**3.7 Variable-income securities recognised at fair value through the revaluation reserve**

This item includes the equity instruments held by the Group. These instruments are measured at fair value through the revaluation reserve. Gains and losses on the sale of these instruments are recognised on a separate line in equity.

Headings	31/12/2018	30/06/2019
<b>Equity instruments</b>	<b>863.396.081</b>	<b>818.204.885</b>
<i>Credit institutions</i>	3.666.600	3.520.994
<i>Corporate customers</i>	859.729.481	814.683.891
Unrealised profit/loss through the revaluation reserve	529.021.573	485.088.289
Dividends received during the period	31.108.012	30.970.055
<i>of which dividends from positions sold during the period</i>	-	-
Gains/losses on sales in equity	808.399	-

### **3.8 Investments in associates accounted for using the equity method**

List of associates:

<b>Associates</b>	<b>Fraction of capital held (%)</b>	<b>Acquisition value</b>	<b>Equity-accounted value 30/06/2019</b>
Société Nationale de Circulation Automobile S.à r.l.	20,00	24.789	7.055.644
Luxair S.A.	21,81	14.830.609	97.329.907
Société de la Bourse de Luxembourg S.A.	22,75	128.678	25.173.347
Europay Luxembourg S.C.	30,10	188.114	859.100
European Fund Administration S.A.	31,67	5.691.671	6.320.278
Luxhub S.A.	32,50	1.300.000	466.674
Visalux S.C.	34,66	365.306	9.775.040
Lalux Group S.A.	40,00	28.904.385	237.282.954
BioTechCube (BTC) Luxembourg S.A.	50,00	5.000.000	712.347
<b>Total</b>		<b>56.433.553</b>	<b>384.975.292</b>

  

<b>Associates</b>	<b>Fraction of capital held (%)</b>	<b>Acquisition value</b>	<b>Equity-accounted value 31/12/2018</b>
Société Nationale de Circulation Automobile S.à r.l.	20,00	24.789	6.758.684
Luxair S.A.	21,81	14.830.609	98.352.343
Société de la Bourse de Luxembourg S.A.	22,75	128.678	24.029.499
Europay Luxembourg S.C.	30,10	188.114	775.563
LuxHub S.A.	32,50	1.300.000	665.311
Visalux S.C.	34,66	365.306	7.782.260
Lalux Group S.A.	40,00	28.904.385	215.530.085
BioTechCube (BTC) Luxembourg S.A.	50,00	5.000.000	720.073
<b>Sub-total direct holdings in associates</b>		<b>50.741.882</b>	<b>354.613.819</b>
EFA Partners S.A.	29,05	551.900	719.160
Pecoma International S.A.	33,33	170.000	219.542
<b>Sub-total indirect holdings in associates</b>		<b>721.900</b>	<b>938.702</b>
<b>Total</b>		<b>51.463.781</b>	<b>355.552.521</b>

With one exception, the financial statements of associates have been restated to comply with IFRS 9. That one exception is Lalux Group S.A. entity, which refers to Regulation (EU) 2017/1988 published in the official journal on 9 November 2017 and concerning amendments to IFRS 4 Insurance Contracts. This regulation introduces certain exemptions for entities that operate in the insurance sector and are consolidated in the financial statements of financial conglomerates under IFRS 9 until financial year 2022.

The scope of investments in associates changed during first-half 2019, with the direct interest in European Fund Administration S.A. reaching 31,67%. Indirect interests changed as follows:

- Dissolution of EFA Partners S.A.;
- Sale of the holding in Pecoma International S.A.

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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	30/06/2019			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
<b>Direct interests</b>	<b>14.100.532</b>	-	<b>24.865.065</b>	<b>38.965.597</b>
Société Nationale de Circulation Automobile S.à r.l.	260.686	-	515.548	776.234
Luxair S.A.	-4.143.884	-	1.528.230	-2.615.654
Société de la Bourse de Luxembourg S.A.	2.417.122	-	603.967	3.021.089
Europay Luxembourg S.C.	7.900	-	-153.870	-145.970
European Fund Administration S.A.	-819.403	-	1.448.241	628.838
Luxhub S.A.	-198.637	-	-634.689	-833.326
Visalux S.C.	-157.458	-	2.014.126	1.856.668
Lalux Group S.A.	16.741.963	-	19.558.963	36.300.926
BioTechCube (BTC) Luxembourg S.A.	-7.757	-	-15.451	-23.208
<b>Indirect interests</b>	<b>-</b>	<b>-</b>	<b>-108.040</b>	<b>-108.040</b>
EFA Partners S.A.	-	-	-55.404	-55.404
Pecoma International S.A.	-	-	-52.636	-52.636
<b>Total</b>	<b>14.100.532</b>	-	<b>24.757.025</b>	<b>38.857.557</b>

Associates	31/12/2018			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
<b>Direct interests</b>	<b>12.281.427</b>	-	<b>1.505.106</b>	<b>13.786.533</b>
Société Nationale de Circulation Automobile S.à r.l.	482.100	-	325.941	808.041
Luxair S.A.	-2.428.329	-	3.975.488	1.547.159
Société de la Bourse de Luxembourg S.A.	1.882.735	-	215.135	2.097.870
Europay Luxembourg S.C.	-231.604	-	-3.403.159	-3.634.763
FS-B S.à.r.l.	-	-	-281.339	-281.339
FS-T S.à.r.l.	-	-	87.509	87.509
LuxHub S.A.	-634.689	-	-	-634.689
Visalux S.C.	-1.010.894	-	-1.166.298	-2.177.192
Lalux Group S.A.	14.238.120	-	1.767.281	16.005.401
BioTechCube (BTC) Luxembourg S.A.	-16.012	-	-15.452	-31.464
<b>Indirect interests</b>	<b>108.762</b>	-	<b>-3.053</b>	<b>105.709</b>
EFA Partners S.A.	111.856	-	42	111.898
Pecoma International S.A.	-3.094	-	-3.095	-6.189
<b>Total</b>	<b>12.390.189</b>	-	<b>1.502.053</b>	<b>13.892.242</b>

### 3.9 Securities collateralised

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

Headings	31/12/2018	30/06/2019
Debt instruments issued by the public sector	335.451.247	812.569.829
Debt instruments issued by credit institutions	306.666.187	417.109.032
Debt instruments issued - other	289.050.940	313.308.616
<b>Total</b>	<b>931.168.374</b>	<b>1.542.987.478</b>

The debt instruments issued are primarily "fixed-income securities recognised at amortised cost". The increase in debt instruments can be attributed to the increase in activity in light of the use of bilateral netting agreements for repurchase agreements and reverse repurchase agreements in the first half of 2019.

#### **Securities lent and other collateral**

Headings	31/12/2018	30/06/2019
<b>Securities lending</b>		
Debt instruments issued by the public sector	642.071.306	542.722.984
Debt instruments issued by credit institutions	157.676.149	-
Debt instruments issued - other	95.000.741	53.720.745
<b>Total</b>	<b>894.748.197</b>	<b>596.443.729</b>

### 3.10 Convertible bonds included in the different portfolios

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

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### 3.11 Derivatives

<b>Categories at 30/06/2019</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
<b>Derivative financial instruments held for trading</b>	<b>134.082.301</b>	<b>182.026.094</b>	<b>17.956.402.607</b>
Operations linked to exchange rates	77.038.329	102.356.976	15.231.100.425
- <i>Foreign exchange swaps and forward exchange contracts</i>	76.666.489	102.356.976	15.222.067.795
- <i>CCIS economic hedge</i>	371.841	-	9.032.629
- <i>other</i>	-	-	-
Operations linked to interest rates	57.043.972	79.669.118	2.693.902.528
- <i>IRS</i>	44.985.970	59.795.987	1.310.356.797
- <i>IRS economic hedge</i>	11.152.930	18.636.360	1.261.686.564
- <i>other</i>	905.073	1.236.770	121.859.168
Operations linked to equity	-	-	31.399.655
- <i>Equity and index options</i>	-	-	31.399.655
<b>Fair value hedging derivatives</b>	<b>38.185.226</b>	<b>892.214.912</b>	<b>10.295.620.238</b>
Operations linked to exchange rates	19.199.211	165.664.281	1.459.695.070
- <i>CCIS</i>	19.199.211	165.664.281	1.459.695.070
Operations linked to interest rates	18.986.015	726.550.631	8.835.925.169
- <i>IRS (interest rate)</i>	18.986.015	726.550.631	8.835.925.169
<b>Cash flow hedging derivatives</b>	<b>17.610.975</b>	<b>17.495.007</b>	<b>541.075.585</b>
Operations linked to exchange rates	14.451.963	17.495.007	514.175.585
- <i>CCIS</i>	14.451.963	17.495.007	514.175.585
Operations linked to interest rates	3.159.013	-	26.900.000
- <i>IRS</i>	3.159.013	-	26.900.000
<b>Categories at 31/12/2018</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
<b>Derivative financial instruments held for trading</b>	<b>220.216.547</b>	<b>133.331.388</b>	<b>15.425.751.774</b>
Operations linked to exchange rates	178.107.701	52.951.413	12.408.458.186
- <i>Foreign exchange swaps and forward exchange contracts</i>	177.431.491	52.951.413	12.215.995.186
- <i>CCIS economic hedge</i>	676.210	-	3.763.000
- <i>other</i>	-	-	188.700.000
Operations linked to interest rates	34.223.923	72.495.052	2.969.261.072
- <i>IRS</i>	32.581.565	42.819.227	1.567.152.964
- <i>IRS economic hedge</i>	724.040	28.426.833	1.275.583.105
- <i>other</i>	918.318	1.248.991	126.525.003
Operations linked to equity	7.884.923	7.884.923	48.032.516
- <i>Equity and index options</i>	7.884.923	7.884.923	48.032.516
<b>Fair value hedging derivatives</b>	<b>43.494.414</b>	<b>595.544.439</b>	<b>9.623.595.485</b>
Operations linked to exchange rates	25.900.841	131.188.033	1.334.033.138
- <i>CCIS</i>	25.900.841	131.188.033	1.334.033.138
Operations linked to interest rates	17.593.574	464.356.406	8.289.562.347
- <i>IRS (interest rate)</i>	17.593.574	464.356.406	8.289.562.347
<b>Cash flow hedging derivatives</b>	<b>21.976.145</b>	<b>11.281.850</b>	<b>494.156.237</b>
Operations linked to exchange rates	18.657.253	11.281.850	464.756.237
- <i>CCIS</i>	18.657.253	11.281.850	464.756.237
Operations linked to interest rates	3.318.892	-	29.400.000
- <i>IRS</i>	3.318.892	-	29.400.000

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Fair value hedges at 30/06/2019	Balance sheet categories	Fair value of hedged instruments	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Ineffectiveness	Effectiveness rate
<b>Interest rate risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost; Loans and advances at amortised cost – Customers, Change in fair value of a portfolio of financial instruments hedged against interest rate risk	547.138.725	267.765.344	-269.404.329	-1.638.985	100,61%
Fixed-rate liability instruments	Issuance of debt securities	13.993.581	-14.852.287	14.928.486	76.199	100,51%
<b>Currency risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost; Loans and advances at amortised cost – Customers	-58.350.829	28.395.026	-28.590.410	-195.384	100,69%
Fixed-rate liability instruments	Issuance of debt securities	1.229.042	-1.549.396	1.553.343	3.947	100,25%

Cash flow hedges at 30/06/2019	Balance sheet categories	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Cash flow hedging reserve
Interest rate risk				continuity of hedging
Fixed-rate asset instruments	Loans and advances at amortised cost - Customers	160.148	-	3.155.578
Currency risk				termination of hedging
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost	1.217.890	-	-1.702.814

**Income on hedging activities recognised in net income and other comprehensive income at 30/06/2019**

**Net income or other comprehensive income**

<b>Fair value hedges (micro + macro hedges)</b>	<b>1.754.223</b>
gains (losses) on hedging instruments	-281.087.863
gains (losses) on hedged instruments related to the hedged risk	281.512.911
ineffective part	1.329.175
<b>Cash flow hedges</b>	<b>-1.378.039</b>
ineffective part	-
effective part	-1.378.039
reclassified in profit or loss over the period	-

**Reconciliation of the equity component at 30/06/2019**

**Cash flow hedges recognised in revaluation reserve**

<b>Balance at 1 January 2019</b>	<b>2.830.802</b>
Change in fair value related to hedging of:	-1.378.039
<i>interest rate risk</i>	-160.148
<i>foreign exchange risk</i>	-1.217.890
Amount reclassified to profit or loss related to hedging of:	-
<i>interest rate risk</i>	-
<i>foreign exchange risk</i>	-
<b>Balance at 30 June 2019</b>	<b>1.452.764</b>

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Fair value hedges at 31/12/2018	Balance sheet categories	Fair value of hedged instruments	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Ineffectiveness	Effectiveness rate
<b>Interest rate risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost, Loans and advances at amortised cost – Customers, Change in fair value of a portfolio of financial instruments hedged against interest rate risk	-140,488.686	-23,753.718	21,165.245	-2,588.474	89,10%
Fixed-rate liability instruments	Issuance of debt securities	-934.905	-4,174.609	4,162.321	-12.288	99,71%
<b>Currency risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost, Loans and advances at amortised cost – Customers	-29,760.419	6,509.730	-6,497.946	11.785	99,82%
Fixed-rate liability instruments	Issuance of debt securities	-2,782.386	3,517.066	-3,515.426	1.640	99,95%

Cash flow hedges at 31/12/2018	Balance sheet categories	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Cash flow hedging reserve
				continuity of hedging termination of hedging
Interest rate risk				
Fixed-rate asset instruments	Loans and advances at amortised cost - Customers	939.319	-	3,315.726
Currency risk				
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost	-486.709	-	-484.924

Income on hedging activities recognised in net income and other comprehensive income at 31/12/2018	Net income or other comprehensive income
<b>Fair value hedges (micro + macro hedges)</b>	<b>2,587.336</b>
gains (losses) on hedging instruments	18,092.399
gains (losses) on hedged instruments related to the hedged risk	-15,314.194
ineffective part	-190.868
<b>Cash flow hedges</b>	<b>452.610</b>
ineffective part	-
effective part	452.610
reclassified in profit or loss over the period	-

Reconciliation of the equity component at 31/12/2018	Cash flow hedges recognised in revaluation reserve
<b>Balance at 1 January 2018</b>	<b>3,283.412</b>
Change in fair value related to hedging of:	
<i>interest rate risk</i>	-452.610
<i>foreign exchange risk</i>	-939.319
	486.709
Amount reclassified to profit or loss related to hedging of:	
<i>interest rate risk</i>	-
<i>foreign exchange risk</i>	-
<b>Balance at 31 December 2018</b>	<b>2,830.802</b>

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

Headings	31/12/2018	30/06/2019
Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk	69.027.154	228.867.372
<b>Total</b>	<b>69.027.154</b>	<b>228.867.372</b>

This caption includes the fair value of loans and advances at amortised cost - Customers, 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 change in this item between 2018 and 2019 is due to the impact of the change in the interest-rate curves used to determine fair value and to a volume effect.

**3.13 Tangible assets for own use**

Headings	31/12/2018	30/06/2019
Tangible assets for own use	277.961.253	266.260.474
Right-of-use assets arising from leases	-	14.526.029
<b>Total</b>	<b>277.961.253</b>	<b>280.786.503</b>

The "Right-of-use assets arising from leases" item results from first-time adoption of IFRS 16.

**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. The overall tax burden of corporations at the nominal tax rate declined from 26,01% to 24,94% starting in financial year 2019.

As at 30 June 2019, the Group posted a deferred tax asset of EUR 163.805.789, and a deferred tax liability of EUR 136.835.531.

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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.

Headings	01/01/2018 before FTA*	Movements in equity	Movements in income statement	31/12/2018
Deferred tax assets	93.552.932	50.872.957	-	144.425.889
Deferred tax liabilities	-158.365.512	5.670.905	10.541.836	-142.152.770
<b>Net deferred tax assets / liabilities</b>	<b>-64.812.580</b>	<b>56.543.862</b>	<b>10.541.836</b>	<b>2.273.119</b>
Headings	01/01/2019	Movements in equity	Movements in income statement	30/06/2019
Deferred tax assets	144.425.889	21.430.434	-2.050.534	163.805.789
Deferred tax liabilities	-142.152.770	-3.434.890	8.752.129	-136.835.531
<b>Net deferred tax assets/liabilities</b>	<b>2.273.119</b>	<b>17.995.544</b>	<b>6.701.595</b>	<b>26.970.258</b>

(\*) First Time Adoption of IFRS 9

### 3.14.1 Tax assets

Headings	31/12/2018	30/06/2019
Deferred taxes	144.425.889	163.805.789
<b>Tax assets</b>	<b>144.425.889</b>	<b>163.805.789</b>

Breakdown of deferred tax assets according to origin:

Headings	31/12/2018	30/06/2019
Derivative financial instruments - application of fair value	126.129	424.682
Debt instruments - application of fair value	-	-
Equity instruments - application of fair value	3.998.803	3.742.246
Pension funds - actuarial gain or loss	96.764.277	117.893.194
Deferred tax assets due to FTA	43.536.679	41.745.666
<b>Deferred tax assets</b>	<b>144.425.889</b>	<b>163.805.789</b>

### 3.14.2 Tax liabilities

Headings	31/12/2018	30/06/2019
Current tax	46.813.738	43.809.908
Income tax	34.105.501	31.533.005
Municipal business tax	12.686.837	12.255.503
Wealth tax	21.400	21.400
Deferred taxes	142.152.770	136.835.531
<b>Tax liabilities</b>	<b>188.966.508</b>	<b>180.645.439</b>

Breakdown of deferred tax liabilities according to origin:

Headings	31/12/2018	30/06/2019
Derivative instruments - application of fair value	862.420	787.001
Debt instruments - application of fair value	-	-
Equity instruments - application of fair value	791.698	805.377
Pension funds - fair value gain/loss	2.890.058	6.511.708
Regulatory and other provisions	106.029.218	98.451.182
Deferred tax liabilities due to FTA	31.579.375	30.280.262
<b>Deferred tax liabilities</b>	<b>142.152.770</b>	<b>136.835.531</b>

### 3.15 Other assets

Headings	31/12/2018	30/06/2019
Operational outstandings	12.280.871	11.974.507
Preferential or secured debtors	1.672.453	1.580.451
Other	10.161	193.861
<b>Total</b>	<b>13.963.485</b>	<b>13.748.819</b>

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

### 3.16 Deposits at amortised cost – Credit institutions

Headings	31/12/2018	30/06/2019
Inter-bank deposits	4.719.061.192	5.231.543.125
<i>of which central bank deposits</i>	921.868.547	774.625.220
Repurchase/Reverse repurchase agreements	97.978.071	510.606.281
Other financial liabilities	23.805.802	155.747.886
<b>Total</b>	<b>4.840.845.065</b>	<b>5.897.897.292</b>

### 3.17 Deposits at amortised cost – Private customers and public sector

Headings	31/12/2018	30/06/2019
<b>Private sector</b>	<b>25.995.716.028</b>	<b>26.632.302.625</b>
- Demand deposit and notice accounts	9.169.669.399	9.736.041.576
- Time deposit accounts	3.066.866.888	2.407.638.748
- Savings	13.759.179.740	14.115.040.461
- Repurchase/Reverse repurchase agreements	-	373.581.840
<b>Public sector</b>	<b>5.881.433.022</b>	<b>5.705.087.420</b>
<b>Total</b>	<b>31.877.149.050</b>	<b>32.337.390.045</b>

### 3.18 Financial liabilities designated at fair value through profit or loss

Headings	31/12/2018	30/06/2019
Unsubordinated notes	151.566.706	163.925.741
<b>Total</b>	<b>151.566.706</b>	<b>163.925.741</b>
<i>Unrealised profit/loss at the reporting date</i>	-1.918.958	9.809.844

This caption includes financial instruments which, depending on their characteristics, incorporate derivative components that are not directly related and are therefore not eligible for measurement at amortised cost. The Group's parent company applies an own credit risk equal to zero in light of its stable rating.

### 3.19 Issuance of debt securities

Headings	31/12/2018	30/06/2019
Certificates of deposit	100.648.485	81.520.785
Commercial paper	3.098.167.240	4.652.936.844
Medium Term Notes and other securities issued	447.778.704	463.425.969
<b>Total</b>	<b>3.646.594.429</b>	<b>5.197.883.598</b>
<i>of which:</i>		
- Subordinated notes	100.483.038	100.246.588

The Bank did not issue any Euro Medium Term Notes (EMTN) in first-half 2019.

### 3.20 Provisions

This caption comprises three main types of provisions: provisions to be established under IAS 37, provisions for the time savings account, and provisions under IFRS 9 on Group commitments.

	2018	Provisions			
		Risks and charges	Time savings account	IAS 39/IFRS 9	Total
<b>Position as at 1 January</b>	<b>2.599.352</b>	-	<b>15.196.140</b>	<b>17.795.492</b>	
Additions	200.000	-	8.077.352	8.277.352	
Reversals	-82.823	-	-10.156.420	-10.239.243	
Application	-421.654	-	1.291	-420.363	
Expense included in personnel expenses	-	6.411.941	-	6.411.941	
<b>Position as at 31 December</b>	<b>2.294.875</b>	<b>6.411.941</b>	<b>13.118.363</b>	<b>21.825.179</b>	
2019					
<b>Position as at 1 January</b>	<b>2.294.875</b>	<b>6.411.941</b>	<b>13.118.363</b>	<b>21.825.179</b>	
Additions	-	-	6.151.941	6.151.941	
Reversals	-	-	-7.476.745	-7.476.745	
Foreign exchange income	-	-	115	115	
Expense included in personnel expenses	-	1.472.828	-	1.472.828	
<b>Position as at 30 June</b>	<b>2.294.875</b>	<b>7.884.769</b>	<b>11.793.674</b>	<b>21.973.318</b>	

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Change in provisions for off-balance sheet commitments:

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2018</b>	<b>10.862.265</b>	<b>3.262.743</b>	<b>1.071.132</b>	<b>15.196.140</b>
<b>Stage transfers</b>	<b>613.519</b>	<b>-547.038</b>	<b>-66.482</b>	<b>-</b>
<i>Transfer from Stage 1</i>	-97.443	96.457	986	-
<i>Transfer from Stage 2</i>	681.525	-703.348	21.823	-
<i>Transfer from Stage 3</i>	29.438	59.853	-89.291	-
<b>Position as at 31 December 2018 before changes</b>	<b>11.475.784</b>	<b>2.715.705</b>	<b>1.004.650</b>	<b>15.196.140</b>
<b>Changes</b>	<b>-1.229.572</b>	<b>-646.915</b>	<b>-201.290</b>	<b>-2.077.777</b>
Increase due to acquisition and origination	7.486.993	949.570	959.315	9.395.879
Decrease due to repayment	-2.496.271	-1.329.210	-193.394	-4.018.874
Change related to credit risk	-6.221.587	-252.465	-967.211	-7.441.262
Other changes	-	-14.810	-	-14.810
Exchange gain or loss	1.292	-1	-	1.290
<b>Position as at 31 December 2018</b>	<b>10.246.212</b>	<b>2.068.790</b>	<b>803.361</b>	<b>13.118.363</b>
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<i>Transfer from Stage 1</i>	-33.311.002	33.156.478	154.525	-
<i>Transfer from Stage 2</i>	45.898.530	-46.170.098	271.568	-
<i>Transfer from Stage 3</i>	137.459	251.909	-389.368	-
<b>Outstanding amounts covered by provisions at 31/12/2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Outstanding amounts	6.080.329.241	175.939.243	7.541.887	6.263.810.371
<b>Position as at 1 January 2019</b>	<b>10.246.212</b>	<b>2.068.790</b>	<b>803.361</b>	<b>13.118.363</b>
<b>Changes</b>	<b>-1.112.916</b>	<b>-144.929</b>	<b>-66.845</b>	<b>-1.324.690</b>
Increase due to acquisition and origination	5.761.312	118.518	9.839	5.889.670
Decrease due to repayment	-2.799.690	-233.523	-434.245	-3.467.457
Change related to credit risk	-4.074.650	-29.924	357.560	-3.746.739
Other net changes	-	-	-	-
Exchange gain or loss	111	-	-	-163
<b>Position as at 30 June 2019</b>	<b>9.133.296</b>	<b>1.923.861</b>	<b>736.516</b>	<b>11.793.673</b>
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<i>Transfer from Stage 1</i>	-26.975.221	26.585.859	389.362	-
<i>Transfer from Stage 2</i>	40.249.366	-40.405.991	156.625	-
<i>Transfer from Stage 3</i>	118.168	188.608	-306.776	-
<b>Outstanding amounts covered by provisions at 30/06/2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Outstanding amounts	6.872.282.895	151.220.417	5.232.155	7.028.735.468

**3.21 Other liabilities**

Headings	31/12/2018	30/06/2019
Operational outstandings	57.279.105	2.382.482
Preferential or secured creditors	23.069.643	10.633.951
Other financial liabilities at amortised cost	-	14.526.029
Other	3.410.652	12.988.008
<b>Total</b>	<b>83.759.400</b>	<b>40.530.470</b>

Under IFRS 16, the "Other financial liabilities at amortised cost" item includes lease liabilities arising from leases.

### 3.22 Pension funds - Defined-benefit pension plan

Main estimates used to determine pension commitments:

Variables	31/12/2018	30/06/2019
Discount rate for active employees	1,80%	1,12%
Discount rate for beneficiaries	1,45%	0,87%
Salary increases (including indexation)	3,25%	3,25%
Pension increases (including indexation)	2,25%	2,25%
Induced yield	1,61%	1,61%

Under revised IAS 19, the induced yield for 2019 corresponds to the weighted-average discount rate at end-2018.

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

Components	30/06/2018	30/06/2019
Current service cost	5.546.160	5.896.240
Interest cost	4.951.227	5.503.321
Induced yield	-3.420.019	-3.686.599
<b>Total</b>	<b>7.077.368</b>	<b>7.712.962</b>

Pension commitments:

	31/12/2018	30/06/2019
<b>Commitments at the beginning of the period</b>	<b>646.114.109</b>	<b>682.449.398</b>
Current service cost	11.092.320	5.896.240
Interest cost	9.902.453	5.503.321
Benefits paid or payable	-12.585.339	-9.949.878
Actuarial gains or losses	27.925.854	100.680.064
<b>Commitments on the last day of the month</b>	<b>682.449.398</b>	<b>784.579.146</b>

Pension plan assets:

	31/12/2018	30/06/2019
<b>Position at the beginning of the period</b>	<b>446.297.938</b>	<b>457.163.411</b>
Pension payments	-12.585.339	-9.949.878
Contribution	33.002.681	6.282.613
Induced yield	6.840.037	3.686.599
Fair value gain / loss	-16.391.907	14.998.160
<b>Total</b>	<b>457.163.411</b>	<b>472.180.903</b>

Net pension commitments under IAS 19:

	31/12/2018	30/06/2019
Pension commitments	682.449.398	784.579.146
Plan assets measured at fair value	-457.163.411	-472.180.903
<b>Unfunded liabilities/overfunding</b>	<b>225.285.987</b>	<b>312.398.243</b>

**3.23 Related-party transactions**

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

All transactions with related parties are completed under market conditions.

**3.23.1 Relationships between the group's parent company and equity-accounted associates**

	31/12/2018	30/06/2019
Deposits from associates	241.880.312	202.180.263
<b>Total</b>	<b>241.880.312</b>	<b>202.180.263</b>

	31/12/2018	30/06/2019
Loans from associates	60.003.409	62.610.475
<b>Total</b>	<b>60.003.409</b>	<b>62.610.475</b>

**3.23.2 Government institutions**

The Group, established by the law of 21 February 1856 and governed by the organic law of 24 March 1989, is an autonomous public 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 applies the exemption provided for in paragraph 25 of IAS 24.

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

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ASSETS	31/12/2018	30/06/2019
Loans and advances at amortised cost	2.310.327.576	1.645.319.008
Fixed-income securities recognised at amortised cost	565.350.469	650.316.061
Other	4.237.210	-
<b>TOTAL ASSETS</b>	<b>2.879.915.255</b>	<b>2.295.635.069</b>
LIABILITIES	31/12/2018	30/06/2019
Deposits at amortised cost	4.911.514.610	5.204.910.084
<b>TOTAL LIABILITIES</b>	<b>4.911.514.610</b>	<b>5.204.910.084</b>

### 3.23.3 Remuneration paid to the members of the management and administrative bodies

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

	30/06/2018	30/06/2019
Board of Directors (nine members)	147.000	165.750
Executive Committee (five members)	497.042	481.423
<b>Total</b>	<b>644.042</b>	<b>647.173</b>

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.

### 3.23.4 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:

	31/12/2018	30/06/2019
Board of Directors (nine members)	2.268.788	3.457.810
Executive Committee (five members)	219.750	65.878
<b>Total</b>	<b>2.488.538</b>	<b>3.523.688</b>

### **3.24 Off-balance sheet items**

Type of guarantees issued:

Headings	31/12/2018	30/06/2019
Completion bonds	423.220.707	450.777.054
Letters of credit	82.986.242	83.452.659
Counter-guarantees	379.500.912	416.137.079
Other	5.136.715	6.294.393
<b>Total</b>	<b>890.844.576</b>	<b>956.661.185</b>

Commitments:

Headings	31/12/2018	30/06/2019
Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies	6.950.482	6.850.884
Undrawn confirmed credits	5.351.527.190	6.052.123.399
<i>Financing</i>	<i>2.782.178.307</i>	<i>3.272.410.634</i>
<i>Current accounts</i>	<i>1.870.832.084</i>	<i>1.871.734.536</i>
<i>Money-market contracts</i>	<i>218.340.611</i>	<i>397.656.445</i>
<i>Other</i>	<i>480.176.187</i>	<i>510.321.783</i>
Documentary credits	13.412.664	13.100.000
<b>Total</b>	<b>5.371.890.335</b>	<b>6.072.074.283</b>

#### **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 STATEMENT<sup>2</sup>**  
 (in euros)

**4.1 Interest income**

Interest received and similar income	30/06/2018	30/06/2019
Assets repayable on demand	-	-
Financial assets held for trading	114.365.896	159.206.418
Financial assets mandatorily recognised at fair value through profit or loss	4.267.857	2.224.203
Loans and advances at amortised cost	195.917.614	194.112.621
Fixed-income securities recognised at amortised cost	87.108.981	82.078.248
Derivatives - Hedge accounting, interest rate risk	34.908.587	58.831.852
Other assets	10.580.059	7.871.514
<b>Total</b>	<b>447.148.994</b>	<b>504.324.856</b>
Interest paid and similar expenses	30/06/2018	30/06/2019
Financial liabilities held for trading	-28.093.555	-45.797.599
Financial liabilities designated at fair value through profit or loss	-1.357.017	-1.341.698
Liabilities at amortised cost - Deposits	-64.810.323	-67.420.840
Liabilities at amortised cost - Debt certificates	-37.734.158	-52.192.858
Liabilities at amortised cost - Subordinated loans	-49.353	-62.094
Derivatives - Hedge accounting, interest rate risk	-132.065.548	-141.594.133
Other liabilities	-6.877.670	-11.757.912
<b>Total</b>	<b>-270.987.624</b>	<b>-320.167.134</b>
<b>Interest income</b>	<b>176.161.370</b>	<b>184.157.722</b>
Total interest received and similar income not recognised at fair value through profit or loss	293.606.654	284.062.383
Total interest paid and similar expenses not recognised at fair value through profit or loss	-109.471.504	-131.433.704

Net interest income increased by 4,5% to EUR 184,2 million as at 30 June 2019 compared with EUR 176,2 million in the previous year.

<sup>2</sup> 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 securities

Headings	30/06/2018	30/06/2019
Variable-income securities recognised at fair value through the revaluation reserve	30.761.609	30.973.892
<b>Income from securities</b>	<b>30.761.609</b>	<b>30.973.892</b>

#### 4.3 Fee and commission income

Headings	30/06/2018	30/06/2019
Loan activities	24.588.782	26.901.280
Asset management	20.516.674	22.385.529
Investment fund activities	26.197.267	23.897.895
Demand deposit accounts and related activities	17.944.175	18.542.133
Insurance premiums	1.618.201	1.278.644
Other (*)	3.999.083	4.544.353
<b>Total commissions received</b>	<b>94.864.182</b>	<b>97.549.834</b>
Loan activities	-1.779.572	-1.594.374
Asset management	-8.967.875	-9.910.322
Investment fund activities	-5.521.674	-5.189.149
Demand deposit accounts and related activities	-3.584.493	-3.970.840
Other (*)	-1.158.093	-2.316.116
<b>Total commissions paid</b>	<b>-21.011.707</b>	<b>-22.980.801</b>
<b>Total commissions</b>	<b>73.852.475</b>	<b>74.569.033</b>

(\*) mostly fees on derivative financial instruments

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

Headings	30/06/2018	30/06/2019
Variable-income securities recognised at fair value through the revaluation reserve	174.600	-
Loans and advances (at amortised cost)	49.665	51.785
Fixed-income securities recognised at amortised cost	26.397	106.065
Financial liabilities (at amortised cost)	-	-
<b>Total</b>	<b>250.662</b>	<b>157.850</b>

**4.5 Income from financial instruments held for trading**

Headings	30/06/2018	30/06/2019
Equity instruments and related derivatives	2.179.604	2.679.529
Foreign exchange instruments and related derivatives	-2.412.285	717.680
Interest rate instruments and related derivatives	94.069	14.314.190
Credit derivatives	-	-
<b>Total</b>	<b>-138.612</b>	<b>17.711.399</b>

The sharp increase in this item in first-half 2019 mainly reflects the unrealised valuation of interest-rate instruments and related derivatives.

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

Headings	30/06/2018	30/06/2019
Financial liabilities designated at fair value	-546.250	-11.728.801
<b>Total</b>	<b>-546.250</b>	<b>-11.728.801</b>

The negative value adjustment for this item should be assessed in conjunction with the positive value adjustment for item 4.5, given the existence of an economic hedge relationship.

**4.7 Income from financial instruments mandatorily measured at fair value through profit or loss**

Headings	30/06/2018	30/06/2019
Fixed-income securities	-2.877.160	-359.391
UCI units	-786.470	3.386.144
Loans and advances	-	158.316
<b>Total</b>	<b>-3.663.630</b>	<b>3.185.069</b>

#### **4.8 Net income from hedging transactions**

Headings	30/06/2018	30/06/2019
<b>Fair value hedge</b>		
Debt instruments (assets) hedged by derivative financial instruments	4.937	1.002.107
Debt issues hedged by derivative financial instruments	-4.025	-80.146
Loans hedged by derivative financial instruments	484.251	832.261
<b>Total</b>	<b>485.163</b>	<b>1.754.222</b>
Value adjustment on hedged instruments		
Value adjustment on hedging instruments	23.517.905	-279.758.689
<b>Total</b>	<b>485.163</b>	<b>1.754.222</b>

Interest rate risk hedging operations are highly effective.

#### **4.9 Other net operating income**

Headings	30/06/2018	30/06/2019
Other operating income	5.740.435	5.213.719
Other operating expenditure	-31.142.831	-15.901.667
<b>Other net operating income</b>	<b>-25.402.396</b>	<b>-10.687.948</b>

"Other operating income and expenditure" mainly includes:

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

At 30 June 2019, the competent authorities had not yet billed the Group's parent company for the contribution to the FGDL for financial year 2019. Given that the procedure for calculating this contribution changed beginning in financial year 2019, the contributions for prior years are not representative of the contribution expected for financial year 2019.

#### 4.10 Personnel expenses

Headings	30/06/2018	30/06/2019
Remuneration	88.751.476	94.689.710
Social security charges	2.811.103	2.998.214
Pensions and similar expenses	5.742.451	6.053.636
Pension fund expense	7.077.368	7.712.962
Other personnel expenses	2.680.209	3.588.726
<b>Total</b>	<b>107.062.607</b>	<b>115.043.248</b>

#### 4.11 Other general and administrative expenses

Headings	30/06/2018	30/06/2019
Expenses related to property and furniture	10.744.988	9.356.795
Rents and maintenance of software	9.241.292	9.570.005
Operating expenditure related to the banking business	14.268.479	14.780.880
Other	5.170.119	4.709.139
<b>Total</b>	<b>39.424.878</b>	<b>38.416.819</b>

Due to the adoption of IFRS 16, rents paid on property are no longer included in this item, but are accounted for under "Allowances for impairment of tangible and intangible assets" in the amount of EUR 1.601.872.

#### 4.12 Allowances for impairment of credit risks

	30/06/2018			30/06/2019		
	Additions	Reversals	Total	Additions	Reversals	Total
Fixed-income securities recognised at amortised cost	-2.207.857	5.595.348	3.387.491	-2.710.594	3.262.864	552.270
Loans and advances	-21.166.187	32.113.139	10.946.952	-48.466.907	52.019.585	3.552.678
<b>Total</b>	<b>-23.374.044</b>	<b>37.708.487</b>	<b>14.334.443</b>	<b>-51.177.501</b>	<b>55.282.449</b>	<b>4.104.948</b>

#### 4.13 Provisions and reversal of provisions

Headings	30/06/2018	30/06/2019
Provisions	-5.722.401	-6.151.941
Reversal of provisions	7.162.010	7.476.745
<b>Total</b>	<b>1.439.609</b>	<b>1.324.804</b>

**4.14 Tax expense**

Headings	30/06/2018	30/06/2019
Tax on income from continuing operations	-29.023.272	-28.539.813
Deferred taxes	7.687.456	6.701.595
<b>Tax on profit/(loss) for the period</b>	<b>-21.335.816</b>	<b>-21.838.218</b>

The tax expense was calculated on the basis of the 30 June 2019 figures, on a same-methodology basis.

## 5 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 at 30/06/2019	Carrying amount	Fair value	Unrealised valuation
<b>Financial assets</b>			
Cash and sight accounts with central banks	6.548.154.267	6.548.154.267	-
Loans and advances at amortised cost	25.633.280.374	26.253.435.802	620.155.428
<i>of which measured at fair value for hedging purposes</i>	1.256.486.470	1.256.486.470	-
Financial instruments held for trading	134.084.897	134.084.897	-
Hedging derivative financial instruments	55.796.205	55.796.205	-
Financial assets mandatorily recognised at fair value through profit or loss	1.230.059.971	1.230.059.971	-
Fixed-income securities recognised at amortised cost	14.053.532.832	14.062.690.524	9.157.692
Variable-income securities recognised at fair value through the revaluation reserve	818.204.885	818.204.885	-
Investments in associates accounted for using the equity method	384.975.291	384.975.291	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	228.867.372	228.867.372	-
<b>TOTAL</b>	<b>49.086.956.094</b>	<b>49.716.269.214</b>	<b>629.313.120</b>
<b>Financial liabilities</b>			
Deposits at amortised cost	38.235.287.337	38.621.342.031	386.054.694
Financial instruments held for trading	183.026.094	183.026.094	-
Hedging derivative financial instruments	909.709.918	909.709.918	-
Financial liabilities designated at fair value through profit or loss	163.925.741	163.925.741	-
Debt securities in issue	5.197.883.598	5.201.566.883	3.683.285
<i>of which measured at fair value for hedging purposes</i>	363.179.381	363.179.381	-
<b>TOTAL</b>	<b>44.689.832.688</b>	<b>45.079.570.668</b>	<b>389.737.980</b>
Categories at 31/12/2018	Carrying amount	Fair value	Unrealised valuation
<b>Financial assets</b>			
Cash and sight accounts with central banks	4.237.236.592	4.237.236.592	-
Loans and advances at amortised cost	24.376.767.875	24.710.289.820	333.521.945
<i>of which measured at fair value for hedging purposes</i>	1.670.318.572	1.670.318.572	-
Financial instruments held for trading	220.216.547	220.216.547	-
Hedging derivative financial instruments	65.470.560	65.470.560	-
Financial assets mandatorily recognised at fair value through profit or loss	1.234.840.351	1.234.840.351	-
Fixed-income securities recognised at amortised cost	14.226.659.024	14.206.965.915	-19.693.109
Variable-income securities recognised at fair value through the revaluation reserve	863.396.081	863.396.081	-
Investments in associates accounted for using the equity method	355.552.522	355.552.522	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	69.027.154	69.027.154	-
<b>TOTAL</b>	<b>45.649.166.705</b>	<b>45.962.995.542</b>	<b>313.828.836</b>
<b>Financial liabilities</b>			
Deposits at amortised cost	36.717.994.115	36.880.812.103	162.817.988
Financial instruments held for trading	133.331.389	133.331.389	-
Hedging derivative financial instruments	606.826.289	606.826.289	-
Financial liabilities designated at fair value through profit or loss	151.566.706	151.566.706	-
Debt securities in issue	3.646.594.429	3.647.030.117	435.688
<i>of which measured at fair value for hedging purposes</i>	355.598.448	355.598.448	-
<b>TOTAL</b>	<b>41.256.312.927</b>	<b>41.419.566.604</b>	<b>163.253.676</b>

*Hierarchy of assets and liabilities at fair value*

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 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: This level includes equity instruments or debt securities for which significant parameters used in the valuation models are based on internal estimations and assumptions. The shareholdings of the Group's parent company in non-material unlisted companies are valued on the basis of net assets after taking into account the dividend for the current year, and material holdings are measured as follows:
  - In the event of a transaction (capital increase or sale transaction) during the last six months or if the parties to a future transaction agree on the price of the transaction, this transaction price constitutes the basis for the measurement value of the position, taking into consideration a discount, provided that the shareholding is deemed strategic for the Group's parent company and that no paragovernmental shareholders, such as the Bank, participate in the transaction;

- For the six months following a transaction, the price of the last transaction remains an important reference but does not exclusively determine the valuation price;
- The price of the historical transaction is adjusted in relation to a number of stock market ratios established on the basis of a peer group consisting of a sample of listed companies with a commercial and/or industrial activity comparable with the unlisted company, valued by the Group's parent company;
- When the last transaction is more than two years old, only a valuation based on the market ratios of this peer group allows the value of the position held by the Group's parent company to be determined. A discount to the valuation of unlisted assets may be applied;
- The following ratios are documented for the unlisted company, owned by the Group's parent company and for all listed companies of the peer group:
  - Enterprise Value to EBITDA (except insurance companies);
  - Price-to-Book, Price-to-Sales and Price-to-Earnings;
  - Ratios supplemented by information on business growth prospects, operating margins, return on equity (ROE), debt and credit quality;
  - The data used are derived from the company accounts. The peer group's multiples derived from the stock market ratios and the accounting data of the companies making up each peer group are taken from Bloomberg with reference to the closing prices on the valuation day, i.e. 30 June or 31 December of the respective year;
  - To supplement this market-multiples valuation, the Group's parent company may use multiples based on recent transactions in companies with the same characteristics as the unlisted company, held by the Bank.

A change in level may occur in the event that market characteristics change.

To determine this hierarchy of fair values, 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 rates;
- foreign exchange rates;
- stock indices;
- counterparty credit spreads.

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Assets and liabilities at fair value:

Categories at 30 June 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	2.596	134.082.301	-	<b>134.084.897</b>
- <i>Debt instruments</i>	-	-	-	-
- <i>Equity instruments</i>	<b>2.596</b>	-	-	<b>2.596</b>
- <i>Derivative financial instruments</i>	-	<b>134.082.301</b>	-	<b>134.082.301</b>
Financial assets mandatorily recognised at fair value through profit or loss	15.628.836	1.214.405.150	25.984	<b>1.230.059.971</b>
- <i>Debt instruments</i>	<b>15.628.836</b>	<b>1.211.465.027</b>	<b>25.984</b>	<b>1.227.119.848</b>
- <i>Loans and advances</i>	-	<b>2.940.123</b>	-	<b>2.940.123</b>
Variable-income securities recognised at fair value through the revaluation reserve	93.867.641	344.150.912	380.186.333	<b>818.204.885</b>
Hedging derivative financial instruments	-	55.796.201	-	<b>55.796.201</b>
<b>TOTAL</b>	<b>109.499.072</b>	<b>1.748.434.564</b>	<b>380.212.317</b>	<b>2.238.145.954</b>
<b>Financial liabilities</b>				
Financial instruments held for trading	1.000.000	182.026.094	-	<b>183.026.094</b>
- <i>Debt instruments</i>	<b>1.000.000</b>	-	-	<b>1.000.000</b>
- <i>Derivative financial instruments</i>	-	<b>182.026.094</b>	-	<b>182.026.094</b>
Financial liabilities designated at fair value through profit or loss	-	163.925.741	-	<b>163.925.741</b>
Hedging derivative financial instruments	-	909.709.918	-	<b>909.709.918</b>
<b>TOTAL</b>	<b>1.000.000</b>	<b>1.255.661.752</b>	-	<b>1.256.661.752</b>
Categories at 31 December 2018	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading	-	220.216.547	-	<b>220.216.547</b>
- <i>Debt instruments</i>	-	-	-	-
- <i>Equity instruments</i>	-	-	-	-
- <i>Derivative financial instruments</i>	-	<b>220.216.547</b>	-	<b>220.216.547</b>
Financial assets mandatorily recognised at fair value through profit or loss	4.464.372	1.230.349.233	26.746	<b>1.234.840.351</b>
- <i>Debt instruments</i>	<b>4.464.372</b>	<b>1.227.544.045</b>	<b>26.746</b>	<b>1.232.035.163</b>
- <i>Loans and advances</i>	-	<b>2.805.188</b>	-	<b>2.805.188</b>
Variable-income securities recognised at fair value through the revaluation reserve	109.155.840	418.237.217	336.003.025	<b>863.396.081</b>
Hedging derivative financial instruments	-	65.470.560	-	<b>65.470.560</b>
<b>TOTAL</b>	<b>113.620.212</b>	<b>1.934.273.557</b>	<b>336.029.771</b>	<b>2.383.923.539</b>
<b>Financial liabilities</b>				
Financial instruments held for trading	-	133.331.388	-	<b>133.331.388</b>
- <i>Debt instruments</i>	-	-	-	-
- <i>Derivative financial instruments</i>	-	<b>133.331.388</b>	-	<b>133.331.388</b>
Financial liabilities designated at fair value through profit or loss	-	151.566.706	-	<b>151.566.706</b>
Hedging derivative financial instruments	-	606.826.289	-	<b>606.826.289</b>
<b>TOTAL</b>	-	<b>891.724.383</b>	-	<b>891.724.383</b>

Changes in the breakdown between the different levels of fair value for the different items from one period to the next stem primarily from changes in fair value.

Thus, 4,9% of financial assets are classified as Level 1 (versus 4,8% at 31 December 2018), 78,1% as Level 2 (vs. 81,1% at 31 December 2018) and 16,9% as Level 3 (vs. 14,1% 31 December 2018).

For financial liabilities, almost all of the financial instruments are allocated to Level 2, i.e., 99,9% at 30 June 2019 versus 100,0% in the prior financial year.

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 2019.

#### Level 3 breakdown:

	Financial assets mandatorily recognised at fair value through profit or loss		Variable-income securities recognised at fair value through the revaluation reserve	Hedging derivative financial instruments	Total financial assets
	Debt instruments	Loans and advances			
<b>Total as at 1 January 2019</b>	<b>26.746</b>	-	<b>336.003.024</b>	-	<b>336.029.770</b>
Total gains / losses	5.534	-	45.382.720	-	45.388.255
- Income statement	5.534	-	-	-	5.534
- Revaluation reserve	-	-	45.382.720	-	45.382.720
Purchases	-	-	266.088	-	266.088
Reimbursements/sales	-6.294	-	-	-	-6.294
Transfers from Level 1 to Level 3	-	-	-	-	-
Transfers from Level 2 to Level 3	-	-	-	-	-
Transfers from Level 3	-	-	-1.465.500	-	-1.465.500
<b>Total as at 30 June 2019</b>	<b>25.984</b>	-	<b>380.186.333</b>	-	<b>380.212.319</b>
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2019	5.534	-	-	-	5.534

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	Financial assets mandatorily recognised at fair value through profit or loss		Variable-income securities recognised at fair value through the revaluation reserve	Hedging derivative financial instruments	Total financial assets
	Debt instruments	Loans and advances			
<b>Total as at 1 January 2018</b>	<b>34.495.802</b>	-	<b>260.467.592</b>	-	<b>294.963.394</b>
Total gains / losses	2.296.313	-	72.149.279	-	74.445.591
- Income statement	2.296.313	-	-	-	2.296.313
- Revaluation reserve	-	-	72.149.279	-	72.149.279
Purchases	-6.475	-	3.820.165	-	3.813.690
Reimbursements/sales	-2.368.848	-	-434.011	-	-2.802.859
Transfers from Level 1 to Level 3	-	-	-	-	-
Transfers from Level 2 to Level 3	-	-	-	-	-
Transfers from Level 3	-34.390.045	-	-	-	-34.390.045
<b>Total as at 31 December 2018</b>	<b>26.746</b>	-	<b>336.003.024</b>	-	<b>336.029.771</b>
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2018	2.296.313	-	-	-	2.296.313

The total volume of Level 3 financial assets corresponds to 16,9% of total financial assets measured at fair value as at 30 June 2019, compared with 14,1% as at 31 December 2018. The increase in Level 3 at 30 June 2019 can be attributed primarily to an increase in the valuations of the relevant financial instruments.

*Sensitivity analysis of Level 3 financial instruments:*

Given the small amount recognised at 30 June 2019 and at 31 December 2018, the Group's parent company did not conduct a sensitivity analysis for debt instruments.

## 6 SEGMENT REPORTING

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

In euros 30/06/2019	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Institutional Clients	Other	Reconciliation	Total
Banking income	182.678.188	61.645.517	59.808.372	3.308.604	307.440.681
Income before tax	88.300.704	39.856.793	11.324.447	3.308.604	142.790.548
Income/(loss)	88.300.704	39.856.793	-10.513.771	3.308.604	120.952.331

  

In euros 30/06/2018	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Institutional Clients	Other	Reconciliation	Total
Banking income	159.892.885	59.801.099	62.506.070	-128.694	282.071.360
Income before tax	78.478.014	42.533.635	-7.521.689	-128.694	113.361.266
Income/(loss)	78.478.014	42.533.635	-28.857.505	-128.694	92.025.450

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

The main divergence in interest margin stems from the methodology used to calculate rates of internal transfers.

As at 30 June 2019, the difference in interest margin due to methodology was EUR 3,3 million.



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