Degroof
Petercam

Annual report 2015

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Degroof Petercam Luxembourg is
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blog.degroofpetercam.com
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Dear Stakeholder,

2015 was a favorable year, both for our clients and for our group that entered a new chapter in its history. In signing their merger agreement on 20 May 2015, Bank Degroof and Petercam engaged in creating a reference independent financial institution at the service of its clients, with a prominent position in every field of its expertise: private banking, institutional asset management, investment banking and asset services. Since 1 October 2015, our clients have benefited from the collective proficiency of a leading international group, as well as from in-depth yet more diversified services.

Throughout 2015, financial markets experienced marked volatility against a backdrop of significant risk aversion. Following a positive run to March, equity markets fell, but ended the year on a positive note. Bond returns also remained slightly positive. Several factors weighed on investor confidence simultaneously. There were clear signs of hesitation in the US economy, and China's slowdown impacted emerging markets. The problems were compounded by the non-linear fall in oil prices, geopolitical issues, uncertainty linked to monetary policy, stretched equity market valuations and high levels of private and public debt.

As at 31 December 2015, the new combined entity managed assets of 50 billion euro, driven by market effects and inflows of new capital, in particular from our private banking clientele.

For the year 2015[1] revenues amounted to 492 million euro, up from 488 million euro in 2014, reflecting the underlying contribution from asset management revenues as well as buoyant corporate finance and credit and structuring activities. This increase was however partly offset by pressure on margins in the current low interest rate environment.

Excluding exceptional and one-off events, mainly related to the partial demerger of the long-term equity portfolio and to the merger integration costs, the Bank achieved a stable gross operating result[1] of 125 million euro driven by sustained income growth, whilst operating expenses remained under control. After taxes and one-off exceptional items, the net profit[1] for 2015 amounted to 96 million euro, underlining the resilient position of the Bank.

1 IFRS pro forma calendar year – 12 months Bank Degroof | 12 months Petercam.

Outstanding credits granted by Bank Degroof Petercam at 31 December 2015 totaled 1.7 billion euro against a balance sheet total of 7.9 billion euro and cash deposits of 6.4 billion euro. Shareholders' equity (CET1) amounted to 468 million euro and the CET1 regulatory ratio to 16.1%, demonstrating the strength of our balance sheet. The results of the asset quality review (AQR) and stress tests as published by the European Central Bank, largely exceeded sector requirements, and once again confirmed the quality of our assets and our resilience to extreme market conditions.

Looking ahead to 2016, we expect the financial environment to remain volatile. Despite record low interest rates, massive central bank balance sheet expansion and low energy prices, economic activity and inflation will remain very subdued. All in all, both the economic and the financial environment look set to remain challenging for the foreseeable future.

In this context, we shall continue to support our teams and invest in our expertise and our group to achieve long-term added value and high quality services for our clients, which is the cornerstone of our mission.

We express heartfelt thanks to our management and colleagues for their skills and commitment, whether directly devoted to our clients or behind the scenes.

In closing, as well as thanking our board members, our family and reference shareholders for their support, we would also like to express our gratitude to our clients for the loyalty and confidence they have placed in us. We shall continue to live up to this trust in order to ensure the future success of Bank Degroof Petercam.

Philippe Masset
CEO

Alain Philippson
Chairman of the board of directors

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Key figures

Key figures

Building on a history dating back to 1871, Bank Degroof Petercam is a leading independent financial institution, offering services to private and institutional investors and organizations.

Activities	Belgium	Luxembourg	France	Spain	Switzerland	Netherlands	Germany	Italy	Hong Kong
Private Banking	•	•	•	•	•				
Institutional Asset Management	•	•	•	•	•	•	•	•	
Investment Banking	•	•	•			•			
Asset Services	•	•		•					•

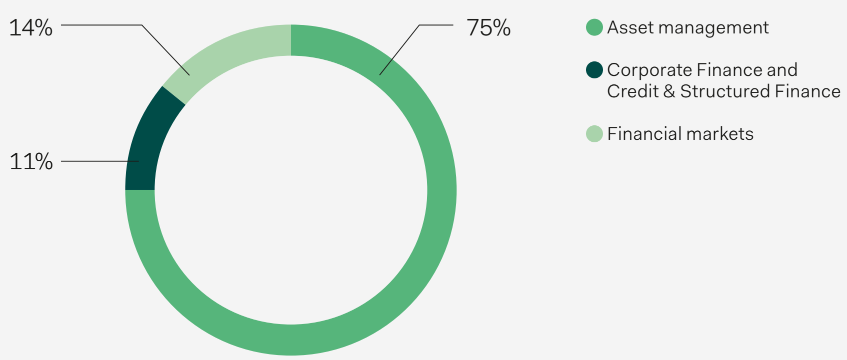
(in billion EUR)

Assets under management[1]	31.12.2015	31.12.2014
Private clients	36.3	33.2
Institutional clients	8.7	8.5
Third-party undertakings for collective investment holders	5.1	4.9
Total	**50.0**	**46.6**

(in billion EUR)

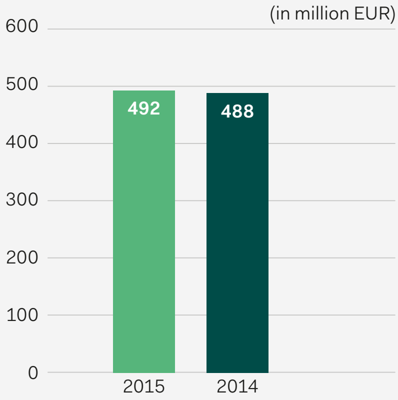
Managed undertakings for collective investment[1]	31.12.2015	31.12.2014
Total	**30.3**	**28.9**

Breakdown of operating income 2015[1]

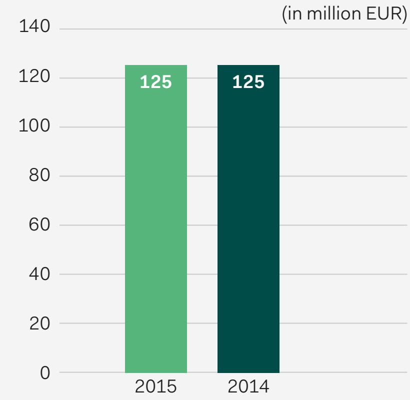


1 Pro forma figures over 12 months to allow annual comparison.

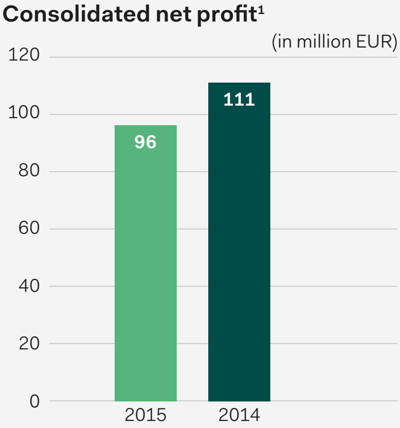
Net income[1]



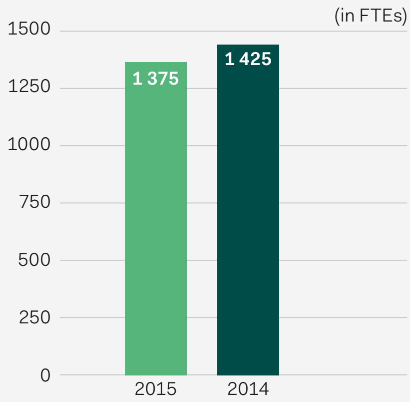
Gross operating result[1]



Consolidated net profit[1]

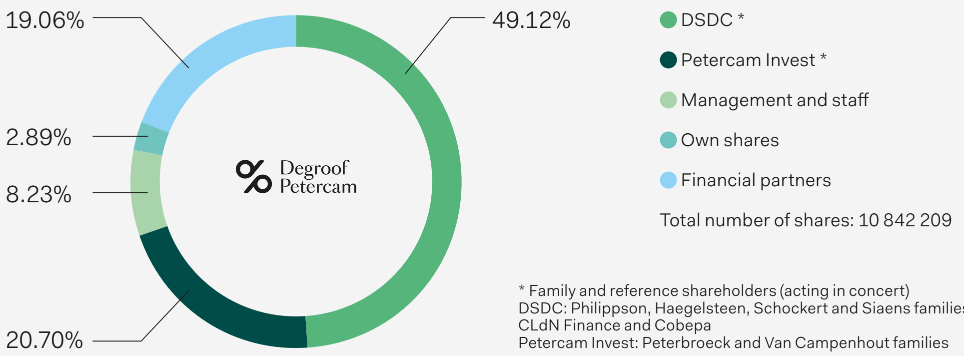


Staff count[1]



Breakdown by country of staff count, expressed in full-time equivalents (FTEs)[1]	31.12.2015	31.12.2014
Belgium [2]	855	915
Luxembourg [3]	327	328
Switzerland	18	18
France	112	107
Spain	64	57

Capital structure at 31.12.2015



* Family and reference shareholders (acting in concert)
DSDC: Philippson, Haegelsteen, Schockert and Siaens families, CLdN Finance and Cobepa
Petercam Invest: Peterbroeck and Van Campenhout families

2 Including the branches in Germany, Italy and the Netherlands.

3 Including the subsidiary in Hong Kong.

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Highlights

Private banking

- Net increase in assets under management for private clients in Belgium, Luxembourg, France, Spain and Switzerland, rising to 36 billion euro.
- Increased diversification in management strategies and strengthening of risk management teams, leading to stable and sound performances in volatile markets.
- Extension of investments offerings in non-listed assets (private bonds, real estate, club deals, responsible investment, private equity funds, etc.) for clients interested in this type of asset diversification.
- Implementation of solutions tailored to individual needs and/or international family environments, particularly in the context of changing tax frameworks, for example the tax on speculation, the changes with respect to registration fees on donations of real estate in Belgium and the European Parent-Subsidiary Directive.
- Euromoney award for *Best Private Bank 2016* in Belgium.

Institutional asset management

- Healthy growth of institutional asset management activity, with gross assets under management exceeding 30 billion euro, aided by an increased international presence.
- Sustained activity in management of institutional portfolios, with more than 250 separate mandates totaling 8.7 billion euro gross assets under management.
- Strengthened core domains of investment expertise, including high-yield bonds and emerging market sustainable debt.
- Recognition of expertise by numerous awards from Lipper, Morningstar, De Tijd/L'Echo and Novethic.
- Merger of Petercam Institutional Asset Management and Degroof Fund Management Company and name change into Degroof Petercam Asset Management (DPAM) as of 4 January 2016.
- Institutional Asset Management (IAM) consisting of DPAM and Bank Degroof Petercam institutional portfolio management teams, active in ten countries and supporting clients in six languages.
- Broadened and complementary range of expertise in five key domains: Global balanced, Fixed income, Fundamental equity, Quantitative and Asymmetric equity, and Responsible investment.

Asset services

- Confirmation of leading position of Degroof Gestion Institutionnelle among the UCITS and AIFM management companies in Luxembourg.
- 28 billion euro in assets under administration and/or custody for mutual funds under Belgian and Luxembourg law.
- 3.2% increase in mutual funds for third-party clients to nearly 8 billion euro.
- License obtained by Degroof Asset Management (HK) Limited to operate in Hong Kong and first mandates in Shanghai, Hong Kong and Singapore.
- Full range of services for institutional investors, with solutions of UCITS and AIFM management company, custodian bank, risk management, transfer, registrar and domiciliation agent, central administration and net asset value calculation.

Capital markets

- Resilient business growth for institutional clients, resulting from the complementarity offer arising from the merger between Bank Degroof and Petercam, leading to teams based in Brussels, Luxembourg, Amsterdam and Paris.
- Increase in advisory activities for corporate and institutional investors.
- Sustained growth in secondary brokerage in bonds, equities and derivatives.
- Record high primary and secondary placements in real estate and life science, combined with large bond issues for the utilities sector.
- Treasury management impacted by the flatter, lower yield curve, while foreign exchange activities benefited from the high volatility of the euro rates.
- Named *Best Belgian Liquidity Provider* by Euronext for the sixth year in succession.

Corporate finance

- Teams of experts based in Brussels, Paris and Lyon, taking a leading role in the Belgian and French markets in the mid-market companies sector.
- More than 110 assignments completed in the three sectors of activity: advisory services, M&A and capital markets activities, including about 75 in Belgium and 40 in France.
- Increased levels of activity, with transaction volume of nearly 4.7 billion euro in bond issues (18 private and public operations), equity issues (seven initial public offerings, four capital increases by offer for public subscription) and financing advisory services.
- M&A mandates for private groups in Belgium (including Fabrelac, Univeg, Utopolis and Vio Interim) and France (including Biogroup, Soft Group and Papeteries Pichon).
- Sustained level of transactions in the life-science sector (including Biocartis, Biomnis, Bone Therapeutics, Cardiatis, Celyad, Curetis, LCD Group, MDxHealth and Novadip) and real estate sector (including Aedifica, Befimmo, Care Property Invest, Cofinimmo, Foncière Oppidum, Inclusio, Matexi, Montea and Xior).

Financial research

- Creation of one of the largest Benelux sell-side analyst teams, covering 120 Benelux companies.
- Roadshows in the principal European and international financial centers, such as London, Paris, Luxembourg and New York.
- Involvement in numerous initial and secondary public offerings, such as Aedifica, Biocartis, Care Property Invest, Celyad, Curetis, Greenyard Foods, MDxHealth, TINC and Xior.
- Organization of Benelux company seminars in London, Milan and Zurich and sector seminars on healthcare, real estate and retail in Brussels.
- Publication of the *Benelux Company Handbook*.

Credit & structured finance

- Growth in outstanding credits to 1.7 billion euro as a result of sustained activity with Belgian, Luxembourg, French and Spanish clientele, driven by flexible client solutions and historically low interest rates.
- Extension of financing solutions to former Petercam clientele in the context of the overall management of their assets.
- Excellent quality of the credits portfolio confirmed by the results published in November 2015 by the European Central Bank following the asset quality review conducted during the first half of the year.

Private equity

- Strengthening of the private equity team due to the joined experience and capabilities resulting from the merger, combined with an established strategy and well-defined procedures.
- First success of the new team, with the closing of Degroof Green Fund - Renewable Energy III Fund for over 40 million euro at the end of 2015.
- Deployment of investors' capital through drawdowns across for various projects.
- Significant time and resources dedicated to follow up existing investments, as well as to select and access new opportunities.

Responsible investment

- Enforcement by the group management committee of the mission statement of the steering board for responsible investment.
- Active member of the French Social Investment Forum (FIR), as well as other forums elsewhere in Europe, with a fifth participation in ISR Paris with Martin Halle of Global Footprint Network, and a second participation in the Geneva Forum for Sustainable Investment.
- Fourth Novethic labelling of two sustainable bond funds (OECD and emerging markets) and of the sustainable European equities fund.
- Series of awareness-raising conferences on ESG issues, notably web security, data protection and the added value of shareholder responsibility.
- Promotion of shareholder responsibility with active participation and voting in shareholders' meetings of more than 450 European and North American companies and dialogue initiated with the management of 45 invested companies.

Philanthropy

- Launch of a new community of benefactors in the field of sustainable agriculture in cooperation with the Lunt Foundation, the Terre de Vie foundation and the Henri Collinet Fund.
- Organization of the Philanthropy Forum Next Generation in co-operation with Alcopa, which brought together 120 young people.
- Launch of gingo.community, the first collaborative philanthropy platform in Belgium.
- Solidarity Days 2015: 180 colleagues offered 1 300 hours of voluntary work to charity organizations across Belgium.
- Support for the association Life Project 4 Youth Association, which promotes the professional and social integration of young people in precarious situations, notably in an eco-village in the Philippines and an orphanage in Sri Lanka.
- Series of conferences in France intended for women on the theme of philanthropy and social entrepreneurship.
- Active support for the development of Netmentora (formerly Réseau Entreprendre) in Spain.

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Corporate governance

1 Composition of the board of directors

The board of directors of Bank Degroof Petercam comprises directors who are members of the executive committee and non-executive directors.

The composition of the board of directors depends on the following rules:

- the composition of the board as a whole must enable it to function effectively and efficiently in the best interests of the company. It must show a diversity of expertise together with a range of complementary experience;
- no group of directors or individual member must be able to control the decision-making of the board;
- the majority of directors must be non-executive;
- the board must include two independent directors.

The role of the appointments committee is to make recommendations to the board of directors concerning the size and composition of the board on a periodic basis, and in particular when terms of office are renewed. The members of the board all possess the professional integrity and appropriate experience required by law.

The appointments committee also makes recommendations to shareholders during general shareholders' meetings regarding the appointment of directors, and in so doing seeks to ensure that there is a balance of knowledge, skills, diversity and experience within the board.

At 31 December 2015, the composition of the board of directors was as follows:

	Mandate expires
Chairman of the board of directors	
Baron Philippson	2019
Chairman of the executive committee	
Philippe Masset	2020
Directors who are members of the executive committee	
Pascal Nyckees	2021
Gautier Bataille de Longprey	2016
Gilles Firmin	2019
Xavier Van Campenhout [1]	2021
Jan Longeval	2016
Nathalie Basyn	2021
Bruno Colmant [1]	2021
Directors	
Jacques-Martin Philippson	2016
Ludwig Criel [2]	2021
Jean-Baptiste Douville de Franssu	2021
Miguel del Marmol [1]	2021
Christian Jacobs [2]	2019
Jean-Marie Laurent Josi	2016
Véronique Peterbroeck [1]	2021
Alain Schockert	2016
Frank van Bellingen	2019

1 Directors and companies that have declared acting in concert.

2 Independent director.

The board of directors considers those of its members who meet the criteria outlined in Article 526ter of the Belgian Companies Code to be independent directors. Mr. Christian Jacobs and Mr. Ludwig Criel should be considered as independent directors.

Following the advice of the appointments committee, the board of directors decided to propose the renewal of the following mandates, for a six-year term, to the shareholders at the ordinary general shareholders' meeting on 24 May 2016:

- Mr. Jacques-Martin Philippson
- Mr. Jean-Marie Laurent Josi
- Mr. Alain Schockert
- Mr. Gautier Bataille de Longprey
- Mr. Jan Longeval

On the proposal of the audit committee, the board of directors will also propose the renewal of the mandate of the auditors, KPMG Réviseurs d'Entreprises SCRL civile, for a further three-year term.

In accordance with the applicable statutory provisions, these proposals have been submitted for approval to the National Bank of Belgium.

2 Operation of the board of directors

The board of directors is responsible for defining the strategy and general policies of the Bank. It ensures these are implemented by the executive committee and, based on the proposals of the executive committee, decides on the resources required to fulfil them. It determines the composition together with the competence of the executive committee and supervises its activities. It ensures that sufficient resources exist to support the long-term future of the company.

The board of directors deliberates on all issues and matters within its scope of responsibility, such as the preparation of the annual financial statements and management reports, and the convening of general meetings. At each quarterly meeting, it receives the information it needs regarding the business performance of the Bank and key figures, both for the company itself and its main subsidiaries. It is also receives the annual budget.

The board of directors meets at least four times a year. Throughout the financial year, due to the merger, it met on ten occasions.

At the end of each quarter, the board of directors reviewed the results of the group and gave opinions on the following issues:

- a global strategic review;
- monitoring of the integration;
- restructuring of the foreign subsidiaries.

The board's deliberations are valid only if at least half of its members are present or represented. No director may represent more than two of their fellow directors. Resolutions are passed by simple majority. In the event of a tied vote, the proposal is rejected.

The total remuneration allocated to members of the board of directors is stated in the notes to the parent company financial statements (note XXIX, sub-heading A4). The full version of the parent company financial statements is available at the company's registered office.

3 Day-to-day management of the group – the executive committee

The board of directors, in accordance with article 17 of its articles of association, has established an executive committee within its ranks. Following the merger, the executive committee's new members include the vice-chairman of the executive committee, responsible for Private Banking (Mr. Xavier Van Campenhout), the Chief Risk Officer (Mr. Gilles Firmin), the Chief Financial Officer (Ms. Nathalie Basyn), the Chief Operating Officer (Mr. Pascal Nyckees) and the Head of Macroeconomic Research (Mr. Bruno Colmant).

The executive committee is responsible for managing the activities of the credit institution within the framework of the general policies defined by the board of directors.

Accordingly, the executive committee is empowered by the board of directors to take decisions and represent the company in its dealings with personnel, clients, other credit institutions, the wider economic and social environment and public authorities. It will also take decisions in respect of the representation of the company within its subsidiaries and within those companies in which it holds equity investments.

The composition of the executive committee is determined on the basis of the following principles:

- the complementarity of expertise (in financial matters, risk management, operational knowhow, etc.) required to ensure the implementation of the strategy defined by the board of directors;
- changing requirements;
- the moral, ethical and conduct criteria applicable within the group.

In principle, the executive committee meets four times a month. During the past financial year it met on 54 occasions.

4 Committees established by the board of directors

In accordance with the statutory provisions, the Bank has established specialized committees within the board of directors, composed exclusively of non-executive directors.

During the financial year and following the entry into force of the new Banking Act, the two existing committees, i.e. the audit and risk committee and the appointments and remuneration committee were split.

Following the merger, the composition of the four new committees was adapted.

4.1 Audit committee

The audit committee assists the board of directors in the performance of its supervisory role, particularly with respect to:

- financial information intended for shareholders and third parties;
- the audit process;
- functioning of the internal control system;
- monitoring the relationship with the auditor.

Members	
Christian Jacobs	Chairman
Jean-Marie Laurent Josi	
Miguel del Marmol	
Frank van Bellingen	
Ludwig Criel	Observer
Jacques-Martin Philippson	Observer

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not members of the audit committee, are invited to meetings. The company's auditor takes part in meetings that deal with the examination of the half-yearly and annual financial statements.

The chairman of the audit committee is an independent director and is a member of the audit committee of the subsidiary in Luxembourg.

The audit committee met seven times during the past financial year, reporting systematically on its activities to the board of directors.

The meetings mainly focused on examining activity reports from group internal audit, planning audit work and examining half-yearly positions and the annual financial statements. The main activities of the group were presented to the audit committee. The committee examined the summary of disputes, the statement of loans granted to directors, the executive committee's assessment report on the system of internal control and updates on the implementation of recommendations made by group internal audit.

A special session was devoted to the 2015 liquidity window.

During 2015, the committee also examined the due diligence carried out prior to the merger and the new functional organization established since 1 October 2015.

4.2 Risk committee

The risk committee provides assistance to the board of directors concerning the assessment of the risk tolerance level and proposes action plans accordingly.

Members	
Frank van Bellingen	Chairman
Jacques-Martin Philippson	
Jean-Baptiste Douville de Franssu	
Ludwig Criel	
Christian Jacobs	Observer
Jean-Marie Laurent Josi	Observer

Mr. Ludwig Criel is a member of the risk committee in his capacity as an independent director.

Whilst not members, the Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer are invited to meetings.

The risk committee met seven times during the past financial year, reporting systematically on its activities to the board of directors.

The risk committee paid particular attention to the follow-up by the risk management, and more specifically to the impact of certain decisions on the risk profile of the Bank and to the adjustment of the limits decided by the executive committee.

The committee examined reports on ICAAP[1], on the activity of the compliance officer and on operational risk.

1 Internal Capital Adequacy Assessment Process.

4.3 Appointments committee

The appointments committee is consulted on issues concerning:

- the composition and size of the board of directors and executive committee;
- the definition of the profile of board and executive committee members, and the selection process;
- proposals for appointing and re-electing directors and members of the executive committee.

Members	
Baron Philippson	Chairman
Jean-Marie Laurent Josi	
Véronique Peterbroeck	
Ludwig Criel	
Alain Schockert	Observer
Jacques-Martin Philippson	Observer

Mr. Ludwig Criel is a member of the appointments committee in his capacity as an independent director.

The appointments committee met five times during the past financial year. During those meetings, it dealt in particular with the composition of the new bodies and committees of the group and with the company's post-merger organization chart and reported systematically on its activities to the board of directors.

Whilst not members, the Chief Executive Officer and the Chief HR Officer are invited to meetings.

4.4 Remuneration committee

The remuneration committee is consulted on issues concerning:

- the general remuneration policy;
- the total amount of variable remuneration;
- the remuneration of directors who are members of the executive committee;
- the remuneration of the identified staff and the independent control functions;
- the profit-sharing plans for Bank employees.

Members	
Baron Philippson	Chairman
Alain Schockert	
Véronique Peterbroeck	
Christian Jacobs	
Jean-Marie Laurent Josi	Observer
Jacques-Martin Philippson	Observer

Mr. Christian Jacobs is a member of the remuneration committee in his capacity as an independent director.

Whilst not members, the Chief Executive Officer and the Chief HR Officer are invited to meetings.

The remuneration committee met seven times during the past financial year, reporting systematically on its activities to the board of directors.

5 Committees reporting to the executive committee

Specific committees assist the executive committee in matters relating to the following topics:

- day-to-day management of the parent company Bank Degroof Petercam, and co-ordination of the activities of the subsidiaries in Belgium and abroad (Group Management Committee - GMC);
- defining the asset management strategy;
- commitments with respect to bank counterparties;
- client loans and commitments;
- assets and liabilities management;
- implementation of the risk management policy within subsidiaries;
- co-ordination of the compliance function.

6 Earnings appropriation policy

With due regard for capital adequacy requirements, the dividend is determined with reference to consolidated net profit and retained earnings, as well as the strategy of the group.

7 Governance memorandum

The Bank has drawn up a governance memorandum assessing the basic features of its management structure with respect to:

- the personal integrity and financial soundness of major shareholders;
- a transparent management structure promoting sound and prudent management;
- the definition of the expertise and responsibilities of each segment of the organization;
- the collegial nature of effective executive management;
- the independent control functions;
- the suitable profiles and qualities of its senior managers;
- the remuneration policy for senior managers;
- the determination of the strategic objectives and values of the Bank;
- the familiarity of senior management with the operating structure and activities of the Bank;
- adequate communication regarding management and control with the various parties concerned. This information is submitted to the National Bank of Belgium and is periodically updated.

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Management report

The consolidated financial statements have been prepared in accordance with IFRS.

1 Comments on the financial statements

As the Bank took the decision to change the balance-sheet date to 31 December, the financial year under review covers a period of 15 months (1 October 2014 to 31 December 2015), longer than previous financial reporting periods.

The consolidated net profit (group share) amounted to 107 642 846 euro compared to 84 379 917 euro in the previous financial year. The total comprehensive income (group share) is obtained by adding the unrealized profits and losses recorded directly in shareholders' equity (revaluation reserves) to the consolidated net profit and totaled 51 604 924 euro at 31 December 2015, compared to 59 247 806 euro for the previous year. The decrease in total comprehensive income is largely attributable to the reduction of the revaluation reserves on the available for sale (AFS) equity portfolio, in close correlation with the recognition of the gains realized at consolidated net profit level as a result of the disposal of this securities portfolio.

Bank Degroof SA | NV and Petercam SA | NV concluded a merger agreement on 20 May 2015, which was finalized on 1 October 2015 by signature of the merger deed before notary public and validation of the operation by the respective shareholders' meetings held on the same date. Following the merger, and in accordance with the IFRS, the results for the financial year 2015 includes three months of activity of the new entity Bank Degroof Petercam and twelve months of Bank Degroof. Prior to the merger, Bank Degroof was the subject of a partial demerger, which consisted of the transfer of assets (including a large proportion of the long-term equity portfolio) in favor of a new company (Degroof Equity).

This context implies that the amounts shown in the income statement are not comparable with those of the previous financial year. For this reason, the comments on the results are based on pro forma consolidated figures combining the two entities over twelve months of the calendar year for the years 2015 and 2014.
Therefore, the details below are presented on this pro forma basis. The underlying data are set out under point 6.3 of the notes to the consolidated financial statements.

The pro forma consolidated net profit (group share) amounted to 96 127 216 euro compared to 110 875 816 euro for the previous financial year. The pro forma total comprehensive income (group share) amounted to 42 082 095 euro compared to 66 827 295 euro in the previous financial year. As mentioned above, this figure takes into account the variations in the revaluation reserves on the securities portfolio and these variations are to a large extent offset by the gains and losses realized (included in the consolidated net profit) following the disposals of securities.

The net (accounting) interest margin across all businesses decreased compared to 2014. This decline is largely attributable to the flat interest rate curve in 2015 and negative short-term rates.

The results of the capital markets activities increased in 2015, driven by the margins made by the forex desk and, to a lesser extent, from the management of incentive plans on behalf of third parties.

Net fee and commission income increased compared to the previous year. The commissions from the group's undertakings for collective investments activities grew during the financial year 2015 as a result of an increase in assets under management. Turnover from the group's Corporate Finance business was also up on the 2014 figure.

Consolidated results from available for sale equity portfolios was higher than the previous year. This was influenced by the partial demerger in which Bank Degroof transferred or sold the main positions in the long-term equity portfolio. The increase therefore resulted mainly from the disposal gains, which should be correlated with the reduction in the revaluation reserves recorded in other comprehensive income.

In contrast to the previous financial year, the other net operating results are negative. This is due, on the one hand, to the recognition of a restructuring provision following the reorganization of the activities generated by the merger of the Degroof and Petercam groups and, on the other hand, to the increase in the provisions for litigation which is offset in part by the estimate of the recoveries from insurance undertakings.

Personnel expenses rose compared to the previous year. This increase is attributable to an adjustment of social security contributions relating to previous years, the payment of individual end-of-contract indemnities and the upward revision of the closing provisions. Disregarding these items, overall personnel expenses remained stable.

Other general expenses were higher than those in 2014. This increase was due mainly to costs incurred in the merger process and the reorganization of the Degroof Petercam group, most notably external consultancy fees. Furthermore, the contributions to deposit guarantee system and resolution funds increased over the financial year.

Depreciation and amortization and other impairment losses during the financial year were impacted by the capitalization of goodwill linked to the merger.

In respect of foreign investments, the recognition of additional depreciation of the goodwill recognized on the asset management activities in France should be noted.

As from the year under review, 'impairments' will also include a collective provision calculated on the total loans and related off-balance-sheet items. This provision is added to the real costs of impairment losses on loans.

The change in income tax expenses is attributable to the adjustment of income tax from previous years and to an increase in deferred tax income.

The negative variation in total comprehensive income associated with the revaluation reserves on equity portfolios (outlined above) was offset to some extent by the favorable revised estimates relating to the pension and medical plans.

1.1 Appropriation of statutory profit

We propose to the general shareholders' meeting that the profit for the financial year be appropriated as follows:

	(in EUR)
Profit for the financial year	50 925 489
+ Profit brought forward	163 620 976
- Demerger of the profit brought forward [1]	46 312 160
= Profit to be appropriated	**168 234 305**
- Allocation to other reserves	0
- Directors' fees	546 250
- Dividends	59 632 150
- Profit shares	401 297
= Profit to be carried forward	**107 654 608**

The gross dividend to be proposed to the general meeting for distribution amounts to EUR 5.50 per share.

1 Demerger operation in relation to the creation of the company Degroof Equity on 14.09.2015.

1.2 Consolidated shareholders' equity

Consolidated shareholders' equity, including minority interests, amounted to 902.5 million euro at the end of the financial year, an increase of 275.5 million euro on the previous year.

The increase of 275.5 million euro resulted from the combined effects of the partial demerger, leading to the creation of the company Degroof Equity (-151.1 million euro), the merger by acquisition of the Petercam group (411.8 million euro), the distribution relating to the previous financial year (-44.1 million euro), the reassessment of financial assets at fair value (-58 million euro), transactions on the Bank's own shares (3.3 million euro), transactions with minority shareholders (EUR 3.5 million euro) and the profit (including profit attributable to non-controlling interests) for the financial year (107.6 million euro).

At 468.3 million euro, the equity figure used to calculate the Basel III regulatory ratios is well in excess of that required by prudential standards. The Tier 1 (core equity capital) and Tier 2 (broad equity capital) solvency ratios were 16.07% at 31 December 2015.

1.3 Assets under custody

At the end of the 2015 financial year, the combined consolidated assets under custody of the two entities amounted to 69.8 billion euro.

2 Changes in capital

During the past financial year, the public limited company Bank Degroof SA | NV was the subject of a partial demerger. Prior to this demerger, capital amounted to 47 491 186 euro, decreasing to 31 711 634 euro after. At 1 October 2015, following the merger, capital increased by 2 500 000 euro.

At 31 December 2015, the share capital, following these two operations, amounted to 34 211 634 euro, comprising 10 842 209 shares without par value. All shares are fully subscribed and paid-up.

3 Treasury shares held by the group (Art. 624 of the Belgian Company Code)

Bank Degroof Petercam SA | NV does not hold treasury shares.

At 31 December 2015, BD Square Invest SA | NV, Degroof Finance SA, Industrie Invest SA | NV, Industrie Invest 2 SA | NV and Investment Company of Luxembourg SA held a total of 313 115 Bank Degroof Petercam SA | NV shares, representing 2.89% of the share capital.

The accounting par value per share is 3.1554 euro. The consolidated carrying amount of all treasury shares held by subsidiaries amounted to 45 956 106 euro at 31 December 2015.

Treasury shares held by the group are intended to cover employee profit-sharing plans.

During the past financial year, the total number of treasury shares decreased by 20 245.

4 Circumstances that could significantly influence the development of the group

In the context of the implementation of the integration projects over the next three years, significant IT investments will be approved in the main segments of activity of the Bank, with a view to gradually equipping it with first class technology, most notably in the digital field.

As a result of the merger on the one hand and the gradual deployment of new IT technologies on the other, the group will continue to benefit from synergies and will be equipped with a modern platform promoting the growth of the segments of activity.

In general, the growth and profitability of the group are also influenced by:

- the continuing effort to grow the business as and when opportunities arise, as demonstrated by past acquisitions and commercial investments;
- changes in assets under management and stock markets;
- corporate finance assignments;
- the macroeconomic environment.

5 Research and development activities

The group has undertaken no further direct research and development activities since the sale of its IT subsidiary Finance Technology Systems SA | NV in 2005.

6 Remuneration policy

The new compensation policy, which is an integral part of the good governance memorandum, came into effect on 24 September 2014.

The policy was defined by the executive committee in consultation with the board of directors, the appointments and remuneration committee and the control functions.

This compensation policy seeks to encourage sound and effective risk management, discouraging any risk-taking that exceeds the level tolerated by the Bank, whilst promoting the objectives and long-term interests of the Bank and avoiding conflicts of interest.

In accordance with prevailing legislation, the policy has been published on the Bank's website.

The general principles are:

- the total volume of variable compensation should not limit the ability of the Bank to strengthen its capital base;
- variable compensation is never guaranteed, except in exceptional cases of newly recruited employees, and only for the first year of employment;
- the executive committee, applying the selection methodology and criteria set by the board of directors, has designated a number of identified staff based on the significant impact of these people on the Bank's risk profile, and drawn up a compensation policy for them. The policy also provides for a maximum ratio between the amounts of fixed and variable compensation, with systems to defer payment of variable compensation, whether in cash or financial instruments, as provided for by the regulatory authorities;
- the compensation of non-executive board members consists solely of fixed compensation determined on the basis of market benchmarks. These members do not receive variable compensation of any kind.

7 Main risks to which the Bank is exposed

By the nature of its activities, Bank Degroof Petercam is exposed to certain risks, principally:

- market risks, essentially linked to investment activities in securities portfolios (equities, bonds) and to its interest rate transformation activity (ALM[1]);
- liquidity risk, resulting from differences in maturities between financing resources (generally short-term) and the use thereof;
- counterparty risk, linked to its credit activities (a risk largely covered by the use of securities portfolios as collateral) and intermediation operations in derivative instruments;
- asset management risk (the possibility of legal action by clients if mandates are not respected, commercial risk of loss of dissatisfied customers, and reputational risk);
- operational risk resulting from its activities, including banking activities (error in order execution, fraud, cybercrime for example), custodian services (loss of assets) or fund management (non-compliance with constraints).

8 Policy concerning the use of financial instruments

Group companies use derivatives for their own account as follows:

In the context of asset and liability management, interest rate derivatives (mainly futures and interest rate swaps) are utilized to hedge the long-term interest rate risk of the group.
Interest rate swaps are used to hedge a portfolio of sovereign and State-guaranteed bank bonds from a micro-hedging perspective (the portfolio is recognized at fair value through profit or loss, the hedges are undertaken position by position) but also overall, from a macro-hedging perspective. This use of derivatives is supervised by the asset and liability management committee (almac committee).

Similarly, the Bank's treasury department (interest rate risks of less than two years) uses interest rate derivatives and treasury swaps to manage the group's interest rate and treasury positions.

Managing the group's foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to cover both commitments towards clients and the financing of subsidiaries in their operating currencies.

Derivatives (purchase of put options with sale of call options) are used to hedge certain investment portfolio positions and to steer their returns.

Derivatives in respect of equity positions that are hedging operations from an economic perspective are recognized as financial assets designated at fair value through profit or loss.

The Bank also engages in mediation in derivatives, notably stock options, on behalf of its clients.

9 Committees within the board of directors

Pursuant to Article 56 §4 of the Banking Act, the board of directors is required to state in its annual report the individual and collective expertise of the members of the audit, risk, remuneration and appointments committees.

The board considers that the members of the four above-mentioned committees possess the required expertise and professional integrity to carry out its assignments.

9.1 Audit committee

At 31 December 2015, the audit committee comprised the following persons:

Members	
Mr. Christian Jacobs	Chairman
Mr. Jean-Marie Laurent Josi	
Mr. Miguel del Marmol	
Mr. Frank van Bellingen	
Mr. Ludwig Criel	Observer
Mr. Jacques-Martin Philippson	Observer

Of these:

- all are non-executive members of the board of directors;
- one independent director is a member and chairman of the audit committee;
- all of the audit committee members have professional experience in financial management, financial reporting, accounting and auditing;
- all of the audit committee members have professional experience as directors exercising executive functions;
- all of the audit committee members have complementary professional experience in a variety of sectors;
- the audit committee members have collective expertise in the field of the activities of the Bank.

The chairman of the committee also sits on the board of directors of the subsidiary in Luxembourg, where he is a member of the audit committee, and on the board of directors of the subsidiary Degroof Petercam Asset Management.

9.2 Risk committee

At 31 December 2015, the risk committee comprised the following persons:

Members	
Mr. Frank van Bellingen	Chairman
Mr. Jacques-Martin Philippson	
Mr. Jean-Baptiste Douville de Franssu	
Mr. Ludwig Criel	
Mr. Christian Jacobs	Observer
Mr. Jean-Marie Laurent Josi	Observer

Of these:

- all are non-executive members of the board of directors;
- one independent director is a member of the risk committee;
- all of the risk committee members have professional experience as directors exercising executive functions;
- all of the members possess the required knowledge, expertise, experience and aptitudes to enable them to understand the strategy and the risk tolerance level of the Bank;
- all of the risk committee members have complementary professional experience in a variety of sectors.

9.3 Appointments committee

At 31 December 2015, the appointments committee comprised the following persons:

Members	
Baron Philippson	Chairman
Mr. Jean-Marie Laurent Josi	
Mm. Véronique Peterbroeck	
Mr. Ludwig Criel	
Mr. Alain Schockert	Observer
Mr. Jacques-Martin Philippson	Observer

Of these:

- all are non-executive members of the board of directors;
- two of the committee members have experience gained from other similar committees;
- one independent director is a member of the appointments committee;
- all of the appointments committee members have complementary professional experience in a variety of sectors;
- the committee members collectively possess the necessary expertise to enable the committee to exercise relevant, independent judgement concerning the composition and functioning of the management and administrative bodies of the Bank.

9.4 Remuneration committee

At 31 December 2015, the remuneration committee comprised the following persons:

Members	
Baron Philippson	Chairman
Mr. Alain Schockert	
Mm. Véronique Peterbroeck	
Mr. Christian Jacobs	
Mr. Jean-Marie Laurent Josi	Observer
Mr. Jacques-Martin Philippson	Observer

Of these:

- all are non-executive members of the board of directors;
- two of the committee members have experience gained from other remuneration committees;
- one independent director is a member of the remuneration committee;
- all of the committee members have professional experience as directors exercising executive functions;
- all of the remuneration committee members possess the required expertise for the purposes of exercising competent, independent judgement on the remuneration policies and the incentives created for the management of risks, equity and liquidity.

10 Discharge of directors and auditors

Pursuant to the law and the articles of association, the general meeting is requested to grant discharge to the directors and the auditor of Bank Degroof Petercam SA | NV with respect to the performance of their mandates during the past financial year.

11 Application of the Act of 3 May 2002 amending the rules on the incompatibility of mandates applicable to directors of credit institutions and investment companies and the Banking, Finance and Insurance Commission Regulation of 9 July 2002 implementing this Act

The list of external mandates held by senior managers of Bank Degroof Petercam and which are subject to publication, is available at www.degroofpetercam.com.

Brussels, 18 March 2016.

Degroof
Petercam

Consolidated financial statements

Contents

Consolidated balance sheet

(in thousands of EUR)

	Notes	31.12.2015	30.09.2014	30.09.2013
Assets				
Cash, balances with central banks and other demand deposits	7.1	2 061 222	285 657	439 319
Financial assets held for trading	7.2	114 325	158 532	89 585
Financial assets designated at fair value through profit or loss	7.3	829 861	1 041 353	926 693
Available-for-sale financial assets	7.4	2 101 471	1 575 965	1 580 611
Loans and advances to credit institutions	7.5	350 482	511 515	30 499
Loans and advances to customers	7.6	1 678 708	1 605 768	1 743 710
Financial assets held to maturity	7.7	125 701	174 426	204 863
Property and equipment	7.8	76 617	68 602	67 000
Goodwill and other intangible assets	7.9	394 664	65 700	91 611
Investments in entities accounted for using the equity method	7.10	13 527	13 277	14 622
Current tax assets		9 455	5 577	5 203
Deferred tax assets	7.19	10 603	8 221	13 788
Other assets	7.11	132 161	106 492	77 452
Total assets		**7 898 797**	**5 621 085**	**5 284 956**

(in thousands of EUR)

	Notes	31.12.2015	30.09.2014	30.09.2013
Liabilities and equity				
Liabilities		**6 996 257**	**4 994 055**	**4 646 596**
Financial liabilities held for trading	7.12	142 401	159 490	111 244
Deposits from credit institutions	7.13	156 596	168 368	447 923
Deposits from customers	7.14	6 408 182	4 413 866	3 854 517
Debt securities	7.15	3 000	3 001	13 006
Subordinated debt	7.16	0	39 946	42 593
Provisions	7.17	80 274	45 868	45 147
Current tax liabilities		40 740	44 169	30 655
Deferred tax liabilities	7.19	17 588	10 360	8 192
Other liabilities	7.18	147 476	108 987	93 319
Equity		**902 540**	**627 030**	**638 360**
Issued capital	7.20	34 212	47 491	47 491
Share premium	7.20	420 925	153 921	184 392
Reserves and retained earnings	7.20	385 334	339 806	328 098
Revaluation reserves	7.20	(231)	55 807	81 108
Treasury shares (-)	7.20	(45 956)	(55 008)	(78 195)
Net profit for the period	7.20	107 643	84 380	74 870
Minority interests		613	633	596
Following the transfer of the minority interests acquired as a result of the options granted		*0*	*(8 067)*	*(2 826)*
Total liabilities and equity		**7 898 797**	**5 621 085**	**5 284 956**

Consolidated statement of comprehensive income[1]

(in thousands of EUR)

	Notes	31.12.2015	30.09.2014	30.09.2013
Interest income	8.1	65 614	65 950	73 608
Interest expense	8.1	(9 501)	(9 630)	(11 952)
Dividend income	8.2	5 274	11 453	10 502
Fee and commission income	8.3	469 775	301 841	282 310
Fee and commission expense	8.3	(140 415)	(93 517)	(87 188)
Net result on financial instruments held for trading	8.4	19 419	(16 836)	9 153
Net result on financial instruments designated at fair value through profit or loss	8.5	(3 196)	18 389	(10 346)
Net result on financial instruments not designated at fair value through profit or loss	8.6	67 623	52 666	25 567
Other net operating results	8.7	(15 540)	14 431	3 299
Share in the results from entities accounted for using the equity method		266	894	0
Net income		**459 319**	**345 641**	**294 953**
Personnel expenses	8.8	(191 079)	(133 457)	(127 995)
General and administrative expenses	8.9	(110 924)	(62 383)	(58 088)
Depreciation and amortization	8.10	(12 543)	(7 090)	(8 476)
Impairments	8.11	(21 587)	(39 974)	(13 898)
Profit before tax		**123 186**	**102 737**	**86 496**
Income tax expense	8.12	(15 564)	(23 524)	(14 192)
Net profit		**107 622**	**79 213**	**72 304**
Remeasurement gains (losses) related to post-employment benefit plans	8.13	10 993	(4 543)	3 312
Total other comprehensive income[2] that may not be reclassified subsequently to net profit		**10 993**	**(4 543)**	**3 312**
Fair value adjustments - Available-for-sale financial assets	8.13	(68 993)	(20 958)	28 506
Currency translation differences	8.13	1 963	202	(5 133)
Total other comprehensive income[2] that may be reclassified subsequently to net profit		**(67 030)**	**(20 756)**	**23 373**
Total comprehensive income		**51 585**	**53 914**	**98 989**

1 The column 31.12.2015 covers a period of 15 months.

2 Unrealised profits and losses recorded directly in shareholders' equity, net of taxes.

(in thousands of EUR)

	Notes	31.12.2015	30.09.2014	30.09.2013
Net profit attributable to		**107 622**	**79 213**	**72 304**
shareholders of the parent company		107 643	84 380	74 870
minority interests		(21)	(5 167)	(2 566)
Total comprehensive income attributable to		**51 585**	**53 914**	**98 989**
shareholders of the parent company		51 605	59 248	101 596
minority interests		(20)	(5 334)	(2 607)

Consolidated statement of changes in equity

	Capital	Share premium	Reserves and retained earnings	Revaluation reserves
Balance at 30.09.2012	**47 491**	**182 877**	**321 458**	**49 283**
Share option plans	0	1 505	0	0
Treasury shares transactions	0	10	0	0
Dividends paid	0	0	(41 366)	0
Change in minority interests	0	0	(8 782)	(109)
Changes in consolidation scope	0	0	0	0
Prior period results	0	0	56 056	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	28 615
Currency translation differences	0	0	0	0
Other movements	0	0	732	3 312
Balance at 30.09.2013	**47 491**	**184 392**	**328 098**	**81 101**
Share option plans	0	1 075	0	0
Treasury shares transactions	0	(31 546)	(19 666)	0
Dividends paid	0	0	(42 501)	0
Change in minority interests	0	0	(995)	(59)
Prior period results	0	0	74 870	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(20 901)
Currency translation differences	0	0	0	0
Other movements	0	0	0	(4 543)
Balance at 30.09.2014	**47 491**	**153 921**	**339 806**	**55 598**
Share option plans	0	641	0	0
Capital decrease	(15 779)	(57 681)	(83 446)	0
Treasury shares transactions	0	0	0	0
Dividends paid	0	0	(44 101)	0
Change in minority interests	0	0	3 469	0
Prior period results	0	0	84 380	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(57 997)
Business combination	2 500	324 044	85 226	0
Currency translation differences	0	0	0	0
Balance at 31.12.2015	**34 212**	**420 925**	**385 334**	**(2 399)**

(in thousands of EUR)

Currency translation differences	Treasury shares	Net profit for the period	Equity group's share	Minority interests	Total
5 928	**(68 232)**	**56 056**	**594 861**	**413**	**595 274**
0	0	0	1 505	0	1 505
0	(9 963)	0	(9 953)	0	(9 953)
0	0	0	(41 366)	(25)	(41 391)
0	0	0	(8 891)	2 826	(6 065)
(5 208)	0	0	(5 208)	68	(5 140)
0	0	(56 056)	0	0	0
0	0	74 870	74 870	(2 566)	72 304
0	0	0	28 615	(109)	28 506
7	0	0	7	0	7
(720)	0	0	3 324	(11)	3 313
7	**(78 195)**	**74 870**	**637 764**	**596**	**638 360**
0	0	0	1 075	0	1 075
0	23 187	0	(28 025)	0	(28 025)
0	0	0	(42 501)	(21)	(42 522)
0	0	0	(1 054)	5 282	4 228
0	0	(74 870)	0	0	0
0	0	84 380	84 380	(5 167)	79 213
0	0	0	(20 901)	(57)	(20 958)
202	0	0	202	0	202
0	0	0	(4 543)	0	(4 543)
209	**(55 008)**	**84 380**	**626 397**	**633**	**627 030**
0	0	0	641	0	641
0	5 796	0	(151 110)	0	(151 110)
0	3 256	0	3 256	0	3 256
0	0	0	(44 101)	(22)	(44 123)
0	0	0	3 469	22	3 491
0	0	(84 380)	0	0	0
0	0	107 643	107 643	(21)	107 622
0	0	0	(57 997)	(3)	(58 000)
0	0	0	411 770	0	411 770
1 959	0	0	1 959	4	1 963
2 168	**(45 956)**	**107 643**	**901 927**	**613**	**902 540**

Consolidated cash flow statement[1]

(in thousands of EUR)

	Notes	31.12.2015	30.09.2014	30.09.2013
Net profit		**107 622**	**79 213**	**72 304**
Non-monetary items included in the net profit and other adjustments		**70 739**	**54 347**	**38 938**
Taxes and deferred taxes	8.12	15 564	23 524	14 192
Income from associates, net of dividends received		513	(894)	0
Share-based payments		641	1 075	1 505
Unrealised foreign exchange gains or losses and currency translation differences		0	0	40
Impairment and depreciation/amortization of (in)tangible assets	7.8/7.9	22 753	35 497	15 611
Changes in provision	7.17	17 855	721	6 345
Net losses (profits) on investments		(262)	(26)	(3 063)
Other adjustments		13 675	(5 550)	4 308
Change in assets and liabilities from operating activities		**(823 311)**	**378 179**	**(125 580)**
Assets held for trading or designated at fair value		257 821	(183 607)	210 811
Loans and advances		(1 213 462)	262 761	57 543
Available-for-sale loans and securities		(584 728)	(10 140)	(292 760)
Other assets		(3 554)	(29 354)	14 735
Liabilities held for trading		(27 968)	48 246	(4 708)
Derivatives held for hedging purposes		0	0	0
Deposits from credit institutions		(105 885)	(279 988)	152 536
Deposits from customers		796 456	565 035	82 938
Debenture loan		(1)	(10 005)	(1)
Other liabilities		58 010	15 231	(346 674)
Income taxes paid		**(48 600)**	**(7 813)**	**(7 350)**
Net cash flows from operating activities (A)		**(693 550)**	**503 926**	**(21 688)**
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired (including increase in percentage interest held)	6	1 134 412	(65)	(14 719)
Disposal of subsidiaries, joint ventures and associates, net of cash disposed of (including decrease in percentage interest held)	6	0	0	34 182
Purchase of (in)tangible assets		(14 730)	(9 048)	(9 506)
Disposal of (in)tangible assets		422	421	280
Purchase of held to maturity investments		(12 363)	0	(63 601)
Income from the disposal or reimbursement of held to maturity investments		60 173	30 005	101 420
Net cash flows from investing activities (B)		**1 167 914**	**21 313**	**48 056**
Dividends paid		(44 123)	(42 522)	(41 391)
Purchase or sale of treasury shares		9 052	(8 359)	(9 953)
Proceeds from issuance or sale of subordinated debt	7.16	(39 500)	(2 500)	(4 000)
Cash repayment from repurchase of shares, other equity instruments and other capital variations		(156 906)	(19 666)	0
Other financing		(3 017)	0	0
Net cash flows from financing activities (C)		**(234 494)**	**(73 047)**	**(55 344)**
Effect of exchange rate changes on cash and cash equivalents (D)		**9 244**	**(20)**	**(52)**

1 The column 31.12.2015 covers a period of 15 months.

(in thousands of EUR)

	Notes	31.12.2015	30.09.2014	30.09.2013
Net increase/decrease of cash and cash equivalents (A + B + C + D)		**249 114**	**452 172**	**(29 028)**
Cash and cash equivalents at the beginning of the period		**613 674**	**161 502**	**190 530**
Cash and cash equivalents at the end of the period		**862 788**	**613 674**	**161 502**

Supplementary information			
Interest received	83 267	79 117	89 089
Dividends received	5 274	11 453	10 502
Interest paid	(36 666)	(36 399)	(47 416)

Components of cash and cash equivalents		**862 788**	**613 674**	**161 502**
Cash and balances with central banks	7.1	22 803	2 655	2 471
Current accounts and call money loans with credit institutions	7.1	489 624	104 678	151 017
Loans and advances to credit institutions	7.5	350 361	506 341	8 014
of which not available		0	0	0

1 General information

The Royal Decree of 5 December 2004 requires quoted and unquoted credit institutions and investment firms to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for financial periods that commenced on or after 1 January 2006. For this reason, the consolidated financial statements of Bank Degroof Petercam have been prepared in accordance with IFRS in force at 31 December 2015, as adopted by the European Union.

As Bank Degroof Petercam has no securities or borrowings that are traded, or are in the process of being offered, on a public securities market, IFRS 8 ('Operating segments') and IAS 33 ('Earnings per share') have not been applied. It is for this reason that Bank Degroof Petercam does not publicly announce interim results and, accordingly, has only a single reporting date, namely the annual period-end.

Bank Degroof Petercam has decided to change the end of its financial period, which previously ran from 1 October through 30 September, to the period 1 January through 31 December of each year, going forward. Exceptionally, the current financial period, which started on 1 October 2014, closed on 31 December 2015 results in a financial period of 15 months. As a result, certain amounts presented in the financial statements are not directly comparable as the 2015 financial period covers a longer period than the preceding financial periods.

The consolidated financial statements are presented in thousands of euros, unless specifically stated otherwise.

2 Changes in accounting policies and methods

The following IFRS standards (revised, amended or new) and IFRIC interpretations are applicable for the first time during the current financial period:

- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosure of Interests in Other Entities';
- IAS 27 (revised) 'Separate Financial Statements';
- IAS 28 (revised) 'Investments in Associates and Joint Ventures';
- IFRIC Interpretation 21 'Levies';
- Amendments to IAS 32 'Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities';
- Amendments to IFRS 10, IFRS 11 and IFRS 12 'Transition Guidance';
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities';
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'.

The five first standards above comprise a collection of new or revised standards relating to consolidation. In respect of the new standards, the objective of IFRS 10 is to establish the principles for the presentation and preparation of consolidated financial statements of an entity that controls one or more other entities. A new definition of the concept of control has been established. This new definition has not resulted in any change to the consolidation scope of Bank Degroof Petercam. IFRS 11, which no longer permits the proportional consolidation of joint arrangements, has had no impact for the Bank. IFRS 12, which groups together the disclosure requirements relating to subsidiaries, joint arrangements and associates, has resulted in an expansion of the disclosures provided, but has not had an impact on the consolidated financial statements.

The other modifications resulting from the newly adopted IFRSs and IFRICs have not had a significant impact on the result or shareholders' equity of Bank Degroof Petercam, or on the presentation of the financial statements.

The standards, amendments of standards, and interpretations published by the IASB (International Accounting Standards Board) as at 31 December 2015 which become effective for future financial periods include:

STANDARDS ENDORSED BY THE EUROPEAN UNION:

- Amendments to IAS 19: 'Defined Benefit Plans: Employee Contributions' applicable for financial periods beginning on or after 1 July 2014 (ii);
- Annual Improvements to IFRSs 2010–2012 Cycle applicable for financial periods beginning on or after 1 July 2014 (ii);
- Annual Improvements to IFRSs 2011–2013 Cycle applicable for financial periods beginning on or after 1 July 2014 (i);
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IAS 16 and IAS 41 'Bearer Plants' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IAS 27 'Equity Method in Separate Financial Statements' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IAS 1 'Disclosure Initiative' applicable for financial periods beginning on or after 1 January 2016;
- Annual Improvements to IFRSs 2012–2014 Cycle applicable for financial periods beginning on or after 1 January 2016.

At the European level, the first three standards above are applicable for financial periods beginning on or after (i) 1 January 2015, or (ii) 1 February 2015.

STANDARDS NOT ENDORSED BY THE EUROPEAN UNION:

- IFRS 9 'Financial Instruments' and subsequent amendments applicable for financial periods beginning on or after 1 January 2018;
- IFRS 14 'Regulatory Deferral Accounts' applicable for financial periods beginning on or after 1 January 2016;
- IFRS 15 'Revenue from Contracts with Customers' applicable for financial periods beginning on or after 1 January 2017;
- IFRS 16 'Leases' applicable for financial periods beginning on or after 1 January 2019;
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities – Applying the Consolidation Exception' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'. The date of the standard's applicability has been deferred;
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' applicable for financial periods beginning on or after 1 January 2017;
- Amendments to IAS 7: Disclosure Initiative' applicable for financial periods beginning on or after 1 July 2017.

The Bank will apply the standards and interpretations set out above when they become applicable and does not expect that their application will give rise to a significant impact, with the exception of IFRS 9 and IFRS 16.

As regards IFRS 9 which introduces new requirements related to the classification and valuation of financial assets and liabilities, its implementation could give rise, depending on the choices made, to a change in the caption under which gains and losses are recorded (results or shareholders' equity). The extent of other financial impacts (notably as a result of the implementation of unique impairment model based on expected losses) is not currently known.

In view of the fact that IFRS 16 has only recently been published, an analysis of the standard has not yet been performed.

3 Summary of accounting policies and methods

In the accounting policies and methods set out below, the term “gains and losses recognized in equity” relates to those gains and losses that should specifically be recorded in other comprehensive income in accordance with IFRS.

3.1 Consolidation principles

SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company and those of its subsidiaries that exceed a materiality threshold. Subsidiaries are any entities that are controlled by Bank Degroof Petercam (i.e. entities in respect of which the Bank is exposed to, or has the right to, variable returns as a result of its links with the subsidiaries, and has the ability to influence such returns through its power over the subsidiaries). The materiality threshold is based on an analysis of various criteria, including the group’s share of consolidated shareholders’ equity, the group’s share of the consolidated result and the group’s share of the total consolidated assets.

Subsidiaries are fully consolidated as from the date on which effective control passes to Bank Degroof Petercam. They are de-consolidated as from the date that such control ceases. The accounts of the parent company and its subsidiaries are prepared as at the same date using similar accounting policies, with adjustments being recorded if necessary. Intra-group balances, transactions, income and expenses are eliminated.

Minority interests are presented separately in the consolidated results, and within shareholders’ equity in the consolidated balance sheet.

JOINT ARRANGEMENTS

Joint arrangements are those entities in which Bank Degroof Petercam holds either direct or indirect joint control, i.e. no decision relating to relevant activities can be taken without the unanimous agreement of the parties sharing control.

Where such joint arrangements exceed the materiality threshold, they are accounted for under the equity method for those partnerships defined as joint ventures (entities in which the joint control gives rights to the joint venture’s net assets), or by accounting for the contractual share of assets, liabilities, revenues and expenses of those partnerships defined as joint operations (entities in which the joint control gives rights to the joint operation’s assets, and obligations for its liabilities) as from the date on which joint control commences until the date on which joint control ceases. The materiality threshold is based on an analysis of various criteria, including the group’s share of consolidated equity, the group’s share of the consolidated result and the group’s share of the total consolidated assets.

The accounts of the joint arrangements are prepared as at the same date and using similar accounting policies to those used by the parent company of the group, with adjustments being recorded if necessary.

ASSOCIATES

Associates are those entities over which Bank Degroof Petercam has significant influence (i.e. the power to take part in financial and operating policy decisions, but not (joint) control over these policies).

Where associates exceed the materiality threshold, they are accounted for under the equity method as from the date on which significant influence commences until the date on which significant influence ceases. The materiality threshold is based on an analysis of various criteria, including the group’s share of consolidated shareholders’ equity, the group’s share of the consolidated result and the group’s share of total consolidated assets.

The financial statements of the associate are prepared as at the same date and using similar accounting policies to those used by the parent company of the group, with adjustments being recorded if necessary.

3.2 Translation of foreign currencies

CONVERSION OF ACCOUNTS IN FOREIGN CURRENCIES

On consolidation, the balance sheets of entities having a functional currency different from that of Bank Degroof Petercam (EUR) are translated at the exchange rate prevailing at the period-end. The income statements and the cash flow statements for the same entities are translated at the average exchange rate for the financial period. Exchange differences arising on translation are recorded in shareholders’ equity.

Goodwill and fair value adjustments arising from the acquisition of foreign entities are considered to be the assets and liabilities of the acquired entity and are, therefore, translated at the exchange rate prevailing at the period-end. Exchange differences arising on translation are recorded in shareholders' equity.

In the event of the disposal of the above-mentioned entities, the exchange differences previously recorded in shareholders' equity are included in the calculation of the gain or loss arising on the disposal, and are recorded in the income statement.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies recorded in the stand-alone financial statements of Bank Degroof Petercam entities are accounted for at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities are translated at the exchange rate prevailing at the period-end, giving rise to a translation difference that is recorded in the income statement.

Non-monetary items valued at fair value are translated at the exchange rate prevailing at the period-end. Exchange differences arising on translation are recorded either in shareholders' equity or in the income statement depending on the accounting treatment of the item in question.

Other non-monetary items are valued at historic exchange rates (i.e. the exchange rate prevailing on the transaction date).

3.3 Financial instruments

3.3.1 Recognition date for financial instruments

All derivatives and all purchases and sales of securities under contracts which require the delivery of the securities by a deadline defined by regulation or by market convention, are recognized on the transaction date. Receivables and deposits are recognized on the settlement date.

3.3.2 Offsetting

Financial assets and liabilities are offset when, and only when, Bank Degroof Petercam has a legally enforceable right to offset the amounts in question, and if it intends to settle on a net basis or to realize the asset and to settle the liability simultaneously.

3.3.3 Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are financial assets or liabilities acquired or assumed mainly with a view to a sale or repurchase in the short term, or which form part of a portfolio of financial instruments which are managed together and which present indications of a recent short-term profit-taking profile.

Such assets and liabilities are initially recognized at fair value (excluding transaction costs that are charged directly to income) and are subsequently measured at fair value. Changes in fair value are recorded in the income statement under 'net result on financial instruments held for trading'. Interest received or paid on non-derivative instruments is recorded under 'interest income' or 'interest expense'. Dividends received are recorded under 'dividend income'.

All derivative financial instruments having a positive (negative) replacement value are considered as financial assets (liabilities) held for trading, with the exception of derivatives that qualify as hedging instruments. Derivatives held for trading are initially recognized at fair value, and are subsequently measured at fair value. Changes in fair value, including accrued interest, are recorded under 'net result on financial instruments held for trading'.

3.3.4 Financial assets and liabilities designated at fair value through profit or loss

The designation of financial assets and liabilities at fair value through profit or loss (or fair value option) is made at the time of the initial recognition of the financial instrument, while respecting the following criteria:

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

The choice of the fair value option cannot be reversed once the asset or liability has been recognized in the balance sheet. The same measurement rules apply to this category of assets and liabilities as those that apply to the ‘financial assets and liabilities held for trading’ category.

Financial assets and liabilities designated at fair value through profit and loss are valued in the same manner as financial assets and liabilities held for trading. The same captions as those defined for financial assets or liabilities held for trading are used for recording interest and dividends. Changes in fair value are, however, recorded under ‘net result on financial instruments designated at fair value through profit or loss’.

3.3.5 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 recognized at fair value (including transaction costs if they are significant), and are subsequently measured at amortized cost using the effective interest method corrected for any impairment losses. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period in order to obtain the net carrying amount of the financial asset or financial liability.

The amortized cost calculated using the effective interest method includes all fees and points paid or received, as well as commissions and transaction costs that are an integral part of the effective interest rate, if they are significant. Amortization under the effective interest method is recorded in the income statement under ‘interest income’. Impairments are recorded in the income statement under ‘impairments’.

Loans and receivables consist principally of interbank and client loans and receivables.

3.3.6 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Bank Degroof Petercam has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are recognized initially at fair value (including transaction costs if they are significant), and subsequently at amortized cost using the effective interest method, less any impairment losses.

Amortization under the effective interest method is recorded in the income statement under ‘interest income’. Impairments are recorded in the income statement under ‘impairments’.

3.3.7 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in one of the above-mentioned categories. These assets are recognized initially at fair value (including transaction costs if they are significant), and are subsequently measured at fair value. All fluctuations in fair value are recorded under a specific caption in shareholders’ equity. Upon the derecognition of the asset, or the recognition of an impairment loss, the cumulative gain or loss previously recorded in shareholders’ equity is recorded in the income statement under ‘net result on financial instruments not designated at fair value through profit or loss’, or in the case of an impairment, under ‘impairments’.

Income from interest-bearing instruments accounted for under the effective interest method is recorded under ‘interest income’. Dividends received are recorded under ‘dividend income’.

The available-for-sale financial assets comprise primarily fixed income or variable income securities which are not part of financial assets held for trading designated at fair value through profit or loss, financial assets held to maturity, or loans and receivables.

3.3.8 Other financial liabilities

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

Other financial liabilities are recognized initially at fair value (plus transaction costs, if significant), and subsequently at amortized cost using the effective interest method. Accrued interest (including any difference between the redemption amount and the net amount received) is recorded, using the effective interest method, in the income statement under ‘interest expense’.

3.3.9 Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, on the principal or the most advantageous market, at the measurement date. The fair value of a liability reflects non-performance risk. The fair value is determined by reference to quoted prices on an active market (quotations established by a stock exchange, broker, or any other source recognized by investors). Where no market exists or market prices are not available, valuation techniques are used in order to estimate, at the measurement date, the fair value under current market conditions.

These techniques make maximum use of market inputs, of currently used calculation methods, as well as of a series of other factors including time value and credit and liquidity risk. The fair value estimated in this manner is affected by the data used. Valuation techniques include, in particular, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, option pricing models, and other appropriate valuation models.

At the time of initial recognition, the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration given or received), unless another fair value for that instrument can be evidenced by reference to a quoted price on an active market for the same instrument, or based on a valuation technique the variables of which only include data from observable markets.

In determining the fair value of financial instruments, the Bank uses mainly the following valuation techniques:

ACTIVE MARKET

The financial instruments are valued at fair value by reference to the prices quoted on an active market if such prices are readily and regularly available, taking into account criteria including the volume of transactions or recent transactions. Quoted securities and derivatives on organized markets (futures and options) are valued in this way.

For over the counter derivatives such as interest rate swaps, options and foreign exchange contracts, the valuation is calculated using widely recognized models (discounted cash flow analysis, Black and Scholes model, etc.) which use observable market data.

The valuation of these derivatives includes a correction for credit risk (CVA – Credit Value Adjustment; DVA – Debit Value Adjustment). The CVA adjustment involves adapting the fair value of the derivatives in order to take account of the solvency of the counter-party in the valuation. Similarly, the DVA adjustment reflects the effect of the credit quality of Bank Degroof Petercam on the valuation of the derivatives.

For valuations using 'mid-market' prices as a basis for establishing fair values, a price adjustment is applied, by risk position, to the net open position using the bid or asking price, as appropriate.

ABSENCE OF ACTIVE MARKET

Most derivatives are traded on active markets. Where the price of a transaction on an inactive market does not correspond to the fair value of other observable current market transactions in the same instrument or the valuation obtained using an internal model based on observable market data, the difference is recorded directly in the income statement.

Where, however, 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 recorded in the income statement over the life of the transaction, or deferred until the date on which the instrument is derecognized. In all cases, any unrecognized differences are immediately recorded in the income statement if parameters that were not originally observable later become so, or where 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 recording the difference in the income statement is determined on a case by case basis.

ABSENCE OF ACTIVE MARKET – EQUITY INSTRUMENTS (UNQUOTED SHARES)

In the absence of any trading price recently realized under normal market conditions, the fair value of unquoted shares is estimated using recognized valuation techniques such as discounted cash flow analysis, applying stock market multiples for comparable companies, and the net asset value method.

The carrying amount of short term financial instruments corresponds to a reasonable approximation of their fair value.

3.3.10 Embedded derivatives

An embedded derivative is defined as a component of a composite (hybrid) instrument which includes both a derivative financial instrument and a non-derivative host contract.

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

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

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

In so far as the separation of the embedded derivative is permitted (see above), the entire hybrid contract may be designated as a financial asset or liability at fair value through profit or loss. If, however, it is not possible to separately value the embedded derivative, the entire hybrid contract must be designated as a financial asset or liability at fair value through profit or loss.

3.3.11 Derecognition of financial instruments

A financial asset is derecognized when:

- the contractual rights to the cash flows attached to the financial asset expire; or
- the Bank has transferred almost all risks and rewards attached to the ownership of this financial asset. If the Bank neither transfers nor keeps substantially all of the risks and rewards attached to the ownership of the financial asset, it is derecognized when control of the financial asset is not retained. In the contrary case, the Bank maintains the financial asset on the balance sheet to the extent that it continues to be involved with the asset.

A financial liability is derecognized if the liability has expired, i.e. when the obligation set out in the contract is cancelled or expires.

3.4 Hedge accounting

Hedging aims to reduce or eliminate exposure to fluctuations in exchange rates, interest rates or prices through the use of derivative or non-derivative financial instruments. For an instrument to qualify as hedge accounting, and in order to establish the relationship between the hedging instrument and the hedged item, the following conditions need to be met:

- formal documentation of the hedging instrument and the hedged item or transaction to be covered needs to be prepared, describing the hedging relationship, the strategy and the nature of the hedged risk, and how the effectiveness of the hedging relationship will be assessed;
- demonstrating that the hedge will be highly effective in offsetting the changes in fair value or cash flows attributable to the hedged risk, at inception and during subsequent periods;
- the effectiveness of the hedge can be reliably measured; and
- assessing the effectiveness of the hedge on an on-going basis (retrospective and prospective effectiveness tests) at least at each financial period-end until the maturity of the hedge.

The accounting treatment of hedging instruments depends on which of the following categories they are classified under:

FAIR VALUE HEDGE

Changes in the fair value of the derivative or of the non-derivative hedging instrument designated and qualifying as a fair value hedge are recorded in the income statement under the heading ‘net result on hedge accounting’ together with the changes in fair value of the hedged assets or liabilities attributable to the hedged risk. Where the hedge no longer satisfies the conditions for hedge accounting, the accumulated adjustment recorded in the balance sheet in respect of the hedged item, in the case of an interest-bearing financial instrument, is amortized over the residual life of the hedged item in the form of an adjustment to the effective interest rate. If the interest rate risk on a portfolio of instruments is hedged, the adjustment is amortized on a straight-line basis. In the case of a non-interest bearing financial instrument, the accumulated adjustment on the hedged item is only recorded in the income statement upon maturity (or derecognition) of the hedged item.

CASH FLOW HEDGES

The effective part of changes in the fair value of derivatives designated and qualifying as cash flow hedges is deferred in shareholders’ equity under ‘revaluation reserves’. The ineffective part of changes in the fair value is recorded directly in the income statement. Gains and losses previously recorded in equity are transferred to the income statement and recognized in income or expense over the period during which the hedged instrument impacts the result. If the hedging relationship is broken or if the hedge no longer meets the conditions for hedge accounting, the accumulated amounts recorded in shareholders’ equity are maintained in shareholders’ equity until the forecast transaction impacts on the income statement. Once it is foreseen that the forecast transaction will no longer take place, these amounts are immediately recorded in the income statement.

HEDGE OF A NET INVESTMENT IN A FOREIGN ENTITY

The hedging of a net investment in a foreign entity is accounted for in the same manner as cash flow hedges. Gains and losses recorded in shareholders' equity are recorded in the income statement at the time of the disposal or liquidation of the foreign entity.

3.5 Leasing contracts

A leasing contract qualifies as a finance lease when the contract transfers substantially all of the risks and rewards of ownership of the asset. An operating lease is any leasing contract other than a finance lease.

A GROUP ENTITY AS THE LESSEE IN A LEASE CONTRACT

For operating leases, the leased asset is not recognized in the balance sheet and the lease rental payments are recorded in the income statement on a straight-line basis over the life of the lease contract.

For finance leases, the leased asset is capitalized and accounted for at the lower of its fair value or the present value of the minimum contractual lease payments. The asset is depreciated using the same depreciation rates as for assets of a similar nature, over the shorter of the contract period and its useful life. The related debt is recognized in liabilities as a financial debt. The financial expense is recognized in the income statement over the period covered by the lease contract so as to obtain a constant periodic interest rate on the remaining balance of the liability.

A GROUP ENTITY AS THE LESSOR

Assets leased under an operating lease contract are accounted for in the balance sheet as fixed assets and are depreciated using the same depreciation rates as for assets of a similar nature. The lease revenues are recorded in income on a straight-line basis over the life of the lease contract.

For finance leases, the present value of the minimum payments plus, where applicable, the residual value of the asset, is recognized as a receivable and not as a fixed asset. The financial income from the finance lease is spread over the life of the contract based on a table reflecting a constant rate of return on the net investment in the contract.

3.6 Property and equipment (including investment property)

Property and equipment are recorded at acquisition cost (including directly attributable expenses) less accumulated depreciation and any impairment losses. Bank Degroof Petercam applies the component method of fixed asset accounting (mainly for buildings) and the depreciable amount of an asset is determined after deduction of its residual value. Depreciation is calculated on a straight-line basis, according to the useful lives of the assets concerned.

The useful lives applied are:

Nature of the fixed asset or component	Useful life
Land	Infinite
Buildings	40 to 50 years
Technical equipment	10 years
General equipment	20 years
Finishing	5 to 10 years
IT/telecom equipment	4 years
Miscellaneous equipment	5 years
Office furniture	10 years
Vehicles	4 years

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

At each financial period-end, where an indication of any kind exists that a tangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable value) is performed. An impairment loss is recorded when the carrying amount of the fixed asset is higher than its estimated recoverable value.

The useful lives and residual values of tangible fixed assets are reviewed at each financial period-end.

Investment properties are properties held to earn rentals and/or for capital appreciation. Where the part of a property used by the Bank for its own account can be disposed of separately or leased via a finance lease, this part is accounted for as a tangible fixed asset. Otherwise the property is regarded as an investment property if the part used by the Bank for its own account represents only an insignificant part of the total investment.

3.7 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical substance. Such an asset is recorded initially at cost if it is deemed that it will produce future economic benefits and if the acquisition cost of this asset can be reliably determined.

Intangible assets consist mainly of software acquired or developed internally as well as business activities ('fonds de commerce') which have been purchased, or acquired in the context of business combinations.

Purchased software is amortized on a straight-line basis, depending on its nature, over useful lives of three to five years, as from the time it becomes usable. Software maintenance costs are charged to the income statement as incurred. Expenditure to improve the quality of the software or which helps extend its useful life is, however, added to the initial acquisition cost. Development costs of internally-generated software are amortized on a straight-line basis over the period during which the group expects to benefit from the asset. Research costs are expensed directly as incurred.

Business activities ('fonds de commerce') are amortized on a straight-line basis over their expected useful lives. These useful lives generally do not exceed 20 years. At each financial period-end, where there is an indication that an intangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable value) is performed. An impairment loss is recognized when the carrying amount of the asset is higher than its estimated recoverable value.

Intangible assets are recorded at cost less accumulated amortization and impairment losses. The useful lives and residual values of intangible fixed assets are reviewed at each financial period-end.

GOODWILL

Goodwill arises when a subsidiary, joint arrangement or associate is acquired. Goodwill represents the difference between the acquisition cost (including costs directly attributable to business combinations) and the (IFRS-restated) equity of the acquired entities, i.e. after recognizing at fair value (via shareholders' equity) all identifiable assets and liabilities in accordance with IFRS. Where the difference is positive, it is recorded in the balance sheet as an intangible asset. Where it is negative, it is credited to the income statement after verifying the valuation of all identifiable assets and liabilities. Subsequently, each recorded element will be valued using the same accounting policies applied to assets of a similar nature.

After initial recognition, positive goodwill is valued at cost, less accumulated impairment losses. Goodwill is not amortized, but is tested annually for impairment, or more often if events or changes in circumstance indicate that it may have suffered impairment. In order to test for impairment, and given that goodwill does not generate independent cash flows, the impairment test is applied to each cash generating unit which expects to benefit from the synergies resulting from the business combination. The cash generating units can be a legal entity or a sector of activity, determined based on geographic criteria or a mixture of above-mentioned elements.

A change in the percentage holding in a subsidiary (i.e. an entity already controlled by Bank Degroof Petercam) is, however, considered as a transaction between shareholders. As a result, if the transaction does not result in a change in consolidation method, no adjustment is recorded and the difference between the acquisition or sales price and the carrying amount of the equity acquired or disposed is recorded directly in shareholders' equity.

When a business combination takes place in stages, goodwill is calculated after having revalued the shares previously held in the acquired company to their fair value at the date of the additional acquisition. Any profit or loss generated by this revaluation is accounted for in the income statement.

3.8 Other assets

Other assets comprise primarily income receivable (excluding interest), deferred charges and other debtors.

3.9 Impairments

An impairment loss is recorded whenever the carrying value of an asset (net of any depreciation/amortization) is higher than its recoverable value.

At each financial period-end, Bank Degroof Petercam assesses whether there is any indication (i.e. a loss-generating 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 recorded through the income statement. Even where no objective indication exists of impairment, such an examination is carried out, at least every year at the same date, in respect of intangible assets with indefinite useful lives and of goodwill.

FINANCIAL ASSETS

Impairment losses are recorded on financial assets or groups of financial assets whenever an objective evidence exists of measurable impairment resulting from one or more events occurring since the initial recording of the asset or group of assets and whenever this loss-generating event has had an impact on the future estimated cash flows of this asset or group of assets.

The following indications, among others, are viewed as objective evidence of impairment:

- significant financial difficulties of the issuer;
- breach of contract such as a default or delay in the payment of interest or principal;
- the granting of facilities to the borrower for legal or economic reasons linked to its financial difficulties;
- strong probability of bankruptcy or financial restructuring;
- disappearance of an active market for this particular asset (as a result of financial difficulties);
- other observable data linked to a group of assets, such as an unfavorable change in the repayment behavior of borrowers in the group or an unfavorable change in a sector of activity that affects the group's borrowers;
- major or prolonged decline in the fair value of an equity instrument below its cost.

The analysis of the existence of any impairment is undertaken initially on an individual basis, and subsequently on a collective basis. The collective assessment for the calculation of an impairment on the credit activities of Bank Degroof Petercam involves grouping those counterparties that have not been individually impaired into homogenous portfolios with the assessment being based on the historic data for each portfolio. The methodology used by the Bank is based upon an approach that combines the probabilities of default, and the losses in case of default. This methodology and the assumptions used are reviewed regularly in order to reduce possible differences between the estimated losses and the real historic losses.

Impairment on financial assets recognized at amortized cost corresponds to the difference between their carrying amount and the value of estimated cash flows, discounted at the original effective interest rate. Where the discount effect is negligible, it is ignored. Impairment losses are recognized in the income statement under 'impairments', with an off-setting entry to an allowance account in respect of the carrying amount of the impaired financial assets. If an event subsequent to the recording of the impairment indicates that the impairment loss no longer exists, or only partially exists, the previously recorded impairment loss is reversed through the 'impairments' heading of the income statement.

Once an impairment loss has been recorded on an asset, interest income is recognized based on the interest rate used for discounting the future cash flows.

The recoverable value of available-for-sale financial assets is generally based on quoted market prices or, where these are not available, on the expected cash flows discounted at the current market interest rate for a similar asset. When an objective indication of impairment exists, the accumulated loss recorded directly in shareholders' equity is reversed out of shareholders' equity and recorded in the income statement under 'impairments'.

Where the fair value of a fixed income security on which an impairment loss has been recognized later appreciates as a result of an event subsequent to the impairment, the impairment loss is reversed through the income statement under 'impairments'. Any subsequent recovery in the fair value of an equity instrument is, however, recorded directly in shareholders' equity.

OTHER ASSETS

The recoverable value of a non-financial asset is the greater of its fair value less costs to sell, and its value in use. The fair value less costs to sell corresponds to the amount that can be realized from the sale of an asset under normal market conditions between informed and consenting parties, after deduction of the disposal costs. The value in use of an asset is the net present value of the future cash flows expected to be derived from this asset.

When it is not possible to estimate the recoverable value of an individual asset, the asset is attached to a cash generating unit (CGU) to determine any impairment losses at this level of aggregation.

An impairment loss is recorded directly in the income statement under 'impairments'. When an asset has been revalued, the impairment loss is recorded as a reduction of the revaluation. The impairment loss of a CGU is allocated so as to reduce the carrying value of the assets of this unit in the following order:

- firstly, to the goodwill associated with the CGU;
- subsequently, to the other assets of the CGU pro rata to the carrying amount of each of the CGU's assets.

An impairment loss recognized during a previous financial period is reversed whenever there has been a favorable change in the estimates used for determining the recoverable value of the asset since an impairment loss was last recognized. In such cases, the carrying amount of the asset needs to be increased to its recoverable value, without exceeding the carrying amount of the asset prior to the impairment loss, i.e. after the application of normal depreciation/amortization rates.

An impairment loss on goodwill cannot be subsequently reversed.

3.10 Provisions

A provision is recorded when:

- Bank Degroof Petercam has a present legal or constructive obligation resulting from a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation;
- the amount of the obligation can be reliably estimated.

When the effect of the time value of money is material, the provision is recorded at its present value. In addition, the amount of the provision is increased in respect of direct external costs associated with the settlement of a specific obligation.

3.11 Tax

CURRENT TAX

Tax assets and liabilities payable correspond to the amounts actually payable or recoverable, determined on the basis of the prevailing tax regulations and rates applicable in each country in which the group has companies at the financial period-end, as well as to prior period tax adjustments.

DEFERRED TAXES

Deferred tax is recognized whenever a temporary difference exists between the fiscal value of the assets and liabilities and their carrying amount. Deferred tax is recognized using the liability method which consists of calculating, at each financial period-end, deferred tax based on the current tax rates or the rates that will prevail (where known) at the time that the temporary differences reverse.

Deferred tax liabilities are recorded for all taxable temporary differences, with the exception of those:

- generated by the initial recognition of goodwill;
- linked to the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the accounting profit nor the taxable profit;
- associated with investments in subsidiaries, associates and joint arrangements to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized in respect of all tax-deductible temporary differences, tax losses carried forward and unused tax credits to the extent that it is probable that a future taxable profit will be available against which the differences can be utilized, except where the deductible temporary difference:

- is generated by the recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the accounting profit nor the taxable profit; or
- relates to the investments in subsidiaries, associates and joint arrangements to the extent that this difference will not reverse in the foreseeable future.

Current tax payable and deferred tax are recorded in the income statement as tax charges or income, except where they are linked to items recorded in shareholders' equity (revaluation to fair value of available-for-sale assets and derivatives designated as cash flow hedges and actuarial gains and losses in respect of the obligations and assets of schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period), in which case they are recorded in shareholders' equity and are subsequently recognized in income if the gains or losses previously recorded in shareholders' equity are transferred to the income statement.

3.12 Employee benefits

OTHER LONG-TERM BENEFITS

Other long-term benefits comprise benefits such as those linked to profit sharing or bonuses on the condition that they are not expected to be wholly settled within twelve months following the end of the annual reporting period during which employee services were rendered.

The application of national legislation relating to remuneration policies requires the deferral, for a period exceeding twelve months, of the payment of profit sharing bonuses to certain members of the personnel.

Provisions are recorded in respect of the portion of such bonuses for which payment is expected after more than one year.

COMMITMENTS RELATED TO PENSION SCHEMES

Bank Degroof Petercam offers various pension schemes, both defined contribution and defined benefit, while respecting national regulations and practices in the sector.

For the defined contribution schemes, where the Bank's commitment consists of paying the premiums, this amount is recorded as an expense during the financial period.

Defined benefit schemes are plans where the Bank is required to pay supplementary contributions to the schemes in the event that the latter have insufficient assets to meet the current and past service obligations to employees. For these schemes, the charge to the income statement is determined using the projected unit credit method in such a way as to spread the cost of the future pension over the employee's expected working life. Any obligation of the Bank over and above the assets held by the schemes is recorded as a liability on the balance sheet. Actuarial gains and losses in respect of the obligations and assets of these schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period, are fully and immediately accounted in other comprehensive income. All calculations are performed by an independent actuary.

OTHER POST-EMPLOYMENT COMMITMENTS

Certain group companies offer to assume all or part of the cost of a 'medical care' insurance policy for employees under contract to the company at the time of their retirement. The group's estimated commitment is accumulated as a liability over the employees' years of service and is determined in a manner similar to that used for defined benefit pension schemes. The relevant calculations are also performed by an independent actuary.

SHARE-BASED PAYMENT TRANSACTIONS

Share options are granted to senior management and certain employees. The cost of services rendered is determined by reference to the fair value of the share options and is recognized progressively over the vesting period of the rights corresponding to the period of services rendered. The fair value of options is calculated using either Black and Scholes valuation techniques, or using a model based on Least Square Monte-Carlo type simulations that reflect the specific characteristics of each scheme.

In the case of equity-settled plans, the fair value used is that defined at the time of final acceptance by the beneficiaries. The number of options is, however, updated to reflect only those that will probably be exercised. In accordance with IFRS 2, only share option plans making provision for settlement in shares issued after 7 November 2002 are taken into account. The resulting charge is recorded in the income statement with an off-setting entry to shareholders' equity.

For cash-settled plans, the fair value is recalculated at each financial period-end in the light of market data and the number of options exercisable. The charge resulting from this revaluation is recorded in the income statement with an off-setting entry to liabilities.

3.13 Other liabilities

Other liabilities include, in particular, short term employee benefits, dividends payable, expenses payable (excluding interest), deferred revenues and other debts.

3.14 Shareholders' equity

CAPITAL ISSUE COSTS

The costs of issuing new shares not linked to a business combination are deducted from shareholders' equity, net of any related tax.

DIVIDENDS

Dividends on shares for the period are not deducted from shareholders' equity at the financial period-end. Details of the amount of the dividend proposed to the general meeting are provided in the section on post balance sheet events.

TREASURY SHARES

Whenever Bank Degroof Petercam or one of its subsidiaries purchases treasury shares, the acquisition price is deducted directly from shareholders' equity. Results generated on the sale of treasury shares are also recorded directly in shareholders' equity.

Dividends on treasury shares held by the Bank or its subsidiaries are eliminated and are therefore not included in the total amount of the proposed distribution.

OTHER COMPONENTS

Other elements that influence shareholder's equity including, among others, the treatment of option plans on treasury shares, the revaluation of certain financial instruments to fair value, actuarial gains and losses in respect of the obligations and assets of schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period, transactions between shareholders, the impact of foreign currencies and consolidation entries, are explained above under the appropriate headings.

3.15 Interest income and charges

Interest income and charges are recorded in the income statement in respect of all interest-bearing instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to obtain the net carrying amount of the financial asset or financial liability. The calculation of this rate includes all related fees and points paid or received, transaction costs and all other premiums or discounts. Transaction costs are additional costs directly linked to the acquisition, issue or sale of a financial instrument.

Once the value of a financial asset has been reduced due to an impairment loss, the interest income continues to be recorded at the interest rate used for discounting future cash flows to determine the recoverable value.

Interest charges and income from derivatives held for trading are recorded under the same heading ('net result on financial instruments held for trading') as movements in fair value.

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

3.16 Dividends

Dividends are recorded once the shareholder's right to receive payment is established.

3.17 Fees and commissions

Bank Degroof Petercam recognizes in income the fees and commissions received in respect of the various services rendered to its clients. The method of accounting for these fees and commissions depends on the nature of the services.

Commissions forming an integral part of the effective interest rate of a financial instrument are generally taken into account when determining this rate. This relates in particular to commissions for the granting of loans and for opening lines of credit.

Commissions for services provided over a specified period are recognized as and when the service is rendered, or on a straight-line basis over the duration of the commission-generating transaction. This applies to management, administration, financial servicing, custody and other service fees.

Commitment fees on credit lines, if they are significant and if the customer is expected to draw down, are deferred and accounted for as an adjustment to the effective interest rate on the loan. Otherwise they are recognized on a pro rata basis over the life of the commitment.

Fees linked to a major undertaking, such as intermediary services, placement, performance and brokerage, are deferred and recorded at the time of execution of the undertaking.

3.18 Result on the revaluation or disposal of financial instruments

Results on transactions for trading purposes include all gains and losses from changes in the fair value of financial assets and liabilities held for trading, as well as interest income and charges on derivatives not qualified as hedging instruments and any ineffectiveness observed in a hedging relationship.

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

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

3.19 Cash and cash equivalents

The term 'cash and cash equivalents' covers cash, balances available with central banks, current accounts with credit institutions and loans and advances to credit institutions maturing within three months of their date of acquisition.

Bank Degroof Petercam presents the cash flows from its operating activities using the indirect method, under which the net result is adjusted for the effect of non-cash transactions, any deferrals or accruals of past or future operating cash inflows or outflows, and income and expense linked to investing or financing cash flows.

Tax flows, interest received and interest paid are presented together with the operating activities. Dividends received are classified as cash flows from operating activities. Dividends paid are recorded as cash flows from financing activities. Equity instruments included in the portfolio of 'available-for-sale financial assets' are included in operating activities.

4 Use of judgments and estimates in preparing the financial statements

The preparation of financial statements in accordance with IFRS requires the use of judgments and estimates. Whilst management believes that it has taken into account all available information in arriving at these judgements and estimates, the reality can be different and such differences can have an impact on the financial statements.

These estimates and judgements relate primarily to the following matters:
- the determination of fair values of unquoted financial instruments;
- the definition of the useful lives and residual values of intangible and tangible fixed assets;
- the assumptions used in respect of the valuation of commitments linked to post-employment benefits;
- the estimation of recoverable values of impaired assets;
- the assessment of the current obligations arising from past events when recording provisions.

5 Risk management

5.1 General principles

The Bank's executive committee has defined the group's risk management policy in accordance with the risk tolerances defined in the Bank's economic capital model (ICAAP[1]), which has been validated by the risk committee.

The executive committee has delegated certain of its responsibilities for implementing its risk management policy to the following committees:
- the almac committee is responsible for managing the group's balance sheet and off-balance sheet assets and liabilities, in order to provide a stable and adequate financial margin within acceptable risk limits. This committee also manages the consolidated liquidity risk;
- the credit committee is responsible for granting new credit lines and new limits (for market operations) to non-banking counterparties. It also reviews existing credit lines and limits;
- the limits committee is responsible for granting new limits for all products for banking and brokerage counterparties of the group. It also reviews existing limits on a regular basis.

In addition, day-to-day risk management and monitoring of limits are managed by the risk management department. This ensures that market, liquidity, credit and counterparty, wealth management and operational risks are followed up.

5.2 Comprehensive Assessment – Asset Quality Review (AQR) & stress test

In December 2014, Bank Degroof was added to the list of significant banks at the European level by the European Central Bank (ECB). Since then, the Bank has been subject to direct prudential control by the ECB.

During 2015, the Bank was subject to a 'comprehensive assessment' exercise. The exercise was carried out in respect of data as at 31 December 2014. Even though the exercise was performed exclusively in respect of Bank Degroof, its results are globally valid for Bank Degroof Petercam given the absence of credit activities and proprietary trading positions at Petercam.

A 'Comprehensive Assessment' exercise comprises two parts: the Asset Quality Review (AQR) and the Stress Test. The AQR comprises an in-depth analysis of the assets (primarily loans) and the accounting processes of the bank being tested. The objective is to ensure that the level of own funds of the bank (CET1 ratio) reflects reality, and that all necessary provisions have been recorded. The AQR exercise results in a correction to the CET1 ratio (adjusted CET1) which is used as the starting point for the Stress Test. The Stress Test ensures that the bank has a sufficient CET1 ratio for the following three years, even during a major crisis. Two scenarios (the first known as the base scenario which simulates a normal development of market factors, the second known as the unfavorable scenario which simulates a major crisis) are applied to the results and the balance sheet of the bank. The minimum thresholds of the CET1 ratio that need to be met are 8% under the base scenario and 5.5% under the unfavorable scenario. If a bank falls below these thresholds, it has nine months following the publication of the results to remedy the situation.

1 Internal Capital Adequacy Assessment Process.

The Bank passed the Comprehensive Assessment exercise by a comfortable margin. It was only lightly impacted by the Stress Test and ended with a CET1 ratio significantly superior to the minimum regulatory requirement.

	Result of the Bank	Minimum regulatory requirement
Base scenario	17.8%	8%
Unfavorable scenario	14.2%	5.5%

These excellent results confirm the limited risk presented by the Bank's balance sheet, the Bank's good management of its risks, as well as its profitability.

5.3 Liquidity risk

Liquidity risk is the risk of Bank Degroof Petercam being unable to meet its financial commitments at their due dates at a reasonable cost.

The principal objective of liquidity management is to ensure that the group has sufficient financing, even during very unfavorable conditions. The liquidity strategy is managed at a consolidated level by the almac committee, on a monthly basis, with day-to-day management being delegated to the treasury departments of the Brussels and Luxembourg dealing rooms, under the supervision of risk management.

Risk management ensures that Bank Degroof Petercam is able to ensure its liquidity in all crisis scenarios, whether it is a liquidity crisis on the market or a liquidity crisis specific to Bank Degroof Petercam. The assumptions underlying these scenarios are reviewed regularly. Treasury flows must remain positive under each of the scenarios, which are monitored on a daily basis. The internal stress test scenarios are supplemented by the regulatory stress tests of the Belgian National Bank.

The liquidity strategy of Bank Degroof Petercam can be summarized as follows:

- a large base of customer deposits, sourced from several group entities. In this respect, the merger of Bank Degroof and Petercam has reinforced the already significant stable deposit base of Bank Degroof through the addition of Petercam's client deposits.
- a complete independence from interbank funding: the Bank does not need to have recourse to inter-bank funding to finance itself;
- a low 'loan to deposit ratio', which indicates that the amount of credits granted is substantially lower than the total of customers' deposits;
- portfolios which are liquid and can rapidly be mobilized through repo operations with the European Central Bank.

The table below sets out the maturities of our assets and liabilities[1]. The liquidity gap is based on contractual maturities. The calculation of the corrected liquidity gap takes into account the capacity to mobilize the bond portfolios[2]:

(in thousands of EUR)

31.12.2015	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets					
Loans and advances to credit institutions[3]	2 061 222	350 571	0	0	0
Loans and advances to customers	167 473	268 927	461 083	722 673	48 842
Bonds and other fixed income securities	0	220 555	724 436	1 563 399	319 982
Derivatives	0	4 114 423	996 688	88 210	7 348
Interest rate derivatives	0	1 671	6 223	15 674	7 348
IRS	*0*	*1 671*	*6 223*	*15 668*	*7 348*
Other interest rate derivatives	*0*	*0*	*0*	*6*	*0*
Exchange rate derivatives	0	4 112 752	990 465	72 536	0
Total assets	**2 228 695**	**4 954 476**	**2 182 207**	**2 374 282**	**376 172**
Financial liabilities					
Deposits from credit institutions	82 397	5 715	0	0	0
Deposits from customers	5 774 219	477 401	121 691	2 277	1 878
Subordinated liabilities	0	0	0	3 000	0
Derivatives	0	4 134 295	1 007 688	107 804	7 441
Interest rate derivatives	0	6 765	14 878	35 332	7 441
IRS	*0*	*6 765*	*14 878*	*35 318*	*7 441*
Other interest rate derivatives	0	0	0	14	0
Exchange rate derivatives	0	4 127 530	992 810	72 472	0
Financial guarantees issued	0	93 131	0	0	0
Credit lines confirmed	0	230 155	0	0	0
Total liabilities	**5 856 616**	**4 940 697**	**1 129 379**	**113 081**	**9 319**
Liquidity gap	**(3 627 921)**	**13 779**	**1 052 828**	**2 261 201**	**366 853**
Impact of repo capacity of bond portfolio	2 737 754	(189 939)	(796 605)	(1 423 814)	(327 397)
Corrected liquidity gap	**(890 167)**	**(176 160)**	**256 223**	**837 387**	**39 456**

1 The balances of financial assets and liabilities include all movements, including future interest.

2 84% of the non-sovereign portfolio and 100% of the sovereign portfolio are deemed to be readily accessible through repo.

3 Includes cash and assets with central bank.

(in thousands of EUR)

30.09.2014	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets					
Loans and advances to credit institutions [1]	271 981	506 339	5 172	13 678	0
Loans and advances to customers	180 855	247 795	285 633	803 893	54 997
Bonds and other fixed income securities	0	85 277	257 091	1 829 688	300 381
Derivatives	0	5 253 656	830 266	162 530	3 588
Interest rate derivatives	0	7 381	6 533	23 163	3 588
IRS	*0*	*4 401*	*6 533*	*23 163*	*3 588*
Other interest rate derivatives	*0*	*2 980*	*0*	*0*	*0*
Exchange rate derivatives	0	5 246 275	823 733	139 367	0
Total assets	**452 836**	**6 093 067**	**1 378 162**	**2 809 789**	**358 966**
Financial liabilities					
Deposits from credit institutions	91 905	59 325	14 026	0	0
Deposits from customers	3 915 806	302 964	133 493	47 250	1 878
Subordinated liabilities	0	0	41 201	3 000	0
Derivatives	0	5 223 339	836 864	190 133	3 169
Interest rate derivatives	0	10 429	16 317	50 873	3 169
IRS	*0*	*7 458*	*16 317*	*50 873*	*3 169*
Other interest rate derivatives	*0*	*2 971*	*0*	*0*	*0*
Exchange rate derivatives	0	5 212 910	820 547	139 260	0
Financial guarantees issued	0	98 020	0	0	0
Credit lines confirmed	0	261 059	0	0	0
Total liabilities	**4 007 711**	**5 944 707**	**1 025 584**	**240 383**	**5 047**
Liquidity gap	**(3 554 875)**	**148 360**	**352 578**	**2 569 406**	**353 919**
Impact of repo capacity of bond portfolio	2 153 966	(28 220)	(184 082)	(1 640 786)	(300 381)
Corrected liquidity gap	**(1 400 909)**	**120 140**	**168 496**	**928 620**	**53 538**

1 Includes cash and assets with central bank.

(in thousands of EUR)

30.09.2013	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets					
Loans and advances to credit institutions [1]	439 319	8 014	3 003	7 188	12 293
Loans and advances to customers	258 407	356 250	269 532	709 049	75 728
Bonds and other fixed income securities	0	195 213	693 904	1 424 078	115 974
Derivatives	0	4 156 986	526 500	130 982	4 027
Interest rate derivatives	0	18 208	6 636	33 834	4 027
IRS	*0*	*3 115*	*6 636*	*33 826*	*4 027*
Other interest rate derivatives	*0*	*15 093*	*0*	*8*	*0*
Exchange rate derivatives	0	4 138 778	519 864	97 148	0
Total assets	**697 726**	**4 716 463**	**1 492 939**	**2 271 297**	**208 022**
Financial liabilities					
Deposits from credit institutions	126 631	289 935	28 720	0	0
Deposits from customers	3 152 257	491 281	185 705	6 993	1 998
Subordinated liabilities	0	148	2 152	44 152	13 000
Derivatives	0	4 167 369	541 909	141 436	3 757
Interest rate derivatives	0	20 358	20 447	44 318	3 757
IRS	*0*	*5 265*	*20 447*	*44 270*	*3 757*
Other interest rate derivatives	*0*	*15 093*	*0*	*48*	*0*
Exchange rate derivatives	0	4 147 011	521 462	97 118	0
Financial guarantees issued	0	86 969	0	0	0
Credit lines confirmed	0	194 553	0	0	0
Total liabilities	**3 278 888**	**5 230 255**	**758 486**	**192 581**	**18 755**
Liquidity gap	**(2 581 162)**	**(513 792)**	**734 453**	**2 078 716**	**189 267**
Impact of repo capacity of bond portfolio	2 147 228	(168 936)	(612 094)	(1 261 604)	(104 594)
Corrected liquidity gap	**(433 934)**	**(682 728)**	**122 359**	**817 112**	**84 673**

The encumbered assets of the Degroof Petercam group amounted to EUR 144 million at 31 December 2015 and represented 1.8% of total assets.

Each amount analysed below should be the median value of the quarterly data relating to the preceding twelve months. Nevertheless, in the context of the merger of Bank Degroof and Petercam and in order to best reflect economic reality, the financial data set out below relates only to the final quarter of the current financial period.

The encumbered assets of the Bank relate only to amounts provided as guarantees in the context of operations involving derivatives. The table below analyses assets on the basis of whether or not they are encumbered.

(in thousands of EUR)

	Accounting value of encumbered assets	Fair value of encumbered assets	Accounting value of unencumbered assets	Fair value of unencumbered assets
Assets of the Degroof Petercam group	144 217	n/a	7 754 580	n/a
Equity instruments	0	0	97 572	97 572
Debt instruments	74 721	74 721	2 920 459	2 922 700
Other assets	0	n/a	740 520	n/a

The guarantees received by the Bank are analysed in the following table on the basis of whether they are encumbered, or whether they are susceptible of being encumbered:

(in thousands of EUR)

	Fair value of encumbered guarantees received or encumbered own equity instruments issued	Fair value of guarantees received or own debt instruments issued susceptible to being encumbered
Guarantees received by the Degroof Petercam group	57 366	311 076
Equity instruments	0	0
Debt instruments	0	311 076
Other assets	0	0

The accounting value of liabilities susceptible to additional charges that would encumber assets, together with the associated encumbered assets and guarantees are set out in the table below:

(in thousands of EUR)

	Corresponding liabilities, possible liabilities or loaned securities	Assets, guarantees received and own debt instruments issued, other than guaranteed debt and securities linked to encumbered assets
Accounting value of the financial liabilities selected	**86 684**	**201 583**

It should be noted that the Bank does not have a programme of covered bonds. The principal sources of encumbered assets are linked to the Bank's activities on the repo market and to collateral exchanged in order to cover exposures on derivative instruments.

In this context, the pledged collateral results in part from the collateral received from other counter-parties with which the Bank is active on the derivatives market.

5.4 Market risk

5.4.1 Policy

Market risks are the risks of unfavorable trends in market factors (interest rates, equity prices, exchange rates, etc.) that impact on the positions that the Bank takes for its own account.

Treasury, foreign exchange, providing liquidity for securities, and option brokerage activities are monitored on a daily basis using indicators such as Value-at-Risk (VAR), interest rate sensitivity, scenario analyses, option sensitivity (delta, gamma, vega, etc.) and, more simply, nominal volumes.

These activities are compared to limits set by the executive committee. Open positions are characteristically low compared to our own funds.

5.4.2 Short-term market risk

5.4.2.1 Interest rate risk

The Bank's main method of managing short-term interest rates is by managing its treasury. In addition there is a reduced level of bond brokerage.

On a daily basis, risk management monitors the interest rate risk using two indicators:

- the Basis Point Value ('BPV') in respect of the limits allotted to the treasury activity by the almac committee;
- historical VAR.

5.4.2.2 Foreign exchange risk

This mainly involves hedging the foreign exchange risk generated by all departments of the Bank and brokerage for institutional investors, principally collective investment funds.

The indicators used to monitor the daily foreign exchange risk are:

- limits set in terms of nominal amounts;
- historical VAR.

5.4.2.3 Equity & options risk

The indicators used to monitor the daily equity risk are:

- limits set in terms of nominal amounts;
- historical VAR.

The risks attached to options are monitored using various indicators, mainly involving sensitivity to movements of the main underlying factors (delta, gamma and vega) and the Value-at-Risk.

The following table summarizes indicators of sensitivity of short-term market activities:

(in thousands of EUR)

2015		**31.12.2015**	**Average**	**Minimum**	**Maximum**
Interest rate risk	BPV	(100.90)	(56.00)	(23.20)	(100.90)
Foreign exchange risk	Nominal	1 007.00	1 605.00	353.00	3 595.00
	VAR 99%	39.10	35.57	8.39	80.87
Equity risk	Nominal	500.00	1.342.00	400.00	2 300.00
	VAR 99%	25.30	61.44	18.23	113.50
Option risk	Delta equivalent	0.00	0.00	0.00	0.00
	VAR 99%	0.00	0.00	0.00	0.00

2014		**30.09.2014**	**Average**	**Minimum**	**Maximum**
Interest rate risk	BPV	(37.80)	(47.40)	(25.40)	(73.70)
Foreign exchange risk	Nominal	1 779.00	2 387.00	892.00	4 812.00
	VAR 99%	17.24	45.18	1.66	96.33
Equity risk	Nominal	100.00	1 545.00	100.00	2 400.00
	VAR 99%	11.29	51.19	2.00	92.59
Option risk	Delta equivalent	0.00	0.00	0.00	0.00
	VAR 99%	0.00	0.00	0.00	0.00

2013		**30.09.2013**	**Average**	**Minimum**	**Maximum**
Interest rate risk	BPV	(79.40)	(74.10)	(60.90)	(86.90)
Foreign exchange risk	Nominal	1 720.00	2 071.00	939.00	3 671.00
	VAR 99%	31.85	32.86	6.04	66.70
Equity risk	Nominal	0.00	1 287.00	0.00	5 100.00
	VAR 99%	2.00	62.73	2.00	187.54
Option risk	Delta equivalent	0.00	0.00	0.00	0.00
	VAR 99%	0.00	0.00	0.00	0.00

5.4.3 Long term

5.4.3.1 Interest rate risk

This is the financial risk caused by the impact of a change in interest rates on the interest margin and on the fair values of interest rate instruments.

This risk is managed on a monthly basis by the almac committee using a standard defined in terms of duration gap. This standard has been developed based on the maximum loss that is deemed to be acceptable in the event that interest rates rise by 1%, as allocated by the executive committee to the group's transformation activity. This includes all balance sheet items[1] and, accordingly, also the treasury positions.

Furthermore, in accordance with Basel II, a stress test compares the loss which would be recorded if there was a parallel increase in interest rates of 2%, to the Bank's shareholders' equity. The result of this test was 10% of shareholders' funds at 31 December 2015.

This analysis is supplemented by Basis Point Value monitoring, which only takes account of items that are sensitive to interest rates, all maturities combined.

The loss in the event of a 1% rise in interest rates amounted to:

(in thousands of EUR)

2015	
On 31.12.2015	23 448
Average for the period	23 054
Maximum for the period	25 528
Minimum for the period	20 503
2014	
On 30.09.2014	25 500
Average for the period	24 800
Maximum for the period	27 600
Minimum for the period	22 400
2013	
On 30.09.2013	27 600
Average for the period	20 700
Maximum for the period	27 700
Minimum for the period	16 500

5.4.3.2 Equity risk

Long-term equity risk is the risk that the value of the Bank's own funds declines as a result of a fall in the price of the shares included in the Bank's proprietary share portfolio.

This risk has declined significantly during the past financial period as a result of the partial split of activities effected prior to the merger of the Degroof and Petercam groups, in the context of which Bank Degroof transferred or sold a significant part (more than 80%) of the portfolio of shares to a new company (Degroof Equity).

Market value of the Bank's proprietary share portfolio:

(in thousands of EUR)

Position	
31.12.2015	50 958
30.09.2014	312 450
30.09.2013	343 372

1 Items for which the duration cannot be calculated, such as shares, current accounts, etc. are subject to assumptions.

The impact on the Bank's own funds of a movement in the price of equities held by the Bank is as follows (all other factors being equal):

(in thousands of EUR)

		Impact on own funds		
Relevant markets or indices[2]	**Movement**	**31.12.2015**	**30.09.2014**	**30.09.2013**
Bel 20	10%	0	1 145	1 061
Other Belgian securities	10%	758	12 301	22 813
Other European securities	10%	588	9 032	5 320
The rest of the world	10%	3 750	8 768	5 143

5.5 Credit risk

5.5.1 Credit risk is the risk of loss resulting from a (professional, institutional, corporate, private, etc.) counterparty failing to meet its contractual obligations on time.

This risk is monitored on a daily basis.

In respect of counterparty limits, exposures are calculated as a function of changes in market value, to which a coefficient ('add-on') is added which reflects the risk represented by future movements in this exposure. These exposures are compared with the limits set out by the limits committee and credit committee.

5.5.2 Pure credit risk is monitored on a nominal basis.

The table below sets out the exposures (expressed in nominal amounts, without deducting guarantees received), by type of counterparty:

(in thousands of EUR)

31.12.2015	**Counterparty**	**Carrying amount**	**Credit risk**	**Guarantees**
Loans and advances to credit institutions	a	859 828	859 828	0
Loans and advances to customers	b	1 890 125	1 890 125	1 795 236
Bonds and other fixed-income securities		2 995 180	2 995 180	0
Public sector	e	*1 224 730*	*1 224 730*	*0*
Other issuers – banks	c+e	*1 086 974*	*1 086 974*	*0*
Other issuers – commercial companies	d+e	*683 476*	*683 476*	*0*
Equities, shares and other variable-income securities		97 572	97 572	0
Derivatives		99 465	71 077	15 046
Financial guarantees issued		93 131	93 131	33 423

(in thousands of EUR)

30.09.2014	**Counterparty**	**Carrying amount**	**Credit risk**	**Guarantees**
Loans and advances to credit institutions	a	651 184	651 184	0
Loans and advances to customers	b	1 820 874	1 820 874	1 745 411
Bonds and other fixed-income securities		2 488 033	2 488 033	18 638
Public sector	e	*996 242*	*996 242*	*0*
Other issuers – banks	c+e	*841 041*	*841 041*	*0*
Other issuers – commercial companies	d+e	*650 750*	*650 750*	*18 638*
Equities, shares and other variable-income securities		359 835	359 835	0
Derivatives		148 361	111 133	7 491
Financial guarantees issued		104 045	104 045	77 196

2 Having an impact on the portfolio value.

(in thousands of EUR)

30.09.2013	Counterparty	Carrying amount	Credit risk	Guarantees
Loans and advances to credit institutions	a	207 414	207 414	0
Loans and advances to customers	b	1 847 299	1 847 299	1 473 815
Bonds and other fixed-income securities		2 423 500	2 423 500	18 639
Public sector	e	*1 054 531*	*1 054 531*	*0*
Other issuers – banks	c+e	*603 830*	*603 830*	*0*
Other issuers – commercial companies	d+e	*765 139*	*765 139*	*18 639*
Equities, shares and other variable-income securities		391 247	391 247	0
Derivatives		77 969	52 890	13 862
Financial guarantees issued		86 969	86 969	64 136

Credit risk takes account of the possibility of compensation for derivative positions with counterparties that have signed ISDA contracts.

The guarantees received are recorded at market value and are limited to the outstanding amount of the related loans.

Five separate credit categories can be identified within the group:

a) Limits for banking counterparties

The granting of limits, in particular for interbank deposits, is centralized at group level and is based on the granting and review of limits by the limits committee, which comprises senior management from Brussels and Luxembourg and meets on a monthly basis.

At 31 December 2015, loans to credit institutions comprise principally current accounts (EUR 509 million), and repurchase agreements (EUR 301 million).

b) Credits to non-banking counterparties

This category consists principally of guaranteed credits. Approximately 90% of the Bank's consolidated outstanding credit balances are covered by real guarantees (essentially diversified portfolios subject to fixed coverage ratios which are defined in function of the composition of the pledged portfolio and, to a lesser extent, unlisted securities and real estate).

c) Group's portfolio of investments with banking counterparties

This portfolio of investments was created in order to respond to the reinvestment requirements for treasury and represents approximately 16% of the total of the group's treasury that has been reinvested.

The portfolio consists principally of covered bonds with AAA ratings and, to a lesser extent, unsecured bonds with an average AA rating, issued primarily by banking counterparties in the European Union.

Analysis of bonds in portfolio of investments with banking counterparties, by rating:

(in %)

Rating	Proportion
AAA	97%
AA	2%
A	1%
BBB	0%

d) Corporate Portfolios

This category comprises:

- the 'Corporate Portfolio' of the credit department, which is a portfolio of floating-rate European securitizations, used to fulfil treasury management requirements. This portfolio is being run-off (the Bank no longer makes new purchases) and amounted to approximately EUR 30 million. The portfolio is depreciating rapidly, due both to the arrival at maturity of a series of positions, but also due to the depreciable nature of the large majority of the securities included in the portfolio.
- the investment portfolio, started in 2012, which invests in short-term corporate bonds (three to four year terms). The bonds are divided between an envelope of good quality issuers (average rating of A), which amounted to EUR 200 million, and a 'high yield' portfolio which amounted to EUR 197 million (of which EUR 30 million was in the Degroof Bonds Corporate EUR fund and EUR 5 million was in the II Belgian Credit Opp I Hedged Dis fund).

Analysis of bonds in the 'corporate portfolios', by rating (excluding funds):

(in %)

Rating	Proportion
AAA	0%
AA	10%
A	42%
BBB	36%
< BBB or without rating	12%

e) Portfolio of sovereign and state-guaranteed bank debt

This category comprises Government debt and bank debt benefitting from guarantees by EU governments, primarily those of Belgium and of its neighboring countries.

Analysis of sovereign debt or Government guarantees, by rating:

(in %)

Rating	Proportion
AAA	33%
AA	21%
A	7%
BBB	39%

5.5.3 Geographic exposure

On a geographic level, the Bank has limited exposure to 'emerging' markets and focusses its activities on the European Union, principally in Belgium and neighboring countries, or with supranational institutions. The Bank also holds a portfolio of Italian and Spanish bonds, but almost all of these have short-term maturities (on average, one year).

5.5.4 Doubtful receivables

The losses incurred on the credit portfolio are limited, as indicated by the following table (which should be read cumulatively over the past ten years for files that remain open):

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Doubtful receivables	47 102	34 860	39 099
Impairments	(29 077)	(21 844)	(17 193)
Doubtful receivables after impairements	**18 025**	**13 016**	**21 906**

All credit files are individually reviewed at least once a year. An impairment is recorded in respect of individual files that present the risk of a loss to the Bank.

The table below provides additional information about client receivables in respect of which no impairments have been recorded.

(in thousands of EUR; in %)

	31.12.2015	
Receivables in respect of which no impairment has been recorded, and for which there are no overdue unpaid amounts	1 571 023	93%
Receivables in respect of which no impairment has been recorded, but for which there are overdue unpaid amounts	72 934	4%
– receivables with unpaid overdue balance ≤ 30 days	*24 184*	
– receivables with unpaid overdue balance > 30 days and ≤ 60 days	*5 212*	
– receivables with unpaid overdue balance > 60 days and ≤ 90 days	*15 722*	
–receivables with unpaid overdue balance > 90 days and ≤ 180 days	*4 742*	
– receivables with unpaid overdue balance > 180 days and ≤ l year	*15 995*	
– receivables with unpaid overdue balance > 1 year	*7 079*	
Receivables in respect of which a partial or complete impairment has been recorded	47 102	3%

A receivable is considered to be overdue (unpaid) when the counterparty has not made a payment by the contractual due date, regardless of the reason for the delay, the unpaid amount, or the number of days that payment is overdue (an asset is considered to be overdue as from the date on which payment becomes overdue). This does not mean that the counterparty will not make the payment, but that various actions could be taken (re-negotiation of the loan, legal proceedings, realisation of collateral received as guarantee, etc.).

Loans that are renegotiated due to financial difficulties encountered by the borrower (forborne loans), which result in a restructuring or a renegotiation of the terms and conditions of the contract, are rare. At 31 December 2015, such loans amounted to only EUR 23 million of the total outstanding loans granted by the Bank. Of this EUR 23 million, EUR 7 million were specifically impaired. The remaining balance of the loans continues to perform (no balance overdue for more than 90 days) and/or is guaranteed by sufficient collateral.

In respect of those loans that have not been individually impaired, a general provision for losses that have been incurred but not reported (IBNR) is foreseen and recorded. The objective of this general provision, which amounts to EUR 4.1 million, is to cover a possible increase in credit risk relating to the loan portfolio (but which has not yet become apparent as a result of a default). This provision is calculated by grouping the Bank's loans in homogenous portfolios and using historic data on defaults and losses for each of the portfolios. The methodology used by the Bank is based on an approach that combines the probability of default with the probability of losses (in case of default), by portfolio. The methodology and the related assumptions are reviewed on a regular basis in order to reduce possible differences between the estimates of losses and actual losses.

5.6 Asset management risk

Asset management risk is the financial risk deriving from a possible lack of consistency or excessive risk-taking in the asset management strategies pursued by the group as a whole.

This risk is monitored within each entity by the respective control departments, and also at a consolidated level using aggregated data. The checks performed focus on compliance with management constraints set by both the client and the group's executive committee[1], as well as on monitoring of performance. The risk management of the group ensures that the checks and the management principles are consistent from one subsidiary to another.

1 Particularly with respect to diversification, equity ratio and authorised management products.

5.7 Operational risk

The principal objective of the 'Operational Risk Management' team is to identify the various operational risks that the Bank faces and to ensure that these risks are adequately managed.

Operational incidents are reported and inventorized in databases which allow the team to derive statistics as well as conclusions in respect of operational incidents and their possible causes. Furthermore, the team implements long-lasting solutions with the various operational departments, when required.

Parallel with its monitoring of risks, the department is also required to provide its advice and recommendations to the Bank and its various activities in respect of the setting up of internal controls, and the analysis of various strategic and/or operational projects (new products, new procedures, etc.).

5.8 Capital management

The overriding objectives of capital management at Bank Degroof Petercam are to ensure that the Bank meets regulatory requirements and that it maintains a level of capitalization consistent with its level of activities and the risks that it takes on.

The method used for calculating regulatory capital adequacy requirements in accordance with European regulations concerning prudential requirements applicable to credit institutions (Basel III) has been used since 31 March 2014. As a reminder, the Bank has chosen the following options:

- the basic approach for evaluating capital adequacy requirements for operational risk;
- the standard approach based on external ratings for credit risk;
- the standard approach for market risk.

Regulatory capital:

(in thousands of EUR; in %)

	31.12.2015	30.09.2014	30.09.2013[2]
Tier 1 own funds	468 281	427 925	407 679
Tier 2 own funds	0	5 927	88 902
Weighted risk volume	2 913 940	2 838 056	3 046 436
CRD ratio	16.07%	15.29%	16.30%
Tier 1 ratio	16.07%	15.08%	13.38%

The movements in regulatory capital compared to the previous financial period are characterized by the following:

- the risk profile of the Bank has improved in the sense that the requirement for own funds has remained stable in spite of the significant increase in the total balance sheet as a result of the increase in the Bank's activities and the merger with Petercam; this stability is explained by two compensating factors: on the one hand, an increase in operational risk resulting from the increase in income following the merger and, on the other hand, a reduction in credit risk as a result of the disposal of equity instruments and of unquoted and quoted securities with limited liquidity, combined with investments in securities or operations with very limited risk, such as deposits with central banks;
- Tier 1 regulatory capital has increased primarily as a result of the appropriation of the result for the current financial period after deduction of the dividend, and the positive impact resulting from the application of IAS 19 revised, which required the recognition in shareholders' equity of actuarial gains and losses on our obligations relating to post-employment benefits for our personnel, partially offset by the limited negative impact of other significant movements resulting from the merger;
- Tier 2 regulatory capital has decreased to nil as a result of the reimbursement of the subordinated loan at its maturity.

2 These figures have been determined on the basis of the Belgian transcription of the European Directive on capital requirements for credit institutions (Basel II).

The combination of these factors leads to a CRD ratio of 16.07%, and an identical Tier 1 ratio, which substantially exceeds regulatory requirements. This figure takes account of the planned dividend distribution.

In accordance with current regulations, this administrative capital management is complemented by the economic management of capital by way of an ICAAP model. Using this model, the Bank checks the adequacy of its capital compared to the requirements resulting from the risks generated by its various activities. It also ensures that the capital remains adequate for the coming three years under various scenarios, ranging from achieving its budgets to significant market crises.

6 Consolidation scope

6.1 List of the principal subsidiaries of Bank Degroof Petercam at 31 December 2015

Name	Registered office	(in %) Percentage of capital held	Activity
Degroof Petercam Capital Markets SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Degroof Petercam Finance SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Degroof Petercam Finance Lyon SA	Rue de la République 17 – 69002 Lyon	100	Other financial institution
Degroof Petercam Gestion SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Degroof Petercam Immobilier SARL	Rue de Lisbonne 44 – 75008 Paris	100	Other undertaking
Banque Degroof Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Credit institution
Banque Degroof Petercam France SA	Rue de Lisbonne 44 – 75008 Paris	100	Credit institution
BD Square Invest SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Compagnie Financière Degroof Petercam SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Cobimmo SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Asset Management Ltd	6/F Alexandra House 16 Chater Road Central Hong Kong	89.96	Other financial institution
Degroof Corporate Finance SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Finance SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Fund Management Company SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Gestion Institutionnelle Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Degroof Holding Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	100	Other financial institution
Degroof Structured Finance SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
DS Lux SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Fitech Systems SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Guimard Investissements SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Heaven Services SA	Rue Eugène Ruppert 14 – 2453 Luxembourg Cloche d'Or	99.96	Other undertaking
Imofig SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Industrie Invest SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Industrie Invest 2 SA | NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Invest House SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Investment Company of Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Messine Holding SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Monceau M SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Overseas Investments Company SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Petercam Banque Privée (Suisse) SA	Route de l'Aéroport 31 – 1218 Le Grand-Saconnex	100	Credit institution
Petercam Institutional Asset Management SA | NV	Place Saint Gudule 19 – 1000 Brussels	100	Other financial institution
Petercam Institutional Asset Management Luxembourg SA	Rue Pierre d'Aspelt 1A – 1142 Luxembourg	100	Other financial institution
Petercam Institutional Bonds SA | NV	Place Saint Gudule 19 – 1000 Brussels	100	Other financial institution
Petercam Participations SA	Route de l'Aéroport 31 – 1218 Le Grand-Saconnex	100	Other financial institution
Petercam Luxembourg SA	Rue Pierre d'Aspelt 1A – 1142 Luxembourg	100	Other financial institution
Petercam Services SA | NV	Place Saint Gudule 19 – 1000 Brussels	100	Other financial institution
3P (L) SARL	Rue Pierre d'Aspelt 1A - 1142 Luxembourg	100	Other financial institution
PrivatBank Degroof, S.A.U.	Avenida Diagonal 464 – 08006 Barcelona	100	Credit institution
PrivatBank Patrimonio, S.A.U., S.G.I.I.C	Avenida Diagonal 464 – 08006 Barcelona	100	Other financial institution
Promotion Partners SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Société de Participations et d'Investissements Luxembourgeoise SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution

6.2 List of the principal associates of Bank Degroof Petercam at 31 December 2015

Name	Registered office	(in %) Percentage of capital held	Activity
BDG & Associés	244, rue Saint-Jacques Ouest bureau 51 Montréal QC H2Y 1L9 – Canada	45	Other financial institution
Landolt & Cie SA	Chemin de Roseneck 6 – 1006 Lausanne	24.99	Credit institution
Le Cloître SA	Rue Eugène Ruppert 14 – 2453 Luxembourg Cloche d'Or	33.58	Other companie
Promotion 777 SA	Rue Sigismond 17 – 2537 Luxembourg	33.98	Other companie
Seniorenresidenz Berdorf SA	Rue de Mamer 50A – 8280 Kehlen	49.98	Other companie
Stairway to Heaven SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	47.98	Other financial institution

6.3 Significant changes in the consolidation scope during the current financial period

In the context of the new governance defined by the board of directors, the Bank decided to reorganize its subsidiaries in France. This was achieved by way of the repurchase from the non-controlling shareholders of their shares in Compagnie Financière Degroof Petercam.

The option contract with the non-controlling shareholders was cancelled following a payment of EUR 3 million. Subsequently, Aforge Degroof Courtage, Aforge Patrimoine and Aforge Degroof Family Office were absorbed by Banque Degrood Petercam France – this transaction did not have a significant impact on the consolidated financial statements.

In addition, the French companies Aforge Gestion and Degroof Gestion were merged into a company named Degroof Petercam Gestion – this transaction did not have a significant impact on the consolidated financial statements.

MERGER OF BANK DEGROOF AND PETERCAM

The merger between Bank Degroof SA | NV and Petercam SA | NV ('Petercam') has given rise to an independent financial institution of reference in Belgium, 'Bank Degroof Petercam SA | NV', occupying a leading position in its three activities (private banking, institutional management and investment banking). Announced at the end of January 2015, the merger was formalized on 20 May 2015 by the signature of a merger agreement, and completed on 1 October 2015 with the notarization of the merger contract and the holding of the respective general meetings to approve the transaction.

The merger was effected through the absorption by Bank Degroof (the absorbing company) of Petercam (the absorbed company) in exchange for the issuance of 3 158 728 new shares of Bank Degroof to the shareholders of Petercam on the basis of a ratio of 70% Bank Degroof and 30% Petercam.

In view of the fact that it was a merger, no non-controlling interests arose as a result of the transaction in the consolidated financial statements of Bank Degroof Petercam.

In accordance with IFRS 3, the merger qualified as a business combination in which Petercam was the acquired company and, therefore, its identified assets and liabilities were valued at fair value at the date of acquisition (1 October 2015).

The difference between the consideration paid by Bank Degroof in order to obtain control of Petercam (i.e. the fair value of the new shares issued by Bank Degroof) and the fair value of the net assets of Petercam represented the goodwill.

The fair value at the date of acquisition of the 3 158 728 new shares issued by Bank Degroof amounted to EUR 411 770 thousand and was based on the value agreed between the parties, which was supported by several external valuations.

The fair values of the identifiable assets acquired and identifiable liabilities assumed by Bank Degroof at the date of acquisition, as well as the goodwill that results from the difference with the consideration transferred, are presented in the following table.

Although the determination of the fair values of the assets acquired and liabilities assumed has already been the subject of a detailed analysis, these values as well as the resulting goodwill have been determined on a provisional basis. Bank Degroof Petercam has a period of one year as from the date of acquisition to finalize the accounting for the acquisition.

(in thousands of EUR)

	Fair value
Cash, balances with central banks and other demand deposits	1 254 889
Financial assets held for trading	9 548
Available-for-sale financial assets	11 994
Loans and advances	85 833
Property and equipment	3 073
Intangible assets	106 861
Deferred tax assets	13 257
Other assets	18 356
Total assets	**1 503 811**
Financial liabilities held for trading	4 904
Liabilities	1 244 861
Provisions	22 428
Deferred tax liabilities	34 364
Other liabilities	18 744
Total liabilities	**1 325 301**
Net assets acquired	**178 510**
Consideration transferred (fair value of the shares issued)	**411 770**
Goodwill	**233 260**

The principal fair value adjustments related to intangible assets in respect of Petercam's relationships and contracts with its clients in the context of its private banking activities (EUR 72 797 thousand in discretionary management and EUR 9 044 thousand in non-discretionary management) and in respect of the institutional management activity (EUR 24 811 thousand). These intangible assets are being amortized over their useful lives which range between five and ten years. In addition, an asset of EUR 8 213 thousand was recorded in respect of short-term fees receivable. A deferred tax liability of EUR 33 831 thousand was recorded in respect of the temporary differences resulting from these adjustments.

The fair values of the loans and receivables set out in the table above correspond to the gross contractual amounts receivable as there is no basis for recording an impairment in respect of these assets

The provisional goodwill of EUR 233 260 thousand represents primarily the anticipated synergies that will result from the merger as well as the qualified workforce of Petercam. The goodwill is not tax deductible.

As a result of the operational merger of certain activities as from 1 October 2015 (the date of acquisition), it is not possible to reliably determine the contribution of Petercam to the net consolidated income and net consolidated result since the date of acquisition.

At the date of acquisition, the impact of the merger on consolidated cash flows is positive due to the cash balances of Petercam that were acquired. In effect, the consideration paid to obtain control of Petercam consisted entirely of new shares and thus had no impact on the cash position.

Costs resulting from the transaction amounted to EUR 14 400 thousand; these were recorded immediately in expense, primarily under the caption 'General and administrative expenses' in the income statement.

PRO FORMA INFORMATION[1]

If the financial periods had been the 2014 and 2015 calendar years, total consolidated comprehensive income would have been the following:

(in thousands of EUR)

	2015	2014
Interest income	52 867	64 334
Interest expense	(7 854)	(9 747)
Dividend income	5 023	10 943
Fee and commission income	509 110	456 066
Fee and commission expense	(136 783)	(121 381)
Net result on financial instruments held for trading	20 586	(4 087)
Net result on financial instruments designated at fair value through profit or loss	(82)	15 498
Net result on financial instruments not designated at fair value through profit or loss	63 789	54 900
Other net operating results	(14 102)	20 743
Share in the results from entities accounted for using the equity method	(121)	1 075
Net income	**492 433**	**488 344**
Personnel expenses	(213 496)	(199 080)
General and administrative expenses	(134 789)	(100 133)
Depreciation and amortization	(11 502)	(8 150)
Impairments	(22 033)	(39 810)
Profit before tax	**110 613**	**141 171**
Income tax expense	(14 580)	(34 866)
Net profit	**96 033**	**106 305**
Net profit attributable to	*96 127*	*110 876*
shareholders of the parent company	*(94)*	*(4 571)*
minority interests	10 993	(8 781)
Remeasurement gains (losses) related to post-employment benefit plans	**10 993**	**(8 781)**
Fair value adjustments - Available-for-sale financial assets	(66 937)	(36 174)
Currency translation differences	1 900	909
Total other comprehensive income that may be reclassified subsequently to net profit	**(65 037)**	**(35 265)**
Total comprehensive income	**41 989**	**62 259**
Total comprehensive income attributable to		
shareholders of the parent company	*42 082*	*66 827*
minority interests	*(93)*	*(4 568)*

1 Unaudited situation covering a period of 12 months.

6.4 Non-consolidated real estate affiliates

In the context of the diversification of its product offering, the Bank has created a real estate center of competence the objective of which is to invest in real estate financed primarily by the issuance of real estate certificates to private and institutional clients and, secondly, by way of loans granted by other financial institutions.

These operations were set up by creating real estate companies in which the Bank is either the majority shareholder, or a shareholder in the context of joint control (from a legal perspective). These companies are, accordingly, subsidiaries or joint arrangements of the Bank, which is represented on the board of directors and on the management committee; these decision making bodies are largely responsible for the operational and administrative management of the companies.

The Bank receives remuneration for providing these services that is contractually fixed and independent of the performance of the companies.

It is, however, the holders of the real estate certificates who, during meetings, take the strategic decisions relating to the management of the real estate, and who receive the revenues generated by the rental and subsequent sale of the real estate. At the end of the financial period, the assets of these companies had a value of approximately EUR 200 million.

As the definition of control is based on the right to variable returns resulting from influence over the making of strategic decisions that impact on such returns, control over these companies is exercised exclusively by the holders of the real estate certificates, and not by the Bank. As a result, these entities are not consolidated by Bank Degroof Petercam.

At the end of the financial period, the financial investment of the Bank in these entities amounted to EUR 5 million.

6.5 Information by country

In accordance with the European Directive (CRD IV), the information required by country is as follows:

(in thousands of EUR)

31.12.2015	**Belgium**	**Luxembourg**	**Spain**	**France**	**Switzerland**	**Total**
Turnover	268 201	144 329	12 026	31 824	2 673	459 053
Number of employees (in units)	854	327	64	112	18	1 375
Profit (or loss) before tax	60 319	72 441	(1 428)	(8 613)	201	122 920
Tax on profit or loss	6 705	8 497	305	(56)	113	15 564
Public subsidies received	0	0	0	0	0	0

30.09.2014	**Belgium**	**Luxembourg**	**Spain**	**France**	**Total**
Turnover	188 698	129 149	9 436	17 464	344 747
Number of employees (in units)	558	295	60	96	1 009
Profit (or loss) before tax	63 920	72 394	598	(35 069)	101 843
Tax on profit or loss	9 848	10 810	75	2 791	23 524
Public subsidies received	0	0	0	0	0

The differences between the column ‘Total’ and the consolidated statement of comprehensive income relate solely to the caption ‘Share in the results from entities accounted for using the equity method’, which does not need to be split by country under the terms of the above-mentioned Directive.

In order to reflect economic reality, the information is presented before the elimination of intra-group transactions.

7 Notes to the consolidated balance sheet

7.1 Cash, balances with central banks and other demand deposits

Cash, balances with central banks and other demand deposits comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Cash	4 029	2 655	2 471
Balances with central banks – Mandatory reserves [1]	1 529 072	143 332	259 933
Balances with central banks – other than mandatory reserves	18 774	0	0
Other demand deposits	509 347	139 670	176 915
Total cash, balances with central banks and other demand deposits	**2 061 222**	**285 657**	**439 319**

Both cash and balances with central banks other than mandatory reserves are included in our definition of cash and cash equivalents in the consolidated cash flow statement.

Other demand deposits amounting to EUR 489.7 million at 31 December 2015 (EUR 104.7 million at 30 September 2014; EUR 151 million at 30 September 2013) are included in the Bank's definition of cash and cash equivalents in the consolidated cash flow statement.

7.2 Financial assets held for trading

Financial assets held for trading comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
1. Financial assets held for trading	**14 860**	**10 171**	**11 616**
Fixed-income securities	11 870	7 535	11 528
Treasury bills and government bonds	*1 483*	*0*	*304*
Bonds from other issuers	*10 387*	*7 535*	*11 187*
Other fixed income instruments	*0*	*0*	*37*
Variable-income securities	2 990	2 636	88
Equities	*420*	*113*	*23*
Other variable income securities	*2 570*	*2 523*	*65*
2. Derivative financial instruments	**99 465**	**148 361**	**77 969**
Foreign exchange derivatives	47 214	110 619	26 100
Interest rate derivatives	13 199	10 738	13 790
Equity derivatives	39 052	26 994	38 028
Credit derivatives	0	10	51
Total assets held for trading	**114 325**	**158 532**	**89 585**

1 Mandatory reserves: minimum reserves held by credit institutions with the ECB or other central banks.

7.3 Financial assets designated at fair value through profit or loss

Securities investments are designated, at their acquisition date, at fair value through profit or loss (fair value option) when they are associated with derivatives, when such designation eliminates or significantly reduces an accounting mismatch which would otherwise result, and when a risk exists of not meeting the requirements (or not satisfying the conditions) for hedge accounting.

More specifically, this designation is used in order to prevent any consecutive mismatch in the valuation of certain sovereign and bank debt that is almost entirely guaranteed by EU governments or by covering assets[2] (fair value recognized directly in shareholders' equity), purchased with the objective of supporting liquidity and linked, in accordance with the risk management strategy, to interest rate swaps (fair value through profit or loss). The fair value option is also applied to certain positions in equities that are economically hedged using an option structure.

The financial assets designated at fair value through profit or loss comprise:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Fixed income securities	794 715	998 007	889 235
Treasury bills and government bonds	*205 354*	*514 460*	*475 504*
Bonds from other issuers	*589 361*	*483 547*	*413 731*
Variable-income securities	35 146	43 346	37 458
Equities	*35 146*	*43 346*	*37 458*
Total financial assets designated at fair value through profit or loss	**829 861**	**1 041 353**	**926 693**

The financial assets designated at fair value through profit or loss include as at 31 December 2015 an amount of EUR 675.12 million for which the residual life exceeds 12 months (30 September 2014: EUR 898.5 million; 30 September 2013: EUR 719.5 million).

7.4 Available-for-sale financial assets

Available-for-sale financial assets represent investments in fixed or variable income securities, both listed and unlisted, and comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Carrying amount before impairments	**2 109 255**	**1 590 770**	**1 612 579**
Fixed income securities	2 044 790	1 264 495	1 236 107
Treasury bills and government bonds	*902 587*	*391 472*	*413 550*
Bonds from other issuers	*1 104 994*	*831 345*	*779 023*
Other fixed income instruments	*37 209*	*41 678*	*43 534*
Variable-income securities	64 465	326 275	376 472
Equities	*21 972*	*214 476*	*238 225*
Other variable income securities	*42 493*	*111 799*	*138 247*
Impairments	**(7 784)**	**(14 805)**	**(31 968)**
Total available-for-sale financial assets	**2 101 471**	**1 575 965**	**1 580 611**

Available-for-sale financial assets at 31 December 2015 include a total of EUR 1 204.6 million the residual life of which exceeds 12 months (30 September 2014: EUR 1 061.4 million; 30 September 2013: EUR 575.4 million).

2 Commonly known as 'Covered bonds'.

The table below details the movements relating to the impairment of available-for-sale financial assets:

(in thousands of EUR)

	Fixed income securities	Variable income securities	Total
Closing balance at 30.09.2012	**(9 419)**	**(35 588)**	**(45 007)**
Impairments	0	(1 732)	(1 732)
Impairment allowance used	57	14 549	14 606
Currency translation differences	165	0	165
Closing balance at 30.09.2013	**(9 197)**	**(22 771)**	**(31 968)**
Impairments	0	(5 176)	(5 176)
Impairment allowance used	6 947	15 526	22 473
Currency translation differences	(134)	0	(134)
Closing balance at 30.09.2014	**(2 384)**	**(12 421)**	**(14 805)**
Impairments	0	(8)	(8)
Impairment allowance used	0	7 401	7 401
Currency translation differences	(372)	0	(372)
Closing balance at 31.12.2015	**(2 756)**	**(5 028)**	**(7 784)**

The table below details the changes in fair values of available-for-sale financial assets:

(in thousands of EUR)

	Fixed income securities	Variable income securities	Total
Closing balance at 30.09.2012	**5 525**	**69 942**	**75 467**
Increase (decrease) in unrealised revaluation gains[1]	(1 325)	20 597	19 272
Decrease (increase) in unrealised revaluation losses[1]	3 236	5 607	8 843
Impairment recognized in the income statement	0	100	100
Closing balance at 30.09.2013	**7 436**	**96 246**	**103 682**
Increase (decrease) in unrealised revaluation gains[1]	8 203	(19 650)	(11 447)
Decrease (increase) in unrealised revaluation losses[1]	796	(4 821)	(4 025)
Impairment recognized in the income statement	0	370	370
Closing balance at 30.09.2014	**16 435**	**72 145**	**88 580**
Increase (decrease) in unrealised revaluation gains[1]	(2 554)	(77 320)	(79 874)
Decrease (increase) in unrealised revaluation losses[1]	(3 532)	8 729	5 197
Impairment recognized in the income statement	0	0	0
Closing balance at 31.12.2015	**10 349**	**3 554**	**13 903**

1 Including changes in unrealised gains and losses transferred from equity to the income statement as the result of the derecognition of these investments.

7.5 Loans and advances to credit institutions

Interbank loans and advances are as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Term loans	49 706	142 527	29 197
Reverse repurchase operations	300 776	368 981	0
Other	0	7	1 302
Total loans and advances to credit institutions	**350 482**	**511 515**	**30 499**

Loans with initial terms of less than three months for an amount of EUR 350.4 million as at 31 December 2015 (at 30 September 2014: EUR 506.3 million; at 30 September 2013: EUR 8 million) are included in our definition of cash and cash equivalents in the consolidated cash flow statement.

7.6 Loans and advances to customers

Loans and advances to customers and movements relating to impairments on these loans and advances are as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Carrying amount before impairments	**1 711 919**	**1 628 387**	**1 769 850**
Overdrafts	326 989	313 819	274 039
Trade bills	89	102	256
Mortgage loans	89 405	112 683	117 009
Term loans	1 230 813	1 109 128	1 170 471
Finance leases	0	29	184
Reverse repurchase agreements	12 722	16 799	51 060
Debt instruments	20 859	45 953	99 912
Subordinated loans	11 474	18 889	20 309
Other	19 568	10 985	36 610
Impairments	**(33 211)**	**(22 619)**	**(26 140)**
Total loans and advances to customers	**1 678 708**	**1 605 768**	**1 743 710**

Loans and advances to customers include as at 31 December 2015 an amount of EUR 449.2 million for which the residual life exceeds 12 months (30 September 2014: EUR 333.7 million; 30 September 2013: EUR 397.1 million).

The table below details the movements relating to the impairment of loans and advances to customers:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Opening balance	**(22 619)**	**(26 140)**	**(26 622)**
Impairment loss recognized [2]	(12 592)	(8 195)	(5 068)
Reversal of impairment [3]	1 223	1 805	37
Impairment allowance used [4]	788	9 947	6 328
Changes in consolidation scope	0	0	97
Currency translation differences	(11)	(5)	3
Other	0	(31)	(915)
Closing balance	**(33 211)**	**(22 619)**	**(26 140)**

2 Including an impairment of EUR 0 thousand on debt instruments (at 30 September 2014: EUR 0 thousand; at 30 September 2013: EUR 2 400 thousand).

3 Including a write-offs of non-recoverable loans and advances of EUR 0 thousands on debt instruments (at 30 September 2014 : EUR 768 thousand).

4 Including an impairment allowance used of EUR 0 thousand in respect of debt instruments (30 September 2014 : EUR 8 179 thousand, 30 September 2013: EUR 2 288 thousand).

Impairment losses are calculated on the basis of individual valuations and on the basis of collective valuations as from the current financial period.

The tables below set out supplementary information relating to available-for-sale financial assets that have been reclassified to loans and advances:

(in thousands of EUR)

	Carrying amount	Fair value	Revaluation reserves
Closing balance at 31 December 2015	**20 859**	**19 166**	**(14)**
Closing balance at 30 September 2014	**27 315**	**24 820**	**(22)**
Closing balance at 30 September 2013	**65 065**	**56 545**	**(66)**

(in thousands of EUR)

Amounts recognised in profit or loss or in equity	Profit or loss	Equity
At 31 December 2015		
Interest income	118	
Impairment	0	
Realised gains (losses)	49	
Amounts transferred from revaluation reserves to profit or loss		8
At 30 September 2014		
Interest income	249	
Impairment	0	
Realised gains (losses)	(1 099)	
Amounts transferred from revaluation reserves to profit or loss		44
At 30 September 2013		
Interest income	387	
Impairment	(2 400)	
Realised gains (losses)	(188)	
Amounts transferred from revaluation reserves to profit or loss		443

The fair value losses or gains that would have been recognized in equity after the reclassification date, if the reclassification had not occurred, amount to an aggregate net gain at 31 December 2015 of EUR 0.5 million (at 30 September 2014: net gain of EUR 0.5 million; at 30 September 2013: net loss of EUR 4.2 million).

7.7 Financial assets held to maturity

Financial assets held to maturity represent investments in fixed income securities, the split by nature of which is as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Fixed income securities	125 701	174 426	204 863
Treasury bills and government bonds	*115 306*	*90 310*	*165 173*
Bonds from other issuers	*10 395*	*84 116*	*39 690*
Total financial assets held to maturity	**125 701**	**174 426**	**204 863**

Financial assets held to maturity with a maturity in excess of 12 months amount to EUR 114.7 million at 31 December 2015 (30 September 2014: EUR 132.5 million; 30 September 2013: EUR 172.8 million).

7.8 Property and equipment and investment property

Property and equipment comprise the following:

(in thousands of EUR)

	Land and buildings	IT equipment	Office equipment	Other equipment	Total
Net closing carrying amount at 31.12.2015	**65 164**	**4 195**	**2 727**	**4 531**	**76 617**
Acquisition cost	116 750	23 138	11 872	8 833	160 593
Accumulated depreciation and impairment	(51 586)	(18 943)	(9 145)	(4 302)	(83 976)
Net closing carrying amount at 30.09.2014	**61 090**	**3 056**	**1 478**	**2 978**	**68 602**
Acquisition cost	103 877	17 554	7 526	6 981	135 938
Accumulated depreciation and impairment	(42 787)	(14 498)	(6 048)	(4 003)	(67 336)
Net closing carrying amount at 30.09.2013	**58 938**	**3 181**	**1 590**	**3 291**	**67 000**
Acquisition cost	99 754	18 472	7 482	7 448	133 156
Accumulated depreciation and impairment	(40 816)	(15 291)	(5 892)	(4 157)	(66 156)

The movements in the net book value are as follows:

(in thousands of EUR)

	Land and buildings	IT equipment	Office equipment	Other equipment
Closing balance at 30.09.2012	**56 968**	**3 246**	**1 959**	**3 333**
Acquisitions	6 244	1 191	283	894
Changes in consolidation scope	(1 018)	(39)	(106)	(38)
Disposals	0	(11)	(2)	(286)
Depreciation	(3 181)	(1 323)	(361)	(612)
Impairment loss recognized	(32)	(8)	(34)	0
Currency translation differences	(43)	(1)	0	0
Other	0	126	(149)	0
Closing balance at 30.09.2013	**58 938**	**3 181**	**1 590**	**3 291**
Acquisitions	4 336	1 339	215	728
Disposals	0	(5)	0	(378)
Depreciation	(2 182)	(1 419)	(346)	(662)
Impairment loss recognized	0	(43)	(11)	0
Reversal of impairment	0	0	32	0
Other	(2)	3	(2)	(1)
Closing balance at 30.09.2014	**61 090**	**3 056**	**1 478**	**2 978**
Acquisitions	6 350	1 918	1 581	1 801
Changes in consolidation scope	789	1 157	123	1 014
Disposals	0	0	0	(427)
Depreciation	(3 048)	(1 946)	(468)	(732)
Impairment loss recognized	0	0	0	(14)
Reversal of impairment	0	0	11	0
Currency translation differences	0	5	2	11
Other	(17)	5	0	(100)
Closing balance at 31.12.2015	**65 164**	**4 195**	**2 727**	**4 531**

The amounts disclosed under 'Other' relate mainly to transfers between categories of property and equipment.

With the exception of vehicles (disclosed under 'Other equipment'), the residual values are estimated at zero. As purchased cars are generally sold after four years, their average residual value has been estimated at 40% of the purchase price, excluding VAT.

The estimated fair value of property (accounted for at amortized cost) of Bank Degroof Petercam amounts to EUR 147.3 million at 31 December 2015 (30 September 2014: EUR 132.2 million; 30 September 2013: EUR 128.1 million). The estimated fair values of the majority of the properties have been obtained from valuation reports prepared by independent real estate experts. In view of the limited liquidity in the property market, the specific nature of these properties, and the difficulty in obtaining details of comparable transactions, the estimated values of these properties have been classed at level 3 in the hierarchy of fair values. The techniques used by the real estate experts were primarily the following: the rental capitalization method, the discounted cash flow method, and the comparative market analysis method (valuation based on the value of m^2 constructed). Where several valuation methods are used for one property, the estimated value represents the average of the values calculated.

Bank Degroof Petercam does not hold investment property.

Bank Degroof Petercam has commitments, in its capacity as lessee, in respect of operating lease contracts relating principally to real estate, IT equipment and vehicles.

The minimum amount of future payments under non-cancellable operating lease contracts amounted to:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Less than one year	10 437	2 055	1 729
Between one and five years	28 435	6 561	7 475
More than five years	9 720	24	127
Closing balance	**48 592**	**8 640**	**9 331**

The above-mentioned amounts do not take into account the possible future indexation of operating lease payments for real estate. The operating lease expense is set out in note 8.9.

7.9 Goodwill and other intangible assets

Goodwill and other intangible assets comprise the following:

(in thousands of EUR)

	Goodwill	Business activities	Software	Total
Net closing carrying amount at 31.12.2015	**270 460**	**119 312**	**4 892**	**394 664**
Acquisition cost	347 335	167 083	29 084	543 502
Accumulated depreciation and impairment	(76 875)	(47 771)	(24 192)	(148 838)
Net closing carrying amount at 30.09.2014	**44 523**	**17 638**	**3 539**	**65 700**
Acquisition cost	114 430	50 283	24 958	189 671
Accumulated depreciation and impairment	(69 907)	(32 645)	(21 419)	(123 971)
Net closing carrying amount at 30.09.2013	**69 986**	**19 390**	**2 235**	**91 611**
Acquisition cost	114 430	50 283	22 632	187 345
Accumulated depreciation and impairment	(44 444)	(30 893)	(20 397)	(95 734)

The movements in the net book value are as follows:

(in thousands of EUR)

	Goodwill	Business activities [1]	Software
Closing balance at 30.09.2012	**70 189**	**28 297**	**2 550**
Acquisitions	8 197	0	893
Disposals	(8 379)	0	0
Changes in consolidation scope	0	0	(55)
Depreciation	0	(1 846)	(1 153)
Impairment loss recognized	0	(7 061)	0
Currency translation differences	(21)	0	0
Closing balance at 30.09.2013	**69 986**	**19 390**	**2 235**
Acquisitions	0	0	2 432
Disposals	0	0	(13)
Depreciation	0	(1 365)	(1 115)
Impairment loss recognized	(25 463)	(387)	0
Closing balance at 30.09.2014	**44 523**	**17 638**	**3 539**
Acquisitions	233 260	106 653	3 076
Disposals	0	0	(68)
Changes in consolidation scope	0	0	171
Depreciation	0	(4 554)	(1 796)
Impairment loss recognized	(7 383)	(425)	(30)
Currency translation differences	60	0	0
Closing balance at 31.12.2015	**270 460**	**119 312**	**4 892**

BUSINESS ACTIVITIES

In accordance with its accounting policies and principles, the Bank has performed an impairment test on all of its business activities (except for those relating to the merger with Petercam, which were valued during the final quarter of the financial period), taking into account market conditions that were considered to be the objective indication of impairment. The recoverable value is determined as being the higher of the fair value and the value in use.

The fair value is obtained either by applying multiples to the net operating result, or on the basis of an estimate of the revalued net assets. The value in use is determined using the discounted free cash flow method which discounts all future cash flows that will be generated by the entity's activities.

The results of these impairment tests are similar or superior to the accounting value of the business activities, except in the case of the business activities in Luxembourg, in respect of which an impairment loss of EUR 0.4 million has been recorded.

The fair value has been used to estimate the value of the business activities of Banque Degroof Petercam France on the basis of an estimation of the revalued net assets, which involved adding a goodwill in respect of capital under management to shareholders' equity. The goodwill coefficient used was 1%.

A sensitivity analysis has been performed which tests a scenario of a lower goodwill coefficient (0.85%). The recoverable value that resulted from this sensitivity analysis was higher than the accounting value.

GOODWILL

In accordance with its accounting policies and methods, the Bank performs an impairment test on goodwill, as a minimum, at every financial period-end. In order to do this, the Bank has allocated goodwill to cash generating units. The recoverable value of a cash generating unit is determined as being the higher of its fair value and its value in use.

The fair value is obtained either by applying reference multiples to the net operating result, or on the basis of an estimate of the revalued net assets. The value in use is determined using the discounted free cash flow method which discounts all future cash flows that will be generated by the entity's activities.

1 Of which EUR 11.7 million at 31 December 2015, to be amortized over the remaining useful life of 13 years, on the account of Banque Degroof Petercam France, and EUR 103.8 million related to business combinations Petercam.

The results of these impairment tests are similar or superior to the accounting value of the goodwill, except in respect of the goodwill relating to the cash generating units of the Compagnie Financière Degroof Petercam group.

Fair value was used to estimate the recoverable value of the cash generating units of Compagnie Financière Degroof Petercam active in wealth management, on the basis of an estimation of the revalued net assets, which involved adding goodwill in respect of assets under management to shareholders' equity. The goodwill coefficient used was 1%. Following the transfer of the wealth management activities to Banque Degroof Petercam France, assets under management declined significantly with the result that the recoverable value that resulted from this fair value was lower than the accounting value. Accordingly, an impairment was recorded in respect of the goodwill.

Given the low level of the goodwill that remained, its accounting value was reduced to zero.

The value in use was used to estimate the recoverable value of the cash generating units of Compagnie Financière Degroof Petercam active in Corporate Finance. The projected cash flows were based upon medium term plans drawn up by management covering the period 2015-19, extended by four years in respect of wealth management activities, before applying a steady growth rate of 2% corresponding to the long-term inflation rate. The projected cash flows were discounted at the estimated cost of capital before taxes as at 31 December 2015 of 16.3%. The resultant value was higher than the accounting value.

A sensitivity analysis has been performed which tests a scenario of lower growth (resulting in cash flows that are approximately 30% lower). The recoverable value that results from this sensitivity analysis is EUR 4.5 million lower than the accounting value. Nevertheless, this scenario has not been retained because the medium term plan established by management appears to be reasonable and the discount rate used already reflects a certain level of risk about the realization of the forecasts.

Goodwill is analyzed below, by cash generating unit:

(in thousands of EUR)

Cash generating unit	Carrying amount 31.12.2015	Carrying amount 30.09.2014	Carrying amount 30.09.2013	Method used for the recoverable amount
Bank Degroof Petercam SA | NV (ex – de Buck Banquiers | Bankiers)	9 625	9 625	9 625	Fair value [1]
Bank Degroof Petercam SA | NV (ex – Bearbull Belgium)	3 700	3 700	3 700	Fair value [1]
Banque Degroof Luxembourg SA	2 080	2 080	2 080	Fair value [1]
Compagnie Financière Degroof Petercam SA	18 217	25 600	51 063	Value in use
PrivatBank Degroof S.A.U.	3 518	3 518	3 518	Fair value [1]
Total	**37 140**	**44 523**	**69 986**	

7.10 Investments in entities accounted for using the equity method

Investments in entities accounted for using the equity method are summarized in the table below:

(in thousands of EUR)

Associates	31.12.2015	30.09.2014	30.09.2013
Landolt & Cie SA	13 384	13 295	14 622
BDG & Associés	143	(18)	0
Total	**13 527**	**13 277**	**14 622**

1 Level 3 in the hierarchy of fair values.

The investment in Landolt & Cie is valued on the basis of various criteria, comprising the application of a reference multiple to the net result and the estimation of revalued net assets by applying a reference goodwill coefficient to assets under management. On the basis of this valuation, the Bank recorded an impairment loss in respect of its investment in Landolt & Cie of EUR 2.37 million at 31 December 2015 by reference to its accounting value at that date (which was higher than that at 30 September 2014 primarily as a result of the movement in the exchange rate for the Swiss Franc).

At 31 December 2015, the shareholders' equity of Landolt & Cie amounted to CHF 35 497 million and the result amounted to CHF 5 386 million.

The shareholders' equity of BDG & Associés amounted to CAD 0.4 million and its result amounted to CAD 67 000.

At 31 December 2015, an amount of EUR 1 303 million is included in the caption 'Other liabilities' (Promotion 777: EUR 155 000, Stairway to Heaven: EUR (13 000), Seniorenresidenz Berdorf: EUR 197 000, Le Cloître: EUR 964 000).

7.11 Other assets

Other assets comprise the following items:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Accrued income and prepaid expenses	97 678	65 285	50 929
Miscellaneous debtors	19 658	27 691	12 262
Other assets	14 825	13 516	14 261
Total other assets	**132 161**	**106 492**	**77 452**

Miscellaneous debtors comprise invoices receivable and tax prepayments or recoverable taxes defined in accordance with national regulations.

7.12. Financial liabilities held for trading

Financial liabilities held for trading comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
1. Financial liabilites held for trading	**3 968**	**9**	**571**
Fixed income	3 968	0	553
Variable income	0	9	18
2. Derivatives	**138 433**	**159 481**	**110 673**
Foreign exchange derivatives	49 508	83 240	31 468
Interest rate derivatives	48 125	51 055	40 377
Equity derivatives	40 800	24 743	37 612
Credit derivatives	0	443	1 216
Total financial liabilites held for trading	**142 401**	**159 490**	**111 244**

7.13 Deposits from credit institutions

Interbank deposits comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Sight deposits	144 400	91 904	126 632
Term deposits	5 714	73 325	100 287
Repurchase agreements	0	0	218 299
Other deposits	6 482	3 139	2 705
Total deposits from credit institutions	**156 596**	**168 368**	**447 923**

7.14 Deposits from customers

Deposits from customers are as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Sight deposits	5 774 219	3 936 858	3 152 258
Term deposits	595 040	460 712	681 699
Other deposits	38 923	16 296	20 560
Total deposits from customers	**6 408 182**	**4 413 866**	**3 854 517**

Deposits from customers include as at 31 December 2015 an amount of EUR 3.5 million for which the residual life exceeds 12 months (30 September 2014: EUR 48.2 million ; 30 September 2013: EUR 7.6 million).

7.15 Debt securities

Debt securities issued by the Degroof Petercam group amounted to EUR 3 million at 31 December 2015 (30 September 2014: EUR 3 million; 30 September 2013: EUR 13 million).

7.16 Subordinated debt

The subordinated debt of the Degroof Petercam group comprised until 1 July 2015 (the maturity date) a non-convertible subordinated term loan. The loan was issued by Bank Degroof for an amount of EUR 50 million (of which EUR 10.5 million was held by a group entity) maturing on 1 July 2015 with a fixed annual interest rate of 4.245%.

7.17 Provisions

The provisions of the Bank comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Pensions and other post employment defined benefit obligations	36 948	38 390	31 162
Other long term employee benfits	3 725	1 386	0
Restructuring	18 900	0	0
Other provisions	20 701	6 092	13 985
Closing balance	**80 274**	**45 868**	**45 147**

Provisions for employee benefits are detailed in notes 10.1 and 10.2.

The provision for restructuring has been set up as a result of the reorganization of activities resulting from the merger of the Degroof and Petercam groups.

The movements on other provisions, which relate principally to provisions for pending litigation with various counterparties:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Opening balance	**6 092**	**13 985**	**4 904**
Allowances for provisions	12 000	1 567	9 760
Use of provisions	(2 132)	(5 657)	(351)
Reversal of unused provisions	(1 559)	(3 803)	(325)
Changes in consolidation scope	6 300	0	(3)
Closing balance	**20 701**	**6 092**	**13 985**

Due to the nature of its activities, the Bank is involved in a limited number of legal disputes.

In view of the uncertainties inherent in any legal dispute, the process of estimating the risks is inevitably uncertain. A provision that covers a proportion of certain amounts claimed has been recorded in the financial statements as at 31 December 2015.

It should be noted that payments in excess of a threshold for certain of the files are covered by insurance. The reimbursements paid by the insurers are recorded in 'Other net operating results'.

The claw back procedures initiated by the liquidator of Bernard L. Madoff Investment Securities LLV (BLMIS) to which Bank Degroof and several of its subsidiaries were subject in the past, were abandoned by the liquidator who, nevertheless, reserved the right to reintroduce the procedure in the future.

7.18 Other liabilities

Other liabilities comprise the following items:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Salaries and social charges	63 125	38 621	36 547
Accrued charges and deferred income	33 718	33 185	24 357
Miscellaneous creditors	29 401	21 098	16 009
Share-based payment liability	3 902	1 465	451
Other	13 733	4 551	1 692
Liabilities relating to the anticipated acquisition of minority interests	3 597	10 067	14 263
Total other liabilities	**147 476**	**108 987**	**93 319**

Miscellaneous creditors comprise primarily invoices payable as well as taxes payable other than taxes calculated on the profit for the financial period.

As the acquisition price for the non-controlling interests is a variable price that depends on a number of factors and which will be paid in instalments between 2016 and 2024, the liabilities related to this planned acquisition have been valued on the basis of models, parameters and data described in note 7.9 relating to goodwill and other intangible assets.

7.19 Tax

The movements on deferred taxes are explained by:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Opening balance	**(2.139)**	**5.596**	**5.811**
Income (expense) in income statement	14 930	(2 570)	103
Items recorded directly in equity	926	(5 165)	(1 755)
Impact of change in income tax rate – income statement	0	0	(68)
Impact of change in income tax rate – equity	0	0	(16)
Changes in consolidation scope	(20 695)	0	1 506
Currency translation differences	(7)	0	15
Closing balance	**(6 985)**	**(2 139)**	**5 596**

Deferred taxes are calculated on the following temporary differences and are presented by class of temporary difference:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Deferred tax assets	**41 626**	**15 843**	**17 171**
Personnel benefits	23 845	12 418	11 540
Tangible and intangible assets	10 537	0	0
Provisions for liabilities and charges	1 272	0	0
Derivatives	2 089	3 287	2 365
Available-for-sale financial assets	0	0	399
Losses carried forward	0	15	2 695
Other	3 883	123	172
Deferred tax liabilities	**48 611**	**17 982**	**11 575**
Tangible and intangible assets	39 895	4 527	4 623
Provisions for liabilities and charges	1 081	581	586
Financial instruments at fair value through profit or loss	1 932	2 656	1 183
Available-for-sale financial assets	4 864	8 481	2 639
Other	839	1 737	2 544
Net deferred taxes	**(6 985)**	**(2 139)**	**5 596**

Certain deferred tax assets have not been recognized to the extent that certain companies within the Degroof Petercam group are not certain that future taxable profits will be available within the relevant taxable entities against which the tax losses carried forward can be utilized.

Unrecognized deferred tax assets at 31 December 2015 amounted to EUR 21 098 million and related purely to recoverable tax losses with indefinite expiry dates (30 September 2014: EUR 27 056 million, 30 September 2013: EUR 19 150 million).

Deferred taxes amounting to EUR 4.0 million at 31 December 2015 (30 September 2013: EUR 3.0 million; 30 September 2012: EUR 3.3 million) have not been recognized on temporary differences relating to the distributable reserves of subsidiaries, as these differences are unlikely to reverse in the short term.

7.20 Shareholders' equity

The table below sets out the components of equity attributable to shareholders:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Issued capital	34 212	47 491	47 491
Share premium	420 925	153 921	184 392
Legal reserve	4 411	4 749	4 749
Untaxed reserve	15 108	22 881	22 881
Reserves available for distribution	93 137	50 000	50 000
Other reserves and retained earnings	272 678	262 176	250 468
Revaluation reserves	(231)	55 807	81 108
Treasury shares (-)	(45 956)	(55 008)	(78 195)
Net profit for the period	107 643	84 380	74 870
Total	**901 927**	**626 397**	**637 764**

The share capital of Bank Degroof Petercam is represented by 10 842 209 ordinary shares without nominal value. All shares are fully subscribed and paid. Movements on share capital are detailed below:

(in thousands of EUR; in units)

	31.12.2015		30.09.2014		30.09.2013	
	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares
Opening balance	**47 491**	**7 683 481**	**47 491**	**8 019 131**	**47 491**	**8 019 131**
Destruction of own shares	0	0	0	(335 650)	0	0
Capital decrease	(15 779)	0	0	0	0	0
Business combination	2 500	3 158 728	0	0	0	0
Closing balance	**34 212**	**10 842 209**	**47 491**	**7 683 481**	**47 491**	**8 019 131**

The reserves and retained earnings comprise the reserves of Bank Degroof Petercam, including the initial impact of the transition to international financial reporting standards (IFRS), the undistributed results of the group, as well as the difference between the acquisition or disposal price and the carrying value of shareholders' equity acquired or disposed of in the context of a change in the percentage shareholding of a subsidiary that did not result in a change in the scope of consolidation.

Revaluation reserves comprise, in part, unrealized gains and losses on available-for-sale financial assets (see note 7.4), deferred gains and losses on debt securities reclassified from 'Available-for-sale financial assets', and translation differences resulting from the consolidation of financial statements of entities prepared in a functional currency different from that used by Bank Degroof Petercam and, in part, actuarial gains and losses in respect of obligations and assets of pension schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period. At 31 December 2015, the Degroof Petercam group held 313 115 shares in Bank Degroof Petercam SA | NV, representing 2.89% of the subscribed capital. These treasury shares are used, as a general rule, to cover staff incentive plans.

7.21 Fair values of financial instruments

The carrying values and fair values of the financial instruments are set out, by category of financial instrument, in the table below:

(in thousands of EUR)

	31.12.2015		30.09.2014		30.09.2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash, balances with central banks and other demand deposits	2 061 222	2 061 222	285 657	285 657	439 319	439 319
Loans and advances to credit institutions	350 482	350 431	511 515	511 602	30 499	31 139
Loans and advances to customers	1 678 708	1 684 780	1 605 768	1 611 448	1 743 710	1 745 479
Financial assets held for trading	114 325	114 325	158 532	158 532	89 585	89 585
Financial assets designated at fair value through profit or loss	829 861	829 861	1 041 353	1 041 353	926 693	926 693
Available-for-sale financial assets	2 101 471	2 101 471	1 575 965	1 575 965	1 580 611	1 580 611
Financial assets held to maturity	125 701	132 402	174 426	183 321	204 863	206 881
Total	**7 261 770**	**7 274 492**	**5 353 216**	**5 367 878**	**5 015 280**	**5 019 707**
Financial liabilities						
Financial liabilities held for trading	142 401	142 401	159 490	159 490	111 244	111 244
Financial assets at amortized cost	6 567 778	6 568 624	4 625 181	4 626 790	4 358 039	4 360 918
Deposits from credit institutions	*156 596*	*156 595*	*165 229*	*165 250*	*447 923*	*447 955*
Deposits from customers	*6 408 182*	*6 409 029*	*4 417 005*	*4 417 374*	*3 854 517*	*3 854 834*
Subordinated liabilities	*0*	*0*	*39 946*	*41 165*	*42 593*	*45 123*
Debt securities	*3 000*	*3 000*	*3 001*	*3 001*	*13 006*	*13 006*
Total	**6 710 179**	**6 711 025**	**4 784 671**	**4 786 280**	**4 469 283**	**4 472 162**

For those financial instruments that are not valued at fair value in the financial statements, the following methods and assumptions are used to determine their fair value:

- the carrying value of short term financial instruments and of financial instruments without fixed maturities, such as current accounts, corresponds to a reasonable approximation of their fair value;
- other loans and borrowings are revalued on the basis of the most recently observed price or by discounting their future cash flows based on the market interest rate trends at the period-end.

Bank Degroof Petercam uses a hierarchy of three levels of fair values, by reference to the source of data used to determine the fair value:

Level 1 – Published market value:
this category comprises financial instruments for which the fair value is determined by direct reference to prices quoted on an active market.

Level 2 – Valuation technique based on observable market data:
this category includes financial instruments for which the fair values are determined by reference to valuation techniques the parameters of which are derived from an active market or which are observable.

Level 3 – Valuation technique based on non-observable market data:
this category includes financial instruments for which a significant part of the parameters used for the determination of the fair value are not derived from observable market data.

Bank Degroof Petercam accounts for transfers from one level to another level of the hierarchy of fair values at the end of the financial period during which the transfer takes place.

The classification of financial instruments by hierarchy of fair values was fully reviewed during 2015. This review related notably to certain criteria used to determine the level at which a fair value is classified, for example the measuring of the liquidity of a market, the average volumes of transactions, and the frequency of valuations. This refining of the criteria resulted in the reclassification from level 1 to level 2 of certain bonds (recorded under the caption 'Available-for-sale financial assets'). Further details relating to the transfers between the various levels are set out below.

Financial instruments marked to fair value (excluding accrued interest) are analyzed as follows:

(in thousands of EUR)

31.12.2015	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	14 442	81 400	0	95 842
Financial assets held for trading	6 978	6 969	800	14 747
Financial assets designated at fair value through profit or loss	672 737	149 051	3 205	824 993
Available-for-sale financial assets	1 681 637	372 307	35 415	2 089 359
Total	**2 375 794**	**609 727**	**39 420**	**3 024 941**
Financial liabilities				
Derivatives	14 428	112 202	0	126 630
Financial liabilities held for trading	3 921	0	0	3 921
Total	**18 349**	**112 202**	**0**	**130 551**

(in thousands of EUR)

30.09.2014	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	0	144 801	0	144 801
Financial assets held for trading	7 531	2 531	0	10 062
Financial assets designated at fair value through profit or loss	1 032 564	0	0	1 032 564
Available-for-sale financial assets	1 313 313	145 735	103 500	1 562 548
Total	**2 353 408**	**293 067**	**103 500**	**2 749 975**
Financial liabilities				
Derivatives	0	148 237	0	148 237
Financial liabilities held for trading	5	4	0	9
Total	**5**	**148 241**	**0**	**148 246**

(in thousands of EUR)

30.09.2013	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	0	74 552	0	74 552
Financial assets held for trading	10 142	1 184	0	11 326
Financial assets designated at fair value through profit or loss	916 610	0	0	916 610
Available-for-sale financial assets	1 234 544	238 171	94 705	1 567 420
Total	**2 161 296**	**313 907**	**94 705**	**2 569 908**
Financial liabilities				
Derivatives	0	98 700	0	98 700
Financial liabilities held for trading	552	18	0	570
Total	**552**	**98 718**	**0**	**99 270**

EUR 106.6 million of financial instruments have been reclassified from level 1 to level 2 as a result of the refinement of the methodology for classifying financial instruments according to the hierarchy of fair values.

The table below sets out the movements relating to financial instruments valued at fair value under Level 3:

(in thousands of EUR)

	Financial assets held for trading	Financiel assets designed at fair value through profit or loss	Available-for-sale financial assets
Closing balance at 30.09.2012	**0**	**0**	**91 975**
Profits and losses recognised in the result for the current year [1]			2 108
Profits and losses recognised in shareholders' equity			12 491
Acquisitions			776
Issuances			208
Disposals			(12 853)
Transfers to level 3			0
Transfers from level 3			0
Changes to the scope of consolidation			0
Other			0
Closing balance at 30.09.2013	**0**	**0**	**94 705**
Profits and losses recognised in the result for the current year [1]			23
Profits and losses recognised in shareholders' equity			(5 207)
Impairment			(675)
Acquisitions			5 512
Disposals			(114)
Issuances			0
Settlements			(495)
Transfers to level 3			9 573
Transfers from level 3			0
Changes to the scope of consolidation			178
Other			0
Closing balance at 30.09.2014	**0**	**0**	**103 500**
Profits and losses recognised in the result for the current year [1]			51 230
Profits and losses recognised in shareholders' equity			(58 759)
Impairment			(1)
Acquisitions	800		13 698
Disposals			(87 782)
Issuances			457
Settlements			(194)
Transfers to level 3		3 205	13 429
Transfers from level 3			0
Changes to the scope of consolidation			(163)
Other			0
Closing balance at 31.12.2015	**800**	**3 205**	**35 415**

No gains or losses resulting from the level 3 assets included in the balance sheet have been included in the result for the current financial period.

The financial instruments valued using a level 3 model are primarily unquoted shares and bonds.

The method that is generally used is based on stock market multiples for the most recently published consolidated results of comparable companies that are quoted. A discount for lack of liquidity is subsequently applied to the resultant values.

The valuations are performed by a department that is independent from the front office.

1 Recorded under 'Net result on financial instruments not designated at fair value through profit or loss' (note 8.6).

An alternative valuation, using hypotheses that are reasonably possible but generally less favorable, would result in the following changes to the valuation of the portfolio:

(in thousands of EUR)

	Value	Alternative value	Impact on result	Impact on equity
31.12.2015				
Unquoted variable-income securities	39 420	31 611	0	(7 809)
30.09.2014				
Unquoted variable-income securities	103 500	83 052	0	(20 448)
30.09.2013				
Unquoted variable-income securities	94 705	74 904	0	(19 801)

The alternative hypotheses that are reasonably possible that were used include, depending on the values, the use of higher risk premiums for discounting (for the values calculated using a discounted cash flow model), the use of an alternative calculation based on stock market multiples of comparable companies, or the use of a higher discount for lack of liquidity.

The following table sets out the fair values of financial instruments (excluding accrued interest) that are not valued at fair value, by category of fair value:

(in thousands of EUR)

31.12. 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Cash, balances with central banks and other demand deposits	0	2 061 159	0	2 061 159
Loans and advances to credit institutions	0	350 311	0	350 311
Loans and advances to customers	0	1 589 985	91 787	1 681 772
Financial assets held to maturity	115 607	15 315	0	130 922
Total	**115 607**	**4 016 770**	**91 787**	**4 224 164**
Financial liabilities				
Deposits from credit institutions	0	156 582	0	156 582
Deposits from customers	0	6 405 878	0	6 405 878
Subordinated liabilities	0	0	0	0
Debt securities	0	3 000	0	3 000
Total	**0**	**6 565 460**	**0**	**6 565 460**

(in thousands of EUR)

30.09.2014	Level 1	Level 2	Level 3	Total
Financial assets				
Cash, balances with central banks and other demand deposits	0	285 655	0	285 655
Loans and advances to credit institutions	0	510 576	0	510 576
Loans and advances to customers	0	1 487 415	117 501	1 604 916
Financial assets held to maturity	181 284	0	0	181 284
Total	**181 284**	**2 283 646**	**117 501**	**2 582 431**
Financial liabilities				
Deposits from credit institutions	0	165 147	0	165 147
Deposits from customers	0	4 413 371	0	4 413 371
Subordinated liabilities	0	40 718	0	40 718
Debt securities	0	3 000	0	3 000
Total	**0**	**4 622 236**	**0**	**4 622 236**

7.22 Transfers of financial assets

The financial assets that the Degroof Petercam group has transferred, but that have not been derecognized in accordance with IAS 39, comprise primarily securities that have been temporarily disposed of in the context of repo transactions or securities lending transactions. In general, the counterparty to these transactions is able to reuse the collateral received.

The table below provides an overview of the financial assets transferred and the related liabilities:

(in thousands of EUR)

31.12.2015	Securities lending		Repurchase agreements	
	Fixed income securities	Variable income securities	Fixed income securities	Variable income securities
Transferred financial assets at carrying amount	**592 338**	**0**	**0**	**0**
Financial assets designated at fair value through profit or loss	122 615	0	0	0
Available-for-sale financial assets	423 365	0	0	0
Financial assets held to maturity	46 358	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n.a.	n.a.	0	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n.a.	n.a.	0	0
Fair value of associated liabilities	n.a.	n.a.	0	0
Net position	n.a.	n.a.	0	0

(in thousands of EUR)

30.09.2014	Securities lending		Repurchase agreements	
	Fixed income securities	Variable income securities	Fixed income securities	Variable income securities
Transferred financial assets at carrying amount	**643 257**	**490**	**0**	**0**
Financial assets designated at fair value through profit or loss	147 779	0	0	0
Available-for-sale financial assets	440 915	490	0	0
Financial assets held to maturity	54 563	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n.a.	n.a.	0	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n.a.	n.a.	0	0
Fair value of associated liabilities	n.a.	n.a.	0	0
Net position	n.a.	n.a.	0	0

(in thousands of EUR)

30.09.2013	Securities lending		Repurchase agreements	
	Fixed income securities	Variable income securities	Fixed income securities	Variable income securities
Transferred financial assets at carrying amount	**201 090**	**1 273**	**219 102**	**0**
Financial assets designated at fair value through profit or loss	58 581	0	219 102	0
Available-for-sale financial assets	65 041	1 273	0	0
Financial assets held to maturity	77 468	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n.a.	n.a.	218 299	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n.a.	n.a.	219 102	0
Fair value of associated liabilities	n.a.	n.a.	218 299	0
Net position	n.a.	n.a.	803	0

7.23 Offsetting financial assets and liabilities

The table below sets out the amounts of financial assets and liabilities before and after they are offset.

- As mentioned in the column 'Gross amount of offset recorded financial instruments', no amount can be offset under the criteria set out in IAS 32.
- The column 'Non-offset amounts in balance sheet – Financial instruments' details the amount of financial instruments that are the subject of a legally binding global offsetting agreement that does not meet the criteria set out in IAS 32. In this case, amounts can only be offset in the case of default by, or insolvency or bankruptcy of, the counterparty.
- Financial instruments received or given as a guarantee (the column 'Non-offset amounts in balance sheet – Cash guarantees' and 'Non-offset amounts in balance sheet – Guarantees in form of securities' can also only be offset in the case of default by, or insolvency or bankruptcy of, the counterparty.

31.12.2015	Gross amount of recorded financial instruments	Gross amount of offset recorded financial instruments	Net amount of financial instruments recorded on the balance sheet
Financial assets			
Derivatives	99 465	0	99 465
Reverse repos, securities borrowed and similar arrangements	313 498	0	313 498
Reverse repos	313 498	0	313 498
Total	**412 963**	**0**	**412 963**
Financial liabilities			
Derivatives	138 433	0	138 433
Repos, securities lent and similar arrangements	0	0	0
Repos	0	0	0
Total	**138 433**	**0**	**138 433**

30.09.2014	Gross amount of recorded financial instruments	Gross amount of offset recorded financial instruments	Net amount of financial instruments recorded on the balance sheet
Financial assets			
Derivatives	148 361	0	148 361
Reverse repos, securities borrowed and similar arrangements	385 780	0	385 780
Reverse repos	385 780	0	385 780
Total	**534 141**	**0**	**534 141**
Financial liabilities			
Derivatives	159 481	0	159 481
Repos, securities lent and similar arrangements	0	0	0
Repos	0	0	0
Total	**159 481**	**0**	**159 481**

(in thousands of EUR)

	Non-offset amounts in balance sheet			
	Financial instruments	Cash guarantees	Guarantees in form of securities	Net amounts
	28 389	15 046	0	56 030
	0	0	310 869	2 629
	0	0	310 869	2 629
	28 389	**15 046**	**310 869**	**58 659**
	28 389	30 069	0	79 975
	0	0	0	0
	0	0	0	0
	28 389	**30 069**	**0**	**79 975**

(in thousands of EUR)

	Non-offset amounts in balance sheet			
	Financial instruments	Cash guarantees	Guarantees in form of securities	Net amounts
	37 228	7 491	0	103 642
	0	0	385 668	112
	0	0	385 668	112
	37 228	**7 491**	**385 668**	**103 754**
	37 228	42 104	1 863	78 286
	0	0	0	0
	0	0	0	0
	37 228	**42 104**	**1 863**	**78 286**

30.09.2013	Gross amount of recorded financial instruments	Gross amount of offset recorded financial instruments	Net amount of financial instruments recorded on the balance sheet
Financial assets			
Derivatives	77 969	0	77 969
Reverse repos, securities borrowed and similar arrangements	51 060	0	51 060
Reverse repos	51 060	0	51 060
Total	**129 029**	**0**	**129 029**
Financial liabilities			
Derivatives	110 673	0	110 673
Repos, securities lent and similar arrangements	218 299	0	218 299
Repos	218 299	0	218 299
Total	**328 972**	**0**	**328 972**

(in thousands of EUR)

Non-offset amounts in balance sheet			
Financial instruments	Cash guarantees	Guarantees in form of securities	Net amounts
25 079	13 862	0	39 028
0	0	51 060	0
0	0	51 060	0
25 079	**13 862**	**51 060**	**39 028**
25 079	11 604	3 474	70 516
0	0	218 299	0
0	0	218 299	0
25 079	**11 604**	**221 773**	**70 516**

8 Notes to the consolidated statement of comprehensive income

8.1 Interest income and expense

Interest income and expense, by class of interest-bearing financial instrument, is as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Interest income	**65 614**	**65 950**	**73 608**
Financial assets held for trading	*498*	*419*	*373*
Financial assets at fair value through profit or loss	*11 893*	*15 839*	*23 330*
Interest income on assets stated at fair value	12 391	16 258	23 703
Loans and advances to credit institutions	*1 450*	*529*	*668*
Loans and advances to customers	*33 847*	*30 142*	*31 712*
Available-for-sale securities	*14 708*	*14 759*	*12 454*
Held to maturity securities	*3 217*	*4 255*	*5 068*
Other	*1*	*7*	*3*
Interest income on assets not stated at fair value	53 223	49 692	49 905
Interest expenses	**(9 501)**	**(9 630)**	**(11 952)**
Financial liabilities held for trading	*(17)*	*(21)*	*(10)*
Interest expenses on assets stated at fair value	(17)	(21)	(10)
Deposits from credit institutions	*(1 974)*	*(639)*	*(1 166)*
Deposits from customers	*(5 754)*	*(7 179)*	*(8 809)*
Debt securities	*(2)*	*(8)*	*(66)*
Subordinated liabilities	*(1 592)*	*(1 752)*	*(1 865)*
Other	*(162)*	*(31)*	*(36)*
Interest expenses on liabilities not stated at fair value	(9 484)	(9 609)	(11 942)
Net interest income	**56 113**	**56 320**	**61 656**

8.2 Dividend income

Dividend income is detailed below, by category of financial asset:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Financial assets held for trading	53	96	42
Financial assets designated at fair value through profit or loss	2 636	3 070	3 271
Available-for-sale securities	2 585	8 287	7 189
Total	**5 274**	**11 453**	**10 502**

8.3 Fee and commission income and expense

Fee and commission income and expense is detailed below, by type of service:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Fee and commission income	**469 775**	**301 841**	**282 310**
Asset management	281 577	171 191	146 194
Issues and placements of securities	13 250	8 726	12 818
Custodian services	68 585	46 191	43 308
Other securities services	68 601	53 597	55 939
Cash related services	14 686	5 428	6 190
Financial engineering	18 535	13 531	13 696
Derivatives	4 541	3 177	4 165
Fee and commission expense	**(140 415)**	**(93 517)**	**(87 188)**
Asset management	(105 243)	(64 651)	(56 291)
Issues and placements of securities	(331)	(429)	(624)
Custodian services	(5 370)	(4 782)	(4 882)
Other securities services	(23 409)	(19 660)	(21 989)
Cash related services	(4 545)	(2 870)	(2 208)
Derivatives	(1 517)	(1 125)	(1 194)
Net commission income	**329 360**	**208 324**	**195 122**

8.4 Net result on financial instruments held for trading

The table below analyzes, by type of financial instrument, gains and losses on financial instruments held for trading:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Realized and unrealized gains (losses) on financial instruments held for trading	**23 495**	**14 703**	**16 827**
Fixed income securities	4 846	4 873	5 304
Variable income securities	1 000	665	723
Exchange activities	17 561	9 080	10 671
Other	88	85	129
Gains (losses) on derivatives	**(4 076)**	**(31 539)**	**(7 674)**
Foreign exchange derivatives	6 587	3 405	3 149
Interest rate derivatives	(8 997)	(29 702)	(2 863)
Equity derivatives	(2 173)	(6 102)	(8 784)
Other derivatives	507	860	824
Net result on financial instruments held for trading	**19 419**	**(16 836)**	**9 153**

With the exception of derivatives, all interest received and paid on financial instruments is recorded as interest income. Accordingly, the above-mentioned gains and losses on derivatives represent the impact of their revaluation to fair value including accrued interest, while the gains and losses on other financial instruments represent only the changes in their market values.

8.5 Net result on financial instruments designated at fair value through profit or loss

The table below analyzes, by type of financial instrument, realized and unrealized gains and losses on financial instruments designated at fair value through profit or loss:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Fixed income securities	(5 031)	13 983	(15 054)
Variable income securities	1 835	4 406	4 708
Net result on financial instruments designated at fair value through profit or loss	**(3 196)**	**18 389**	**(10 346)**

All interest received and paid on financial instruments is recorded as interest income and expense. Accordingly, the above-mentioned gains and losses represent only the changes in the market values of these financial instruments.

8.6 Net result on financial instruments not designated at fair value through profit or loss

The table below analyzes, by category and by type of financial instrument, gains and losses on financial instruments not designated at fair value through profit or loss:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Gains (losses) on available-for-sale financial assets	**67 128**	**54 547**	**25 569**
Fixed income securities – public debts	1 654	8 818	97
Fixed income securities – other debts	733	1 706	634
Variable income securities	64 741	44 023	24 838
Net result on sale of loans and advances	**39**	**(1 881)**	**(178)**
Gains on sale of loans and advances	51	11	85
Losses on sale of loans and advances	(12)	(1 892)	(263)
Gains (losses) on held to maturity financial assets	**456**	**0**	**176**
Fixed income securities – public debts	(7)	0	176
Fixed income securities – other debts	463	0	0
Net result on financial instruments not designated at fair value through profit or loss	**67 623**	**52 666**	**25 567**

Included in the gains and losses on the above-mentioned available-for-sale assets are the amounts transferred from equity as a result of the derecognition of financial instruments.

8.7 Other net operating results

Other net operating results are analyzed below:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Other operating income	**18 260**	**16 213**	**14 057**
Lease income	2 493	1 946	2 080
Realized capital gains on sales of tangible and intangible fixed assets	85	96	68
Realized capital gains on sales of investments	0	0	2 930
Reversals of provisions	1 559	3 803	325
Supply of services	4 941	4 207	4 079
Other	9 182	6 161	4 575
Other operating charges	**(33 800)**	**(1 782)**	**(10 758)**
Realized capital losses on sales of tangible and intangible fixed assets	(278)	(71)	(111)
Transfer to provisions	(30 900)	(1 567)	(9 760
Other	(2 622)	(144)	(887)
Other net operating results	**(15 540)**	**14 431**	**3 299**

8.8 Personnel expenses

Personnel expenses comprise the following:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Wages and salaries	(148 526)	(105 018)	(99 094)
Social security, social insurance and extra-legal insurance	(25 578)	(17 513)	(18 324)
Pension costs	(10 253)	(6 498)	(6 644)
Share-based compensation	(3 078)	(2 297)	(1 776)
Other costs	(3 644)	(2 131)	(2 157)
Personnel expenses	**(191 079)**	**(133 457)**	**(127 995)**

Note 10 provides detailed information about post-employment benefits and share-based payments.

The number of personnel employed, expressed in full-time equivalents, is, by category:

(en unités)

FTE on	31.12.2015	30.09.2014	30.09.2013
Senior management	360	267	244
Employees	1 002	735	761
Workers	13	7	7
Total	**1 375**	**1 009**	**1 012**

8.9 General and administrative expenses

General and administrative expenses are analyzed below:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Marketing, advertising and public relations	(5 241)	(2 741)	(2 668)
Professional fees	(27 580)	(14 054)	(11 048)
Operating leases	(11 956)	(8 034)	(8 724)
IT and telecommunications charges	(21 641)	(9 764)	(9 449)
Repairs and maintenance	(6 352)	(5 066)	(5 336)
Operational taxes	(11 895)	(6 378)	(6 188)
Other general and administrative expenses	(26 259)	(16 346)	(14 675)
General and administrative expenses	**(110 924)**	**(62 383)**	**(58 088)**

Operating lease expenses relate primarily to vehicles and buildings.

The other general and administrative expenses represent primarily entertainment and travel expenses, expenses for office supplies, training expenses, subscriptions, and insurance premiums other than those related to personnel.

The exceptional expenses specific to the integration and merger of the Degroof and Petercam groups impact primarily the captions 'Professional fees' and 'Other general and administrative expenses'.

8.10 Depreciation of property and equipment and amortization of intangible assets

During the financial period ended 31 December 2015, depreciation of property and equipment amounted to EUR 6.2 million (30 September 2014: EUR 4.6 million; 30 September 2013: EUR 5.5 million) and amortization of intangible assets amounted to EUR 6.3 million (30 September 2014: EUR 2.5 million; 30 September 2013: EUR 3.0 million).

An analysis of depreciation and amortization by category of property and equipment and of intangible asset is provided in notes 7.8 and 7.9.

8.11 Impairments

Movements in impairments, by category of asset, are as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Reversals of impairment losses	**1 234**	**1 837**	**37**
Loans and advances	1 223	1 805	37
Tangible assets	11	32	0
Allowance for impairments	**(22 821)**	**(41 811)**	**(13 935)**
Loans and advances	(12 592)	(8 195)	(5 068)
Available-for-sale financial assets	(8)	(5 176)	(1 732)
Tangible assets	(14)	(54)	(74)
Intangible assets	(7 838)	(25 850)	(7 061)
Investments in entities accounted for using the equity method	(2 369)	(2 536)	0
Net variation of impairment losses on assets	**(21 587)**	**(39 974)**	**(13 898)**

Details of the movements in impairments of tangible and intangible fixed assets are included in notes 7.8 and 7.9, by category of tangible and intangible fixed asset.

8.12 Income tax expense

The net income tax expense is explained by the following elements:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Tax on current year result	**(14 276)**	**(25 700)**	**(14 596)**
Income tax for the period	(29 206)	(23 130)	(14 631)
Deferred tax	14 930	(2 570)	35
Other tax expense	**(1 288)**	**2 176**	**404**
Income tax on prior years	(1 172)	2 176	404
Other items	(116)	0	0
Net income tax expense	**(15 564)**	**(23 524)**	**(14 192)**

The table below reconciles the normal tax rate in Belgium (33.99%) to the effective tax rate of Bank Degroof Petercam:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Profit before income tax	*123 186*	*102 737*	*86 496*
Income of entities accounted for using the equity method	*(266)*	*(894)*	*0*
Tax base	122 920	101 843	86 496
Tax rate applicable at closing	33,99 %	33,99 %	33,99 %
Theoretical income tax expense	**(41 781)**	**(34 616)**	**(29 400)**
Effect of tax rate differences in other jurisdictions	3 223	3 156	2 892
Tax impact of non-deductible expenses	(8 235)	(12 967)	(5 015)
Tax impact of non-taxable income	34 668	32 490	20 985
Impact of change in income tax rate on the temporary differences	0	0	(68)
Permanent differences	(3 960)	(9 139)	(2 304)
Effect of other items	492	2	500
Unrecognized deferred tax assets	1 317	(4 626)	(2 186)
Income tax for the period	**(14 276)**	**(25 700)**	**(14 596)**
Average effective tax rate	**11,61%**	**25,24%**	**16,87%**

The fiscal impact of non-taxable revenues relates principally to realized gains on shares and non-taxable dividends.

8.13 Other components of other comprehensive income

Details of other components of other comprehensive income are as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Remeasurement gains (losses) related to post-employment benefit plans	**10 993**	**(4 543)**	**3 312**
Gross amount	13 640	(5 550)	4 275
Taxes recorded directly in reserves	(2 647)	1 007	(963)
Total other comprehensive income that may not be reclassified subsequently to net profit	**10 993**	**(4 543)**	**3 312**
Currency translation differences	**1 963**	**202**	**(5 133)**
Gross amount	1 963	202	(5 133)
Fixed income securities	**(68 993)**	**(20 958)**	**28 506**
Adjustment to fair value, before taxes	(3 529)	5 753	2 352
Transfer from the reserve to results, before taxes	(3 699)	19 522	2 642
Impairments	(1 649)	(9 940)	804
Losses (gains) on disposals	*(2 387)*	*(10 524)*	*(731)*
Prorata of the reserve for the revaluation of available-for-sale financial assets following their reclassification	*738*	*584*	*1 535*
Taxes recorded directly in reserves	1 819	(3 829)	(1 094)
Variable income securities	(65 464)	(26 711)	26 154
Adjustment to fair value, before taxes	(3 854)	19 551	51 042
Transfer from the reserve to results, before taxes	(64 741)	(43 653)	(24 738)
Impairments	*0*	*370*	*100*
Losses (gains) on disposals	*(64 741)*	*(44 023)*	*(24 838)*
Taxes recorded directly in reserves	3 131	(2 609)	(150)
Total other comprehensive income that may be reclassified subsequently to net profit	**(67 030)**	**(20 756)**	**23 373**
Total other comprehensive	**(56 037)**	**(25 299)**	**26 685**

9 Rights and commitments

9.1 Assets in open custody

Assets in open custody are primarily marketable securities that have been placed in custody by clients, regardless of whether or not the control over the assets by the holder is restricted, or whether or not the assets are subject to a management contract with Bank Degroof Petercam. These assets are measured at fair value.

Assets in open custody with the Bank at 31 December 2015 and at 30 September 2014 and 2013 amounted to EUR 69.8 billion, EUR 54.6 billion and EUR 53.3 billion respectively.

9.2 Credit related rights and commitments

Bank Degroof Petercam has commitments under credit lines granted to clients, the unused portion of which at 31 December 2015 amounted to EUR 230.2 million (30 September 2014: EUR 261.1 million; 30 September 2013: EUR 194.6 million).

9.3 Guarantees given and received

Bank Degroof Petercam has pledged, for its own account and for those of its clients, financial instruments amounting to EUR 137.7 million at 31 December 2015 (30 September 2014: EUR 125 million; 30 September 2013: EUR 97.3 million).

Bank Degroof Petercam has received pledges of assets from its clients amounting to EUR 4 376.5 million at 31 December 2015 (30 September 2014: EUR 3 918.5 million; 30 September 2013: EUR 3 218.3 million). As a general rule, these pledges cannot be used by the Bank in the absence of a default by the owner of the pledge, except for those obtained in the context of repo operations, which amounted to EUR 313.5 million at 31 December 2015 (30 September 2014: EUR 385.8 million; 30 September 2013: EUR 51.1 million). Of the pledges obtained that can be used, none had been given as a guarantee for repo operations at 31 December 2015 (guarantees received and then given as guarantees at 30 September 2014: nil; 30 September 2013: nil).

10 Employee benefits and other remuneration

10.1 Other long-term benefits

The application of national legislation relating to remuneration policies requires the deferral, for a period exceeding twelve months, of the payment of profit sharing bonuses to certain members of the personnel.

Movements on this provision are as follows:

(in thousands of EUR)

	31.12.2015	30.09.2014
Opening balance	**1 386**	**0**
Allowances for provisions	2 340	1 386
Use of provisions	(815)	0
Changes in consolidation scope	814	0
Closing balance	**3 725**	**1 386**

10.2 Post-employment benefits

Post-employment benefits comprise pension schemes and the partial payment of medical care insurance premiums following the retirement of employees.

The pension schemes include both defined contribution and defined benefit plans. The defined benefit plans comprise a defined benefit plan and a defined contribution plan with returns that are guaranteed in accordance with local obligations. The defined benefit plan was closed in December 2004.

The charge for the current financial period in respect of the defined contribution plans was EUR 1.8 million (30 September 2014: EUR 1.5 million; 30 September 2013: EUR 1.6 million). For the other plans, the table below details the Degroof Petercam group's commitments and the principal actuarial assumptions used:

	Pension plans		
	31.12.2015	**30.09.2014**	**30.09.2013**
Present value of the funded obligations	105 390	59 420	50 390
Fair value of plan assets	81 372	38 006	32 353
A. Net liability (asset) of post-employment benefits	**24 018**	**21 414**	**18 037**
B. Change in defined benefit obligation			
Balance at beginning of year	**59 420**	**50 390**	**48 546**
Current service cost	8 762	3 287	3 267
Interest cost	1 916	1 492	1 366
Benefits paid during year	(4 647)	(1 079)	(1 850)
Administrative charges and taxes	(1 082)	(507)	(470)
Increase (decrease) related to business combinations, disposals, transfers	44 566	57	59
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	(1 986)	99	1 213
b. Actuarial gains and losses from financial assumptions	(564)	6 511	(1 361)
c. Actuarial gains and losses from other assumptions	(995)	(830)	(380)
Balance at end of year	**105 390**	**59 420**	**50 390**

(in thousands of EUR)

	Other benefits		
	31.12.2015	30.09.2014	30.09.2013
	12 930	16 976	13 125
	0	0	0
	12 930	**16 976**	**13 125**
	16 976	**13 125**	**13 257**
	1 532	951	1 015
	423	392	383
	(114)	(80)	(88)
	0	0	0
	0	0	0
	0	1 206	(459)
	(4 269)	4 125	(361)
	(1 618)	(2 743)	(622)
	12 930	**16 976**	**13 125**

	Pension plans		
	31.12.2015	30.09.2014	30.09.2013
C. Change in fair value of plan assets			
Balance at beginning of year	**38 006**	**32 353**	**27 902**
Interest income	1 332	1 003	815
Employer contributions	8 096	3 361	3 592
Employee contributions	145	0	0
Benefits paid during year	(4 647)	(1 079)	(1 850)
Administrative charges and taxes	(1 082)	(507)	(470)
Net transfers	37 018	57	59
Return on plan assets (other than interest income)	2 504	2 818	2 305
Balance at end of year	**81 372**	**38 006**	**32 353**
D. Components of cost			
Service cost	8 762	3 287	3 267
Charges / income (net of interest)	584	489	551
Employee contributions	(145)	0	0
Net charges recorded in income	**9 201**	**3 776**	**3 818**
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	(1 986)	99	1 213
b. Actuarial gains and losses from financial assumptions	(564)	6 511	(1 361)
c. Actuarial gains and losses from other assumptions	(995)	(830)	(380)
d. Return on assets (other than interest income)	(2 504)	(2 818)	(2 305)
Revaluations recorded in other elements of comprehensive income	**(6 049)**	**2 962**	**(2 833)**
E. Reconciliation of net obligations (assets) related to post-employment benefits			
Balance at beginning of year	**21 414**	**18 037**	**20 644**
Net charges recorded in income	9 201	3 776	3 818
Revaluations recorded in other elements of comprehensive income	(6 049)	2 962	(2 833)
Employer contributions	(8 096)	(3 361)	(3 592)
Increase (decrease) related to business combinations, disposals, transfers	7 548	0	0
Balance at end of year	**24 018**	**21 414**	**18 037**
F.1 Principal actuarial assumptions to determine the defined benefit obligations			
Discount rate	1.80%	2.00%	3.00%
Future salary increase	2.50%	3.00%	3.00%
Inflation rate	1.50%	2.00%	2.00%
Mortality rate	MR/FR-5	MR/FR-5	MR/FR-3
F.2 Principal actuarial assumptions to determine net costs			
Discount rate	2.00%	3.00%	2.90%
Future salary increase	3.00%	3.00%	3.25%
Inflation rate	2.00%	2.00%	2.25%
Mortality rate	MR/FR-5	MR/FR-3	MR/FR-3
G. Plan assets			
Treasury	4 844	978	1 102
Equity securities	22 218	15 954	13 627
Debt securities	19 284	16 339	13 918
Real estate	7 298	4 735	3 706
Assets held by the insurance company	27 728	0	0

(in thousands of EUR)

Other benefits		
31.12.2015	30.09.2014	30.09.2013
0	**0**	**0**
0	0	0
114	80	88
0	0	0
(114)	(80)	(88)
0	0	0
0	0	0
0	0	0
0	**0**	**0**
1 532	951	1 015
423	392	383
0	0	0
1 955	**1 343**	**1 398**
0	1 206	(459)
(4 269)	4 125	(361)
(1 618)	(2 743)	(622)
0	0	0
(5 887)	**2 588**	**(1 442)**
16 976	**13 125**	**13 257**
1 955	1 343	1 398
(5 887)	2 588	(1 442)
(114)	(80)	(88)
0	0	0
12 930	**16 976**	**13 125**
2.90%	2.00%	3.00%
n.a.	n.a.	n.a.
5.15%	5.25%	5.25%
MR/FR-5	MR/FR-5	MR/FR-3
2.00%	3.00%	2.90%
n.a.	n.a.	n.a.
5.25%	5.25%	5.25%
MR/FR-5	MR/FR-3	MR/FR-3
n.a.	n.a.	n.a.
n.a.	n.a.	n.a.
n.a.	n.a.	n.a.
n.a.	n.a.	n.a.
n.a.	n.a.	n.a.

(in thousands of EUR)

	Pension plans	
H. Sensitivity analysis on defined benefit obligations at year-end		
Discount rate	(0.25%)	0.25%
Amount of obligation related to pension schemes	109 499	103 979
Amount of obligation related to other benefits	13 858	12 080
Inflation rate	(0.25%)	0.25%
Amount of obligation related to pension schemes	104 834	108 086
Rate of increase in medical costs	(0.25%)	0.25%
Amount of obligation related to other benefits	12 110	13 818
I. Cash flows forecast for next financial year		
Employer contributions		
Contributions related to pension schemes	7 942	
Contributions related to other benefits	103	
Timing of payments of future benefits		
Less than one year	4 453	
Between one and two years	1 704	
Between two and three years	2 788	
Between three and four years	2 658	
Between four and five years	3 479	
Between five and ten years	25 071	

10.3 Share-based payments

Bank Degroof Petercam has issued several share option plans in recent years for the benefit of its directors and senior management with the objective of ensuring their loyalty and aligning their personal interests with those of the Bank. These plans comply with local legal provisions. These option plans include both cash-settled plans and plans that are settled in shares. In both cases there is generally a two to four year vesting period.

The share option plans which are settled by the delivery of shares are settled with either new shares or existing shares and can be exercised either quarterly or annually at the end of the vesting period.

These option plans are analyzed below, by maturity date, at 31 December 2015:

(in units; in EUR)

	31.12.2015		30.09.2014		30.09.2013	
Final expiry date	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
31.12.2015	0	0	95 150	192.30	97 405	192.30
31.12.2017	115 309	146.68	102 345	166.49	103 070	166.49
31.12.2018	156 829	131.79	158 533	149.50	183 436	149.42
	272 138	**138.1**	**356 028**	**165.82**	**383 911**	**164.88**

The movements on share options are as follows:

(in units; in EUR)

	31.12.2015		30.09.2014		30.09.2013	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Opening balance	**356.028**	**165.82**	**383.911**	**164.88**	**385.386**	**164.89**
Opening balance	32 430	138.10	0	0	0	0
Options withdrawn	(925)	163.83	(3 700)	178.87	(1 475)	167.15
Options exercised	(20 245)	148.92	(24 183)	148.92	0	0
Options expired	(95 150)	192.30	0	0	0	0
Closing balance	**272 138**	**138.10**	**356 028**	**165.82**	**383 911**	**164.88**
of which exercisable	182 017	141.01	174 152	172.62	97 405	192.30

In respect of the above-mentioned plans and in accordance with IFRS 2, the Bank has recorded an expense of EUR 0.6 million in personnel expenses during the current financial period (30 September 2014: EUR 1.1 million; 30 September 2013: EUR 1.5 million).

Until such time as these options are exercised, the recording of the expense does not have an impact on shareholders' equity as this balance is increased by an identical amount. Once the options are exercised, shareholders' equity will increase by an amount equal to the number of options exercised multiplied by the exercise price.

The number of options granted during the current financial period is explained by the application of market principles relating to options for which the underlying security has been subject to a split. The same principles also justify the adaptation of the exercise prices. These two modifications have not had an impact on the result for the financial period.

In addition to the above-mentioned plans, there are three cash-settled option plans at 31 December 2015. The fair value of these options is calculated annually on the basis of the underlying value of the options.

The first plan was established in 2013 using a subsidiary (Industrie Invest), the sole activity of which is the holding of shares in Bank Degroof Petercam and Degroof Equity (shares issued in the context of the split of the shares of Bank Degroof before the merger with Petercam), financed by own funds and borrowings. The number of options granted at 15 May 2013 was 79 870, of which 77 960 remain outstanding at 31 December 2015. These options have a final exercise date of 30 April 2021 and an exercise price of EUR 45. An expense of EUR 0.7 million was recorded in respect of this plan during the current financial period. This plan is valued using a specific model based on 'Least Square Monte-Carlo' type simulations in order to take into account the possibility of the early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroof Petercam shares (EUR 144.18) and Degroof Equity (EUR 18.51), anticipated dividends (EUR 6.00), and the implied volatility (20.16% corresponding to the at the money implied volatility of Eurostoxx 50 until the last possible exercise date).

The second plan was also established during 2013 using a subsidiary (PrivatBank Degroof), for the sole benefit of the directors of PrivatBank Degroof. The number of options granted at 25 September 2013 was 583 000 all of which remain outstanding at 31 December 2015. These options have a final exercise date of 30 December 2019 and an exercise price of EUR 6.17. This plan generated an expense of EUR 0.7 million during the current financial period. This plan is valued using a specific model based on 'Least Square Monte-Carlo' type simulations in order to take into account the possibility of the early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for PrivatBank shares (EUR 8.83), anticipated dividends (EUR 0.00), and the implied volatility (21.14% corresponding to the at the money implied volatility of Eurostoxx 50 until the earliest possible exercise date).

The third plan was established during 2014 using a subsidiary (Industrie Invest II) the sole activity of which is the holding of shares in Bank Degroof Petercam and Degroof Equity (shares issued in the context of the split of the shares of Bank Degroof before the merger with Petercam), financed by own funds. The number of options granted at 1 August 2014 was 54 055 all of which remain outstanding at 31 December 2015. These options have a final exercise date of 30 April 2019 and an exercise price of EUR 160.84. This plan generated an expense of EUR 1.1 million during the current financial period. This plan is valued using a specific model based on 'Least Square Monte-Carlo' type simulations in order to take into account the possibility of the early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroof Petercam shares (EUR 144.18) and Degroof Equity (EUR 18.51), anticipated dividends (EUR 6.00), and the implied volatility (21.57% corresponding to the at the money implied volatility of Eurostoxx 50 until the last possible exercise date).

11 Related parties

For Bank Degroof Petercam, related parties include associates, joint ventures, pension funds, the members of the board of directors and executive directors of Bank Degroof Petercam, as well as the close family members of the above-mentioned persons and any company controlled or significantly influenced by one of the above-mentioned persons.

The tables below summarize, by type, the transactions entered into with related parties during the past three years:

(in thousands of EUR)

31.12.2015	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Balance sheet					
Overdrafts	4 473	4 584	7	12 230	21 294
Term loans	6 535	26	61 825	432	68 818
Mortgage loans	0	12 514	0	0	12 514
Investment securities	0	0	0	1 058	1 058
Other assets	41	0	0	0	41
Total assets	**11 049**	**17 124**	**61 832**	**13 720**	**103 725**
Deposits	59 067	26 640	19 427	14 044	119 178
Other	0	0	0	0	0
Other liabilities	0	476	0	24 036	24 512
Total liabilities	**59 067**	**27 116**	**19 427**	**38 080**	**143 690**
Guarantees given by the group	0	0	8 000	2 399	10 399
Guarantees received by the group	25 721	0	190 123	0	215 844
Commitments	520	0	50	0	570
Notional amount of derivatives	951	0	0	0	951

(in units)

Share options					
Granted	1 056	0	4 688	0	5 744

(in thousands of EUR)

31.12.2015	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Profit and loss					
Interest expenses	72	3	54	94	223
Loss on derivatives	11	0	0	0	11
Fees and commissions	1	1 904	0	0	1 905
Personnel expenses	0	0	0	5 890	5 890
Other	0	369	0	160	529
Total expenses	**84**	**2 276**	**54**	**6 144**	**8 558**
Interest income	233	356	1 674	127	2 390
Profit on derivatives	50	0	9	0	59
Fees and commissions	926	263	74	0	1 263
Purchases or sales of goods, property and other assets	0	0	0	104	104
Other	1	0	1	0	2
Total income	**1 210**	**619**	**1 758**	**231**	**3 818**

(in thousands of EUR)

30.09.2014	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Balance sheet					
Overdrafts	2 608	0	1 785	0	4 393
Term loans	6 822	5 172	47 029	0	59 023
Total assets	**9 430**	**5 172**	**48 814**	**0**	**63 416**
Deposits	16 561	21 666	19 466	731	58 424
Other	0	0	0	0	0
Other liabilities	38	657	0	21 414	22 109
Total liabilities	**16 599**	**22 323**	**19 466**	**22 145**	**80 533**
Guarantees given by the group	0	0	0	2 422	2 422
Guarantees received by the group	10 822	0	69 143	0	79 965
Commitments	878	0	3 773	0	4 651
Notional amount of derivatives	936	0	0	0	936

(in units)

Share options					
Granted	1 200	0	4 800	0	6 000

(in thousands of EUR)

30.09.2014	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Profit and loss					
Interest expenses	54	31	126	2	213
Loss on derivatives	0	0	0	3	3
Fees and commissions	0	1 357	0	0	1 357
Personnel expenses	0	0	0	3 513	3 513
Other	0	0	0	99	99
Total expenses	**54**	**1 388**	**126**	**3 617**	**5 185**
Interest income	251	205	936	0	1 392
Profit on derivatives	3	0	0	7	10
Fees and commissions	125	72	20	0	217
Total income	**379**	**277**	**956**	**7**	**1 619**

(in thousands of EUR)

30.09.2013	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Balance sheet					
Overdrafts	212	0	102	0	314
Term loans	11 598	17 288	45 628	0	74 514
Other loans and advances	0	0	0	134	134
Variable-income securities	0	0	5	0	5
Other assets	15	30	0	0	45
Total assets	**11 825**	**17 318**	**45 735**	**134**	**75 012**
Deposits	10 043	26 542	8 707	863	46 155
Other	0	0	0	1 649	1 649
Other liabilities	0	405	0	0	405
Total liabilities	**10 043**	**26 947**	**8 707**	**2 512**	**48 209**
Guarantees received by the group	30 502	0	98 622	0	129 124
Commitments	141	0	2 196	0	2 337

(in units)

Share options					
Granted	1 400	0	0	3 500	4 900

(in thousands of EUR)

30.09.2013	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Profit and loss					
Interest expenses	59	37	99	2	197
Loss on derivatives	0	5	0	12	17
Fees and commissions	0	454	0	0	454
Personnel expenses	0	0	0	4 104	4 104
Other	0	0	0	105	105
Total expenses	**59**	**496**	**99**	**4 223**	**4 877**
Interest income	290	90	1 119	0	1 499
Profit on derivatives	0	0	0	5	5
Fees and commissions	60	72	5	2	139
Total income	**350**	**162**	**1 124**	**7**	**1 643**

All transactions with the related parties set out in the tables above were entered into under normal market conditions.

The costs related to remuneration paid to the members of the executive committee, including directors' fees, and costs related to the granting of options to the members of the board of directors, are presented by category of benefit granted to personnel, as defined in IAS 19 and IFRS 2:

(in thousands of EUR)

	31.12.2015	30.09.2014	30.09.2013
Short-term benefits	10 583	6 612	7 223
Post-employment benefits	418	194	189
Other long-term employee benefits	1 151	1 386	0
Termination benefits	1 567	0	0
Share-based payments	307	155	157
Total	**14 026**	**8 347**	**7 569**

12 Post balance sheet events

The meeting of the board of directors on 18 March 2016 decided to propose to the annual general shareholders meeting that a gross dividend of EUR 5.50 per share be distributed, giving rise to a distribution outside the group of EUR 57 910 017 and authorized the publication of the financial statements

Auditor's fees

(in thousands of EUR)

31.12.2015	
Auditor's fees in the exercice of his mandate	**259**
Fees for exceptional services or special missions undertaken for the company by the auditor	**169**
Other attestation projects	149
Other missions outside the auditing missions	20
Fees paid to parties linked to the auditor in respect of an audit mandate undertaken at group level	**411**
Emoluments for exceptional services or specific projects completed within the company by parties related to the auditor	**1 124**
Other attestation projects	116
Tax consultancy missions	303
Other missions outside the auditing missions	705

Statutory auditor's report

Statutory auditor's report to the general meeting of Bank Degroof Petercam SA | NV as of and for the year ended December 31, 2015

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the accounting year of 15 months ended December 31, 2015, as defined below, as well as our report on other legal and regulatory requirements.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - UNQUALIFIED OPINION

We have audited the consolidated financial statements of Bank Degroof Petercam SA | NV ('the Company') and its subsidiaries (jointly 'the Group'), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the accounting year of 15 months then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 7 898 797 (000) and the consolidated statement of profit or loss and other comprehensive income shows a net profit for the accounting year, attributable to the owners of the parent company, of EUR 107 643 (000).

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at December 31, 2015 and of its consolidated financial performance and its consolidated cash flows for the accounting year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the consolidated financial statements:

The annual report on the consolidated financial statements includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, April 22, 2016
KPMG Réviseurs d'Entreprises | Bedrijfsrevisoren
Statutory Auditor
represented by Peter Coox,
Réviseur d'Entreprises | Bedrijfsrevisor

Degroof
Petercam

Abridged company financial statements

The abridged non-consolidated statutory financial statements set out on the following pages are those of Bank Degroof Petercam SA | NV, which has its registered office at rue de l'Industrie | Nijverheidsstraat 44, 1040 Brussels.

These financial statements have been prepared in accordance with accounting policies generally accepted in Belgium. All amounts are stated in thousands of euros.

The statutory auditor has issued an unqualified opinion on the complete non-consolidated statutory financial statements, which will be filed with the National Bank of Belgium within the prescribed deadlines.

Balance sheet after profit appropriation

(in thousands of EUR)

		31.12.2015	30.09.2014	30.09.2013
Assets				
I	Cash in hand, balances with central banks and post office banks	1 393 660	137 674	61 307
II	Short-term government securities eligible for refinancing at the central bank	150 003	0	49 579
III	Loans and advances to credit institutions	373 751	466 359	138 085
	A Repayable on demand	344 776	35 488	54 719
	B Other loans and advances (with agreed maturity dates or periods of notice)	28 975	430 871	83 366
IV	Loans and advances to customers	1 111 667	1 175 314	1 292 781
V	Debt securities including fixed-income securities	1 265 813	1 104 354	1 143 925
	A Issued by public bodies	343 558	305 622	169 175
	B Issued by other borrower	922 255	798 732	974 750
VI	Shares and other variable-yield securities	1 715	105 060	70 840
VII	Financial fixed assets	368 005	283 875	275 308
	A Participating interests in affiliated enterprises	366 140	281 569	273 098
	B Participating interests in other enterprises linked by participating interests	699	2 256	2 160
	C Other financial fixed assets	1 166	50	50
VIII	Formation expenses and intangible fixed assets	14 019	16 515	19 155
IX	Tangible fixed assets	16 125	9 292	9 424
XI	Other assets	19 743	5 889	9 788
XII	Deferred charges and accrued income	61 350	57 546	42 703
	Total assets	**4 775 851**	**3 361 878**	**3 112 895**

(in thousands of EUR)

		31.12.2015	30.09.2014	30.09.2013
Liabilities				
Debts		**4 344 344**	**2 923 256**	**2 643 053**
I	Amounts owed to credit institutions	362 946	553 997	565 994
	A Repayable on demand	115 222	104 108	103 915
	C Other debts (with agreed maturity dates or periods of notice)	247 724	449 889	462 079
II	Amounts owed to customers	3 826 458	2 191 660	1 898 588
	B Other debts	3 826 458	2 191 660	1 898 588
	1 Repayable on demand	*3 717 792*	*1 961 635*	*1 649 008*
	2 With agreed maturity dates or periods of notice	*108 666*	*230 025*	*249 580*
III	Debt securities	3 000	3 000	13 000
	A Bonds and debentures in circulation	3 000	3 000	13 000
IV	Other liabilities	81 133	85 677	74 809
V	Accrued charges and deferred income	28 655	27 283	24 206
VI	Provisions and deferred taxes	32 052	1 539	6 356
	A Provisions for liabilities and charges	31 799	1 273	6 079
	3 Other liabilities and charges	*31 799*	*1 273*	*6 079*
	B Deferred taxes	253	266	277
VII	Fund for general banking risks	10 100	10 100	10 100
VIII	Subordinated liabilities	0	50 000	50 000
	Shareholders' equity	**431 507**	**438 622**	**469 842**
IX	Capital	34 212	47 491	47 491
	A Issued capital	34 212	47 491	47 491
IX	Share issue premiums	115 919	173 600	173 600
XII	Reserves	113 142	78 147	78 167
	A Legal reserve	4 411	4 749	4 749
	C Untaxed reserves	15 594	23 398	23 418
	D Reserves available for distribution	93 137	50 000	50 000
XII	Profit (loss(-)) brought forward	168 234	139 384	170 584
	Total liabilities	**4 775 851**	**3 361 878**	**3 112 895**

(in thousands of EUR)

		31.12.2015	30.09.2014	30.09.2013
Off-balance sheet captions				
I	Contingent liabilities	143 932	173 796	190 154
	B Guarantees serving as direct credit substitutes	37 463	76 155	105 656
	C Other guarantees	3 191	6 291	2 648
	E Assets charged as collateral security on behalf of third parties	103 278	91 350	81 850
II	Commitments which could give rise to a credit risk	255 617	420 169	206 406
	A Firm credit commitments	0	0	0
	B Commitments as a result of spot purchases of transferable or other securities	84 707	137 626	37 816
	C Undrawn margin on confirmed credit lines	170 910	282 543	168 590
III	Assets lodged with the credit institution	45 051 803	29 366 819	27 637 283
	B Safe custody and equivalent items	45 051 803	29 366 819	27 637 283

Income statement

(in thousands of EUR)

		31.12.2015	30.09.2014	30.09.2013
Charges				
II	Interest payable and similar charges	10 422	15 695	15 595
V	Commissions payable	5 218	2 575	2 556
VI	Loss on financial transactions	0	0	0
	B Loss on disposal of investment securities	0	0	0
VII	General administrative expenses	229 150	97 354	91 020
	A Remuneration, social security costs and pensions	139 282	67 083	66 131
	B Other administrative expenses	89 868	30 271	24 889
VIII	Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	7 177	5 637	6 077
IX	Increase in amounts written off receivables and in provisions for off-balance-sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a credit risk'	1 864	2 481	2 958
X	Amounts written off on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	1 184	7 024	0
XII	Provisions for liabilities an charges other than those included in the off balance sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a risk'	10 020	0	0
XV	Other operating charges	13 229	7 007	6 869
XVIII	Extraordinary charges	30 921	48 856	8 597
	A Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	44	32	7
	B Amounts written off financial fixed assets	7 970	48 440	1 445
	C Provisions for extraordinary liabilities and charges: allowances	22 088	0	5 000
	D Loss on disposal of fixed assets	49	13	1 872
	E Other extraordinary charges	770	371	273
XX	Income taxes	11 297	6 076	3 063
XXI	Profit for the period	50 894	34 906	71 323
XXIII	Profit for the period, available for appropriation	50 925	34 927	71 344

(in thousands of EUR)

		31.12.2015	30.09.2014	30.09.2013
Income				
I	Interest receivable and similar income	39 707	39 199	40 188
	including that from fixed-income securities	15 046	16 943	17 532
III	Income from variable-yield securities	93 509	75 919	59 364
	A From shares and other variable-yield securities	157	3 117	2 936
	B Participating interests in affiliated enterprises	93 256	72 661	56 215
	C From participating interests in other enterprises linked by participating interests	89	141	209
	D From other shares held as financial fixed assets	7	0	4
IV	Commissions receivable	181 624	78 886	75 954
	A Brokerage and related fees	39 218	20 102	22 253
	B Remuneration of asset management, investment advice and safekeeping services	32 880	14 960	13 808
	C Other fees received	109 526	43 824	39 893
VI	Profit on financial transactions	19 766	20 567	19 127
	A Profit on trading of securities and other financial instruments	16 589	2 816	4 210
	B Profit on disposal of investment securities	3 177	17 751	14 917
X	Adjustments in write-downs on the investment portfolio of debt securities, shares and other fixed-income or equity investment securities	0	0	3 293
XI	Utilisation and write-backs of provisions for liabilities an charges other than those included in the off balance sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a risk'	0	0	91
XIV	Other operating income	23 488	6 930	8 815
XVII	Extraordinary income	13 269	3 589	964
	B Adjustments to amounts written off financial fixed assets	0	0	771
	C Adjustments to provisions for extraordinary liabilities and charges	7 592	851	0
	D Gain on disposal of fixed assets	153	118	100
	E Other extraordinary income	5 524	2 620	93
XIX bis	**B** Transfers from deferred income taxes	13	11	11
XX	**B** Adjustments of income taxes and write-back of tax provisions	0	2 510	251
XXII	Transfers from untaxed reserves	31	21	21

(in thousands of EUR)

		31.12.2015	30.09.2014	30.09.2013
Appropriation account				
A	Profit (loss (-)) to be appropriated	168 234	205 511	216 237
	1 Profit (loss (-)) for the period, available for appropriation	50 925	34 927	71 344
	2 Profit (loss (-)) brought forward	117 309	170 584	144 893
C	Appropriation to capital and reserves	0	(19 666)	0
	3 To the other reserves	0	(19 666)	0
D	Profit (loss (-)) to be carried forward	107 654	139 384	170 584
F	Distribution of profit	(60 580)	(46 461)	(45 653)
	1 Dividends	(60 034)	(46 101)	(45 308)
	2 Directors' fees	(546)	(360)	(345)

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