Bank Degroof Petercam Luxembourg S.A.

Consolidated financial statements for the year ended 31 December 2018

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Table of contents

MESSAGE FROM THE BOARD OF DIRECTORS

2018 was a very turbulent year for the financial markets in which we operate. The year was marked by political uncertainties, trade tensions, the slowdown of the Chinese economy and the gradual end of quantitative easing. The global economy slowed from the strong growth observed in 2017. After a volatile fourth quarter and a particularly chaotic December, the main asset classes ended the year in the red.

Our financial results for 2018 nevertheless reflect a resilient performance in this volatile market environment and a low interest rate environment that weighs on our cash results.

Although the overall performance of investments in the markets was negative, our teams of experts once again generated above-average returns. Our model private banking portfolios and our flagship fund "DPAM Global Strategy" recorded first-rate cumulative performances over 1, 3 and 5 years. In addition, in 2018, 77% of our in-house funds were ranked in the first or second quartile of Morningstar's fund ranking, an unprecedented performance.

The momentum of our business was illustrated by the expansion of our Private Equity offer and the success of several investments throughout the year, by the continued deployment of the Luxembourg division as an International Hub facilitating transnational collaboration and the development of operations in countries where the Group does not have a local entity, by the increase in our visibility on the local entrepreneur market with the support of the Group's Investment Banking and by the opening of our representative office in Montreal.

Our digital acceleration programme has led to the implementation of a new high-performance CRM tool and the launch of the My Degroof Petercam application on PCs, smartphones and iPads, enabling our private customers to consult their portfolios online.

The 2018 financial year was marked by a regrouping of the core competencies relating to investment fund support services within a single entity, Degroof Petercam Asset Services (DPAS), with the exception of the Custodian activity, which remains segregated within the Bank for obvious reasons of good governance. This reorganisation, which took place on 1 October 2018, is in line with the Group's desire to confirm the provision of services to investment funds as one of the Group's strategic development priorities and to constantly improve the quality of this service to our clients. In a strengthened regulatory environment, this strategic approach has a triple objective: to increase our visibility and agility within the fund industry, to strengthen our governance and to generate economies of scale.

Looking ahead, geopolitical uncertainty remains high, making the macroeconomic and financial outlook unpredictable. In addition, the financial sector continues to face the pressure of ever-increasing regulatory changes. However, we are confident in the strategy of our various business lines. We will continue to leverage our integrated model and highly skilled staff to create value in line with the expectations of our private and institutional clients. With the support of our parent company and its shareholders, the Group's Luxembourg division is fully in line with the Group's ambition, whose raison d'être is to give its clients the means to achieve their ambitions and to be an independent reference that gives them confidence in their financial future. Our mission is to provide the best experts to our clients and offer innovative and quality solutions that meet their needs.

We would like to take this opportunity to thank our staff once again for their commitment, teamwork and contribution to our ongoing transformation in this environment, as well as the members of our Board of Directors and the shareholders for their ongoing support. Finally, we would like to thank our clients for their loyalty and the constantly renewed trust they place in our Bank.

Bruno Houdmont	Alain Schockert
CEO	Chairman of the Board of Directors

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with IFRS.

1. General comments

Private Banking

Assets under management in Private Banking amounted to EUR 5.2 billion as at 31 December 2018 compared to EUR 6 billion at the end of the previous financial year. This decline reflects unfavourable market trends and the fact that net inflows during the year did not offset some capital outflows in a changing legal and tax environment.

Outstanding client loans amounted to EUR 596.3 million as at 31 December 2018, up 22% compared to the end of 2017, in line with our strategy in this business.

In 2018, we completed the transition to a new investment offering that is in line with MiFID II and that meets the needs of private clients, who were offered new service contracts. Given the new compliance rules, the control system has been strengthened, the rules for accepting clients have been reviewed and stricter monitoring of deposit and withdrawal transactions has been put in place.

Asset Services

Assets under administration by the Asset Services business line (fund administration for the Group and for third-party promoters) decreased by 8% to EUR 34.9 billion at 31 December 2018 from EUR 38.0 billion at the end of 2017. This trend is also mainly due to the market decline observed at the end of the year.

In 2018, the Degroof Petercam Group continued the process of reorganising certain functions relating to administrative and accounting management services provided to collective investment undertakings (UCIs). The strategy pursued aims to centralise the centres of competence for services related to UCIs, to give more substance and therefore visibility to the DPAS management company, to obtain economies of scale and to improve the controls put in place.

In this context, the bank transferred to its wholly-owned subsidiary Degroof Petercam Asset Services S.A. ("DPAS") the business line dedicated to the provision of investment fund administration services, including legal and fund accounting services, with all assets and liabilities related to this business line. In addition, DPAS acquired the investment fund administration services business from the Bank's Belgian branch. These two transfers of activity were effective on 1 October 2018.

Scope of consolidation

The further simplification of the structure of the Luxembourg division led to the liquidation of two subsidiaries (Heaven Services S.A. and Invest House S.A.) that no longer have any operational activities and to the sale of the holding in Degroof Petercam Asset Management (HK) LTD.

In August 2018, the Bank officially opened a representative office in Montreal, Canada. The main role of the representative office is to promote the identity and services of Banque Degroof Petercam in Canada, as well as to act as a liaison between existing European clients wishing to diversify their assets in Canada and

Canadian investors seeking investment opportunities in Europe. This initiative is in line with the Group's desire to seek access to the North American market and geographical diversification, given the macroeconomic environment in Europe, in order to benefit from a favourable economic trends in Canada, which has a solid banking system and a stable political and economic environment.

Consolidated result for 2018

Consolidated net result for 2018 was down by 31% on 2017, totalling EUR 33.6 million. Gross operating result, which excludes exceptional charges, amounted to EUR 57.0 million, down 14% compared to the previous financial year.

The interest margin and transformation revenues were down 47% overall compared to the previous year. The interest margin was negatively impacted by low interest rates, which remain negative in the short term with a liquidity replacement cost at the central bank of 40 basis points since March 2016. The decrease in the transformation margin mainly reflects an accounting loss of EUR 8.9 million recorded on a financial asset that was strongly impacted by the market decline at the end of the year.

On the other hand, commission income from asset management, administration and intermediation remained stable overall despite negative market trends and the disappearance of certain sources of income following the entry into force of the MiFID II Directive on 1 January 2018.

The increase in general expenses reflects the increase in personnel and administrative expenses due, among other things, to the increase in costs incurred in carrying out regulatory projects.

The cost income ratio remains satisfactory (61.4%), making it possible to achieve a return on equity of 15.5%.

The balance sheet total stands at EUR 2.9 billion, and for years now the Bank has had a very solid level of solvency: the CET1 ratio stood at 29.7% at 31 December 2018, well in excess of the legal requirement.

The Bank and its subsidiaries had a total of 364 employees at 31 December 2018 (compared with 346 at the end of 2017).

2. Banque Degroof Petercam Luxembourg S.A.

Banque Degroof Petercam Luxembourg S.A. ("BDPL") is the umbrella and consolidating entity of the Luxembourg pole of the Degroof Petercam Group.

In 2018, the company’s profit was negatively impacted by a number of non-current expenses, including the aforementioned loss of EUR 8.9 million and write-downs of EUR 3.1 million on historical goodwill, the transfer of income from the Bank's fund administration activities in the last quarter of 2018 to its subsidiary DPAS, the increase in support costs re-invoiced by the parent company and the fact that since early 2018 the Bank has been the lessee of its subsidiary ICL to which it transferred the headquarters building at the end of 2017.

On a statutory basis, BDPL closed the 2018 financial year with net banking income down 14.3% and a net profit of EUR 19.9 million (EUR 37.9 million in 2017).

The Belgian branch of BDPL active in fund administration ended the 2018 financial year with a net profit of EUR 4.4 million thanks to the sale of its fund administration services business to DPAS.

2.a. Main risks to which the Bank is exposed

The Bank's exposure to risks is described in Note 7 to the financial statements for the year ended 31 December 2018. By the nature of its activities, the Bank is exposed to certain risks.

The main risks are as follows:

- market risks, mainly related to investment activities in securities portfolios (equities, bonds) and to interest rate transformation activity (ALM);

- liquidity risk resulting from maturity differences between financing (generally short-term) and reuse;

- counterparty risk related to credit activity (which is severely limited by the use of collateral in the form of securities portfolios) and derivative intermediation transactions;

- risks related to the asset management business (risk of legal action by clients whose mandates have not been complied with, commercial risk of loss of dissatisfied clients and related reputational risks);

- the operational risk resulting from its activities, including banking (error in order execution, fraud, cybercrime, etc.), custodian bank (loss of assets) or fund manager (non-compliance with constraints).

2.b. Circumstances likely to have a significant influence on the Group's development

As part of the implementation of the integration projects over the three previous years, significant IT investments were made in the Bank's main business lines with a view to gradually equipping them with state-of-the-art technology, particularly in the area of digital technology.

Through the merger on the one hand, and the gradual deployment of new IT technologies on the other, the Group will continue to benefit from synergy effects and will be equipped with a modern platform to promote business growth.

In general, the Group's growth and profitability are also influenced by:

- the ongoing effort to increase the business base based on the opportunities, as evidenced by past acquisitions and commercial investments;
- changes in assets under management and the stock markets;
- the macroeconomic environment.

2.c. Policy on the use of financial instruments

Derivatives are used as follows for own account:

- As part of ALM (asset and liability management), interest rate derivatives (mainly futures and interest rate swaps) are used to hedge the Group's long-term interest rate risk.

- Interest rate swaps are used to hedge portfolios of sovereign bonds and covered bonds from a micro-hedge perspective, i.e. position-by-position hedging, supplemented by macro-hedge global hedging. These two types of coverage are supervised by the Group's Almac Committee.

- Similarly, the Group's treasury (interest rate risk < 2 years) uses interest rate derivatives and cash swaps to manage the Group's interest rate risk and cash position.

- The management of the foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to hedge commitments to clients and the financing of subsidiaries in the currency corresponding to their activities.
- Derivatives (purchases of put options with sale of call options) are used to hedge certain positions in the investment portfolio and channel their returns.
- The Bank also acts as an intermediary for its clients.

2.d. Research and development activities

The Bank and its subsidiaries did not engage in any research and development activities.

2.e. Treasury shares

The Bank and its subsidiaries did not acquire any treasury shares during the year.

2.f. Proposed appropriation of corporate earnings at 31 December 2018 (in euros)

The Board of Directors proposes to the general meeting to allocate the profit for the financial year as follows:

Net profit for the year	19.880.145
Profit carried forward from 31 December 2017	147.599.794
Allocation to other reserves	5.696.297
Allocation to unavailable reserve	-8.033.074
Profit to be distributed	165.143.162
Interim dividend of EUR 33.8 gross for the 740,000 shares	-25.012.000
Retained earnings	140.131.162

3. Degroof Petercam Asset Services S.A. (“DPAS”)

DPAS, a wholly-owned subsidiary of Banque Degroof Petercam Luxembourg S.A. (BDPL), is the result of the merger in 2016 of Degroof Gestion Institutionnelle - Luxembourg S.A. with Petercam Institutional Asset Management S.A. Approved as a UCITS management company in accordance with Chapter 15 of the law of 17 December 2010 and as an alternative investment fund manager (AIFM), DPAS provides its services to the Degroof Petercam Group’s UCIs as well as to third party initiators, thanks to the integrated UCITS/AIFM services as well as a specific offering of Currency Hedging, Asset Management and Risk Management.

As mentioned above, in 2018, the Degroof Petercam Group restructured certain activities previously carried out by Banque Degroof Petercam Luxembourg S.A., either directly or through its Belgian branch.

DPAS has become, within the Degroof Petercam Group, the centre of expertise for administrative services related to UCIs. As part of the centralisation of the competence centres, 65 employees left BDPL to join DPAS in October 2018.

With a balance sheet total of EUR 104.6 million and equity of EUR 46 million at 31 December 2018, DPAS ended 2018 with net income of EUR 14 million, more than 4.9% up relative to net income for 2017.

With a total of EUR 35.2 billion at 31 December 2018, DPAS' assets under management or administration were up by 20% relative to year-end 2017. Assets under management for third-party originators grew by 8% to EUR 8.7 billion, representing 25% of total assets under management.

The assets of Group UCIs for which DPAS acts as management company, AIFM or Administrative Agent reached EUR 26.5 billion, up 18% compared to 2017.

At the end of December 2018, DPAS had a total of 104 employees in Luxembourg. This strong increase compared to the 29 people at the end of 2017 is mainly due to the transfer of activities from BDPL to DPAS as well as a strengthening of the Business Development and Control teams.

4. Degroof Petercam Insurance Broker S.A. ("DPIB")

DPIB, formerly DS Lux S.A., is a wholly-owned subsidiary of BDPL. Its corporate object is insurance brokerage through duly approved natural persons, in accordance with the provisions of the law of 7 December 2015 on the insurance sector, as amended.

With a balance sheet total of kEUR 720.5 and equity of kEUR 476 at 31 December 2018, DPIB ended 2018 with net income of kEUR 77.6 (kEUR 82 in 2017).

The Company employs 2 people (2017: 1.5).

5. Immobilière Cristal Luxembourg S.A. ("ICL")

ICL, formerly Investment Company of Luxembourg S.A., is a wholly-owned subsidiary of BDPL. Its corporate object is the profitable exploitation of its own real estate assets.

With a balance sheet total of EUR 98.9 million (EUR 97.9 million in 2017) and equity of EUR 98.1 million as at 31 December 2018 (EUR 95.3 million in 2017), ICL ended the 2018 financial year with a net profit of EUR 2.8 million compared to a kEUR 17.5 loss in 2017.

ICL's revenues come mainly from rents received from tenants of the building located on rue Eugène Ruppert.

In 2018, ICL did not employ any personnel.

6. Other holdings

In addition to the minority shareholdings of Promotions Partners S.A., a subsidiary of the Bank, in property development projects in the Grand Duchy of Luxembourg, the other consolidated subsidiaries are companies with no employees and no operating activities as at 31 December 2018. No particular comments are required in their regard.

7. Conclusion

There were no significant events after the reporting date and up to the date of this report that could affect the financial statements of the Bank and its subsidiaries.

Bruno Houdmont
CEO

Alain Schockert
Chairman of the Board of Directors

To the Board of Directors of
Banque Degroof Petercam Luxembourg S.A.
12, rue Eugène Ruppert
L-2453 Luxembourg

REPORT OF THE STATUTORY AUDITOR

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banque Degroof Petercam Luxembourg S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 December 2018 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 relating to the audit profession (the "Law of 23 July 2016") and the International Auditing Standards ("ISA") as adopted for Luxembourg by the Commission de Surveillance du Secteur (CSSF). Our responsibilities under these laws and standards are more fully described in the section "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" in this report. We are also independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Accounting Standards Board (the IESBA Code) as adopted for Luxembourg by the CSSF and the rules of ethics applicable to the audit of the consolidated financial statements and we have fulfilled our other responsibilities under these rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit point

The key audit points are those that, in our professional judgment, were the most significant in the audit of the consolidated financial statements for the period under review. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole and for the purpose of forming our opinion on them, and we do not express a separate opinion on these matters.

Accuracy and the existence of fees received for asset management, securities activities and custody fees (special conditions)

Key audit point:

Commissions received on asset management, securities-related activities and custody fees amounted in 2018 to EUR 44,436,545, representing 87% of the total fees received excluding fees on investment funds (2017: EUR 31,547,108, or 68% of total fees received excluding fees on investment funds), as detailed in Note 9.3 to the financial statements, and represent one of the Bank's main sources of income.

Considering the elements below, we have identified the accuracy and existence of fees received for asset management, securities activities and custody fees as key audit points:

- As part of Directive 2014/65/EU ("MiFID II"), the Bank has partially automated the special conditions for certain clients based on their profile, transaction volumes and assets deposited with the Bank.

However, some special conditions are posted manually. These special conditions may represent a significant proportion of the Bank's fees.

- Manual entry of special conditions increases the risk of error. If the fee rate is not correctly parameterised, fee income recognised could be under- or over-estimated.

Audit approach to the key point:

As part of our audit, we tested the adequacy of the design and implementation as well as the effectiveness of key controls related to fees received on asset management, securities and custody activities, i.e.:

- We tested the implementation and effectiveness of controls and modifications on price exception reports on the management fees of private banking clients.
- We tested the implementation and effectiveness of controls over the entry or modification of prices on purchase/sale commissions, management fees and custody fees.
- We tested the automatic controls of the Commission Management Information System (IBBA).
- We also performed the following substantive procedures to validate the accuracy and existence of fees received for asset management, securities and custody activities:
- For a sample of transactions that generated fees from private banking products and services, we performed detailed tests and compared the amounts recorded with the relevant documentation.
- We have estimated the average fee rates by product and service category for the period compared to the fees recorded.
- We performed analytical procedures on the different categories of private banking fees.

Valuation of loans and receivables to clients and mortgage loans

Key audit point:

The amount of loans and receivables to clients and mortgage loans before impairment amounted to EUR 468,347,537 as at 31 December 2018 (2017: EUR 470,002,635) as detailed in Note 8.9 to the financial statements, and represents 16% of the total balance sheet (2017: 15%).

Considering the elements below, we have identified the valuation of client loans and receivables and mortgages as key audit points:

- The valuation of loans and receivables from clients and mortgage loans inherently includes a significant portion of management's judgment regarding the level of value adjustments.
- The assessment of value adjustments is considered a key audit risk, due to the potential impact on the result and the degree of discretion in estimating the liquidation values of these loans and of any pledges made.

Audit approach to the key point:

We tested the implementation and effectiveness of controls performed by the credit department or credit committees.

We have carried out an assessment of compliance with the methodology for estimating and setting up expected credit losses (“Expected credit loss” or “ECL”).

We assessed the accuracy of the estimates of expected credit losses at 31 December 2018.

For a sample of client loans and receivables and mortgage loans, we inspected and evaluated the guarantee(s) and obtained expert opinions on the guarantees.

For a sample of overdue loans, restructured loans and non-performing loans we assessed the LTV (loan to value) ratio.

For a sample of loans and debt instruments, we performed an assessment of compliance with the methodology used to determine their classification based on the extent of credit deterioration since their initial recognition.

For a sample of impaired loans, we tested and assessed the relevance and amount of the impairment loss.

Valuation of goodwill

Key audit point:

The goodwill identified as a key point of the audit originated from the merger between Banque Degroof S.A. and Petercam S.A.

This is the goodwill related to the discretionary management of Petercam Luxembourg S.A.'s private banking activity, which had an acquisition value of EUR 8,013,000 on 1 January 2016, and the goodwill related to the asset management activity for Petercam S.A.'s institutional clients, which had an acquisition value of EUR 8,695,050 on 1 January 2016.

Considering the elements below, we have identified the valuation of goodwill as a key audit point:

- The valuation of goodwill requires management's judgment. The modelling of the value of goodwill involves several variables and assumptions, including the discount rate, the client attrition rate, and the projection of future revenues generated by the goodwill. These variables can have a significant influence on the calculation of the valuation of goodwill.
- Furthermore, an impairment test must be performed whenever there are indications of impairment, which requires management to be alert to such indications.

Audit approach to the key point:

- For the goodwill related to the discretionary management of Petercam Luxembourg S.A.'s private banking activity, we obtained and inspected the documentation of the analysis carried out regarding the presence of impairment indicators prepared by the finance department.
- For the goodwill related to the discretionary management of Petercam Luxembourg S.A.'s private banking activity, we obtained and inspected the valuation of the goodwill prepared by the finance department and assessed compliance with the valuation model in accordance with IFRS 13.
- We assessed the assumptions used in the valuation model, including the discount rate, the projection of revenue generated by the management of client capital, the client attrition rate and the annual growth rate of capital under management.
- We carried out a sensitivity study of the valuation to the variation of these assumptions.
- We called on our own valuation specialists to assist us in assessing compliance with the principles of IAS 36 for the impairment test carried out.
- For the goodwill related to the asset management activity for Petercam S.A.'s institutional clients, we obtained and inspected the documentation of the analysis carried out regarding the presence of impairment indicators prepared by the finance department.
- We assessed the assumptions taken into account by the finance department and reviewed market conditions and the annual growth rate of capital under management in order to assess whether or not there is any indication that the assets may be impaired and to assess compliance with the principles of IAS 36.

Other information

Responsibility for other information rests with the Board of Directors. The other information comprises the information presented in the consolidated annual report, including the consolidated management report and the statement on corporate governance, but does not include the consolidated financial statements or the Statutory Auditor's report on these consolidated financial statements.

Our opinion on the consolidated financial statements does not extend to other information and we do not express any form of assurance with regard to that information.

With respect to our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to assess whether there is a material inconsistency between it and the consolidated financial statements or the knowledge we gained during the audit, or whether the other information otherwise appears to contain a material misstatement. If, based on our review, we conclude that there is a material misstatement in the other information, we are required to report it. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the corporate governance managers for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, as well as for such internal control as it considers necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, for communicating, where applicable, going concern issues and for applying the going concern accounting policy, unless the Board of Directors intends to liquidate the Group or cease trading or if no other realistic alternative is available to it.

Responsibilities of the Statutory Auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue a report from the Statutory Auditor containing our opinion. Reasonable assurance is a high level of assurance, which does not, however, guarantee that an audit carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF will always detect any material misstatement that may exist. Misstatements may result from fraud or error and are considered material when it is reasonable to expect that, individually or collectively, they could influence the business decisions that users of the consolidated financial statements make based on them.

In an audit carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF, we exercise our professional judgement and demonstrate critical thinking throughout this audit. In addition:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures to address those risks, and obtain sufficient appropriate audit evidence to form an opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud may involve collusion, falsification, wilful omission, misrepresentation or circumvention of internal control;
- We obtain an understanding of the internal control elements relevant to the audit in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as the related information provided by the Board of Directors;
- We draw a conclusion as to the appropriateness of the Board of Directors' use of the going concern accounting policy and, depending on the evidence obtained, as to whether or not there is a material uncertainty related to events or situations that could cast significant doubt on the Group's ability to

continue as a going concern. If we conclude that there is material uncertainty, we are required to draw the attention of the readers of our report to the information provided in the consolidated financial statements about that uncertainty or, if that information is not adequate, to express an amended opinion. Our conclusions are based on the evidence obtained as at the date of our report. However, future events or situations could lead the Group to cease operations;

- We assess the overall presentation, form and content of the consolidated financial statements, including the information disclosed in the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that presents the financial position fairly;
- We obtain sufficient appropriate audit evidence regarding the financial reporting of the Group's entities and activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit, and assume full responsibility for our audit opinion.

We communicate to those responsible for corporate governance, including the scope and expected timing of the audit work and our significant findings, including any material weaknesses in internal control that we may have identified during our audit.

We also provide corporate governance managers with a statement that we have complied with relevant ethics rules regarding independence and disclose to them all relationships and other factors that can reasonably be considered likely to affect our independence and related safeguards, if any.

Among the issues communicated to those responsible for corporate governance, we determine which were the most important in the audit of the consolidated financial statements for the period under review: these are the key audit points. We describe these issues in our report unless they are prevented from being published by law or regulation.

Report on other legal and regulatory obligations

We were appointed as Statutory Auditors approved by the Board of Directors on 7 June 2018 and the total term of our engagement without interruption, including previous reappointments and renewals, is 32 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that our audit opinion is consistent with the content of the additional report to the Audit Committee or equivalent body.

We confirm that we have not provided any other non-audit services as referred to in Regulation (EU) No 537/2014 on the audit profession and that we remained independent of the Group during the audit.

Luxembourg, 24 April 2019

KPMG Luxembourg
Société coopérative
Approved Statutory Auditors

Stanislas Chambourdon
Partner

ASSETS	Notes	31/12/2018 EUR IFRS 9	01/01/2018 EUR IFRS 9	31/12/2017 EUR IAS 39
Cash and sight accounts with central banks	9.1	1.101.017.209	1.542.858.092	1.542.858.092
Financial assets held for trading	9.2	85.222.250	52.614.643	52.704.730
Hedging of financial assets	9.3	710	90.087	-
Financial assets designated at fair value through profit and loss	9.4	-	-	420.352.685
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	9.5	26.951.238	65.160.231	-
Available-for-sale financial assets	9.6	-	-	163.676.574
Financial assets measured at fair value through other comprehensive income	9.7	196.059.611	192.117.100	-
Loans and receivables from credit institutions measured at amortised cost	9.8	241.984.669	254.756.219	254.756.219
Loans and receivables from customers measured at amortised cost	9.9	456.818.531	454.534.785	454.443.680
Holdings	9.10	-	12.395	12.395
Held-to-maturity investments	9.11	-	-	48.084.776
Debt instruments measured at amortised cost	9.12	635.024.267	371.543.918	-
Property, plant and equipment	9.13	41.575.958	42.455.659	42.455.659
Intangible assets	9.14	12.643.528	17.618.525	17.618.525
Holdings in companies accounted for by the equity method	9.15	-	-	-
Other assets	9.16	68.384.907	82.138.987	82.138.987
TOTAL ASSETS		**2.865.682.878**	**3.075.900.641**	**3.079.102.322**

The accompanying notes are an integral part of the consolidated financial statements

LIABILITIES	Notes	31/12/2018 EUR IFRS 9	01/01/2018 EUR IFRS 9	31/12/2017 EUR IAS 39
DEBTS				
Financial liabilities held for trading	9.17	83.180.666	51.980.448	54.751.994
Financial liability hedges	9.18	6.354.182	2.771.546	-
Deposits with credit institutions	9.19	67.832.030	56.987.850	56.987.850
Deposits to customers	9.20	2.354.979.517	2.608.902.132	2.608.902.132
Provisions	9.21	2.062.972	2.482.222	2.482.180
Current and deferred tax liabilities	9.22	23.103.784	25.464.457	26.297.224
Other liabilities	9.23/9.15	66.957.787	74.335.889	74.335.890
TOTAL DEBTS		**2.604.470.938**	**2.822.924.544**	**2.823.757.270**
EQUITY				
Capital subscribed	9.24	37.000.000	37.000.000	37.000.000
Issue premium	9.24	40.356.000	40.356.000	40.356.000
Reserves and retained earnings	9.24	149.778.680	126.291.110	126.550.630
Cumulative other comprehensive income	9.7/9.24	449.257	650.248	2.759.683
Result pending allocation	9.24	-	48.647.570	-
Net income for the year, group share	9.24	33.628.003	-	48.647.570
Interim dividend payment		-		-
Non-controlling interests presented within shareholders' equity	9.24	-	31.169	31.169
TOTAL EQUITY		**261.211.940**	**252.976.097**	**255.345.052**
TOTAL LIABILITIES		**2.865.682.878**	**3.075.900.641**	**3.079.102.322**

NET INCOME AND CONSOLIDATED COMPREHENSIVE INCOME

	Notes	31/12/2018 EUR	31/12/2017 EUR
Interest income	10.1	87.019.905	67.232.832
Interest expenses	10.1	-73.762.819	-56.347.433
Dividend income	10.2	37.292	1.050.605
Commissions received	10.3	294.712.592	292.752.394
Commissions paid	10.3	-195.833.302	-192.705.420
Gains or losses on financial instruments held for trading, net	10.4	6.092.238	10.899.575
Net gains on financial instruments measured at fair value through profit and loss	10.5	-	54.088
Net gains or losses on financial instruments that must be measured at fair value through profit or loss	10.6	-8.492.457	-
Gains or losses on financial instruments designated at fair value through profit or loss, net	10.7	89.940	1.708.777
Net gains from hedge accounting	10.8	2.013.958	-
Other net operating income	10.9	7.105.890	5.570.905
Net revenues		**118.983.237**	**130.216.323**
Staff expenses	10.10	-39.257.899	-37.934.670
General and administrative expenses	10.11	-30.374.912	-23.644.220
Depreciation of intangible assets and property, plant and equipment	10.12	-6.110.297	-6.372.455
Provisions	10.13	-671.441	-351.377
Net impairment of assets	10.14	-2.596.608	-5.093.189
Share in the result of companies accounted for by the equity method		-309.684	-324.005
Profit or loss before tax		**39.662.396**	**56.496.407**
Income tax expense	10.15	-6.034.393	-7.863.658
Income for the year		**33.628.003**	**48.632.749**
Income for the year attributable to non-controlling interests		-	-14.821
NET INCOME FOR THE YEAR, GROUP SHARE		**33.628.003**	**48.647.570**

The accompanying notes are an integral part of the consolidated financial statements

The 2017 information has been reclassified to conform to the current year's presentation changes

NET INCOME AND CONSOLIDATED COMPREHENSIVE INCOME

	Notes	31/12/2018 EUR	31/12/2017 EUR
Income for the year		**33.628.003**	**48.632.749**
Items likely to be subsequently reclassified to net income			
Fair value revaluation - Available-for-sale financial assets	10.16	-	2.274.741
Fair value revaluation - Financial assets measured at fair value through other comprehensive income	10.16	-200.992	-
Total other comprehensive income		**-200.992**	**2.274.741**
TOTAL COMPREHENSIVE INCOME	**-**	**33.427.011**	**50.907.490**
Comprehensive income for the year attributable to non-controlling interests		-	-14.821
COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**-**	**33.427.011**	**50.922.311**

The accompanying notes are an integral part of the consolidated financial statements
The 2017 information has been reclassified to conform to the current year's presentation changes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Issue premium	Reserves and retained earnings	Revaluation reserves	Currency translation differences	Net income for the year	Interim dividend payment	Equity: Group share	Non-controlling interests presented within shareholders' equity	Total equity
Balance as at 31/12/2016	**37.000.000**	**40.356.000**	**104.628.106**	**484.942**	**-**	**47.723.172**	**-**	**230.192.218**	**52.560**	**230.244.779**
Transactions with minority shareholders	-	-	1.837	-	-	-	-	1.837	-1.837	-
Changes in the scope of consolidation	-	-	301.568	-	-	-	-	301.568	-	301.568
Appropriation of prior year's profit or loss	-	-	47.723.172	-	-	-47.723.172	-	-	-	-
Profit or loss for the year	-	-	-	-	-	48.647.570	-	48.647.570	-14.821	48.632.749
Currency translation differences	-	-	-53.269	-	-	-	-	-53.269	-4.733	-58.002
Revaluation to fair value	-	-	-	2.274.741	-	-	-	2.274.741	-	2.274.741
Interim dividend payment	-	-	-25.900.000	-	-	-	-	-25.900.000	-	-25.900.000
Other changes (*)	-	-	-150.784	-	-	-	-	-150.784	-	-150.784
Balance as at 31/12/2017	**37.000.000**	**40.356.000**	**126.550.630**	**2.759.683**	**-**	**48.647.570**	**-**	**255.313.881**	**31.169**	**255.345.051**
Effects of the application of IFRS 9 (**)	-	-	-259.520	-2.109.434	-	-	-	-2.368.954	-	-2.368.954
Balance as at 01/01/2018	**37.000.000**	**40.356.000**	**126.291.110**	**650.249**	**-**	**48.647.570**	**-**	**252.944.927**	**31.169**	**252.976.097**
Transactions with minority shareholders	-	-	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-31.169	-31.169
Appropriation of prior year's profit or loss	-	-	48.647.570	-	-	-48.647.570	-	-	-	-
Profit or loss for the year	-	-	-	-	-	33.628.003	-	33.628.003	-	33.628.003
Currency translation differences	-	-	-	-	-	-	-	-	-	-
Revaluation to fair value	-	-	-	-200.992	-	-	-	-200.992	-	-200.992
Interim dividend payment	-	-	-25.160.000	-	-	-	-	-25.160.000	-	-25.160.000
Other changes (*)	-	-	-	-	-	-	-	-	-	-
Balance as at 31/12/2018	**37.000.000**	**40.356.000**	**149.778.680**	**449.257**	**-**	**33.628.003**	**-**	**261.211.939**	**0**	**261.211.940**

(*) Changes due to Group incentive plans (see note 11.2).
(**) Details by type of restatement are provided in Note 10.
The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

	Notes	31/12/2018	31/12/2017
Earnings before taxes		**39.662.396**	**56.496.407**
Non-cash items included in income and other adjustments:		**8.580.953**	**10.667.841**
Share-based compensation expenses		-	-150.784
Depreciation on intangible assets or property, plant and equipment	10.12	6.110.297	6.372.455
Income from associates		-309.684	-324.005
Impairment	10.14	2.596.608	5.093.189
Gains/losses on investments		-	-50.724
Net allocations to provisions and other liabilities		183.732	-272.290
Change in assets and liabilities from operating activities:		**-473.658.248**	**807.702.795**
Financial assets held for trading		-105.118.796	7.896.573
Hedging of financial assets		78.476	-
Financial assets designated at fair value through profit and loss		-	474.767.767
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss		38.263.153	-
Loans and receivables		9.668.102	-97.327.125
Available-for-sale financial assets		-	77.085.726
Financial assets measured at fair value through other comprehensive income		-6.276.627	-
Held-to-maturity investments		-	48.084.776
Debt instruments measured at amortised cost		-266.099.354	-
Other assets		13.754.080	-22.120.999
Liabilities held for trading		87.224.484	-8.093.040
Financial liability hedges		8.214.863	-
Amounts owed to credit institutions		5.595.407	-51.812.805
Amounts owed to customers		-250.980.952	367.987.092
Provisions and other liabilities		-7.981.084	11.234.830
Interest received		87.506.915	66.174.190
Dividends received		36.553	1.050.051
Interest paid		-73.286.188	-53.912.265
Taxes paid on income		-7.485.664	-8.326.722
Net cash flows from operating activities (A)		**-418.643.283**	**879.852.297**

The accompanying notes are an integral part of the consolidated financial statements

	Notes	31/12/2018	31/12/2017
Disposal of subsidiaries and associates	9.10	12.395	304.619
Other cash outflows related to investing activities		281.651	625.573
Acquisition of intangible assets or property, plant and equipment	9.13/9.14	-3.396.291	-41.500.196
Sale of intangible assets or property, plant and equipment		89.409	38.359.038
Net cash flows related to investment activities (B)		**-3.012.836**	**-2.210.966**
Dividends paid		-25.160.000	-25.900.000
Net cash flows from financing activities (C)		**-25.160.000**	**-25.900.000**
Effects of exchange rate changes on cash and cash equivalents		412.527	11.933.490
Net increase/decrease in cash and cash equivalents (A + B + C)		-446.816.119	851.741.331
Cash and cash equivalents at the beginning of the year		1.721.312.377	857.637.556
Cash and cash equivalents at the end of the year		**1.274.908.785**	**1.721.312.377**
Composition of cash and cash equivalents		**1.274.908.785**	**1.721.312.377**
Cash and balances with central banks	9.1	1.101.161.454	1.543.018.092
Current accounts with credit institutions	9.8	93.508.502	103.613.463
Term loans to credit institutions	9.8	128.500.000	117.300.000
Overdrafts with credit institutions	9.17	-30.481.934	-12.832.921
Term deposits with credit institutions	9.17	-17.779.237	-29.786.257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. General

Banque Degroof Petercam Luxembourg S.A. (formerly "BANQUE DEGROOF LUXEMBOURG S.A." until 31 March 2016) (hereinafter “the Bank”) was incorporated on 29 January 1987 as a *société anonyme* (public limited company) under Luxembourg law. It was listed on the Luxembourg Stock Exchange on 29 November 1999 and subsequently delisted on 15 December 2005.

On 1 April 2016, BANQUE DEGROOF LUXEMBOURG S.A. and PETERCAM (LUXEMBOURG) S.A. merged with retroactive effect from 1 January 2016; the new company is called BANQUE DEGROOF PETERCAM LUXEMBOURG S.A. The merger was legally effected through the absorption of all assets and liabilities of Petercam (Luxembourg) S.A. (the absorbed company) by Banque Degroof Luxembourg S.A. (absorbed company). The Bank has opted for the book value method to treat this transaction, which under IFRS constitutes a business combination under common control. The difference between the consideration paid by Banque Degroof Luxembourg S.A. of EUR 136,522,000 and the carrying value of the net assets of Petercam represented the goodwill recorded in reserves of EUR 73,025,963. The Bank also recognised an additional amount of EUR 17,280,050 in the estimate of the PPP following this merger for three new businesses.

As part of the merger, Petercam (Luxembourg) S.A. sold the shares of its subsidiary Petercam Banque Privée (Suisse) S.A. to Banque Degroof Petercam S.A. on 16 February 2016 and sold the shares of its subsidiary Petercam Institutional Asset Management (Luxembourg) S.A. to Degroof Petercam Asset Services S.A. on 18 February 2016.
The purpose of the Bank is to carry out all banking and savings activities, in particular to receive all deposits and make all credit transactions, as well as all transactions whatsoever, in securities, asset management, trust and financial services, and finally all commercial, financial, securities and real estate transactions enabling the achievement of the corporate purpose thus defined.

The Bank and its subsidiaries (hereinafter referred to as “the Luxembourg Centre”) are also included in the consolidation of Banque Degroof Petercam S.A., established at 44 rue de l'Industrie, 1040 Brussels. On 1 October 2015, Banque Degroof S.A. and Petercam S.A. merged; the new entity bears the name Banque Degroof Petercam S.A.

The Luxembourg Division and Banque Degroof Petercam S.A. constitute “the Group”.

The Bank's financial statements are available on its website: www.degroofpetercam.lu. The financial statements of Banque Degroof Petercam S.A. are available at: www.degroofpetercam.com.

Since 9 December 2005, the Bank has had a branch in Belgium, located at 19 rue Guimard, 1040 Brussels.

Since 7 September 2018, the Bank has had a representative office in Canada, located at 244 St. Jacques Street in Montreal.

Since 1 October 2018, the investment fund administration services business line held by the Bank has been transferred to its subsidiary Degroof Petercam Asset Services S.A.

As part of a strategy to centralise the activities and restructure certain functions related to the administration of UCIs within the Degroof Petercam Group, the Bank, acting through its Belgian branch, sold this activity to its subsidiary Degroof Petercam Asset Services S.A. with effect from 1 October 2018.

The financial statements were approved by the Board of Directors on 18 April 2019.

2. Regulatory context

The consolidated financial statements of the Luxembourg Division have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of these standards valid as at 31 December 2018 and as approved in the European Union.

The accounting principles used to prepare these consolidated financial statements as at 31 December 2018 are consistent with those applied as at 31 December 2017, with the exception of those set out in Note 3 "Changes in accounting principles and methods".
The accounting principles used by the Luxembourg Division are based on International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable at that date, of which only the following standards have been adopted:

- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 10 Events after the reporting period
- IAS 12 Income taxes
- IAS 16 Property, plant and equipment
- IAS 19 Employee benefits
- IAS 20 Accounting for government grants and disclosures about government assistance
- IAS 21 Effects of changes in foreign exchange rates
- IAS 23 Borrowing costs
- IAS 24 Related party disclosures
- IAS 26 Accounting and financial reporting for pension plans
- IAS 27 Separate financial statements
- IAS 28 Investments in associates and joint ventures
- IAS 32 Financial instruments: Presentation
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IAS 39 Financial instruments: Recognition and measurement (applicable until 1 January 2018)
- IFRS 9 Financial instruments (applicable from 1 January 2018)
- IFRS 13 Fair value measurement
- IFRS 15 Revenue from customer contracts

As the Luxembourg Division has no equity securities or borrowings traded or being issued on a public securities market, IFRS 8 ("Operating segments") and IAS 33 ("Earnings per share") are not applied in accordance with their scope.

It is also for this reason that the Luxembourg Division does not provide interim information to the market and therefore has only one reporting date, the one corresponding to its annual closing date.

The main accounting policies applied in the preparation of the financial statements are described below. These methods have been applied, unless otherwise stated, on a permanent basis for the financial years presented.

3. Changes in accounting principles and methods

The following IFRS standards (new, revised or amended) and IFRIC interpretations apply for the first time in the current financial year:

- IFRS 9 "Financial instruments" and subsequent amendments;
- IFRS 15 "Income from customer contracts";
- Amendments to IFRS 4 "Insurance contracts": "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts";
- IFRIC 22 "Foreign currency transactions and advance consideration";
- Amendments to IAS 40 "Investment Property": Transfers of investment properties;
- Annual improvements (2014-2016) to IFRS;
- Amendments to IFRS 2 "Share-based payment": Classification and valuation of share-based payment transactions.

IFRS 9 replaces IAS 39 "Financial instruments: Recognition and measurement", introduces new provisions for the classification and measurement of financial instruments, including a new model for calculating impairment losses on financial assets (expected loss model), and new provisions for general hedge accounting.

Classification and measurement of financial instruments: in accordance with IFRS 9, financial assets are classified and measured according to the economic model used to manage these assets and the contractual cash flow characteristics of the instrument. The Group has used the transitional provisions relating to classification and measurement to reverse the previous designation of financial assets as being measured at fair value through profit or loss. For investments in equity instruments (which are not held for trading), the Group has used the option (irrevocable choice on initial recognition) to classify these instruments at fair value through other comprehensive income. With respect to financial liabilities, the implementation of IFRS 9 has not resulted in any changes resulting from the criteria for classifying and measuring these instruments.

Impairment: IFRS 9 recasts the impairment model, which is now based on "expected" losses rather than "incurred" losses as required by IAS 39. This new model mainly applies to loans, debt instruments measured at amortised cost or at fair value through other comprehensive income, loan commitments and financial guarantees issued. Under the new impairment model developed by the Group, financial assets are classified into three categories based on the extent of credit deterioration since their initial recognition.

The Group (which did not apply the hedge accounting provisions of IAS 39) used the new provisions of IFRS 9 in terms of micro hedge accounting to hedge the value of interest rate risk. This decision concerns, among other things, financial instruments designated under IAS 39 as measured at fair value through profit or loss.

The standard is being applied retrospectively and requires an adjustment to the opening balance sheet as at the date of first application. The Luxembourg Division has chosen not to restate, in accordance with the provisions of IFRS 9, the figures for the comparative periods. Consequently, assets and liabilities relating to 2017 financial instruments are recognised and measured in accordance with IAS 39 as described in the accounting principles and methods presented in the 2017 financial statements.

Additional information regarding the nature and effects of these changes is detailed in Note 6 "Implementation of the new IFRS 9 rules as at 1 January 2018".

IFRS 15 "Revenue from customer contracts" replaces IAS 11 "Construction contracts" and IAS 18 "Revenue" and related interpretations. This new standard applies to all contracts with customers (except those falling within the scope of standards for financial instruments, insurance contracts and leases) and introduces a single model (in five steps) to identify performance obligations and determine when and for what amount to recognise revenue.

For the first application of this standard, the Group has chosen the cumulative catch-up method without restating the amounts for the comparative periods by adjusting the opening balance of retained earnings at that date. The application of IFRS 15 did not have a material impact on its results and shareholders' equity. Indeed, the current rate of revenue recognition is in line with the requirements of IFRS 15, whether the service is performed at a specific time or gradually.

The amendments to IFRS 4 "Insurance contracts / IFRS 9 Financial instruments" are not applicable, in accordance with their scope, to the Group.

The application of the other provisions has no material impact on the Luxembourg Division’s income and shareholders' equity or on the presentation of the financial statements.

Among the standards, amendments to standards or interpretations published by the International Accounting Standards Board (IASB) and adopted in the European Union on 31 December 2018, those listed below are effective for subsequent financial years:

- IFRS 16 "Leases", effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 9 "Early redemption clauses providing for negative compensation";

The following standards and amendments to standards have not yet been adopted in the European Union as at 31 December 2018 but the Bank will apply them when they come into force:

- Annual improvements (2015-2017) to IFRS;
- Amendments to IAS 28 "Long-term interests in associates and joint ventures";
- IFRIC 23 "Uncertainty regarding tax treatments";
- IFRS 17 "Insurance contracts".

IFRS 16 is intended to replace IAS 17 "Leases" and all related interpretations. The most significant change introduced by IFRS 16 is that most leases will be recorded on the lessees' balance sheets. The new standard abandons the classification of leases as operating or finance leases for them, treating all leases (subject to limited exceptions) as finance leases. This requires the lessee to recognise most leases in the balance sheet as a right-of-use asset and a rental liability. This asset is then depreciated, in general, on a straight-line basis over the term of the contract, and impaired if necessary. The rental liability is recorded at amortized cost using the effective interest rate method.

With regard to the lessor's accounting, many aspects of IAS 17 are covered by IFRS 16 and the impact is expected to be nil.

All the work to identify and analyse the contracts concerned and select the tool was carried out in the second half of 2018. The implementation of the standard will result in an increase in assets and liabilities following the recognition on the balance sheet of leases currently recorded as operating leases. This impact is expected to come mainly from vehicle leases, and to a lesser extent from computer equipment leases. The Bank will apply IFRS 16 retrospectively without restating comparative information: the expected initial impact is estimated at an increase in assets and liabilities of EUR 1.9 million.

For the other aforementioned texts, the Group does not expect any material effects when they are applied.

4. Judgments and estimates used in the preparation of the consolidated financial statements

The preparation of financial statements in accordance with IFRS requires the use of judgments and estimates. Although the Luxembourg Division believes that it has taken into consideration all available information in determining these opinions and estimates, the reality may be different and these differences may have an impact on the financial statements.

These estimates and judgments mainly concern the following subjects:

- the determination of the fair values of unlisted financial instruments;
- the classification of financial instruments according to the economic models defined by the Group for the management of financial instruments and the analysis of the contractual terms of the financial asset to determine whether they comply with the "SPPI" criteria;
- the determination of a reference obligation (“proxy”) to estimate the impact of changes in risk-free interest rate risk on the hedged instrument in a hedging relationship;
- assessing the effectiveness of hedging in hedging relationships;
- the definition of the useful life and residual value of intangible assets and property, plant and equipment;
- assumptions relating to the valuation of post-employment benefit obligations;
- the estimated recoverable amount of impaired assets;
- the assumptions used to calculate expected credit losses, the use of future macroeconomic forecasts and the assessment of criteria for significant credit risk deterioration;
- the assessment of the current obligation resulting from past events in the context of the recognition of provisions;
- determining the goodwill value.

5. Summary of accounting principles and methods

5.1 Consolidation principles

Scope of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. Subsidiaries refer to any company controlled by the Bank, i.e. entities over which the Bank has, directly or indirectly, the power to govern financial and operational policies in order to obtain benefits from these activities.

Subsidiaries are consolidated using the full consolidation method from the date on which effective control is transferred to the Bank and are removed from the scope of consolidation on the date on which control ceases. The financial statements of the Bank and its subsidiaries are prepared as at the same date and using similar accounting methods, with restatements if necessary. Intra-group balances, transactions, income and expenses are eliminated.

Non-controlling interests, presented within shareholders' equity, are presented separately in the consolidated income statement and in the consolidated balance sheet.

As an exception to these rules, companies of negligible interest are excluded from the scope of consolidation according to the following criteria implemented within the group:

- The combined balance sheet total for all fully consolidated non-consolidated companies must be less than 0.5% of the Group's consolidated balance sheet total.
- The total equity plus all fully consolidated non-consolidated companies must be less than 1% of the group's total consolidated equity.
- The total income of a fully consolidated non-consolidated company must be less than 0.5% alone of the group's consolidated income total.
- The combined income total for all fully consolidated non-consolidated companies must be less than 1% of the Group's consolidated income total.
- The total income of a fully consolidated non-consolidated company must be less than 0.5% alone of the Group's consolidated income total.

Joint ventures

Joint ventures refer to any company over which the Bank has joint control directly or indirectly, i.e. no strategic financial and operational decision can be taken without the unanimous agreement of the parties sharing control.

The Bank does not currently hold any joint ventures, but if it did, they would be accounted for using the equity method from the date on which joint control is held and would no longer be accounted for in this way on the date on which joint control is transferred.

Associates

Associates refer to any company in which the Bank exercises significant influence, i.e. the power to participate in financial and operational policy decisions without, however, having joint control or supervision over these policies.

If these companies are above the materiality threshold, they are accounted for using the equity method from the date on which the significant influence is held and will no longer be accounted for in this way on the date of the sale of this significant influence. The materiality threshold is based on the analysis of various criteria including the share in consolidated shareholders' equity, the share in consolidated income and the share in the consolidated balance sheet total.

The financial statements of the associate are prepared as at the same date and using similar accounting policies, with restatements if necessary.

5.2 Translation of financial statements and transactions in foreign currencies

The consolidated financial statements are prepared in euros ("EUR"), the functional currency of the Luxembourg Division.

On consolidation, the balance sheets of entities whose functional currency is different from that of the Bank are translated at the exchange rate prevailing at the end of the financial year. However, the income statements and cash flow statements of these same entities are translated at the average exchange rate for the period hedged. Exchange differences arising from these conversions are recognised in shareholders' equity.

5.2.1 Conversion of transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, resulting in an exchange difference that is recognised in the income statement.

Non-monetary items measured at fair value are translated at the exchange rate at the balance sheet date. The exchange difference resulting from this conversion is recognised in equity or in the income statement depending on the accounting allocation of the item concerned.

Other non-monetary items are valued at the historical exchange rate, i.e. the exchange rate prevailing on the transaction date.

5.3 Financial instruments

5.3.1 Recognition date of financial instruments

All derivatives and all purchases or sales of securities under a contract whose terms require delivery of the security within the time period generally defined by regulation or agreement in the relevant market are recognised on the transaction date. Receivables and deposits are recognised on the settlement date.

5.3.2 Compensation

A financial asset and a financial liability are offset if and only if the Luxembourg Division has a legally enforceable right to offset the recognised amounts and if it intends to settle the net amount or to realise the asset and settle the liability simultaneously.

5.3.3 Derecognition of financial instruments

A financial asset is derecognised when:

- the contractual rights to the cash flows associated with the financial asset expire; or
- the Bank has transferred substantially all the risks and rewards of ownership of this financial asset. If the Bank does not transfer or retain substantially all the risks and rewards of ownership of the financial asset, it is derecognised if control of the financial asset is not retained. Otherwise, the Bank keeps the financial asset on the balance sheet to the extent of its continuing involvement in this asset.

A financial liability is derecognised if the liability is extinguished, i.e. when the obligation specified in the contract is cancelled or expires.

5.3.4 Financial instruments - Principles and methods applicable before 1 January 2018 (IAS 39)

5.3.4.1 Financial assets and liabilities held for trading

Held-for-trading financial assets or liabilities are financial assets or liabilities acquired or assumed primarily for the purpose of a short-term sale or redemption, or as part of a portfolio of financial instruments that are managed together and that have indications of a recent pattern of short-term profit taking.

These assets or liabilities are initially recognised at fair value (excluding transaction costs recognised directly in the income statement) and subsequently remeasured at fair value. Changes in fair value are recognised in the income statement under "Net income from financial instruments held for trading". Interest received or paid on non-derivative instruments is recorded under "Interest income or expense". Dividends received are included under "Dividend income".

All derivative financial instruments with a positive (negative) replacement value are considered as financial assets (liabilities) held for trading, with the exception of derivatives qualifying as hedging instruments. Derivatives held for trading are recorded at their fair value at the inception of the transaction and subsequently measured at fair value.

Changes in fair value are recognised in "Net gains on financial instruments held for trading" and interest received or paid on derivative instruments is recognised in "Interest income or expense".

5.3.4.2 Financial assets designated at fair value through profit and loss

Financial assets and liabilities are designated at fair value through profit or loss (or fair value option) when the financial instrument is initially recognised and in accordance with the following criteria for use:

- this designation eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an accounting mismatch) that would occur if it were not used; or
- a group of financial assets, financial liabilities or both is managed and its performance is measured, on the basis of fair value, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that is not closely related.

The choice of the fair value option is irreversible once the asset or liability has been recognised in the balance sheet. This category has the same valuation rules as those applied to the category "Financial assets and liabilities held for trading".

The same headings as those defined for financial assets or liabilities held for trading are used for the recognition of interest and dividends. However, changes in fair value are recognised in "Net gains on financial instruments designated at fair value through profit or loss".

5.3.4.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank intends and is able to hold to maturity. Held-to-maturity financial assets are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

Depreciation using the effective interest rate method is recorded in the income statement under "Interest income". Impairment amounts are recognised in the income statement under "Net impairment of assets".

5.3.4.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or do not fall into one of the above categories. These assets are initially measured at fair value and subsequently remeasured at fair value. All changes in fair value are recorded under a specific heading in shareholders' equity. When these assets are realised or impaired, the cumulative revaluation results, previously recognised in equity, are recognised in the income statement under the heading "Net result on financial instruments not measured at fair value through profit or loss" or, for impairment losses, under the heading "Net impairment on assets".

Income for instruments with positive interest rates recognised using the effective interest rate method is included in "Interest income". Dividends received are included under "Dividend income".

Available-for-sale assets mainly comprise fixed-income or variable-income securities that do not fall within the category of financial assets held for trading and designated at fair value through profit or loss.

5.3.5 Financial instruments - Principles and methods applicable from 1 January 2018 (IFRS 9)

5.3.5.1 Valuation of financial assets

IFRS 9 sets out the provisions for the recognition and measurement of financial assets and liabilities, as well as certain contracts for the purchase or sale of non-financial assets. This standard replaces IAS 39 "Financial instruments: Recognition and measurement" as at 1 January 2018.

On initial recognition, a financial asset is classified in one of the following measurement categories:

- Amortised cost (AC);
- Fair value through other comprehensive income for debt instruments (FVOCI);
- Fair value through other comprehensive income for equity instruments (FVOCI);
- Fair value through profit and loss (FVTPL).

The classification of an asset is based both on the business model of the Bank's financial assets and on the contractual cash flow characteristics of the financial asset, i.e. whether the contractual terms of the financial asset generate cash flows at specified dates that are solely capital and interest payments ("SPPI test").

Reclassifications only occur when the Asset and Liability Management Committee (hereinafter referred to as "ALMAC Committee") decides to modify the economic model of an asset portfolio, following external or internal changes. Changes must be significant to the Bank and demonstrable to external parties. The Bank then reclassifies all the assets concerned prospectively from the first day of the following reporting period (the reclassification date). Prior periods are not restated.

5.3.5.1.1 Financial assets and liabilities held for trading

Held-for-trading financial assets or liabilities are financial assets or liabilities acquired or assumed primarily for the purpose of a short-term sale or redemption, or as part of a portfolio of financial instruments that are managed together and that have indications of a recent pattern of short-term profit taking.

These assets or liabilities are initially recognised at fair value (excluding transaction costs recognised directly in the income statement) and subsequently remeasured at fair value. Changes in fair value are recognised in the income statement under "Net income from financial instruments held for trading". Interest received or paid on non-derivative instruments is recorded under "Interest income or expense". Dividends received are included under "Dividend income".

The Bank has designated interest rate swaps as hedging items for debt instruments (see section 5.3.5.5.1.5). Hedging documentation contains all the required information on the hedging relationship (strategy, hedged risk, subsequent measurement, effectiveness test, etc.).

If the hedging relationship is terminated and the derivative is still outstanding, it is designated as held for trading or designated in a new hedging relationship. Such a designation must always be approved by the ALMAC Committee.

All derivative financial instruments with a positive (negative) replacement value are considered as “financial assets (liabilities) held for trading”, with the exception of hedging derivatives which are classified as “Hedging financial instruments”. Derivatives are recorded at their fair value at the inception of the transaction and subsequently measured at fair value. Changes in fair value are recognised in "Net gains on financial instruments held for trading" for trading derivatives and in "Net income from hedge accounting" for other derivatives. Interest received or paid on-derivative instruments is recorded under "Interest income or expense".

5.3.5.1.2 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held in an economic model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the remaining principal due.

Financial assets measured at amortised cost are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

Depreciation using the effective interest rate method is recorded in the income statement under "Interest income". Impairment amounts are recognised in the income statement under "Net impairment of assets".

5.3.5.1.3 Debt instruments measured at fair value through other comprehensive income.

A debt instrument is measured at fair value through other comprehensive income if the following two conditions are met:

- the financial asset is held in an economic model whose objective is achieved both by collecting contractual cash flows and by selling financial assets; and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the remaining principal due.

These financial assets are initially measured at fair value and subsequently remeasured at fair value. With the exception of impairment, all changes in fair value are recorded under a specific heading in shareholders' equity. When these assets are realised, the cumulative revaluation results, previously recognised in equity, are recognised in the income statement under the heading "Net gains on financial instruments not measured at fair value through profit or loss". Impairment amounts are recognised in the income statement under "Net impairment of assets".

Income for instruments with positive interest rates recognised using the effective interest rate method is included in "Interest income". Dividends received are included under "Dividend income".

5.3.5.1.4 Equity instruments measured through other comprehensive income.

On initial recognition, the Bank may irrevocably elect to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

Only dividend income is recognised in the income statement under "Dividend income", unless it clearly represents a refund of part of the cost of the investment (i.e. a capital reduction).

Other income is recognised in equity under "Accumulated other comprehensive income" and is never reclassified to the income statement.

This category of financial assets is not subject to impairment.

5.3.5.1.5 Financial assets valued at fair value through profit and loss.

All other financial assets, i.e. financial assets that do not meet the criteria for classification as "at amortised cost" or "at fair value through other comprehensive income", are recognised at fair value on the balance sheet and all changes in fair value are recognised in income. These assets include derivative instruments.

Changes in the fair value of securities are recognised under "Net gains on financial instruments measured at fair value through profit or loss" and interest is recognised under "Interest income". Dividends received are included under "Dividend income".

In addition, the Bank has the option, on initial recognition, to irrevocably designate a financial asset at fair value through profit or loss if such designation eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an accounting mismatch) that would arise if not used. This category has the same valuation rules as those applied to assets measured at fair value. The same headings as defined above are used for the recognition of interest and dividends. However, changes in fair value are recognised in "Net gains on financial instruments designated at fair value through profit or loss".

5.3.5.1.6 Hedge accounting

When the Bank initially elects to hedge the interest rate risk of a debt instrument with one or more interest rate swaps having the same maturity, nominal and currency characteristics, the hedged financial asset is measured using the "fair value hedging" principle and changes in the fair value of the interest rate risk of that debt instrument are recognised in "Net income from hedge accounting" regardless of the type of initial valuation assigned to the debt instrument.

A "micro hedge" structure includes a bond and one or more swaps designated respectively as "hedged item" and "hedging item(s)".

5.3.5.2 Classification

5.3.5.2.1 Equity instruments

Equity instruments that do not fall into the equity category are classified in the category "Financial assets at fair value through profit or loss" unless the Bank has decided to irrevocably classify them as "equity instruments measured through other comprehensive income" as described in section 5.3.5.1.4.

An equity instrument is defined as any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. A financial instrument that does not meet the definition of an equity instrument is classified as a debt instrument.

5.3.5.2.2 Debt instruments

Debt instruments include debt securities, loans, deposits, receivables from -/- credit institutions and customers. The decision tree that determines the classification and measurement of debt instruments at initial recognition and future recognition (continuous monitoring process and potential reclassification) is based on the economic asset holding model and the SPPI (Solely Payments of Principal and Interest) test (conclusive or not).

A. Economic model

The term "business or management model" refers to the way in which the Bank manages its financial assets in order to generate cash flows. The Bank determines the economic model at a level that reflects how groups of financial assets are managed together to achieve a given economic objective. As a result, the Bank does not determine instrument by instrument management models, but at a higher level of aggregation. The assessment of the business model is important for debt instruments to determine whether they can be measured at amortised cost or at fair value through equity.

There are three types of economic models:

- "Hold to collect" (hereinafter "HTC"): the objective is to hold assets to collect contractual cash flows, and sales are ancillary to the objective of the model. However, the Bank is not required to hold all these assets until maturity. Debt instruments included in this model are measured at amortised cost.
- "Hold to collect & sell" (hereinafter "HTCS"): the collection of contractual cash flows and sales are an integral part of achieving the objective of the business model. This model is generally associated with more sales (in frequency and higher value) than in the HTC model. Debt instruments included in this model are measured at fair value through equity.
- Other business models include financial assets held for trading and financial assets that are not classified in the HTC or HTCS categories either because the collection of contractual cash flows is ancillary to the financial asset or because the SPPI test is inconclusive.

B. "Principal and Interest" criterion ("Solely Payments of Principal and Interest" test or "SPPI" test)

The classification and measurement of debt instruments also depend on the analysis of the contractual cash flow characteristics of the instrument ("SPPI" test). The "SPPI" test is satisfied if the contractual terms of the debt instrument give rise, at specified dates, to cash flows that are only repayments of principal and interest payments on the outstanding principal.

For the purpose of this assessment, "principal" is the fair value of the financial instrument at initial recognition and "interest" reflects the time value of money, the credit risk associated with the principal remaining due for a given period of time and other risks and fees associated with a basic loan, as well as a margin.
To determine whether the "SPPI" test is met, the Group analyses the contractual terms of the instrument to assess whether it contains a term that could modify the timing or amount of the contractual cash flows so that the instrument does not meet this condition. To this end, the Group has set up a check list to verify whether the cash flows of debt instruments represent only principal and interest payments:

- A triggering event that would change the timing or amount of the contractual cash flows;
- Leverage effect;
- Prepayment or extension option;
- A term that limits the Bank's receivables to the cash flows generated by specified assets (for example, non-recourse financial assets);
- Characteristics that change the consideration for the time value of money (for example, periodic revision of the interest rate).

5.3.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment losses. The effective interest rate is the rate that discounts future cash payments or receipts over the expected life of the financial instrument or, as the case may be, over a shorter period to obtain the net carrying amount of the financial asset or liability.

The amortised cost determined using the effective interest rate method is calculated by taking into account premiums and discounts as well as commissions and transaction costs that are an integral part of the effective interest rate. Depreciation using the effective interest rate method is recognised in the income statement under "Interest income" for financial instruments with a positive interest rate, while depreciation for contracts with a negative interest rate is recognised under "Operating income". Impairment amounts are recognised in the income statement under "Net impairment of assets".

Loans and receivables mainly include interbank and customer loans and receivables.

5.3.7 Holdings

Holdings which are not classified as "Available-for-sale financial assets" are measured at cost.

5.3.8 Other financial liabilities

Other financial liabilities include all other subordinated and unsubordinated financial liabilities (except derivatives) that are not classified as held for trading or designated at fair value through profit or loss.

Other financial liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Accrued interest (including any difference between the net amount received and the repayment value) is recognised in profit and loss using the effective interest rate method, under “Interest expenses”.

5.3.9 Fair value of financial instruments

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the main market or the most advantageous market on the valuation date. Fair value is determined based on prices quoted in an active market (quotations established by an exchange, broker or any other source recognized by investors). When there is no market or market prices are not available, valuation techniques are used to estimate fair value at the measurement date based on current market conditions. These techniques use a maximum of observable market data, commonly used calculation methods and a variety of other factors such as time value, credit risk and liquidity risk. The fair value estimated by these techniques is therefore affected by the data used. Valuation techniques include, in particular, discounted cash flow methods, reference to the market value of other comparable instruments, option valuation models and other appropriate valuation models.

On initial recognition, the fair value of a financial instrument is the transaction price (i.e. the value of the consideration paid or received) unless another fair value can be evidenced by a price in an active market for the same instrument or by a valuation technique that is based solely on observable market data.

To determine the fair value of financial instruments, the Bank uses the following main valuation methods:

- Active market

Financial instruments are measured at fair value by reference to quoted prices in an active market when they are readily and regularly available, taking into account criteria such as transaction volumes or recent transactions. Listed securities and derivatives on organised markets (futures and options) are valued in this way.

Fair value of financial instruments (continued)

OTC derivatives such as interest rate swaps, options and foreign exchange contracts are valued using widely accepted models (discounted future cash flow method, Black and Scholes model, etc.) that use observable market data.

The valuation of these derivatives includes a credit risk adjustment (CVA – Credit Value Adjustment; DVA – Debit Value Adjustment). The CVA consists of adjusting the fair value of derivatives to take into account the creditworthiness of the counterparty in the valuation. Similarly, the DVA reflects the effect of the Group's credit quality on the valuation of derivatives.

For valuations that use "mid-market" prices as a basis for determining fair value, a price adjustment is applied, per risk position, to net open positions using the bid or ask price, as appropriate.

- No active market

Most derivatives are traded on active markets.

When the price of a transaction in an inactive market does not correspond to the fair value of other observable transactions in that market for the same instrument or to the valuation with an internal model based on observable market data, this difference is recognised directly in the income statement.

However, if this difference (commonly known as “Day 1 profit and loss”) is generated by a valuation model the parameters of which are not all based on observable market data, it is either recognised in profit and loss on a staggered basis over the life of the transaction, or deferred until the date on which the instrument is derecognised. In any case, any unrecognised difference is immediately recognised in profit and loss if the parameters that were not originally observable later become so, or if the fair value can be determined by reference to a price quoted on an active market involving the same instrument. For all transactions, the appropriate method for recognising this difference in the income statement is determined individually.

No active market – Equity instruments (unlisted shares)

In the absence of recent transaction prices under normal market conditions, the fair value of unlisted shares is estimated using recognised valuation techniques such as the discounted future cash flow method, the method of applying multiples of comparable companies and the asset method.

The carrying amount of short-term financial instruments approximates their fair value.

5.3.10 Embedded derivatives

An embedded derivative is defined as a component of a composite (hybrid) instrument that includes both a derivative financial instrument and a non-derivative host contract. This assessment applies only to financial liabilities, non-financial contracts and financial assets that do not fall within the scope of IFRS 9.

An embedded derivative must be separated from the host contract and accounted for as a derivative when:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative;
- the hybrid (compound) instrument is not held for trading.

This (embedded) derivative is valued at fair value through profit and loss in the same way as a standalone derivative. The host contract is accounted for and valued according to the principles governing the category to which it belongs.

Insofar as the separation of the embedded derivative is permitted (see above), the entire hybrid contract can be designated as a financial asset or liability at fair value through profit and loss. However, if it is not possible to measure the embedded derivative separately, the entire hybrid contract must be designated as a financial asset or financial liability at fair value through profit or loss.

5.4 Lease contracts

A lease qualifies as a finance lease if the lease transfers substantially all the risks and rewards of ownership of the asset. An operating lease refers to any lease other than a finance lease.

As Lessee

For operating leases, the leased asset is not recognised on the balance sheet and the lease rental payments are recognised through profit and loss on a straight-line basis over the life of the lease.

If the lease qualifies as a finance lease, the leased asset is capitalised and recognised at its fair value, or, if lower, at the present value of the contractual minimum lease payments. Subsequently, the asset is depreciated, using the same depreciation rules applied to assets of a similar nature, over the shorter of the lease term or its useful life. The corresponding financial debt is recorded as a loan on the liabilities side of the balance sheet. The financial expense is recognised in the income statement over each period covered by the lease in order to obtain a constant periodic interest rate on the remaining balance due to the liability for each period.

As Lessor

Assets leased under an operating lease are recorded as fixed assets and depreciated according to the same depreciation rules applied to assets of a similar nature. Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

For finance leases, the present value of the minimum payments plus the residual value of the asset, if any, is recognised as a receivable and not as an item of property, plant and equipment. The financial income from the finance lease is allocated over the term of the contract on the basis of a scheme reflecting a constant rate of return on the net investment outstanding under the contract.

5.5 Property, plant and equipment

Property, plant and equipment are recorded at their acquisition cost (including directly attributable costs) less accumulated depreciation and any impairment losses.

The Luxembourg Division applies the method of accounting for fixed assets by component (mainly for buildings) and the depreciable amount is determined after deduction of its residual value.

Depreciation is calculated on a straight-line basis over the useful life of the assets concerned. The useful lives used are as follows:

Nature of the asset or component	Useful life
Land	Indefinite
Buildings, structures	40 yrs.
Technical facilities	10 yrs.
General facilities	20 yrs.
Completed work	5 to 10 yrs.
IT/telecoms equipment	4 yrs.
Miscellaneous materials/equipment	5 yrs.
Office furniture	10 yrs.
Vehicles	4 yrs.

Land and works of art have an indefinite useful life and are therefore not depreciated, but can be subject to impairment losses.

At each balance sheet date, if there is any indication that an item of property, plant and equipment may have been impaired, an impairment test (by comparing the carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognised when the carrying amount of the asset exceeds its estimated recoverable amount.

The useful life and residual value of property, plant and equipment are reviewed at each balance sheet date.

5.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. This asset is initially recognised at cost if it is expected to generate future economic benefits and if the acquisition cost of the asset can be measured reliably.

Intangible assets include software acquired or developed in-house as well as goodwill acquired in a business combination.

Purchased software is amortised on a straight-line basis over a period of 4 years from the time it is available for use. Software maintenance costs are expensed as incurred. However, expenditure that improves the quality of the software or helps extend its useful life is added to the initial acquisition cost. For internally generated software, development costs are amortised on a straight-line basis over the period during which the benefits of the asset are expected to be realised. Research costs are expensed directly as incurred.

Business goodwill is amortised on a straight-line basis over the period during which the benefits of the asset are expected to be received. This useful life does not exceed 20 years.

At each balance sheet date, if there is any indication that an item of intangible assets may have been impaired, an impairment test (by comparing the carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognised when the carrying amount of the asset exceeds its estimated recoverable amount. For goodwill, the recoverable amount is estimated on the basis of the change in capital under management.

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. The useful life and residual value of intangible assets are reviewed at each balance sheet date.

5.7 Other assets

Other assets mainly include accrued income (excluding interest), deferred charges and other receivables. Also included in this item are amounts receivable from employees.

5.8 Impairment of assets

5.8.1 Principles and methods applicable before 1 January 2018 (IAS 39)

An impairment loss is recognised on an asset if its carrying amount (net of any depreciation/amortisation) is higher than its recoverable amount.

At each balance sheet date, the Bank assesses whether there is any indication (loss event) that an asset may have lost value. Where such an indication exists, an impairment test is carried out and, where appropriate, an impairment loss is recognised in profit and loss. Even if there is no objective evidence of impairment, such an examination is carried out, at least every year on the same date, for intangible assets with indefinite useful lives.

Principles and methods applicable before 1 January 2018 (IAS 39) (continued)

Financial assets

Impairment losses are recognised on a financial asset or group of financial assets whenever there is objective evidence of measurable impairment resulting from one or more events occurring after the initial recognition of the asset or group of assets and this loss-generating event (or events) has (have) an impact on the estimated future cash flows of that asset or group of assets. The following signs, among others, are considered to be objective evidence of impairment of an asset:

- significant financial difficulties of the issuer;
- breach of contract such as a default or delayed payment of interest or principal;
- facilities granted to the borrower for legal or economic reasons related to its financial difficulties;
- high probability of bankruptcy or financial restructuring;
- disappearance of an active market for this asset (due to financial difficulties);
- other observable data related to a group of assets such as an unfavourable change in the repayment behaviour of borrowers in the group or an unfavourable change in a sector of activity that affects borrowers in the Luxembourg Division;
- major or prolonged decline in the fair value of an equity instrument below its cost.

The analysis of the possible existence of impairment is carried out first on an individual basis and then on a collective basis. The collective assessment for the calculation of impairment is carried out for the Bank's lending activities by grouping individually unimpaired counterparties into homogeneous portfolios and based on the historical data of each portfolio. The methodology used by the Bank is based on an approach that combines probabilities of default and losses in the event of default. This methodology and the assumptions used are regularly reviewed to reduce any differences between loss estimates and actual loss experience.

Impairment losses on financial assets carried at amortised cost correspond to the difference between their carrying amount and the present value, discounted at the original effective interest rate, of the estimated cash flows. If the effect of discounting to NPV is negligible, it is not taken into account. Impairment losses are recognised in the income statement under "Net impairment of assets", with a corresponding adjustment to the carrying amount of impaired financial assets. If an event subsequent to the recognition of the impairment indicates that the loss of value no longer exists, or exists only partly, the previously recognised impairment loss (or the relevant part of it) is reversed through the “Net impairment of assets” heading of profit and loss.

As soon as an asset has been impaired, subsequent interest income is recognised using the interest rate used to discount future cash flows.

The recoverable amount of available-for-sale financial assets is generally based on quoted market prices and, if not available, expected cash flows discounted at the current market interest rate of a similar asset. When there is objective evidence of impairment, the cumulative loss recognised directly in equity is removed from equity and recognised in the income statement under "Net impairment of assets".

When the fair value of an impaired fixed-income security rises as a result of an event subsequent to the impairment, the impairment loss is reversed in the income statement ("Net impairment of assets"). However, any subsequent reversal of the fair value of an equity instrument is recognised directly in equity.

Other assets

The recoverable amount of a non-financial asset is the greater of its fair value less selling costs and its value in use. Fair value less costs to sell corresponds to the amount that can be obtained from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs to exit. The value in use of an asset is the present value of future cash flows that may arise from the asset.

If it is not possible to estimate the recoverable amount of an individual asset, it is allocated to a cash-generating unit (CGU) to determine any impairment losses at that aggregation level.

An impairment loss is recognised directly in the income statement under the heading "Net impairment of assets". If the asset is revalued, the impairment loss is treated as a revaluation decrease. The impairment of a CGU is allocated in such a way as to reduce the carrying amount of the assets of that unit in proportion to the carrying amount of each asset of the CGU.

An impairment loss recognised in a prior period is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount without exceeding the carrying amount of the asset as it would have been determined without a previously recognised impairment loss, i.e. after application of the normal amortisation rule.

5.8.2 Principles and methods applicable after 1 January 2018 (IFRS 9)

IFRS 9 replaces the "incurred losses" model of IAS 39 with the "Expected credit loss" (ECL) model.

The Bank recognizes impairment losses based on the expected credit loss (ECL) model on:

- loans and receivables from credit institutions measured at amortised cost;
- customer loans valued at amortised cost;
- debt instruments measured at amortised cost;
- debt instruments measured at fair value through other comprehensive income;
- undrawn loan commitments and financial guarantees issued.

Expected losses are a probabilistically weighted estimate of credit losses over the expected life of a financial instrument. The calculation of these losses is based, among other things, on the following parameters: the probability of default (PD), the loss given default (LGD), the amount of exposure (residual accounting) in the event of default (exposure at default or EAD) and the discount rate. The amount of expected credit losses is calculated on the basis of a weighted average of probabilised scenarios. Financial assets are classified on the basis of the extent of credit deterioration since their initial recognition into three categories:

- phase 1 (initial recognition: performing): impairment is measured at the amount of expected losses over the useful life resulting from risks of default within 12 months of the balance sheet date;
- phase 2 (significant increase in credit risk: underperforming): impairment is measured at the amount of expected losses over the life of the financial instrument;
- phase 3 (financial assets in default for which there is objective evidence of default at the balance sheet date: non-performing): impairment is measured as the difference between the asset's carrying amount and its expected recoverable amount.

To assess the deterioration of credit risk, the risk of default at the reporting date is compared with the initial recognition of the financial asset. In order to classify its credit exposures, the Bank has decided to implement an internal rating model based on credit events for its credit portfolios.

For debt instruments, external agency ratings are mainly used and the Bank makes use of the low credit risk exception.

In the balance sheet, value adjustments for losses related to financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt instruments at fair value through other comprehensive income, the impairment loss adjustment does not reduce the carrying amount of financial assets and is recognised in other comprehensive income.

For loan commitments given and financial guarantees issued, expected credit losses are recorded as liabilities in the balance sheet under "Provisions".

Losses are recognised in the income statement under "Net impairment of assets".

5.8.2.1 Defining default

The Bank uses the same definition of default as that used for internal credit risk management purposes. This definition of default is also in line with the regulatory standards currently in force in the sector.

A financial asset is considered in default if at least one of the following two conditions is met:

- the Bank considers that payment by the debtor is unlikely without recourse to actions such as the realisation of collateral;
- the debtor has material arrears of more than 90 days.

5.8.2.2 Impaired financial asset (phase 3)

The level of collateral pledged is not relevant to the categorisation of financial assets in phase 3: as soon as a loan meets at least one of the two conditions mentioned above, this financial asset is considered in default and is classified in phase 3, even if the valuation of the guarantees received exceeds the amount due to the Bank.

When the expected recoveries are less than the Bank's exposure, an ECL is recorded.

5.8.2.3 Restructuring due to financial difficulties

In the event of the borrower's financial difficulties, and in order to maximise the possibilities of recovery, the Bank may, in certain specific cases and under certain conditions, accept the restructuring of a loan, which generally takes the form of an extension of the residual term of the loan or an extension or spread of certain contractual deadlines.

These loans are systematically classified in phase 2, unless the investment is considered in default, in which case it will be classified in phase 3.

5.8.2.4 Significant deterioration in credit risk

In accordance with the ECL model, impairment of a financial asset is measured at the amount of expected losses over the life of the financial instrument as soon as the credit risk for that financial asset has significantly deteriorated. This assessment of the material deterioration in credit risk is a relative assessment in relation to the level of risk that was estimated at initial recognition of the financial instrument.

For the bond portfolio and interbank deposits, the significant deterioration in credit risk is assessed mainly on the basis of an external rating (or, failing that, on the basis of a corresponding internal rating):

- the Bank uses the exception for low credit risk allowed by IFRS 9, which means that instruments with an investment grade rating at the reporting date are always classified in phase 1 and are therefore assigned an ECL amounting to the amount of expected losses over the life of the instrument resulting from the risk of default within 12 months of the reporting date;
- for financial assets for which the low credit risk exception cannot be applied (i.e. assets with a rating below investment grade), the Group performs an assessment of the relative evolution of credit risk by comparing the probability of default (PD) over the life of the instrument to initial recognition with the PD at the reporting date (for an equivalent life). This assessment is carried out individually at the level of each exposure and at each reporting date.

The Group has developed an internal rating model for the loan portfolio. The changes to this internal rating determines the level of credit risk deterioration. It is recalculated at each reporting date individually, at the level of the credit facility and changes according to credit events such as:

- a restructuring due to financial difficulties ("forborne"): a financial asset being restructured due to the borrower's financial difficulties is always classified in phase 2, unless the loan is considered in default, in which case it is classified in phase 3;
- Watch-list entry: the loans included in this list are classified in at least phase 2;

Principles and methods applicable after 1 January 2018 (IFRS 9) (continued)

- a margin call made by the Bank (lombard loans) when it considers that the collateral provided as collateral by the counterparty is no longer sufficient;
- Material arrears of more than 30 days: the Bank has aligned itself with international standards, since a transfer to phase 2 takes place when a financial asset has material arrears of more than 30 days.

Since the Bank never acquires portfolios of past due assets, all financial instruments are always classified in phase 1 at the time of initial recognition. For reports at later dates, as long as none of the criteria mentioned above are met, the asset remains in phase 1.

As soon as an instrument meets at least one of the criteria to be considered as an asset that has suffered a significant deterioration in credit risk since its initial recognition, it is classified in phase 2 and an ECL corresponding to the amount of expected losses over the entire life of the instrument is recognised.

A financial asset is considered in default (i.e. in phase 3) when it meets the definition of default mentioned above.

Transfers between categories are symmetrical, which means that a financial instrument that has migrated at a given time to phase 2 or 3 can return to phase 2 or 1 at a later reporting date if none of the migration criteria are met, provided that any probation periods, in accordance with industry regulatory standards, are met.

5.8.2.5 Governance and measurement of expected credit losses (ECL model)

The ECL is the result of the product of the probability of default (PD), the estimated exposure at the time of default (EAD) and the loss in the event of default (LGD). The calculation of the ECL is carried out in such a way that it reflects:

- an unbiased amount, weighted with a probability of occurrence;
- the time value of money;
- information on past events, current conditions and future macroeconomic forecasts.

The maximum period taken into account for the calculation of the ECL is the maximum contractual period (including extensions).

The lifetime ECL represents the sum of ECLs over the entire life of a financial asset, discounted at the effective interest rate. It is used for all financial instruments classified in phase 2 or higher.

The 12-month ECL represents the portion of the ECL over the lifetime resulting from a defect within 12 months of the reporting date. It is used for instruments in phase 1.

The Bank does not have Basel PD and LGD models, as it has opted for the standard approach for prudential purposes. As part of IFRS 9, the Group has developed its own PD and LGD models in order to perform ECL calculations.

Three different macroeconomic scenarios are taken into account for the calculation of the ECL. A weighting is applied to each of these 3 scenarios. The baseline macroeconomic scenario is considered to represent the most likely future forecasts. This scenario is also used for other internal and external needs.

The calculation of the ECL requires important judgments on various aspects such as, for example, the borrower's financial situation and ability to repay, the value of collateral and recovery possibilities or future macroeconomic forecasts: the most neutral approach possible is applied in this respect.

5.8.2.6 Impairment loss

An impairment loss is a reduction in the gross carrying amount of a financial asset when there is no longer a reasonable expectation of recovery for all or part of the asset or when it has been fully or partially surrendered. This situation results in removal from the balance sheet. The Bank decides to remove an asset from the balance sheet early on an individual basis and taking into account various factors, such as:

- the financial asset is fully impaired;
- the period of time since the date of the last impairment;
- whether or not the collateral that can be realised within a normal period of time will be realised;
- the probability of recovering contractual flows and the estimated time frame for any such recovery;
- the number of days since the last contractual flow received;
- the status of the loan and/or the debtor.

5.9 Provisions

A provision is recognised when:

- the Luxembourg Division has a current legal or implicit obligation resulting from a past event;
- it is likely that an outflow of resources will be required to settle the obligation;
- the amount of the obligation can be estimated reliably.

When the effect of the time value of money is material, the provision is recorded at its discounted value.

5.10 Taxes

Current taxes

Current tax assets and liabilities correspond to amounts payable or recoverable, determined on the basis of the tax rules and rates in force at the balance sheet date, as well as tax adjustments relating to previous years.

Deferred taxes

Deferred taxes are recognised as soon as there is a temporary difference between the tax value of assets and liabilities and their carrying amount. Deferred taxes are measured using the liability method, which consists of calculating, at each balance sheet date, deferred taxes based on the tax rate in effect or which will be in effect (if known) at the time the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except those:

- related to the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit; or

- associated with investments in subsidiaries, affiliates and joint ventures to the extent that the date on which the temporary difference will be reversed can be controlled and it is likely that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses carried forward and unused tax credits to the extent that it is probable that future taxable profit, against which these differences can be utilised, will be available, unless the deductible temporary difference is:

- related to the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit; or

- related to investments in subsidiaries, affiliates and joint ventures to the extent that this difference will not be reversed in the foreseeable future.

Current and deferred taxes are recognised in the income statement as tax income or expenses, unless they relate to items recognised in equity (revaluation to fair value of available-for-sale assets), in which case they are recognised in equity and then recognised in the income statement at the same time as the realised gains or losses.

5.11 Employee benefits

In compliance with national regulations and industry practices, the pension scheme in force in the Luxembourg Division is that of a group insurance scheme, a defined contribution scheme.

For both the defined contribution plan and the residual defined benefit cases, the Luxembourg Division pays the insurer the amounts calculated in accordance with the regulations at the beginning of each financial year. These bonuses are recognised as expenses for the year.

The results relating to the profit-sharing plans set up within the Luxembourg Division are recognised in the income statement with a corresponding entry in shareholders' equity.

5.12 Other liabilities

Other liabilities include dividends payable, accrued liabilities (excluding interest), deferred income and other liabilities.

5.13 Interest income and expenses

Interest income and expenses with a positive interest rate are recognised in the income statement for all interest-bearing instruments using the effective interest rate method. The effective interest rate is the rate that discounts the future cash flows over the life of the financial instrument, or such shorter period as may be appropriate, so as to obtain an NPV equal to the net carrying amount of the instrument. The calculation of this rate includes all commissions received or paid in respect thereof, transaction costs and premiums or discounts. Transaction costs are additional costs directly related to the acquisition, issue or sale of a financial instrument.

Once an interest-bearing financial asset has been written down following an impairment, interest income continues to be recognised at the rate used to discount the future cash flows to NPV in order to determine the recoverable amount.

Interest income and expenses on derivatives held for trading are presented under this heading.

Accrued interest is recorded in the balance sheet in the same account as the corresponding financial asset or liability.

5.14 Dividends

Dividends are recognised once the shareholders’ right to receive payment has been established.

5.15 Fees and commissions

The Luxembourg Division recognises in the income statement fees and commissions resulting from various services provided to its clients. The recognition of these fees and commissions depends on the nature of these services.

Commissions remunerating a service over a given period are spread, as the service is rendered or linearly, over the duration of the operation generating the commission. This is the case for management, administration, financial services, custody and other service fees.

Fees related to the performance of a significant act, such as intermediation, placement, performance and brokerage fees, are deferred and recognised in the income statement when the act is performed.

5.16 Result from the revaluation or disposal of financial instruments

Results from trading transactions include all gains and losses resulting from changes in the fair value of financial assets and liabilities held for trading.

(Un)realised gains and losses (excluding accrued interest and dividends) on financial instruments designated at fair value through profit or loss are included in the revaluation results relating to these instruments.

Gains and losses on the sale or disposal of financial instruments not measured at fair value through profit and loss or held for trading are recognised under "Gain or losses on financial instruments not designated at fair value through profit or loss, net".

5.17 Cash and cash equivalents

The concept of cash and cash equivalents includes
- cash;
- balances with central banks excluding the amount of minimum reserves;
- credit institutions' debit and credit balances at sight, except for vostro and balances guaranteeing repurchase agreements or derivatives transactions;
- loans and deposits from credit institutions with an initial maturity of less than three months.

The Bank presents cash flows from operating activities using the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any timing or adjustment of past or future operating cash inflows or outflows from operations and items of income or expenses related to cash flows from investments or financing.

Tax flows, interest received and interest paid are presented in full with operating activities. Dividends received are classified as cash flow from operating activities.

Dividends paid are recorded as cash flows from financing activities.

6. Implementation of the new IFRS 9 rules as at 1 January 2018

6.1 Hedge accounting

In order to reduce interest rate risk, the Bank hedges certain debt instruments via interest rate swaps ("IRS") for which it pays the fixed rate and receives the floating rate.

As at 31 December 2017, under IAS 39, these transactions are measured at fair value through profit or loss for both interest rate swaps classified as "Financial assets held for trading" and associated obligations classified as "Financial assets designated at fair value through profit or loss". This "macro hedge" implies a risk of volatility in the income statement in the event of a change in the credit spread of securities investments: adjustments due to changes in bond and IRS interest rates offset each other but not those related to the credit spread.

As a result, on 1 January 2018, the Bank decided to apply the hedge accounting provisions of IFRS 9 by designating certain interest rate swaps as interest rate risk hedges on debt instruments in the "Debt instruments measured at fair value through other comprehensive income" and "Debt instruments measured at amortised cost" portfolios: adjustments due to changes in credit spread are no longer recognised in income while those related to changes in interest rates on bonds and IRS are offset in income.

6.2 Classification and measurement of financial instruments

As at 1 January 2018, the classification of all securities portfolios was completely revised using the models and analysis of the contractual cash flow characteristics of the instrument described in Note 5.3.5.2. All debt instruments were classified as "Hold to collect" or "Hold to collect & sell" except for one obligation that did not meet the SPPI criteria.

The changes made are as follows:

- debt instruments classified as "Financial assets designated at fair value through profit or loss" have been reclassified to
  - “Debt instruments measured at fair value through other comprehensive income.” (reclassification 1, table 6.3);
  - "Financial assets measured at amortised cost": the impact (1) of table 6.3 is due to the reversal of the amount of the revaluation of securities recognised in the income statement as at 31 December 2017 and to the recognition of premiums/discounts as at 1 January 2018.
- securities that did not pass the SPPI test were reclassified as "Financial assets held for purposes other than trading that must be measured at fair value through profit or loss" as at 1 January 2018: this relates to a bond and units of UCIs in the IAS 39 portfolio "Available-for-sale financial assets" measured through other comprehensive income. The accounting impact is limited to the reclassification of the amount of the revaluation recognised in the income statement as at 31 December 2017 to the revaluation reserve (reclassification 2, table 6.3); these UCI units no longer meet the definition of "Equity instruments" and are now classified as "Debt instruments".
- the other bonds in the "Available-for-sale financial assets" portfolio have been divided into the 2 categories: "Debt instruments measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost". The impact (2) of the amortised cost accounting in table 6.3 is the reversal of the amount of the revaluation of securities recognised in accumulated other comprehensive income at 31 December 2017.
- two bonds in the "Held-to-maturity investments" portfolio have been classified as "Financial assets measured at amortised cost" and a third as "Debt instruments measured at fair value through other comprehensive income". The impact (3) of fair value recognition in table 6.3 corresponds to the recognition of the amount of the security revaluation in accumulated other comprehensive income as at 1 January 2018.
- all shares in the "Available-for-sale financial assets" portfolio have been reclassified to "Equity instruments measured at fair value through other comprehensive income".

6.3 Impairment of assets

Only loans and receivables from customers (on- and off-balance sheet) were impacted (4) by the impairment tests carried out on the IFRS 9 model of "incurred losses": the amount of value adjustments thus calculated was lower than the amount of the collective provision recognised at 31 December 2017. The new tests did not reveal any impairment to be recorded on debt instruments.

6.4 Reclassifications IAS 39 / IFRS 9 at 1 January 2018

The following tables detail the IAS 39 / IFRS 9 reclassifications and their impact on assets / liabilities / equity in EUR at 1 January 2018. The accounting classification is described in Chapter 5 "Summary of accounting principles and methods".

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Reclassifications IAS 39 / IFRS 9 at 1 January 2018 (continued)

		Reclassifications under IFRS 9 as at 01/01/2018														
		Financial assets held for trading		Financial assets held for purposes other than trading that must be measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Financial instrument hedges	Financial assets measured at amortised cost				Other			
ASSETS	Carrying amount in accordance with IAS 39 31/12/2017	Other derivative contracts	Debt instruments	UCI units	Debt instruments	Debt instruments	Equity instruments	Interest rate swaps	Cash and sight accounts with central banks	Loans and receivables from credit institutions measured at amortised cost	Loans and receivables from customers measured at amortised cost	Financial assets measured at amortised cost	Other	Carrying amount in accordance with IFRS 9 01/01/2018	Gross accounting impact: Reserves and retained earnings	Gross accounting impact: Cumulative other comprehensive income
Cash and sight accounts with central banks	**1.542.858.092**	-	-	-	-	-	-	-	1.542.858.092	-	-	-	-	1.542.858.092	-	-
Financial assets held for trading	**52.704.730**															
Debt instruments	4.479.061	-	4.479.061	-	-	-	-	-	-	-	-	-	-	4.479.061	-	-
Derivatives held for trading	48.225.669	48.135.582	-	-	-	-	-	90.087	-	-	-	-	-	48.225.669	-	-
Financial assets designated at fair value through profit and loss	**420.352.685**															
Debt instruments (reclassification 1)	142.737.669	-	-	-	-	142.737.669	-	-	-	-	-	-	-	142.737.669	-799.353	799.353
Debt instruments (impact 1)	277.615.016	-	-	-	-	-	-	-	-	-	-	274.310.118	-	274.310.118	-3.304.898	-
Available-for-sale financial assets	**163.676.574**															
Debt instruments	33.664.604	-	-	-	-	33.664.604	-	-	-	-	-	-	-	33.664.604	-	-
Debt instruments (impact 2)	61.715.601	-	-	-	-	-	-	-	-	-	-	61.547.282	-	61.547.282	-	-168.319
Debt instruments	25.395.032	-	-	-	25.395.032	-	-	-	-	-	-	-	-	25.395.032	66.090	-66.090
Equity instruments (reclassification 2)	42.901.337	-	-	39.765.199	-	-	3.136.137	-	-	-	-	-	-	42.901.336	3.596.348	-3.596.348
Loans and receivables from credit institutions	**254.756.219**	-	-	-	-	-	-	-	-	254.756.219	-	-	-	254.756.219	-	-
Loans and receivables from customers (impact 4)	**454.443.680**	-	-	-	-	-	-	-	-	-	454.534.785	-	-	454.534.785	91.105	-
Held-to-maturity investments	**48.084.776**															
Debt instruments (impact 3)	12.398.258	-	-	-	-	12.578.690	-	-	-	-	-	-	-	12.578.690	-	180.431
Debt instruments	35.686.518	-	-	-	-	-	-	-	-	-	-	35.686.518	-	35.686.518	-	-
Property, plant and equipment	**42.455.659**	-	-	-	-	-	-	-	-	-	-	-	42.455.659	42.455.659	-	-
Intangible assets	**17.618.525**	-	-	-	-	-	-	-	-	-	-	-	17.618.525	17.618.525	-	-
Holdings	**12.395**	-	-	-	-	-	-	-	-	-	-	-	12.395	12.395	-	-
Other assets	**82.138.987**	-	-	-	-	-	-	-	-	-	-	-	82.138.987	82.138.987	-	-
TOTAL	**3.079.102.322**	**48.135.582**	**4.479.061**	**39.765.199**	**25.395.032**	**188.980.963**	**3.136.137**	**90.087**	**1.542.858.092**	**254.756.219**	**454.534.785**	**371.543.918**	**142.225.566**	**3.075.900.641**	**-350.708**	**-2.850.973**
Balance sheet value in accordance with IFRS 9		**52.614.643**		**65.160.231**		**192.117.100**		**90.087**	**1.542.858.092**	**254.756.219**	**454.534.785**	**371.543.918**	**142.225.566**	**3.075.900.641**	**-3.201.681**	

Reclassifications IAS 39 / IFRS 9 at 1 January 2018 (continued)

LIABILITIES	Carrying amount in accordance with IAS 39 31/12/2017	Reclassifications under IFRS 9					Carrying amount in accordance with IFRS 9 01/01/2018	Impact	
		Financial liabilities held for trading	Financial instrument hedges	Financial liabilities measured at amortised cost		Other		Reserves and retained earnings	Cumulative other comprehensive income
				Deposits with credit institutions	Deposits to customers				
Financial liabilities held for trading	54.751.994	51.980.448	2.771.546	-	-	-	54.751.994	-	-
Deposits with credit institutions	56.987.850	-	-	56.987.850	-	-	56.987.850	-	-
Deposits to customers	2.608.902.132	-	-	-	2.608.902.132	-	2.608.902.132	-	-
Provisions (Impact 4)	2.482.180	-	-	-	-	2.482.222	2.482.222	-	42
Current and deferred tax liabilities	26.297.224	-	-	-	-	25.464.456	25.464.456	-91.229	-741.538
Other liabilities	74.335.890	-	-	-	-	74.335.890	74.335.890	-	-
Total	**2.823.757.270**	**51.980.448**	**2.771.546**	**56.987.850**	**2.608.902.132**	**102.282.568**	**2.822.924.544**	**-91.229**	**-741.496**

EQUITY	Carrying amount in accordance with IAS 39 31/12/2017	Reclassifications under IFRS 9						Total impact of adjustments	Carrying amount in accordance with IFRS 9 01/01/2018
		Gross impact			Related taxes				
		Reclassification and revaluation of financial instruments in accordance with IFRS 9	Recognition of expected credit losses in accordance with IFRS 9	Total	Reclassification and revaluation of financial instruments in accordance with IFRS 9	Recognition of expected credit losses in accordance with IFRS 9	Total		
Capital subscribed	**37.000.000**	-	-	-	-	-	-	**-**	**37.000.000**
Issue premium	**40.356.000**	-	-	-	-	-	-	**-**	**40.356.000**
Reserves and retained earnings	**126.550.630**	-441.812	91.063	-350.749	114.914	-23.685	91.229	**-259.520**	**126.291.110**
Cumulative other comprehensive income	**2.759.683**	-2.850.973	-	-2.850.973	741.538	-	741.538	**-2.109.435**	**650.248**
Income for the year	**48.647.570**	-	-	-	-	-	-	**-**	**48.647.570**
Minority shareholders	**31.169**	-	-	-	-	-	-	**-**	**31.169**
Total	**255.345.052**	**-3.292.785**	**91.063**	**-3.201.722**	**856.452**	**-23.685**	**832.767**	**-2.368.955**	**252.976.097**

Reclassifications IAS 39 / IFRS 9 at 1 January 2018 (continued)

The table below details the impact of the new IFRS 9 rules on the amount of impairment in EUR:

Impairment losses on	Carrying amount in accordance with IAS 39 31/12/2017	Impairment by category IFRS 9			Carrying amount according to the methodology of expected credit losses 01/01/2018	Impact of adjustments
		Phase 1	Phase 2	Phase 3		
Loans and receivables from customers measured at amortised cost	**12.988.457**	**1.327.173**	**495.266**	**11.074.913**	**12.897.352**	**-91.105**
on the basis of individual valuations	11.074.913	-	-	11.074.913	11.074.913	-
on the basis of collective valuations	1.913.544	1.327.173	495.266		1.822.439	-91.105
Loans and receivables from credit institutions measured at amortised cost	-	-	-	-	-	-
Other debt instruments	-	-	-	-	-	-
Cash and sight accounts with central banks	-	-	-	-	-	-
Off-balance sheet items	-	42	-	-	42	42
TOTAL	**12.988.457**	**1.327.215**	**495.266**	**11.074.913**	**12.897.394**	**-91.063**

The table below details the impact on the tax accounts in EUR:

	Current taxes	Deferred taxes	Total
Carrying amount in accordance with IAS 39 at 31/12/2017	**20.125.612**	**6.171.612**	**26.297.224**
Recognition of expected credit losses in accordance with IFRS 9	23.685	-	23.685
Reclassification and revaluation of financial instruments in accordance with IFRS 9	-114.914	-741.538	-856.452
Carrying amount in accordance with IFRS 9 at 01/01/2018	**20.034.383**	**5.430.074**	**25.464.457**

7. Risk management

7.1 Risk management organisation

The risk management strategy is determined by the Board of Directors and is in line with the strategy defined for the entire Group by the Board of Directors of the parent company, Banque Degroof Petercam S.A. The Management Board of Banque Degroof Petercam S.A. is responsible for its application throughout the Group. In this context, it regularly assesses the level of risks taken and carries out an annual review of all position limits. The Management Board of Banque Degroof Petercam Luxembourg S.A. is responsible to the parent company and the Board of Directors for implementing this strategy by implementing a risk management policy at local and subsidiary level.

In order to implement its risk management policy, the Management Board of Banque Degroof Petercam S.A. has delegated some of its responsibilities to committees on which Banque Degroof Petercam Luxembourg S.A. is represented. The committees that concern Banque Degroof Petercam Luxembourg S.A. are:

- the ALMAC Committee (Asset and Liability Management Committee) is responsible for the Group's balance sheet and off-balance sheet management in order to achieve a stable and sufficient financial margin within acceptable risk limits. It also manages consolidated liquidity risk;
- the Limits Committee is responsible for granting the Group new limits for all types of products to bankers and brokers. It also ensures the regular revision of existing limits.

The Risk Management department of Banque Degroof Petercam Luxembourg S.A. is responsible for day-to-day risk management. This ensures the integrity and effectiveness of the processes related to the risk management mission. The concept of risk management refers to the identification, assessment, monitoring and control/mitigation of risks.

At the Bank's request, the CSSF had approved the total exemption of risks taken on the Banque Degroof Petercam Group S.A. when calculating large risk limits, in accordance with Part XVI, point 24 of Circular 06/273 as amended. Under the new prudential requirements detailed in Regulation (EU) No 575/2013, this exemption remains valid under Article 493(3)(c) of this Regulation and Article 20 of CSSF Regulation No 14-01.

7.2 Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial commitments as they become due at a reasonable cost.

This risk is managed at consolidated level by the ALMAC Committee on a monthly basis, while the Bank's day-to-day management has been delegated to the Treasury Department of the trading room, under the supervision of the Risk Management Department.
The Luxembourg Division applies a prudent strategy to cash management. The Luxembourg Division invests its liquid assets with the Banque Centrale du Luxembourg and in a portfolio of highly liquid bonds, which can be liquidated at any time via sale or repurchase agreements. With regard to non-sovereign bonds, the Luxembourg Division applies rigorous selection criteria in terms of rating and liquidity of the security and imposes diversification of issuers in order to reduce concentration risk as much as possible. This ensures the liquidity of its portfolios, either through sales or through repo bi- or tripartism repo programs.

Liquidity risk (continued)

The Luxembourg Division requires the maintenance of monetary reserves with the Banque Centrale du Luxembourg and/or an amount of extremely liquid bonds (Extremely High Quality Assets) free of commitments to give it the daily liquidity necessary to cope with any withdrawals. The minimum amount for the 2018 financial year was set at EUR 225 million.

In accordance with CSSF Circular 09/403, which requires the implementation of stress tests, the control exercised by Risk Management is based on three scenarios: day-to-day management, management in a period of generalised market liquidity crisis and management in a liquidity crisis specific to the Luxembourg Division. Cash flows must be sufficient to enable the Bank to cope with each of these three scenarios, which are monitored rigorously on a daily basis.

The Luxembourg Division has put in place a liquidity management policy linked to the crisis scenarios referred to above. In the event of a generalised liquidity crisis scenario, it provides for the possibility of generating immediate liquidity through repo operations on all the bonds held in the Luxembourg Division's portfolio. In the event of a liquidity crisis specific to the Luxembourg Division, the policy implemented provides for the immediate liquidation of the bond portfolio.

The Liquidity Coverage Ratio (LCR) introduced under the Basel III agreements by the CRR/CRD IV package stood at 188% as at 31 December 2018 (31 December 2017: 231%) and demonstrates the Luxembourg Division’s good liquidity level.

Another obligation imposed by the CRR/CRD IV package on the Luxembourg Division is the monitoring of its encumbered and unencumbered assets. Each amount is the median value of the quarterly data for the previous 12 months.

It is important to note that the Bank does not have a covered bond program. Its main sources of encumbered assets are related to its activities on the repo and securities lending market, the amount of the mandatory reserve deposited with the Banque centrale du Luxembourg and the collateral exchanged to hedge derivative exposures. In the latter case, the collateral pledged results in part from the collateral received by other counterparties with whom the Bank is active on the derivatives market.

Liquidity risk (continued)

The tables below break down the assets according to whether or not they are encumbered (median value in euros):

31/12/2018	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the Bank	**194.483.901**	**N/A**	**2.967.680.017**	**N/A**
Equity instruments	-	-	4.406.137	4.406.137
Debt instruments	118.796.327	113.949.961	824.706.189	831.356.145
Other assets	-	-	214.169.066	

31/12/2017	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the Bank	**450.300.162**	**N/A**	**2.641.361.150**	**N/A**
Equity instruments	-	-	36.966.124	36.966.124
Debt instruments	355.829.350	355.723.099	740.900.134	739.793.576
Other assets	-	-	146.692.600	

The encumbered debt instruments consist of loaned securities and securities sold under repurchase agreements.

The guarantees received by the Luxembourg Division are broken down in the following table (median value in euros) depending on whether or not they are encumbered or likely to be so:

	31/12/2018 Fair value of collateral received	31/12/2018 Fair value of collateral received available for encumbrance	31/12/2017 Fair value of collateral received	31/12/2017 Fair value of collateral received available for encumbrance
Guarantees received by the reporting institution	**-**	**214.222.211**	**-**	**432.681.508**
Equity instruments	-	-	-	-
Debt instruments	-	198.158.988	-	432.681.508
Other guarantees received	-	-	-	-

The bonds available for encumbrance were obtained through reverse repurchase agreements and securities lending.

The carrying amount of liabilities that may result in additional charges on the assets and the carrying amount of the associated encumbered assets and guarantees are shown in the table below (median value in EUR):

	31/12/2018 Corresponding liabilities, contingent liabilities or loaned securities	31/12/2018 Encumbered assets, guarantees received	31/12/2017 Corresponding liabilities, contingent liabilities or loaned securities	31/12/2017 Encumbered assets, guarantees received
Carrying amount of selected financial liabilities	**195.158.145**	**194.483.901**	**455.955.387**	**450.300.162**

The adjusted liquidity gap is always calculated taking into account the ability to mobilise bond portfolios.

The tables below detail the liquidity gaps based on contractual (known or estimated) and undiscounted cash flows for financial assets and liabilities (in EUR):

Liquidity risk (continued)

31/12/2018 Financial assets	At sight	Up to three months	From three months to one year	From one to five years	more than five years	TOTAL
Loans and receivables from credit institutions [1]	1.194.522.261	128.499.359	20.100.829	-	-	1.343.122.449
Loans and receivables from customers	108.694.480	80.150.639	37.527.597	194.143.168	44.162.153	464.678.037
Bonds and other fixed income securities [2]	-	168.431.113	49.175.375	389.397.957	218.415.724	825.420.169
Derivatives	4.685.398	2.997.172.409	551.011.803	44.241.602	8.026.315	3.605.137.527
Unused credit lines	166.162.038	-	-	-	-	166.162.038
Total assets	**1.474.064.177**	**3.374.253.520**	**657.815.604**	**627.782.727**	**270.604.192**	**6.404.520.220**
Financial liabilities						
Deposits with credit institutions	50.048.674	17.783.570	-	-	-	67.832.244
Deposits to customers	2.220.236.676	128.077.851	5.146.417	1.883.718	-	2.355.344.662
Derivatives	4.606.188	2.998.394.797	550.625.991	41.966.959	9.423.101	3.605.017.036
Guarantees granted	-	26.312.456	-	-	-	26.312.456
Total liabilities	**2.274.891.538**	**3.170.568.674**	**555.772.408**	**43.850.677**	**9.423.101**	**6.054.506.398**
Liquidity gap	**-800.827.361**	**203.684.846**	**102.043.196**	**583.932.050**	**261.181.091**	**350.013.822**
Consideration of the repo capacity of the bond portfolio [2]	796.523.705	-148.426.450	-49.175.375	-380.506.156	-218.415.724	-
Corrected liquidity gap	**-4.303.656**	**55.258.396**	**52.867.821**	**203.425.894**	**42.765.367**	**350.013.822**

1 includes cash and balances with the central bank.

2 the majority of the EUR bonds in this table are considered to be quickly liquidatable via repurchase agreements.

Liquidity risk (continued)

31/12/2017 Financial assets	At sight	Up to three months	From three months to one year	From one to five years	more than five years	TOTAL
Loans and receivables from credit institutions [1]	1.812.590.923	17.307.344	20.097.355	-	-	1.849.995.622
Loans and receivables from customers	107.105.501	184.292.665	93.602.534	50.644.322	19.793.855	455.438.877
Bonds and other fixed income securities [2]	-	51.497.383	213.004.121	212.366.906	110.073.524	586.941.934
Derivatives	33.243.608	2.976.113.968	884.589.220	53.306.435	9.793.138	3.957.046.369
Unused credit lines	53.486.351	-	-	-	-	53.486.351
Total assets	**2.006.426.383**	**3.229.211.360**	**1.211.293.230**	**316.317.663**	**139.660.517**	**6.902.909.153**
Financial liabilities						
Deposits with credit institutions	27.190.172	29.796.468	-	-	-	56.986.640
Deposits to customers	2.487.112.052	88.278.265	32.026.076	1.868.262	-	2.609.284.655
Derivatives	33.343.962	2.982.598.422	887.526.590	51.466.995	8.095.960	3.963.031.929
Guarantees granted	-	35.465.980	-	-	-	35.465.980
Total liabilities	**2.547.646.186**	**3.136.139.135**	**919.552.666**	**53.335.257**	**8.095.960**	**6.664.769.204**
Liquidity gap	**-541.219.803**	**93.072.225**	**291.740.564**	**262.982.406**	**131.564.557**	**238.139.949**
Consideration of the repo capacity of the bond portfolio [2]	586.941.934	-51.497.383	-213.004.121	-212.366.906	-110.073.524	-
Corrected liquidity gap	**45.722.131**	**41.574.842**	**78.736.443**	**50.615.500**	**21.491.033**	**238.139.949**

1 includes cash and balances with the central bank.
2 the majority of the EUR bonds in this table are considered to be quickly liquidatable via repurchase agreements.

7.3 Market risk

7.3.1 Policy

Market risks are the risks of adverse changes in market factors (interest rates, share prices, exchange rates, etc.) affecting the value of the Luxembourg Division's proprietary positions.

Treasury, foreign exchange and bond trading activities are monitored daily using indicators such as Value-at-Risk (VaR), interest rate sensitivity, scenario analyses and, more simply, nominal volumes.

These activities are comparable to limits set by the Management Board within the framework dictated by the parent company and are characterised by small amounts of assets in relation to shareholders' equity.

Under Basel III, the calculation method was chosen based on the impact of a 200 basis point interest rate movement for interest rate risk and historical VaR (indicator measuring maximum loss with a 99% confidence interval and a one-day horizon) for currency risk. These indicators are used to calculate economic capital for interest rate and foreign exchange market risks.

7.3.2 Interest rate risk

Interest rate risk results from differences between the maturities or revaluation dates of on- and off-balance sheet assets and liabilities. This is the financial risk resulting from the impact of a change in interest rates on the interest margin and on the fair value of fixed income instruments.

This risk is monitored daily via the Value Basis Point (VBP) indicator, which only takes into account items that are sensitive to interest rate risk, regardless of maturity. This risk is managed on a monthly basis by the ALMAC using a standard defined in terms of duration gap. This standard was constructed on the basis of the maximum acceptable loss in the event of a 1% increase in interest rates, allocated by the Management Board of Banque Degroof Petercam S.A. to the Group's transformation activity and divided between Brussels and Luxembourg. This includes all balance sheet items and therefore all cash positions.

The limit on the maximum acceptable amount of loss as a result of a 1% movement in interest rates is set at EUR 8 million. This results in a VBP (Value per Basis Point) operational limit of EUR 100,000 which includes all interest rate positions and is monitored daily. The latter limit has not changed since 31 December 2018.

The following table shows the key figures relating to the exposure to interest rate risk (VBP in euros):

2018	**31/12/2018**	**Average**	**Minimum**	**Maximum**
Interest rate risk	60.271	72.041	21.461	88.385
2017	**31/12/2017**	**Average**	**Minimum**	**Maximum**
Interest rate risk	25.367	38.979	22.160	60.676

In addition, in accordance with Basel II, a stress test compares the loss that would be recorded in the event of a parallel increase in interest rates of 2% to shareholders' equity. The result of this test was 4.4% of useful equity at 31 December 2018 (2.9% in 2017).

Since 1 January 2018, the bank has decided to apply hedge accounting. The hedging instruments are Interest Rate Swaps (IRS).

At inception, the Bank documents all hedging relationships. Hedging documentation includes the identification of the obligation or credit, the nature of the risk being hedged, the hedging instrument used and the method used to assess the effectiveness of the hedge. The Bank also assesses on an ongoing basis whether hedging instruments effectively offset changes in the fair value of hedged items.

7.3.3 Foreign exchange risk

This mainly concerns the hedging and optimisation of the exchange rate risk generated by all the Bank's departments. Foreign exchange trading is prohibited.

The indicators used to monitor daily currency risk are:

- the limits set in terms of nominal value;
- historical VaR.

The table below shows the key figures relating to exposure to foreign exchange risk (total foreign exchange position in EUR):

2018		**31/12/2018**	**Average**	**Minimum**	**Maximum**
Foreign exchange risk	Nominal	1.112.134	978.788	326.568	2.904.095
2017		**31/12/2017**	**Average**	**Minimum**	**Maximum**
Foreign exchange risk	Nominal	558.528	780.694	247.981	1.980.689

The limits for currency risk have been set at nominal value.

Overnight limits in absolute values:

	Week	**Weekend**
Current currencies (limit by currency)	2,000,000	1,000,000
Exotic currencies (limit by currency)	250,000	250,000
Total all currencies combined	**3,000,000**	**2,000,000**

The limits have not changed since the 2017 financial year.

In addition, DPAS maintains a residual position of USD 0.8 million and in new Private Equity activity, the Bank had a position of CAD 4 million at 31/12/2018. These positions are not included in the exchange limits that govern the activities of the Financial Markets department. However, these positions are specifically monitored by the ALM Luxembourg Committee.

7.4 Credit risk

7.4.1 Definition

Credit risk is the risk of loss resulting from a counterparty (institutional, legal or private person, etc.) failing to meet its contractual obligations within the prescribed time limits. This risk is monitored on a daily basis.

With regard to counterparty limits, exposures are calculated on the basis of changes in market value, to which is added a coefficient ("add-on") reflecting the risk of future changes in market value, and compared with the limits granted by the Limits Committee.

As part of the entry into force of IFRS 9, the Bank now classifies each financial asset (which falls within the scope of the standard) on the basis of the extent of the increase in credit risk ("Significant Increase in Credit Risk", "SICR") since initial recognition and, based on this classification, calculates impairment losses for each financial asset based on a model of expected credit losses over the entire life of the asset in question ("Expected Credit Loss", "ECL"). When the expected recoveries are less than the Bank's exposure, an ECL is recorded.

In accordance with IFRS 9, credit risk is classified into three levels, also known as "phase" or "stage" (see Note 5.8.2). The table below details the carrying amount per stage as at 31 December 2018:

	Stage 1	Stage 2	Stage 3
Loans and receivables from credit institutions	100.00%	-	-
Loans and receivables from customers	91.20%	6.78%	2.02%
Debt instruments measured at fair value through other comprehensive income	100.00%	-	-
Debt instruments measured at amortised cost	100.00%	-	-
Contingent liabilities and commitments	98.29%	1.71%	-

Since the Bank never acquires portfolios of past due assets, all financial instruments are systematically classified in stage 1 at the time of initial recognition. As soon as an instrument meets at least one of the criteria to be considered as having suffered a significant deterioration in credit risk since its initial recognition (see below), this financial instrument is classified as stage 2. A financial asset goes into stage 3 when it is considered in default.

7.4.1 Models

The models used to assess the significant increase in credit risk under IFRS 9 are based on the following principles:

Bond portfolio and interbank deposits

- Using the low credit risk exception permitted by the accounting standard, instruments with an investment grade rating at the reporting date are systematically classified as stage 1. For other financial assets, the Bank assesses the relative evolution of credit risk by comparing the probability of default (PD) over the life of the instrument with the initial recognition with the PD at the reporting date (for an equivalent life). This assessment is carried out individually at the level of each exposure and at each reporting date.

- For non-investment grade instruments, there is a transition to stage 2 as soon as at least one of the following conditions is met: the PD is three times higher than the initial PD (or twice as high if the initial PD is above a certain level), the credit spread increases by more than 100%, a forborne measure (i.e. restructuring of an instrument following financial difficulties of the counterparty), a payment arrears of at least 30 days.
- A financial asset is transferred to stage 3 as soon as it meets one of the following conditions:
  - the Bank considers that the debtor is unlikely to pay;
  - the debtor has material arrears of more than 90 days.

  In this case, the financial asset is considered in default. This definition of default is also in line with the regulatory standards currently in force in the sector.
- Similarly, a return to a more favourable stage is provided for as soon as no conditions justifying a more unfavourable stage are fulfilled, provided, however, that the probationary periods are respected.

Loans to customers

The Bank has developed an internal rating model for customer loans. The changes to this internal rating determines the level of credit risk deterioration.

- At initial recognition, all credit exposures are classified as stage 1.
- A transition to stage 2 is carried out as soon as at least one of the following credit events is reported: a forborne measure and/or entry on the watch-list (decrease in the value of the borrower's assets, non-compliance with financial ratios for companies, bridge of a covenant, etc.) and/or a margin call (typically used in the context of "lombard" loans for which the securities portfolio is pledged) when the Bank considers that the credit guarantee is no longer sufficient, and/or a payment arrears of at least 30 days is reported.
- A transition to stage 3 takes place as soon as at least one of the following credit events is reported: the debtor is unlikely to pay and/or there is a payment arrears of at least 90 days.
- The Bank does not take into account the level of collateral provided in the categorisation of financial assets in stage 3: as soon as a loan meets at least one of the two conditions mentioned above, this financial asset is considered in default and is classified in stage 3, even if the valuation of the guarantees received exceeds the amount due to the Bank.
- Similarly, a return to a more favourable stage is provided for, as soon as the conditions can justify it and provided that the probation periods are respected.

Calculation of the ECL

The ECL calculation model is based on the following elements:

- The Bank does not have Basel PD and LGD models; it has opted for the standard approach for prudential purposes. For the purposes of the IFRS 9 accounting standard, PD and LGD models have therefore been developed within the Bank to perform ECL calculations (see Note 5.8.2.5).
- An estimate of expected credit losses based on a calculation approach: probability of default (PD) multiplied by loss in the event of default (LGD), this is therefore a collective approach for instruments in stages 1 and 2 with, however, for loans granted to customers, the consideration of the guarantee (if applicable) on an individual basis (for each loan). In stage 3, the estimation of ECLs is systematically carried out on an individual basis, using the discounted cash flow method.

- This PD x LGD approach is applied to each financial instrument and for each residual year. The maximum period taken into account for the calculation of the ECL is the maximum contractual period (including extensions). The lifetime ECL represents the sum of ECLs over the entire life of a financial asset, discounted at the effective interest rate. It is used for all financial instruments classified in stage 2 or higher. The 12-month ECL represents the portion of the ECL over the lifetime resulting from a defect within 12 months of the reporting date. It is used for instruments in stage 1.

- Risk parameters (in particular PD and LGD) are recalculated at the end of each year, on the basis of historical data, current and forward-looking elements.

- The result is established by probabilistic weighting, i.e. the Bank takes into account 3 different macroeconomic scenarios for the calculation of the ECL. A weighting is applied to each of these 3 scenarios. The baseline macroeconomic scenario represents the Bank's most likely future forecast. This scenario is also used for other internal and external needs.

7.4.3 Credit risk management

The amount of the Luxembourg Division's exposure to credit risk is represented by the carrying amount, net of value adjustments, of the assets, guarantees issued and unused confirmed credits granted to its clients.

The amount of the Luxembourg Division's exposure to credit risk on derivative financial instruments is represented by their overall replacement cost. To reduce credit risk on these transactions, the Luxembourg Division signed 100 CSA (Credit Support Annexes) contracts, 27 with banking counterparties and 73 with investment funds.

The tables below detail the Luxembourg Division's exposure to credit risk, calculated in accordance with Basel III regulations as at 31 December 2018 and 2017 (in EUR):

31/12/2018	Net value at risk	Final value at risk (*)	Risk-adjusted assets (**)
Total	**1.786.805.916**	**1.324.985.148**	**381.217.652**
Loans and receivables from credit institutions	241.984.669	148.692.780	41.947.872
Loans and receivables from customers	450.561.418	271.580.106	236.809.888
Debt instruments	851.289.191	851.289.191	58.503.523
Public issuers	*452.082.764*	*452.082.764*	*0*
Other issuers	*399.206.427*	*399.206.427*	*58.503.523*
Equity instruments	9.034.064	9.034.064	11.341.028
Contingent liabilities and commitments	192.470.514	13.367.649	11.989.371
Derivatives held for trading	41.466.060	31.021.358	20.625.970

31/12/2017	Net value at risk	Final value at risk (*)	Risk-adjusted assets (**)
Total	**1.512.659.795**	**1.117.415.988**	**399.887.697**
Loans and receivables from credit institutions	253.257.683	157.488.998	44.161.182
Loans and receivables from customers	455.942.216	260.178.953	238.683.724
Bonds and other fixed-income securities	602.895.875	592.900.554	27.040.197
Public issuers	*289.454.442*	*279.459.121*	*1.003.807*
Other issuers	*313.441.433*	*313.441.433*	*26.036.390*
Shares and other variable-income securities	43.737.769	43.737.769	43.737.769
Contingent liabilities and commitments	88.952.331	7.285.933	5.686.484
Derivatives held for trading	67.873.921	55.823.781	40.578.341

(*) The final value at risk takes into account credit risk mitigation techniques (mainly guarantees) as well as the off-balance sheet conversion factor.
(**) The amount of risk-adjusted assets corresponds to the final value at risk multiplied by the weighting associated with the counterparty to each exposure.

Credit risk management (continued)

A distinction can be made among three categories of credit:

a) the granting of limits for bank counterparties

The granting of interbank limits is centralised at Group level and is based on the granting and review of limits by the Limits Committee, which brings together, on a monthly basis, officials from Brussels and Luxembourg.

b) the granting of customer loans for non-bank counterparties

The Bank's willingness to take on credit risk is limited. The Bank will only consider lending to private individuals up to the equivalent amount of appropriate collateral. Corporate credit is reserved for first-class debtors.

c) the bond portfolio of the Luxembourg Division

The Bank's overall bond portfolio has undergone a complete overhaul and is now divided into two portfolios corresponding to two main categories. The first category includes public sector bonds, which include sovereign issuers, government agencies, government guaranteed bonds and bonds issued by supranational issuers. The second category includes private sector bonds, which in this case consist exclusively of covered bonds issued by the banking sector. A limit of EUR 425 million has been granted for this second category.

As at 31 December 2018, the "public sector" portfolio stood at EUR 504.6 million (2017: EUR 316.5 million). All issuers have an investment grade rating except for commercial papers and one regional issue (French Community of Belgium) which do not have a rating.

The outstanding amount of the "private sector" portfolio consisting exclusively of covered bonds amounted to EUR 320.8 million at 31 December 2018 (2017 : EUR 270.4 million). The average rating is AAA quality, but the portfolio includes two unhedged bank bond positions for EUR 20 million each with maturities of 18 January 2019 and 25 January 2020 respectively. These two positions were validated by the ALMAC committee in January 2018 and are included in the total amount of EUR 320.8 million.

7.4.4 Guarantees received as part of the customer loan portfolio

As at 31 December 2018, the guarantees relating to loans granted to customers break down as follows (in EUR):

Nature of the guarantee	Valuation value	Percentage
Bonds	52.621.595	4%
Cash	74.983.130	5%
Mortgages	168.213.879	11%
Other	195.986.419	13%
Shares	449.696.527	31%
Funds	531.490.740	36%
Total	**1.472.992.290**	**100%**

The majority of the guarantees thus consist of funds and shares, which represent 67% of the total guarantees. Other guarantees mainly consist of external guarantees in the form of cash and securities.

The Bank has put in place a methodology to assess the degree of liquidity of the various positions taken in the pledge base. As shown in the table below, 58% of the total guarantees in the form of cash and securities are valued as highly liquid with an impact in terms of weighting in the Bank's own funds of 0% (no haircuts applied).

Level of liquidity	Percentage
Level 1: Highly liquid guarantees	58%
Level 2: Medium-liquid guarantees	20%
Level 3: Illiquid guarantees	22%
Total	100%

7.4.5 Overdue credits

Overdue and unimpaired loans consist solely of loans and receivables granted to customers that are either in arrears or have been terminated. The amounts shown in the table below (in euros) correspond to amounts outstanding in the case of overdue receivables or the full amount of the loan (principal and interest) in the case of cancelled loans; the duration is the number of days since first unpaid due date or termination date respectively:

Overdue credits (continued)

	31/12/2018 Credits	31/12/2018 Guarantees(*)	31/12/2017 Credits	31/12/2017 Guarantees(*)
Less than three months	2.114.769	1.356.820	1.923.778	1.172.937
From three months to one year	503.355	7.911	309.464	22.982
From one to five years	229.956	-	14.311	-
More than five years	1.229	-	-	-
Total non-performing loans	**2.849.309**	**1.364.731**	**2.247.553**	**1.195.919**

(*) The amount of guarantees received is limited to the amount of loans covered. Guarantees include cash, securities and mortgages.

7.4.6 Derecognition (write-off)

The Bank only derecognises (writes off) on a case-by-case basis.

The Credit Committee decides on these derecognitions on a purely individual basis (for each loan), and taking into account various factors:

- whether or not the collateral can be realised within a normal period of time;
- the probability of recovering cash flows and the estimated time frame for any such recovery;
- the number of days since the last cash flow received;
- the status of the loan and/or the debtor;
- the duration (generally 5 years) from the date of the last impairment of the receivable concerned.

As at 31 December 2018, the Bank derecognised receivables in the amount of EUR 733,395 (2017: EUR 0) of which EUR 730,363 are denounced and fully impaired receivables.

7.4.7 Restructuring due to financial difficulties (forebearance)

In the event of the counterparty's financial difficulties, and in order to maximise the possibilities of recovery, the Bank may, in certain specific cases and under certain conditions, accept the restructuring of a financial instrument, which generally takes the form of an extension of the residual term of the loan or an extension or spread of certain contractual deadlines, without loss to the Bank.

As at 31 December 2018, the amount of loans renegotiated due to financial difficulties resulting in a restructuring or renegotiation of the terms and conditions of the contract was EUR 16,903,017 (2017: EUR 24,199,007).

As at 31 December 2018, impairments amounting to EUR 2,964,200 (2017: EUR 2,594,295) were recognised on these loans.

7.4.8 Geographic exposure

Geographically, the Luxembourg Division has no exposure to "emerging" countries and focuses its activity mainly on the European Union and certain OECD countries. The list of authorised countries is reviewed regularly.

The following table shows the geographical distribution of "public sector" portfolio bonds.

Belgium	45.70%
Italy	20.90%
Spain	12.00%
Supranational institutions	10.60%
France	7.50%
Germany	3.00%
Luxembourg	0.30%
Total	**100%**

The table below shows the geographical distribution of bonds in the "private sector" portfolio.

Belgium	49.10%
France	25.70%
Norway	6.80%
Canada	6.30%
Austria	6.20%
Netherlands	3.10%
Germany	2.80%
Total	**100%**

7.5 Asset management risk

Asset management risk is the financial risk resulting from a possible lack of consistency or excessive risk-taking in the management strategies pursued throughout the Luxembourg Division.

This risk is monitored within each entity by the respective control departments, as well as at the consolidated level, via aggregated data. The controls relate to compliance with the management constraints set by both the client and the Group's Management Board (in particular with regard to diversification, equity ratio and authorised management products and MiFID II constraints), as well as to performance monitoring. The consistency of controls and management principles across the various subsidiaries is ensured by the Risk Management department of the Banque Degroof Petercam S.A. Group.

7.6 Return on assets

The return on the Group's assets (in EUR) calculated by comparing the result for the year with the balance sheet total is as follows:

	31/12/2018	31/12/2017
Total assets	2.865.682.878	3.079.102.322
Income for the year	33.628.003	48.647.570
Return on assets ratio	**1.17%**	**1.58%**

7.7 Capital management

The main objective of the Luxembourg Division's capital management is to ensure that the Bank meets regulatory requirements and maintains a level of capitalisation consistent with the level of activity and the risks incurred.

Regulatory own funds calculated under the CRR/CRD IV package as at 31 December 2018 and 31 December 2017 (in euros) were as follows:

	31/12/2018	31/12/2017
Tier 1 capital	249.123.024	235.889.973
Total capital	**249.123.024**	**235.889.973**
Capital requirements	58.117.548	62.308.175
Ratio	**34.29%**	**30.29%**

The 2017 information has been reclassified to conform to the current year's presentation changes.

Once a year, the Luxembourg Division produces a report on the ICAAP (Internal Capital Adequacy Process) in accordance with the regulations in force. This report is approved by the Bank's Board of Directors and its Management Board. It certifies the adequacy of equity capital in relation to the risks incurred, even in crisis scenarios.

8. Scope of consolidation

Scope of consolidation

Name of the company	*Head-quarters*	*Proportion of share capital held as at 31 December 2018*	*Proportion of share capital held as at 31 December 2017*
Parent company:			
Banque Degroof Petercam Luxembourg S.A.	Luxembourg		
Fully-consolidated subsidiaries:			
Degroof Petercam Insurance Broker - Luxembourg S.A., (formerly D.S Lux), DPIB	Luxembourg	100.000%	100.000%
Degroof Petercam Asset Services S.A., (formerly Degroof Gestion Institutionnelle - Luxembourg), DPAS	Luxembourg	100.000%	99.950%
Promotion Partners S.A.	Luxembourg	100.000%	100.000%
Degroof Petercam Asset Management (HK) Limited	Hong Kong	-	91.840%
Immobilière Cristal Luxembourg S.A. , ICL	Luxembourg	100.000%	100.000%
Invest House S.A.	Luxembourg	-	100.000%
Heaven Services S.A.	Luxembourg	-	100.000%
3P(L) S.à r.l.	Luxembourg	100.000%	100.000%

Associated company included by the equity method:

Promotion 777 S.A.	Luxembourg	34.000%	34.000%
Stairway To Heaven S.A.	Luxembourg	48.000%	48.000%
Le Cloître S.A.	Luxembourg	33.600%	33.600%

On 12 July 2017, the company D.S. Lux S.A. changed its name to Degroof Petercam Insurance Broker S.A.

On 11 December 2017, the Bank, a 100% shareholder of Investment Company of Luxembourg S.A., approved the renaming of the company to “Immobilière Cristal Luxembourg S.A.” as well as a capital increase fully subscribed and paid up for an amount of EUR 96,392,000 in the form of a contribution in kind of the building owned by the Bank.

On 2 May 2018, Degroof Petercam Asset Management (HK) Limited was sold.

Heaven Services S.A. was liquidated as at 31 December 2018.

Invest House S.A. was liquidated on 27 December 2018.

In the context of UCITS V, and with a view to resolving issues of incompatibility of the management bodies involved, DPAS transformed, on 20 September 2017, its unitary governance structure into dualist governance, with a Supervisory Board and a Management Board.

On 19 September 2018, the Extraordinary General Meeting of DPAS and the Bank approved the contribution of an investment fund administration services business line held by the Bank to DPAS with effect from 1 October 2018.

Scope of consolidation (continued)

As part of a strategy to centralise the activities and restructure certain functions related to the administration of UCIs within the Degroof Petercam Group, the Bank, acting through its Belgian branch, transferred the activity of UCI Accounting Administration to DPAS with effect from 1 October 2018.

On 20 June 2018, Degroof Holding Luxembourg S.A. sold a share of Degroof Petercam Asset Services S.A. ("DPAS") for an amount of EUR 18,224.31 to the Bank. Since that date, the Bank has held 100% of DPAS.

Since 31 December 2015, the Bank has included the following associates in its consolidation scope: Promotion 777 S.A., Stairway To Heaven S.A., Seniorenresidenz Berdorf S.A. and Le Cloître S.A., which is held directly by Stairway To Heaven S.A. and indirectly by the Bank.
On 27 September 2017, Seniorenresidenz Berdorf S.A. was sold.

As at 31 December 2018, a limited number of companies had not been consolidated.

These companies are excluded from the scope of consolidation on the basis of the following criteria:

- the amount of equity capital;
- the non-material impact on the consolidated balance sheet;
- no business is conducted by the company;
- a company in liquidation that no longer has any effective activity;
- limited business and consolidation (after cancelling intra-group operations) would not have any impact (or very little) on the consolidated balance sheet.

Thanks to the cash on deposit in these books, the Bank bears very little risk. Cash flows are also limited by the activities of these companies.

All conditions as listed in the consolidation principles are met.

9. Annexes to the balance sheet

9.1 Cash and sight accounts with central banks

The breakdown of Cash and sight balances with central banks is as follows (in euros):

	31/12/2018	31/12/2017
Cash	462.828	600.085
Balances with central banks other than minimum reserves	1.100.698.626	1.542.418.007
Accrued interest	-142.000	-160.000
Expected credit losses	-2.245	-
Total	**1.101.017.209**	**1.542.858.092**

As at 31 December 2018 and 2017, the Bank fulfilled its obligations in terms of "mandatory reserves" with the Banque centrale du Luxembourg.

The following amounts included in cash and cash equivalents are as follows (in EUR):

	Notes (*)	31/12/2018	31/12/2017
Cash	9.1	462.828	600.085
Balances with central banks other than minimum reserves	9.1	1.100.698.626	1.542.418.007
Current accounts with credit institutions	9.8	93.508.502	103.613.463
Term loans with credit institutions	9.8	128.500.000	117.300.000
Overdrafts with credit institutions	9.17	-30.481.934	-12.832.921
Term deposits with credit institutions	9.17	-17.779.237	-29.786.257
Total		**1.274.908.785**	**1.721.312.377**

(*) the amounts in the table are based on the balances detailed in the notes indicated

The total amount of cash and cash equivalents includes:

- cash;
- balances with central banks excluding the amount of minimum reserves;
- institutions' debit and credit balances at sight, except for vostro and balances guaranteeing repurchase agreements or derivatives transactions;
- loans and deposits from credit institutions with an initial maturity of less than three months

9.2 Financial assets held for trading

As at 1 January 2018, certain interest rate swaps were designated as hedging items for debt instruments and reclassified as "Financial instrument hedges" (Note 9.3).

Financial assets held for trading consist of the following types (in EUR):

	31/12/2018	01/01/2018	31/12/2017
Derivatives held for trading	**82.413.930**	**47.770.051**	**47.916.833**
Debt instruments	**2.248.508**	**4.412.662**	**4.412.662**
Bonds from other issuers	2.248.508	4.412.662	4.412.662
Accrued interest	**666.881**	**445.834**	**375.235**
CVA/DVA	**-107.069**	**-13.904**	**0**
Total assets held for trading	**85.222.250**	**52.614.643**	**52.704.730**

The comparative information in the 2017 tables above on held-for-trading derivatives is reclassified to conform to changes in presentation in the current year.

The tables below show the breakdown of derivatives held for trading (in euros):

	31/12/2018 Carrying amount	31/12/2018 Notional value	01/01/2018 Carrying amount	01/01/2018 Notional value	31/12/2017 Carrying amount	31/12/2017 Notional value
Foreign exchange derivatives	**24.335.224**	**1.741.020.263**	**30.554.897**	**1.886.966.231**	**30.554.897**	**1.886.966.232**
over-the-counter						
Forward contracts	13.726.243	684.759.560	10.778.831	602.305.797	10.778.831	602.305.797
Exchange contracts	10.608.981	1.034.849.824	19.776.066	1.243.586.478	19.776.066	1.243.586.478
organised market						
Futures	-	21.410.879	-	41.073.956	-	41.073.957
Interest rate derivatives	**14.868.425**	**1.241.028.694**	**12.021.560**	**1.469.109.170**	**12.182.246**	**1.593.109.170**
over-the-counter						
Exchange contracts	14.868.425	927.097.983	12.021.560	1.013.301.059	12.182.246	1.137.301.059
organised market						
Futures	-	313.930.711	-	455.808.111	-	455.808.111
Equity derivatives	**43.210.281**	**461.332.303**	**5.193.594**	**1.333.535.892**	**5.193.594**	**1.333.535.892**
organised market						
Vested options	43.208.601	353.836.360	5.193.594	849.900.319	5.193.594	849.900.319
Futures	1.680	107.495.943	-	483.635.573	-	483.635.573
Total derivatives	**82.413.930**	**3.443.381.260**	**47.770.051**	**4.689.611.294**	**47.930.737**	**4.813.611.294**

Financial assets held for trading (continued)

The breakdown of fair values (excluding accrued interest), based on whether they are derived from a published market price or a valuation technique, is provided in Note 9.25.

9.3 Hedging of financial assets

To hedge the interest rate risk on certain debt instruments, the Bank has applied the hedge accounting provisions of IFRS 9 since 1 January 2018. Detailed information on hedged items, hedging instruments and hedge ineffectiveness is provided in Note 9 and the impacts of the implementation of the new IFRS 9 rules as at 1 January 2018 are provided in Note 6.

Financial instrument hedges consist of the following types (in EUR):

	31/12/2018 Carrying amount	31/12/2018 Notional value	01/01/2018 Carrying amount	01/01/2018 Notional value
Interest rate swaps	-7.889	15.000.000	160.686	124.000.000
Accrued interest	8.599		-70.599	
Total hedging instruments	**710**	**15.000.000**	**90.087**	**124.000.000**

9.4 Financial assets designated at fair value through profit and loss

As at 1 January, the obligations previously recognised in IAS 39 "Financial assets designated at fair value through profit or loss" have been reclassified to IFRS 9 portfolios (see Note 6).
Until the end of 2017, equity investments were designated at fair value through profit or loss at the acquisition date when they were economically hedged by an option structure, in accordance with a risk management strategy, in order to reduce the accounting mismatch that would otherwise result.

At the beginning of 2009, a bond portfolio was created to offset interbank deposit activity. Most of its component securities are government issues or are issued by financial institutions benefiting from government guarantees or are covered bonds. This portfolio is hedged using interest rate swaps and has been designated at fair value through profit and loss to avoid a mismatch resulting from different valuation methods.

Financial assets designated at fair value through profit and loss break down as follows (in euros):

	31/12/2017
Debt instruments	**418.236.866**
Treasury bills and government bonds	164.805.753
Bonds from other issuers	253.431.113
Accrued interest	**2.115.819**
Total financial assets designated at fair value through profit and loss	**420.352.685**

The breakdown of fair values, based on whether they are derived from a published market price or a valuation technique, is provided in Note 9.25.
The amounts of bonds lent are detailed in Note 9.26.

9.5 Financial assets held for purposes other than trading that must be measured at fair value through profit or loss

The reclassification of bonds recognised in the IAS 39 portfolios as at 31 December 2017 to the IFRS 9 portfolio "Financial assets held for purposes other than trading that must be measured at fair value through profit or loss" as at 1 January 2018 is detailed in Note 6.
The breakdown of FVTPL financial assets is as follows (in EUR):

	31/12/2018	01/01/2018
Equity instruments	**4.622.012**	**-**
Shares	4.622.012	-
Debt instruments	**22.329.226**	**65.143.693**
UCI units	22.329.226	39.913.693
Government bond	-	25.230.000
Accrued interest	**-**	**16.538**
Total financial assets held for purposes other than trading that must be measured at fair value through profit or loss	**26.951.238**	**65.160.231**

UCI units are classified as debt instruments because they do not meet the definition of equity instruments in IFRS 9.

In 2018, the Group confirmed its strategy of developing its commercial offer in private equity products. In this context, the Bank has undertaken to acquire on its own account positions in private equity funds promoted or structured by the Group, in support of its clients. As at 31 December 2018, the amount of shares included in the above table corresponds to subscriptions for the year, while the residual balance of commitments is detailed in Note 11.4.

9.6 Available-for-sale financial assets

As at 1 January, the bonds previously recognised under IAS 39 "Available-for-sale financial assets" have been reclassified to IFRS 9 portfolios (see Note 6).
Available-for-sale financial assets represent investments in fixed-income or variable-income securities, listed or unlisted, broken down by type as follows (in EUR)

	31/12/2017
Equity instruments	**43.589.276**
Shares	3.159.768
UCI units	40.429.508
Debt instruments	**119.809.770**
Treasury bills and government bonds	68.409.907
Bonds and certificates of deposit of other issuers	51.251.369
Other fixed income instruments	148.494
Accrued interest	**277.528**
Total available-for-sale financial assets	**163.676.574**

Available-for-sale financial assets are recorded at fair value. The breakdown of fair values (excluding accrued interest), based on whether they are derived from a published market price or a valuation technique, is provided in Note 9.25.

Impairment tests carried out as at 31 December 2018 did not reveal any impairment to be recorded on this portfolio recorded at fair value.

The amounts of bonds lent are detailed in Note 9.26.

The table showing the movements relating to the revaluation reserve is included in Note 9.7.

9.7 Financial assets measured at fair value through other comprehensive income

The reclassification of bonds recognised in the IAS 39 portfolios as at 31 December 2017 to the IFRS 9 portfolio "Financial assets measured at fair value through other comprehensive income" (FVOCI) as at 1 January 2018 is detailed in Note 6.

The breakdown of FVTPL financial assets is as follows (in EUR):

	31/12/2018	01/01/2018
Equity instruments	**4.420.137**	**6.106.591**
Shares	4.420.137	6.106.591
Debt instruments	**190.810.975**	**184.408.788**
Government bonds	130.122.835	107.904.925
Bonds from other issuers	60.688.140	76.503.863
Accrued interest	**828.499**	**1.601.721**
Total financial assets measured at fair value through other comprehensive income	**196.059.611**	**192.117.100**

FVOCI assets are recorded at fair value. The breakdown of fair values (excluding accrued interest), based on whether they are derived from a published market price or a valuation technique, is provided in Note 9.25.

Impairment tests carried out in accordance with IFRS 9 as at 1 January 2018 did not reveal any impairment to be recorded on this portfolio. Only expected credit losses classified in phase 1 (performing) were recognised in 2018; at 31 December 2018, the amount included in accumulated other comprehensive income was EUR 22,041.

Changes in fair value related to the interest rate risk on bonds designated as "hedged items" on 1 January 2018 are recognised in accumulated other comprehensive income in the amount of EUR 103,169. Detailed information on hedged items, hedging instruments and hedge ineffectiveness is provided in Note 9.28.

The amounts of bonds lent are detailed in Note 9.26.

Financial assets measured at fair value through other comprehensive income (continued)

The table below shows the movements relating to the revaluation reserve of the available-for-sale financial assets portfolio (in EUR):

IAS 39	Fixed income securities	Variable income securities	Total
Balance as at 31/12/2016	**430.891**	**54.051**	**484.942**
Increase (decrease) in unrealised gross revaluation gains - AFS portfolio	-402.294	3.593.373	**3.191.079**
Decrease (increase) in gross unrealised revaluation losses - AFS portfolio	368.281	-514.832	**-146.551**
Deferred taxes	28.480	-798.267	**-769.787**
Balance as at 31/12/2017	**425.358**	**2.334.325**	**2.759.683**
Increase (decrease) in unrealised gross revaluation gains - AFS/FVOCI portfolio	736.195	-3.596.993	**-2.860.798**
Decrease (increase) in gross unrealised revaluation losses - AFS/FVOCI portfolio	645	-	**645**
Deferred taxes	-184.860	935.578	**750.718**

IFRS 9	Debt instruments	Equity instruments	Total
Balance as at 01/01/2018	**977.338**	**-327.090**	**650.248**
Increase (decrease) in unrealised gross revaluation gains - FVOCI portfolio	-866.129	769.000	**-97.129**
Decrease (increase) in gross unrealised revaluation losses - FVOCI portfolio	-599.327	514.873	**-84.454**
Changes in fair value related to interest rate risk	-103.169	-	**-103.169**
Expected credit losses	22.041	-	**22.041**
Deferred taxes charged to shareholders' equity	401.390	-333.936	**67.454**
Deferred taxes charged to the income statement	-5.734	-	**-5.734**
Balance as at 31/12/2018	**-173.590**	**622.847**	**449.257**

9.8 Loans and receivables from credit institutions measured at amortised cost

Interbank loans and receivables are detailed as follows (in EUR):

	31/12/2018	31/12/2017
Current accounts	93.508.502	117.483.998
Term loans	48.500.000	37.300.000
Reverse repo transactions	100.000.000	100.000.000
Accrued interest	-23.073	-27.779
Carrying amount before impairment	**241.985.429**	**254.756.219**
Expected credit losses	-760	-
Total loans and receivables from credit institutions measured at amortised cost	**241.984.669**	**254.756.219**

Impairment tests carried out in accordance with IFRS 9 as at 1 January 2018 did not reveal any impairment to be recorded on interbank loans and receivables. Only expected credit losses classified in phase 1 (performing) were recorded in 2018.

9.9 Loans and receivables from customers measured at amortised cost

Loans and receivables from customers are as follows (in EUR):

	31/12/2018	01/01/2018	31/12/2017
Current account advances	118.166.324	61.208.471	61.208.471
Mortgage loans	28.423.616	58.560.122	58.560.122
Term loans (including Lombard loans)	320.263.067	345.993.160	345.993.160
Accrued interest	1.519.511	1.670.384	1.670.384
Carrying amount before impairment	**468.372.518**	**467.432.137**	**467.432.137**
Impairment losses in accordance with IAS 39	-	-	-12.988.457
Impairment losses in accordance with IFRS 9	-11.553.987	-12.897.352	-
Total loans and receivables from customers	**456.818.531**	**454.534.785**	**454.443.680**

During the last financial year, the Bank recorded write-downs on receivables for which it considered that it was not reasonably possible to recover all or part of the asset for a gross value of EUR 733,395.
These write-downs concern:

- 5 sub-funds of UCIs in liquidation whose debit balances had been provisioned since 2011. In the meantime, 3 sub-funds sold their positions in "liquid" securities and the credit and debit balances were offset on the liquidator's instructions before the balance sheet was derecognised, making it possible to record a net reversal of a provision for impairment.
- a loan repaid almost entirely during the last financial year by the realisation of the guarantee except for an amount of EUR 3,032.

Loans and receivables from customers measured at amortised cost (continued)

At 31 December 2017, impairments are based on two types of valuation: EUR 11,074,913 on the basis of individual valuations and EUR 1,913,544 on the basis of collective valuations.

The change in provisions for impairment on the basis of individual valuations is as follows (in EUR):

	31/12/2017
Balance at beginning of year	**7.541.348**
Allocations	3.656.131
Reversals	-111.835
Utilisation	-
Change in exchange rate	-10.731
Balance at the end of the year	**11.074.913**

The classification of IFRS 9 impairment losses according to the different levels and the related 2018 movements are as follows (in EUR):

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01/01/18	**-1.327.173**	**-495.266**	**-11.074.913**	**-12.897.352**
Increase due to new acquisitions or new loans	-141.782	-7.209	-	-148.991
Decrease due to refunds or sales	193.048	4.066	-	197.114
Modifications following changes in credit risk	666.343	461.390	-561.910	565.823
Decrease due to write-off	-	-	733.395	733.395
Exchange rate differences and other movements	5	-2	-3.979	-3.976
Balance at the end of the year	**-609.559**	**-37.021**	**-10.907.407**	**-11.553.987**

Stage 1: Financial instruments without a significant increase in credit risk since initial recognition
Stage 2: Financial instruments with a significant increase in credit risk since initial recognition
Stage 3: Impaired financial assets

Impairments classified as stage 1 in the amount of EUR 103 at 1 January 2018 are classified as stage 2 at 31 December 2018.

The impacts of the change in the impairment calculation model under IAS 39 / IFRS 9 as at 1 January 2018 are detailed in Note 6.

9.10 Holdings

Investments are recorded at cost.

On 3 November 2018, the Bank sold its stake in Degroof Holding Luxembourg S.A. to Banque Degroof Petercam S.A., at 31 December 2018, the gross value was EUR 0 (EUR 12,395 at 31 December 2017).

9.11 Held-to-maturity investments

As at 1 January, the bonds previously recognised in IAS 39 "Held-to-maturity investments" have been reclassified to IFRS 9 portfolios (see Note 6).

Held-to-maturity investments are broken down by type (in EUR) as follows:

	31/12/2017
Government bonds	40.116.120
Bonds from credit institutions	10.640.400
Premiums / discounts	-3.107.566
Accrued interest	435.822
Total held-to-maturity investments	**48.084.776**

No impairment has been recorded on held-to-maturity investments.

The amounts of bonds lent are detailed in Note 9.26.

9.12 Debt instruments measured at amortised cost

The reclassification of bonds recognised in the IAS 39 portfolios at 31 December 2017 to the IFRS 9 portfolio "Debt instruments measured at amortised cost" (AC) at 1 January 2018 is detailed in Note 6.
Impairment tests carried out in accordance with IFRS 9 as at 1 January 2018 did not reveal any impairment to be recorded on this portfolio.
Financial assets measured at amortised cost are broken down as follows (in EUR):

	31/12/2018	01/01/2018
Treasury bills and government and central bank bonds	279.273.862	73.215.525
Bonds from credit institutions	349.121.055	299.529.663
Premiums / discounts	265.878	-2.400.604
Changes in fair value related to interest rate risk	5.101.022	-
Accrued interest	1.318.843	1.199.334
Carrying amount before impairment	**635.080.660**	**371.543.918**
Expected credit losses	-56.393	-
Total financial assets measured at fair value through other comprehensive income	**635.024.267**	**371.543.918**

Changes in fair value related to interest rate risk on bonds designated on 1 January 2018 as "hedged items" and detailed information on hedged items, hedging instruments and hedge ineffectiveness are disclosed in Note 9.28.

The amounts of bonds lent are detailed in Note 9.26.

Impairment tests carried out in accordance with IFRS 9 as at 1 January 2018 did not reveal any impairment to be recognised on the portfolio measured at amortised cost. Only expected credit losses classified in phase 1 (performing) were recorded in 2018.

9.13 Property, plant and equipment

Property, plant and equipment can be broken down as follows (in euros):

	Land and buildings(*)	IT equipment	Office equipment	Other equipment	Total
Net carrying amount at 31/12/2017	**40.121.492**	**1.493.728**	**581.560**	**258.879**	**42.455.659**
Acquisition value	40.522.729	7.402.061	2.891.814	760.357	51.576.961
Accumulated depreciation and impairment	-401.237	-5.908.333	-2.310.254	-501.478	-9.121.302
Net carrying amount at 31/12/2018	**38.692.710**	**1.963.458**	**622.249**	**297.541**	**41.575.958**
Acquisition value	40.940.026	8.385.625	2.972.316	800.569	53.098.536
Accumulated depreciation and impairment	-2.247.316	-6.422.167	-2.350.067	-503.028	-11.522.578

(*) The acquisition cost of the land is EUR 10,248,042 for ICL and USD 225,000 for Promotion Partners S.A.

The change in the net carrying amount is explained as follows (in EUR):

	Land and buildings	IT equipment	Office equipment	Other equipment	Total
Closing balance as at 31/12/2016	**40.865.679**	**2.217.706**	**599.930**	**265.689**	**43.949.004**
Acquisitions	38.465.547	842.091	87.566	11.491	39.406.695
Disposals	-66.881.643	-1.945.265	-3.170	-190.838	-69.020.916
Amortisation/depreciation	-1.619.989	-596.169	-105.905	-18.134	-2.340.197
Reversal of depreciation/amortisation following disposals	29.542.803	975.791	3.170	190.838	30.712.602
Exchange difference	-250.905	-427	-31	-166	-251.529
Closing balance as at 31/12/2017	**40.121.492**	**1.493.727**	**581.560**	**258.880**	**42.455.659**
Changes in the scope of consolidation	-	-2.084	-164	-888	-3.136
Acquisitions	319.022	1.105.450	178.844	42.187	1.645.503
Disposals	-	-115.839	-98.001	-	-213.840
Amortisation/depreciation	-1.828.774	-581.440	-100.780	-2.636	-2.513.630
Reversal of depreciation/amortisation following disposals	-	63.642	60.789	-	124.431
Exchange difference	80.971	-	-	-	80.971
Closing balance as at 31/12/2018	**38.692.711**	**1.963.456**	**622.248**	**297.543**	**41.575.958**

The residual values of fully depreciated fixed assets are estimated at zero.

Land has an indefinite useful life and is therefore not depreciated.

9.14 Intangible assets

Intangible assets can be broken down as follows (in euros):

	Goodwill	Software	Total
Net carrying amount at 31/12/2017	**14.949.309**	**2.669.216**	**17.618.525**
Acquisition value	33.502.543	14.880.032	48.382.575
Accumulated amortisation	-17.526.234	-12.210.816	-29.737.050
Impairment	-1.027.000	-	-1.027.000
Net carrying amount at 31/12/2018	**8.941.249**	**3.702.279**	**12.643.528**
Acquisition value	17.304.615	16.630.819	33.935.434
Accumulated amortisation	-5.336.366	-12.928.540	-18.264.906
Impairment	-3.027.000	-	-3.027.000

The change in the net carrying amount is explained as follows (in EUR):

	Goodwill	Software	Total
Closing balance as at 31/12/2016	**19.276.817**	**1.238.347**	**20.515.164**
Acquisitions	-	2.093.501	2.093.501
Disposals	-19.698.040	-	-19.698.040
Amortisation/depreciation	-3.369.626	-662.632	-4.032.258
Reversal of depreciation/impairment following disposals	19.698.040	-	19.698.040
Impairment	-957.882	-	-957.882
Closing balance as at 31/12/2017	**14.949.309**	**2.669.216**	**17.618.525**
Acquisitions	-	1.750.788	1.750.788
Disposals	-16.197.928	-	-16.197.928
Amortisation/depreciation	-2.878.943	-717.724	-3.596.667
Reversal of depreciation/impairment following disposals	15.068.810	-	15.068.810
Impairment	-3.129.118	-	-3.129.118
Reversal of impairments following disposals	1.129.118	-	1.129.118
Closing balance as at 31/12/2018	**8.941.248**	**3.702.280**	**12.643.528**

In accordance with the accounting methods and principles described in Note 5.6, the Bank tests intangible assets for impairment at least at each balance sheet date or more frequently if there is any indication that an intangible asset may have declined in value.

The value in use has been used to estimate the value of business assets relating to the merger with Petercam (Luxembourg) S.A. concerning customer relations in the context of private banking and institutional management activities.

The Group did not perform any impairment tests of PIAM Luxembourg as no incident showed that business was declining.

The valuation performed for impairment tests is based on the same model as that used for the initial determination of the value of this goodwill. This model consists of a discounting of cash flows, based on projections of revenues generated by the management of client capital, over a finite period ending in 2026. The gradual attrition of the traditional discretionary private banking client base is assumed to be 10.8% per year, while the annual growth of the remaining managed capital is estimated at 3%. Cash flows are discounted at the capital cost after taxes of 7.6%. Depreciation of EUR 2,000,000 was recorded at 31 December 2018 (31 December 2017: EUR 0).

As for the other business assets, Degroof, Thierry, Portabella & Associés S.A., Bearbull (Luxembourg) S.A. and Banque Nagelmakers 1747 (Luxembourg) S.A., an impairment loss is recognised when the fair value of the assets under management initially included in the business assets and still present at the test date is lower than the carrying amount of the business assets.

At 31 December 2017, the goodwill of Banque Nagelmakers 1747 (Luxembourg) S.A. was fully impaired for a total amount of EUR 957,882.

This additional depreciation is the consequence:

1. of initial depreciation periods longer than the periods used for more recent goodwill;
2. of the tracking of customers, underlying assets and related income, which is very difficult to achieve mainly due to the movements (successions and donations, account transfers, etc.) that have occurred over the years in the accounts included in the initial scope.

As the carrying amount of these business assets became nil at 31 December 2017, they were removed from the balance sheet.
The same applies to the EUR 9,115,830 goodwill of Petercam (Luxembourg) S.A. included in the Bank's accounts in 2016 and already fully amortised at the beginning of the 2017 financial year.

As the carrying amount of these business assets became nil at 31 December 2017, they were removed from the balance sheet.

At 31 December 2018, the goodwill of Degroof Conseil Luxembourg S.A. was fully impaired for a total amount of EUR 1.129.118.

As the carrying amount of these business assets became nil at 31 December 2018, they were removed from the balance sheet.

The table below shows cumulative impairments recognised per goodwill item (in euros):

	31/12/2018	31/12/2017
Petercam (Luxembourg) S.A.	-3.027.000	-1.027.000
Total impairments	**-3.027.000**	**-1.027.000**

9.15 Holdings in associates accounted for by the equity method

On 31 December 2018, an amount of EUR 1,649,521 was included in "Other liabilities" (2017: EUR 1,339,837) (note 9.23) concerning other associates accounted for by the equity method:

	31/12/2018	31/12/2017
Promotion 777 S.A.	25.299	53.407
Stairway To Heaven S.A.	92	3.404
Le Cloître S.A.	-1.674.912	-1.396.648
	-1.649.521	**-1.339.837**

9.16 Other assets

The item "Other assets" includes the following elements (in EUR):

	31/12/2018	31/12/2017
Income receivable	*60.790.217*	*75.207.323*
Deferred charges	3.420.146	1.982.982
Tax advances	426.465	303.841
VAT	959.696	3.710.790
Other assets	2.788.383	934.051
Total other assets	**68.384.907**	**82.138.987**

Accrued income is mainly commissions receivable from investment funds. The heading "Tax advances" includes advances on taxes other than those on income and taxes to be recovered defined according to national provisions.

The Bank has opted to set up an Irrevocable Payment Commitment of 15% of the amount due to the Resolution Fund for the financial year. As at 31 December 2018, the receivable amounts to EUR 210,576 (31 December 2017 : EUR 97,945) and is recorded under "Deferred charges".

9.17 Financial liabilities held for trading

As at 1 January 2018, certain interest rate swaps were designated as hedging items for debt instruments and reclassified as "Financial liability hedges" (Note 9.18).

Financial liabilities held for trading comprise the following (in euros):

	31/12/2018	01/01/2018	31/12/2017
Derivatives held for trading	81.974.018	49.418.292	51.181.973
Debts related to short sales of financial assets	-	-	-
Accrued interest	1.260.684	2.568.051	3.575.916
CVA/DVA	-54.036	-5.895	-5.895
Total financial liabilities held for trading	**83.180.666**	**51.980.448**	**54.751.994**

Financial liabilities held for trading (continued

The comparative information in the 2017 table above on held-for-trading derivatives is reclassified to conform to changes in presentation in the current year.

The tables below show the breakdown of derivatives held for trading (in euros):

	31/12/2018 Carrying amount	31/12/2018 Notional value	01/01/2018 Carrying amount	01/01/2018 Notional value	31/12/2017 Carrying amount	31/12/2017 Notional value
Foreign exchange derivatives	**27.092.341**	**1.864.647.241**	**36.530.318**	**2.442.798.747**	**36.530.318**	**2.442.798.747**
over-the-counter						
Forward contracts	21.364.419	1.451.660.727	25.215.538	1.926.540.197	25.215.538	1.926.540.197
Exchange contracts	5.727.922	391.575.635	11.314.780	475.184.594	11.314.780	475.184.594
organised market						
Futures	-	21.410.879	-	41.073.956	-	41.073.956
Interest rate derivatives	**11.694.234**	**1.331.648.465**	**7.718.157**	**1.704.636.407**	**9.481.838**	**1.970.636.407**
over-the-counter						
Exchange contracts	11.694.234	1.017.728.639	7.718.157	1.248.828.296	9.481.838	1.514.828.296
organised market						
Futures	-	313.919.826	-	455.808.111	-	455.808.111
Equity derivatives	**43.208.601**	**461.332.303**	**5.193.596**	**1.333.535.891**	**5.193.596**	**1.333.535.891**
over-the-counter						
Options issued	-	-	-	-	-	-
organised market						
Options issued	43.208.601	353.836.360	5.193.596	849.900.318	5.193.596	849.900.318
Futures	-	107.495.943	-	483.635.573	-	483.635.573
Total derivatives	**81.995.176**	**3.657.628.009**	**49.442.071**	**5.480.971.046**	**51.205.752**	**5.746.971.046**

The breakdown of fair values (excluding accrued interest), based on whether they are derived from a published market price or a valuation technique, is provided in Note 9.25.

9.18 Financial liability hedges

To hedge the interest rate risk on certain debt instruments, the Bank has applied the hedge accounting provisions of IFRS 9 since 1 January 2018. Detailed information on hedged items, hedging instruments and hedge ineffectiveness is provided in Note 9.28 and the impacts of the implementation of the new IFRS 9 rules as at 1 January 2018 are provided in Note 6.

Financial liability hedges consist of the following types (in EUR):

	31/12/2018 Carrying amount	31/12/2018 Notional value	01/01/2018 Carrying amount	01/01/2018 Notional value
Interest rate swaps	4.817.588	402.500.000	1.763.681	266.000.000
Accrued interest	1.536.594		1.007.865	
Total financial liability hedges	**6.354.182**	**402.500.000**	**2.771.546**	**266.000.000**

9.19 Deposits with credit institutions

Interbank loans and receivables are detailed as follows (in EUR):

	31/12/2018	31/12/2017
Demand deposits	50.049.651	27.193.130
Term deposits	7.442.278	19.719.613
Repo transactions	10.336.959	10.066.644
Accrued interest	3.142	8.463
Total deposits with credit institutions	**67.832.030**	**56.987.850**

9.20 Deposits to customers

Deposits with customers are as follows (in EUR):

	31/12/2018	31/12/2017
Demand deposits	2.219.876.342	2.485.887.216
Term deposits	134.875.076	123.083.700
Accrued interest	228.099	-68.784
Total customer deposits	**2.354.979.517**	**2.608.902.132**

9.21 Provisions

Provisions are as follows (in euros):

	31/12/2018	01/01/2018	31/12/2017
Provision for restructuring	1.260.000	2.350.000	2.350.000
Provisions for disputes	798.992	132.180	132.180
Provisions for commitments and guarantees given	3.980	42	-
Total provisions	**2.062.972**	**2.482.222**	**2.482.180**

The provision for restructuring was recognised as a result of the reorganisation of activities brought about by the merger of the Degroof and Petercam groups which took effect on 1 April 2016 through the merger of the Luxembourg divisions. During the last financial year, this provision was used in the amount of EUR 1,090,000 (2017: EUR 1,434,908) and no provision has been recorded (2017: EUR 112,197).

Provisions for disputes are based on the best estimates available at the end of the financial year, taking into account the opinions of internal or external experts. In 2018 allocations were recorded for EUR 667,503 while in 2017 allocations were EUR 239,180 and EUR 107,000 were used.

As at 1 January 2018, IFRS 9 replaces the "incurred losses" model of IAS 39 with the "expected credit losses" model as described in Note 5.8.2 and Note 6. ECLs calculated on loan commitments given and financial guarantees issued are recorded under "Provisions for commitments and guarantees given".

9.22 Current and deferred tax liabilities

Tax liabilities are summarised as follows (in EUR):

	31/12/2018	01/01/2018	31/12/2017
Current taxes	19.360.161	20.034.382	20.125.612
Deferred taxes	3.743.623	5.430.075	6.171.612
Total current and deferred taxes	**23.103.784**	**25.464.457**	**26.297.224**

The impact on current taxes due to the implementation of the new IFRS 9 rules as described in Note 6 results from movements in the "Reserves and retained earnings" item, while the impact on deferred taxes results from changes in "Accumulated other comprehensive income".

Current and deferred tax liabilities (continued)

The change in deferred taxes is due to (in EUR):

	31/12/2018	01/01/2018	31/12/2017
Balance at beginning of year	**5.430.075**	**6.171.612**	**7.452.601**
Charge (Income) to profit and loss	-1.610.584	-	-1.824.410
Items directly charged to shareholders' equity	-67.454	-	769.787
Reclassification of current taxes	-	-	269
Changes in the scope of consolidation	-	-	-226.635
Reclassification and revaluation of financial instruments in accordance with IFRS 9 charged to equity	-8.414	-741.537	-
Balance at the end of the year	**3.743.623**	**5.430.075**	**6.171.612**

Deferred taxes are calculated on the following temporary differences (in EUR):

	31/12/2018	01/01/2018	31/12/2017
Property, plant and equipment, and intangible assets	2.602.969	4.663.165	4.663.165
Provisions	988.458	538.846	538.846
Available-for-sale financial assets	-	-	969.601
Financial assets measured at fair value through other comprehensive income	152.196	228.064	-
Deferred taxes	**3.743.623**	**5.430.075**	**6.171.612**

At 31 December 2018 and 2017, deferred taxes are calculated on the basis of the tax rate of 26.01% applicable at 1 January 2018.

9.23 Other liabilities

The item "Other liabilities" includes the following elements (in EUR):

	31/12/2018	31/12/2017
Payroll and social security liabilities	6.706.542	6.193.046
Accrued expenses	50.493.010	54.076.286
Deferred income	69.437	150.522
Other financial liabilities	3.619.092	4.704.794
Other liabilities	4.420.185	7.871.405
Associates accounted for by the equity method	1.649.521	1.339.837
Total other liabilities	**66.957.787**	**74.335.890**

The re-invoicing of support costs by Banque Degroof Petercam S.A. in the amount of EUR 5,952,217 (2017: EUR 0) is recorded in accrued expenses.

9.24 Equity

The table below shows the composition of equity (in euros):

	31/12/2018	01/01/2018	31/12/2017
Capital subscribed	37.000.000	37.000.000	37.000.000
Issue premium	40.356.000	40.356.000	40.356.000
Legal reserve	3.700.000	3.700.000	3.700.000
Reserve for wealth tax	37.370.949	38.675.174	38.675.174
Other reserves and retained earnings	108.707.731	83.915.936	84.175.456
Revaluation reserves	449.257	650.248	2.759.683
Profit or loss attributable to owners of the parent	33.628.003	48.647.570	48.647.570

Interim dividend payment	-	-	-
Non-controlling interests presented within shareholders' equity	-	31.169	31.169
Total	**261.211.940**	**252.976.097**	**255.345.052**

The Bank’s subscribed capital is represented by 740,000 shares, each with a par value of EUR 50.

The implementation of the new IFRS 9 rules as described in Note 6 had three effects on shareholders' equity:

- reclassifications from "Accumulated other comprehensive income” to "Other reserves and retained earnings” of EUR 2,118,396;
- increase of EUR 2,377,916 in "Other reserves and retained earnings";
- increase of EUR 17,154 in "Accumulated other comprehensive income".

Legal reserve

In accordance with the law on commercial companies, a levy of at least 5% is charged annually on net profits, which is allocated to the creation of a legal reserve until this reserve reaches 10% of the share capital. The legal reserve has reached 10% of the share capital.

Wealth tax reserve

In accordance with paragraph 8a of the law on wealth tax, the Bank deducts the wealth tax due for the year from the amount of the wealth tax. To this end, the Bank’s general meeting of shareholders allocates to a non-distributable reserve an amount corresponding to five times the amount of the wealth tax allocated.

Cumulative other comprehensive income

Accumulated other comprehensive income includes net unrealised gains and losses on financial assets measured at fair value through accumulated other comprehensive income (IAS 39: Available-for-sale financial assets) (see Notes 9.6 and 9.7). In accordance with CSSF Regulation No. 14-02, unrealised income net of tax included in revaluation reserves will be charged to a non-distributable reserve.

Shareholders' equity (continued)

Other reserves and retained earnings

Other reserves and retained earnings include the impact of the transition to IFRS for an amount of EUR 16,594,740 as well as the result related to the incentive plan set up within the Group. The cumulative amount related to the profit-sharing plan of EUR 4,548,143 included in other reserves did not change from one financial year to the next, whereas income of EUR 150,784 was recorded for the year ended 31 December 2017.
As at 31 December 2018, the cumulative amount related to the incentive plan included in other reserves amounts to EUR 4,548,143 (2017: EUR 4.548.143).

Other reserves also include goodwill of EUR 73,025,963 recorded in 2016 following the integration of Petercam (Luxembourg) S.A. and the reclassification of the profit and loss account to reserves of gains realised by Petercam (Luxembourg) S.A. at the time of the sale of PIAM Luxembourg to DPAS for EUR 7,547,663.

In accordance with CSSF Regulation No. 14-02, the unrealised income net of tax on securities in the portfolio "financial assets designated at fair value through profit or loss" included in the profit or loss carried forward for the 2017 financial year was charged to a non-distributable reserve in the amount of EUR 883,165 (2017 : EUR 4,086,726) while the amounts unrealised for the financial year 2016 and realised in 2017 were reversed for an amount of EUR 3,643,265 (2016: EUR 0).

Dividends

When approving the distribution of the 2017 profit, the general meeting of 15 May 2018 decided to pay dividends of EUR 25,160,000 (in 2017 EUR 25,900,000).

9.25 Fair value of financial instruments

The carrying amount and fair value of financial instruments are shown, by financial instrument category, in the table below (in euros):

Fair value of financial instruments (continued)

	31/12/2018 Carrying amount	31/12/2018 Fair value	01/01/2018 Carrying amount	01/01/2018 Fair value	31/12/2017 Carrying amount	31/12/2017 Fair value
Financial assets						
Cash and balances with central banks	1.101.017.209	1.101.017.209	1.542.858.092	1.542.858.092	1.542.858.092	1.542.858.092
Financial assets held for trading	85.222.250	85.222.250	52.614.643	52.614.643	52.704.730	52.704.730
Hedging of financial assets	710	710	90.087	90.087	-	-
Financial assets designated at fair value through profit and loss	-	-	-	-	420.352.685	420.352.685
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	26.951.238	26.951.238	65.160.231	65.160.231	-	-
Available-for-sale financial assets	-	-	-	-	163.676.574	163.676.574
Financial assets measured at fair value through other comprehensive income	196.059.611	196.059.611	192.117.100	192.117.100	-	-
Loans and receivables from credit institutions measured at amortised cost	241.984.669	242.104.508	254.756.219	254.650.652	254.756.219	254.650.652
Loans and receivables from customers measured at amortised cost	456.818.531	464.084.417	454.534.785	449.778.901	454.443.680	449.687.796
Held-to-maturity investments	-	-	-	-	48.084.776	48.626.824
Debt instruments measured at amortised cost	635.024.267	638.735.874	371.543.919	375.287.438	-	-
Total	**2.743.078.485**	**2.754.175.817**	**2.933.675.076**	**2.932.557.144**	**2.936.876.756**	**2.932.557.353**
Financial liabilities						
Financial liabilities held for trading	83.180.666	83.180.666	51.980.448	51.980.448	54.751.994	54.751.994
Financial liability hedges	6.354.182	6.354.182	2.771.546	2.771.546	-	-
Deposits from credit institutions	67.832.030	67.832.244	56.987.850	56.986.640	56.987.850	56.986.640
Customer deposits	2.354.979.517	2.355.344.662	2.608.902.132	2.609.284.655	2.608.902.132	2.609.284.655
Total	**2.512.346.395**	**2.512.711.754**	**2.720.641.976**	**2.721.023.289**	**2.720.641.976**	**2.721.023.289**

Fair value of financial instruments (continued)

The fair value of financial instruments includes accrued interest.

For financial instruments that are not measured at fair value in the financial statements, the following methods and assumptions are used to determine the fair value of instruments that are not quoted in an active market:

- the carrying amount of short-term financial instruments or financial instruments with no fixed maturity, such as current accounts, is a reasonable approximation of fair value.
- other loans and borrowings are revalued by discounting their future cash flows, based on market interest rate curves at the balance sheet date.

The fair value of financial instruments is determined using the methods described in Chapter 5.3.9 "Fair value of financial instruments".

The classification of financial instruments according to the fair value hierarchy is based on criteria such as the measurement of a market's liquidity level, the average volumes of transactions recorded and the frequency of valuations.

Financial instruments are classified into one of the following three categories:

- Level 1 includes valuations based on prices published in active markets. No valuation models or techniques are used.
- Level 2, which relies on valuation models and techniques using observable parameters on an active market.
- Valuations based on unobservable inputs, outside an active market, are classified in level 3.

The following tables show the classification of fair values (excluding accrued interest) according to valuation category (in EUR):

31/12/2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivatives held for trading	43.208.601	39.098.260	-	82.306.861
Other financial assets held for trading	498.292	1.750.216	-	2.248.508
Hedging derivatives	-	-7.889	-	-7.889
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	20.765.490	-	6.185.748	26.951.238
Financial assets measured at fair value through other comprehensive income	170.792.777	20.018.326	4.420.009	195.231.112
Total	**235.265.160**	**60.858.913**	**10.605.757**	**306.729.830**
Financial liabilities measured at fair value				
Derivatives	43.187.443	38.732.539	-	81.919.982
Hedging derivatives	-	4.817.588	-	4.817.588
Total	**43.187.443**	**43.550.127**	**-**	**86.737.570**

Fair value of financial instruments (continued)

01/01/2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivatives held for trading	5.193.594	42.562.553	-	47.756.147
Other financial assets held for trading	357.442	4.055.220	-	4.412.662
Hedging derivatives	-	160.686	-	160.686
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	39.873.735	25.230.000	39.958	65.143.693
Financial assets measured at fair value through other comprehensive income	138.172.933	49.206.310	3.136.136	190.515.379
Total	**183.597.704**	**121.214.769**	**3.176.094**	**307.988.567**
Financial liabilities measured at fair value				
Derivatives	5.193.596	44.218.801	-	49.412.397
Hedging derivatives	-	1.763.681	-	1.763.681
Total	**5.193.596**	**45.982.482**	**-**	**51.176.078**

31/12/2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivatives	5.193.594	42.723.239	-	47.916.833
Other financial assets held for trading	357.442	4.055.220	-	4.412.662
Financial assets designated at fair value through profit and loss	335.053.528	83.183.338	-	418.236.866
Available-for-sale financial assets	94.426.420	65.796.532	3.176.094	163.399.046
Total	**435.030.984**	**195.758.329**	**3.176.094**	**633.965.407**
Financial liabilities measured at fair value				
Derivatives	5.193.596	45.982.482	-	51.176.078
Total	**5.193.596**	**45.982.482**	**-**	**51.176.078**

During the last financial year, two bonds were reclassified from level one to level two and one bond from level two to level one for amounts of EUR 33,300,297 and EUR 10,092,432, respectively following the change in the method used to determine the various levels, a security included in level 1 at 31 December 2016 was reclassified to level 2 at 31 December 2017 in the amount of EUR 25,246,538 and a security included in level 3 at 31 December 2016 was reclassified to level 1 at 31 December 2017 in the amount of EUR 2.

As at 31 December 2018 and 2017, the securities classified at level three are all variable-income securities. As at 31 December 2017, they are recorded in the "Available-for-sale financial assets" (AFS) portfolio and are mainly measured on the basis of shareholders' equity and mainly include unlisted shares. As at 1 January 2018, the majority of the securities were reclassified to the "Financial assets measured at fair value through other comprehensive income" (FVOCI) portfolio and the remainder to the "Financial assets held for purposes other than trading required to be measured at fair value through profit or loss" (FVTPL) portfolio. The majority of the FVTPL shares acquired in 2018 relate to the private equity business.

Fair value of financial instruments (continued)

The following table shows the movements relating to the carrying amount of available-for-sale financial assets included in level 3 (in EUR):

	FVTPL Portfolio	AFS / FVOCI Portfolio	Total
Closing balance as at 31/12/2016	**-**	**199.007**	**199.007**
Level changes			
transfer level 3 to level 1	-	-2	-2
Purchase	-	3.535.000	3.535.000
Sale	-	-23.307	-23.307
Dissolution	-	-31.000	-31.000
Revaluation of securities	-	-503.604	-503.604
Closing balance as at 31/12/2017	**-**	**3.176.094**	**3.176.094**
IFRS 9 Reclassifications	39.958	-39.958	
Purchase	5.649.341	-	5.649.341
Revaluation of securities	496.449	1.283.873	1.780.322
Closing balance as at 31/12/2018	**6.185.748**	**4.420.009**	**10.605.757**

The following table shows the movements relating to the carrying amount of available-for-sale financial assets included in level 3 (in EUR):

	31/12/2018	31/12/2017
Net gains or losses on financial instruments that are not measured at fair value through profit or loss - AFS	-	587.926
Net gains or losses on financial instruments that must be measured at fair value through profit or loss - FVTPL	496.449	-
Tax on income for the financial year	-129.126	-159.210
Effect on profit(loss) for the financial year	**367.323**	**428.716**
IFRS 9 Reclassifications	-17.481	-
Fair value revaluation - AFS / FVOCI	1.283.873	-503.604
Taxes charged directly to reserves	-329.389	130.987
Effect on other components of comprehensive income	**937.003**	**-372.617**
Effect on total comprehensive income	**1.304.326**	**56.099**

9.26 Financial assets transferred

Financial assets transferred at 31 December 2018 and 2017 but which remain fully recognised consist solely of debt instruments.
As at 31 December 2018, repurchase agreements with reverse repurchase agreements relate to bonds in the "Financial assets at fair value through other comprehensive income" portfolio, while as at 31 December 2017, bonds were recognised in the "Financial assets at fair value through profit or loss" portfolio; the associated liabilities are amounts recorded under "Deposits from credit institutions". The carrying amount and fair value of these assets and liabilities are shown in the following table (in EUR):

Repos	31/12/2018 Carrying amount	31/12/2018 Fair value	31/12/2017 Carrying amount	31/12/2017 Fair value
Financial assets transferred	10.324.393	10.324.393	10.040.549	10.040.549
Associated financial liabilities	10.336.500	10.336.700	10.066.308	10.066.849
Net position		**-12.307**		**-26.300**

The amounts of bonds lent in the securities lending activity are detailed by asset category in the following table (in EUR):

Securities lending	31/12/2018 Carrying amount	31/12/2018 Fair value	31/12/2017 Carrying amount	31/12/2017 Fair value
Financial assets designated at fair value through profit and loss	-	-	35.127.702	35.127.702
Available-for-sale financial assets	-	-	15.202.774	15.202.774
Financial assets measured at fair value through other comprehensive income	87.643.982	87.643.982	-	-
Held-to-maturity investments	-	-	2.965.119	3.007.513
Debt instruments measured at amortised cost	58.767.587	59.110.984	-	-
Total financial assets transferred	**146.411.569**	**146.754.966**	**53.295.595**	**53.337.989**

9.27 Offsetting financial assets and liabilities

The Luxembourg Division does not practice accounting clearing but has signed "master netting agreements" with certain counterparties, such as:

- “ISDA Master Agreement” for OTC derivative transactions;
- "Global master repurchase agreements" for repurchase and reverse repurchase transactions;
- "Global master securities lending agreements" for securities lending transactions.

The assets given or received as collateral related to these financial transactions may be as follows:

- cash and securities for repurchase and reverse repurchase transactions as well as for OTC derivative transactions for which the Bank has signed a credit support annex contract complementary to the ISDA contract;
- securities for securities lending transactions.

The table below sets out the financial assets subject to offsetting covered by an enforceable offsetting master agreement or a similar agreement (in euros). Securities guarantees are reported at their valuation value.

Offsetting financial assets and liabilities (continued)

	Financial assets subject to offsetting			Offsetting potential		
	Amount before compensation	Balance sheet compensation with financial intermediaries	Net amount recognised	Financial liabilities	Collateral received	Net amount after taking account of offsetting potential
31/12/2018						
Derivatives	39.292.325	-	39.292.325	-28.454.235	-10.838.091	-
Reverse repos	99.975.833	-	99.975.833	-	-99.975.833	-
Securities lending	146.411.569	-	146.411.569	-	-146.411.569	-
Total	**285.679.727**	**-**	**-**	**-28.454.235**	**-246.387.402**	**-**
31/12/2017						
Derivatives	42.841.790	-	42.841.790	-29.791.300	-12.719.055	331.435
Reverse repos	99.972.778	-	99.972.778	-	-99.972.778	-
Securities lending	53.295.595	-	53.295.595	-	-53.071.257	224.338
Total	**196.110.163**	**-**	**196.110.163**	**-29.791.300**	**-165.763.090**	**555.773**

	Financial liabilities subject to offsetting			Offsetting potential		
	Amount before compen-sation	Balance sheet compensation with financial interme-diaries	Net amount recognised	Financial assets	Collateral provided	Net amount after taking account of offsetting potential
31/12/2018						
Derivatives	46.236.823	-	46.236.823	-28.454.235	-17.782.589	-
Repos	10.336.500	-	10.336.500	-	-10.324.393	12.107
Total	**56.573.323**	**-**	**56.573.323**	**-28.454.235**	**-28.106.982**	**12.107**
31/12/2017						
Derivatives	48.925.504	-	48.925.504	-29.791.300	-19.134.204	-
Repos	10.066.308	-	10.066.308	-	-10.040.549	25.759
Total	**58.991.812**	**-**	**58.991.812**	**-29.791.300**	**-29.174.753**	**25.759**

9.28 Hedge accounting – Fair value hedge of interest rate risk

The Bank's exposure to market risks (including interest rate risk) and its approach to managing these risks are discussed in Chapter 7 "Risk Management". In accordance with the management strategy in place, the Bank enters into interest rate swap agreements to hedge the interest rate risk on fixed-rate bonds using a reference interest rate (mainly Euribor). The reference rate is a component of interest rate risk that can be reliably observed and measured. Hedge accounting is used when economic hedging relationships meet the criteria for hedge accounting. When the Bank wishes to protect itself against changes in fair value related to interest rate risk when purchasing a bond, it enters into an interest rate swap agreement whose essential characteristics correspond perfectly or almost perfectly to those of the security. The Bank prospectively assesses the effectiveness of the hedge by comparing changes in the fair value of the investment in acquired securities resulting from changes in the benchmark interest rate with changes in the fair value of the interest rate swaps used to hedge the exposure. The hedging ratio is determined by comparing the notional amount of the derivative with the principal amount of the purchased bond. The Bank has identified the following main sources of inefficiency:

- the effect of counterparty credit risk and the Bank's credit quality on the fair value of the interest rate swap, which is not reflected in changes in the fair value of the hedged item due to changes in interest rates;
- differences in the timing of settlement of hedging instruments and hedged items: due to the micro hedge structures created before the implementation of hedge accounting in accordance with IFRS 9, the interest rate swap contracts already had an existing value as at 31 December 2017, unlike the benchmark bonds created on 1 January 2018, which results in a source of inefficiency. To compare the impact of changes in the fair value of swaps with that of benchmark bonds since the introduction of IFRS 9, the value of swaps is smoothed over its residual term. "Smoothing" is the market value of the hedging instrument (interest rate swap) at 31 December 2017 amortised between that date and the reporting date.

No other sources of ineffectiveness have been identified in these hedging relationships.

As at 31 December 2018, the nominal amounts and weighted average fixed interest rates of the IRS held as fair value hedges of interest rate risk are broken down as follows by residual maturity (in EUR):

	Less than 3 months	From 3 months to 1 year	From 1 to 5 years old	More than 5 years
Notional value	67.500.000	24.000.000	109.000.000	217.000.000
Weighted average fixed interest rate	1.06%	-0.03%	0.20%	0.66%

Hedge accounting – Fair value hedge of interest rate risk (continued)

The following tables detail the hedged items, hedging instruments and hedging ineffectiveness (in EUR):

Derivative instrument hedges	Notional value 31/12/2018	Carrying amount		Changes in fair value used to calculate hedge ineffectiveness 31/12/2018	Ineffective-ness of the hedge recognized in income (*) 31/12/2018	Carrying amount	
		Assets 31/12/2018	Liabilities 31/12/2018			Assets 01/01/2018	Liabilities 01/01/2018
IRS	417.500.000	710	6.354.182	-3.827.615	473.129	90.087	2.771.546
Total	**417.500.000**	**710**	**6.354.182**	**-3.827.615**	**473.129**	**90.087**	**2.771.546**

(*) After smoothing the market value of the hedging instrument as at 31 December 2017: estimated depreciation of EUR 903,447.

Assets designated as hedged items	Carrying amount 31/12/2018	Accumulated fair value adjustments of the hedged item included in the carrying amount 31/12/2018	Changes in fair value used to calculate hedge ineffectiveness 31/12/2018	Residual adjustment following the discontinuation of hedge accounting 31/12/2018	Carrying amount 01/01/2018
Debt instruments measured at amortised cost	381.811.232	5.101.022	5.101.022	-	-
Debt instruments measured at fair value through other comprehensive income	40.975.823	103.169	103.169	-	-
Total	**422.787.055**	**5.204.191**	**5.204.191**	**-**	**-**

10. Notes to the income statement

10.2 Interest income and expenses

Details of interest income and expenses by type of financial instrument generating interest income are as follows (in EUR):

	31/12/2018	31/12/2017
Interest income	**87.019.905**	**67.232.832**
Financial assets held for trading	72.802.835	48.061.352
Financial instrument hedges	19.500	
Financial assets designated at fair value through profit and loss	-	8.897.285
Available-for-sale financial assets	-	138.903
Financial assets measured at fair value through other comprehensive income	572.034	
Loans and receivables from credit institutions measured at amortised cost	474.786	129.408
Loans and receivables from customers measured at amortised cost	6.632.264	6.324.614
Held-to-maturity investments	-	542.048
Debt instruments measured at amortised cost	3.100.881	
Interest income on liabilities	3.417.605	3.139.222
Interest expenses	**-73.762.819**	**-56.347.433**
Financial liabilities held for trading	-58.339.498	-49.131.174
Financial instrument hedges	-3.095.633	
Amounts owed to credit institutions	-502.440	-438.961
Amounts owed to customers	-5.948.041	-2.505.926
Interest expense on assets - Central banks	-4.899.397	-3.919.312
Interest expense on assets - other	-977.810	-352.060
Net interest margin	**13.257.086**	**10.885.399**

The comparative information in the above table for 2017 is reclassified to conform to the changes in presentation for the current year: interest received and paid on financial instruments with negative interest is included in the "Interest income and expense" caption in the 2018 financial statements, whereas it was presented in "Other net operating income" in the 2017 financial statements.
Interest income on liabilities mainly concerns customer deposits and interest expenses on other assets, debt instruments.

10.3 Dividend income

Dividend income by category of financial assets is detailed below (in EUR):

	31/12/2018	31/12/2017
Financial assets designated at fair value through profit and loss	-	1.050.050
Available-for-sale financial assets	-	555
Financial assets designated at fair value through comprehensive income	1	-
Holdings	37.291	-
Total	**37.292**	**1.050.605**

10.4 Commissions received and paid

The commissions received and paid are distributed on the basis of the following services (in EUR):

	31/12/2018	31/12/2017
Commissions received	**294.712.592**	**292.752.394**
Investment fund activities - Custodian bank	13.020.465	10.704.941
Investment fund activities - Central government	2.440.189	5.595.098
Investment fund activities - Other	227.775.192	228.668.920
Asset management	7.348.568	6.709.469
Brokerage services	12.545.531	12.593.284
Securities-related activities (other than custody fees)	16.892.507	16.178.263
Custodian fees	10.348.669	8.659.376
Other	4.341.471	3.643.043
Commissions paid	**-195.833.302**	**-192.705.420**
Investment fund activities - Central government	-1.712.553	-2.052.681
Investment fund activities - Other	-171.159.939	-169.355.799
Brokerage services	-9.341.992	-9.306.424
Securities-related activities (other than custody fees)	-8.908.476	-6.279.483
Custodian fees	-3.424.264	-2.840.907
Other	-1.286.078	-2.870.126
Net fees & commissions	**98.879.290**	**100.046.974**

The item "Investment fund activities - Other" mainly includes distribution and management fees.

10.5 Gains or losses on financial instruments held for trading, net

The table below breaks down the gains and losses on held-for-trading financial instruments by type of financial instrument (in euros):

	31/12/2018	31/12/2017
Equity instruments and related derivatives	-34.954	-1.150.728
Interest rate instruments and associated derivatives	-250.979	5.520.144
Foreign exchange transactions	6.378.171	6.530.159
Total	**6.092.238**	**10.899.575**

All interest received and paid on financial instruments is recorded in interest income. The above-mentioned gains and losses include the revaluation to fair value of these financial instruments as well as the realised results.

10.5 Net gains or losses on financial instruments designated at fair value through profit or loss

The results on financial instruments designated at fair value through profit or loss are broken down as follows by type of financial instrument (in EUR):

	31/12/2017
Equity instruments	89.034
Interest rate instruments	-34.946
Total	**54.088**

The above-mentioned gains and losses include the revaluation to fair value of these financial instruments as well as the realised results.

10.6 Net gains or losses on financial instruments that must be measured at fair value through profit or loss

The results on financial instruments designated at fair value through profit or loss are broken down as follows by type of financial instrument (in EUR):

	31/12/2018
Equity instruments	246.522
Debt instruments - UCI units	-8.685.245
Other debt instruments	-53.734
Total	**-8.492.457**

Equity instruments relate to private equity funds.

Net gains or losses on financial instruments that must be measured at fair value through profit or loss (continued)

As at 31 December 2017, units of UCIs were measured at fair value through comprehensive income. As at 1 January 2018, they were reclassified as debt instruments in accordance with IFRS 9 because they do not meet the definition of equity instruments and are required to be measured at fair value through profit or loss because they did not pass the SPPI tests (see note 6). The losses recorded on these UCI units relate to supporting positions that were strongly impacted by the decline in the markets at the end of the financial year.

10.7 Net gains or losses on financial instruments not measured at fair value through profit or loss

As at 31 December 2018 and 2017, the total amount of the item was generated by financial assets measured at fair value through other comprehensive income and available-for-sale financial assets, respectively.

All interest received and paid on financial instruments is recorded in interest income. The revaluation at fair value is recognised in shareholders' equity in accumulated other comprehensive income. Only realised results related to these instruments are included in this item.

10.8 Net income from hedge accounting

Gains and losses on hedging instruments break down as follows (in EUR):

	31/12/2018
Net gains (losses) on hedged financial instruments for the portion attributable to interest rate risk	5.204.191
Net gains (losses) on hedging derivatives	3.190.233
Total	**2.013.958**

Net income on the hedged financial instruments for the portion attributable to interest rate risk includes only the change in fair value related to the interest rate risk of the bonds designated as hedged items at 1 January 2018. Interest on hedged financial instruments is recognised in interest income and expenses.

Realised gains and losses on hedged bonds measured at amortised cost or at fair value through other comprehensive income are recognised in "Net gain or loss on financial instruments not measured at fair value through profit or loss".

Net income on hedging instruments (continued)

Net income on interest rate swaps designated as hedging items includes revaluation results and realised results; interest is recognised in interest income and expenses.

10.9 Other net operating income

Other net operating income breaks down as follows (in EUR):

	31/12/2018	31/12/2017
Other operating income	**7.139.911**	**6.049.632**
Rental income	1.854.480	2.248.599
Realised gains on the sale of property, plant and equipment and intangible assets	-	50.724
Recovery of miscellaneous charges	1.448.268	1.714.385
Miscellaneous	3.837.163	2.035.924
Other operating expenses	**-34.021**	**-478.727**
Taxes and duties other than on income	-	-377.676
Miscellaneous	-34.021	-101.051
Other net operating income	**7.105.890**	**5.570.905**

The comparative information in the above table for 2017 is reclassified to conform to the changes in presentation for the current year: interest received and paid on financial instruments with negative interest is included in the "Interest income and expense" caption in the 2018 financial statements, whereas it was presented in "Other net operating income" in the 2017 financial statements.

10.10 Staff expenses

Staff expenses comprise the following (in euros):

	31/12/2018	31/12/2017
Wages and salaries	-33.743.187	-32.489.639
Social security, social insurance and supplementary insurance	-3.784.408	-3.772.671
Pension-related expenses	-954.371	-1.056.895
Employee benefits related to the incentive plan	17.882	150.785
Other costs	-758.051	-766.250
Total	**-39.257.899**	**-37.934.670**

Note 12 provides information on employee benefits and the incentive plan.

Staff expenses (continued)

The average number of staff employed is as follows:

	31/12/2018	31/12/2017
Management	11	12
Senior executives	160	149
Employees	183	182
Total	**354**	**343**

The amount of remuneration allocated to the management body during the financial year amounts to (in EUR):

	31/12/2018	31/12/2017
Directors	-264.713	-277.387
Management	-4.493.232	-4.037.266
Total	**-4.757.945**	**-4.314.653**

As at 31 December 2018, the total amount of advances/credits granted to directors amounted to EUR 450,287 (2017: EUR 1,214,128) while no advance has been granted to the management body in the last two years.

As at 31 December 2018, other commitments had been granted to the directors for EUR 100 (2017 : EUR 316) while no commitments have been granted to the management body during the last two financial years.

10.11 General and administrative expenses

General and administrative expenses are summarised below (in euros):

	31/12/2018	31/12/2017
Marketing, advertising and public relations	-725.804	-533.304
Professional fees	-5.713.230	-4.530.493
Operating leases	-3.243.638	-1.866.112
IT and telecommunications expenses	-7.314.017	-6.419.370
Repair and maintenance	-840.177	-2.133.951
Other general and administrative expenses	-12.538.046	-8.160.990
Total	**-30.374.912**	**-23.644.220**

Other general and administrative expenses mainly include representation and travel expenses, supplies and documentation, training expenses, and contributions and insurance other than those related to staff.

General and administrative expenses (continued)

At 31 December 2018, the contribution of EUR 638,241 to the national resolution fund (2017: EUR 555,024) and the provision of EUR 234,122 to the deposit guarantee fund (2017: EUR 240,170) are also included in this item.

The re-invoicing of support costs by Banque Degroof Petercam S.A. in the amount of EUR 5,952,217 (2017 : 2,361,774) is recorded in other general and administrative expenses.

The fees recorded following the services provided by KPMG Luxembourg, Société Coopérative and the member firms of the KPMG network to the Luxembourg Division during the year are as follows (excluding VAT in EUR):

	31/12/2018	31/12/2017
Legal and contractual audit of the consolidated annual accounts	-425.250	-304.498
Tax advisory services	-78.676	-130.906
Other services	-230.201	-39.525
Total	**-734.127**	**-474.929**

10.12 Depreciation of intangible assets and property, plant and equipment

During the financial period ended 31 December 2018, depreciation of property, plant and equipment amounted to EUR 2,513,630 (2017: EUR 2,340,197) and amortisation of intangible assets amounted to EUR 3,596,667 (2017: EUR 4,032,258).

Details of these depreciations by class of intangible assets and property, plant and equipment are provided in Notes 9.13 and 9.14.

10.13 Provisions

During the last financial year, no provision for restructuring was recorded (2017: EUR 112,197).
In 2018, provisions for litigation were made for an amount of EUR 667,503 (2017: EUR 239,180).
The provision for ECLs calculated on loan commitments given and financial guarantees in accordance with the new IFRS 9 rules was EUR 3,938 at 31 December 2018.

10.14 Net impairment of assets

The net impairment of assets breaks down as follows (in EUR):

	31/12/2018	31/12/2017
Interbank loans and receivables	-760	0
Loans and receivables from customers	611.704	-4.135.307
Debt instruments measured at fair value through other comprehensive income	-22.041	0
Debt instruments measured at amortised cost	-56.393	0
Intangible assets (goodwill)	-3.129.118	-957.882
Total	**-2.596.608**	**-5.093.189**

Details of changes in impairment on loans and receivables are provided in Note 9.20.

10.15 Income tax expense

The net tax charge is explained by the following items (in EUR):

	31/12/2018	31/12/2017
Income taxes for the year	7.207.622	10.495.734
Deferred taxes	-1.616.318	-2.050.567
Tax on income for the financial year	**5.591.304**	**8.445.167**
Reversal of previous years' provisions	443.089	-581.509
Net income tax expense	**6.034.393**	**7.863.658**

As at 31 December 2018 and 2017, the amounts of deferred taxes are due to balance sheet movements included under the heading "Current and deferred tax liabilities" (note 9.22) in the amount of EUR 1,408,095 and EUR 1,824,409, respectively, and to movements relating to the revaluation reserve (note 9.7) in the amount of EUR 5,734 at 31 December 2018 (2017 : EUR 0).

The following table shows the reconciliation (in euros) of the standard tax rate in Luxembourg (26.01 % at 31 December 2018 and 27.08 % as at 31 December 2017) with the Bank’s effective tax rate.

	31/12/2018	31/12/2017
Earnings before taxes	39.662.396	56.496.407
Tax rate applicable at the end of the year	26.01%	27.08%
Notional tax on profit	**10.316.189**	**15.299.227**
Effect of tax rate differences in other jurisdictions	224.629	215.464
Tax effect of non-deductible expenses	1.805.858	1.426.775
Tax effect of non-taxable income	-172.111	-676.500
Deductible tax expenses	-3.128.410	-5.015.157
Effect of other items	-3.454.851	-2.804.642
Tax on income for the financial year	**5.591.304**	**8.445.167**
Average effective tax rate	**14.10%**	**14.95%**

10.16 Other comprehensive income items

Other components of comprehensive income consist of results not recognised through profit and loss.

As at 31 December 2018 and 2017, other comprehensive income consists solely of unrealised gains and losses on the revaluation of the portfolio of financial assets measured through equity as shown in the table below in EUR. These results recognised directly in equity (see Note 9.7) are likely to be recognised in the income statement in a subsequent financial year.

As at 31 December 2017, the securities concerned are part of the available-for-sale financial assets portfolio and after the reclassifications of 1 January 2018 in accordance with the new IFRS 9 rules, the assets involved are part of the financial assets portfolio measured at fair value through other comprehensive income.

The impacts of the application of the IRFS 9 standard are included in the period "01/01/2018".

	31/12/2018	01/01/2018	31/12/2017
Debt instruments (IFRS 9)	**-1.150.929**	**551.981**	
Fixed income securities (IAS 39)			**-5.505**
Fair value adjustment before taxes	-1.832.082	710.725	497.017
Transfer from reserve to pre-tax profit			
Reversal of the reserve following transfers / repayments	366.625	26.116	-530.982
Changes in fair value related to interest rate risk	-103.169	-	-
Expected credit losses	22.041	-	-
Taxes charged directly to the income statement	-5.734	-	-
Taxes charged directly to reserves	401.390	-184.860	28.460
Debt instruments (IFRS 9)	**949.937**	**-2.661.415**	
Variable income securities			**2.280.246**
Fair value adjustment before taxes	1.283.873	-3.596.993	3.081.544
Transfer from reserve to pre-tax profit			
Reversal of the reserve following transfers / repayments	-	-	-3.051
Taxes charged directly to reserves	-333.936	935.578	-798.247
Total other comprehensive income	**-200.992**	**-2.109.434**	**2.274.741**

11. Rights and commitments

11.1 Assets in open custody

Assets in open custody are basically transferable securities that have been entrusted for safekeeping by clients, regardless of whether or not the holder’s free disposition is limited or whether the securities are covered by an asset management agreement with the Luxembourg Division. These assets are measured at fair value.

The Luxembourg Division’s assets in open custody as at 31 December 2018 and 2017 amounted to EUR 48,235,207,058 and EUR 51,741,354,324, respectively.

11.2 Guarantees given

As at 31 December 2018, the Bank had issued bank guarantees totalling EUR 7,707,905 and completion guarantees amounting to EUR 7,420,525 (2017: EUR 15,204,394 and EUR 8,262,924 respectively).

As at 31 December 2018, the total amount of cash given as collateral amounted to EUR 24,452,035 (2017: EUR 67,348,422) of which EUR 6,282,889 (2017: EUR 45,559,764) was given to Banque Degroof Petercam S.A. in the context of options and futures transactions on its own account and on behalf of its clients, the balance mainly concerns guarantees granted under CSA contracts.

11.3 Guarantees received

Total guarantees received in the form of assets, sales of assets and guarantees in connection with loans granted to clients, securities lending and derivative transactions amounted to EUR 815,276,245 as at 31 December 2018 (2017: EUR 674,531,514). Among these guarantees, EUR 811,236,369 (2017: EUR 671,967,213) consist of mortgages and pledges of cash and securities.

As at 31 December 2018 and 2017, EUR 99,975,833 and EUR 99,972,778, respectively, of collateral was obtained in repurchase agreements; none was used to secure repurchase agreements.

11.4 Commitments

The Bank is committed to meet the credit lines granted to customers for which the unused amount as at 31 December 2018 was EUR 166,162,038 (2017: EUR 53,486,351).

As at 31 December 2018, other commitments, including commitments to subscribe to private equity funds (note 9.5), amounted to EUR 11,184,026 (2017: EUR 11,998,662).

As at 31 December 2018, the amount of fiduciary transactions was EUR 35,821,189 (2017: EUR 145,066,165).

As part of the merger by absorption of its subsidiary Degroof Banque Privée S.A. in June 2013, the Bank took over the latter's tax and legal commitments.

The Law on measures for the resolution, reorganisation and liquidation of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the Law), transposing into Luxembourg law Directive 2014/59/EU establishing a framework for the reorganisation and resolution of credit institutions and Directive 2014/49/EU on deposit guarantee and investor compensation schemes, was adopted on 18 December 2015.

The deposit guarantee and investor indemnification system in force until now, run by the AGDL (*Association pour la Garantie des Dépôts Luxembourg*) will be replaced by a new contribution-based deposit guarantee and investor compensation system. The new system will guarantee all eligible deposits from the same depositor up to a maximum of EUR 100,000 and investments up to EUR 20,000. The law also provides that deposits resulting from specific transactions or fulfilling a social objective or linked to particular life events are protected beyond EUR 100,000 for a period of 12 months.

The amount of financial resources of the Luxembourg Resolution Fund (FRL) must reach, by the end of 2024, at least 1% of the guaranteed deposits, as defined in Article 1, number 36 of the Law, of all credit institutions authorised in all participating Member States. This amount will be collected from credit institutions through annual contributions during the years 2015 to 2024.

The target level of the financial resources of the FGDL (*Fonds de Garantie des Dépôts Luxembourg* or Luxembourg Deposit Guarantee Fund) has been set at 0.8% of the member institutions' guaranteed deposits as defined in Article 163 no. 8 of the Act and must be attained by the end of 2018. Contributions will be payable annually from 2016 to 2018. For the 2015 financial year, a provision of 0.2% of the guaranteed deposits was made by credit institutions in anticipation of these contributions.

When the 0.8% level is reached, Luxembourg credit institutions will continue to contribute for a further 8 years in order to provide an additional cushion of 0.8% of the guaranteed deposits as defined in Article 163 No. 8 of the Law.

During the year, the Bank paid annual contributions to the LDF of EUR 234,122 (2017: EUR 240,170) and to FRL of EUR 750,871 (2017: EUR 652,970).

12. Employee benefits and stock-based remuneration plans

12.1 Post-employment benefits

Post-employment benefits consist of defined contribution pension plans. The contributions expense during this past financial year was EUR 954,371 (EUR 1,056,895 as at 31 December 2017).

12.2 Group incentive plans

Banque Degroof Petercam S.A. has issued several incentive plans in recent years, for the benefit of either the directors or senior managers of the Banque Degroof Petercam Group, or both simultaneously, in order to increase their loyalty and align their interests with those of the Banque Degroof Petercam Group. These plans are drawn up in accordance with local legal provisions. The counterpart of the reversal of the financial year of EUR 150,784 in 2017 is recorded in shareholders' equity. No restatement was recorded for the 2018 financial year.

The incentive plans issued include plans that will be settled in cash and plans that will be settled in shares. Over the past two years, the Bank has not issued any plans.

13. Related parties

Parties related to the Luxembourg Division are the associated companies, members of the Board of Directors and other managers of the Bank and its subsidiaries ("Key Executives") as well as close family members of the aforementioned persons or any company controlled or significantly influenced by one of the aforementioned persons.

The tables below summarise, by nature, the transactions that have been carried out with related parties of the Banque Degroof Petercam S.A. Group. (in euros):

31/12/2018 Balance sheet	Parent company	Key executives	Associates	Other related parties	Total
Current account advances	62.133.667	450.287	21.758.899	25.000	84.367.853
Term loans	-	0	0	48.504.516	48.504.516
Other assets	42.719.262	-	-	1.828.513	44.547.775
Total assets	**104.852.929**	**450.287**	**21.758.899**	**50.358.029**	**177.420.144**
Deposits	24.786.697	1.168.186	362.918	6.350.483	32.668.284
Repos	-	-	-	10.336.500	10.336.500
Other liabilities	27.069.776	-	-	4.666.735	31.736.511
Total liabilities	**51.856.473**	**1.168.186**	**362.918**	**21.353.718**	**74.741.295**
Guarantees given	**61.225**	-	**7.420.525**	-	**7.481.750**
Guarantees received	-	**450.387**	**21.761.299**	-	**22.211.686**
Other commitments	-	**100**	**0**	63.500.000	**63.500.100**

Income statement	Parent company	Key executives	Associates	Other related parties	Total
Financial expenses	4.311	-1.629	0	-22.548	-28.488
Fees and commissions	-88.759.307	-	-	-27.851.547	-116.610.854
Staff expenses	-	-3.612.876	-	-	-3.612.876
Other	-5.985.774	-	-	-384.704	-6.370.478
Total expenses	**-94.749.392**	**-3.614.505**	**0**	**-28.258.799**	**-126.622.696**
Interest income	6.244	4.741	626.215	145.827	783.027
Fees and commissions	273.045	99.441	-	7.105.524	7.478.010
Other	705.544	-	0	266.343	971.887
Total revenues	**984.833**	**104.182**	**626.215**	**7.517.694**	**9.232.924**

Related parties (continued)

31/12/2017 Balance sheet	Parent company	Key executives	Associates	Other related parties	Total
Current account advances	65.781.682	477.036	-	-	66.258.718
Term loans	-	439.786	20.168.474	37.303.769	57.912.029
Other assets	5.642.942	-	-	6.308.996	11.951.938
Total assets	**71.424.624**	**916.822**	**20.168.474**	**43.612.765**	**136.122.685**
Deposits	17.491.166	8.872.426	3.165.344	6.818.483	36.347.419
Repos	-	-	-	10.066.308	10.066.308
Other liabilities	4.503.814	-	-	22.187.884	26.691.698
Total liabilities	**21.994.980**	**8.872.426**	**3.165.344**	**39.072.675**	**73.105.425**
Guarantees given	**3.750**	-	**8.262.924**	-	**8.266.674**
Guarantees received	-	**450.385**	**24.155.698**	-	**24.606.083**
Other commitments	-	**316**	**3.984.824**	-	**3.985.140**

Income statement	Parent company	Key executives	Associates	Other related parties	Total
Financial expenses	-	-172	-309	-136.441	-136.922
Fees and commissions	-60.816.634	-	-	-20.720.743	-81.537.377
Staff expenses	-	-2.999.716	-	-	-2.999.716
Other	-2.380.778	-	-	6.844	-2.373.934
Total expenses	**-63.197.412**	**-2.999.888**	**-309**	**-20.850.340**	**-87.047.949**
Interest income	954	11.226	517.637	29.558	559.375
Fees and commissions	1.342.453	33.141	-	13.158.406	14.534.000
Other	400.520	-	8.427	110.964	519.911
Total revenues	**1.743.927**	**44.367**	**526.064**	**13.298.928**	**15.613.286**

All transactions with related parties included in the above tables were carried out under normal market conditions.

Related parties (continued)

Key management personnel costs break down as follows (in euros):

	31/12/2018	31/12/2017
Short-term personnel benefits	-4.407.145	-4.049.446
Post-employment employee benefits	-350.800	-352.430
Employee benefits related to the incentive plan	0	346.606
Total	**-4.757.945**	**-4.055.270**

14. Geographic information

The Bank and its main subsidiaries are based in Luxembourg with the exception of one subsidiary in Hong Kong.

The tables below summarise the Group's main information by country in which the subsidiaries are domiciled (in EUR):

31/12/2018	Average number of full-time equivalent employees	Net revenues	Profit or loss before tax	Taxes on income
Luxembourg	355	118.983.237	39.662.396	6.034.393
Total	**355**	**118.983.237**	**39.662.396**	**6.034.393**

31/12/2017	Average number of full-time equivalent employees	Net revenues	Profit or loss before tax	Taxes on income
Hong Kong	3	469.814	-262.984	-
Luxembourg	340	129.746.509	56.759.391	7.863.658
Total	**343**	**130.216.323**	**56.496.407**	**7.863.658**

15. Post-balance sheet events

Since the balance sheet date, there have been no events likely to have a material impact on the financial position or activities of the Luxembourg Division.