Degroof Petercam

Consolidated financial statements

Annual report 2016

Contents

Consolidated balance sheet

(in thousands of EUR)

	Notes	31.12.2016	31.12.2015	30.09.2014
Assets				
Cash, balances with central banks and other demand deposits	7.1	1 789 612	2 061 222	285 657
Financial assets held for trading	7.2	110 235	114 325	158 532
Financial assets designated at fair value through profit or loss	7.3	1 740 918	829 861	1 041 353
Available-for-sale financial assets	7.4	1 431 390	2 101 471	1 575 965
Loans and advances to credit institutions	7.5	157 192	350 482	511 515
Loans and advances to customers	7.6	1 690 640	1 678 708	1 605 768
Financial assets held to maturity	7.7	115 306	125 701	174 426
Property and equipment	7.8	86 460	76 617	68 602
Goodwill and other intangible assets	7.9	385 454	394 664	65 700
Investments in entities accounted for using the equity method	7.10	183	13 527	13 277
Current tax assets		5 820	9 455	5 577
Deferred tax assets	7.19	9 134	10 603	8 221
Other assets	7.11	139 064	132 161	106 492
Total assets		**7 661 408**	**7 898 797**	**5 621 085**

(in thousands of EUR)

	Notes	31.12.2016	31.12.2015	30.09.2014
Liabilities and equity				
Liabilities		**6 762 497**	**6 996 257**	**4 994 055**
Financial liabilities held for trading	7.12	134 719	142 401	159 490
Deposits from credit institutions	7.13	117 086	156 596	168 368
Deposits from customers	7.14	6 238 233	6 408 182	4 413 866
Debt securities	7.15	0	3 000	3 001
Subordinated debt	7.16	0	0	39 946
Provisions	7.17	80 983	80 274	45 868
Current tax liabilities		48 807	40 740	44 169
Deferred tax liabilities	7.19	11 867	17 588	10 360
Other liabilities	7.18	130 802	147 476	108 987
Equity		**898 911**	**902 540**	**627 030**
Issued capital	7.20	34 212	34 212	47 491
Share premium	7.20	420 553	420 925	153 921
Reserves and retained earnings	7.20	434 961	385 334	339 806
Revaluation reserves	7.20	(1 771)	(231)	55 807
Treasury shares (-)	7.20	(47 605)	(45 956)	(55 008)
Net profit for the period	7.20	57 877	107 643	84 380
Minority interests		684	613	633
Following the transfer of the minority interests acquired as a result of the options granted		*0*	*0*	*(8 067)*
Total liabilities and equity		**7 661 408**	**7 898 797**	**5 621 085**

Consolidated statement of comprehensive income[1]

(in thousands of EUR)

	Notes	31.12.2016	31.12.2015	30.09.2014
Interest income	8.1	51 385	65 614	65 950
Interest expense	8.1	(6 051)	(9 501)	(9 630)
Dividend income	8.2	5 950	5 274	11 453
Fee and commission income	8.3	468 954	469 775	301 841
Fee and commission expense	8.3	(137 030)	(140 415)	(93 517)
Net result on financial instruments held for trading	8.4	23 366	19 419	(16 836)
Net result on financial instruments designated at fair value through profit or loss	8.5	(1 544)	(3 196)	18 389
Net result on financial instruments not designated at fair value through profit or loss	8.6	9 990	67 623	52 666
Other net operating results	8.7	20 961	(15 540)	14 431
Share in the results from entities accounted for using the equity method		63	266	894
Net income		**436 044**	**459 319**	**345 641**
Personnel expenses	8.8	(180 284)	(191 079)	(133 457)
General and administrative expenses	8.9	(145 706)	(110 924)	(62 383)
Depreciation and amortization	8.10	(21 542)	(12 543)	(7 090)
Impairments	8.11	(7 467)	(21 587)	(39 974)
Profit before tax		**81 045**	**123 186**	**102 737**
Income tax expense	8.12	(23 160)	(15 564)	(23 524)
Net profit		**57 885**	**107 622**	**79 213**
Remeasurement gains (losses) related to post-employment benefit plans	8.13	(2 754)	10 993	(4 543)
Total other comprehensive income[2] that may not be reclassified subsequently to net profit		**(2 754)**	**10 993**	**(4 543)**
Fair value adjustments - Available-for-sale financial assets	8.13	2 740	(68 993)	(20 958)
Currency translation differences	8.13	(1 526)	1 963	202
Total other comprehensive income[2] that may be reclassified subsequently to net profit		**1 214**	**(67 030)**	**(20 756)**
Total comprehensive income		**56 345**	**51 585**	**53 914**

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	31.12.2016	31.12.2015	30.09.2014
Net profit attributable to		**57 885**	**107 622**	**79 213**
shareholders of the parent company		57 877	107 643	84 380
minority interests		8	(21)	(5 167)
Total comprehensive income attributable to		**56 345**	**51 585**	**53 914**
shareholders of the parent company		56 337	51 605	59 248
minority interests		8	(20)	(5 334)

Consolidated statement of changes in equity

	Capital	Share premium	Reserves and retained earnings	Revaluation reserves
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)**
Share option plans	0	44	0	0
Treasury shares transactions	0	(416)	0	0
Dividends paid	0	0	(57 910)	0
Change in minority interests	0	0	(106)	0
Prior period results	0	0	107 643	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(14)
Currency translation differences	0	0	0	0
Balance at 31.12.2016	**34 212**	**420 553**	**434 961**	**(2 413)**

(in thousands of EUR)

Currency translation differences	Treasury shares	Net profit for the period	Equity group's share	Minority interests	Total
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**
0	0	0	44	0	44
0	(1 649)	0	(2 065)	0	(2 065)
0	0	0	(57 910)	0	(57 910)
0	0	0	(106)	63	(43)
0	0	(107 643)	0	0	0
0	0	57 877	57 877	8	57 885
0	0	0	(14)	0	(14)
(1 526)	0	0	(1 526)	0	(1 526)
642	**(47 605)**	**57 877**	**898 227**	**684**	**898 911**

Consolidated cash flow statement[1]

(in thousands of EUR)

	Notes	31.12.2016	31.12.2015	30.09.2014
Net profit		**57 885**	**107 622**	**79 213**
Non-monetary items included in the net profit and other adjustments		**42 456**	**70 739**	**54 347**
Taxes and deferred taxes	8.12	23 160	15 564	23 524
Income from associates, net of dividends received		1 028	513	(894)
Share-based payments		44	641	1 075
Unrealised foreign exchange gains or losses and currency translation differences		(28)	0	0
Impairment and depreciation/amortization of (in)tangible assets	7.8/7.9	23 697	22 753	35 497
Changes in provision	7.17	663	17 855	721
Net losses (profits) on investments		(1 979)	(262)	(26)
Other adjustments		(4 129)	13 675	(5 550)
Change in assets and liabilities from operating activities		**(417 153)**	**(823 311)**	**378 179**
Assets held for trading or designated at fair value		(906 953)	257 821	(183 607)
Loans and advances		84 362	(1 213 462)	262 761
Available-for-sale loans and securities		672 112	(584 728)	(10 140)
Other assets		(14 673)	(3 554)	(29 354)
Liabilities held for trading		(7 695)	(27 968)	48 246
Deposits from credit institutions		26 525	(105 885)	(279 988)
Deposits from customers		(156 599)	796 456	565 035
Debenture loan		0	(1)	(10 005)
Other liabilities		(114 232)	58 010	15 231
Income taxes paid		**(8 661)**	**(48 600)**	**(7 813)**
Net cash flows from operating activities (A)		**(325 473)**	**(693 550)**	**503 926**
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired (including increase in percentage interest held)	6	0	1 134 412	(65)
Disposal of subsidiaries, joint ventures and associates, net of cash disposed of (including decrease in percentage interest held)	6	12 483	0	0
Purchase of (in)tangible assets		(19 890)	(14 730)	(9 048)
Disposal of (in)tangible assets		396	422	421
Purchase of held to maturity investments		0	(12 363)	0
Income from the disposal or reimbursement of held to maturity investments		10 000	60 173	30 005
Net cash flows from investing activities (B)		**2 989**	**1 167 914**	**21 313**
Dividends paid		(57 910)	(44 123)	(42 522)
Purchase or sale of treasury shares		(2 065)	9 052	(8 359)
Proceeds from issuance or sale of subordinated debt	7.16	0	(39 500)	(2 500)
Cash repayment from repurchase of shares, other equity instruments and other capital variations		0	(156 906)	(19 666)
Other financing		0	(3 017)	0
Net cash flows from financing activities (C)		**(59 975)**	**(234 494)**	**(73 047)**
Effect of exchange rate changes on cash and cash equivalents (D)		**727**	**9 244**	**(20)**

1 The column 31.12.2015 covers a period of 15 months.

(in thousands of EUR)

	Notes	31.12.2016	31.12.2015	30.09.2014
Net increase/decrease of cash and cash equivalents (A + B + C + D)		**(381 732)**	**249 114**	**452 172**
Cash and cash equivalents at the beginning of the period		**862 788**	**613 674**	**161 502**
Cash and cash equivalents at the end of the period		**481 056**	**862 788**	**613 674**

Supplementary information			
Interest received	63 662	83 267	79 117
Dividends received	5 950	5 274	11 453
Interest paid	(32 900)	(36 666)	(36 399)

Components of cash and cash equivalents		**481 056**	**862 788**	**613 674**
Cash and balances with central banks	7.1	34 663	22 803	2 655
Current accounts and call money loans with credit institutions	7.1	389 180	489 624	104 678
Loans and advances to credit institutions	7.5	57 213	350 361	506 341
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 2016, 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.

In 2015, Bank Degroof Petercam changed the closing date of its financial year, so that it runs from 1 January through 31 December of each year. Previously, the financial year covered the period from 1 October through 30 September. Exceptionally, the financial period which commenced on 1 October 2014 closed on 31 December 2015, resulting 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 covered a longer period than the other financial periods presented. Following the merger and in accordance with IFRS standards, the result for the 2015 financial period includes three months of results of the new entity, Bank Degroof Petercam, and twelve months results of Bank Degroof.

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 (amended) are applicable for the first time during the current financial year:

- Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions';
- Annual Improvements to IFRSs 2010–2012 Cycle;
- Annual Improvements to IFRSs 2011–2013 Cycle;
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation';
- Amendments to IAS 16 and IAS 41 'Bearer Plants';
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations';
- Amendments to IAS 27 'Equity Method in Separate Financial Statements';
- Amendments to IAS 1 'Disclosure Initiative';
- Annual Improvements to IFRSs 2012–2014 Cycle;
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities – Applying the Consolidation Exception'.

The application of these new measures has 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 2016 which become effective for future financial periods include:

STANDARDS ENDORSED BY THE EUROPEAN UNION:

- IFRS 9 'Financial Instruments' and subsequent amendments applicable for financial periods beginning on or after 1 January 2018;
- IFRS 15 'Revenue from Contracts with Customers' applicable for financial periods beginning on or after 1 January 2018;

STANDARDS NOT ENDORSED BY THE EUROPEAN UNION:

- IFRS 14 'Regulatory Deferral Accounts' applicable for financial periods beginning on or after 1 January 2016;
- IFRS 16 'Leases' applicable for financial periods beginning on or after 1 January 2019;
- 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 postponed indefinitely;
- 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.
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' applicable for financial periods beginning on or after 1 January 2018;
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions' applicable for financial periods beginning on or after 1 January 2018;
- Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' applicable for financial periods beginning on or after 1 January 2018;
- Annual Improvements to IFRS Standards 2014-2016 Cycle applicable for financial periods beginning on 1 January 2017 (one modification) or for financial periods beginning on or after 1 January 2018 (the other modifications);
- Amendments to IAS 40 'Transfers of Investment Property' applicable for financial periods beginning on or after 1 January 2018;
- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' applicable for financial periods beginning on or after 1 January 2018.

The Bank will apply the standards and interpretations set out above when they become applicable.

IFRS 9 (which replaces the requirements of IAS 39 'Financial Instruments: Recognition and Measurement') introduces new requirements in respect of the classification and measurement of financial assets and liabilities, a unique impairment model based on expected losses, and a substantially reformed approach to hedge accounting. Bank Degroof Petercam has set up a project, with the Finance and Risks departments, to implement this standard at the level of the group.

The structure of the project comprises two principal parts. The first relates to the implementation and the analysis of the impacts resulting from the new criteria for the classification and measurement of financial instruments. At the current stage of the process, Bank Degroof Petercam has completed an analysis of the global impact which could still change as a result of the on-going analysis and diagnosis. Nevertheless, Bank Degroof Petercam does not expect that such changes would have a significant impact on the balance sheet, the results or on shareholders' equity. The second part of the project relates to financial assets subject to impairment and the changes resulting from the reworking of the impairment model, which is henceforth based on 'expected' losses rather than 'incurred' losses as provided for by IAS 39. This new model aims at recognising losses more rapidly and necessitates the availability of significant amounts of information including historic and current data, and forecast macro-economic factors. At the current stage of the process, Bank Degroof Petercam is focussing on the definition of structuring choices and the collection of information that is currently available. In respect of quantified impacts, it is too early to provide a quantified range which would be representative of the impact of the application of the new requirements.

However, in view of the expansion of the scope of the applicability of impairment, Bank Degroof Petercam anticipates an increase in the provision for losses. Furthermore, as Bank Degroof Petercam is not currently applying the requirements of IAS 39 in respect of hedge accounting, it intends that the implementation of IFRS 9 will include an analysis of its possible use of hedge accounting.

IFRS 15 will replace IAS 11 'Construction Contracts' and IAS 18 'Revenue' as well as related interpretations. This new standard applies to all contracts with customers (except for those contracts falling within the scope of standards relating to financial instruments, insurance contracts and leasing contracts) and introduces a unique model to determine the timing of the recognition of revenues as well as the amounts to be recognised. Although the new principles introduced by IFRS 15 could result in changes to the method of recognising certain revenues, Bank Degroof Petercam does not anticipate that they will have a significant impact on the results, in view of the activities of the group. An analysis of the possible impacts is on-going.

IFRS 16 replaces IAS 17 'Leases'. The most important change introduced by IFRS 16 is that the majority of leasing contracts will be recorded on the balance sheets of the lessees. The new standard no longer permits lessees to account for leases as either operating or finance leases, treating all such contracts (with two exceptions) as finance leases. In respect of accounting by lessors, many aspects remain the same. An analysis of the impact of the implementation of this standard will be performed during 2017.

Bank Degroof Petercam envisages that the implementation of the other standards set out above will not have a significant impact

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 deconsolidated 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 straightline 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; or
- 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 Petercam 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 (as it covered the period prior to the merger with Petercam), 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.

1 Internal Capital Adequacy Assessment Process.

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.

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 Basel III (LCR and NSFR).

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 which, for the most part, 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)

31.12.2016	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]	1 789 612	159 781	0	0	0
Loans and advances to customers	162 778	235 347	297 651	931 999	61 406
Bonds and other fixed income securities	0	89 533	839 487	1 797 439	544 161
Derivatives	0	3 564 222	567 451	54 038	10 303
Interest rate derivatives	0	3 447	14 189	54 038	10 303
IRS	*0*	*3 447*	*14 189*	*54 038*	*10 303*
Other interest rate derivatives	*0*	*0*	*0*	*6*	*0*
Exchange rate derivatives	0	3 560 775	533 262	0	0
Total assets	**1 952 390**	**4 048 883**	**1 704 589**	**2 783 476**	**615 870**
Financial liabilities					
Deposits from credit institutions	105 537	11 525	35	0	0
Deposits from customers	5 889 766	281 427	41 685	8 972	0
Subordinated liabilities	0	0	0	0	0
Derivatives	0	3 570 137	571 972	56 861	7 573
Interest rate derivatives	0	9 826	19 411	56 861	7 573
IRS	*0*	*9 827*	*19 411*	*56 861*	*7 573*
Other interest rate derivatives	*0*	*(1)*	*0*	*0*	*0*
Exchange rate derivatives	0	3 560 311	552 561	0	0
Financial guarantees issued	0	114 666	0	0	0
Credit lines confirmed	0	338 272	0	0	0
Total liabilities	**5 995 303**	**4 316 027**	**613 692**	**65 833**	**7 573**
Liquidity gap	**(4 042 913)**	**(267 144)**	**1 090 897**	**2 717 643**	**608 297**
Impact of repo capacity of bond portfolio	2 496 514	(59 154)	0	(1 891 125)	(546 235)
Corrected liquidity gap	**(1 546 399)**	**(326 300)**	**1 090 897**	**826 518**	**62 062**

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

2 82% of the non-sovereign portfolio and 76% of the sovereign portfolio are deemed to be readily accessible through repo operations with the European Central Bank.

3 Includes cash and assets with central bank.

(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**

(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**

The encumbered assets of the Degroof Petercam group amounted to EUR 673 million at 31 December 2016 and represented 9.2% of total assets.

In respect of the financial data for 2015, 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 financial period.

In respect of the financial data for 2016, and in accordance with the circular NBB_2015_03 of 12 January 2015, the median values relating to the preceding twelve months are presented.

The encumbered assets of the Bank relate only to amounts provided as guarantees in the context of operations involving derivatives.

1 Includes cash and assets with central bank.

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
31.12.2016				
Assets of the Degroof Petercam group	672 659	n/a	7 315 150	n/a
Equity instruments	0	0	91 229	91 229
Debt instruments	537 057	537 665	3 020 227	2 887 075
Other assets	0	n/a	730 688	n/a
31.12.2015[2]				
Assets of the Degroof Petercam group	709 525	n/a	7 189 272	n/a
Equity instruments	0	0	97 572	97 572
Debt instruments	667 059	668 087	2 328 121	2 329 334
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
31.12.2016		
Guarantees received by the Degroof Petercam group	0	572 566
Equity instruments	0	0
Debt instruments	0	516 997
Other assets	0	51 813
31.12.2015[2]		
Guarantees received by the Degroof Petercam group	3 312	924 864
Equity instruments	0	0
Debt instruments	0	924 864
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
31.12.2016		
Accounting value of the financial liabilities selected	**613 521**	**672 849**
31.12.2015[2]		
Accounting value of the financial liabilities selected	**723 781**	**817 229**

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, securities lending, or 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 counterparties with which the Bank is active on the derivatives market.

2 Figures 2015 have been adjusted to reflect the new presentation on asset encumbrance.

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)

2016		31.12.2016	Average	Minimum	Maximum
Interest rate risk	BPV	(112.5)	(105.8)	(88.3)	(127.3)
Foreign exchange risk	Nominal	1 621.00	1 251.00	311	3 645.00
	VAR 99%	49.34	50.53	8.08	256.34
Equity risk	Nominal	2 600.00	1 826.00	700	2 800.00
	VAR 99%	194.25	120.95	22.74	202.88
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0	0	0	0

2015		31.12.2015	Average	Minimum	Maximum
Interest rate risk	BPV	(100.9)	(56)	(23.2)	(100.9)
Foreign exchange risk	Nominal	1 007.00	1 605.00	353	3 595.00
	VAR 99%	39.1	35.57	8,39	80.87
Equity risk	Nominal	500	1 342.00	400	2 300.00
	VAR 99%	25.3	61.44	18.23	113.5
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0	0	0	0

2014		30.09.2014	Average	Minimum	Maximum
Interest rate risk	BPV	(37.8)	(47.4)	(25.4)	(73.7)
Foreign exchange risk	Nominal	1 779.00	2 387.00	892	4 812.00
	VAR 99%	17.24	45.18	1.66	96.33
Equity risk	Nominal	100	1 545.00	100	2 400.00
	VAR 99%	11.29	51.19	2	92.59
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0	0	0	0

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 9% of regulatory own funds at 31 December 2016.

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

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

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

(in thousands of EUR)

2016	
On 31.12.2016	20 763
Average for the period	23 206
Maximum for the period	25 706
Minimum for the period	19 254
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

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 two financial periods as a result of the sale a significant part (approximately 90%) of the portfolio of shares.

Market value of the Bank's proprietary share portfolio:

(in thousands of EUR)

Position	
31.12.2016	32 897
31.12.2015	50 958
30.09.2014	312 450

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[1]	**Movement**	**31.12.2016**	**31.12.2015**	**30.09.2014**
Bel 20	10%	0	0	1 145
Other Belgian securities	10%	0	758	12 301
Other European securities	10%	0	588	9 032
The rest of the world	10%	3 290	3 750	8 768

1 Having an impact on the portfolio value.

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)

31.12.2016	Counterparty	Carrying amount	Credit risk	Guarantees
Loans and advances to credit institutions	a	547 040	547 040	0
Loans and advances to customers	b	2 013 921	2 013 921	1 594 812
Bonds and other fixed-income securities		3 221 173	3 221 173	0
Public sector	e	*1 045 969*	*1 045 969*	*0*
Other issuers – banks	c+e	*1 493 207*	*1 493 207*	*0*
Other issuers – commercial companies	d+e	*681 997*	*681 997*	*0*
Equities, shares and other variable-income securities		91 229	91 229	0
Derivatives		100 436	76 314	16 335
Financial guarantees issued		114 666	114 666	84 593

(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

In the tables above, 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 on a monthly basis, which comprises senior management from Brussels and Luxembourg.

At 31 December 2016, loans to credit institutions comprise principally current accounts (EUR 490 million), the majority of which are without any notice period, and to a lesser extent, with short-term notice periods.

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 (principally 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 18% of the total of the group's treasury that has been reinvested.

The portfolio consists almost exclusively of covered bonds with AAA ratings.

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

(in %)

Rating	Proportion
AAA	99%
AA	1%
A	0%
BBB	0%

d) Corporate portfolios

This category comprises:

- the 'corporate portfolio' of the credit department, which is a portfolio of floating-rate European securitizations. This portfolio is being run-off (the Bank no longer makes new purchases) and currently amounts to approximately EUR 25 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). This portfolio, which amounts to EUR 411 million, comprises primarily good quality European issuers, and to a lesser extent 'high yield' paper (of which EUR 10 million is in the Degroof Bonds Corporate EUR fund and EUR 5 million is 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	6%
A	40%
BBB	42%
< BBB or without rating	12%

e) Portfolio of sovereign and state-guaranteed bank debt

This category comprises Government and supranational debt and bank debt benefitting from guarantees by EU governments in various European countries. More than 10% of the portfolio is invested in supranational international debt, issued in USD.

Analysis of sovereign or supranational debt, or debt guaranteed by an EU government, by rating:

(in %)

Rating	Proportion
AAA	43%
AA	37%
A	0%
BBB	20%

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) as well as supranational international debt.

5.5.4 Doubtful receivables

The losses incurred on the credit portfolios 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)

	31.12.2016	31.12.2015	30.09.2014
Doubtful receivables	52 163	47 102	34 860
Impairments	(33 111)	(29 077)	(21 844)
Doubtful receivables after impairements	**19 052**	**18 025**	**13 016**

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 %)

	31.12.2016	
Receivables in respect of which no impairment has been recorded, and for which there are no overdue unpaid amounts	1 590 405	93%
Receivables in respect of which no impairment has been recorded, but for which there are overdue unpaid amounts	66 192	4%
– receivables with unpaid overdue balance ≤ 30 days	*46 970*	
– receivables with unpaid overdue balance > 30 days and ≤ 60 days	*15 801*	
– receivables with unpaid overdue balance > 60 days and ≤ 90 days	*566*	
–receivables with unpaid overdue balance > 90 days and ≤ 180 days	*991*	
– receivables with unpaid overdue balance > 180 days and ≤ I year	*508*	
– receivables with unpaid overdue balance > 1 year	*1 356*	
Receivables in respect of which a partial or complete impairment has been recorded	52 163	3%

In the table above, 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, realization 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 amounted to EUR 52 million of the total outstanding loans granted by the Bank at 31 December 2016. Of this EUR 52 million, EUR 7.5 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 3.8 million at 31 December 2016, 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.

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 %)

	31.12.2016	31.12.2015	30.09.2014
Tier 1 own funds	483 553	468 281	427 925
Tier 2 own funds	0	0	5 927
Weighted risk volume	2 826 742	2 913 940	2 838 056
CRD ratio	17.11%	16.07%	15.29%
Tier 1 ratio	17.11%	16.07%	15.08%

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

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

- the risk weighted exposure of the Bank has slightly declined as a result of a reduction in loans to financial institutions, of the reinvestment in debt instruments with a lower weighting, and of the sale of Landolt & Cie, partially off-set by an increase in derivative activities.
- 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 a reduction in the accounting value of intangible assets that need to be deducted as a result of the amortization charge for the financial year, partially off-set by other movements impacting own funds in accordance with the accounting standards such as the actuarial differences related to our obligations in respect of post-employment benefits for our personnel.

The combination of these factors leads to a CRD ratio of 17.11%, 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 our budgets to significant market crises.

6 Consolidation scope

6.1 List of the principal subsidiaries of Bank Degroof Petercam at 31 December 2016

Name	Registered office	(in %) Percentage of capital held	Activity
Degroof Petercam Finance SA	Rue de Lisbonne 44 – 75008 Paris	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 Petercam 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
Cobimmo SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Petercam Asset Management Ltd	6/F Alexandra House 16 Chater Road Central Hong Kong	91.8	Other financial institution
Degroof Petercam 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 Petercam Asset Management SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Petercam Asset Services 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
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
Banque Degroof Petercam (Suisse) SA	Route de l'Aéroport 31 1218 Le Grand-Saconnex	100	Credit institution
Petercam Participations SA	Route de l'Aéroport 31 1218 Le Grand-Saconnex	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
Bank Degroof Petercam Spain, S.A.U.	Avenida Diagonal 464 – 08006 Barcelona	100	Credit institution
Degroof Petercam, 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 2016

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
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 reorganization of the activities following the merger of Bank Degroof SA|NV and Petercam SA|NV, three mergers have occurred within the group:

- Banque Degroof Luxembourg SA and Petercam Luxembourg SA have combined their activities in a company henceforth called Banque Degroof Petercam Luxembourg SA;
- Degroof Gestion Institutionelle Luxembourg SA and Petercam Institutional Asset Management Luxembourg SA have combined their activities in a company henceforth called Degroof Petercam Asset Services SA;
- Petercam Institutional Asset Management Company SA|NV and Degroof Fund Management Company SA|NV have combined their activities in a company henceforth called Degroof Petercam Asset Management SA|NV.

In addition to these mergers, Petercam Institutional Bonds SA|NV and Fitech Systems SA|NV have been liquidated.

These changes have not had a significant impact on our financial statements.

The continuation of the reorganization of the activities, and the simplification of the structures, in France has led to Degroof Petercam Finance SA absorbing Degroof Petercam Capital Markets SA and Degroof Finance Lyon SA, as well as to Bank Degroof Petercam France SA absorbing Compagnie Financière Degroof Petercam SA.

These changes have not had a significant impact on our financial statements.

Banque Degroof Petercam Luxembourg SA has disposed of its 25% shareholding in Landolt & Cie, while aiming to pursue the growth in its activities in Switzerland through Banque Degroof Petercam (Suisse) SA.

The impact of this transaction on the results for the financial year amounted to EUR 1.3 million.

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 Merger of Bank Degroof and Petercam – Pro forma information

If the financial periods had been the 2014[1] and 2015[1] calendar years, total consolidated comprehensive income would have been the following:

(in thousands of EUR)

	2016	2015	2014
Interest income	51 385	52 867	64 334
Interest expense	(6 051)	(7 854)	(9 747)
Dividend income	5 950	5 023	10 943
Fee and commission income	468 954	509 110	456 066
Fee and commission expense	(137 030)	(136 783)	(121 381)
Net result on financial instruments held for trading	23 366	20 586	(4 087)
Net result on financial instruments designated at fair value through profit or loss	(1 544)	(82)	15 498
Net result on financial instruments not designated at fair value through profit or loss	9 990	63 789	54 900
Other net operating results	20 961	(14 102)	20 743
Share in the results from entities accounted for using the equity method	63	(121)	1 075
Net income	**436 044**	**492 433**	**488 344**
Personnel expenses	(180 284)	(213 496)	(199 080)
General and administrative expenses	(145 706)	(134 789)	(100 133)
Depreciation and amortization	(21 542)	(11 502)	(8 150)
Impairments	(7 467)	(22 033)	(39 810)
Profit before tax	**81 045**	**110 613**	**141 171**
Income tax expense	(23 160)	(14 580)	(34 866)
Net profit	**57 885**	**96 033**	**106 305**
Net profit attributable to shareholders of the parent company	*57 877*	*96 127*	*110 876*
minority interests	*8*	*(94)*	*(4 571)*
Remeasurement gains (losses) related to post-employment benefit plans	(2 754)	10 993	(8 781)
Total other comprehensive income that may not be reclassified subsequently to net profit	**(2 754)**	**10 993**	**(8 781)**
Fair value adjustments - Available-for-sale financial assets	2 740	(66 937)	(36 174)
Currency translation differences	(1 526)	1 900	909
Total other comprehensive income that may be reclassified subsequently to net profit	**1 214**	**(65 037)**	**(35 265)**
Total comprehensive income	**56 345**	**41 989**	**62 259**
Total comprehensive income attributable to			
shareholders of the parent company	*56 337*	*42 082*	*66 827*
minority interests	*8*	*(93)*	*(4 568)*

1 Unaudited situation covering a period of 12 months (1 january through 31 december).

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)

31.12.2016	Belgium	Luxembourg	Spain	France	Switzerland	Total
Turnover	264 197	127 544	8 493	25 511	10 236	435 981
Number of employees (in units)	837	322	69	103	21	1 352
Profit (or loss) before tax	24 412	59 982	(1 185)	(3 314)	1 087	80 982
Tax on profit or loss	11 860	10 438	108	97	657	23 160
Public subsidies received	0	0	0	0	0	0

(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

(in thousands of EUR)

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)

	31.12.2016	31.12.2015	30.09.2014
Cash	4 136	4 029	2 655
Balances with central banks – Mandatory reserves[1]	1 365 102	1 529 072	143 332
Balances with central banks – other than mandatory reserves	30 527	18 774	0
Other demand deposits	389 847	509 347	139 670
Total cash, balances with central banks and other demand deposits	**1 789 612**	**2 061 222**	**285 657**

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 389.2 million at 31 December 2016 (EUR 489.6 million at 31 December 2015; EUR 104.7 million at 30 September 2014) 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)

	31.12.2016	31.12.2015	30.09.2014
1. Financial assets held for trading	**9 799**	**14 860**	**10 171**
Fixed-income securities	1 988	11 870	7 535
Treasury bills and government bonds	*0*	*1 483*	*0*
Bonds from other issuers	*1 988*	*10 387*	*7 535*
Variable-income securities	7 811	2 990	2 636
Equities	*6 596*	*420*	*113*
Other variable income securities	*1 215*	*2 570*	*2 523*
2. Derivative financial instruments	**100 436**	**99 465**	**148 361**
Foreign exchange derivatives	40 562	47 214	110 619
Interest rate derivatives	27 933	13 199	10 738
Equity derivatives	31 722	39 052	26 994
Credit derivatives	0	0	10
Commodity derivatives	219	0	0
Total assets held for trading	**110 235**	**114 325**	**158 532**

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.

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

2 Commonly known as 'Covered bonds'

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

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Fixed income securities	1 712 089	794 715	998 007
Treasury bills and government bonds	*438 993*	*205 354*	*514 460*
Bonds from other issuers	*1 273 096*	*589 361*	*483 547*
Variable-income securities	28 829	35 146	43 346
Equities	*28 829*	*35 146*	*43 346*
Total financial assets designated at fair value through profit or loss	**1 740 918**	**829 861**	**1 041 353**

The financial assets designated at fair value through profit or loss include as at 31 December 2016 an amount of EUR 1 403.38 million for which the residual life exceeds 12 months (31 December 2015: EUR 675.12 million; 30 September 2014: EUR 898.5 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)

	31.12.2016	31.12.2015	30.09.2014
Carrying amount before impairments	**1 440 800**	**2 109 255**	**1 590 770**
Fixed income securities	1 379 646	2 044 790	1 264 495
Treasury bills and government bonds	*501 944*	*902 587*	*391 472*
Bonds from other issuers	*861 511*	*1 104 994*	*831 345*
Other fixed income instruments	*16 191*	*37 209*	*41 678*
Variable-income securities	61 154	64 465	326 275
Equities	*21 861*	*21 972*	*214 476*
Other variable income securities	*39 293*	*42 493*	*111 799*
Impairments	**(9 410)**	**(7 784)**	**(14 805)**
Total available-for-sale financial assets	**1 431 390**	**2 101 471**	**1 575 965**

Available-for-sale financial assets at 31 December 2016 include a total of EUR 808.9 million the residual life of which exceeds 12 months (31 December 2015: EUR 1 204.6 million; 30 September 2014: EUR 1 061.4 million).

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 30.09.2013	**(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)**
Impairments	0	(1 560)	(1 560)
Impairment allowance used	0	24	24
Currency translation differences	(90)	0	(90)
Closing balance at 31.12.2016	**(2 846)**	**(6 564)**	**(9 410)**

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 30.09.2013	**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**
Increase (decrease) in unrealised revaluation gains[1]	(2 688)	1 059	(1 629)
Decrease (increase) in unrealised revaluation losses[1]	2 979	1 414	4 393
Impairment recognized in the income statement	0	0	0
Closing balance at 31.12.2016	**10 640**	**6 027**	**16 667**

7.5 Loans and advances to credit institutions

Interbank loans and advances are as follows:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Term loans	116 081	49 706	142 527
Reverse repurchase operations	0	300 776	368 981
Other	41 111	0	7
Total loans and advances to credit institutions	**157 192**	**350 482**	**511 515**

Loans with initial terms of less than three months for an amount of EUR 57.2 million as at 31 December 2016 (at 31 December 2015: EUR 350.4 million; at 30 September 2014: EUR 506.3 million) are included in the definition of cash and cash equivalents in the consolidated cash flow statement.

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

7.6 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)

	31.12.2016	31.12.2015	30.09.2014
Carrying amount before impairments	**1 727 558**	**1 711 919**	**1 628 387**
Overdrafts	363 146	326 989	313 819
Trade bills	2 589	89	102
Mortgage loans	81 734	89 405	112 683
Term loans	1 243 785	1 230 813	1 109 128
Finance leases	0	0	29
Reverse repurchase agreements	0	12 722	16 799
Debt instruments	14 990	20 859	45 953
Subordinated loans	1 753	11 474	18 889
Other	19 561	19 568	10 985
Impairments	**(36 918)**	**(33 211)**	**(22 619)**
Total loans and advances to customers	**1 690 640**	**1 678 708**	**1 605 768**

Loans and advances to customers include as at 31 December 2016 an amount of EUR 204.9 million for which the residual life exceeds 12 months (31 December 2015: EUR 449.2 million; 30 September 2014: EUR 333.7 million).

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

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Opening balance	**(33 211)**	**(22 619)**	**(26 140)**
Impairment loss recognized[2]	(4 992)	(12 592)	(8 195)
Reversal of impairment[3]	1 239	1 223	1 805
Impairment allowance used[4]	48	788	9 947
Changes in consolidation scope	(2)	(11)	(5)
Currency translation differences	0	0	(31)
Other	**(36 918)**	**(33 211)**	**(22 619)**

Impairment losses are calculated on the basis of individual valuations and on the basis of collective valuations for the two most recent financial periods.

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 2016	**14.990**	**13.824**	**(8)**
Closing balance at 31 December 2015	**20.859**	**19.166**	**(14)**
Closing balance at 30 September 2014	**27.315**	**24.820**	**(22)**

2 Including an impairment of EUR 0 thousand on debt instruments (at 31 December 2015: EUR 0 thousand; at 30 September 2014: EUR 0 thousand).

3 Including a write-offs of non-recoverable loans and advances of EUR 0 thousands on debt instruments (at 31 December 2015 : EUR 0 thousand, at 30 September 2014: 768 thousand).

4 Including an impairment allowance used of EUR 0 thousand in respect of debt instruments (31 December 2015 : EUR 0 thousand, 30 September 2014: EUR 8 179 thousand).

(in thousands of EUR)

Amounts recognised in profit or loss or in equity	Profit or loss	Equity
At 31 December 2016		
Interest income	8	
Impairment	0	
Realised gains (losses)	19	
Amounts transferred from revaluation reserves to profit or loss		6
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

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 2016 of EUR 0.4 million (at 31 December 2015: net gain of EUR 0.5 million; at 30 September 2014: net gain of EUR 0.5 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)

	31.12.2016	31.12.2015	30.09.2014
Fixed income securities	115 306	125 701	174 426
Treasury bills and government bonds	*105 032*	*115 306*	*90 310*
Bonds from other issuers	*10 274*	*10 395*	*84 116*
Total financial assets held to maturity	**115 306**	**125 701**	**174 426**

Financial assets held to maturity with a maturity in excess of 12 months amount to EUR 70.8 million at 31 December 2016 (31 December 2015: EUR 114.7 million; 30 September 2014: EUR 132.5 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 31.12.2016	**70 099**	**7 534**	**4 707**	**4 120**	**86 460**
Acquisition cost	117 846	23 370	11 752	8 301	161 269
Accumulated depreciation and impairment	(47 747)	(15 836)	(7 045)	(4 181)	(74 809)
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)

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 30.09.2013	**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**
Acquisitions	9 162	5 656	2 588	750
Disposals	(305)	0	(3)	(430)
Depreciation	(3 168)	(2 321)	(620)	(672)
Impairment loss recognized	(1 086)	0	0	0
Currency translation differences	66	0	0	2
Other	266	4	15	(61)
Closing balance at 31.12.2016	**70 099**	**7 534**	**4 707**	**4 120**

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 159.8 million at 31 December 2016 (31 December 2015: EUR 147.3 million; 30 September 2014: EUR 132.2 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 the square metres 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)

	31.12.2016	31.12.2015	30.09.2014
Less than one year	10 191	10 437	2 055
Between one and five years	24 483	28 435	6 561
More than five years	5 536	9 720	24
Closing balance	**40 410**	**48 592**	**8 640**

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 31.12.2016	**275 881**	**104 912**	**4 661**	**385 454**
Acquisition cost	352 756	166 618	30 623	549 997
Accumulated depreciation and impairment	(76 875)	(61 706)	(25 962)	(164 543)
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)

The movements in the net book value are as follows:

(in thousands of EUR)

	Goodwill	Business activities[1]	Software
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**
Acquisitions	0	0	1 733
Depreciation	0	(12 842)	(1 920)
Impairment loss recognized	0	(1 068)	0
Other	5 421	(586)	(44)
Currency translation differences	0	96	0
Closing balance at 31.12.2016	**275 881**	**104 912**	**4 661**

BUSINESS ACTIVITIES

In accordance with its accounting policies and principles, when there were market conditions that were considered to be an objective indicator of impairment, the Bank has performed an impairment test on its business activities.

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 assets under management. 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 valuation of a business activity resulting from the merger with Petercam in Luxembourg and relating to client relations in the framework of private banking activities in discretionary asset management in Luxembourg. In this respect, an impairment loss of EUR 1.03 million has been recorded. In respect of another business activity in Luxembourg, an impairment loss of EUR 0.04 million has been recorded.

The value in use has been used for the estimation of the value of business activities in the context of the merger with Petercam relating to client relations in the framework of private banking activities and institutional asset management. The valuation performed in order to test for impairment is based on the same model as that used for the initial determination of the value of these business activities. This model comprises the discounting of cash flows, on the basis of projections of revenues generated through the management of client assets over a defined period ending in 2026. The progressive attrition of historic private discretionary asset management clients is estimated at 10.8% per annum, while the annual growth in funds under management is estimated at 3%. The cash flows are discounted at an estimated cost of own funds after tax of 7.6%.

The fair value has been used to estimate the value of the business activities of Banque Degroof Petercam France, in the activity of wealth management, which involved applying a goodwill coefficient to assets under management. 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 of the business activities.

The definitive adjustment in respect of the provisional amounts accounted for following the merger of Bank Degroof SA|NV with Petercam SA|NV has resulted in a modification to goodwill of EUR5.4 million.

1 Of which EUR 10.7 million at 31 December 2016, to be amortized over the remaining useful life of 12 years, on the account of Banque Degroof Petercam France, and EUR 91.3 million related to business combinations Petercam.

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 estimated either by applying reference multiples to the net operating result, or to the assets under management. 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 goodwill.

The goodwill relating to the merger with Petercam has been allocated to three cash generating units ('Asset Management and UCITS', 'Credits & Structuring' and 'Sales & Advice/Professionals').

The value of the 'Asset Management and UCITS' cash generating unit is estimated as the fair value, by applying a goodwill coefficient in respect to the managed or administered assets. The value of the 'Credits & Structuring' and 'Sales & Advice/Professionals' cash generating units is estimated as the fair value, by applying a multiple to the recurring net result over a three year period.

The value in use was used to estimate the recoverable value of the cash generating unit of Banque Degroof Petercam France active in Corporate Finance.

The projected cash flows were based upon medium term plans drawn up by management covering the period 2017-21, before applying a steady growth rate of 2% corresponding to the forecast long term inflation rate.

The projected cash flows were discounted at the estimated cost of capital before taxes as at 31 December 2016 of 14.6%. 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 20% lower).

The recoverable value that results from this sensitivity analysis is EUR 3.2 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.

Goodwill is analyzed below, by cash generating unit:

(in thousands of EUR)

	Carrying amount			Method used for the recoverable amount
Cash generating unit	31.12.2016	31.12.2015	30.09.2014	
Bank Degroof Petercam SA | NV (Asset Management & UCITS)	227 634	222 213	26 306	Fair value[1]
Bank Degroof Petercam SA | NV (Credits & Structuring)	5 480	5 480	0	Fair value[1]
Bank Degroof Petercam SA | NV (Sales & Advice/Professionals)	24 550	24 550	0	Fair value[1]
Banque Degroof Petercam France SA (Corporate Finance)	18 217	18 217	18 217	Value in use
Total	**275 881**	**270 460**	**44 523**	

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	31.12.2016	31.12.2015	30.09.2014
Landolt & Cie SA	0	13 384	13 295
BDG & Associés	183	143	(18)
Total	**183**	**13 527**	**13 277**

1 Level 3 in the hierarchy of fair values.

At 31 December 2016, the shareholders' equity of BDG & Associés amounted to CAD 578 000 and its result amounted to CAD 96 000.

At 31 December 2016, an amount of EUR 1 269 million is included in the caption 'Other liabilities' (Promotion 777: EUR 28 000, Stairway to Heaven: EUR (9 000), Seniorenresidenz Berdorf: EUR 254 000, Le Cloître: EUR 999 000).

7.11 Other assets

Other assets comprise the following items:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Accrued income and prepaid expenses	88 717	97 678	65 285
Miscellaneous debtors	24 647	19 658	27 691
Other assets	25 700	14 825	13 516
Total other assets	**139 064**	**132 161**	**106 492**

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)

	31.12.2016	31.12.2015	30.09.2014
1. Financial liabilites held for trading	**113**	**3 968**	**9**
Fixed income	4	3 968	0
Variable income	109	0	9
2. Derivatives	**134 606**	**138 433**	**159 481**
Foreign exchange derivatives	39 080	49 508	83 240
Interest rate derivatives	45 805	48 125	51 055
Equity derivatives	49 502	40 800	24 743
Credit derivatives	0	0	443
Commodity derivatives	219	0	0
Total financial liabilites held for trading	**134 719**	**142 401**	**159 490**

7.13 Deposits from credit institutions

Interbank deposits comprise the following:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Sight deposits	105 537	144 400	91 904
Term deposits	11 549	5 714	73 325
Other deposits	0	6 482	3 139
Total deposits from credit institutions	**117 086**	**156 596**	**168 368**

7.14 Deposits from customers

Deposits from customers are as follows:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Sight deposits	5 889 767	5 774 219	3 936 858
Term deposits	330 129	595 040	460 712
Other deposits	18 337	38 923	16 296
Total deposits from customers	**6 238 233**	**6 408 182**	**4 413 866**

Deposits from customers include as at 31 December 2016 an amount of EUR 8.6 million for which the residual life exceeds 12 months (31 December 2015: EUR 3.5 million ; 30 September 2014: EUR 48.2 million).

7.15 Debt securities

Debt securities issued by the Degroof Petercam group amounted to EUR 0 million at 31 December 2016 (31 December 2015: EUR 3 million; 30 September 2014: 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)

	31.12.2016	31.12.2015	30.09.2014
Pensions and other post employment defined benefit obligations	42 210	36 948	38 390
Other long term employee benfits	5 434	3 725	1 386
Restructuring	16 943	18 900	0
Other provisions	16 396	20 701	6 092
Closing balance	**80 983**	**80 274**	**45 868**

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

The provision for restructuring was set up in 2015 following the reorganization of activities resulting from the merger of the Degroof and Petercam groups. Movements during the current accounting year comprise a reversal of EUR 0.2 million and a usage of EUR 1.8 million.

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

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Opening balance	**20 701**	**6 092**	**13 985**
Allowances for provisions	425	12 000	1 567
Use of provisions	(1 424)	(2 132)	(5 657)
Reversal of unused provisions	(3 306)	(1 559)	(3 803)
Changes in consolidation scope	0	6 300	0
Closing balance	**16 396**	**20 701**	**6 092**

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 2016.

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'.

7.18 Other liabilities

Other liabilities comprise the following items:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Salaries and social charges	49 009	63 125	38 621
Accrued charges and deferred income	33 348	33 718	33 185
Miscellaneous creditors	30 554	29 401	21 098
Share-based payment liability	4 012	3 902	1 465
Other	10 127	13 733	4 551
Liabilities relating to the anticipated acquisition of minority interests	3 752	3 597	10 067
Total other liabilities	**130 802**	**147 476**	**108 987**

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)

	31.12.2016	31.12.2015	30.09.2014
Opening balance	**(6 985)**	**(2 139)**	**5 596**
Income (expense) in income statement	(2 728)	14 930	(2 570)
Items recorded directly in equity	2 006	926	(5 165)
Changes in consolidation scope	1 591	(20 695)	0
Other	3 391	0	0
Currency translation differences	(7)	(7)	0
Closing balance	**(2 732)**	**(6 985)**	**(2 139)**

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

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Deferred tax assets	**38 301**	**41 626**	**15 843**
Personnel benefits	21 211	23 845	12 418
Tangible and intangible assets	9 174	10 537	0
Provisions for liabilities and charges	1 245	1 272	0
Derivatives	2 028	2 089	3 287
Losses carried forward	1 969	0	15
Other	2 674	3 883	123
Deferred tax liabilities	**41 033**	**48 611**	**17 982**
Tangible and intangible assets	33 035	39 895	4 527
Provisions for liabilities and charges	605	1 081	581
Financial instruments at fair value through profit or loss	2 371	1 932	2 656
Available-for-sale financial assets	4 100	4 864	8 481
Other	922	839	1 737
Net deferred taxes	**(2 732)**	**(6 985)**	**(2 139)**

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 2016 amounted to EUR 15 625 million and related purely to recoverable tax losses with indefinite expiry dates (31 December 2015: EUR 21 098 million, 30 September 2014: EUR 27 056 million).

Deferred taxes amounting to EUR 4.8 million at 31 December 2016 (31 December 2015: EUR 4.0 million; 30 September 2014: EUR 3.0 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)

	31.12.2016	31.12.2015	30.09.2014
Issued capital	34 212	34 212	47 491
Share premium	420 553	420 925	153 921
Legal reserve	4 411	4 411	4 749
Untaxed reserve	15 108	15 108	22 881
Reserves available for distribution	93 137	93 137	50 000
Other reserves and retained earnings	322 305	272 678	262 176
Revaluation reserves	(1 771)	(231)	55 807
Treasury shares (-)	(47 605)	(45 956)	(55 008)
Net profit for the period	57 877	107 643	84 380
Total	**898 227**	**901 927**	**626 397**

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)

	31.12.2016		31.12.2015		30.09.2014	
	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares
Opening balance	**34 212**	**10 842 209**	**47 491**	**7 683 481**	**47 491**	**8 019 131**
Destruction of own shares	0	0	0	0	0	(335 650)
Capital decrease	0	0	(15 779)	0	0	0
Business combination	0	0	2 500	3 158 728	0	0
Closing balance	**34 212**	**10 842 209**	**34 212**	**10 842 209**	**47 491**	**7 683 481**

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 2016, the Degroof Petercam group held 327 883 shares in Bank Degroof Petercam SA | NV, representing 3.02% 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)

	31.12.2016		31.12.2015		30.09.2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash, balances with central banks and other demand deposits	1 789 612	1 789 612	2 061 222	2 061 222	285 657	285 657
Loans and advances to credit institutions	157 192	157 206	350 482	350 431	511 515	511 602
Loans and advances to customers	1 690 640	1 700 104	1 678 708	1 684 780	1 605 768	1 611 448
Financial assets held for trading	110 235	110 235	114 325	114 325	158 532	158 532
Financial assets designated at fair value through profit or loss	1 740 918	1 740 918	829 861	829 861	1 041 353	1 041 353
Available-for-sale financial assets	1 431 390	1 431 390	2 101 471	2 101 471	1 575 965	1 575 965
Financial assets held to maturity	115 306	120 123	125 701	132 402	174 426	183 321
Total	**7 035 293**	**7 049 588**	**7 261 770**	**7 274 492**	**5 353 216**	**5 367 878**
Financial liabilities						
Financial liabilities held for trading	134 719	134 719	142 401	142 401	159 490	159 490
Financial assets at amortized cost	6 355 319	6 355 547	6 567 778	6 568 624	4 625 181	4 626 790
Deposits from credit institutions	*117 086*	*117 085*	*156 596*	*156 595*	*165 229*	*165 250*
Deposits from customers	*6 238 233*	*6 238 462*	*6 408 182*	*6 409 029*	*4 417 005*	*4 417 374*
Subordinated liabilities	*0*	*0*	*0*	*0*	*39 946*	*41 165*
Debt securities	*0*	*0*	*3 000*	*3 000*	*3 001*	*3 001*
Total	**6 490 038**	**6 490 266**	**6 710 179**	**6 711 025**	**4 784 671**	**4 786 280**

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. These valuation techniques are those that are currently used by market participants.

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. During 2016 there were no significant transfers.

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

(in thousands of EUR)

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	8 890	88 339	0	97 229
Financial assets held for trading	6 628	2 461	677	9 766
Financial assets designated at fair value through profit or loss	1 480 178	251 100	3 214	1 734 492
Available-for-sale financial assets	999 498	391 505	32 464	1 423 467
Total	**2 495 194**	**733 405**	**36 355**	**3 264 954**
Financial liabilities				
Derivatives	7 724	115 369	0	123 093
Financial liabilities held for trading	110	0	0	110
Total	**7 834**	**115 369**	**0**	**123 203**

(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**

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	Financial assets designed at fair value through profit or loss	Available-for-sale financial assets
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**
Profits and losses recognised in the result for the current year [1]	(18)	9	247
Profits and losses recognised in shareholders' equity			(606)
Impairment			(1 560)
Acquisitions	695		1 059
Disposals	(800)		(1 660)
Issuances			425
Settlements			(832)
Transfers to level 3			0
Transfers from level 3			0
Changes to the scope of consolidation			0
Other			(24)
Closing balance at 31.12.2016	**677**	**3 214**	**32 464**

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 held for trading' (note 8.4).
Recorded under 'Net result on financial instruments designated at fair value through profit or loss' (note 8.5).
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
31.12.2016				
Variable-income securities	20 292	14 850	0	(5 442)
Fixed-income securities	16 063	14 916	0	(1 147)
31.12.2015				
Variable-income securities	22 288	15 709	0	(6 579)
Fixed-income securities	17 132	15 902	0	(1 230)
30.09.2014				
Unquoted variable-income securities	103 500	83 052	0	(20 448)

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. 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Cash, balances with central banks and other demand deposits	0	1 789 508	0	1 789 508
Loans and advances to credit institutions	0	157 281	0	157 281
Loans and advances to customers	0	1 611 867	83 571	1 695 438
Financial assets held to maturity	103 215	15 175	0	118 390
Total	**103 215**	**3 573 831**	**83 571**	**3 760 617**
Financial liabilities				
Deposits from credit institutions	0	125 688	0	125 688
Deposits from customers	0	6 227 163	0	6 227 163
Total	**0**	**6 352 851**	**0**	**6 352 851**

(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
Debt securities	0	3 000	0	3 000
Total	**0**	**6 565 460**	**0**	**6 565 460**

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)

31.12.2016	Securities lending		Repurchase agreements	
	Fixed income securities	Variable-income securities	Fixed income securities	Variable-income securities
Transferred financial assets at carrying amount	**74 516**	**0**	**0**	**0**
Financial assets designated at fair value through profit or loss	64 454	0	0	0
Available-for-sale financial assets	10 062	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)

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

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.

31.12.2016	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	100 436	0	100 436
Reverse repos, securities borrowed and similar arrangements	0	0	0
Reverse repos	0	0	0
Total	**100 436**	**0**	**100 436**
Financial liabilities			
Derivatives	134 606	0	134 606
Repos, securities lent and similar arrangements	0	0	0
Repos	0	0	0
Total	**134 606**	**0**	**134 606**

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
	24 122	16 635	0	59 679
	0	0	0	0
	0	0	0	0
	24 122	**16 635**	**0**	**59 679**
	24 122	35 166	0	75 318
	0	0	0	0
	0	0	0	0
	24 122	**35 166**	**0**	**75 318**

(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**

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)

	31.12.2016	31.12.2015	30.09.2014
Interest income	**51 385**	**65 614**	**65 950**
Financial assets held for trading	*299*	*498*	*419*
Financial assets at fair value through profit or loss	*13 208*	*11 893*	*15 839*
Interest income on assets stated at fair value	13 507	12 391	16 258
Loans and advances to credit institutions	*622*	*1 450*	*529*
Loans and advances to customers	*22 407*	*33 847*	*30 142*
Available-for-sale securities	*10 622*	*14 708*	*14 759*
Held to maturity securities	*2 077*	*3 217*	*4 255*
Other	*2 150*	*1*	*7*
Interest income on assets not stated at fair value	37 878	53 223	49 692
Interest expenses	**(6 051)**	**(9 501)**	**(9 630)**
Financial liabilities held for trading	*(142)*	*(17)*	*(21)*
Interest expenses on assets stated at fair value	(142)	(17)	(21)
Deposits from credit institutions	*(2 926)*	*(1 974)*	*(639)*
Deposits from customers	*(2 532)*	*(5 754)*	*(7 179)*
Debt securities	*0*	*(2)*	*(8)*
Subordinated liabilities	*0*	*(1 592)*	*(1 752)*
Other	*(451)*	*(162)*	*(31)*
Interest expenses on liabilities not stated at fair value	(5 909)	(9 484)	(9 609)
Net interest income	**45 334**	**56 113**	**56 320**

8.2 Dividend income

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

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Financial assets held for trading	191	53	96
Financial assets designated at fair value through profit or loss	2 024	2 636	3 070
Available-for-sale securities	3 735	2 585	8 287
Total	**5 950**	**5 274**	**11 453**

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)

	31.12.2016	31.12.2015	30.09.2014
Fee and commission income	**468 954**	**469 775**	**301 841**
Asset management	303 180	281 577	171 191
Issues and placements of securities	9 011	13 250	8 726
Custodian services	62 422	68 585	46 191
Other securities services	56 328	68 601	53 597
Cash related services	11 785	14 686	5 428
Financial engineering	21 890	18 535	13 531
Derivatives	4 338	4 541	3 177
Fee and commission expense	**(137 030)**	**(140 415)**	**(93 517)**
Asset management	(77 946)	(105 243)	(64 651)
Issues and placements of securities	(572)	(331)	(429)
Custodian services	(32 289)	(5 370)	(4 782)
Other securities services	(19 907)	(23 409)	(19 660)
Cash related services	(5 473)	(4 545)	(2 870)
Derivatives	(843)	(1 517)	(1 125)
Net commission income	**331 924**	**329 360**	**208 324**

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)

	31.12.2016	31.12.2015	30.09.2014
Realized and unrealized gains (losses) on financial instruments held for trading	**17 039**	**23 495**	**14 703**
Fixed income securities	4 320	4 846	4 873
Variable income securities	1 479	1 000	665
Exchange activities	11 171	17 561	9 080
Other	69	88	85
Gains (losses) on derivatives	**6 327**	**(4 076)**	**(31 539)**
Foreign exchange derivatives	9 821	6 587	3 405
Interest rate derivatives	3 423	(8 997)	(29 702)
Equity derivatives	(6 904)	(2 173)	(6 102)
Other derivatives	(13)	507	860
Net result on financial instruments held for trading	**23 366**	**19 419**	**(16 836)**

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)

	31.12.2016	31.12.2015	30.09.2014
Fixed income securities	(8 966)	(5 031)	13 983
Variable income securities	7 422	1 835	4 406
Net result on financial instruments designated at fair value through profit or loss	**(1 544)**	**(3 196)**	**18 389**

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)

	31.12.2016	31.12.2015	30.09.2014
Gains (losses) on available-for-sale financial assets	**9 934**	**67 128**	**54 547**
Fixed income securities – public debts	2 527	1 654	8 818
Fixed income securities – other debts	7 767	733	1 706
Variable income securities	(360)	64 741	44 023
Net result on sale of loans and advances	**19**	**39**	**(1 881)**
Gains on sale of loans and advances	20	51	11
Losses on sale of loans and advances	(1)	(12)	(1 892)
Gains (losses) on held to maturity financial assets	**37**	**456**	**0**
Fixed income securities – public debts	37	(7)	0
Fixed income securities – other debts	0	463	0
Net result on financial instruments not designated at fair value through profit or loss	**9 990**	**67 623**	**52 666**

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)

	31.12.2016	31.12.2015	30.09.2014
Other operating income	**24 304**	**18 260**	**16 213**
Lease income	2 450	2 493	1 946
Realized capital gains on sales of tangible and intangible fixed assets	64	85	96
Realized capital gains on sales of investments	2 106	0	0
Reversals of provisions	3 544	1 559	3 803
Supply of services	7 853	4 941	4 207
Other	8 287	9 182	6 161
Other operating charges	**(3 343)**	**(33 800)**	**(1 782)**
Realized capital losses on sales of tangible and intangible fixed assets	(227)	(278)	(71)
Transfer to provisions	(425)	(30 900)	(1 567)
Other	(2 691)	(2 622)	(144)
Other net operating results	**20 961**	**(15 540)**	**14 431**

8.8 Personnel expenses

Personnel expenses comprise the following:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Wages and salaries	(140 953)	(148 526)	(105 018)
Social security, social insurance and extra-legal insurance	(25 593)	(25 578)	(17 513)
Pension costs	(10 689)	(10 253)	(6 498)
Share-based compensation	(155)	(3 078)	(2 297)
Other costs	(2 894)	(3 644)	(2 131)
Personnel expenses	**(180 284)**	**(191 079)**	**(133 457)**

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:

(in units)

FTE on	31.12.2016	31.12.2015	30.09.2014
Senior management	357	360	267
Employees	983	1 002	735
Workers	12	13	7
Total	**1 352**	**1 375**	**1 009**

8.9 General and administrative expenses

General and administrative expenses are analyzed below:

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Marketing, advertising and public relations	(5 838)	(5 241)	(2 741)
Professional fees	(24 792)	(27 580)	(14 054)
Operating leases	(16 887)	(11 956)	(8 034)
IT and telecommunications charges	(35 760)	(21 641)	(9 764)
Repairs and maintenance	(6 548)	(6 352)	(5 066)
Operational taxes	(19 094)	(11 895)	(6 378)
Other general and administrative expenses	(36 787)	(26 259)	(16 346)
General and administrative expenses	**(145 706)**	**(110 924)**	**(62 383)**

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' in 2015. In 2016, the exceptional expenses specific to the integration of the Degroof and Petercam groups impact primarily the captions 'IT and telecommunications charges'

8.10 Depreciation of property and equipment and amortization of intangible assets

During the financial period ended 31 December 2016, depreciation of property and equipment amounted to EUR 6.8 million (31 December 2015: EUR 6.2 million; 30 September 2014: EUR 4.6 million) and amortization of intangible assets amounted to EUR 14.7 million (31 December 2015: EUR 6.3 million; 30 September 2014: EUR 2.5 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)

	31.12.2016	31.12.2015	30.09.2014
Reversals of impairment losses	**1 239**	**1 234**	**1 837**
Loans and advances	1 239	1 223	1 805
Tangible assets	0	11	32
Allowance for impairments	**(8 706)**	**(22 821)**	**(41 811)**
Loans and advances	(4 992)	(12 592)	(8 195)
Available-for-sale financial assets	(1 560)	(8)	(5 176)
Tangible assets	(1 086)	(14)	(54)
Intangible assets	(1 068)	(7 838)	(25 850)
Investments in entities accounted for using the equity method	0	(2 369)	(2 536)
Net variation of impairment losses on assets	**(7 467)**	**(21 587)**	**(39 974)**

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)

	31.12.2016	31.12.2015	30.09.2014
Tax on current year result	**(22 202)**	**(14 276)**	**(25 700)**
Income tax for the period	(19 474)	(29 206)	(23 130)
Deferred tax	(2 728)	14 930	(2 570)
Other tax expense	**(958)**	**(1 288)**	**2 176**
Income tax on prior years	(855)	(1 172)	2 176
Other items	(103)	(116)	0
Net income tax expense	**(23 160)**	**(15 564)**	**(23 524)**

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)

	31.12.2016	31.12.2015	30.09.2014
Profit before income tax	*81 045*	*123 186*	*102 737*
Income of entities accounted for using the equity method	*(63)*	*(266)*	*(894)*
Tax base	80 982	122 920	101 843
Tax rate applicable at closing	0	0	0
Theoretical income tax expense	**(27 526)**	**(41 781)**	**(34 616)**
Effect of tax rate differences in other jurisdictions	2 411	3 223	3 156
Tax impact of non-deductible expenses	(4 528)	(8 235)	(12 967)
Tax impact of non-taxable income	9 418	34 668	32 490
Offset of foreign taxes and repayable taxes	3	0	0
Permanent differences	(1 845)	(3 960)	(9 139)
Effect of other items	(666)	492	2
Previously unrecognized deferred tax assets	907	0	0
Unrecognized deferred tax assets	(376)	1 317	(4 626)
Income tax for the period	**(22 202)**	**(14 276)**	**(25 700)**
Average effective tax rate	**27.42%**	**11.61%**	**25.24%**

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

8.13 Other components of other comprehensive income

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

(in thousands of EUR)

	31.12.2016	31.12.2015	30.09.2014
Remeasurement gains (losses) related to post-employment benefit plans	**(2 754)**	**10 993**	**(4 543)**
Gross amount	(4 074)	13 640	(5 550)
Taxes recorded directly in reserves	1 320	(2 647)	1 007
Total other comprehensive income that may not be reclassified subsequently to net profit	**(2 754)**	**10 993**	**(4 543)**
Currency translation differences	**(1 526)**	**1 963**	**202**
Gross amount	(1 526)	1 963	202
Fixed income securities	**2 740**	**(68 993)**	**(20 958)**
Adjustment to fair value, before taxes	515	(3 529)	5 753
Transfer from the reserve to results, before taxes	10 588	(3 699)	19 522
Impairments	(9 760)	(1 649)	(9 940)
Losses (gains) on disposals	*(10 294)*	*(2 387)*	*(10 524)*
Prorata of the reserve for the revaluation of available-for-sale financial assets following their reclassification	*534*	*738*	*584*
Taxes recorded directly in reserves	(313)	1 819	(3 829)
Variable income securities	2 225	(65 464)	(26 711)
Adjustment to fair value, before taxes	2 150	(3 854)	19 551
Transfer from the reserve to results, before taxes	360	(64 741)	(43 653)
Impairments	*0*	*0*	*370*
Losses (gains) on disposals	*360*	*(64 741)*	*(44 023)*
Taxes recorded directly in reserves	(285)	3 131	(2 609)
Total other comprehensive income that may be reclassified subsequently to net profit	**1 214**	**(67 030)**	**(20 756)**
Total other comprehensive	**(1 540)**	**(56 037)**	**(25 299)**

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 2016, 31 December 2015 and at 30 September 2014 amounted to EUR 74.0 billion, EUR 69.8 billion and EUR 54.6 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 2016 amounted to EUR 338.3 million (31 December 2015: EUR 230.2 million; 30 September 2014: EUR 261.1 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 180.7 million at 31 December 2016 (31 December 2015: EUR 137.7 million; 30 September 2014: EUR 125 million).

Bank Degroof Petercam has received pledges of assets from its clients amounting to EUR 4 349.2 million at 31 December 2016 (31 December 2015: EUR 4 376.5 million; 30 September 2014: EUR 3 918.5 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 0.0 million at 31 December 2016 (31 December 2015: EUR 313.5 million; 30 September 2014: EUR 385.8 million). Of the pledges obtained that can be used, none had been given as a guarantee for repo operations at 31 December 2016 (guarantees received and then given as guarantees at 31 December 2015: nil; 30 September 2014: 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)

	31.12.2016	31.12.2015
Opening balance	**3 725**	**1 386**
Allowances for provisions	3 194	2 340
Use of provisions	(1 486)	(815)
Other	1	0
Changes in consolidation scope	0	814
Closing balance	**5 434**	**3 725**

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 2.0 million (31 December 2015: EUR 1.8 million; 30 September 2014: EUR 1.5 million). For the other plans, the table below details the Degroof Petercam group's commitments and the principal actuarial assumptions used:

		Pension plans	
	31.12.2016	31.12.2015	30.09.2014
Present value of the funded obligations	115 135	105 390	59 420
Fair value of plan assets	87 168	81 372	38 006
A. Net liability (asset) of post-employment benefits	**27 967**	**24 018**	**21 414**
B. Change in defined benefit obligation			
Balance at beginning of year	**105 525**	**59 420**	**50 390**
Current service cost	6 778	8 762	3 287
Interest cost	1 657	1 916	1 492
Benefits paid during year	(4 015)	(4 647)	(1 079)
Administrative charges and taxes	(876)	(1 082)	(507)
Increase (decrease) related to business combinations, disposals, transfers	5	44 566	57
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	510	(1 986)	99
b. Actuarial gains and losses from financial assumptions	5 824	(564)	6 511
c. Actuarial gains and losses from other assumptions	(273)	(995)	(830)
Balance at end of year	**115 135**	**105 390**	**59 420**

(in thousands of EUR)

	Other benefits		
	31.12.2016	31.12.2015	30.09.2014
	14 243	12 930	16 976
	0	0	0
	14 243	**12 930**	**16 976**
	12 930	**16 976**	**13 125**
	867	1 532	951
	373	423	392
	(93)	(114)	(80)
	0	0	0
	0	0	0
	0	0	1 206
	1 369	(4 269)	4 125
	(1 203)	(1 618)	(2 743)
	14 243	**12 930**	**16 976**

	Pension plans		
	31.12.2016	31.12.2015	30.09.2014
C. Change in fair value of plan assets			
Balance at beginning of year	**81 463**	**38 006**	**32 353**
Interest income	1 356	1 332	1 003
Employer contributions	6 928	8 096	3 361
Employee contributions	163	145	0
Benefits paid during year	(4 015)	(4 647)	(1 079)
Administrative charges and taxes	(876)	(1 082)	(507)
Net transfers	5	37 018	57
Return on plan assets (other than interest income)	2 144	2 504	2 818
Balance at end of year	**87 168**	**81 372**	**38 006**
D. Components of cost			
Service cost	6 778	8 762	3 287
Charges / income (net of interest)	301	584	489
Employee contributions	(163)	(145)	0
Net charges recorded in income	**6 916**	**9 201**	**3 776**
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	510	(1 986)	99
b. Actuarial gains and losses from financial assumptions	5 824	(564)	6 511
c. Actuarial gains and losses from other assumptions	(273)	(995)	(830)
d. Return on assets (other than interest income)	(2 152)	(2 504)	(2 818)
Revaluations recorded in other elements of comprehensive income	**3 909**	**(6 049)**	**2 962**
E. Reconciliation of net obligations (assets) related to post-employment benefits			
Balance at beginning of year	**24 062**	**21 414**	**18 037**
Net charges recorded in income	6 923	9 201	3 776
Revaluations recorded in other elements of comprehensive income	3 909	(6 049)	2 962
Employer contributions	(6 928)	(8 096)	(3 361)
Increase (decrease) related to business combinations, disposals, transfers	0	7 548	0
Balance at end of year	**27 966**	**24 018**	**21 414**
F.1 Principal actuarial assumptions to determine the defined benefit obligations			
Discount rate	0	1.80%	2.00%
Future salary increase	0	2.50%	3.00%
Inflation rate	0	1.50%	2.00%
Mortality rate	MR/FR-5	MR/FR-5	MR/FR-5
F.2 Principal actuarial assumptions to determine net costs			
Discount rate	0	2.00%	3.00%
Future salary increase	0	3.00%	3.00%
Inflation rate	0	2.00%	2.00%
Mortality rate	MR/FR-5	MR/FR-5	MR/FR-3
G. Plan assets			
Treasury	5 167	4 844	978
Equity securities	23 318	22 218	15 954
Debt securities	20 746	19 284	16 339
Real estate	7 564	7 298	4 735
Assets held by the insurance company	30 493	27 728	0

(in thousands of EUR)

Other benefits		
31.12.2016	31.12.2015	30.09.2014
0	**0**	**0**
0	0	0
93	114	80
0	0	0
(93)	(114)	(80)
0	0	0
0	0	0
0	0	0
0	**0**	**0**
867	1 532	951
373	423	392
0	0	0
1 240	**1 955**	**1 343**
0	0	1 206
1 369	(4 269)	4 125
(1 203)	(1 618)	(2 743)
0	0	0
166	**(5 887)**	**2 588**
12 930	**16 976**	**13 125**
1 240	1 955	1 343
166	(5 887)	2 588
(93)	(114)	(80)
0	0	0
14 243	**12 930**	**16 976**
0	2.90%	2.00%
n/a	n/a	n/a
0	5.15%	5.25%
MR/FR-5	MR/FR-5	MR/FR-5
0	2.00%	3.00%
n/a	n/a	n/a
0	5.25%	5.25%
MR/FR-5	MR/FR-5	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)

	Pensionplans	
H. Sensitivity analysis on defined benefit obligations at year-end		
Discount rate	(0.25%)	0.25%
Amount of obligation related to pension schemes	117 848	111 427
Amount of obligation related to other benefits	15 281	13 294
Inflation rate	(0.25%)	0.25%
Amount of obligation related to pension schemes	112 709	116 478
Rate of increase in medical costs	(0.25%)	0.25%
Amount of obligation related to other benefits	13 331	15 233
I. Cash flows forecast for next financial year		
Employer contributions		
Contributions related to pension schemes	7 336	
Contributions related to other benefits	105	
Timing of payments of future benefits		
Less than one year	4 091	
Between one and two years	3 647	
Between two and three years	3 147	
Between three and four years	4 234	
Between four and five years	3 188	
Between five and ten years	30 643	

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 national 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 2016:

(in units; in EUR)

	31.12.2016		31.12.2015		30.09.2014	
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	0,00	0	0	95 150	192.30
31.12.2017	114 798	146.68	115 309	146.68	102 345	166.49
31.12.2018	139 581	131.80	156 829	131.79	158 533	149.50
	254 379	**138.51**	**272 138**	**138.1**	**356 028**	**165.82**

The movements on share options are as follows:

(in units; in EUR)

	31.12.2016		31.12.2015		30.09.2014	
	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	**272.138**	**138**	**356.028**	**165.82**	**383.911**	**164.88**
Opening balance	0	0	32 430	138.10	0	0
Options withdrawn	(1 335)	137	(925)	163.83	(3 700)	178.87
Options exercised	(16 424)	132	(20 245)	148.92	(24 183)	148.92
Options expired	0	0	(95 150)	192.30	0	0
Closing balance	**254 379**	**139**	**272 138**	**138.10**	**356 028**	**165.82**
of which exercisable	254 379	139	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 less than EUR 0.1 million in personnel expenses during the current financial period as all vesting periods have ended (31 December 2015: EUR 0.6 million; 30 September 2014: EUR 1.1 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.

In addition to the above-mentioned plans, there are three cash-settled option plans at 31 December 2016. 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 77 870 remain outstanding at 31 December 2016. These options have a final exercise date of 30 April 2021 and an exercise price of EUR 45. An expense of EUR 0.4 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 134.26) and Degroof Equity (EUR 13.68), anticipated dividends (EUR 5.50), and the implied volatility (22.50% 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 (Bank Degroof Petercam Spain), for the sole benefit of the directors of this company. The number of options granted at 25 September 2013 was 583 000 all of which remain outstanding at 31 December 2016. These options have a final exercise date of 30 December 2019 and an exercise price of EUR 6.17. This plan generated an income of EUR 0.2 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 Spain shares (EUR 7.75), anticipated dividends (EUR 0.00), and the implied volatility (16.06% 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 of which 50 135 remain outstanding at 31 December 2016. These options have a final exercise date of 30 April 2019 and an exercise price of EUR 160.84. This plan generated an income of EUR 0.1 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 134.26) and Degroof Equity (EUR 13.68), anticipated dividends (EUR 5.50), and the implied volatility (22.50% 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)

31.12.2016	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Balance sheet					
Overdrafts	3 178	1 642	0	822	5 642
Term loans	7 081	25	27 373	409	34 888
Mortgage loans	0	11 678	0	0	11 678
Investment securities	0	0	0	2 986	2 986
Other assets	0	0	0	0	0
Total assets	**10 259**	**13 345**	**27 373**	**4 217**	**55 194**
Deposits	41 037	126	18 019	5 014	64 196
Other	0	0	0	0	0
Other liabilities	26	0	0	27 991	28 017
Total liabilities	**41 063**	**126**	**18 019**	**33 005**	**92 213**
Guarantees given by the group	800	0	0	2 874	3 674
Guarantees received by the group	30 899	0	31 710	0	62 609
Commitments	847	0	0	0	847
Notional amount of derivatives	942	0	0	0	942

(in thousands of EUR)

31.12.2016	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Profit and loss					
Interest expenses	111	2	93	63	269
Loss on derivatives	10	0	0	0	10
Fees and commissions	0	730	0	0	730
Personnel expenses	0	0	0	3.491	3.491
Other	0	0	0	1.819	1.819
Total expenses	**121**	**732**	**93**	**5.373**	**6.319**
Interest income	173	238	639	99	1.149
Profit on derivatives	76	0	2	0	78
Fees and commissions	734	110	137	26	1.007
Purchases or sales of goods, property and other assets	0	0	0	195	195
Other	0	109	0	158	267
Total income	**983**	**457**	**778**	**478**	**2.696**

(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**

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)

	31.12.2016	31.12.2015	30.09.2014
Short-term benefits	8 008	10 583	6 612
Post-employment benefits	550	418	194
Other long-term employee benefits	714	1 151	1 386
Termination benefits	0	1 567	0
Share-based payments	33	307	155
Total	**9 305**	**14 026**	**8 347**

12 Post balance sheet events

The meeting of the board of directors on 16 March 2017 decided to propose to the annual general shareholders meeting that a gross dividend of EUR 4.50 per share be distributed, giving rise to a distribution outside the group of EUR 47 314 467 and authorized the publication of the financial statements.

Auditor's fees

(in thousands of EUR)

31.12.2016	
Auditor's fees in the exercice of his mandate	**296**
Fees for exceptional services or special missions undertaken for the company by the auditor	**24**
Other attestation projects	4
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	**585**
Emoluments for exceptional services or specific projects completed within the company by parties related to the auditor	**510**
Other attestation projects	140
Tax consultancy missions	299
Other missions outside the auditing missions	71

Statutory auditor's

Statutory auditor's report to the general meeting of Bank Degroof Petercam SA|NV as of and for the year ended December 31, 2016

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 year ended December 31, 2016, 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, 2016 and the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year 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 7 661 408 (000) and the consolidated statement of profit or loss and other comprehensive income shows a net profit for the year, attributable to the owners of the parent company, of EUR 57 877 (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) as adopted in Belgium. 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 Company'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, 2016 and of its consolidated financial performance and its consolidated cash flows for the 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 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, May 3, 2017
KPMG Réviseurs d'Entreprises l Bedrijfsrevisoren
Statutory auditor
represented by Erik Clinck,
Réviseur d'Entreprises l Bedrijfsrevisor