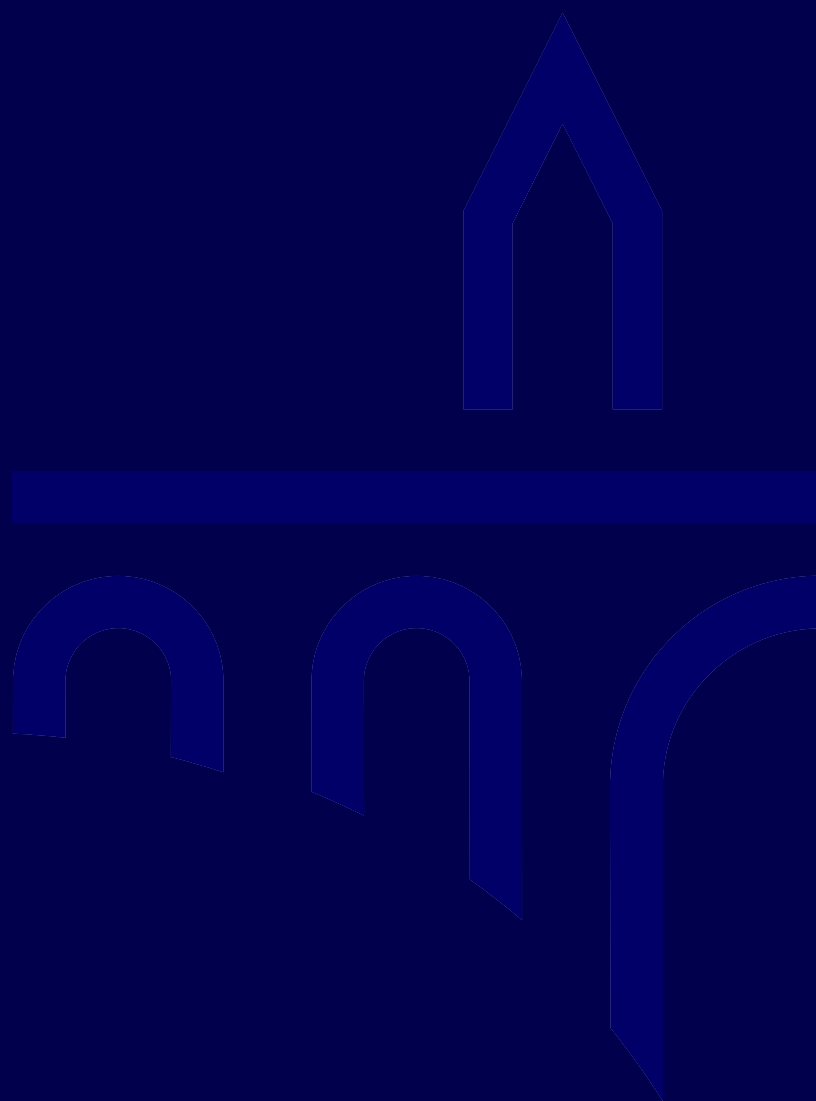


CONDENSED INTERIM  
CONSOLIDATED FINANCIAL INFORMATION  
AS AT 30 JUNE 2020



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**SPUERKEESS GROUP MANAGEMENT REPORT BASED ON  
THE INTERIM CONDENSED CONSOLIDATED INFORMATION AS AT 30 JUNE 2020**

The coronavirus pandemic severely impacted Luxembourg's economy and public finances in first-half 2020. Economic activity was sharply curtailed during the lockdown. The first signs of recovery emerged in mid-May, but some sectors of the economy will remain vulnerable as long as social distancing rules are still needed in Luxembourg and elsewhere to combat the outbreak.

In this extraordinary environment, Spuerkeess mobilised its resources and expertise to serve its customers based on their specific individual circumstances and to help the public authorities implement their business support measures. The introduction of government-backed loans and the moratoria on existing financing allowed us to support our hard-hit business customers and meet their urgent cash needs to ensure they could continue to operate and pay their employees' salaries.

The new "Spuerkeess Direct" phygital service, which enables our customers to carry out their main banking transactions by e-mail or phone, was quickly developed in response to the measures taken to combat the pandemic. With 17 branches still accessible by appointment during the lockdown, customers were able to experience the benefits of customised service without having to leave their homes. Customers were quick to adopt Spuerkeess Direct and continued to use it even after all of our branches reopened at the end of the lockdown.

To supplement its local services, at the end of March Spuerkeess also launched the "Cash@Home" initiative, a cash home delivery service for our most vulnerable customers to solve the problem of cash withdrawals during the lockdown.

Spuerkeess quickly and successfully navigated the transition to having most of its staff work from home or from third-party sites. Our employees demonstrated a high degree of dedication and flexibility and we were able to implement alternative work methods to protect the health and safety of our staff and continue to provide uninterrupted service to our customers.

On the business development front, outstanding loans and advances to customers rose by 2,3% compared with 31 December 2019. This sharp rise was driven by growth in loans and advances to retail and corporate customers, which were up 3,1% and 1,3%, respectively, illustrating Spuerkeess's continuing desire to support the projects of individuals and businesses.

The volume of deposits from individual and business customers was up 7,1% compared with 31 December 2019, as the lockdown severely hampered the propensity to consume and invest. Deposits from public-sector customers fell sharply, given the government's urgent need for financing for all the business and investment support measures it decided to implement in response to Covid-19.

The Bank is diversifying its sources of financing by issuing securities intended for institutional customers. This type of funding increased by 52,6% in the first half of the year and reflects Spuerkeess's ongoing appeal as an issuer in these difficult times.

Turning to financial results in a first-half marked by a pandemic with no precedent in recent history, Spuerkeess Group's bank margin rose by 3,5% compared with first-half 2019 to stand at EUR 307,2 million. The bank revenue component thus remained untouched by the effects of the crisis in the first half of the year.

Net interest margin increased by 6,2%. The reasons for this rise include the sustained level of business activity and the soundness of the balance sheet structure, even during the Covid-19-related stress phase. In addition, Spuerkeess's cautious positioning in terms of interest rate and liquidity risk enabled it to take advantage of monetary policy-related opportunities. The balance sheet management activities also benefited from the specific market conditions faced during the acute phase of the Covid-19 crisis. Lastly, Spuerkeess adjusted its commercial conditions to the market context, which reduced the cost of financing.

Income from securities decreased significantly due to the lower dividends received for 2019 from some of the strategic holdings, not included in the scope of consolidation.

The Group's fee income was up by 15,1%. The 19,2% increase in Spuerkeess's fee income stemmed primarily from growth in the asset management activities, loan fees and securities transactions. However, fees from fully consolidated subsidiaries declined relative to 30 June 2019 due to the economic impacts of the health crisis.

Income from financial instruments fell sharply from first-half 2019 to stand at EUR 4,3 million. Most of the decline in income was due to the impact of the change in long-term rates on existing economic hedging relationships and to income from the sale of the equity positions in portfolios measured at fair value. In contrast, foreign exchange income benefited from activity on the financial markets and was sharply higher.

On the expenditure side, general expenses increased by 14,2% in first-half 2019. Excluding contributions to the resolution and deposit guarantee funds, the increase was 4,3%. Savings efforts helped keep the increase in general expenses below the budgeted amounts even when accounting for the costs incurred to implement pandemic-related measures.

Income after general expenses in first-half 2020 therefore declined by 11,4% compared with the same period in 2019.

Cost of risk increased sharply due to the adjustment of macroeconomic scenarios to the new economic reality and the resulting change in the estimate of future credit losses, even though outstandings classified as in default were down significantly at 30 June 2020 compared with 30 June 2019. Spuerkeess thus recorded net allowances for impairment of credit risks of EUR 21,8 million at 30 June 2020 versus net write-backs of EUR 2,7 million at 30 June 2019.

In light of the above, the Spuerkeess Group reported half-yearly net income of EUR 93,6 million, down 22,6% compared with first-half 2019.

Total equity for the Group at 30 June 2020 was EUR 4.254,0 million compared with EUR 4.416,9 million at 31 December 2019, demonstrating its strong capitalisation. The decline in equity can be attributed to the decrease in the "Revaluation reserve for securities measured at fair value" line compared with 31 December 2019. This decrease stemmed mainly from a Spuerkeess strategic holding that is not included in the scope of consolidation.

Spuerkeess's common equity tier 1 (CET1) ratio was 21,9% at 30 June 2020, versus 20,9% at 31 December 2019. This very high level of solvency and the quality of the loan book have enabled Spuerkeess to adjust its activities to the new Covid-19 environment and to continue, now more than ever, to responsibly fulfil its social and societal mission, which is to "contribute to the country's economic development through its activities, particularly its financing activities, and promote all forms of savings".

Spuerkeess continued its recruitment programme and hired 24 people in the first six months of 2020.

In the half-year period under review, Spuerkeess strengthened its brand with a slight rebranding of its corporate identity and the launch of a brand image campaign with the new tagline, "Your bridge to life". The use of English highlighted its commitment to also meeting the expectations of local English-speaking customers.

The Spuerkeess 2020 strategic plan will expire at the end of the year. We are currently finalising the strategic priorities of the Spuerkeess 2025 plan, which will clearly address our social and societal role in financing the economy and highlight our future challenges, our continued focus on the very long term and our contribution to the country's future development. The coronavirus pandemic has created additional uncertainty but we expect to finalise our new strategic plan with our ambitions and objectives during the second half of 2020.

## **Outlook for second-half 2020**

The coronavirus pandemic has plunged the global economy into a deep recession. Despite the quick and comprehensive response aimed at limiting the health and economic impacts of the pandemic, the European Union and Luxembourg can expect to see an unprecedented contraction in their GDP as well as severe consequences for the labour market and public finances.

There is a great deal of uncertainty about economic trends due to the unpredictable nature of the pandemic. Forward-looking data are affected very differently by pessimistic scenarios (new wave of infections, travel restrictions) and optimistic scenarios (access to a vaccine, effectiveness of the health measures). The decorrelation seen in the second quarter of 2020 between the performance of the financial markets and the economic outlook adds to the uncertainty.

In light of the above, the Spuerkeess Group expects income for full-year 2020 to be well below the 2019 level.

No significant events occurred after the 30 June 2020 reporting date that could impact the normal course of the Spuerkeess Group's business.

Luxembourg, 28 August 2020

For the Executive Committee

Guy Rosseljong  
Deputy Chief Executive Officer  
Member of the Executive Committee

Françoise Thoma  
Chief Executive Officer  
President of the Executive Committee

Luxembourg, August 28, 2020

**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, 2020 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

Guy Rosseljong  
Deputy Chief Executive Officer  
Member of the Executive Committee

Françoise Thoma  
Chief Executive Officer  
President of the Executive Committee



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

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

**Luxembourg Trade and Companies Register (R.C.S.) 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 2020**



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

**STATUTORY AUDITOR'S REPORT**  
30 June 2020

## Report on review of interim condensed consolidated financial statements

To the Comité de direction of Banque et Caisse d'Épargne de l'État, Luxembourg

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Banque et Caisse d'Épargne de l'État, Luxembourg and its subsidiaries (the "Group") as of 30 June 2020, which comprise the interim consolidated balance sheet and the related interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated cash flow statement for the period from 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2020 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, 28 August 2020

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**  
30 June 2020

**Condensed consolidated balance sheet as at 30 June 2020**

ASSETS	Notes	31/12/2019	30/06/2020
Cash and sight accounts with central banks	3.1	5 333 118 189	9 652 300 006
Loans and advances at amortised cost – Credit institutions	3.2	3 000 087 638	3 656 231 210
Loans and advances at amortised cost - Customers	3.3	22 857 068 335	23 388 522 394
Financial instruments held for trading	3.4 3.12	143 054 603	129 708 495
Hedging derivative financial instruments	3.12	59 282 590	56 803 835
Financial assets mandatorily recognised at fair value through profit or loss	3.5	1 234 389 882	992 972 733
Fixed-income securities recognised at amortised cost	3.6	13 482 939 931	13 728 171 287
Fixed-income securities recognised at fair value through the revaluation reserve	3.7	16 069 764	28 885 945
Variable-income securities recognised at fair value through the revaluation reserve	3.8	820 716 989	581 618 355
Investments in associates accounted for using the equity method	3.9	387 639 750	425 069 929
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	3.13	215 762 686	354 426 401
Tangible assets for own use	3.14	282 713 923	272 662 312
Investment property		12 030 574	11 681 042
Intangible assets		29 399 062	26 173 182
Deferred taxes	3.15	20 822 906	25 431 831
Other assets	3.16	8 713 342	16 965 049
<b>TOTAL ASSETS</b>		<b>47 903 810 164</b>	<b>53 347 624 006</b>

LIABILITIES	Notes	31/12/2019	30/06/2020
Deposits at amortised cost – Credit institutions	3.17	4 691 999 282	7 607 311 044
Deposits at amortised cost – Customers	3.18	33 379 682 748	33 753 997 684
Financial instruments held for trading	3.4 3.12	157 060 590	239 648 862
Hedging derivative financial instruments	3.12	873 308 000	1 095 334 100
Financial liabilities designated at fair value through profit or loss	3.19	166 144 407	170 673 847
Issuance of debt securities	3.20	3 815 080 561	5 822 352 759
Provisions	3.21	24 096 330	34 553 226
Other liabilities	3.22	41 599 116	41 136 766
Current taxes	3.15	9 820 434	3 539 259
Pension fund	3.23	328 087 363	325 051 127
<b>Sub-total of LIABILITIES (before equity capital) to be carried forward</b>		<b>43 486 878 831</b>	<b>49 093 598 674</b>

**Condensed consolidated balance sheet as at 30 June 2020 (continued)**

EQUITY	31/12/2019	30/06/2020
<b>Sub-total of LIABILITIES (before equity capital) carried forward</b>	<b>43.486.878.831</b>	<b>49.093.598.674</b>
Share capital	173.525.467	173.525.467
Consolidated reserves	3.572.183.229	3.767.968.841
Other items of comprehensive income	462.101.584	217.151.654
° <i>Variable-income securities recognised at fair value through the revaluation reserve</i>	495.789.153	259.069.231
° <i>Actuarial gains and losses on the pension fund</i>	-349.897.106	-345.676.248
° <i>Equity method adjustment</i>	315.244.302	338.123.705
° <i>Gains or losses on disposals of variable-income securities measured at fair value</i>	93.912	-2.551
Income for the year/period	206.340.539	93.620.868
Sub-total of equity attributable to the equity holder of the parent company	4.414.150.819	4.252.266.830
Minority interests	2.780.514	1.758.502
<b>Total equity</b>	<b>4.416.931.333</b>	<b>4.254.025.332</b>
<b>TOTAL LIABILITIES, including EQUITY</b>	<b>47.903.810.164</b>	<b>53.347.624.006</b>

**Condensed consolidated income statement as at 30 June 2020**

in euros	Notes	30/06/2019	30/06/2020
Interest income	4.1.	184 157 722	195 571 877
Income from securities	4.2.	30 973 892	14 899 036
Fee and commission income	4.3.	74 569 033	85 809 141
<b>INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS</b>		<b>289 700 647</b>	<b>296 280 054</b>
Income from financial instruments not recognised at fair value through profit or loss	4.4.	157 850	-400 938
Income from financial instruments held for trading	4.5.	17 711 399	6 430 657
Income from financial instruments designated at fair value through profit or loss	4.6	-11 728 801	-3 949 847
Income from financial instruments mandatorily measured at fair value through profit or loss	4.7	3 185 069	-13 318 729
Income from hedging transactions	4.8	1 754 222	5 595 621
Exchange gains or losses		6 660 295	9 905 036
Income from derecognition of non-financial assets			97 731
Other operating income	4.9	5 213 719	7 829 405
Other operating expenditure	4.9	-15 901 667	-1 271 655
<b>BANK MARGIN</b>		<b>296 752 733</b>	<b>307 197 335</b>
Personnel expenses	4.10	-115 043 248	-118 949 110
Other general and administrative expenses	4.11	-38 416 819	-40 304 991
Cash contributions to resolution funds and deposit guarantee systems	4.12		-17 151 220
Allowances for impairment of tangible and intangible assets		-19 491 527	-21 116 664
<i>of which allowances for impairment of right-of-use assets in relation to leases</i>		-1 601 872	-1 610 845
<b>INCOME AFTER GENERAL EXPENSES</b>		<b>123 801 139</b>	<b>109 675 350</b>
Net allowances for impairment of individual and collective credit risks	4.13	4 104 948	-13 081 202
Provisions	4.14	1 324 804	-9 545 902
Share in the profit of equity-accounted associates		14 100 532	27 792 928
<b>INCOME BEFORE TAXES AND NON-CURRENT ASSETS</b>		<b>143 331 423</b>	<b>114 841 174</b>
Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations		385 304	-
Tax on income from continuing operations	4.15	-28 539 813	-23 706 758
Deferred taxes	4.15	6 701 595	3 429 142
<b>INCOME FOR THE PERIOD</b>		<b>121 878 509</b>	<b>94 563 558</b>
<i>OF WHICH INCOME FOR THE PERIOD ATTRIBUTABLE TO</i>			
<i>- MINORITY INTERESTS</i>		926 178	942 690
<i>- EQUITY HOLDERS OF THE PARENT COMPANY</i>		120 952 331	93 620 868



**Condensed consolidated statement of comprehensive income as at 30 June 2020**

in euros	30/06/2019	30/06/2020
<b>INCOME FOR THE PERIOD</b>	<b>121 878 509</b>	<b>94 563 558</b>
<b>Items not reclassified in net income subsequently</b>	<b>-86 588 874</b>	<b>-244 428 951</b>
Actuarial gains/(losses) on the defined-benefit pension scheme	-85 681 905	5 623 311
Contribution of equity-accounted associates	24 993 468	-11 927 336
Variable-income securities recognised at fair value through the revaluation reserve	-43 895 981	-239 162 810
- <i>Variation in measurement results</i>	-43 933 284	-239 160 259
- <i>Income from sales</i>	37 303	-2 551
Impact of deferred taxes	17 995 544	1 037 883
<b>Items to be reclassified in net income subsequently</b>	<b>-1 004 066</b>	<b>-710 318</b>
Cash flow hedges	-1 378 038	-946 334
Impact of deferred taxes	373 972	236 016
<b>Total items of comprehensive income for the period - net of tax</b>	<b>-87 592 940</b>	<b>-245 139 269</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>34 285 569</b>	<b>-150 575 711</b>
<i>share attributable to</i>		
- <i>minority interests:</i>	926 178	942 690
- <i>equity holders of the parent company:</i>	33 359 391	-151 518 401

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG  
Interim condensed consolidated financial information  
as at 30 June 2020

### Condensed statement of changes in consolidated equity as at 30 June 2020

in euros	Share capital	Consolidated reserves	Other items of comprehensive income	Net income	Total equity of the parent	Minority interests	Total equity
<b>As at 1 January 2020</b>	<b>173 525 467</b>	<b>3 572 183 228</b>	<b>462 101 585</b>	<b>206 340 539</b>	<b>4 414 150 819</b>	<b>2 780 514</b>	<b>4 416 931 333</b>
Appropriation of 2019 income	-	206 340 539	-	-206 340 539	-	-	-
First-half 2020 net income	-	-	-	93 620 868	93 620 868	942 690	94 563 558
Distribution for FY 2019	-	-40 000 000	-	-	-40 000 000	-	-40 000 000
Actuarial gains/(losses) on pension fund	-	-	4 220 858	-	4 220 858	-	4 220 858
Value adjustment on financial instruments measured at fair value through the revaluation reserve net of deferred taxes	-	-	-236 436 673	-	-236 436 673	-	-236 436 673
Net measurement results of cash flow hedges	-	-	-710 318	-	-710 318	-	-710 318
Equity method adjustment	-	-1 699 004	-11 927 336	-	-13 626 340	-	-13 626 340
Adjustments related to equity-accounted values	-	31 209 544	-	-	31 209 544	-	31 209 544
Other	-	-65 466	-96 463	-	-161 929	-1 964 702	-2 126 631
<b>As at 30 June 2020</b>	<b>173 525 467</b>	<b>3 767 968 841</b>	<b>217 151 653</b>	<b>93 620 868</b>	<b>4 252 266 829</b>	<b>1 758 502</b>	<b>4 254 025 332</b>

in euros	Share capital	Consolidated reserves	Revaluation reserve	Other items of comprehensive income	Net income	Total equity of the parent	Minority interests	Total equity
<b>As at 1 January 2019</b>	<b>173 525 467</b>	<b>3 474 618 717</b>	<b>539 724 951</b>	<b>-</b>	<b>158 938 807</b>	<b>4 346 807 942</b>	<b>2 797 165</b>	<b>4 349 605 107</b>
Transfer of revaluation reserve	-	-	-539 724 951	539 724 951	-	-	-	-
Transfer of actuarial gains/(losses) on pension fund	-	267 041 654	-	-267 041 654	-	-	-	-
Transfer of equity method adjustment	-	-288 716 938	-	288 716 938	-	-	-	-
Appropriation of 2018 income	-	158 938 807	-	-	-158 938 807	-	-	-
First-half 2019 net income	-	-	-	-	120 952 331	120 952 331	926 178	121 878 509
Distribution for FY 2018	-	-40 000 000	-	-	-	-40 000 000	-	-40 000 000
Actuarial gains/(losses) on pension fund	-	-	-	-68 174 638	-	-68 174 638	-	-68 174 638
Value adjustment on financial instruments measured at fair value through the revaluation reserve net of deferred taxes	-	-	-	-43 818 979	-	-43 818 979	-	-43 818 979
Net measurement results of cash flow hedges	-	-	-	-1 004 066	-	-1 004 066	-	-1 004 066
Net income from variable-income securities recognised at fair value through the revaluation reserve	-	-	-	37 303	-	37 303	-	37 303
Equity method adjustment	-	-236 443	-	24 993 468	-	24 757 025	-	24 757 025
Other	-	-316 470	-	-	-	-316 470	-1 984 071	-2 300 541
<b>As at 30 June 2019</b>	<b>173 525 467</b>	<b>3 571 329 327</b>	<b>-</b>	<b>473 433 323</b>	<b>120 952 331</b>	<b>4 339 240 448</b>	<b>1 739 272</b>	<b>4 340 979 720</b>

The profit distribution for financial year 2019 has not yet been made to the Luxembourg state and will be decided on by the Board of Directors at a later date. In light of the Covid-19 crisis, the payment decision was deferred pursuant to the recommendation of the European Central Bank (ECB/2020/35) of 27 July 2020 on dividend distributions during the Covid-19 pandemic. The estimated amount of the distribution is recorded on the balance sheet in "Other financial liabilities".

**Condensed consolidated statement of cash flows as at 30 June 2020**

in euros	30/06/2019	30/06/2020
<b>Cash and cash equivalents</b>		
Cash and sight accounts with central banks	6 550 497 868	9 657 807 285
Loans and advances at amortised cost – Credit institutions	1 495 433 026	2 561 011 650
Loans and advances at amortised cost – Customers	1 769 454 546	1 688 078 627
<b>Total</b>	<b>9 815 385 439</b>	<b>13 906 897 562</b>

The statement of cash flows represents the inflow and outflow of cash. Cash and cash equivalents include cash on hand, deposits with central banks, and assets with an original maturity of 90 days or less. The different cash flow statements for the 30 June 2019 period have been restated for readers' convenience.

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG  
Interim condensed consolidated financial information  
as at 30 June 2020

in euros	30/06/2019	30/06/2020
<b>CASH POSITION AT 1 JANUARY</b>	<b>6 419 562 587</b>	<b>8 285 173 862</b>
Interest received	483 261 449	438 659 624
Interest paid	-291 141 290	-229 133 929
Income from securities	30 973 892	14 899 036
Fees and commissions received/paid	74 569 033	85 809 141
Other operating expenditure/income	-11 194 876	6 182 317
Cash contributions to resolution funds and deposit guarantee systems		-17 151 220
Current taxes	-28 539 813	-23 706 758
Personnel expenses and other general and administrative expenses	-145 747 105	-150 668 854
Financial instruments recognised at fair value	157 510 755	255 192 635
Loans and advances at amortised cost	-127 803 702	126 078 259
Deposits at amortised cost	2 073 728 051	3 289 196 536
Issuance of debt securities	1 456 867 994	2 014 025 301
Other assets and liabilities	3 712 763	-13 481 432
<b>Total cash flow from operating activities</b>	<b>3 676 197 151</b>	<b>5 795 900 656</b>
Acquisition/disposal of variable-income securities	1 465 500	-
Acquisition/disposal of investments in associates accounted for using the equity method	-4 969 771	-2 405 000
Acquisition of fixed-income securities	-1 971 784 674	-2 028 561 768
Disposal/redemption of fixed-income securities	2 228 728 069	1 832 477 841
Acquisitions/disposals of intangible and tangible assets	-22 537 258	-7 536 222
<b>Total cash flow from investment activities</b>	<b>230 901 866</b>	<b>-206 025 149</b>
Proceeds from subordinated liabilities	-	-
Expenses related to leases	-1 601 872	-1 610 845
Income distribution	-	-
<b>Total cash flow from financing activities</b>	<b>-1 601 872</b>	<b>-1 610 845</b>
<b>NET CHANGE IN CASH</b>	<b>3 905 497 145</b>	<b>5 588 264 661</b>
Effect of exchange rates on cash and cash equivalents	-509 674 292	33 459 039
<b>CASH POSITION AT 30 JUNE</b>	<b>9 815 385 440</b>	<b>13 906 897 562</b>

Reconciliation of cash flows from financing activities:

in euros	01/01/2019	Cash flow	Unrelated to cash flow	30/06/2019
Proceeds from subordinated liabilities	100 483 038	-	-236 450	100 246 588

in euros	01/01/2020	Cash flow	Unrelated to cash flow	30/06/2020
Proceeds from subordinated liabilities	100 025 429	-	-293 686	99 731 743

Movements unrelated to cash flow correspond to movements in accrued interest and accrued premiums/discounts.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
30 June 2020**

## **1 GENERAL INFORMATION**

Banque et Caisse d'Epargne de l'Etat, Luxembourg (hereinafter "Spuerkeess" or the "Group's parent company"), established by the law of 21 February 1856 and governed by the law of 24 March 1989, as amended, 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 28 August 2020, the Executive Committee of the Group's parent company authorised the publication of the interim condensed consolidated financial information as at 30 June 2020.

The Group had an average headcount as at 30 June 2020 of 1.879 (1.882 as at 31 December 2019).

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 interim condensed consolidated financial information as at 30 June 2020 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 2019, which were prepared under IFRS, as adopted by the European Union.

- a) There were no new or revised standards adopted that had an impact on the Group at 1 January 2020.
- b) New or revised standards that have been adopted and that had no impact or no material impact on the Group at 1 January 2020:
  - Amendments to References to the Conceptual Framework in IFRS Standards;
  - Amendments to IAS 1 and IAS 8: Definition of Material;
  - Amendment to IFRS 3: Definition of a Business;
  - Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); the benchmark rate transition work is underway and had not yet had an impact at 30 June 2020.
- c) New and revised standards and interpretations relevant for the Group, which are not yet compulsory and which have not been adopted by the European Union:
  - IFRS 17: Insurance Contracts;
  - Amendments to References to the Conceptual Framework in IFRS Standards;
  - Amendments to IFRS 3: Business Combinations;
  - Amendments to IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities;
  - Amendment to IFRS 16: Covid-19-Related Rent Concessions;
  - Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
  - Amendments to IAS 16: Proceeds before Intended Use;
  - Amendment to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract.



## 2.2 Accounting principles and rules

The accounting principles are the same as those applied to the consolidated financial statements as at 31 December 2019 and described therein, with the exception of the adoption of the revised standards referred to above. In the wake of the onset of the Covid-19 crisis at the end of the first quarter of the financial year, the Group's parent company adjusted the following points related to the principles for impairment of financial assets:

- Adjustment of scenario weightings in the IFRS 9 models: To revise the scenario weighting, the Group's parent company relied, first, on qualitative aspects from external sources and, second, on quantitative aspects from internal sources while weighting the "adverse" scenario more heavily at the expense of the "optimistic" scenario:

Year	Scenario weighting		
	Baseline	Adverse	Optimistic
2019	60%	20%	20%
2020	60%	25%	15%

- Adjustment of changes in GDP and inflation in these scenarios:  
At the end of financial year 2019, the Group's parent company relied on the IMF's publications to incorporate changes in these parameters into the IFRS 9 models:
  - o Scenarios used for the corporate portfolio and the fixed-income securities portfolio measured at amortised cost at 31/12/2019 (Countries = Advanced economies):

Year	Estimation of GDP scenarios			Estimation of inflation scenarios		
	Baseline	Adverse	Optimistic	Baseline	Adverse	Optimistic
2020	1,70%	0,14%	2,03%	1,80%	0,21%	1,80%
2021	1,60%	-2,18%	2,95%	1,80%	0,75%	1,95%
2022	1,60%	1,60%	2,61%	1,90%	1,17%	1,97%
2023	1,50%	0,90%	2,87%	2,00%	0,91%	2,00%
2024	1,60%	0,50%	2,50%	2,00%	0,66%	2,73%

- o Scenarios used for the retail portfolio at 31/12/2019 (Country = Luxembourg):

Year	Estimation of GDP scenarios			Estimation of inflation scenarios		
	Baseline	Adverse	Optimistic	Baseline	Adverse	Optimistic
2020	2,80%	-0,39%	5,14%	1,70%	0,19%	1,84%
2021	2,70%	-1,36%	4,43%	1,90%	1,13%	2,06%
2022	2,60%	1,51%	6,44%	1,90%	1,70%	2,21%
2023	2,60%	0,61%	8,02%	1,90%	1,33%	1,92%
2024	2,60%	1,96%	9,61%	1,90%	0,87%	2,82%

With the onset of the Covid-19 crisis and the lockdown measures implemented by governments, these forecasts became outdated and the IMF undertook an update. The Group's parent company used a V-shaped scenario in its models for calculating value adjustments under IFRS 9, that is, a more severe global shock for financial year 2020, followed by a rapid recovery in 2021 that equates to a level of growth equal to that of the baseline scenario. In keeping with the communications from the European Central Bank, projections for years 2022 to 2024 were left unchanged, given the high degree of uncertainty surrounding the macroeconomic projections for those years:

- Scenarios used for the corporate portfolio and the fixed-income securities portfolio measured at amortised cost at 30/06/2020 (Countries = Advanced economies):

Year	Estimation of GDP scenarios			Estimation of inflation scenarios		
	Baseline	Adverse	Optimistic	Baseline	Adverse	Optimistic
2020	-6,10%	-12,20%	-3,05%	0,50%	0,00%	1,36%
2021	4,50%	4,50%	4,50%	1,50%	1,50%	1,50%
2022	1,60%	1,60%	1,60%	1,90%	1,90%	1,90%
2023	1,50%	1,50%	1,50%	2,00%	2,00%	2,00%
2024	1,60%	1,60%	1,60%	2,00%	2,00%	2,00%

- Scenarios used for the retail portfolio at 30/06/2020 (Country = Luxembourg):

Year	Estimation of GDP scenarios			Estimation of inflation scenarios		
	Baseline	Adverse	Optimistic	Baseline	Adverse	Optimistic
2020	-4,90%	-9,80%	-2,45%	0,70%	0,00%	1,84%
2021	4,80%	4,80%	4,80%	1,50%	1,50%	2,06%
2022	2,60%	2,60%	2,60%	1,90%	1,90%	1,90%
2023	2,60%	2,60%	2,60%	1,90%	1,90%	1,90%
2024	2,60%	2,60%	2,60%	1,90%	1,90%	1,90%

In addition to these adjustments, the Group's parent company implemented the new definition of default, in accordance with the EBA's guidelines (EBA/GL/2016/07) which clarify the definition of default found in Article 178 of EU Regulation No 575/2013 (the CRR), in its calculation models as of 30 April 2020 as follows:

- *Material past due amounts:*

A materiality threshold is used to indicate the level of past due amount that triggers a customer default. The materiality threshold is sub-divided into two components:

- The absolute component is expressed as the sum of all of the customer's past due credit obligations:

$$\sum \text{Past due obligations related to the customer} \geq \text{Threshold in EUR}$$

- o The relative component is expressed as the ratio of the sum of all of the customer's past due credit obligations to the total customer exposure:

$$\frac{\sum \text{Past due obligations related to the customer}}{\sum \text{On-balance exposures related to the customer}} \geq \text{Threshold as \%}$$

A past due amount is considered material if both thresholds are breached simultaneously.

For retail customers, the absolute regulatory threshold is set at EUR 100. For other customers, this threshold is set at EUR 500. The relative threshold is set at 1% for all customers.

- *Contagion:*

The new guidelines consider the potential for a default to spread from one customer to another. The Group's parent company must estimate the risk of contagion from a customer that has defaulted on a material credit obligation.

For retail customers, the Group's parent company has adopted the principle of automatic contagion of all members of a household who are bound contractually (through a property loan, for example), if the outstanding amount in default for one member of the household exceeds 50% of the household's total outstandings.

For other customers, the contagion risk is evaluated individually by the credit analysts and the default could thus spread from one entity to other entities in the same group.

- *Probationary period:*

For a customer to exit default, no trigger of default should continue to apply. Here, the EBA guidelines introduce the concept of a probationary period; the length of the probationary period is defined for all products and all types of customers as follows:

- o 3 months in the case of a default without distressed restructuring;
- o 12 months in the case of a default with distressed restructuring.

The probationary period must be applied for defaults triggered after one or more "Indications of unlikelihood to pay" have been observed.

## 2.2.1 Moratoria and public guarantees

Pursuant to EBA guidelines EBA/GL/2020/02 and EBA/GL/2020/07, the Group's parent company publishes information on the moratoria and public guarantees for loans related to the Covid-19 crisis:

- Information on active loans and advances at amortised cost, subject to legislative and non-legislative moratoria:

Position as at 30 June 2020	Carrying amount								Stock of provisions, accumulated negative changes in fair value due to credit risk					Nominal amount	
	Performing				Non-performing				Performing		Non-performing				
	of which restructurings	of which instruments with a significant increase in credit risk since origination but not covered by provisions for credit risk (Stage 2)			of which restructurings	of which unlikely to pay that are not past-due <= 90 days			of which restructurings	of which instruments with a significant increase in credit risk since origination but not covered by provisions for credit risk (Stage 2)	of which restructurings	of which unlikely to pay that are not past-due <= 90 days			
Loans and advances at amortised cost with moratoria	463 606 098	416 895 148	1 586 124	40 044 099	46 710 950	40 874 516	45 242 750	-5 064 147	-3 192 061	-7 823	-1 194 428	-1 872 086	-372 308	-1 872 086	-
of which retail	57 624 653	56 262 907	462 607	3 215 411	1 361 746	789 499	1 361 746	-80 085	-79 477	-	-1 302	-609	-609	-609	-
of which with a mortgage	52 334 941	50 973 195	462 607	3 137 504	1 361 746	789 499	1 361 746	-46 097	-45 488	-	-	-609	-609	-609	-
of which corporate	405 981 445	360 632 241	1 123 517	36 828 688	45 349 204	40 085 016	43 881 005	-4 984 062	-3 112 584	-7 823	-1 193 126	-1 871 478	-371 700	-1 871 478	-
of which SMEs	278 145 373	233 673 501	1 123 517	30 775 917	44 471 872	40 085 016	43 207 059	-4 432 575	-2 561 098	-7 823	-1 116 183	-1 871 478	-371 700	-1 871 478	-
of which with a commercial mortgage	301 658 701	257 000 508	1 024 396	25 609 287	44 658 193	40 025 797	43 189 994	-3 555 069	-1 721 676	-7 454	-705 370	-1 833 393	-366 857	-1 833 393	-

- Breakdown of loans and advances at amortised cost subject to legislative and non-legislative moratoria by residual maturity:

Position as at 30 June 2020	Number of customers	Carrying amount	Residual maturity of moratoria							
			of which legislative moratoria	of which expired moratoria	Residual maturity of moratoria					
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances at amortised cost for which moratoria have been proposed	993	753 199 776	-	-	-	-	-	-	-	-
Loans and advances at amortised cost with moratoria	977	737 610 477	-	274 004 379	377 839 367	78 210 950	5 334 230	793 841	1 427 709	-
of which retail		140 402 125	-	82 777 472	46 817 311	9 681 909	825 437	-	299 996	-
of which with a mortgage		130 967 888	-	78 632 948	42 300 920	8 908 588	825 437	-	299 996	-
of which corporate		597 208 353	-	191 226 908	331 022 056	68 529 042	4 508 793	793 841	1 127 713	-
of which SMEs		435 918 315	-	157 772 942	252 194 796	24 029 023	-	793 841	1 127 713	-
of which with a commercial mortgage		424 731 906	-	123 073 205	266 527 321	28 701 032	4 508 793	793 841	1 127 713	-

- Information on newly originated loans and advances at amortised cost covered by public guarantees in response to Covid-19:

Position as at 30 June 2020	Carrying amount		Maximum amount of the guarantees that can be considered	Carrying amount
		of which restructurings	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances at amortised cost subject to the public guarantee principle	5 391 772	-	4 583 006	27 965
of which retail	110 711	-	-	-
of which with a mortgage	-	-	-	-
of which corporate	5 281 060	-	4 488 901	27 965
of which SMEs	4 724 225	-	-	27 965
of which with a commercial mortgage	-	-	-	-

The public guarantee covers only 85% of the amount of loans originated under certain defined conditions. The term of the loans is limited to a maximum of six years.

Spuerkeess applies the private moratorium for a period of six months pursuant to the memorandum signed on 16 April 2020 by several financial centre banks in accordance with the criteria established in the European Banking Association's Guidelines of 2 April 2020 on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02).

The moratorium generally covers both principal and interest and targets corporate customers and the self-employed.

The domains/sectors of the economy that have taken particular advantage of the moratoria are as follows:

- Shops, hotels, restaurants and cafes;
- Oil sales and distribution;
- Car sales and repairs.

Of the active moratoria at 30 June, 44% had been granted to customers in these sectors.

### **2.2.2 Sector-based analysis in the context of Covid-19**

The global pandemic that has raged since the beginning of 2020 and its potential effects on Luxembourg's economy prompted Spuerkeess to categorise different business sectors based on whether the crisis will potentially have a high, medium or low impact on their respective activities.

Spuerkeess has thus reviewed the internal rating of various exposures, giving priority to "high impact" sectors. Accordingly, the ratings for 17,9% of loans were downgraded. At the end of the first half of the year, 2,6% of high-impact loans were still under review. The Corporate Banking department is in constant contact with customers in the most sensitive sectors and the information it gathers is incorporated into the loan monitoring process.

As at 30 June 2020, exposures to customers categorised as "high impact" represented outstandings of EUR 3.704,9 million versus EUR 3.390,1 million as at 31 December 2019. Expected losses stood at EUR 23,1 million as at 30 June 2020 versus EUR 12,1 million as at 31 December 2019.

## 2.2.3 Scope of consolidation

### 2.2.3.1 Fully consolidated subsidiaries

The scope of fully consolidated subsidiaries was unchanged relative to 31 December 2019.

Subsidiaries included in the scope of consolidation:

Name	Business	% of voting rights held	
		31/12/2019	30/06/2020
Lux-Fund Advisory S.A.	Investment advice	89,48	89,67
BCEE Asset Management S.A.	UCI management company	90,00	90,00
Bourbon Immobilière S.A.	Real estate	100,00	100,00
Luxembourg State and Savings Bank Trust Company S.A.	Acquisition of shareholdings	100,00	100,00
Spuerkeess Ré S.A.	Reinsurance	100,00	100,00

### 2.2.3.2 Investments in associates

The scope of investments in associates was unchanged relative to 31 December 2019.

The Group's investments in associates:

Associates	Business	% of capital held	
		31/12/2019	30/06/2020
<b>Shareholdings</b>			
Société Nationale de Circulation Automobile S.à r.l.	Automotive services	20,00	20,00
Luxair S.A.	Air transport	21,81	21,81
Société de la Bourse de Luxembourg S.A.	Financial services	22,75	22,75
Europay Luxembourg S.C.	Financial services	30,10	30,10
EFA S.A.	Financial services	31,67	31,67
LuxHub S.A.	Financial services	32,50	32,50
Visalux S.C.	Financial services	34,66	34,66
Lalux Group S.A.	Insurance	40,00	40,00
BioTechCube (BTC) Luxembourg S.A.	Investments in biotechnology	50,00	50,00

### 2.3 Foreign currency transactions

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

One euro is equal to:

Currency	31/12/2019	30/06/2020
CHF	1,0844	1,0660
GBP	0,8508	0,9129
JPY	121,7400	120,6600
SEK	10,4350	10,5014
USD	1,1218	1,1200

### 3 NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET<sup>1</sup> (in euros)

#### 3.1 Cash and sight accounts with central banks

Cash consists of cash, cash balances with central banks and other sight deposits with credit institutions. The minimum reserve requirement with the Banque centrale du Luxembourg is included in "Deposits with central banks".

Headings	31/12/2019	30/06/2020
Cash	87 960 417	69 810 266
Deposits with central banks	3 972 367 383	7 846 938 868
Other sight deposits	1 272 790 391	1 735 550 873
<b>Total</b>	<b>5 333 118 190</b>	<b>9 652 300 006</b>
<i>of which: Impairment of financial assets</i>	-1 632 315	-3 080 211

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

Headings	31/12/2019	30/06/2020
Interbank loans	1 747 648 068	1 506 950 716
Reverse repurchase/Repurchase agreements	1 195 774 370	2 061 850 612
Roll-over loans	44 708 355	44 691 674
Finance leases	152 360	-
Other	11 804 484	42 738 208
<b>Total</b>	<b>3 000 087 637</b>	<b>3 656 231 210</b>
Undrawn confirmed credits	493 403 919	1 005 479 434
Impairment of financial assets	-997 922	-1 713 470

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 2020.

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



Change in impairments:

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2019</b>	<b>1 128 805</b>	<b>90</b>	-	<b>1 128 895</b>
<b>Changes</b>	<b>-130 893</b>	<b>-79</b>	-	<b>-130 973</b>
Increase due to acquisition and origination	1 177 704	-	-	1 177 704
Decrease due to repayment	-23 940	-11	-	-23 952
Change related to credit risk	-734 155	-68	-	-734 223
Other net changes	-553 368	-	-	-553 368
Depreciation	-	-	-	-
Exchange gain or loss	2 867	-	-	2 867
<b>Position as at 31 December 2019</b>	<b>997 912</b>	<b>10</b>	-	<b>997 922</b>

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	Total
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	-	-	-	-
<i>Transfer from Stage 3</i>	-	-	-	-

Impaired loans as at 31 December 2019	Stage 1	Stage 2	Stage 3	Total
Outstanding	3 001 084 934	628	-	3 001 085 562

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2020</b>	<b>997 912</b>	<b>10</b>	-	<b>997 922</b>
<b>Changes</b>	<b>715 476</b>	<b>72</b>	-	<b>715 548</b>
Increase due to acquisition and origination	501 709	-	-	501 709
Decrease due to repayment	-23 645	-	-	-23 645
Change related to credit risk	233 349	72	-	233 421
Other net changes	-	-	-	-
Depreciation	-	-	-	-
Exchange gain or loss	4 063	-	-	4 063
<b>Position as at 30 June 2020</b>	<b>1 713 388</b>	<b>82</b>	-	<b>1 713 470</b>

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	Total
<i>Transfer from Stage 1</i>	-	-	-	-
<i>Transfer from Stage 2</i>	-	-	-	-
<i>Transfer from Stage 3</i>	-	-	-	-

Impaired loans as at 30 June 2020	Stage 1	Stage 2	Stage 3	Total
Outstanding	3 657 942 461	2 221	-	3 657 944 682

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

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

Headings	31/12/2019	30/06/2020
Retail customers	15 506 331 733	15 985 599 884
Corporate customers	5 710 901 850	5 787 304 682
Public sector	1 639 834 752	1 615 617 828
<b>Total</b>	<b>22 857 068 335</b>	<b>23 388 522 394</b>
<i>of which finance leases</i>	<i>153 143 742</i>	<i>155 837 326</i>
Undrawn confirmed credits	5 283 175 863	6 020 352 291
Impairment of financial assets	-112 491 821	-114 941 129

#### Change in impairments:

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2019</b>	<b>17 640 503</b>	<b>31 319 065</b>	<b>70 420 417</b>	<b>119 379 985</b>
<i>of which</i>				
<i>Retail customers</i>	<i>2 468 640</i>	<i>17 609 502</i>	<i>12 834 552</i>	<i>32 912 695</i>
<i>Corporate customers</i>	<i>15 134 631</i>	<i>13 709 563</i>	<i>57 585 865</i>	<i>86 430 059</i>
<i>Public sector</i>	<i>37 231</i>	<i>-</i>	<i>-</i>	<i>37 231</i>
<b>Changes</b>	<b>833 743</b>	<b>-5 378 228</b>	<b>-2 343 679</b>	<b>-6 888 164</b>
Increase due to acquisition and origination	8 004 114	6 725 336	21 339 084	36 068 534
Decrease due to repayment	-656 257	-260 346	-20 998 633	-21 915 236
Change related to credit risk	-6 515 978	-11 868 737	-1 697 970	-20 082 686
Other changes	-	25 516	2 352	27 868
Depreciation	-	-	-1 009 808	-1 009 808
Exchange gain or loss	1 865	3	21 297	23 165
<b>Position as at 31 December 2019</b>	<b>18 474 246</b>	<b>25 940 836</b>	<b>68 076 739</b>	<b>112 491 821</b>
<i>of which</i>				
<i>Retail customers</i>	<i>2 844 350</i>	<i>16 194 097</i>	<i>12 167 808</i>	<i>31 206 255</i>
<i>Corporate customers</i>	<i>15 574 586</i>	<i>9 746 685</i>	<i>55 908 931</i>	<i>81 230 201</i>
<i>Public sector</i>	<i>55 310</i>	<i>54</i>	<i>-</i>	<i>55 365</i>

Outstanding loan stage transfers	Stage 1	Stage 2	Stage 3	Total
<b>Retail customers</b>	<b>-46 417 238</b>	<b>25 108 497</b>	<b>21 308 740</b>	<b>-</b>
<i>Transfer from Stage 1</i>	<i>-686 265 499</i>	<i>672 567 480</i>	<i>13 698 019</i>	<i>-</i>
<i>Transfer from Stage 2</i>	<i>637 174 165</i>	<i>-653 605 749</i>	<i>16 431 583</i>	<i>-</i>
<i>Transfer from Stage 3</i>	<i>2 674 096</i>	<i>6 146 766</i>	<i>-8 820 862</i>	<i>-</i>
<b>Corporate customers</b>	<b>32 881 941</b>	<b>-37 148 085</b>	<b>4 266 144</b>	<b>-</b>
<i>Transfer from Stage 1</i>	<i>-82 871 359</i>	<i>80 818 224</i>	<i>2 053 135</i>	<i>-</i>
<i>Transfer from Stage 2</i>	<i>114 625 909</i>	<i>-118 468 659</i>	<i>3 842 750</i>	<i>-</i>
<i>Transfer from Stage 3</i>	<i>1 127 391</i>	<i>502 351</i>	<i>-1 629 741</i>	<i>-</i>
<b>Public sector</b>	<b>-468 358</b>	<b>468 358</b>	<b>-</b>	<b>-</b>
<i>Transfer from Stage 1</i>	<i>-468 358</i>	<i>468 358</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 2</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 3</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

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<b>Impaired loans as at 31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Retail customers	14 104 452 109	1 361 071 700	72 014 179	15 537 537 989
Corporate customers	5 288 491 681	335 878 223	167 760 978	5 792 130 882
Public sector	1 639 421 758	468 358	-	1 639 890 116

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Position as at 1 January 2020</b>	<b>18 474 246</b>	<b>25 940 836</b>	<b>68 076 739</b>	<b>112 491 821</b>
<i>of which</i>				
<i>Retail customers</i>	<i>2 844 350</i>	<i>16 194 097</i>	<i>12 167 808</i>	<i>31 206 255</i>
<i>Corporate customers</i>	<i>15 574 586</i>	<i>9 746 685</i>	<i>55 908 931</i>	<i>81 230 201</i>
<i>Public sector</i>	<i>55 310</i>	<i>54</i>	<i>-</i>	<i>55 365</i>
<b>Changes</b>	<b>17 108 317</b>	<b>-930 593</b>	<b>-13 728 417</b>	<b>2 449 308</b>
Increase due to acquisition and origination	3 002 833	554 339	92 759	3 649 931
Decrease due to repayment	-95 414	-156 367	-239 998	-491 779
Change related to credit risk	14 232 798	-980 002	-15 117 856	-1 865 061
Other net changes	-32 143	-348 562	1 546 155	1 165 450
Depreciation	-	-	-	-
Exchange gain or loss	243	-1	-9 476	-9 233
<b>Position as at 30 June 2020</b>	<b>35 582 564</b>	<b>25 010 243</b>	<b>54 348 322</b>	<b>114 941 129</b>
<i>of which</i>				
<i>Retail customers</i>	<i>3 002 455</i>	<i>12 682 275</i>	<i>12 987 559</i>	<i>28 672 289</i>
<i>Corporate customers</i>	<i>32 447 873</i>	<i>12 327 969</i>	<i>41 360 763</i>	<i>86 136 605</i>
<i>Public sector</i>	<i>132 235</i>	<i>-</i>	<i>-</i>	<i>132 235</i>

<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Retail customers</b>	<b>258 344 631</b>	<b>-278 639 391</b>	<b>20 294 760</b>	<b>-</b>
<i>Transfer from Stage 1</i>	<i>-458 256 160</i>	<i>450 465 573</i>	<i>7 790 587</i>	<i>-</i>
<i>Transfer from Stage 2</i>	<i>705 562 748</i>	<i>-732 656 816</i>	<i>27 094 068</i>	<i>-</i>
<i>Transfer from Stage 3</i>	<i>11 038 044</i>	<i>3 551 851</i>	<i>-14 589 895</i>	<i>-</i>
<b>Corporate customers</b>	<b>59 950 832</b>	<b>-9 227 524</b>	<b>-50 723 308</b>	<b>-</b>
<i>Transfer from Stage 1</i>	<i>-82 944 598</i>	<i>80 393 600</i>	<i>2 550 998</i>	<i>-</i>
<i>Transfer from Stage 2</i>	<i>33 938 820</i>	<i>-90 145 874</i>	<i>56 207 053</i>	<i>-</i>
<i>Transfer from Stage 3</i>	<i>108 956 609</i>	<i>524 749</i>	<i>-109 481 358</i>	<i>-</i>
<b>Public sector</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Impaired loans as at 30 June 2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Retail customers	14 870 224 578	1 057 752 018	86 295 577	16 014 272 173
Corporate customers	5 342 194 842	418 831 299	112 415 146	5 873 441 287
Public sector	1 615 750 063	-	-	1 615 750 063

In addition to information on impairments of loans and advances at amortised cost for customers, the Group reports 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 or a partial or total deferment of payment if it is not granted as part of a legislative or private moratorium.

at 31/12/2019	Performing restructured loans		Non-performing restructured loans		Total restructured loans	
	Loan	Impairment	Loan	Impairment	Loan	Impairment
Retail customers	27 625 850	366 159	9 495 009	553 222	37 120 859	919 381
Corporate customers	27 167 596	5 018 384	172 979 279	31 499 551	200 146 875	36 517 935
<b>Total</b>	<b>54 793 446</b>	<b>5 384 543</b>	<b>182 474 288</b>	<b>32 052 773</b>	<b>237 267 734</b>	<b>37 437 316</b>

30/06/2020	Performing restructured loans		Non-performing restructured loans		Total restructured loans	
	Loan	Impairment	Loan	Impairment	Loan	Impairment
Retail customers	23 234 280	284 902	16 398 550	1 328 888	39 632 830	1 613 790
Corporate customers	132 273 403	5 103 236	67 056 821	12 630 196	199 330 224	17 733 432
<b>Total</b>	<b>155 507 683</b>	<b>5 388 138</b>	<b>83 455 370</b>	<b>13 959 084</b>	<b>238 963 054</b>	<b>19 347 222</b>

### 3.4 Assets and liabilities held for trading

<b>Assets</b>	<b>31/12/2019</b>	<b>30/06/2020</b>
Non-derivative financial instruments	-	-
Derivative financial instruments (note 3.12.)	143 054 604	129 708 495
<b>Total</b>	<b>143 054 604</b>	<b>129 708 495</b>
<b>Liabilities</b>	<b>31/12/2019</b>	<b>30/06/2020</b>
Non-derivative financial instruments	-	-
Derivative financial instruments (note 3.12.)	157 060 590	239 648 862
<b>Total</b>	<b>157 060 590</b>	<b>239 648 862</b>
<b>Assets - Non-derivative financial instruments</b>	<b>31/12/2019</b>	<b>30/06/2020</b>
<b>Debt instruments</b>	-	-
<i>Public sector</i>	-	-
<i>Credit institutions</i>	-	-
<i>Corporate customers</i>	-	-
<b>Equity instruments</b>	-	-
<b>Total</b>	-	-
<i>of which: Unrealised profit/loss at the reporting date</i>	-	-
<b>Liabilities - Non-derivative financial instruments</b>	<b>31/12/2019</b>	<b>30/06/2020</b>
<b>Short sales</b>	-	-
<i>Bonds</i>	-	-
<i>Shares</i>	-	-
<b>Total</b>	-	-

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

Headings	31/12/2019	30/06/2020
<b>Debt instruments</b>	<b>1 221 106 207</b>	<b>980 742 789</b>
<i>Public sector</i>	89 481 852	121 795 144
<i>Credit institutions</i>	761 316 860	580 435 182
<i>Corporate customers</i>	370 307 495	278 512 463
<b>Loans and advances</b>	<b>13 283 675</b>	<b>12 229 944</b>
<i>Public sector</i>	-	-
<i>Credit institutions</i>	-	-
<i>Corporate customers</i>	13 283 675	12 229 944
<b>Total</b>	<b>1 234 389 882</b>	<b>992 972 733</b>
<i>of which: Unrealised profit/loss</i>	4 954 677	-6 934 768

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 at fair value through the revaluation reserve. These instruments, because they are measured at fair value through profit or loss, are not subject to an impairment calculation.

### 3.6 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	31/12/2019	30/06/2020
<b>Debt instruments</b>		
<i>Public sector</i>	2 879 524 454	3 143 443 242
<i>Credit institutions</i>	7 194 591 850	6 900 395 189
<i>Corporate customers</i>	3 408 823 626	3 684 332 856
<b>Total</b>	<b>13 482 939 931</b>	<b>13 728 171 287</b>
<i>of which: Impairment of financial assets</i>	-9 275 558	-17 748 469
<i>of which: Fair value (interest-rate component) for the purposes of hedge accounting</i>	184 611 015	275 135 099

Change in impairments:

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2019</b>	<b>7 730 934</b>	<b>25 196</b>	<b>4 050 695</b>	<b>11 806 825</b>
<i>of which</i>				
Public sector	546 290	-	-	546 290
Credit institutions	4 067 444	-	-	4 067 444
Corporate customers	3 117 199	25 196	4 050 695	7 193 090
<b>Changes</b>	<b>857 367</b>	<b>458 748</b>	<b>-3 847 181</b>	<b>-2 531 067</b>
Increase due to acquisition and origination	2 509 935	-	-	2 509 935
Decrease due to repayment	-471 785	-	-	-471 785
Change related to credit risk	-1 197 489	458 748	-3 824 912	-4 563 653
Other changes	-	-	-	-
Depreciation	-	-	-22 407	-22 407
Exchange gain or loss	16 705	-	137	16 842
<b>Position as at 31 December 2019</b>	<b>8 588 300</b>	<b>483 944</b>	<b>203 513</b>	<b>9 275 758</b>
<i>of which</i>				
Public sector	454 164	-	-	454 164
Credit institutions	4 892 129	-	-	4 892 129
Corporate customers	3 242 008	483 944	203 513	3 929 465
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Public sector</b>	-	-	-	-
<b>Credit institutions</b>	-	-	-	-
<b>Corporate customers</b>	<b>4 815 315</b>	<b>1 299 421</b>	<b>-6 114 737</b>	-
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	2 130 440	-2 130 440	-	-
Transfer from Stage 3	2 684 875	3 429 862	-6 114 737	-
<b>Impaired loans as at 31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Public sector	2 879 978 425	-	-	2 879 978 425
Credit institutions	7 199 483 980	-	-	7 199 483 980
Corporate customers	3 409 119 716	3 429 862	203 513	3 412 753 091

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	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2020</b>	<b>8 588 300</b>	<b>483 944</b>	<b>203 513</b>	<b>9 275 758</b>
<i>of which</i>				
<i>Public sector</i>	454 164	-	-	454 164
<i>Credit institutions</i>	4 892 129	-	-	4 892 129
<i>Corporate customers</i>	3 242 008	483 944	203 513	3 929 465
<b>Changes</b>	<b>8 659 188</b>	<b>-186 384</b>	<b>-92</b>	<b>8 472 712</b>
Increase due to acquisition and origination	1 318 390	-	-	1 318 390
Decrease due to repayment	-83 097	-	-	-83 097
Change related to credit risk	7 432 940	-186 384	-92	7 246 465
Other net changes	-	-	-	-
Depreciation	-	-	-	-
Exchange gain or loss	-9 045	-	-	-9 045
<b>Position as at 30 June 2020</b>	<b>17 247 488</b>	<b>297 560</b>	<b>203 421</b>	<b>17 748 470</b>
<i>of which</i>				
<i>Public sector</i>	953 889	-	-	953 889
<i>Credit institutions</i>	9 678 851	-	-	9 678 851
<i>Corporate customers</i>	6 614 748	297 560	203 421	7 115 730
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Public sector</b>	-	-	-	-
<b>Credit institutions</b>	-	-	-	-
<b>Corporate customers</b>	<b>-12 586 415</b>	<b>12 586 415</b>	-	-
<i>Transfer from Stage 1</i>	-15 793 551	15 793 551	-	-
<i>Transfer from Stage 2</i>	3 207 135	-3 207 135	-	-
<i>Transfer from Stage 3</i>	-	-	-	-
<b>Impaired loans as at 30 June 2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Public sector	3 144 397 130	-	-	3 144 397 130
Credit institutions	6 910 074 038	-	-	6 910 074 038
Corporate customers	3 675 451 615	15 793 551	203 421	3 691 448 587



### 3.7 Fixed-income securities recognised at fair value through the revaluation reserve

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-and-sell (HTC&S) business model.

Headings	31/12/2019	30/06/2020
<b>Debt instruments</b>		
<i>Public sector</i>	5 069 764	17 885 945
<i>Credit institutions</i>	11 000 000	11 000 000
<i>Corporate customers</i>	-	-
<b>Total</b>	<b>16 069 764</b>	<b>28 885 945</b>
<i>of which: Unrealised profit/loss at the reporting date</i>	-48 098	326 983

### 3.8 Variable-income securities recognised at fair value through the revaluation reserve

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

Headings	31/12/2019	30/06/2020
<b>Equity instruments</b>		
<i>Credit institutions</i>	3 958 116	4 068 174
<i>Corporate customers</i>	816 758 873	577 550 181
<b>Total</b>	<b>820 716 989</b>	<b>581 618 355</b>
<i>of which: Unrealised profit/loss through the revaluation reserve</i>	486 895 434	247 735 175
Dividends received during the period	31 018 707	14 899 036
<i>of which dividends from positions sold during the period</i>	-	-
Gains/losses on sales in equity	2 709	-2 551

### 3.9 Investments in associates accounted for using the equity method

List of associates:

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 30/06/2020
Société Nationale de Circulation Automobile S.à r.l.	20,00	24 789	8 101 697
Luxair S.A.	21,81	14 830 609	140 867 774
Société de la Bourse de Luxembourg S.A.	22,75	128 678	26 308 157
Europay Luxembourg S.C.	30,10	188 114	841 713
European Fund Administration S.A.	31,67	5 691 671	4 802 644
Luxhub S.A.	32,50	3 705 000	2 540 990
Visalux S.C.	34,66	365 306	7 377 790
Lalux Group S.A.	40,00	28 904 385	233 580 587
BioTechCube (BTC) Luxembourg S.A.	50,00	5 000 000	648 576
<b>Total</b>		<b>58 838 552</b>	<b>425 069 929</b>

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 31/12/2019
Société Nationale de Circulation Automobile S.à r.l.	20,00	24 789	7 622 140
Luxair S.A.	21,81	14 830 609	97 306 317
Société de la Bourse de Luxembourg S.A.	22,75	128 678	26 922 443
Europay Luxembourg S.C.	30,10	188 114	929 776
European Fund Administration S.A.	31,67	5 691 671	5 817 022
LuxHub S.A.	32,50	1 300 000	293 830
Visalux S.C.	34,66	365 305	7 165 276
Lalux Group S.A.	40,00	28 904 385	240 868 546
BioTechCube (BTC) Luxembourg S.A.	50,00	5 000 000	714 399
<b>Total</b>		<b>56 433 552</b>	<b>387 639 750</b>

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

The equity-accounted value attributable to the Luxair stake has been adjusted to align the amounts with the Group's consolidation principles.

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	30/06/2020			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
<b>Direct interests</b>				
Société Nationale de Circulation Automobile S.à r.l.	437 718	-	41 839	479 557
Luxair S.A.	6 574 884	-	7 161 292	13 736 176
Société de la Bourse de Luxembourg S.A.	645 770	-	30 544	676 314
Europay Luxembourg S.C.	36 075	-	955	37 030
European Fund Administration S.A.	-994 706	-	-19 672	-1 014 378
LuxHub S.A.	-150 144	-	-7 696	-157 840
Visalux S.C.	33 657	-	178 857	212 514
Lalux Group S.A.	21 234 119	-	-19 272 078	1 962 041
BioTechCube (BTC) Luxembourg S.A.	-24 445	-	-41 378	-65 823
<b>Total</b>	<b>27 792 928</b>	<b>-</b>	<b>-11 927 336</b>	<b>15 865 592</b>
Associates	31/12/2019			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
<b>Direct interests</b>	<b>13 821 166</b>	<b>-</b>	<b>26 635 404</b>	<b>40 456 570</b>
Société Nationale de Circulation Automobile S.à r.l.	829 801	-	515 548	1 345 349
Luxair S.A.	-1 552 131	-	-1 906 854	-3 458 985
Société de la Bourse de Luxembourg S.A.	4 174 760	-	602 402	4 777 162
Europay Luxembourg S.C.	22 622	-	-97 864	-75 242
European Fund Administration S.A.	-1 324 868	-	1 448 241	123 373
LuxHub S.A.	-371 481	-	-634 689	-1 006 170
Visalux S.C.	-100 439	-	-652 634	-753 073
Lalux Group S.A.	12 153 675	-	27 371 816	39 525 491
BioTechCube (BTC) Luxembourg S.A.	-10 773	-	-10 562	-21 335
<b>Indirect interests</b>	<b>-</b>	<b>-</b>	<b>-108 040</b>	<b>-108 040</b>
EFA Partners S.A.	-	-	-55 404	-55 404
Pecoma International S.A.	-	-	-52 636	-52 636
<b>Total</b>	<b>13 821 166</b>	<b>-</b>	<b>26 527 364</b>	<b>40 348 530</b>

### 3.10 Securities collateralised

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

Headings	31/12/2019	30/06/2020
Debt instruments issued by the public sector	297 705 022	84 671 240
Debt instruments issued by credit institutions	199 588 376	-
Debt instruments issued - other	92 233 713	-
<b>Total</b>	<b>589 527 111</b>	<b>84 671 240</b>

The debt instruments issued are primarily "fixed-income securities recognised at amortised cost".

*Securities lent and other collateral*

Headings	31/12/2019	30/06/2020
<b>Securities lending</b>		
Debt instruments issued by the public sector	340 533 182	54 295 551
Debt instruments issued by credit institutions	130 602 601	10 712 452
Debt instruments issued - other	114 551 016	29 486 088
<b>Total</b>	<b>585 686 799</b>	<b>94 494 091</b>

### 3.11 Convertible bonds included in the different portfolios

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

### 3.12 Derivatives

Categories at 30/06/2020	Assets	Liabilities	Notional
<b>Derivative financial instruments held for trading</b>	<b>129 708 495</b>	<b>239 648 862</b>	<b>18 070 666 209</b>
Operations linked to exchange rates	53 075 975	155 612 609	16 377 884 369
- Foreign exchange swaps and forward exchange contracts	52 200 651	155 453 416	16 368 764 227
- CCIS	875 324	159 193	9 120 143
- other	-	-	-
Operations linked to interest rates	70 280 069	77 683 802	1 672 875 372
- IRS	69 747 706	76 820 676	1 560 482 768
- other	532 363	863 126	112 392 604
Operations linked to equity	6 352 450	6 352 450	19 906 467
- Equity and index options	6 352 450	6 352 450	19 906 467
<b>Fair value hedging derivatives</b>	<b>50 990 528</b>	<b>1 078 391 528</b>	<b>11 983 859 628</b>
Operations linked to exchange rates	24 485 418	221 781 056	1 845 698 450
- CCIS	24 485 418	221 781 056	1 845 698 450
Operations linked to interest rates	26 505 111	856 610 472	10 138 161 178
- IRS	26 505 111	856 610 472	10 138 161 178
<b>Cash flow hedging derivatives</b>	<b>5 813 306</b>	<b>16 942 573</b>	<b>334 686 675</b>
Operations linked to exchange rates	3 589 872	16 942 573	312 786 675
- CCIS	3 589 872	16 942 573	312 786 675
Operations linked to interest rates	2 223 434	-	21 900 000
- IRS	2 223 434	-	21 900 000
<b>Categories at 31/12/2019</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Notional</b>
<b>Derivative financial instruments held for trading</b>	<b>143 054 604</b>	<b>157 060 590</b>	<b>17 009 759 617</b>
Operations linked to exchange rates	78 464 119	84 619 258	15 094 906 053
- Foreign exchange swaps and forward exchange contracts	77 614 217	84 619 258	15 085 794 506
- CCIS	849 902	-	9 111 547
- other	-	-	-
Operations linked to interest rates	63 492 833	71 343 679	1 896 910 196
- IRS	62 811 115	70 330 949	1 779 756 037
- other	681 718	1 012 730	117 154 159
Operations linked to equity	1 097 653	1 097 653	17 943 368
- Equity and index options	1 097 653	1 097 653	17 943 368
<b>Fair value hedging derivatives</b>	<b>50 973 791</b>	<b>854 199 992</b>	<b>11 429 929 630</b>
Operations linked to exchange rates	19 718 872	172 880 015	1 754 039 010
- CCIS	19 718 872	172 880 015	1 754 039 010
Operations linked to interest rates	31 254 919	681 319 977	9 675 890 620
- IRS	31 254 919	681 319 977	9 675 890 620
<b>Cash flow hedging derivatives</b>	<b>8 308 799</b>	<b>19 108 008</b>	<b>428 443 568</b>
Operations linked to exchange rates	5 731 589	19 108 008	404 043 568
- CCIS	5 731 589	19 108 008	404 043 568
Operations linked to interest rates	2 577 210	-	24 400 000
- IRS	2 577 210	-	24 400 000

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG  
Notes to the interim condensed consolidated financial information  
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Fair value hedges at 30/06/2020	Balance sheet categories	Fair value of hedged instruments	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Ineffectiveness	Effectiveness rate
<b>Interest rate risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost, Loans and advances at amortised cost – Customers, Change in fair value of a portfolio of financial instruments hedged against interest rate risk	-671 219 025	182 453 721	-187 713 500	-5 259 779	102,88%
Fixed-rate liability instruments	Issuance of debt securities	20 230 537	-6 464 393	6 625 192	160 799	102,49%
<b>Currency risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost, Loans and advances at amortised cost – Customers	-110 474 392	63 623 134	-64 127 014	-503 881	100,79%
Fixed-rate liability instruments	Issuance of debt securities	-441 940	447 776	-440 535	7 241	98,38%

Cash flow hedges at 30/06/2020	Balance sheet categories	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Cash flow hedging reserve
<b>Interest rate risk</b>				
Fixed-rate asset instruments	Loans and advances at amortised cost - Customers	353 234	-	-2 221 019
<b>Currency risk</b>				
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost	593 100	-	1 958 613

**Income on hedging activities recognised in net income and other comprehensive income at 30/06/2020**

**Net income or other comprehensive income**

<b>Fair value hedges (micro + macro hedges)</b>	<b>5 595 620</b>
gains (losses) on hedging instruments	-243 095 774
gains (losses) on hedged instruments related to the hedged risk	245 655 858
ineffective part	3 035 537
<b>Cash flow hedges</b>	<b>946 334</b>
ineffective part	-
effective part	946 334
reclassified in profit or loss over the period	-

**Reconciliation of the equity component at 30/06/2020**

**Cash flow hedges recognised in revaluation reserve**

<b>Balance at 1 January 2020</b>	<b>1 208 739</b>
Change in fair value related to hedging of:	-946 334
<i>interest rate risk</i>	-353 234
<i>foreign exchange risk</i>	-593 100
Amount reclassified to profit or loss related to hedging of:	-
<i>interest rate risk</i>	-
<i>foreign exchange risk</i>	-
<b>Balance at 30 June 2020</b>	<b>262 405</b>

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG  
Notes to the interim condensed consolidated financial information  
as at 30 June 2020

Fair value hedges at 31/12/2019	Balance sheet categories	Fair value of hedged instruments	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Ineffectiveness	Effectiveness rate
<b>Interest rate risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost, Loans and advances at amortised cost – Customers, Change in fair value of a portfolio of financial instruments hedged against interest rate risk	-483.505.525	195.624.830	-196.321.076	-696.246	100,36%
Fixed-rate liability instruments	Issuance of debt securities	13.605.345	-14.548.130	14.540.250	-7.880	99,95%
<b>Currency risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost, Loans and advances at amortised cost – Customers	-46.347.377	16.604.837	-16.586.959	17.878	99,89%
Fixed-rate liability instruments	Issuance of debt securities	-1.405	-2.781.740	2.780.981	-759	99,97%

Cash flow hedges at 31/12/2019	Balance sheet categories	Change in fair value of hedging instruments	Change in fair value of hedged instruments	Cash flow hedging reserve	continuity of hedging	termination of hedging
<b>Interest rate risk</b>						
Fixed-rate asset instruments	Loans and advances at amortised cost - Customers	741.474	-	-2.574.253	-	-
<b>Currency risk</b>						
Fixed-rate asset instruments	Fixed-income securities recognised at amortised cost	880.589	-	1.365.513	-	-

**Income on hedging activities recognised in net income and other comprehensive income at 31/12/2019**

**Net income or other comprehensive income**

<b>Fair value hedges (micro + macro hedges)</b>	<b>687 007</b>
gains (losses) on hedging instruments	-194 778 594
gains (losses) on hedged instruments related to the hedged risk	195 586 803
ineffective part	-121 203
<b>Cash flow hedges</b>	<b>1 622 063</b>
ineffective part	-
effective part	1 622 063
reclassified in profit or loss over the period	-

**Reconciliation of the equity component at 31/12/2019**

**Cash flow hedges recognised  
in revaluation reserve**

<b>Balance at 1 January 2019</b>	<b>2 830 802</b>
Change in fair value related to hedging of:	-1 622 063
<i>interest rate risk</i>	-741 474
<i>foreign exchange risk</i>	-880 589
Amount reclassified to profit or loss related to hedging of:	-
<i>interest rate risk</i>	-
<i>foreign exchange risk</i>	-
<b>Balance at 31 December 2019</b>	<b>1 208 739</b>

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

Headings	31/12/2019	30/06/2020
Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk	215 762 686	354 426 401
<b>Total</b>	<b>215 762 686</b>	<b>354 426 401</b>

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 2019 and 2020 is due to the impact of the change in the interest-rate curves used to determine fair value and to a volume effect.

### 3.14 **Tangible assets for own use**

Headings	31/12/2019	30/06/2020
Tangible assets for own use	269 066 661	261 073 272
Right-of-use assets arising from leases	13 647 262	11 589 040
<b>Total</b>	<b>282 713 923</b>	<b>272 662 312</b>

### 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. The overall tax burden of corporations at the nominal tax rate has been 24,94% since financial year 2019.

As at 30 June 2020, the Group posted a deferred tax asset of EUR 143.259.093, and a deferred tax liability of EUR 117.827.262.

The following table 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	01/01/2019	Movements in equity	Movements in income statement	31/12/2019
Deferred tax assets	144 425 889	27 263 253	-22 366 258	149 322 883
Deferred tax liabilities	-142 152 770	-4 146 397	17 799 190	-128 499 977
<b>Net deferred tax assets / liabilities</b>	<b>2 273 119</b>	<b>23 116 855</b>	<b>-4 567 067</b>	<b>20 822 906</b>

Headings	01/01/2020	Movements in equity	Movements in income statement	30/06/2020
Deferred tax assets	149 322 883	-1 256 838	-4 806 952	143 259 093
Deferred tax liabilities	-128 499 977	2 436 620	8 236 095	-117 827 262
<b>Net deferred tax assets/liabilities</b>	<b>20 822 906</b>	<b>1 179 782</b>	<b>3 429 142</b>	<b>25 431 831</b>

### 3.15.1 Tax assets

Headings	31/12/2019	30/06/2020
Deferred taxes	149 322 883	143 259 093
<b>Tax assets</b>	<b>149 322 883</b>	<b>143 259 093</b>

Breakdown of deferred tax assets according to origin:

Headings	31/12/2019	30/06/2020
Derivative financial instruments - application of fair value	340 559	488 478
Debt instruments - application of fair value	11 948	7 958
Equity instruments - application of fair value	5 102 975	7 098 592
Pension funds - actuarial gain or loss	123 669 482	120 515 626
Deferred tax assets due to FTA	20 197 919	15 148 439
<b>Deferred tax assets</b>	<b>149 322 883</b>	<b>143 259 093</b>

### 3.15.2 Tax liabilities

Headings	31/12/2019	30/06/2020
Current tax	9 820 434	3 539 259
<i>Income tax</i>	<i>27 835 263</i>	<i>28 150 410</i>
<i>Municipal business tax</i>	<i>-18 036 229</i>	<i>-24 632 551</i>
<i>Wealth tax</i>	<i>21 400</i>	<i>21 400</i>
Deferred taxes	128 499 977	117 827 261
<b>Tax liabilities</b>	<b>138 320 411</b>	<b>121 366 520</b>

Breakdown of deferred tax liabilities according to origin:

Headings	31/12/2019	30/06/2020
Derivative instruments - application of fair value	642 019	553 922
Debt instruments - application of fair value	-	90 126
Equity instruments - application of fair value	1 486 536	445 168
Pension funds - fair value gain/loss	7 410 039	5 658 637
Regulatory and other provisions	104 049 452	99 895 460
Deferred tax liabilities due to FTA	14 911 932	11 183 949
<b>Deferred tax liabilities</b>	<b>128 499 977</b>	<b>117 827 262</b>

### 3.16 Other assets

Headings	31/12/2019	30/06/2020
Operational outstandings	7 383 000	14 194 474
Preferential or secured borrowers	1 219 946	2 632 466
Other	110 396	138 109
<b>Total</b>	<b>8 713 342</b>	<b>16 965 049</b>

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

### 3.17 Deposits at amortised cost – Credit institutions

Headings	31/12/2019	30/06/2020
Inter-bank deposits	4 473 238 011	6 832 262 483
<i>of which central bank deposits</i>	<i>419 365 396</i>	<i>3 510 439 185</i>
Repurchase/Reverse repurchase agreements	119 596 784	540 392 989
Other financial liabilities	99 164 486	234 655 572
<b>Total</b>	<b>4 691 999 282</b>	<b>7 607 311 044</b>

In first-half 2020, the Group's parent company participated in the ECB's TLTRO III for a nominal amount of EUR 3.200 million.

### 3.18 **Deposits at amortised cost – Private customers and public sector**

Headings	31/12/2019	30/06/2020
<b>Private sector</b>	<b>26 680 480 401</b>	<b>28 567 419 658</b>
- Demand deposit and notice accounts	10 361 379 381	12 700 261 634
- Time deposit accounts	2 195 047 801	1 892 618 458
- Savings	14 124 053 219	13 974 539 566
- Repurchase/Reverse repurchase agreements	-	-
<b>Public sector</b>	<b>6 699 202 347</b>	<b>5 186 578 026</b>
<b>Total</b>	<b>33 379 682 748</b>	<b>33 753 997 684</b>

### 3.19 **Financial liabilities designated at fair value through profit or loss**

Headings	31/12/2019	30/06/2020
Unsubordinated notes	166 144 407	170 673 847
<b>Total</b>	<b>166 144 407</b>	<b>170 673 847</b>
<i>of which: Unrealised profit/loss at the reporting date</i>	<i>10 678 974</i>	<i>14 628 821</i>

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

### 3.20 **Issuance of debt securities**

Headings	31/12/2019	30/06/2020
Certificates of deposit	72 727 475	47 245 752
Commercial paper	3 318 395 896	5 298 416 823
Medium Term Notes and other securities issued	423 957 190	476 690 184
<b>Total</b>	<b>3 815 080 560</b>	<b>5 822 352 759</b>
<i>of which:</i>		
- Subordinated notes	100 025 429	99 731 743

In first-half 2020, Spuerkeess issued Euro Medium Term Notes (EMTNs) for a nominal amount of EUR 46 million.

### 3.21 Provisions

This item comprises three main types of provisions: provisions to be established under IAS 37, provisions for the time savings account, and impairments of Group off-balance sheet commitments in accordance with IFRS 9.

Movements:

	2019			
	Risks and charges	Provisions Time savings account	IFRS 9	Total
<b>Position as at 1 January</b>	<b>2 294 875</b>	<b>6 411 941</b>	<b>13 118 363</b>	<b>21 825 178</b>
Additions	-	-	7 997 091	7 997 091
Reversals	-211 782	-	-9 375 351	-9 587 133
Foreign exchange income	-	-	104	104
Expense included in personnel expenses	-	3 861 092	-	3 861 092
<b>Position as at 31 December</b>	<b>2 083 093</b>	<b>10 273 033</b>	<b>11 740 207</b>	<b>24 096 333</b>
	2020			
<b>Position as at 1 January</b>	<b>2 083 093</b>	<b>10 273 033</b>	<b>11 740 207</b>	<b>24 096 333</b>
Additions	840 525	-	12 915 098	13 755 623
Reversals	-	-	-4 209 722	-4 209 722
Foreign exchange income	-	-	317	317
Expense included in personnel expenses	-	910 671	-	910 671
<b>Position as at 30 June</b>	<b>2 923 618</b>	<b>11 183 704</b>	<b>20 445 900</b>	<b>34 553 222</b>

Change in impairments of off-balance sheet commitments:

	Stage 1	Stage 2	Stage 3	Total
<b>Position as at 1 January 2019</b>	<b>10 246 212</b>	<b>2 068 790</b>	<b>803 361</b>	<b>13 118 363</b>
<b>Changes</b>	<b>-1 616 244</b>	<b>-84 146</b>	<b>322 238</b>	<b>-1 378 152</b>
Increase due to acquisition and origination	6 470 917	139 853	547 314	7 158 084
Decrease due to repayment	-3 592 244	-349 533	-563 226	-4 505 003
Change related to credit risk	-4 495 024	125 534	338 150	-4 031 340
Other changes	-	-	-	-
Exchange gain or loss	106	-	-	106
<b>Position as at 31 December 2019</b>	<b>8 629 968</b>	<b>1 984 643</b>	<b>1 125 599</b>	<b>11 740 209</b>
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Transfer from Stage 1	-37 681 407	37 439 240	242 167	-
Transfer from Stage 2	33 405 182	-33 536 018	130 836	-
Transfer from Stage 3	138 470	168 519	-306 989	-
<b>Impaired loans as at 31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Outstanding	6 618 178 791	155 057 581	3 604 776	6 776 841 148
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Position as at 1 January 2020</b>	<b>8 629 968</b>	<b>1 984 643</b>	<b>1 125 599</b>	<b>11 740 209</b>
<b>Changes</b>	<b>6 330 011</b>	<b>1 714 557</b>	<b>661 126</b>	<b>8 705 693</b>
Increase due to acquisition and origination	2 884 009	372 199	105 549	3 361 757
Decrease due to repayment	-1 143 090	-94 630	-253 853	-1 491 572
Change related to credit risk	4 597 042	1 472 030	411 864	6 480 935
Other net changes	-8 268	-35 042	397 566	354 256
Exchange gain or loss	317	-	-	317
<b>Position as at 30 June 2020</b>	<b>14 959 978</b>	<b>3 699 200</b>	<b>1 786 725</b>	<b>20 445 903</b>
<b>Outstanding loan stage transfers</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Transfer from Stage 1	-47 462 529	46 621 954	840 575	-
Transfer from Stage 2	48 597 165	-52 326 086	3 728 921	-
Transfer from Stage 3	234 192	459 907	-694 099	-
<b>Impaired loans as at 30 June 2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Outstanding	7 834 678 922	196 182 981	15 443 381	8 046 305 283

### 3.22 Other liabilities

Headings	31/12/2019	30/06/2020
Operational outstandings	3 193 964	3 608 362
Preferential or secured creditors	21 644 231	11 650 024
Other financial liabilities at amortised cost	13 647 262	11 589 040
Other	3 113 659	14 289 342
<b>Total</b>	<b>41 599 116</b>	<b>41 136 768</b>

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

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

Main estimates used to determine pension commitments:

Variables	31/12/2019	30/06/2020
Discount rate for active employees	1,10%	1,15%
Discount rate for beneficiaries	0,80%	0,85%
Salary increases (including indexation)	3,25%	3,25%
Pension increases (including indexation)	2,25%	2,25%
Induced yield	0,94%	0,94%

Under IAS 19 revised, the induced yield for 2020 corresponds to the weighted-average discount rate at end-2019.

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

Components	31/12/2019	30/06/2020
Current service cost	11 792 479	7 040 501
Interest cost	11 006 642	3 843 123
Induced yield	-7 373 197	-2 298 377
<b>Total</b>	<b>15 425 924</b>	<b>8 585 248</b>

Pension commitments:

	31/12/2019	30/06/2020
<b>Commitments at the beginning of the period</b>	<b>682 449 398</b>	<b>816 237 678</b>
Current service cost	11 792 479	7 040 501
Interest cost	11 006 642	3 843 123
Benefits paid or payable	-12 851 647	-10 434 903
Actuarial gains or losses	123 840 805	-12 645 774
<b>Commitments on the last day of the month</b>	<b>816 237 678</b>	<b>804 040 625</b>

Pension plan assets:

	31/12/2019	30/06/2020
<b>Position at the beginning of the period</b>	<b>457 163 411</b>	<b>488 150 315</b>
Pension payments	-12 851 647	-10 434 903
Contribution	17 865 225	5 998 172
Induced yield	7 373 197	2 298 377
Fair value gain / loss	18 600 128	-7 022 463
<b>Total</b>	<b>488 150 315</b>	<b>478 989 498</b>

Net pension commitments under IAS 19:

	31/12/2019	30/06/2020
Pension commitments	816 237 678	804 040 625
Plan assets measured at fair value	-488 150 315	-478 989 498
<b>Unfunded liabilities/overfunding</b>	<b>328 087 363</b>	<b>325 051 127</b>

**3.24 Related-party transactions**

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

All transactions with related parties are completed under market conditions.

**3.24.1 Relationships between the Group's parent company and equity-accounted associates**

	31/12/2019	30/06/2020
Deposits from associates	153 900 247	326 297 350
<b>Total</b>	<b>153 900 247</b>	<b>326 297 350</b>

	31/12/2019	30/06/2020
Loans to associates	22 783 083	21 445 127
<b>Total</b>	<b>22 783 083</b>	<b>21 445 127</b>

**3.24.2 Government institutions**

The Group's parent company, established by the law of 21 February 1856 and governed by the organic law of 24 March 1989, as amended, 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 which, as a result, must comply with the requirements of IAS 24. The Group applies the exemption provided for in paragraph 25 of IAS 24.

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



<b>ASSETS</b>	<b>31/12/2019</b>	<b>30/06/2020</b>
Loans and advances at amortised cost	2 117 944 510	2 070 802 825
Fixed-income securities recognised at amortised cost	691 969 593	897 613 166
Fixed-income securities recognised at fair value through the revaluation reserve	-	12 846 747
Other	3 258 915	2 755 614
<b>TOTAL ASSETS</b>	<b>2 813 173 018</b>	<b>2 984 018 351</b>

<b>LIABILITIES</b>	<b>31/12/2019</b>	<b>30/06/2020</b>
Deposits at amortised cost	5 970 303 667	4 282 815 011
<b>TOTAL LIABILITIES</b>	<b>5 970 303 667</b>	<b>4 282 815 011</b>

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

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

	<b>30/06/2019</b>	<b>30/06/2020</b>
Board of Directors (nine members)	165 750	190 500
Executive Committee (five members)	481 423	478 934
<b>Total</b>	<b>647 173</b>	<b>669 434</b>

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

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

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

	<b>31/12/2019</b>	<b>30/06/2020</b>
Board of Directors (nine members)	3 689 815	3 634 296
Executive Committee (five members)	37 452	43 619
<b>Total</b>	<b>2 488 538</b>	<b>3 677 915</b>

### 3.25 **Off-balance sheet items**

Type of guarantees issued:

Headings	31/12/2019	30/06/2020
Completion bonds	482 263 027	495 243 519
Letters of credit	84 685 327	89 299 301
Counter-guarantees	400 732 006	398 095 627
Other	17 521 204	15 367 254
<b>Total</b>	<b>985 201 565</b>	<b>998 005 701</b>

Commitments:

Headings	31/12/2019	30/06/2020
Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies	6 856 145	12 367 857
Undrawn confirmed credits	5 776 579 783	7 025 831 725
<i>Financing</i>	3 109 423 835	3 586 431 759
<i>Current accounts</i>	1 832 226 611	1 939 720 452
<i>Money-market contracts</i>	277 524 514	898 025 138
<i>Other</i>	557 404 822	601 654 376
Documentary credits	10 100 000	10 100 000
<b>Total</b>	<b>5 793 535 928</b>	<b>7 048 299 582</b>

#### **Management of third-party assets:**

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

**4 NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT<sup>2</sup>**  
(in euros)

**4.1 Interest income**

Interest received and similar income	30/06/2019	30/06/2020
Assets repayable on demand	-	-
Financial assets held for trading	159 206 418	133 569 114
Financial assets mandatorily recognised at fair value through profit or loss	2 224 203	140 279
Financial assets recognised at fair value through the revaluation reserve	-	1 071
Loans and advances at amortised cost	194 112 621	190 820 447
Fixed-income securities recognised at amortised cost	82 078 248	66 840 077
Derivatives - Hedge accounting, interest rate risk	58 831 852	46 944 559
Other assets	723 261	898 918
Interest received on liability instruments	7 148 253	16 691 376
<b>Total</b>	<b>504 324 856</b>	<b>455 905 841</b>
<i>of which interest calculated based on the effective interest rate</i>	<i>495 391 785</i>	<i>437 007 350</i>
Interest paid and similar expenses	30/06/2019	30/06/2020
Financial liabilities held for trading	-45 797 599	-57 968 127
Financial liabilities designated at fair value through profit or loss	-1 341 698	-1 365 753
Liabilities at amortised cost - Deposits	-65 475 639	-24 480 792
Liabilities at amortised cost - Debt certificates	-52 192 858	-36 888 801
Liabilities at amortised cost - Subordinated loans	-62 094	32 451
Derivatives - Hedge accounting, interest rate risk	-141 594 133	-128 251 666
Other liabilities	-51 308	-53 437
Interest paid on asset instruments	-13 651 805	-11 357 839
<b>Total</b>	<b>-320 167 134</b>	<b>-260 333 964</b>
<i>of which interest calculated based on the effective interest rate</i>	<i>-303 305 870</i>	<i>-253 777 872</i>
Interest income	184 157 722	195 571 877
Total interest received and similar income on financial instruments not recognised at fair value through profit or loss	284 062 383	275 251 889
Total interest paid and similar expenses on financial instruments not recognised at fair value through profit or loss	-131 433 704	-72 748 418

Net interest income increased by 6,2% to EUR 195,6 million as at 30 June 2020 compared with EUR 184,2 million in the previous year.

The breakdown of interest received and paid as at 30 June 2019 was revised to align with the presentation of the financial reporting templates (FINREP).

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

#### 4.2 Income from securities

Headings	30/06/2019	30/06/2020
Variable-income securities recognised at fair value through the revaluation reserve	30 973 892	14 899 036
<b>Income from securities</b>	<b>30 973 892</b>	<b>14 899 036</b>

#### 4.3 Fee and commission income

Headings	30/06/2019	30/06/2020
Loan activities	26 901 280	29 760 191
Asset management	22 385 529	31 659 108
Investment fund activities	23 897 895	25 034 405
Demand deposit accounts and related activities	18 542 133	18 322 454
Insurance premiums	1 278 644	1 291 698
Other (*)	4 544 353	4 286 484
<b>Total commissions received</b>	<b>97 549 834</b>	<b>110 354 340</b>
Loan activities	-1 594 374	-1 685 091
Asset management	-9 910 322	-11 439 849
Investment fund activities	-5 189 149	-5 482 685
Demand deposit accounts and related activities	-3 970 840	-4 665 819
Other (*)	-2 316 116	-1 271 755
<b>Total commissions paid</b>	<b>-22 980 801</b>	<b>-24 545 199</b>
<b>TOTAL COMMISSIONS</b>	<b>74 569 033</b>	<b>85 809 141</b>

(\*) mostly fees on derivative financial instruments

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

Headings	30/06/2019	30/06/2020
Fixed-income securities recognised at fair value through the revaluation reserve	-	1 740
Loans and advances (at amortised cost)	51 785	42 226
Fixed-income securities recognised at amortised cost	106 065	-444 904
Financial liabilities (at amortised cost)	-	-
<b>Total</b>	<b>157 850</b>	<b>-400 938</b>

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

Headings	30/06/2019	30/06/2020
Equity instruments and related derivatives	2 679 529	2 771 088
Foreign exchange instruments and related derivatives	717 680	-85 165
Interest rate instruments and related derivatives	14 314 190	3 744 734
Credit derivatives	-	-
<b>Total</b>	<b>17 711 399</b>	<b>6 430 657</b>

The decrease in this item in first-half 2020 mainly reflects the unrealised valuation of interest-rate instruments and related derivatives.

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

Headings	30/06/2019	30/06/2020
Financial liabilities designated at fair value	-11 728 801	-3 949 847
<b>Total</b>	<b>-11 728 801</b>	<b>-3 949 847</b>

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

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

Headings	30/06/2019	30/06/2020
Fixed-income securities	-359 391	-2 620 369
Units of UCITS and ETFs	3 386 144	-10 997 092
Loans and advances	158 316	298 732
<b>Total</b>	<b>3 185 069</b>	<b>-13 318 729</b>

The negative income from units of UCITS and ETFs as at 30 June 2020 stemmed from the loss in value of these securities during the first half of the year, which resulted in the sale of most of the positions held through these portfolios.

#### 4.8 Net income from hedging transactions

Headings	30/06/2019	30/06/2020
<b>Fair value hedge</b>		
Debt instruments (assets) hedged by derivative financial instruments	1 002 107	2 059 972
Debt issues hedged by derivative financial instruments	-80 146	-168 040
Loans hedged by derivative financial instruments	832 261	3 703 688
<b>Total</b>	<b>1 754 222</b>	<b>5 595 620</b>
Value adjustment on hedged instruments	281 512 911	245 655 858
Value adjustment on hedging instruments	-279 758 689	-240 060 237
<b>Total</b>	<b>1 754 222</b>	<b>5 595 620</b>

Interest rate risk hedging operations are highly effective.

#### 4.9 Other net operating income

Headings	30/06/2019	30/06/2020
Other operating income	5 213 719	7 829 405
Other operating expenditure	-15 901 667	-1 271 655
<b>Other net operating income</b>	<b>-10 687 948</b>	<b>6 557 750</b>

"Other operating income and expenditure" mainly includes:

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

Before 30 June 2020, this item also included 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). As of 30 June 2020, these expenditures are recorded on the dedicated "Cash contributions to resolution funds and deposit guarantee systems" line (note 4.12).

#### 4.10 Personnel expenses

Headings	30/06/2019	30/06/2020
Compensation	94 689 710	98 323 761
Social security charges	2 998 214	2 934 577
Pensions and similar expenses	6 053 636	6 347 617
Pension fund expense	7 712 962	8 585 247
Other personnel expenses	3 588 726	2 757 908
<b>Total</b>	<b>115 043 248</b>	<b>118 949 110</b>

#### 4.11 Other general and administrative expenses

Headings	30/06/2019	30/06/2020
Expenses related to property and furniture	9 356 795	9 031 985
Rents and maintenance of software	9 570 005	12 002 468
Operating expenditure related to the banking business	14 780 880	15 520 158
Other	4 709 139	3 750 380
<b>Total</b>	<b>38 416 819</b>	<b>40 304 991</b>

#### 4.12 Cash contributions to resolution funds and deposit guarantee systems

Headings	30/06/2019	30/06/2020
FGDL contribution	-	-
FRL contribution	14 367 325	17 151 220
<b>Total</b>	<b>14 367 325</b>	<b>17 151 220</b>

As at 30 June 2019, these contributions were still included in "Other operating expenditure" (note 4.9). Inclusion in this line was made for comparison purposes only.

#### 4.13 Impairment of credit risks

	30/06/2019			30/06/2020		
	Additions	Reversals	Total	Additions	Reversals	Total
Fixed-income securities recognised at amortised cost	-2 710 594	3 262 864	552 270	-9 711 065	1 229 093	-8 481 972
Fixed-income securities recognised at fair value through the revaluation reserve	-	-	-	-2 285	-	-2 285
Loans and advances	-48 466 907	52 019 585	3 552 678	-42 388 756	37 791 811	-4 596 945
<b>Total</b>	<b>-51 177 501</b>	<b>55 282 449</b>	<b>4 104 948</b>	<b>-52 102 106</b>	<b>39 020 904</b>	<b>-13 081 202</b>

#### 4.14 Provisions and reversal of provisions

Headings	30/06/2019	30/06/2020
Provisions	-6 151 941	-13 755 622
Reversal of provisions	7 476 745	4 209 720
<b>Total</b>	<b>1 324 804</b>	<b>-9 545 902</b>

#### 4.15 Tax expense

Headings	30/06/2019	30/06/2020
Tax on income from continuing operations	-28 539 813	-23 706 758
Deferred taxes	6 701 595	3 429 142
<b>Tax on profit/(loss) for the period</b>	<b>-21 838 218</b>	<b>-20 277 616</b>

The tax expense was calculated on the basis of the 30 June 2020 figures, on a same-methodology basis.



## 5 ANALYSIS OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Categories at 30/06/2020	Carrying amount	Fair value	Unrealised valuation	Level 1	Level 2
<b>Financial assets</b>					
Cash and sight accounts with central banks	9 652 300 006	9 652 300 006	-	-	-
Loans and advances at amortised cost	27 044 753 605	27 856 714 395	811 960 790	0,0%	100,0%
<i>of which measured at fair value for hedging purposes</i>	<i>1 302 013 897</i>	<i>1 302 013 897</i>	-	-	-
Financial instruments held for trading	129 708 495	129 708 495	-	-	-
Hedging derivative financial instruments	56 803 835	56 803 835	-	-	-
Financial assets mandatorily recognised at fair value through profit or loss	992 972 733	992 972 733	-	-	-
Fixed-income securities recognised at amortised cost	13 728 171 287	13 751 233 159	23 061 872	76,8%	23,2%
Fixed-income securities recognised at fair value through the revaluation reserve	28 885 945	28 885 945	-	-	-
Variable-income securities recognised at fair value through the revaluation reserve	581 618 355	581 618 355	-	-	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	354 426 401	354 426 401	-	-	-
<b>TOTAL</b>	<b>52 569 640 661</b>	<b>53 404 663 324</b>	<b>835 022 663</b>		
<b>Financial liabilities</b>					
Deposits at amortised cost	41 361 308 728	41 819 614 081	458 305 353	0,0%	100,0%
Financial instruments held for trading	239 648 862	239 648 862	-	-	-
Hedging derivative financial instruments	1 095 334 100	1 095 334 100	-	-	-
Financial liabilities designated at fair value through profit or loss	170 673 847	170 673 847	-	-	-
Debt securities in issue	5 822 352 759	5 823 886 557	1 533 798	0,0%	100,0%
<i>of which measured at fair value for hedging purposes</i>	<i>376 958 440</i>	<i>376 958 440</i>	-	-	-
<b>TOTAL</b>	<b>48 689 318 296</b>	<b>49 149 157 447</b>	<b>459 839 151</b>		

Categories at 31/12/2019	Carrying amount	Fair value	Unrealised valuation	Level 1	Level 2
<b>Financial assets</b>					
Cash and sight accounts with central banks	5 333 118 189	5 333 118 189	-	-	-
Loans and advances at amortised cost	25 857 155 973	26 438 723 324	581 567 351	0,0%	100,0%
<i>of which measured at fair value for hedging purposes</i>	<i>1 311 095 443</i>	<i>1 311 095 443</i>	-	-	-
Financial instruments held for trading	143 054 603	143 054 603	-	-	-
Hedging derivative financial instruments	59 282 590	59 282 590	-	-	-
Financial assets mandatorily recognised at fair value through profit or loss	1 234 389 882	1 234 389 882	-	-	-
Fixed-income securities recognised at amortised cost	13 482 939 931	13 528 596 538	45 656 607	76,6%	23,4%
Fixed-income securities recognised at fair value through the revaluation reserve	16 069 764	16 069 764	-	-	-
Variable-income securities recognised at fair value through the revaluation reserve	820 716 989	820 716 989	-	-	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	215 762 686	215 762 686	-	-	-
<b>TOTAL</b>	<b>47 162 490 607</b>	<b>47 789 714 565</b>	<b>627 223 958</b>		
<b>Financial liabilities</b>					
Deposits at amortised cost	38 071 682 030	38 417 394 575	345 712 545	0,0%	100,0%
Financial instruments held for trading	157 060 590	157 060 590	-	-	-
Hedging derivative financial instruments	873 308 000	873 308 000	-	-	-
Financial liabilities designated at fair value through profit or loss	166 144 407	166 144 407	-	-	-
Debt securities in issue	3 815 080 561	3 817 223 592	2 143 031	0,0%	100,0%
<i>of which measured at fair value for hedging purposes</i>	<i>323 931 761</i>	<i>323 931 761</i>	-	-	-
<b>TOTAL</b>	<b>43 083 275 588</b>	<b>43 431 131 164</b>	<b>347 855 576</b>		

### *Hierarchy of assets and liabilities at fair value*

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

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

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

- Level 1 fair value: Level 1 inputs are essentially quoted prices in active markets for identical financial instruments. This level includes equity securities and debt instruments listed on stock exchanges, as well as derivative financial instruments traded on a regulated market. Financial instruments not listed on a market but that were recently involved in a transaction are also included in Level 1.
- Level 2 fair value: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the financial instruments, either directly or indirectly, i.e. derived from observable prices, such as implied volatilities of a share derived from observable prices of option contracts on this share. This level includes the majority of over-the-counter derivative financial instruments and structured debt securities issued. These inputs, such as "EURIBOR" yield curves or credit spreads, are provided by specialised financial data providers.
- Level 3 fair value: This level includes equity instruments or debt securities for which significant parameters used in the valuation models are based on internal estimations and assumptions. The Group's parent company's stakes in unlisted companies are valued as follows:
  - In the event of a transaction (capital increase or sale transaction) during the current financial year or if the parties to a future transaction agree on the price of the transaction, this transaction price constitutes the basis for the measurement value of the position, taking into consideration a discount, provided that the shareholding is deemed strategic for the Group's parent company and that no paragonovernmental shareholders, such as Spuerkeess, participate in the transaction;
  - For the two years following a transaction, the price of the last transaction remains an important reference but does not exclusively determine the valuation price;

- If the last transaction is older than two years, the valuation price is determined in accordance with the following two methods:
  - For companies whose "market" value is less than EUR 100 million, or that do not take the legal form of a public limited company (*société anonyme*, S.A.), net assets are taken into account, with a (forward-looking) adjustment applied to the current financial year, and sometimes the next financial year, if the result allows for an upward or downward adjustment to the measurement value. The price of the historical transaction is adjusted in relation to a number of stock market ratios established on the basis of a peer group consisting of a sample of listed companies with a commercial and/or industrial activity comparable with the unlisted company, valued by the Group's parent company;
  - For public limited companies whose "market" value is greater than EUR 100 million, only a valuation based on the peer group's stock market ratios is used to establish the value of the position held by the Group's parent company, less a discount whose parameters are defined below.
- The following ratios are documented for the unlisted company, owned by the Group's parent company and for all listed companies of the peer group:
  - Enterprise Value to EBITDA (except insurance companies);
  - Price-to-Book and Price-to-Earnings;
  - Ratios supplemented by information on business growth prospects, operating margins, return on equity (ROE), debt and credit quality;
  - The data used are derived from the company accounts. The peer group's multiples derived from the stock market ratios and the accounting data of the companies making up each peer group are taken from Bloomberg with reference to the closing prices on the valuation day, i.e. 30 June or 31 December of the respective year;
  - To supplement this market-multiples valuation, the Group's parent company may use multiples based on recent transactions in companies with the same characteristics as the unlisted company, held by Spuerkeess.

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

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

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

Assets and liabilities at fair value:

Categories at 30 June 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading			-	
- Debt instruments	-	-	-	-
- Equity instruments	-	-	-	-
- Derivative financial instruments	-	129 708 495	-	129 708 495
- <i>IRS</i>	-	69 747 706	-	69 747 706
- <i>CIRS/outright</i>	-	53 075 975	-	53 075 975
- <i>other</i>	-	6 884 814	-	6 884 814
Hedging derivative financial instruments	-	56 803 834	-	56 803 834
- <i>IRS</i>	-	28 728 545	-	28 728 545
- <i>CIRS</i>	-	28 075 289	-	28 075 289
Financial assets mandatorily recognised at fair value through profit or loss				
- Debt instruments	-	980 727 667	15 126	980 742 793
- <i>Public sector</i>	-	121 795 144	-	121 795 144
- <i>Credit institutions</i>	-	580 435 184	-	580 435 184
- <i>Corporate customers</i>	-	278 497 339	15 126	278 512 465
- Other financial instruments	-	12 229 944	-	12 229 944
- <i>Corporate customers</i>	-	12 229 944	-	12 229 944
Variable-income securities recognised at fair value through the revaluation reserve	46 796 510	121 741 821	413 080 024	581 618 355
- <i>Public sector</i>	-	-	-	-
- <i>Credit institutions</i>	-	-	4 068 174	4 068 174
- <i>Corporate customers</i>	46 796 510	121 741 821	409 011 850	577 550 181
Fixed-income securities recognised at fair value through the revaluation reserve	28 885 944	-	-	28 885 944
- <i>Credit institutions</i>	11 000 000	-	-	11 000 000
- <i>Public sector</i>	17 885 944	-	-	17 885 944
<b>TOTAL</b>	<b>75 682 454</b>	<b>1 301 211 761</b>	<b>413 095 150</b>	<b>1 789 989 365</b>
<b>Financial liabilities</b>				
Financial instruments held for trading	-	-	-	-
Derivative financial instruments held for trading	-	239 648 861	-	239 648 861
- <i>IRS</i>	-	76 820 676	-	76 820 676
- <i>CIRS/outright</i>	-	155 612 609	-	155 612 609
- <i>other</i>	-	7 215 576	-	7 215 576
Hedging derivative financial instruments	-	1 095 334 100	-	1 095 334 100
- <i>IRS</i>	-	856 610 472	-	856 610 472
- <i>CIRS</i>	-	238 723 628	-	238 723 628
Financial liabilities designated at fair value through profit or loss	-	170 673 847	-	170 673 847
<b>TOTAL</b>	<b>-</b>	<b>1 505 656 808</b>	<b>-</b>	<b>1 505 656 808</b>

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Notes to the interim condensed consolidated financial information  
as at 30 June 2020

Categories at 31 December 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading				
- Debt instruments	-	-	-	-
- Equity instruments	-	-	-	-
- Derivative financial instruments	-	143 054 603	-	143 054 603
- <i>IRS</i>	-	62 811 115	-	62 811 115
- <i>CIRS/outright</i>	-	78 464 119	-	78 464 119
- <i>other</i>	-	1 779 371	-	1 779 371
Hedging derivative financial instruments	-	59 282 590	-	59 282 590
- <i>IRS</i>	-	33 832 129	-	33 832 129
- <i>CIRS</i>	-	25 450 461	-	25 450 461
Financial assets mandatorily recognised at fair value through profit or loss				
- Debt instruments	26 715 246	1 194 212 814	19 483	1 221 106 207
- <i>Public sector</i>	-	89 481 852	-	89 481 852
- <i>Credit institutions</i>	-	761 316 860	-	761 316 860
- <i>Corporate customers</i>	26 715 246	343 572 766	19 483	370 307 495
- Other financial instruments	-	13 283 675	-	13 283 675
- <i>Corporate customers</i>	-	13 283 675	-	13 283 675
Variable-income securities recognised at fair value through the revaluation reserve	87 326 531	312 864 465	420 525 993	820 716 989
- <i>Public sector</i>	-	-	-	-
- <i>Credit institutions</i>	-	-	3 958 116	3 958 116
- <i>Corporate customers</i>	87 326 531	312 864 465	416 567 878	816 758 873
Fixed-income securities recognised at fair value through the revaluation reserve	16 069 764	-	-	16 069 764
- <i>Credit institutions</i>	11 000 000	-	-	11 000 000
- <i>Public sector</i>	5 069 764	-	-	5 069 764
<b>TOTAL</b>	<b>130 111 540</b>	<b>1 722 698 148</b>	<b>420 545 476</b>	<b>2 273 513 829</b>
<b>Financial liabilities</b>				
Financial instruments held for trading	-	-	-	-
Derivative financial instruments held for trading	-	157 060 590	-	157 060 590
- <i>IRS</i>	-	70 330 949	-	70 330 949
- <i>CIRS/outright</i>	-	84 619 258	-	84 619 258
- <i>other</i>	-	2 110 383	-	2 110 383
Hedging derivative financial instruments	-	873 308 000	-	873 308 000
- <i>IRS</i>	-	681 319 977	-	681 319 977
- <i>CIRS</i>	-	191 988 023	-	191 988 023
Financial liabilities designated at fair value through profit or loss	-	166 144 407	-	166 144 407
<b>TOTAL</b>	<b>-</b>	<b>1 196 512 997</b>	<b>-</b>	<b>1 196 512 997</b>

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

Thus, 4,2% of financial assets are classified as Level 1 (versus 5,7% at 31 December 2019), 72,7% as Level 2 (vs. 75,8% at 31 December 2019) and 23,1% as Level 3 (vs. 18,5% 31 December 2019).

For financial liabilities, all financial instruments were allocated to Level 2 as at 30 June 2020 and 31 December 2019.

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 fair value of Level 3 positions as at 30 June 2020.

Level 3 breakdown:

	Financial assets mandatorily recognised at fair value through profit or loss		Variable-income securities recognised at fair value through the revaluation reserve	Hedging derivative financial instruments	Total financial assets
	Debt instruments	Equity instruments			
<b>Total as at 1 January 2020</b>	<b>19 481</b>	-	<b>420 525 993</b>	-	<b>420 545 476</b>
Total gains / losses	1 379 031	-	-7 507 594	-	<b>-6 128 563</b>
- <i>Income statement</i>	1 379 031	-	-	-	<b>1 379 031</b>
- <i>Revaluation reserve</i>	-	-	7 507 594	-	<b>-7 507 594</b>
Purchases	-	-	-	-	-
Reimbursements/sales	-1 105 103	-	16 016	-	<b>-1 121 119</b>
Other changes	-278 284	-	77 641	-	<b>-200 643</b>
Transfers from Level 1 to Level 3	-	-	-	-	-
Transfers from Level 2 to Level 3	-	-	-	-	-
Transfers from Level 3	-	-	-	-	-
<b>Total as at 30 June 2020</b>	<b>15 126</b>	-	<b>413 080 024</b>	-	<b>413 095 150</b>
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2020	480 134	-	3 000 254	-	3 480 387

	Financial assets mandatorily recognised at fair value through profit or loss		Variable-income securities recognised at fair value through the revaluation reserve	Hedging derivative financial instruments	Total financial assets
	Debt instruments	Equity instruments			
<b>Total as at 1 January 2019</b>	<b>26 746</b>	-	<b>336 003 024</b>	-	<b>336 029 771</b>
Total gains / losses	197 640	-	85 017 421	-	<b>85 215 061</b>
- <i>Income statement</i>	197 640	-	-	-	<b>197 640</b>
- <i>Revaluation reserve</i>	-	-	85 017 421	-	<b>85 017 421</b>
Purchases	236 618	-	-	-	<b>236 618</b>
Reimbursements/sales	-441 521	-	-7 967	-	<b>-449 488</b>
Other changes	-	-	979 014	-	<b>979 014</b>
Transfers from Level 1 to Level 3	-	-	-	-	-
Transfers from Level 2 to Level 3	-	-	-	-	-
Transfers from Level 3	-	-	-1 465 500	-	<b>-1 465 500</b>
<b>Total as at 31 December 2019</b>	<b>19 481</b>	-	<b>420 525 993</b>	-	<b>420 545 476</b>
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2019	353 663	-	5 411 173	-	5 764 836

The total volume of Level 3 financial assets corresponds to 23,1% of total financial assets measured at fair value as at 30 June 2020, compared with 18,5% as at 31 December 2019.

*Sensitivity analysis of Level 3 financial instruments:*

Given the small amount recognised for debt instruments, the Group's parent company does not provide a sensitivity analysis for Level 3 for financial years 2020 and 2019.

For equity instruments, the Group's parent company has performed a sensitivity analysis using the following methods:

- 10% decrease or increase in EBITDA, with a simulation of the impact on net income and on liquid funds on the assets side of companies' balance sheets;
- 10% decrease or increase in net income;
- 10% decrease or increase in real estate prices in Luxembourg.

The fair value sensitivity for Level 3 instruments is therefore quantified as follows:

Headings	Level 3 fair value as at 30/06/2020	Impact on fair value	
		10% decrease depending on the methodology used	10% increase depending on the methodology used
Variable-income securities recognised at fair value through the revaluation reserve	413 080 024	-60 093 642	62 218 632

Headings	Level 3 fair value as at 31/12/2019	Impact on fair value	
		10% decrease depending on the methodology used	10% increase depending on the methodology used
Variable-income securities recognised at fair value through the revaluation reserve	420 525 993	-69 673 538	74 245 645

The sensitivity analysis was performed on the three largest shareholdings, which were the same at 30 June 2020 and 31 December 2019.



## 6 SEGMENT REPORTING

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

In euros 30/06/2020	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Institutional Clients	Other	Reconciliation	Total
Banking income	216 743 792	64 359 349	23 621 393	2 472 799	307 197 334
Income before tax	89 089 727	23 965 185	-1 629 228	2 472 799	113 898 484
Income/(loss)	89 089 727	23 965 185	-21 906 844	2 472 799	93 620 868

In euros 30/06/2019	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Institutional Clients	Other	Reconciliation	Total
Banking income	182 678 188	61 158 732	49 607 209	3 308 604	296 752 733
Income before tax	88 300 704	39 856 793	11 324 447	3 308 604	142 790 548
Income/(loss)	88 300 704	39 856 793	-10 513 771	3 308 604	120 952 331

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.

The segment reporting as at 30 June 2019 was revised to be consistent with the presentation of the condensed consolidated income statement.



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