CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 JUNE 2018

BANQUE ET CAISSE D'EPARGNE DE L'ETAT
LUXEMBOURG

CONTENTS

BCEE GROUP MANAGEMENT REPORT BASED ON THE INTERIM CONDENSED CONSOLIDATED INFORMATION AS AT 30 JUNE 2018

The positive economic outlook in Luxembourg is reflected in BCEE's lending and investment activity.

Outstanding loans and advances to customers rose by 1,1% compared with 31 December 2017, restated for the effects of IFRS 9’s first-time adoption. This sharp increase was driven by the development of the housing loan and investment loan businesses, which were up 2,2%, thus 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 2017.

Customer deposits decreased by 1,1% compared with 31 December 2017. This slight drop can be attributed to the decrease in public sector deposits, more volatile by nature. The decline was not fully offset by the increase in deposits from retail customers and corporates.

The funding of the Bank through the issue of securities intended for institutional customers increased by 13,9% in the first half of the year and reflects BCEE’s ongoing appeal as an issuer.

Equity increased by 2,9% compared with the figures at 31 December 2017, restated for the effects of IFRS 9’s first-time adoption, and stood at EUR 4.235,9 million. The increase in securities positions held by the Bank in the caption revaluation reserve was a key factor in this change.

Despite these positive developments, the BCEE Group’s results felt the effects of the persistently low, if not negative, interest-rate environment, which proved particularly detrimental for a bank with ample liquidity and a conservative risk model.

Net interest margin was therefore down by 2,7%, as the low interest-rate environment limited investment and maturity-switching opportunities despite higher business volumes.

Income from securities decreased by 34,3% due to the lower dividends received for 2017 from some of BCEE's strategic holdings, not included in the scope of consolidation.

Fee income increased by 2,6% due, first, to strong growth in the traditional lending and current account services activities and, second, to asset management-related transactions, which benefited from the rise in the financial markets.

Income from financial instruments fell sharply compared with 2017. Most of the decline in income stemmed from a change in accounting standards which introduced a methodological bias into the comparison of income for two financial years.

Banking income fell by 19,1% compared with first-half 2017 to stand at EUR 256,7 million.

On the expenditure side, general expenses rose by only 0,6% in first-half 2018. Control over general expenses helped mitigate the impact of the structural growth in personnel expenses.

Cost of risk continued to decline significantly, a trend that reflects 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 BCEE Group reported net income of EUR 92,0 million, down 38,7% compared with first-half 2017.

In first-half 2018, as part of its branch network investment programme, the Bank inaugurated its Limpertsberg and Mondorf-les-Bains branches, which were renovated with a modern layout consisting of the creation of a reception area that promotes communication with the customer. A new branch opened its doors within La Luxembourgeoise S.A. head office in Leudelange, located in a rapidly expanding business district, and brings our Bank closer to where its customers work.

To add to its offering and guarantee maximum proximity in its service, the Bank is innovating in 2018 with a mobile branch serving low banking density regions. The mobile branch is therefore an additional alternative for customers who prefer contact in the branch to the comfort offered by the digital channels.

In electronic banking services, the Bank has given all S-net users access to MIA, the first personal finance manager tool in Luxembourg.

Ms Doris Engel joined the Executive Committee effective 3 May 2018, following the retirement of Mr Michel Birel.

Outlook for second-half 2018

In July 2018, the IMF slightly lowered its growth projections for the eurozone for 2018 due to trade tensions between the United States and its partners, geopolitical issues, and the growing political uncertainty on the periphery of and even within the eurozone countries.

Growth forecasts for Luxembourg for 2018 remain strong, but were also revised downwards due to less favourable trends in the financial sector. Growth is expected to be driven mainly by the non-financial sector and an increase in consumer spending, as households are benefiting from the tax reform and the improving job market. The most recent forecasts point to a continued decline in the unemployment rate through the end of the year.

No significant events occurred after the 30 June 2018 reporting date that could impact the normal course of the BCEE Group's business.

The Ardian investment group's announcement on 31 July that it had agreed to sell its minority stake in Luxembourg electricity and gas operator Encevo to China Southern Power Grid International could have a positive impact on the future valuation of BCEE's 12% interest in the Encevo group.

Luxembourg, 30 August 2018

For the Executive Committee

Doris Engel	*Guy Rosseljong*
Executive Vice President	*Deputy Chief Executive Officer*
Member of the Executive Committee	*Member of the Executive Committee*

Luxembourg, August 30, 2018

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, 2018 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

Doris Engel	*Guy Rosseljong*
Executive Vice President	*Deputy Chief Executive Officer*
Member of the Executive Committee	*Member of the Executive Committee*

BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT LUXEMBOURG

Head office:
1, Place de Metz, Luxembourg

Company registration: Luxembourg B 30775

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

Interim condensed consolidated financial information as at 30 June 2018

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STATUTORY AUDITOR'S REPORT
30 June 2018

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 2018, 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 1st January 2018 to 30th June 2018 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 2018

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 June 2018

Condensed consolidated balance sheet as at 30 June 2018

ASSETS	Notes	30/06/2017	31/12/2017	30/06/2018
Cash and sight accounts with central banks	3.1.	6.531.617.616	5.527.885.100	4.254.531.445
Loans and advances at amortised cost – Credit institutions	3.2.	4.274.805.851	3.671.386.893	4.863.290.237
Loans and advances at amortised cost – Customers	3.3.	20.555.015.422	20.912.775.444	20.629.963.012
Financial instruments held for trading	3.4.1 3.5.	95.629.461	85.338.534	307.651.701
Hedging derivative financial instruments	3.5.	73.435.784	93.957.657	73.833.160
Financial assets designated at fair value through profit or loss	3.6.	432.534.699	548.117.498	
Financial assets mandatorily recognised at fair value through profit or loss	3.7			1.244.600.515
Available-for-sale securities – Fixed-income securities	3.4.2	9.402.766.617	9.134.090.462	
Fixed-income securities recognised at amortised cost	3.4.3			13.590.233.899
Available-for-sale securities – Variable-income securities	3.4.2	1.042.455.324	832.066.938	
Variable-income securities recognised at fair value through the revaluation reserve	3.4.4			773.585.189
Held-to-maturity securities	3.8	4.178.669.301	3.946.383.118	
Investments in associates accounted for using the equity method	3.9	365.081.337	378.120.296	362.312.583
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	3.12	42.383.945	46.597.287	54.318.823
Tangible assets for own use	3.13	287.393.500	288.343.606	279.962.823
Investment property		17.272.004	13.727.120	13.247.417
Intangible assets		15.844.292	18.605.053	17.880.405
Other assets	3.14	18.160.964	11.561.278	70.247.624
TOTAL ASSETS		**47.333.066.116**	**45.508.956.284**	**46.535.658.833**

LIABILITIES	Notes	30/06/2017	31/12/2017	30/06/2018
Deposits at amortised cost – Credit institutions	3.16	5.372.224.198	4.776.023.875	5.699.990.382
Deposits at amortised cost – Customers	3.17	30.571.520.427	31.477.133.430	31.116.541.789
Financial instruments held for trading	3.4.1 3.5.	409.034.350	202.116.831	143.647.862
Hedging derivative financial instruments	3.5.	722.196.613	588.498.489	579.211.677
Financial liabilities designated at fair value through profit or loss	3.18	144.079.665	146.853.974	148.102.377
Issuance of debt securities	3.19	5.368.135.364	3.713.017.053	4.249.824.322
Provisions	3.20	4.512.158	3.594.463	15.934.991
Other liabilities	3.21	67.904.643	35.423.570	67.808.576
Current taxes	3.15	64.565.813	62.045.799	61.348.418
Deferred taxes	3.15	62.622.012	64.812.580	14.116.295
Pension fund	3.22	194.028.050	199.816.171	203.261.397
Sub-total of LIABILITIES (before equity capital) to be carried forward		**42.980.823.293**	**41.269.336.236**	**42.299.788.086**

The notes on pages 16 to 73 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated balance sheet as at 30 June 2018 (continued)

EQUITY	**30/06/2017**	**31/12/2017**	**30/06/2018**
Sub-total of LIABILITIES (before equity capital) carried forward	**42.980.823.293**	**41.269.336.236**	**42.299.788.086**
Share capital	173.525.467	173.525.467	173.525.467
Revaluation reserve	652.065.070	455.873.461	450.904.476
° *Available-for-sale assets*	*652.899.167*	*453.444.064*	
° *Variable-income securities recognised at fair value through the revaluation reserve*			*448.021.009*
Consolidated reserves	3.374.743.289	3.350.713.675	3.517.631.240
° *Equity method adjustment*	*297.562.289*	*287.422.805*	*300.095.298*
° *Gains or losses on disposals of variable-income securities measured at fair value*			*590.036*
Income for the year/period	150.165.824	256.610.845	92.025.450
Sub-total of equity attributable to the equity holder of the parent company	4.350.499.650	4.236.723.448	4.234.086.633
Minority interests	1.743.173	2.896.600	1.784.114
Total equity	**4.352.242.823**	**4.239.620.048**	**4.235.870.747**
TOTAL LIABILITIES, including EQUITY	**47.333.066.116**	**45.508.956.284**	**46.535.658.833**

The notes on pages 16 to 73 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated income statement as at 30 June 2018

in euros	Notes	30/06/2017	30/06/2018
Interest income	4.1.	181.094.596	176.161.370
Income from variable-income securities	4.2.	46.795.076	30.761.609
Fee and commission income	4.3.	71.984.752	73.852.475
INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS		**299.874.424**	**280.775.454**
Income from financial instruments not recognised at fair value through profit or loss	4.4.	23.581.890	250.662
Income from financial instruments held for trading	4.5.	4.488.417	-138.612
Income from financial instruments designated at fair value through profit or loss	4.6.	4.475.240	-546.250
Income from financial instruments mandatorily measured at fair value through profit or loss	4.7		-3.663.630
Income from hedging transactions	4.8	2.229.487	485.163
Exchange gains or losses		5.418.362	4.908.573
Other operating income	4.9	11.033.468	5.740.435
Other operating expenditure	4.9	-33.840.004	-31.142.831
BANKING INCOME		**317.261.284**	**256.668.964**
Personnel expenses	4.10	-105.829.350	-107.062.607
Other general and administrative expenses	4.11	-40.577.964	-39.424.878
Depreciation allowances for tangible and intangible assets		-16.209.976	-17.037.837
INCOME AFTER GENERAL EXPENSES		**154.643.994**	**93.143.642**
Net allowances for impairment of individual and collective credit risks	4.12	6.441.311	14.334.443
Provisions	4.13	371.074	1.439.609
Share in the profit of equity-accounted associates		11.868.505	5.211.501
INCOME BEFORE TAXES AND NON-CURRENT ASSETS		**173.324.884**	**114.129.195**
Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations		508.885	258.589
Tax on income from continuing operations	4.14	-35.643.826	-29.023.272
Deferred taxes	4.14	13.059.956	7.687.456
INCOME FOR THE PERIOD		**151.249.899**	**93.051.968**
OF WHICH INCOME FOR THE PERIOD ATTRIBUTABLE TO			
- MINORITY INTERESTS		*1.084.075*	*1.026.518*
- EQUITY HOLDERS OF THE PARENT		*150.165.824*	*92.025.450*

The notes on pages 16 to 73 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of comprehensive income as at 30 June 2018

in euros	30/06/2017	30/06/2018
INCOME FOR THE PERIOD	**151.249.899**	**93.051.968**
Items not reclassified in net income subsequently	**12.467.028**	**59.276.534**
Actuarial gains/(losses) on the defined-benefit pension scheme	37.966.262	-869.198
Contribution of equity-accounted associates	-12.122.374	-27.782.559
Variable-income securities recognised at fair value through the revaluation reserve		87.585.046
° *Variation in measurement results*		*86.776.647*
° *Income from sales*		*808.399*
Impact of deferred taxes	-13.376.860	343.245
Items to be reclassified in net income subsequently	**-9.710.631**	**454.070**
Available-for-sale assets	-4.749.433	
° *Variation in measurement results*	*18.720.259*	
° *Net reclassification to the income statement of realised net gains*	*-23.469.692*	
Cash flow hedges	-983.715	613.692
Impact of deferred taxes	-3.977.483	-159.622
Total items of comprehensive income for the period - net of tax	**2.756.397**	**59.730.604**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**154.006.296**	**152.782.572**
share attributable to		
- minority interests:	*1.084.075*	*1.026.518*
- equity holders of the parent company:	*152.922.221*	*151.756.054*

Condensed statement of changes in consolidated equity as at 30 June 2018

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity holders of the parent	Minority interests	Total equity
As at 1 January 2018	**173.525.467**	**3.350.713.675**	**455.873.461**	**256.610.845**	**4.236.723.448**	**2.896.600**	**4.239.620.048**
FTA impact*	**-**	**-30.315.146**	**-92.535.767**	**-**	**-122.850.913**	**-**	**-122.850.913**
As at 1 January 2018 after FTA	**173.525.467**	**3.320.398.529**	**363.337.694**	**256.610.845**	**4.113.872.535**	**2.896.600**	**4.116.769.135**
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
As at 30 June 2018	**173.525.467**	**3.517.631.238**	**450.904.477**	**92.025.450**	**4.234.086.633**	**1.784.114**	**4.235.870.747**

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

* First-Time Adoption of IFRS 9: details provided in note 2.4.2

The notes on pages 16 to 73 are an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of cash flows as at 30 June 2018

in euros	30/06/2017	30/06/2018
Cash and cash equivalents		
Cash and sight accounts with central banks	6.533.485.177	4.253.722.960
Loans and advances at amortised cost – Credit institutions	1.364.355.915	2.040.017.261
Loans and advances at amortised cost – Customers	1.855.322.155	920.246.288
Financial instruments held for trading	-	774
Total	**9.753.163.247**	**7.213.987.284**

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

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

Cash flow from operating activities

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

in euros	30/06/2017	30/06/2018
Interest received	444.231.579	433.208.173
Interest paid	-254.501.018	-234.972.004
Income from securities	46.795.076	30.512.984
Fees and commissions received	93.736.717	94.864.182
Fees and commissions paid	-21.751.965	-21.011.707
Other operating income	11.032.550	5.704.944
Other operating expenditure	-33.329.936	-31.142.831
Current taxes	-35.643.826	-29.023.272
Personnel expenses and other general and administrative expenses	-139.422.081	-139.410.117
Sub-total	**111.147.096**	**108.730.352**

The notes on pages 16 to 73 are an integral part of this interim condensed consolidated financial information.

Cash flow from changes in operating assets:

Net changes in euros	30/06/2017	30/06/2018
Financial instruments held for trading	198.731	1.986.188
Available-for-sale securities – Fixed-income securities	318.394.124	8.855.384.038
of which reclassification to fixed-income securities at amortised cost		*8.313.941.138*
of which reclassification to financial assets mandatorily recognised at fair value through profit or loss		*541.442.900*
Available-for-sale securities – Variable-income securities	5.939.792	181.884.650
of which reclassification to variable-income securities recognised at fair value through the revaluation reserve		*59.188.734*
of which reclassification to financial assets mandatorily recognised at fair value through profit or loss		*122.695.916*
Variable-income securities recognised at fair value through the revaluation reserve		-59.188.734
of which reclassification of available-for-sale securities – Variable-income securities		*-59.188.734*
Financial assets designated at fair value through profit or loss	-170.284.323	548.749.582
of which reclassification to financial assets mandatorily recognised at fair value through profit or loss		*548.749.582*
Financial assets mandatorily recognised at fair value through profit or loss		-1.243.795.394
of which reclassification of available-for-sale securities – Fixed-income securities		-541.442.900
of which reclassification of financial assets designated at fair value through profit or loss		*-548.749.582*
of which reclassification of available-for-sale securities – Variable-income securities		*-122.695.916*
Loans and advances at amortised cost – Credit institutions	4.078.159	-16.716.411
of which reclassification to fixed-income securities at amortised cost		*386.116.585*
Loans and advances at amortised cost – Customers	-582.449.601	-1.172.280.349
of which reclassification to fixed-income securities at amortised cost		*91.256.664*
Hedging derivative financial instruments	473.567	-4.115.847
Other assets	-12.120.555	-62.995.833
Sub-total	**-435.770.107**	**7.028.911.891**

- Cash flow from changes in operating liabilities:

Net change	30/06/2017	30/06/2018
Financial instruments held for trading	-613.598	6.813.547
Financial liabilities designated at fair value through profit or loss	-142.288	167.295
Deposits at amortised cost – Credit institutions	632.423.858	1.027.333.588
Deposits at amortised cost – Customers	2.446.525.855	-374.016.959
Hedging derivative financial instruments	25.527.171	23.313.670
Other liabilities	11.042.641	34.788.441
Issuance of debt securities	601.681.745	528.643.115
Sub-total	**3.716.445.384**	**1.247.042.697**
Cash flow from operating activities	**3.391.822.373**	**8.384.684.939**

Cash flow from investment activities

in euros	30/06/2017	30/06/2018
Acquisition of available-for-sale securities – Variable-income securities	-1.100.000	
Acquisition of variable-income securities		-
Disposals of available-for-sale securities – Variable-income securities	22.745.408	
Disposals of variable-income securities		254.804
Acquisition of investments in associates accounted for using the equity method		-1.300.000
Acquisition of held-to-maturity securities	-617.501.910	
Acquisition of fixed-income securities at amortised cost		-2.128.297.777
Reclassification of available-for-sale securities to fixed-income securities at amortised cost		-8.313.941.138
Reclassification of loans and advances at amortised cost to fixed-income securities at amortised cost		-477.373.249
Acquisition/redemption of held-to-maturity securities	1.006.956.997	
Acquisition/redemption of fixed-income securities at amortised cost		1.419.374.785
Acquisitions/disposals of intangible and tangible assets	-6.770.677	-7.077.164
Cash flow from investment activities	**404.329.818**	**-9.508.359.740**

Cash flow from financing activities

in euros	30/06/2017	30/06/2018
Proceeds from subordinated liabilities	-	-
Income distribution	-	-
Cash flow from financing activities	**-**	**-**

The profit distribution for financial year 2017 was made to the Luxembourg state on 2 July 2018.

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

Net change in cash:

in euros	30/06/2017	30/06/2018
Cash flow from operating activities	3.391.822.373	8.384.684.939
Cash flow from investment activities	404.329.818	-9.508.359.740
Cash flow from financing activities	-	-
Net change	**3.796.152.191**	**-1.123.674.800**

Change in cash and cash equivalents

	2017	2018
Position as at 1 January	**5.558.882.703**	**8.733.447.563**
Net change in cash	3.796.152.191	-1.123.674.800
Effect of exchange rates on cash and cash equivalents	398.128.354	-395.785.479
Position as at 30 June	**9.753.163.248**	**7.213.987.284**

The notes on pages 16 to 73 are an integral part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2018

1 GENERAL INFORMATION

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

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

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

On 30 August 2018, the Executive Committee of the Group's parent company authorised the publication of the interim condensed consolidated financial information as at 30 June 2018.

The Group had an average headcount as at 30 June 2018 of 1.872 (1.843 as at 31 December 2017).

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 2018 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 2017, 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 2018:

- IFRS 9: Financial Instruments, see note 2.2.

b) New or revised standards that have been adopted and that did not have a material impact on the Group at 1 January 2018:

- IFRS 15 and amendments: Revenue from Contracts with Customers;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7: Disclosure Initiative;
- Improvements to IFRS, 2014-2016 cycle, which are a series of amendments to the existing standards;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 40: Transfers of Investment Property;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration.

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

- IFRS 16: Leases;
- Amendments to IFRS 9: Pre-payment Features with Negative Compensation.

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

- IFRS 17: Insurance Contracts;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Improvements to IFRS, 2015-2017 cycle, which are a series of amendments to the existing standards;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- Amendments to References to the Conceptual Framework in IFRS Standards.

2.2 Accounting principles and rules

With the exception of the changes introduced by IFRS 9 regarding the methods for classifying and measuring financial instruments and the impairment methodology, the accounting principles are the same as those applied to the consolidated financial statements as at 31 December 2017 and described therein. These changes were implemented using the modified retrospective approach.

2.2.1 Implementation of IFRS 9

The core business model of the Group's parent company provides the holding of financial assets to maturity, regardless of the product.

2.2.1.1 Fixed-income securities

Purchased fixed-income securities are in principle held to maturity. IFRS 9 introduces the notion of the business model, which, for the bond portfolio held by the Group's parent company, is defined by the management method according to the criteria of the securities' holding period and the type of income generated, i.e., interest income or income from sale. Combined with the SPPI ("solely payments of principal and interest") test, which deals with coupon calculation and principal repayment, three types of portfolios are defined:

- HTC (Hold to collect) portfolio with measurement at amortised cost: The bond portfolio is eligible for the HTC classification, provided that it is held for the long term in order to collect cash flows based on coupons due and repayment of principal (IFRS 9 4.1.2).

  Sales are permitted in the following cases (IFRS 9 B4.1.2C-B4.1.4):
  - the impact is not significant;
  - if the impact is significant, then the sales must be infrequent;

  - o sales are linked to exceptional cases such as a significant deterioration of the counterparty's credit quality or legal or tax changes.

- HTCS (Hold to collect and sell) portfolio with revaluation at fair value through the revaluation reserve: This involves a long-term holding of securities but with selling possibility depending on realized gain opportunities. The SPPI test must also be respected.
  Contrary to the HTC portfolio, limited to a longer-term holding, the HTCS portfolio is based on management objectives. This portfolio consists of securities respecting the SPPI criteria but not meeting all the criteria defined for the HTC portfolio, provided that they are not considered as trading positions.
  This business model is currently not used by the Group's parent company.

- FVTPL (Fair value through profit or loss) portfolio with revaluation at fair value through profit or loss. For this business model, two different cases can occur:

  a. Trading book positions are part of this portfolio. IFRS 9 defines trading as the intention to buy and sell securities for the purpose of realising a short-term profit. These are securities generally held for less than 6 months.

  b. This portfolio also includes positions in financial instruments held for the long term that do not undergo the SPPI test and must therefore be mandatorily measured through profit or loss.

2.2.1.2 Variable-income securities

For equity instruments, which are long-term investments, the Group's parent company has opted for fair value measurement through the revaluation reserve with the recognition of dividends in the income statement and income on sales in an equity category. The impairment constitution of for these positions is not required under this option.

2.2.1.3 Loans and advances

Loans granted by the Bank are not intended for a subsequent sale or a securitisation transaction but are retained on the asset side of the balance sheet until final repayment. The Group's parent company does not acquire loan portfolios already in progress.
The "lending" activity of the Group's parent company is therefore assigned to the HTC business model and is based on contractual data and on the principle that loans are granted and held for the purpose of collecting principal and interest until maturity.

2.2.2 Monitoring of business model compliance

The reconsideration's thresholds of the business model put in place by the Group's parent company disregard sales and realized gains on positions with a residual maturity of 6 months or less.
The threshold for impact has been set at 5% of net banking income (NBI). The NBI considered is that of the previous financial year. If this threshold is exceeded, and if more than 10% of the outstandings of a portfolio are sold per year, then the portfolio no longer meets the conditions of eligibility for the HTC classification with a measurement at amortised cost.

If the two cumulative thresholds are exceeded, this will launch a procedure for reclassification of the concerned portfolio to the HTCS model. These thresholds will be monitored on a monthly basis.

Beyond these thresholds, the Group's parent company has defined alert thresholds taking into account historical observations from 2013 to 2016, with the aim of anticipating the achievement of absolute thresholds:

- a number of 50 transactions;
- a cumulative notional of 2%;
- an NBI impact of 3%.

If any of these thresholds are exceeded, the Risk Subcommittee will be notified, followed by a documented deliberation.

In terms of granting or managing loans, any modification of the existing business model as well as any definition of an additional business model must go through the various levels of governance, which are the ALM/Risks subcommittees, the ALM and Risk Management Committees, the Executive Committee, the Audit and Risk Committees at the Board of Directors level, and the Board of Directors itself.

2.2.3 Implementation of the "SPPI" test

In order to undergo the SPPI test, financial instruments in the form of fixed-income securities must include only structures:

- considered non-speculative and/or unleveraged;
- whose return in the form of interest respects the time value of money;
- guaranteeing the interest payment and the principal repayment.

The Group's parent company has reviewed all its financial instruments in form of fixed-income securities and has implemented a classification in SPPI-compliant securities and non-SPPI-compliant securities through the introduction of a "deal type". This qualitative information is included in the information systems of the Group's parent company and is subject to specific control procedures. When a bond can be assigned more than one deal type, a quantitative analysis is performed to measure the instrument's leverage degree compared with a fixed-rate instrument over the same period to determine the final deal type to be applied. A financial instrument purchased by the Group's parent company in several operations and over a longer period of time may therefore be classified at inception in both SPPI-compliant and non-SPPI-compliant.

For loans, the SPPI test is based on the following two principles:

- The repayment of principal and interest must be contractually ensured. In principle, this criterion is always met as long as loans do not contain any embedded derivatives that significantly alter cash flows other than caps/floors and prepayment options.
- The return must be based on the time value of money plus a margin offsetting the credit risk. This criterion implies that there is no leverage.

For the loans' SPPI tests, the Group's parent company distinguishes two major categories, namely standard loans contracted on the basis of a model contract and "customised" loans involving special conditions and other obligations to be respected by the borrower.

The contracts on which all standard loans are based are subject to a prior compatibility review of their conditions with the SPPI criterion. A contract-by-contract review is not carried out for this type of contract. The contract data for each new loan type belonging to this loan category are subjected to a SPPI test on the basis of a list of specific pre-marketing criteria.

The contracts on which customised loans are based are reviewed individually to determine compliance with the SPPI criterion.

2.2.4 New loss allowance procedure

In the Bank's case, the implementation of the second phase of IFRS 9 includes all products of the HTC model meeting the SPPI criterion as well as guarantees and certain off-balance-sheet commitments. These exposures are classified according to three "stages" determining the calculation of the loss allowance:

• "stage 1" includes exposures whose credit risk has remained unchanged or has not deteriorated significantly since the loan was granted or the security was purchased ("at inception").

Loss allowance = Expected Credit Loss at 1 year

• "stage 2" includes financial instruments whose credit risk has increased significantly since the loan was granted or the security was purchased, i.e., exposures that:

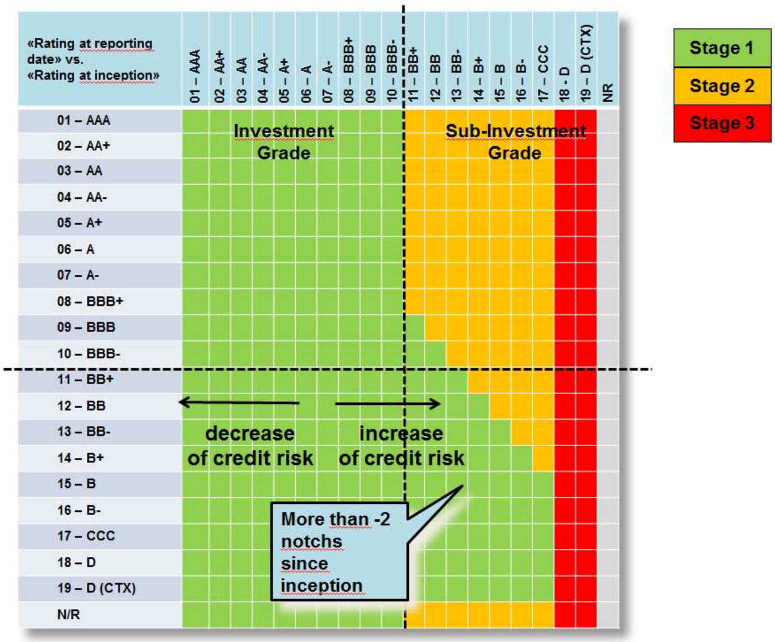
- have had their internal rating downgraded by ≥ 3 notches "since initial recognition" and have a "sub-investment grade" rating as at the reporting date;
- are "Past Due" for 30 consecutive days on a contractual loan repayment due date or a sight account overdraft;
- are "non-performing" but not in default according to the CRR definition;
- have been restructured according to the EBA definition.

Loss allowance = "Lifetime Expected Credit Loss"

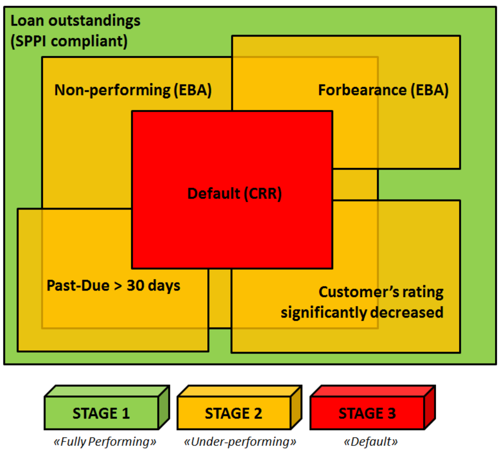
- "stage 3" includes the outstanding amounts in default according to the CRR definition. The impacts of the new standard on the loss allowance of outstandings classified in "stage 3" are not as great as those on loss allowance of outstandings classified in "stage 1" or "stage 2". The calculation of loss allowance applied in accordance with IAS 39 already takes into account losses resulting from future flows re-estimated following the entry into default of an exposure.

Loss allowance = "Lifetime Expected Credit Loss" (with probability of default = 1)

Assignment matrix for initial "stages" and migration in case of a significant increase in credit risk:



The chart and the table below detail the consideration of the notions of the EBA in the various "stages":



Contagion and probation period: The Group's parent company applies contagion for all defaults. All the customer's commitments in default are therefore found in "stage 3". Contagion is not applied for "stages 1 and 2". The table below gives information about the probation periods:

Notions	Explanations	IFRS 9 stage
1. "Default"	· No payment arrears, but "unlikeliness to pay", in the sense of a serious doubt about the future ability to meet the commitments (e.g. bankruptcy) · Late > 1 monthly instalment for > 90 days, or · Overdraft > EUR 500 for 90 days	STAGE 3
2. "Non-Performing"	· Late > ½ monthly instalment for > 90 days, or · Overdraft > EUR 100 for 90 days, or · Qualitative criteria (e.g. recent balance sheet missing or publication of disappointing earnings)	STAGE 2
3. "Forbearance/renegotiated due to significant increase in credit risk" (IFRS 9 B.5.5.27)	· Restructuring measures granted to the customer during the term of the contract (deferment, extension of due date, rate reduction) and customer in financial difficulty (proxy: internal rating)	STAGE 2
4. "Past-Due"	· Late payment > 30 days with certain materiality thresholds (EBA notion)	STAGE 2
5. Internal rating	· Downgrading of internal rating to sub-investment grade (below BBB)	STAGE 2

Notions	Probation period	Conditions
Forbearance	2 years	- amount repaid > 6 monthly instalments or > EUR 600 for loans with a monthly instalment ≤ EUR 100; - past-due not triggered during this period - rating of at least investment grade - performing
Non-performing	Immediate	if the loan is no longer non-performing and the forbearance start date ≥ 1 year
Stage 2 to Stage 1	At least 2 years	if Stage 2 with forbearance;
	6 months	if the account exits default, it returns directly to Stage 2 but, due to the variables considered in the Retail rating, the rating will continue to be penalised for 6 months following the exit from default;
	Immediate	if Stage 2 without forbearance
Stage 3 to Stage 2	Immediate	End of the event of default, such as significant past-due payments

The rules on probation periods do not provide for direct transfers from stage 3 to stage 1.

Determination of "Expected Credit Loss": for each "stage", the calculation method used is different:

Stage	Description	Formula	Explanation
1	The expected loss arises from factors that are already currently estimated for the calculation of the capital charge.	$ECL = PD_1 \cdot LGD_1 \cdot Exposures(t_0)$	- PD1 = Probability of default for the first year, which takes into account the actual residual duration (Daily granularity) - LGD1 = Loss given default during the next year - Exposure(t0) = Exposure at the beginning of the period
2	The expected loss is to be estimated over the entire remaining life of the contract (lifetime expected loss)	$ECL = \sum_{k=1}^{n} ECL_k = \sum_{k=1}^{n} PD_k \cdot \frac{(Exposition_{k-1} \cdot LGD_k)}{(1+i)^{k-1}}$	PDk takes into account the actual residual duration (Daily granularity) ECL is the sum of expected losses per year, discounted at the respective contractual rate i. The variable n represents the remaining duration of the exposure expressed in years.
3	The probability of default is 100% for these exposures; the expected loss is therefore a function of the current exposure and the loss rate (LGD), which takes into account the re-estimated future flows	$ECL = \sum_{k=1}^{n} ECL_k = \sum_{k=1}^{n} PD_k \cdot \frac{(Exposition_{k-1} \cdot LGD_k)}{(1+i)^{k-1}}$	PDk = 100% The ECL is the sum of expected losses per year, discounted at the respective contractual rate i. The variable n represents the remaining duration of the exposure expressed in years.

The basic principles applied by the Group's parent company are given in the previous table, and the PD and LGD risk parameters are derived from the "through the cycle" (TTC) parameters used for the calculation of capital requirements. To take into account the point-in-time (PIT) and forward-looking aspects, the Group's parent company has applied a PIT index allowing the TTC parameters to be transformed into PIT parameters and the parameters to be projected by considering three economic scenarios: baseline, adverse, and optimistic.

The probabilities of default (PD) are determined using a projection of the PIT Index on the basis of a function by exposure class or a table based on an appraiser assessment. The projection of the PIT Index therefore depends on the projection of macroeconomic variables, which are based on a simulated macroeconomic scenario.
To assess the product's lifetime loss allowance, a conditional PD is determined, representing the probability that an exposure will fall into default in year k of the remaining n years.

The parameter of the "Loss Given Default" (LGD) is determined from a decision tree based on the characteristics of the different products. The Group's parent company uses a PIT approach.

The Group's parent company uses three scenarios: a baseline scenario, weighted at 60% and calibrated on the basis of IMF forecasts for the national portfolio and OECD forecasts for the international portfolio, and an optimistic scenario and an adverse scenario weighted at 20% each.

The optimistic and adverse scenarios were derived on the basis of historical scenarios reflecting growth and crisis phases, respectively.

The amounts of additions and reversals of loss allowance are determined in accordance with the methodology described above.

2.2.5 Write-off policy for stage 3 loss allowance

Only loss allowance recorded for stage 3 assets can be written-off.

The decision to write-off a loss allowance is made by the parent company's Executive Committee based on its assessment that the probability of recovering such a debt is near zero.

If appropriate, the entirety of the targeted asset is written-off.

2.2.6 Scope of consolidation

2.2.6.1 Fully consolidated subsidiaries

The scope of fully consolidated subsidiaries was stable relative to 31 December 2017.

Subsidiaries included in the scope of consolidation:

Name	% of voting rights held	
	31/12/2017	30/06/2018
Lux-Fund Advisory S.A.	88,69	89,06
BCEE Asset Management S.A.	90,00	90,00
Bourbon Immobilière S.A.	99,90	100,00
Luxembourg State and Savings Bank Trust Company S.A.	100,00	100,00
Spuerkeess Ré S.A.	100,00	100,00

2.2.6.2 Investments in associates

The scope of investments in associates has changed since 31 December 2017. On 6 April 2018, the Group's parent company, in collaboration with other financial centre banks, created LuxHub S.A., which makes API PSD 2 connectivity platform available to its financial sector customers.

The Group's investments in associates:

Associates	% of capital held	
	31/12/2017	30/06/2018
Direct interests		
Société Nationale de Circulation Automobile S.à r.l.	20,00	20,00
Luxair S.A.	21,81	21,81
Société de la Bourse de Luxembourg S.A.	22,75	22,75
Europay Luxembourg S.C.	25,40	25,40
FS-B S.à r.l.	28,70	28,70
FS-T S.à r.l.	28,70	28,70
LuxHub S.A.	-	32,50
Visalux S.C.	36,26	36,26
LALUX Group S.A.	40,00	40,00
BioTechCube (BTC) Luxembourg S.A.	50,00	50,00
Indirect interests		
Pecoma International S.A.	33,33	33,33
EFA Partners S.A.	29,05	29,05

2.3 Foreign currency transactions

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

One euro is equal to:

Currency	30/06/2017	31/12/2017	30/06/2018
CHF	1,0931	1,1686	1,1571
GBP	0,8787	0,8874	0,8864
JPY	127,7300	134,8300	129,0100
SEK	9,6386	9,8362	10,4302
USD	1,1403	1,1984	1,1658

2.4 Information on the transition from IAS 39 to IFRS 9

This section details the transition from IAS 39 to IFRS 9 with respect to reclassifications of financial instruments as at 1 January 2018. It also includes an equity reconciliation incorporating the loss allowance for IFRS 9 expected credit losses model, replacing the IAS 39 loss allowance calculations based on the incurred loss model.

2.4.1 Reclassifications of financial instruments

The following table illustrates the transition from IAS 39 to IFRS 9 and thus details the various transfers between accounting categories.

ASSETS	Ref.	31/12/2017	Reclassification	Change in valuation		01/01/2018
				Loss allowance	Other	
Cash and sight accounts with central banks		**5.527.885.100**	**-**	**-103.981**	**-**	**5.527.781.119**
Loans and advances at amortised cost		**24.584.162.337**	**-474.547.243**	**-44.724.603**	**-661.485**	**24.064.229.006**
to Fixed-income securities recognised at amortised cost	A	-	*-474.547.243*	-	-	-
Financial instruments held for trading		**85.338.534**	**4.056.704**	-	-	**89.395.238**
from Hedging derivative financial instruments	H	-	*4.056.704*	-	-	-
Hedging derivative financial instruments		**93.957.657**	**-4.056.704**	-	-	**89.900.953**
to Financial instruments held for trading	H	-	*-4.056.704*	-	-	-
Financial assets designated at fair value through profit or loss		**548.117.498**	**-548.117.498**	**-**	**-**	**-**
to Financial assets mandatorily recognised at fair value through profit or loss	D	-	*-548.117.498*	-	-	-
Financial assets mandatorily recognised at fair value through profit or loss		**-**	**1.217.592.536**	**12.333.606**	**-12.333.606**	**1.217.592.536**
from Available-for-sale securities – Fixed-income securities	C	-	*536.884.305*	-	-	-
from Financial assets designated at fair value through profit or loss	D	-	*548.117.498*	-	-	-
from Available-for-sale securities – Fixed-income securities	G	-	*132.590.733*	-	-	-
Available-for-sale securities – Fixed-income securities		**9.134.090.462**	**-9.134.090.462**	**-**	**-**	**-**
to Fixed-income securities recognised at amortised cost	B	-	*-8.597.206.157*	-	-	-
to Financial assets mandatorily recognised at fair value through profit or loss	C	-	*-536.884.305*	-	-	-
Fixed-income securities recognised at amortised cost		**-**	**13.018.136.518**	**-7.381.275**	**-96.755.075**	**12.914.000.168**
from Loans and advances at amortised cost	A	-	*474.547.243*	-	-	-
from Available-for-sale securities – Fixed-income securities	B	-	*8.597.206.157*	-	-	-
from Held-to-maturity securities	E	-	*3.946.383.118*	-	-	-
Available-for-sale securities – Variable-income securities		**832.066.938**	**-832.066.938**	**-**	**-**	**-**
to Variable-income securities recognised at fair value through the revaluation reserve	F	-	*-699.476.205*	-	-	-
to Financial assets mandatorily recognised at fair value through profit or loss	G	-	*-132.590.733*	-	-	-
Variable-income securities recognised at fair value through the revaluation reserve		**-**	**699.476.205**	**-**	**-**	**699.476.205**
from Variable-income securities recognised at fair value through the revaluation reserve	F	-	*699.476.205*	-	-	-
Held-to-maturity securities		**3.946.383.118**	**-3.946.383.118**	**-**	**-**	**-**
from Fixed-income securities recognised at amortised cost	E	-	*-3.946.383.118*	-	-	
Investments in associates accounted for using the equity method		**378.120.296**	**-**	**-**	**-**	**378.120.296**
Change in fair value of a portfolio of financial instruments hedged against interest rate risk		**46.597.287**	**-**	**-**	**-**	**46.597.287**
Tangible assets for own use		**288.343.606**	**-**	**-**	**-**	**288.343.606**
Investment property		**13.727.120**	**-**	**-**	**-**	**13.727.120**
Intangible assets		**18.605.053**	**-**	**-**	**-**	**18.605.053**
Other assets		**11.561.278**	**-**	**-**	**-**	**11.561.278**
TOTAL ASSETS		**45.508.956.284**	**-**	**-39.876.253**	**-109.750.166**	**45.359.329.865**

LIABILITIES	Notes	31/12/2017	Reclassification	Change in valuation		01/01/2018
				Loss alowance	Other	
Deposits at amortised cost – Credit institutions		**4.776.023.875**	**-**	**-**	**-**	**4.776.023.875**
Deposits at amortised cost – Customers		**31.477.133.430**	**-**	**-**	**-**	**31.477.133.430**
Financial instruments held for trading		**202.116.831**	**11.007.159**	**-**	**-**	**213.123.990**
from Hedging derivative financial instruments	H	-	*11.007.159*	-	-	-
Hedging derivative financial instruments		**588.498.489**	**-11.007.159**	**-**	**-**	**577.491.330**
to Financial instruments held for trading	H	-	*-11.007.159*	-	-	-
Financial liabilities designated at fair value through profit or loss		**146.853.974**	**-**	**-**	**-**	**146.853.974**
Issuance of debt securities		**3.713.017.053**	**-**	**-**	**-**	**3.713.017.053**
Provisions		**3.594.463**	**-**	**14.201.029**	**-**	**17.795.492**
Other liabilities		**35.423.570**	**-**	**-**	**-**	**35.423.570**
Current taxes		**62.045.799**	**-**	**-**	**-**	**62.045.799**
Deferred taxes		**64.812.580**	**-**	**-**	**-**	**64.812.580**
Pension fund		**199.813.171**	**-**	**-**	**-**	**199.813.171**
Sub-total of LIABILITIES (before equity capital) to be carried forward		**41.269.336.235**	**-**	**14.201.029**	**-**	**41.283.537.262**

Description of the different reclassifications:

A: This reclassification comprises positions in fixed-income securities not actively quoted on a market at the time of their acquisition. Under IAS 39, these positions were classified as loans and advances at amortized cost. Under IFRS 9, these positions are held under a hold-to-collect (HTC) objective and measured by applying the "Solely Payment of Principal and Interest" test. Measurement is at amortised cost with a loss allowance calculation.

B: This reclassification comprises positions in fixed-income securities actively quoted on a market at the time of their acquisition and measured at fair value through the revaluation reserve in equity under IAS 39. At the time of the transition to IFRS 9, all "available-for-sale" positions were subject to the SPPI test. The portion transferred corresponds to the positions that underwent the SPPI test and are now measured at amortised cost under an HTC business model. A loss allowance calculation consistent with IFRS 9 is performed for all these positions.

C: This reclassification comprises positions in fixed-income securities actively quoted on a market at the time of their acquisition and measured at fair value through the revaluation reserve in equity under IAS 39. At the time of the transition to IFRS 9, all "available-for-sale" positions were subject to the SPPI test. The portion transferred corresponds to the positions that did not undergo the SPPI test and are now measured at fair value through profit or loss. Under IFRS 9, loss allowances are not calculated for these positions.

D: This reclassification comprises positions in fixed-income securities which, after their structure analyse, integrate embedded derivative components not closely related, resulting in a measurement at fair value through profit or loss in accordance with IAS 39. Although these positions are managed under an HTC approach, they do not undergo the SPPI test and continue to be measured at fair value through profit or loss under IFRS 9. The positions in question are not subject to a loss allowance calculation.

F: This reclassification comprises positions in variable-income securities equivalent to available-for-sale positions according to IAS 39. These are securities held as investments and measured at fair value through the revaluation reserve. Under IFRS 9, the Group elected to continue to measure these positions at fair value through the revaluation reserve. This choice means that gains or losses on disposals are taken into account at the equity level. The positions in question are not subject to a loss allowance calculation.

G: This reclassification comprises positions in variable-income securities equivalent to available-for-sale positions according to IAS 39. These are positions in securities often held as fund or ETF units and measured at fair value through the revaluation reserve. Under IFRS 9, these positions, with reference to IAS 32, are not equity instruments and have to undergo the SPPI test. Based on the results of this test, these positions are to be measured at fair value through profit or loss and are recognised as fixed-income securities. The positions in question are not subject to a loss allowance calculation.

H: This reclassification details the treatment of financial assets subject to the SPPI test according to IFRS 9 and qualifying as an accounting micro-hedging relationship under IAS 39. For positions that failed the SPPI test, the hedging relationship is terminated and the derivatives in question are therefore reclassified from “Hedging financial instruments” to “Financial instruments held for trading”.

2.4.2 Reconciliation of equity

The following table details the impact on equity of the transition from IAS 39 to IFRS 9, following application of the measurement principles and the loss allowance models provided for in IFRS 9.

Impact of FTA on equity	
Revaluation reserve	
As at 31 December 2017	**455.873.461**
Reclassification of debt instruments - from available-for-sale to amortised cost	-101.755.076
Reclassification of debt and equity instruments - from available-for-sale to mandatorily recognised at fair value through profit or loss	-23.310.159
Impact of deferred taxes	32.529.468
As at 1 January 2018 after FTA	**363.337.694**
Consolidated reserves	
As at 31 December 2017	**3.350.713.675**
Change in the valuation of the value adjustment stock	-49.738.764
of which	
Loans and advances at amortised cost - Customers	*-57.380.173*
Loans and advances at amortised cost - Credit institutions	*-1.165.107*
Securities	*9.952.331*
Off-balances sheet items	*-14.201.026*
Cancellation impairment - collective risk	*14.019.048*
Debt and equity instruments - from available-for-sale to mandatorily recognised at fair value through profit or loss	8.766.811
Impact of deferred taxes	10.656.807
As at 1 January 2018 after FTA	**3.320.398.529**
Total impact of FTA on equity	**-122.850.913**

3 NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET[1]

(in euros)

3.1 Cash and sight accounts with central banks

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

Headings	30/06/2017	31/12/2017	30/06/2018
Cash	64.414.041	93.598.278	60.950.278
Deposits with central banks	6.086.814.850	5.120.800.050	3.827.587.443
Other sight deposits	380.388.725	313.486.772	365.993.724
Total	**6.531.617.616**	**5.527.885.100**	**4.254.531.445**

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

3.2 Loans and advances at amortised cost – Credit institutions

Headings	30/06/2017	31/12/2017	30/06/2018
Interbank loans	2.606.483.079	2.038.950.095	2.219.222.800
Reverse repurchase/Repurchase agreements	1.195.344.281	1.164.167.512	2.581.809.051
Roll-over loans	49.474.746	47.566.796	53.071.291
Finance leases	462.683	612.091	390.041
Fixed-income securities	378.293.802	384.902.864	-
Other	44.747.260	35.187.534	8.797.055
Sub-total	**4.274.805.851**	**3.671.386.893**	**4.863.290.237**
Undrawn confirmed loans	1.035.839.729	395.928.677	1.092.577.114
Impairment of financial assets	-	-	-1.333.241
of which FTA impact	*-*	*-*	*-1.165.107*

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 2018.

Change in impairments from 1 January 2018 to 30 June 2018:

	Stage 1	Stage 2	Stage 3	TOTAL
Position as at 1 January 2018	**1.165.083**	**26**	**-**	**1.165.109**
Stage transfers	**40.762**	**-1**	**-**	**40.761**
Transfer from Stage 1	-1	1	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other	40.764	-2	-	40.761
Position as at 30 June 2018 before changes	**1.205.845**	**25**	**-**	**1.205.870**
Changes	**127.309**	**55**	**-**	**127.365**
Increase due to acquisition and origination	725.491	-	-	725.491
Decrease due to repayment	-23.753	-	-	-23.753
Change related to credit risk	-576.463	56	-	-576.407
Other net changes	-	-	-	-
Exchange gain or loss	2.033	-1	-	2.032
Position as at 30 June 2018	**1.333.155**	**81**	**-**	**1.333.235**

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	TOTAL
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	386	-386	-	-
Transfer from Stage 3	-	-	-	-

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	30/06/2017	31/12/2017	30/06/2018
Retail customers	13.304.551.328	13.616.955.128	14.202.750.447
Corporate customers	5.330.524.386	5.408.192.766	4.738.831.628
Public sector	1.919.939.708	1.887.627.550	1.688.380.936
Sub-total	**20.555.015.422**	**20.912.775.444**	**20.629.963.012**
Undrawn confirmed loans	5.223.436.292	5.370.706.244	4.941.367.656
Impairment of financial assets	-97.422.010	-93.085.687	-125.344.860
of which FTA impact	-	-	*-43.361.125*

Of which finance leases:

Headings	30/06/2017	31/12/2017	30/06/2018
Finance leases	115.171.845	119.496.582	123.419.832
Total	**115.171.845**	**119.496.582**	**123.419.832**

Impairment of loans and receivables:

	Retail	Corporate	Total
Position as at 1 January 2017	**31.616.628**	**68.331.050**	**99.947.678**
Additions	5.029.520	3.660.475	8.689.995
Reversals	-2.337.919	-8.877.744	-11.215.664
Write-off (*)	-	-	-
Exchange gain or loss	-	-	-
Position as at 30 June 2017	**34.308.229**	**63.113.781**	**97.422.010**
Impairment of assets - individual risk	18.735.435	63.113.781	81.849.216
Impairment of assets - collective risk	15.572.794	-	15.572.794
Total	**34.308.229**	**63.113.781**	**97.422.010**
Position as at 1 July 2017	**34.308.229**	**63.113.781**	**97.422.010**
Additions	-	2.938.628	2.938.628
Reversals	-2.078.958	-3.352.982	-5.431.939
Write-off (*)	-439.072	-1.403.940	-1.843.012
Exchange gain or loss	-	-	-
Position as at 31 December 2017	**31.790.197**	**61.295.487**	**93.085.684**
Impairment of assets - individual risk	18.187.100	61.295.487	79.482.587
Impairment of assets - collective risk	13.603.097	-	13.603.097
Total	**31.790.197**	**61.295.487**	**93.085.684**

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

Value adjustments cover the principal and interest.

	Stage 1	Stage 2	Stage 3	TOTAL
Position as at 1 January 2018	**16.068.034**	**41.434.063**	**78.946.715**	**136.448.812**
of which				
Retail customers	*2.422.355*	*17.754.327*	*17.493.774*	*37.670.456*
Corporate customers	*13.587.287*	*23.679.737*	*61.452.941*	*98.719.965*
Public sector	*58.391*	*-*	*-*	*58.391*
Stage transfers	**7.418.868**	**-5.093.539**	**-2.368.091**	**-42.761**
Retail customers	6.009.642	-4.958.176	-893.319	158.147
Transfer from Stage 1	*-178.543*	*162.580*	*15.963*	*-*
Transfer from Stage 2	*6.102.909*	*-6.454.034*	*351.125*	*-*
Transfer from Stage 3	*77.837*	*1.181.568*	*-1.259.405*	*-*
Other	*7.439*	*151.710*	*-1.002*	*158.147*
Corporate customers	1.409.226	-135.363	-1.474.771	-200.908
Transfer from Stage 1	*-243.323*	*243.124*	*200*	*-*
Transfer from Stage 2	*1.338.859*	*-1.455.888*	*117.029*	*-*
Transfer from Stage 3	*361.891*	*1.229.111*	*-1.591.002*	*-*
Other	*-48.200*	*-151.710*	*-998*	*-200.908*
Public sector	-	-	-	-
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other	-	-	-	-
Position as at 30 June 2018 before changes	**23.486.902**	**36.340.524**	**76.578.625**	**136.406.051**
of which				
Retail customers	*8.431.998*	*12.796.150*	*16.600.455*	*37.828.603*
Corporate customers	*14.996.513*	*23.544.374*	*59.978.170*	*98.519.057*
Public sector	*58.391*	*-*	*-*	*58.391*
Changes	**-6.974.566**	**-1.886.035**	**-2.200.590**	**-11.061.191**
Increase due to acquisition and origination	4.381.209	911.057	118.753	5.411.019
Decrease due to repayment	-339.411	-268.095	-1.362.967	-1.970.473
Change related to credit risk	-11.018.587	-2.238.358	-1.021.859	-14.278.803
Other net changes	-	-305.120	27	-305.093
Exchange gain or loss	2.223	14.480	65.456	82.159
Position as at 30 June 2018	**16.512.336**	**34.454.489**	**74.378.035**	**125.344.860**
of which				
Retail customers	*2.678.109*	*16.442.898*	*15.230.215*	*34.351.221*
Corporate customers	*13.804.629*	*18.011.591*	*59.147.820*	*90.964.040*
Public sector	*29.599*	*-*	*-*	*29.599*

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	TOTAL
Retail customers	**607.464.141**	**-619.305.094**	**11.840.953**	**-**
Transfer from Stage 1	*-6.157.034*		*6.157.034*	*-*
Transfer from Stage 2	*610.855.240*	*-625.877.127*	*15.021.887*	*-*
Transfer from Stage 3	*2.765.935*	*6.572.033*	*-9.337.968*	*-*
Corporate customers	**35.408.701**	**-34.635.219**	**-773.481**	**-**
Transfer from Stage 1	*-47.202.620*	*46.607.508*	*595.112*	*-*
Transfer from Stage 2	*82.266.073*	*-85.817.979*	*3.551.906*	*-*
Transfer from Stage 3	*345.247*	*4.575.251*	*-4.920.499*	*-*
Public sector	**-**	**-**	**-**	**-**
Transfer from Stage 1	-	-		-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-

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 30/06/2018	Performing restructured loans		Non-performing restructured loans		Total restructured loans	
	Carrying amount	Impairment	Carrying amount	Impairment	Loan	Impairment
Retail customers	23.223.794	115.066	18.870.510	3.378.195	42.094.304	3.493.261
Corporate customers	75.404.809	419.265	134.196.454	32.647.902	209.601.263	33.067.167
Total	**98.628.603**	**534.332**	**153.066.965**	**36.026.097**	**251.695.567**	**36.560.428**

As at 31/12/2017	Restructured unimpaired loans	Impaired restructured loans			Total restructured loans
		Carrying amount	Impairment	Total	
Retail customers	18.148.801	14.138.720	2.577.087	11.561.633	29.710.434
Corporate customers	58.384.157	163.059.037	33.048.511	130.010.526	188.394.683
Total	**76.532.958**	**177.197.757**	**35.625.598**	**141.572.159**	**218.105.117**

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

3.4 Financial instruments

3.4.1 Assets and liabilities held for trading

Assets	30/06/2017	31/12/2017	30/06/2018
Non-derivative financial instruments	2.557.788	22.713	1.197
Derivative financial instruments (note 3.5.)	93.071.673	85.315.821	307.650.504
Total	**95.629.461**	**85.338.534**	**307.651.701**

Liabilities	30/06/2017	31/12/2017	30/06/2018
Non-derivative financial instruments	99.100	-	1.576
Derivative financial instruments (note 3.5.)	408.935.250	202.116.831	143.646.285
Total	**409.034.350**	**202.116.831**	**143.647.862**

Assets - Non-derivative financial instruments	30/06/2017	31/12/2017	30/06/2018
Debt instruments	**2.557.788**	**22.713**	**1.197**
Public sector	*233.939*	-	-
Credit institutions	-	-	-
Corporate customers	*2.323.849*	*22.713*	*1.197*
Equity instruments	**-**	**-**	**-**
Total	**2.557.788**	**22.713**	**1.197**
Unrealised profit/loss at the reporting date	8.271	-	-

Liabilities - Non-derivative financial instruments	30/06/2017	31/12/2017	30/06/2018
Short sales	**99.100**	**-**	**1.576**
Bonds	*99.100*	-	*1.576*
Shares	-	-	-
Total	**99.100**	**-**	**1.576**

3.4.2 Change in available-for-sale financial assets in financial year 2017

Following the introduction of IFRS 9 on 1 January 2018, the available-for-sale asset categories were reclassified to the new "fixed-income securities recognised at amortised cost", "variable-income securities recognised at fair value through the revaluation reserve" and "financial assets mandatorily recognised at fair value through profit or loss" categories.

Headings	30/06/2017	31/12/2017
Debt instruments	**9.402.766.616**	**9.134.090.462**
Public sector	*2.181.826.336*	*2.247.368.120*
Credit institutions	*4.668.559.639*	*4.462.542.499*
Corporate customers	*2.552.380.641*	*2.424.179.843*
Equity instruments	**1.042.455.324**	**832.066.938**
Credit institutions	*4.260.048*	*3.505.601*
Corporate customers	*1.038.195.276*	*827.704.357*
Other	*-*	*856.980*
Total	**10.445.221.940**	**9.966.157.400**
Impairment of financial assets	-38.596.748	-20.694.467
Unrealised profit/loss at the reporting date	891.508.730	652.628.817

<u>Impairment of available-for-sale financial assets</u>:

	Corporate customers		Total
	ABS/MBS	Other	
Position as at 1 January 2017	**27.805.559**	**15.908.247**	**43.713.806**
Additions	-	4	4
Reversals	-915.647	- 3.000.000	-3.915.647
Write-off of receivables*	-	-	-
Exchange gain or loss	-738.780	-462.636	-1.201.415
Position as at 30 June 2017	**26.151.132**	**12.445.616**	**38.596.748**
Position as at 1 July 2017	**26.151.132**	**12.445.616**	**38.596.748**
Additions	-	-	-
Reversals	-5.043.345	-1.796.398	-6.839.743
Write-off of receivables*	-	-9.850.242	-9.850.242
Exchange gain or loss	-413.320	-798.973	-1.212.294
Position as at 31 December 2017	**20.694.467**	**-**	**20.694.467**

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

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

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

- **Debt instruments**

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

31/12/2017	Fair value adjustments of debt instruments		Fair value adjustment of the swap leg hedging the asset	
	Changes in unhedged risk ("credit and liquidity spread")	Changes in hedged risk (interest rate and price)	Changes in hedge risk	Retrospective effectiveness
Fixed-rate bonds and structured bonds	86.895.158	173.473.034	-173.473.034	100,00%
Variable-rate bonds	13.899.661			

30/06/2017	Fair value adjustments of debt instruments		Fair value adjustment of the swap leg hedging the asset	
	Changes in unhedged risk ("credit and liquidity spread")	Changes in hedged risk (interest rate and price)	Changes in hedge risk	Retrospective effectiveness
Fixed-rate bonds and structured bonds	66.623.550	220.466.790	-220.466.790	100,00%
Variable-rate bonds	11.660.342			

- **Equity instruments**

Headings	30/06/2017	31/12/2017
Equity instruments	1.042.455.324	832.066.938
Total	**1.042.455.324**	**832.066.938**
Impairment of financial assets	-10.695.614	-
Unrealised profit/loss at the reporting date	592.758.047	378.360.964

3.4.3 Fixed-income securities recognised at amortised cost

This item 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	30/06/2018
Debt instruments	**13.590.233.899**
Public sector	*2.794.898.675*
Credit institutions	*7.462.408.401*
Corporate customers	*3.332.926.822*
Impairment of financial assets	-12.355.285
Fair value (interest-rate component) for the purposes of hedge accounting	152.721.666

Effectiveness of fair value hedges:

30/06/2018	Fair value adjustments of debt instruments	Fair value adjustment of the swap leg hedging the asset	
	Changes in hedged risk (interest rate)	Changes in hedge risk	Retrospective effectiveness
Fixed-rate bonds	152.721.666	-152.721.666	100,00%
Variable-rate bonds	-		

Change in impairments:

	Stage 1	Stage 2	Stage 3	TOTAL
Position as at 1 January 2018	**7.207.851**	**172.044**	**8.362.241**	**15.742.136**
of which				
Public sector	*732.031*	*-*	*-*	*732.031*
Credit institutions	*4.199.104*	*-*	*-*	*4.199.104*
Corporate customers	*2.276.716*	*172.044*	*8.362.241*	*10.811.001*
Stage transfers	**2.854.124**	**844.179**	**-3.698.302**	**-**
Public sector				
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Credit institutions				
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Corporate customers				
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	*107.710*	*-107.710*	-	-
Transfer from Stage 3	*2.746.413*	*951.889*	*-3.698.302*	-
Position as at 30 June 2018 before changes	10.061.975	1.016.223	4.663.938	15.742.136
Changes	**-2.094.776**	**-968.276**	**-323.800**	**-3.386.851**
Increase due to acquisition and origination	1.310.858	-	-	1.310.858
Decrease due to repayment	-	-	-	-
Change related to credit risk	-3.405.763	-968.276	-324.311	-4.698.349
Other net changes	-	-	-	-
Exchange gain or loss	128	-	511	640
Position as at 30 June 2018	**7.967.199**	**47.947**	**4.340.139**	**12.355.285**
of which				
Public sector	*630.317*	*-*	*-*	*630.317*
Credit institutions	*4.314.901*	*-*	*-*	*4.314.901*
Corporate customers	*3.021.981*	*47.947*	*4.340.139*	*7.410.067*

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	TOTAL
Public sector	**-**	**-**	**-**	**-**
Transfer from Stage 1	-	-		-
Transfer from Stage 2		-	-	-
Transfer from Stage 3	-		-	-
Credit institutions	**-**	**-**	**-**	**-**
Transfer from Stage 1	-	-		-
Transfer from Stage 2		-	-	-
Transfer from Stage 3	-		-	-
Corporate customers	**19.954.876**	**735.068**	**-20.689.944**	**-**
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	*1.832.803*	*-1.832.803*	-	-
Transfer from Stage 3	*18.122.073*	*2.567.871*	*-20.689.944*	-

3.4.4 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	30/06/2018
Equity instruments	**773.585.189**
Credit institutions	*3.460.757*
Corporate customers	*770.124.432*
Unrealised profit/loss through the revaluation reserve	441.367.700
Dividends received during the period	30.761.609
of which dividends from positions sold during the period	-
Gains/losses on sales in equity	808.399

3.5 Derivatives

Categories as at 30/06/2018	Assets	Liabilities	Notional
Derivative financial instruments held for trading	**307.650.504**	**143.646.285**	**15.287.428.021**
Operations linked to exchange rates	269.583.967	58.628.903	13.207.625.063
- Foreign exchange swaps and forward exchange contracts	*266.231.028*	*58.610.034*	*13.006.891.644*
- CCIS economic hedge	*3.334.069*	-	*11.514.337*
- other	*18.869*	*18.869*	*189.219.083*
Operations linked to interest rates	31.918.863	78.869.708	1.988.783.284
- IRS	*30.578.489*	*42.555.071*	*619.271.601*
- IRS economic hedge	*330.037*	*34.972.762*	*1.238.383.105*
- other	*1.010.337*	*1.341.875*	*131.128.577*
Operations linked to equity	6.147.674	6.147.674	91.019.674
- Equity and index options	*6.147.674*	*6.147.674*	*91.019.674*
Fair value hedges (micro)	**37.243.531**	**475.183.784**	**7.963.017.026**
Operations linked to exchange rates	26.413.477	82.945.134	1.218.240.597
- CCIS	*26.413.477*	*82.945.134*	*1.218.240.597*
Operations linked to interest rates	9.768.021	370.975.570	6.370.105.681
- IRS (interest rate)	*9.768.021*	*370.975.570*	*6.370.105.681*
Operations linked to other indices	1.062.033	21.263.080	374.670.747
- IRS (other indices)	*1.062.033*	*21.263.080*	*374.670.747*
Fair value hedges (macro)	**11.862.467**	**98.386.022**	**1.681.896.052**
Operations linked to interest rates	11.862.467	98.386.022	1.681.896.052
- IRS (interest rate)	*11.862.467*	*98.386.022*	*1.681.896.052*
Cash flow hedges	**24.727.162**	**5.641.871**	**450.955.276**
Operations linked to exchange rates	20.957.511	5.641.871	419.055.276
- CCIS	*20.957.511*	*5.641.871*	*419.055.276*
Operations linked to interest rates	3.769.651	-	31.900.000
- IRS	*3.769.651*	-	*31.900.000*

Categories as at 31/12/2017	Assets	Liabilities	Notional
Derivative financial instruments held for trading	**85.315.821**	**202.116.831**	**14.312.900.976**
Operations linked to exchange rates	48.951.931	132.827.947	12.788.986.714
- Foreign exchange swaps and forward exchange contracts	*48.502.107*	*132.826.825*	*12.601.669.868*
- CCIS economic hedge (FVO)	*448.702*	-	*3.763.000*
- other	*1.122*	*1.122*	*183.553.846*
Operations linked to interest rates	35.460.400	68.385.395	1.444.663.567
- IRS	*34.231.998*	*43.517.331*	*639.375.207*
- IRS economic hedge (FVO)	-	*23.322.914*	*669.598.500*
- other	*1.228.402*	*1.545.149*	*135.689.860*
Operations linked to equity	903.490	903.490	79.250.696
- Equity and index options	*903.490*	*903.490*	*79.250.696*
Fair value hedges (micro)	**48.031.905**	**494.067.233**	**8.482.296.775**
Operations linked to exchange rates	32.811.920	54.449.394	1.169.345.249
- CCIS	*32.811.920*	*54.449.394*	*1.169.345.249*
Operations linked to interest rates	13.683.618	405.006.239	6.344.766.161
- IRS (interest rate)	*13.683.618*	*405.006.239*	*6.344.766.161*
Operations linked to other indices	1.536.366	34.611.600	968.185.365
- IRS (other indices)	*1.536.366*	*34.611.600*	*968.185.365*
Fair value hedges (macro)	**13.984.334**	**92.521.317**	**1.475.796.280**
Operations linked to interest rates	13.984.334	92.521.317	1.475.796.280
- IRS (interest rate)	*13.984.334*	*92.521.317*	*1.475.796.280*
Cash flow hedges	**31.941.418**	**1.909.939**	**486.790.613**
Operations linked to exchange rates	27.678.612	1.909.939	452.390.613
- CCIS	*27.678.612*	*1.909.939*	*452.390.613*
Operations linked to interest rates	4.262.806	-	34.400.000
- IRS	*4.262.806*	-	*34.400.000*

Categories as at 30/06/2017	Assets	Liabilities	Notional
Derivative financial instruments held for trading	**93.071.673**	**408.935.250**	**16.086.893.220**
Operations linked to exchange rates	55.688.823	337.484.820	14.530.975.989
- Foreign exchange swaps and forward exchange contracts	*54.672.757*	*337.484.691*	*14.334.510.533*
- CCIS economic hedge (FVO)	*687.377*	*-*	*3.763.000*
- other	*328.689*	*129*	*192.702.456*
Operations linked to interest rates	37.067.635	71.135.216	1.530.729.523
- IRS	*34.099.295*	*47.180.293*	*829.381.343*
- IRS economic hedge (FVO)	*1.631.083*	*22.296.243*	*560.598.500*
- other	*1.337.257*	*1.658.680*	*140.749.680*
Operations linked to equity	315.215	315.215	25.187.708
- Equity and index options	*315.215*	*315.215*	*25.187.708*
Fair value hedges (micro)	**38.188.933**	**618.835.689**	**8.622.297.488**
Operations linked to exchange rates	18.247.600	126.154.869	1.422.875.961
- CCIS	*18.247.600*	*126.154.869*	*1.422.875.961*
Operations linked to interest rates	18.116.506	449.210.566	6.194.692.450
- IRS (interest rate)	*18.116.506*	*449.210.566*	*6.194.692.450*
Operations linked to other indices	1.824.827	43.470.254	1.004.729.077
- IRS (other indices)	*1.824.827*	*43.470.254*	*1.004.729.077*
Fair value hedges (macro)	**18.862.219**	**91.567.595**	**1.348.298.371**
Operations linked to interest rates	18.862.219	91.567.595	1.348.298.371
- IRS (interest rate)	*18.862.219*	*91.567.595*	*1.348.298.371*
Cash flow hedges	**16.384.632**	**11.793.329**	**567.649.312**
Operations linked to exchange rates	11.512.267	11.793.329	530.649.312
- CCIS	*11.512.267*	*11.793.329*	*530.649.312*
Operations linked to interest rates	4.872.365	-	37.000.000
- IRS	*4.872.365*	*-*	*37.000.000*

3.6 Change in financial assets designated at fair value through profit or loss in financial year 2017

Headings	30/06/2017	31/12/2017
Debt instruments		
Public sector	-	54.473.834
Credit institutions	253.508.498	296.866.320
Corporate customers	179.026.201	196.777.345
Total	**432.534.699**	**548.117.498**
Unrealised profit/loss at the reporting date	*584.780*	*2.678.361*

This item includes financial instruments which, depending on their characteristics, incorporate derivative components that are not directly related and are therefore not eligible for measurement at fair value through the revaluation reserve in accordance with IAS 39. These instruments were included in the financial assets mandatorily recognised at fair value through profit or loss category under IFRS 9 at 1 January 2018.

3.7 Financial assets mandatorily recognised at fair value through profit or loss

Headings	30/06/2018
Debt instruments	**1.244.600.515**
Public sector	*65.715.098*
Credit institutions	*642.261.216*
Corporate customers	*536.624.200*
Unrealised profit/loss	8.277.402

This item 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 for measurement at fair value through the revaluation reserve. These instruments, because they are measured at fair value, are not subject to a loss allowance calculation.

3.8 Change in held-to-maturity securities in financial year 2017

Headings	30/06/2017	31/12/2017
Debt instruments		
Public sector	*731.508.068*	*699.691.151*
Credit institutions	*2.643.648.893*	*2.521.233.349*
Corporate customers	*803.512.340*	*725.458.618*
Total	**4.178.669.301**	**3.946.383.118**
Impairment of financial assets	-	-

This item includes financial instruments which, depending on their characteristics, were held to maturity and measured at amortised cost according to IAS 39. These instruments were included in the financial instruments measured at amortised cost category under IFRS 9 at 1 January 2018.

3.9 Investments in associates accounted for using the equity method

Acquisition value as at 1 January 2017	**54.227.634**
Establishment	4
Disposals	-
Acquisition value as at 30 June 2017	**54.227.638**
Acquisition value as at 1 July 2017	**54.227.638**
Establishment	-
Disposals	-2
Acquisition value as at 31 December 2017	**54.227.636**
Acquisition value as at 1 January 2018	**54.227.636**
Establishment	1.300.000
Disposals	-
Acquisition value as at 30 June 2018	**55.527.636**

List of associates:

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 30/06/2018
Société Nationale de Circulation Automobile S.à r.l.	20,00	24.789	6.445.293
Luxair S.A.	21,81	14.830.609	96.790.062
Société de la Bourse de Luxembourg S.A.	22,75	128.678	23.109.500
Europay Luxembourg S.C.	25,40	96.279	1.087.014
FS-B S.à.r.l.	28,70	3.003.694	3.384.990
FS-T S.à.r.l.	28,70	1.104.793	1.027.042
Visalux S.C.	36,26	412.508	4.324.198
Luxhub S.A.	32,50	1.300.000	1.300.000
Lalux Group S.A.	40,00	28.904.385	223.232.364
BioTechCube (BTC) Luxembourg S.A.	50,00	5.000.000	727.798
Sub-total direct holdings in associates		**54.805.736**	**361.428.262**
EFA Partners S.A.	29,05	551.900	663.232
Pecoma International S.A.	33,33	170.000	221.089
Sub-total indirect holdings in associates		**721.900**	**884.321**
Total		**55.527.636**	**362.312.583**

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 31/12/2017
Société Nationale de Circulation Automobile S.à r.l.	20,00	24.789	6.280.680
Luxair S.A.	21,81	14.830.609	97.089.381
Société de la Bourse de Luxembourg S.A.	22,75	128.678	25.160.848
Europay Luxembourg S.C.	25,40	96.279	7.648.911
FS-B S.à r.l.	28,70	3.003.694	3.356.064
FS-T S.à r.l.	28,70	1.104.793	1.032.206
Visalux S.C.	36,25	412.508	8.632.692
Lalux Group S.A.	40,00	28.904.385	227.234.883
BioTechCube (BTC) Luxembourg S.A.	50,00	5.000.000	740.483
Sub-total direct holdings in associates		**53.505.736**	**377.176.150**
EFA Partners S.A.	29,05	551.900	699.185
Pecoma International S.A.	33,33	170.000	244.961
Sub-total indirect holdings in associates		**721.900**	**944.146**
Total		**54.227.636**	**378.120.296**

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

With one exception, the financial statements of associates have been restated to comply with IFRS 9. That one exception concerns Lalux Group S.A., 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 2021.

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	30/06/2018			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
Direct interests	**5.157.120**	**-**	**-27.668.353**	**-22.511.233**
Société Nationale de Circulation Automobile S.à r.l.	165.824	-	1.642	167.466
Luxair S.A.	-1.789.122	-	759.119	-1.030.003
Société de la Bourse de Luxembourg S.A.	851.213	-	-2.896.672	-2.045.459
Europay Luxembourg S.C.	-2.966	-	-10.545.874	-10.548.840
FS-B S.à.r.l.	28.926	-	-	28.926
FS-T S.à.r.l.	576	-	-5.740	-5.164
Visalux S.C.	-505.144	-	-4.394.183	-4.899.327
Luxhub S.A.	-	-	-	-
Lalux Group S.A.	6.415.624	-	-10.581.686	-4.166.062
BioTechCube (BTC) Luxembourg S.A.	-7.811	-	-4.959	-12.770
Indirect interests	**54.381**	**-**	**-114.206**	**-59.825**
EFA Partners S.A.	55.928	-	-91.881	-35.953
Pecoma International S.A.	-1.547	-	-22.325	-23.872
Total	**5.211.501**	**-**	**-27.782.559**	**-22.571.058**

Associates	31/12/2017			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
Direct interests	**40.343.899**	**-**	**-22.309.005**	**18.034.894**
Société Nationale de Circulation Automobile S.à r.l.	324.299	-	-1.255.714	-931.415
Luxair S.A.	1.766.873	-	-2.872.821	-1.105.948
Société de la Bourse de Luxembourg S.A.	3.008.253	-	-1.618.982	1.389.271
Europay Luxembourg S.C.	7.317.681	-	973.732	8.291.413
FS-B S.à.r.l.	71.031	-	-401.786	-330.755
FS-T S.à.r.l.	14.922	-	-66.008	-51.086
Visalux S.C.	-296.099	-	222.758	-73.341
Lalux Group S.A.	28.147.432	-	-17.288.955	10.858.477
BioTechCube (BTC) Luxembourg S.A.	-10.493	-	-1.229	-11.722
Indirect interests	**111.153**	**-**	**47.147**	**158.300**
EFA Partners S.A.	91.923	-	9.026	100.949
Pecoma International S.A.	19.230	-	38.121	57.351
Total	**40.455.052**	**-**	**-22.261.858**	**18.193.194**

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

3.10 Securities collateralised

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

Headings	30/06/2017	31/12/2017	30/06/2018
Debt instruments issued by the public sector	1.418.291.938	1.433.036.026	1.015.264.336
Debt instruments issued by credit institutions	419.693.192	474.179.952	1.032.334.028
Debt instruments issued - other	-	161.961.513	203.997.121
Equity instruments	-	-	-
Total	**1.837.985.130**	**2.069.177.491**	**2.251.595.485**

In financial year 2017, debt instruments issued were primarily available-for-sale and held-to-maturity assets pursuant to IAS 39. For 2018, debt instruments issued are primarily “fixed-income securities recognised at amortised cost” pursuant to IFRS 9. 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 2018.

Securities lent and other collateral

Headings	30/06/2017	31/12/2017	30/06/2018
Securities lending			
Debt instruments issued by the public sector	465.202.362	493.950.715	966.831.283
Debt instruments issued by credit institutions	159.651.738	8.626.184	27.495.500
Debt instruments issued - other	110.155.500	73.865.360	60.060.200
Other collateral			
Debt instruments issued by the public sector	-	10.402.862	10.036.299
Total	**735.009.600**	**586.845.121**	**1.064.423.282**

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

3.11 Convertible bonds included in the different portfolios

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

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

Headings	30/06/2017	31/12/2017	30/06/2018
Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk	42.383.945	46.597.287	54.318.823
Total	**42.383.945**	**46.597.287**	**54.318.823**

This item 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 2017 and 2018 is due primarily to the impact of the change in the interest-rate curves used to determine fair value.

3.13 Tangible assets for own use

Headings	30/06/2017	31/12/2017	30/06/2018
Tangible assets for own use	287.393.500	288.343.606	279.962.823
Total	**287.393.500**	**288.343.606**	**279.962.823**

3.14 Other assets

Headings	30/06/2017	31/12/2017	30/06/2018
Operational outstandings	11.789.919	5.540.552	63.376.089
Preferential or secured debtors	4.673.425	4.884.175	6.501.629
Other	1.697.620	1.136.551	369.906
Total	**18.160.964**	**11.561.278**	**70.247.624**

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

3.15 Taxes: Tax assets and liabilities

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

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

As at 30 June 2018, the Group posted a deferred tax asset of EUR 134.509.273, and a deferred tax liability of EUR 148.625.568.

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	30/06/2018
Deferred tax assets	93.552.932	40.990.490	-34.149	134.509.273
Deferred tax liabilities	-158.365.512	2.018.338	7.721.605	-148.625.568
Net deferred tax assets/liabilities	**-64.812.580**	**43.008.828**	**7.687.456**	**-14.116.295**

Headings	01/07/2017	Movements in equity	Movements in income statement	31/12/2017
Deferred tax assets	88.770.018	4.782.914	-	93.552.932
Deferred tax liabilities	-151.392.030	-6.400.945	-572.537	-158.365.512
Net deferred tax assets/liabilities	**-62.622.012**	**-1.618.031**	**-572.537**	**-64.812.580**

Headings	01/01/2017	Movements in equity	Movements in income statement	30/06/2017
Deferred tax assets	104.323.210	-15.553.192	-	88.770.018
Deferred tax liabilities	-162.650.834	-1.801.152	13.059.956	-151.392.030
Net deferred tax assets/liabilities	**-58.327.624**	**-17.354.344**	**13.059.956**	**-62.622.012**

3.15.1 Tax assets

Headings	30/06/2017	31/12/2017	30/06/2018
Deferred taxes	88.770.018	93.552.932	134.509.273
Tax assets	**88.770.018**	**93.552.932**	**134.509.273**

Breakdown of deferred tax assets according to origin:

Headings	30/06/2017	31/12/2017	30/06/2018
Derivative financial instruments - application of fair value	1.559.473	252.722	-
Debt instruments - application of fair value	3.370.200	1.416.439	-
Equity instruments - application of fair value	2.704.103	2.383.009	3.603.442
Pension funds - actuarial gain or loss	81.136.242	89.500.762	88.776.891
Deferred tax assets due to FTA			42.128.940
Deferred tax assets	**88.770.018**	**93.552.932**	**134.509.273**

3.15.2 Tax liabilities

Headings	30/06/2017	31/12/2017	30/06/2018
Current tax	64.565.813	62.045.799	61.348.418
Income tax	*39.901.476*	*37.807.574*	*37.299.731*
Municipal business tax	*24.642.937*	*24.216.825*	*24.027.287*
Wealth tax	*21.400*	*21.400*	*21.400*
Deferred taxes	151.392.030	158.365.512	148.625.568
Tax liabilities	**215.957.843**	**220.411.311**	**209.973.986**

Breakdown of deferred tax liabilities according to origin:

Headings	30/06/2017	31/12/2017	30/06/2018
Derivative instruments - application of fair value	1.266.260	1.106.737	1.013.637
Debt instruments - application of fair value	23.731.839	27.633.172	-
Equity instruments - application of fair value	5.011.922	6.404.677	1.772.103
Pension funds - fair value gain/loss	5.887.213	7.153.593	6.203.643
Regulatory and other provisions	115.494.796	116.067.333	108.532.788
Deferred tax liabilities due to FTA			31.103.396
Deferred tax liabilities	**151.392.030**	**158.365.512**	**148.625.568**

3.16 Deposits at amortised cost – Credit institutions

Headings	30/06/2017	31/12/2017	30/06/2018
Inter-bank deposits	5.123.400.360	4.403.078.733	4.736.670.303
of which central bank deposits	*1.022.701.791*	*829.592.373*	*864.356.689*
Repurchase/Reverse repurchase agreements	248.823.838	372.945.142	963.320.079
Total	**5.372.224.198**	**4.776.023.875**	**5.699.990.382**

3.17 Deposits at amortised cost – Private customers and public sector

Headings	30/06/2017	31/12/2016	30/06/2018
Private sector	**24.620.489.084**	**24.475.454.187**	**25.331.727.260**
- Demand deposit and notice accounts	*7.972.973.623*	*7.959.338.041*	*8.662.321.305*
- Time deposit accounts	*3.917.941.821*	*3.592.463.392*	*3.447.480.037*
- Savings	*12.474.224.285*	*12.880.228.127*	*13.221.925.918*
- Repurchase/Reverse repurchase agreements	*255.349.355*	*43.424.627*	*-*
Public sector	**5.951.031.343**	**7.001.679.243**	**5.784.814.530**
Total	**30.571.520.427**	**31.477.133.430**	**31.116.541.790**

3.18 Financial liabilities designated at fair value through profit or loss

Headings	30/06/2017	31/12/2017	30/06/2018
Unsubordinated notes	144.079.665	146.853.974	148.102.377
Total	**144.079.665**	**146.853.974**	**148.102.377**
Unrealised profit/loss at the reporting date	*-6.259.674*	*4.531.301*	*-3.985.050*

This item includes financial instruments which, depending on their characteristics, incorporate derivative components that are not directly related and are therefore not eligible for measurement at fair value through the revaluation reserve. Pursuant to IFRS 9, the Bank applies an own credit risk equal to zero as the Bank's rating has not changed since the beginning of the year.

3.19 Issuance of debt securities

Headings	30/06/2017	31/12/2017	30/06/2018
Certificates of deposit	197.341.682	155.327.560	120.926.879
Commercial paper	4.707.503.507	3.101.120.005	3.681.224.778
Medium Term Notes and other securities issued	463.290.175	456.569.488	447.672.665
Total	**5.368.135.364**	**3.713.017.053**	**4.249.824.322**
of which:			
- Subordinated notes	*101.224.882*	*100.971.040*	*100.727.259*

The Bank did not issue any Euro Medium Term Notes (EMTN) in first-half 2018. That was also the case in first-half 2017.

Securities issued which have come to maturity and have been reimbursed prior to maturity in first-half 2017 and first-half 2018:

	First-half 2017	First-half 2018
Maturities/repayments	16.287.181	12.835.592
Total	**16.287.181**	**12.835.592**
of which:		
- Subordinated notes (at issue value)	-	-
- Structured notes (at issue value)	*16.242.181*	*12.678.374*

In first-half 2017, the Group bought back EUR 60.000 of its own issues. It made no such buybacks in first-half 2018.

3.20 Provisions

Movements:

Position as at 1 January 2017	**4.883.234**
Additions	18.967
Reversals	-390.042
Application	-
Position as at 30 June 2017	**4.512.159**
Position as at 1 July 2017	**4.512.159**
Additions	6.685
Reversals	-924.381
Application	-
Position as at 31 December 2017	**3.594.463**
Position as at 1 January 2018 before FTA	**3.594.463**
FTA impact	**14.201.029**
Position as at 1 January 2018 after FTA	**17.795.492**
Additions	5.722.400
Reversals	-7.162.010
Application	-420.891
Position as at 30 June 2018	**15.934.991**

The "Provisions" line includes provisions for risks which are liabilities of uncertain timing or amount. Provisions are also recorded for the Group's parent company's off-balance sheet commitments.

Change in provisions for off-balance sheet commitments:

	Stage 1	Stage 2	Stage 3	TOTAL
Position as at 1 January 2018	**10.862.265**	**3.262.743**	**1.071.132**	**15.196.140**
Stage transfers	**666.931**	**-595.864**	**-71.066**	**-**
Stage transfers	*666.931*	*-595.864*	*-71.066*	*-*
Position as at 30 June 2018 before changes	**11.529.196**	**2.666.879**	**1.000.066**	**15.196.140**
Changes	**-1.668.591**	**78.980**	**-49.238**	**-1.638.848**
Increase due to acquisition and origination	3.763.100	70.460	23.309	3.856.869
Decrease due to repayment	-1.653.726	-225.607	-125.265	-2.004.598
Change related to credit risk	-3.778.739	248.947	52.718	-3.477.074
Other net changes	-	-14.810	-	-14.810
Exchange gain or loss	774	-11		763
Position as at 30 June 2018	**9.860.605**	**2.745.858**	**950.828**	**13.557.292**

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	TOTAL
Transfer from Stage 1	*-31.731.428*	*31.541.631*	*189.797*	*-*
Transfer from Stage 2	*52.226.238*	*-52.386.328*	*160.090*	*-*
Transfer from Stage 3	*127.603*	*211.344*	*-338.947*	*-*

3.21 Other liabilities

Headings	30/06/2017	31/12/2017	30/06/2018
Operational outstandings	45.937.148	11.058.567	44.945.816
Preferential or secured creditors	10.352.397	20.936.412	10.490.574
Other	11.615.098	3.428.591	12.372.186
Total	**67.904.643**	**35.423.570**	**67.808.576**

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

3.22 Pension funds - Defined-benefit pension plan

Main estimates used to determine pension commitments:

Variables	30/06/2017	31/12/2017	30/06/2018
Discount rate for active employees	1,90%	1,80%	1,80%
Discount rate for beneficiaries	1,40%	1,30%	1,40%
Salary increases (including indexation)	3,25%	3,25%	3,25%
Pension increases (including indexation)	2,25%	2,25%	2,25%
Induced yield	1,40%	1,53%	1,53%

Under revised IAS 19, the induced yield for 2018 corresponds to the weighted-average discount rate at end-2017.

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

Components	30/06/2017	31/12/2017	30/06/2018
Current service cost	5.382.861	10.765.721	5.546.160
Interest cost	4.478.520	8.957.040	4.951.227
Induced yield	-2.876.148	-5.752.296	-3.420.019
Total	**6.985.233**	**13.970.465**	**7.077.368**

Pension commitments:

	30/06/2017	31/12/2017	30/06/2018
Commitments at the beginning of the period	**641.426.257**	**641.426.257**	**646.114.109**
Current service cost	5.382.861	10.765.721	5.546.160
Interest cost	4.478.520	8.957.040	4.951.227
Benefits paid or payable	-2.670.862	-11.948.051	-9.771.040
Actuarial gains or losses	-35.245.721	-3.086.860	-2.783.050
Commitments on the last day of the month	**613.371.055**	**646.114.109**	**644.057.405**

The reason for the significant increase in benefits paid or payable relative to 30 June 2017 is that civil servants' pensions for 2017 have already been repaid to the Luxembourg State.

Pension plan assets:

	30/06/2017	31/12/2017	30/06/2018
Position at the beginning of the period	**411.930.026**	**411.930.026**	**446.297.938**
Pension payments	-2.670.862	-11.948.051	-9.771.040
Contribution	4.487.153	32.974.305	4.501.341
Induced yield	2.876.148	5.752.296	3.420.019
Fair value gain / loss	2.720.541	7.589.361	-3.652.249
Total	**419.343.006**	**446.297.938**	**440.796.009**

The reason for the significant increase in the pension payment relative to 30 June 2017 is that civil servants' pensions for 2017 have already been repaid to the Luxembourg State.

Net pension commitments under IAS 19:

	30/06/2017	31/12/2017	30/06/2018
Pension commitments	613.371.055	646.114.109	644.057.405
Plan assets measured at fair value	-419.343.006	-446.297.938	-440.796.009
Unfunded liabilities/overfunding	**194.028.049**	**199.816.171**	**203.261.396**

3.23 Related-party transactions

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

All transactions with related parties are completed under market conditions.

3.23.1 Government institutions

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

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

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

in euros	30/06/2017	31/12/2017	30/06/2018
ASSETS (mainly loans at amortised cost)	**3.163.428.535**	**3.143.574.301**	**2.916.556.052**

in euros	30/06/2017	31/12/2017	30/06/2018
LIABILITIES (deposits at amortised cost)	**5.020.552.110**	**5.516.820.332**	**5.404.832.159**

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

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

	30/06/2017	31/12/2017	30/06/2018
Board of Directors (nine members)	186.000	361.500	147.000
Executive Committee (five members)	506.593	1.069.551	497.042
Total	**692.593**	**1.431.051**	**644.042**

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.

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

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

	30/06/2017	31/12/2017	30/06/2018
Board of Directors (nine members)	2.474.240	3.026.616	2.293.434
Executive Committee (five members)	429.444	630.501	254.094
Total	**2.903.684**	**3.657.117**	**2.547.528**

3.24 Off-balance sheet items

Type of guarantees issued:

Headings	30/06/2017	31/12/2017	30/06/2018
Completion bonds	365.943.321	397.360.536	382.982.383
Letters of credit	105.252.344	100.149.572	94.372.317
Counter-guarantees	355.451.425	371.897.027	366.170.653
Other	26.853.791	26.905.787	4.496.042
Total	**853.500.880**	**896.312.922**	**848.021.395**

Commitments:

Headings	30/06/2017	31/12/2017	30/06/2018
Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies	6.640.000	7.057.223	7.006.766
Undrawn confirmed loans	6.259.276.021	5.766.634.921	6.033.944.769
Financing	*2.781.886.864*	*3.012.255.513*	*2.783.303.604*
Current accounts	*2.002.689.281*	*1.861.926.429*	*1.879.515.776*
Money-market contracts	*1.018.461.694*	*423.756.863*	*943.956.425*
Other	*456.238.181*	*468.696.115*	*427.168.965*
Documentary credits	13.326.256	13.315.287	13.407.085
Total	**6.279.242.277**	**5.787.007.431**	**6.054.358.621**

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[2]
(in euros)

4.1 Interest income

Interest received and similar income	30/06/2017	30/06/2018
Assets repayable on demand	-	-
Financial assets held for trading	87.927.014	114.365.896
Financial assets designated at fair value through profit or loss	3.364.226	
Financial assets mandatorily recognised at fair value through profit or loss		4.267.857
Available-for-sale financial assets	84.541.169	
Receivables at amortised cost	195.578.742	
Loans and advances at amortised cost		195.917.614
Investments held to maturity at amortised cost	25.307.861	
Fixed-income securities recognised at amortised cost		87.108.981
Derivatives - Hedge accounting, interest rate risk	44.949.708	34.908.587
Other assets	7.064.732	10.580.059
Total	**448.733.452**	**447.148.994**

Interest paid and similar expenses	30/06/2017	30/06/2018
Financial liabilities held for trading	-19.126.185	-28.093.555
Financial liabilities designated at fair value through profit or loss	-3.062.010	-1.357.017
Liabilities at amortised cost - Deposits	-51.951.944	-64.810.323
Liabilities at amortised cost - Debt certificates	-30.760.932	-37.734.158
Liabilities at amortised cost - Subordinated loans	-70.249	-49.353
Derivatives - Hedge accounting, interest rate risk	-155.594.067	-132.065.548
Other liabilities	-7.073.469	-6.877.670
Total	**-267.638.856**	**-270.987.624**

Interest income	181.094.596	176.161.370
Total interest received and similar income not recognised at fair value through the income statement	312.492.504	293.606.654
Total interest paid and similar expenses not recognised at fair value through the income statement	-89.856.594	-109.471.504

Net interest income decreased by 2,7% to EUR 176,2 million as at 30 June 2018 compared with EUR 181,1 million in the previous year.

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

4.2 Income from variable-income securities

Headings	30/06/2017	30/06/2018
Available-for-sale financial assets	46.795.076	
Variable-income securities recognised at fair value through the revaluation reserve		30.761.609
Income from variable-income securities	**46.795.076**	**30.761.609**

4.3 Fee and commission income

Headings	30/06/2017	30/06/2018
Loan activities	24.108.194	24.588.782
Asset management	18.698.705	20.516.674
Investment fund activities	27.074.492	26.197.267
Demand deposit accounts and related activities	16.545.672	17.944.175
Insurance premiums	2.391.171	1.618.201
Other (*)	4.918.483	3.999.083
Total commissions received	**93.736.717**	**94.864.182**
Loan activities	-1.211.753	-1.779.572
Asset management	-8.622.775	-8.967.875
Investment fund activities	-5.882.240	-5.521.674
Demand deposit accounts and related activities	-3.828.285	-3.584.493
Other (*)	-2.206.912	-1.158.093
Total commissions paid	**-21.751.965**	**-21.011.707**
Total commissions	**71.984.752**	**73.852.475**

(*) mostly fees on derivative financial instruments

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

Headings	30/06/2017	30/06/2018
Available-for-sale financial instruments	23.469.692	
Variable-income securities recognised at fair value through the revaluation reserve		174.600
Loans and advances (at amortised cost)	112.198	49.665
Fixed-income securities recognised at amortised cost		26.397
Financial liabilities (at amortised cost)	-	-
Total	**23.581.890**	**250.662**

The sharp decrease in this income statement item is directly related to the methodological changes introduced by IFRS 9 which require that gains or losses on the disposal of shareholdings be recognised in an equity item.

4.5 Income from financial instruments held for trading

Headings	30/06/2017	30/06/2018
Equity instruments and related derivatives	1.611.205	2.179.604
Foreign exchange instruments and related derivatives	150.012	-2.412.285
Interest rate instruments and related derivatives	2.727.200	94.069
Credit derivatives	-	-
Total	**4.488.417**	**-138.612**

The decrease in this item in first-half 2018 mainly reflects the unrealised valuation of foreign exchange instruments and the related derivatives.

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

Headings	30/06/2017	30/06/2018
Financial assets designated at fair value	-104.983	
Financial liabilities designated at fair value	4.580.223	-546.250
Total	**4.475.240**	**-546.250**

The decrease in this item in first-half 2018 mainly reflects the change in the interest rate curves used to determine the unrealised valuation of financial liabilities designated at fair value.

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

Headings	30/06/2017	30/06/2018
Fixed-income securities		-2.877.160
UCI units		-786.470
Total	**-**	**-3.663.630**

The new item is directly related to the implementation of IFRS 9 and includes the change in the unrealised valuation of financial instruments that do not comply with the SPPI principle.

4.8 Net income from hedging transactions

Headings	30/06/2017	30/06/2018
Fair value hedge		
Debt instruments (assets) hedged by derivative financial instruments	-49.796	4.937
Debt issues hedged by derivative financial instruments	-1.233	-4.025
Loans hedged by derivative financial instruments	2.280.516	484.251
Total	**2.229.487**	**485.163**
Value adjustment on hedged instruments	-138.135.006	-23.032.742
Value adjustment on hedging instruments	140.364.493	23.517.905
Total	**2.229.487**	**485.163**

Interest rate risk hedging operations are highly effective.

4.9 Other net operating income

Headings	30/06/2017	30/06/2018
Other operating income	11.033.468	5.740.435
Other operating expenditure	-33.840.004	-31.142.831
Other net operating income	**-22.806.536**	**-25.402.396**

"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.

4.10 Personnel expenses

Headings	30/06/2017	30/06/2018
Compensation	87.239.691	88.751.476
Social security charges	3.820.923	2.811.103
Pensions and similar expenses	5.637.790	5.742.451
Pension fund expense	6.985.233	7.077.368
Other personnel expenses	2.145.713	2.680.209
Total	**105.829.350**	**107.062.607**

4.11 Other general and administrative expenses

Headings	30/06/2017	30/06/2018
Expenses related to property and furniture	11.939.455	10.744.988
Rents and maintenance of software	9.054.828	9.241.292
Operating expenditure related to the banking business	13.909.809	14.268.479
Other	5.673.872	5.170.119
Total	**40.577.964**	**39.424.878**

4.12 Allowances for impairment of individual and collective credit risks

	30/06/2017			30/06/2018		
	Additions	Reversals	Total	Additions	Reversals	Total
Securities at amortised cost	-4	3.915.647	3.915.643	-2.207.857	5.595.348	3.387.491
Loans and advances	-8.689.995	11.215.663	2.525.668	-21.166.187	32.113.139	10.946.952
of which individual impairment	*-6.703.428*	*11.198.794*	*4.495.366*	*-21.166.187*	*32.113.139*	*10.946.952*
of which collective impairment	*-1.986.567*	*16.869*	*-1.969.698*	-	-	-
Total	**-8.689.999**	**15.131.310**	**6.441.310**	**-23.374.044**	**37.708.487**	**14.334.443**

4.13 Provisions and reversal of provisions

Headings	30/06/2017	30/06/2018
Provisions	-18.967	-5.722.401
of which provisions for off-balance sheet commitments		*-5.522.400*
Reversal of provisions	390.042	7.162.010
of which provisions for off-balance sheet commitments		*7.162.010*
Total	**371.075**	**1.439.609**

4.14 Tax expense

Headings	30/06/2017	30/06/2018
Tax on income from continuing operations	-35.643.826	-29.023.272
Deferred taxes	13.059.956	7.687.456
Tax on profit/(loss) for the period	**-22.583.870**	**-21.335.816**

The tax expense was calculated on the basis of the 30 June 2018 figures, on a same-methodology basis.

5 HIERARCHY OF FINANCIAL INSTRUMENTS AT FAIR VALUE

5.1 Methodologies used

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

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

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

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

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

Observable market data include:

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

5.2 Levels of hierarchy of financial instruments at fair value

Financial assets and liabilities measured at fair value:

Categories as at 30 June 2018	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading	1.197	307.650.504	-	**307.651.701**
- Debt instruments	1.197	-	-	**1.197**
- Equity instruments	-	-	-	**-**
- Derivative financial instruments	-	307.650.504		**307.650.504**
Assets mandatorily measured at fair value through profit or loss	32.592.275	1.211.981.021	27.218	**1.244.600.515**
- Debt instruments	32.592.275	1.211.981.021	27.218	**1.244.600.515**
- Equity instruments	-	-	-	**-**
Assets measured at fair value through the revaluation reserve	112.100.488	392.707.476	268.777.225	**773.585.189**
- Debt instruments	-	-	-	**-**
- Equity instruments	112.100.488	392.707.476	268.777.225	**773.585.189**
Hedging derivative financial instruments	-	73.833.160	-	**73.833.160**
TOTAL	**144.693.960**	**1.986.172.162**	**268.804.443**	**2.399.670.565**
Financial liabilities				
Financial instruments held for trading	1.576	143.646.285	-	**143.647.861**
- Debt instruments	1.576	-	-	**1.576**
- Derivative financial instruments	-	143.646.285	-	**143.646.285**
Financial liabilities designated at fair value through profit or loss	-	148.102.377	-	**148.102.377**
Hedging derivative financial instruments	-	579.211.677	-	**579.211.677**
TOTAL	**1.576**	**870.960.339**	**-**	**870.961.916**

Categories as at 30 June 2017	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading	2.557.788	93.071.673	-	**95.629.461**
- Debt instruments	2.557.788	-	-	**2.557.788**
- Equity instruments	-	-	-	**-**
- Derivative financial instruments	-	93.071.673	-	**93.071.673**
Available-for-sale financial assets	6.372.922.452	3.678.029.394	394.270.095	**10.445.221.941**
- Debt instruments	6.188.454.683	3.112.144.038	102.167.895	**9.402.766.617**
- Equity instruments	184.467.768	565.885.356	292.102.200	**1.042.455.324**
Financial assets designated at fair value through profit or loss	-	432.534.699	-	**432.534.699**
- Debt instruments	-	432.534.699	-	**432.534.699**
Hedging derivative financial instruments	-	73.435.784	-	**73.435.784**
TOTAL	**6.375.480.240**	**4.277.071.549**	**394.270.095**	**11.046.821.884**
Financial liabilities				
Financial instruments held for trading	99.100	408.935.250	-	**409.034.350**
- Debt instruments	99.100	-	-	**99.100**
- Derivative financial instruments	-	408.935.250	-	**408.935.250**
Financial liabilities designated at fair value through profit or loss	-	144.079.665	-	**144.079.665**
Hedging derivative financial instruments	-	722.196.613	-	**722.196.613**
TOTAL	**99.100**	**1.275.211.528**	**-**	**1.275.310.628**

The changes in fair value of the financial assets in the table above from one year to the next are primarily the result of implementation of IFRS 9, which significantly reduced the percentage of instruments measured at fair value in favour of instruments measured at amortised cost. The Group nevertheless provides comparisons of the changes in the various levels.

Thus, 6,0% of financial assets are classified as Level 1 (versus 57,7% in 2017), 82,8% as Level 2 (vs. 38,7% in 2017) and 11,2% as Level 3 (vs. 3,6% in 2017). The carrying amount of financial assets measured at fair value decreased by 78,3% between first-half 2017 and first-half 2018.

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 2018.

Level 3 breakdown:

	Assets mandatorily measured at fair value through profit or loss	Assets measured at fair value through the revaluation reserve		Hedging derivative financial asset instruments	Total financial assets
	Debt instruments	Equity instruments	Debt instruments		
Total as at 1 January 2018	**34.495.802**	**260.467.592**	**-**	**-**	**294.963.394**
Total gains / losses	-45.010	7.080.498	-	-	**7.035.488**
- Income statement	*-45.010*	*6.604.174*	-	-	***6.559.164***
- Revaluation reserve	-	*476.324*	-	-	***476.324***
Purchases	-	-	-	-	-
Reimbursements/sales	-33.529	1.229.135	-	-	**1.195.606**
Transfers from Level 1 to Level 3	-	-	-	-	-
Transfers from Level 2 to Level 3	-	-	-	-	-
Transfers from Level 3	-34.390.045	-	-	-	**-34.390.045**
Total as at 30 June 2018	**27.218**	**268.777.225**	**-**	**-**	**268.804.443**
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2018	-45.010	6.604.174	-	-	-

	Available-for-sale financial assets		Hedging derivative financial asset instruments	Total financial assets
	Debt instruments	Equity instruments		
Total as at 1 January 2017	**109.801.099**	**164.738.391**	**-**	**274.539.490**
Total gains / losses	4.517.591	3.008.455	-	**7.526.046**
- Income statement	*4.571.968*	*-3.286.522*	-	***1.285.446***
- Revaluation reserve	*-54.376*	*6.294.977*	-	***6.240.600***
Purchases	7.401.049	2.108.649	-	**9.509.698**
Reimbursements/sales	-19.551.844	-462.636	-	**-20.014.480**
Transfers from Level 1 to Level 3	-	-	-	**-**
Transfers from Level 2 to Level 3	-	122.709.341	-	**122.709.341**
Transfers from Level 3	-	-	-	**-**
Total as at 30 June 2017	**102.167.895**	**292.102.200**	**-**	**394.270.095**
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2017	4.571.968	-3.286.522	-	**1.285.446**

The total volume of Level 3 financial assets corresponds to 11,2% of total financial assets measured at fair value as at 30 June 2018, compared with 3,6% as at 30 June 2017. The increase in Level 3 as at 30 June 2018 stems mainly from the decrease in volumes of financial instruments following implementation of IFRS 9 and the resulting reclassifications.

Methods used for the Level 3 valuation:

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

Sensitivity analysis of Level 3 financial instruments:

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

Category	Fair value as at 30/06/2018	Sensitivity to a one-basis-point increase in credit risk
Debt instruments	27.218	None

Category	Fair value as at 31/12/2017	Sensitivity to a one-basis-point increase in credit risk
Debt instruments	93.800.546	-23.279

Category	Fair value as at 30/06/2017	Sensitivity to a one-basis-point increase in credit risk
Debt instruments	102.107.895	-28.710

As at 30 June 2018, in light of the low carrying amount recognised, the Group's parent company did not conduct this analysis.

6 FAIR VALUE ANALYSIS OF FINANCIAL INSTRUMENTS

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

Categories as at 30/06/2018	Carrying amount	Fair value	Unrealised valuation
Financial assets			
Cash and sight accounts with central banks	4.254.531.445	4.254.531.445	-
Loans and advances at amortised cost – Credit institutions	4.863.290.237	4.863.290.237	-
Loans and advances at amortised cost – Customers	20.629.963.012	23.427.747.311	2.797.784.299
of which measured at fair value for hedging purposes	*1.508.869.071*	*1.508.869.071*	-
Financial instruments held for trading	307.651.701	307.651.701	-
Hedging derivative financial instruments	73.833.160	73.833.160	-
Financial assets mandatorily recognised at fair value through profit or loss	1.244.600.515	1.244.600.515	-
Fixed-income securities recognised at amortised cost	13.590.233.899	13.662.024.861	71.790.962
Variable-income securities recognised at fair value through the revaluation reserve	773.585.189	773.585.189	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	54.318.823	54.318.823	-
TOTAL	**45.792.007.982**	**48.661.583.243**	**2.869.575.261**
Financial liabilities			
Deposits at amortised cost – Credit institutions	5.699.990.382	5.699.990.382	-
Deposits at amortised cost – Customers	31.116.541.789	31.516.393.762	399.851.973
Financial instruments held for trading	143.647.862	143.647.862	-
Hedging derivative financial instruments	579.211.677	579.211.677	-
Financial liabilities designated at fair value through profit or loss	148.102.377	148.102.377	-
Debt securities in issue	4.249.824.322	4.252.341.997	2.517.675
of which measured at fair value for hedging purposes	*346.945.408*	*346.945.408*	-
TOTAL	**41.937.318.409**	**42.339.688.057**	**402.369.648**

Categories as at 30/06/2017	Carrying amount	Fair value	Unrealised valuation
Financial assets			
Cash and sight accounts with central banks	6.531.617.616	6.531.617.616	-
Loans and advances at amortised cost – Credit institutions	4.274.805.851	4.277.311.025	2.505.174
Loans and advances at amortised cost – Customers	20.555.015.422	22.876.110.523	2.321.095.101
of which measured at fair value for hedging purposes	*1.512.336.552*	*1.512.336.552*	-
Financial instruments held for trading	95.629.461	95.629.461	-
Hedging derivative financial instruments	73.435.784	73.435.784	-
Financial assets designated at fair value through profit or loss	432.534.699	432.534.699	-
Available-for-sale securities – Fixed-income securities	9.402.766.617	9.402.766.617	-
Available-for-sale securities – Variable-income securities	1.042.455.324	1.042.455.324	-
Held-to-maturity securities	4.178.669.301	4.311.849.918	133.180.617
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	42.383.945	42.383.945	-
TOTAL	**46.629.314.020**	**49.086.094.912**	**2.456.780.892**
Financial liabilities			
Deposits at amortised cost – Credit institutions	5.372.224.198	5.372.224.198	-
Deposits at amortised cost – Customers	30.571.520.427	30.942.682.929	371.162.502
Financial instruments held for trading	409.034.350	409.034.350	-
Hedging derivative financial instruments	722.196.613	722.196.613	-
Financial liabilities designated at fair value through profit or loss	144.079.665	144.079.665	-
Debt securities in issue	5.368.135.364	5.372.752.766	4.617.402
of which measured at fair value for hedging purposes	*463.290.175*	*463.290.175*	-
TOTAL	**42.587.190.617**	**42.962.970.521**	**375.779.904**

The comparative data as at 30 June 2017 have been adjusted for comparison purposes.

7 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 view).

In euros 30/06/2018	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Investment Funds	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

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

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 2018, the difference in interest margin due to methodology was EUR -0,1 million.

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