Degroof
Petercam

Banque Degroof Petercam Luxembourg

Annual report 2016
Consolidated accounts

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Dear Stakeholder,

We are pleased to report to you on the operations for the preceding financial year and to submit the balance sheet, notes and the corporate and consolidated profit and loss accounts for the 12-month period ending 31 December 2016 for approval.

The consolidated accounts have been drawn up in accordance with IFRS.

General comments

2016 was the first financial year for the entities merged in Luxembourg. The mergers between Banque Degroof Luxembourg and Petercam Luxembourg, on the one hand, and Degroof Gestion Institutionnelle – Luxembourg S.A. and Petercam Institutional Asset Management Luxembourg S.A., on the other hand, took place on 1 April, giving rise to Banque Degroof Petercam S.A. and Degroof Petercam Asset Services S.A., respectively. The date from which the entities are treated for accounting purposes as being merged is, with retroactive effect, 1 January 2016.

2015 was an exceptional year in that it comprised 15 months, as a result of the change in the closing date from 30 September to 31 December. The three-month difference between the two financial years must therefore be taken into account when comparing the 2016 and 2015 results.

In December 2016, the Luxembourg Division welcomed Bruno Houdmont[1] as the new CEO, replacing the acting CEO, Philippe Masset. At the same time, Frank Wagener[1] was appointed independent director of the Board of Directors of the Bank. Nathalie Basyn[2], Gilles Firmin[2], Xavier Van Campenhout[2], Frank van Bellingen[2], Christian Jacobs[2] and Benoît Daenen[1] also joined to reinforce the Bank's Board of Directors.

Negotiations regarding the sale of the Bank's minority interest in Landolt & Cie S.A. were successfully concluded in 2016. The Group is now fully positioned on the Swiss market through Degroof Petercam Banque Privée (Suisse), a wholly-owned subsidiary of the parent company.

The previous period was marked by the continued decline in interest rates. The European Central Bank's negative replacement rate rose from 30 to 40 basis points in March 2016. The year was marked by highly volatile equity markets, which experienced a sharp downward correction at the start of the year before turning around just before the end of the year.

Against this backdrop, the 2016 consolidated income was down in comparison with 2015 –which, as a reminder, had three more months– reaching € 47.7 million.

Assets deposited by private clients totalled € 5.8 billion at 31 December 2016. Substantial gross inflows during the year were largely offset by a constantly changing legal and fiscal environment.

The second pillar of Asset Services (fund administration for the Group and for third-party promoters) reaffirmed its importance and outlook during the period, growing 3.8%, i.e. € 28.8 billion.

The balance sheet remains as strong as over the past number of years with a capital adequacy ratio of 28.9% (the legal requirement is 8.6%).

The cost income ratio remains satisfactory (51.6%), making it possible to achieve a return on equity of 22.6%.

The Luxembourg Division and its subsidiaries have a total of 341 employees as at 31 December 2016, after the merger of the teams.

[1] Appointment to the Board of Directors at the start of 2017

[2] Appointment to the Board of Directors occurred in 2016

Banque Degroof Petercam Luxembourg S.A.

The results of balance sheet management were positive, while the interest margin and income from fees and commissions, primarily transaction fees, declined.

Net banking income dropped 5.4%, while net income, after amortisation and tax, totalled € 61 million, a 0.4% increase. As the comparison of the financial years is biased, as a result of changes in the duration of the financial year and consolidation scope following the merger, the Bank's statutory results are positively influenced by the capital gains realised on the sales of shares to other entities of the Group as part of the merger.

The Belgian branch, which only carries out fund administration, ended the period with a profit of € 1.5 million.

Main risks to which the Luxembourg Division is exposed

The Bank's risk exposure is discussed in note 6 to the financial statements for the period ended 31 December 2016. By the nature of its activities, the Luxembourg Division is exposed to some risks, principally:

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

Circumstances that could significantly influence the development of the group

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

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

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

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

Policy concerning the use of financial instruments

Group companies use derivatives for their own account as follows:

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

Interest rate swaps are used to hedge a portfolio of sovereign bonds and covered bonds from a micro-hedging perspective (the portfolio is recognised at fair value through profit or loss, the hedges are undertaken position by position) but also overall, from a macro-hedging perspective. This use of derivatives is supervised by the Asset and Liability Management Committee (ALMAC).

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

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

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

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

The Luxembourg Division also engages in intermediation activities on behalf of its clients.

Research and development activities

The Luxembourg Division and its subsidiaries have undertaken no research and development activities.

Treasury shares

The Luxembourg Division and its subsidiaries did not acquire treasury shares during the period.

Proposed appropriation of earnings at 31 December 2016

	(in EUR)
Net Earnings for the period	61 048 999
Earnings carried forward at 30 September 2014	103 895 398
Allocation to other reserves	6 551 000
Allocation to the reserve that is unavailable for distribution	(14 765 220)
Earnings available for distribution	**156 730 177**
Interim dividend of €35.00 gross for the 740,000 shares	(25 900 000)
Retained earnings	**130 830 177**

Degroof Petercam Asset Management S.A. (DPAS)

Ownership interest		99,95%
Balance sheet total	EUR	68 962 663
Equity	EUR	18 507 136
Net income	EUR	8 106 225
Headcount (average)		21 employees

2016 ended with net earnings of € 8.1 million. They are up by more than 50% compared with the net earnings for the 2014/2015 financial year which lasted 15 months.

With a total of € 25 billion as at 31 December, DPAS assets under management are up by 23% compared with 31 December 2015, € 3.6 billion (18%) of which is the direct result of the merger with PIAM Luxembourg.

The management company services for promoters, managers and third-party advisors business posted growth of 13%, reaching € 5,6 billion, which represented 23% of total assets.

At the same time, the Group's assets (excluding Venus) are, thanks in particular to the merger, up by 29% to € 18.9 billion, which is equivalent to 76% of total assets. Venus assets decreased by 28% to € 0.5 million.

At the end of December, DPAS had a total of 24 employees in Luxembourg. The increase of six people in relation to 2015 is largely owing to the merger with PIAM Luxembourg, but also the resources required to maintain the growth of businesses in 2016.

D.S. Lux S.A.

Ownership interest		100,00%
Balance sheet total	EUR	483 758
Equity	EUR	316 437
Net income	EUR	108 366
Headcount (average)		2 employees

Degroof Asset Management Hong Kong Ltd

91.84% owned by the Group, the remainder being held by the CEO and co-founder, Degroof Asset Management Hong Kong Ltd ended its second period with a profit that was lower than the previous financial year. There were two capital increases in March and in December 2016, of HK$ 2.8 million and HK$ 2 million, respectively, to maintain the subsidiary's businesses.

Other interests

Apart from minority interests of Promotions Partner S.A., a Bank subsidiary in real estate development projects in the Grand-Duchy of Luxembourg, the other consolidated subsidiaries have no employees and were non-operating at 31 December 2016. They do not warrant any particular comment.

Conclusion

Apart from this, there were no events after the reporting date and up to the date of this report that could impact the financial statements of the Luxembourg Division and of its subsidiaries.

In a world seeing profound change, the Luxembourg Division has shown, thanks to its committed and competent staff, its flexibility and ability to adapt to this complex environment which offers as many opportunities as it does risks.

The strong balance sheet represents a valuable platform that reflects the prudence of the teams and the confidence of the shareholders.

We would like to express our gratitude to all our colleagues, who have shown determination and enthusiasm, not only when performing the day-to-day work of the Luxembourg Division but also in all the preparatory works for the merger in Luxembourg and the corresponding and successful migration of assets as a result of this merger.

The 2017 financial year will mark a new chapter for the Group in Luxembourg, since it represents the thirtieth anniversary of the Bank's business in Luxembourg.

Indicators show the economic recovery momentum in the future is somewhat promising, even though there is still some uncertainty about international geopolitics.

In this context, the Luxembourg Division will continue to reinforce and develop its capabilities available to both private and institutional clients, and we trust that our specific business model, which is in line with the Group's strategy, will enable our clients to meet their current and future goals.

Lastly, we would like to take this opportunity to sincerely thank our clients for their trust and loyalty; our colleagues for their ongoing commitment; and our shareholders and partners and the members of the Board of Directors for helping us to meet our objectives.

Bruno Houdmont
CEO

Alain Schockert
Chairman of the Board of Directors

Report of the statutory auditor

Report on Consolidated Financial Statements

In accordance with the instructions given to us by the Board of Directors, we audited the accompanying consolidated financial statements of Banque Degroof Petercam Luxembourg S.A., comprising the consolidated balance sheet as of 31 December 2016, as well as the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements, in accordance with the International Financial Reporting Standards as adopted by the European Union, as well as an internal control that it deems necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or errors.

Responsibility of the statutory auditor

Our role is to express an opinion on these consolidated financial statements in light of our audit. We carried out our audit in accordance with the International Auditing Standards as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). These standards require that we uphold ethical principles and plan and perform the audit so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves applying procedures designed to obtain audit evidence concerning the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgement, as also does the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or errors. In making this assessment, the statutory auditor takes account of the internal controls in place in the entity in respect of the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also involves assessing the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Banque Degroof Petercam Luxembourg S.A. as of 31 December 2016, as well as of its consolidated financial performance and of its consolidated cash flows for the period ended on that date in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Directors is responsible for other information. Other information comprises the information contained in the management report, but does not include the consolidated financial statements and our statutory auditor's report on the aforementioned statements.

Our opinion on the consolidated financial statements does not include other information and we do not provide any guarantee regarding this information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report it. We have nothing to report in this regard.

Report on other legal and regulatory requirements

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

Luxembourg, the 2nd of May 2017

KPMG Luxembourg,

Certified Audit Company

S. Chambourdon

Consolidated Accounts

Financial statements

Balance Sheet

(in EUR)

Assets	Notes	31.12.2016	31.12.2015
Cash and sight accounts with central banks	8.1	592 328 301	137 234 165
Financial assets held for trading	8.2	59 314 358	77 020 695
Financial assets at fair value through profit and loss	8.3	905 669 346	615 359 374
Available-for sale financial assets	8.4	255 909 135	833 633 968
Loans and advances to credit institutions	8.5	326 853 949	647 715 022
Loans and advances to customers	8.6	372 850 506	439 816 764
Participating interests	8.8	43 396	136 224
Held-to-maturity investments	8.8	79 097 494	81 935 320
Property, plant & equipment	8.9	43 949 004	43 847 245
Intangible assets	8.10	20 515 164	7 746 411
Interests in companies accounted for using equity method	8.11	0	13 336 410
Other assets	8.12	60 017 988	60 387 252
Total assets		**2 716 548 641**	**2 958 168 850**

(in EUR)

Liabilities & equity	Notes	31.12.2016	31.12.2015
Liabilities			
Financial liabilities held for trading	8.13	63 410 053	84 635 793
Deposits from credit institutions	8.14	90 946 576	34 691 326
Customer deposits	8.15	2 240 405 820	2 499 988 858
Provisions	8.16	3 672 711	6 650 000
Current and deferred tax liabilities	8.18	25 990 501	19 551 645
Other liabilities	8.17	61 878 200	62 688 875
Total liabilities		**2 486 303 861**	**2 708 206 497**
Equity			
Capital subscribed	8.19	37 000 000	37 000 000
Share premiums	8.19	40 356 000	40 356 000
Reserves and retained earning	8.19	104 628 106	160 621 831
Revaluation reserves	8.4/8.19	484 942	1 669 428
Profit for the year	8.19	47 723 172	60 618 594
Interim dividend		0	(50 320 000)
Non controlling participating interests recognised in equity	8.19	52 560	16 500
Total equity		**230 244 780**	**249 962 353**
Total liabilities & equity		**2 716 548 641**	**2 958 168 850**

The notes refer to the appendix and are an integral part of the consolidated financial statements.

Income Statement

(in EUR)

Income Statement	Notes	31.12.2016	31.12.2015
Interest income	9.1	45 288 721	47 615 164
Interest charges	9.1	(33 898 454)	(34 733 598)
Dividend income	9.2	2 032 565	3 408 051
Commissions received	9.3	254 194 525	303 416 486
Commissions paid	9.3	(166 925 592)	(200 057 216)
Net gains (losses) on financial instruments held for trading	9.4	10 352 180	15 904 662
Net gains (losses) on financial instruments at fair value	9.5	617 884	(2 430 653)
Net gains (losses) on financial instruments not measured at fair value	9.6	5 651 191	5 753 305
Other net operating result	9.7	6 645 876	3 210 210
Net revenues		**123 958 896**	**142 086 411**
Personnel expenses	9.8	(37 322 241)	(42 679 923)
General and administrative expenses	9.9	(23 327 590)	(17 595 706)
Depreciation of property, plant and equipment and amortisation of intangible assets	9.10	(6 094 654)	(5 385 259)
Provisions	9.11	2 550 000	-4 598 679
Net impairment losses on assets	9.12	(2 593 897)	-2 968 771
Share of profit/(loss) of companies accounted for using the equity method		(16 369)	153 611
Profit (loss) before tax		**57 154 145**	**69 011 684**
Tax expense	9.13	(9 441 509)	(8 438 185)
Profit/(loss) for the financial year		**47 712 636**	**60 573 499**
Profit for the year attributable to non-controlling interests		(10 536)	(45 095)
Profit/(loss) for the year attributable to owners of the parent		**47 723 172**	**60 618 594**

Statement of Comprehensive Income

(in EUR)

Other Comprehensive Income	Notes	31.12.2016	31.12.2015
Profit/(loss) for the year attributable to owners of the parent		**47 712 636**	**60 573 499**
Remeasurement of fair-value - Available-for-sale financial assets	9.14	(1 184 486)	(8 298 124)
Total Other Comprehensive Income[1]		**(1 184 486)**	**(8 298 124)**
Total Comprehensive Income		**46 528 150**	**52 275 375**
Comprehensive income for the year attributable to non-controlling interests		(10 536)	(45 095)
Comprehensive income for the year attributable to owners of the parent		**46 538 686**	**52 320 470**

[1] Gains and losses recognized directly in equity, net of tax.

The notes refer to the appendix and are an integral part of the consolidated financial statements.

Changes in Equity

(in EUR)

Changes in equity	Share capital	Share premiums	Reserves and retained earnings	Revaluation reserves	Profit/(loss) for the financial year	Interim dividend	Equity attributable to owners of the parent	Non-controlling participating interests recognised in equity	Total Equity
Balance at 30.09.2014	**37 000 000**	**40 356 000**	**152 247 190**	**9 967 552**	**53 018 844**	**(45 880 000)**	**246 709 586**	**35 077**	**246 744 663**
Appropriation of prior year's profit/(loss)	0	0	7 138 844	0	(53 018 844)	45 880 000	**0**	0	**0**
Profit/(loss) for the financial year	0	0	0	0	60 618 594	0	**60 618 594**	(45 095)	**60 573 499**
Transactions with minority shareholders	0	0	0	0	0		**0**	26 518	**26 518**
Changes in consolidation scope	0	0	959 446	0	0		**959 446**	0	**959 446**
Translation differences	0	0	(315 659)	0	0		**(315 659)**	0	**(315 659)**
Remeasurement at fair value	0	0	0	(8 298 124)	0	0	**(8 298 124)**	0	**(8 298 124)**
Interim dividend	0	0	0	0	0	(50 320 000)	**(50 320 000)**	0	**(50 320 000)**
Other Changes[1]	0	0	592 010	0	0	0	**592 010**	0	**592 010**
Balance at 31.12.2015	**37 000 000**	**40 356 000**	**160 621 831**	**1 669 428**	**60 618 594**	**(50 320 000)**	**249 945 853**	**16 500**	**249 962 353**
Appropriation of prior year's profit/(loss)	0	0	10 298 594	0	(60 618 594)	50 320 000	**0**	(10 536)	**(10 536)**
Profit/(loss) for the financial year	0	0	0	0	47 723 172	0	**47 723 172**	0	**47 723 172**
Transactions with minority shareholders	0	0	0	0	0	0	**0**	46 596	**46 596**
Changes in consolidation scope[2]	0	0	(66 225 548)	0	0	0	**(66 225 548)**	0	**(66 225 548)**
Translation differences	0	0	(34 305)	0	0	0	**(34 305)**	0	**(34 305)**
Remeasurement at fair value	0	0	0	(1 184 486)	0	0	**(1 184 486)**	0	**(1 184 486)**
Interim dividend	0	0	0	0	0		**0**	0	**0**
Other Changes[1]	0	0	(32 466)	0	0	0	**(32 466)**	0	**(32 466)**
Balance at 31.12.2016	**37 000 000**	**40 356 000**	**104 628 106**	**484 942**	**47 723 172**	**0**	**230 192 220**	**52 560**	**230 244 780**

[1]Changes due to Group profit sharing schemes (see note 11.2).

[2]Changes are mainly related to the goodwill following Petercam's integration and to other changes in consolidation scope (see note 8.19).

The notes refer to the appendix and are an integral part of the consolidated financial statements.

Cash-flow statement

(in EUR)

Cash-flow statement	Notes	31.12.2016	31.12.2015
Pre-tax profit		**57 154 145**	**69 011 684**
Non-monetary items included in profit and other adjustments:		**13 506 275**	**12 895 965**
Share-based payments		(523 790)	592 010
Amortisation of property, plant & equipment and intangible assets		15 207 282	5 385 259
Result deriving from associates		(16 370)	(153 611)
Depreciation of assets		2 593 897	2 968 771
Gains/losses on property, plant & equipment and intangible assets		(21 720)	4 167
Provisions and other liabilities		(3 733 024)	4 099 369
Change in assets and liabilities deriving from operating activities:		**(313 638 045)**	**288 646 594**
Financial assets held for trading or measured at fair value through profit and loss		(273 733 297)	116 900 581
Loans and advances		(390 837 892)	116 871 321
Available-for-sale financial assets and held-to-maturity investments		577 038 191	(197 775 837)
Other assets		369 264	(6 882 507)
Liabilities held for trading		(18 860 922)	(93 443 759)
Owed to credit institutions		50 965 255	7 666 937
Customer deposits		(258 540 074)	333 310 034
Provisions and other liabilities		(38 570)	11 999 824
Interest received		52 440 191	50 615 848
Dividends received		2 032 565	3 408 051
Interest paid		(38 765 952)	(33 975 204)
Taxes paid on income		**(2 150 184)**	**(22 373 213)**
Net cash from/used in operating activities (A)		**-229 421 005**	**368 229 725**
Disposal of subsidiaries and associates	8.11	12 411 431	(426 636)
Other cash flows from investing activities		(65 734 224)	0
Acquisition of fixed assets	8.9/8.10	(29 089 637)	(5 003 142)
Disposal of fixed assets		21 720	30 058
Net cash from/used in investing activities (B)		**(82 390 710)**	**(5 399 720)**
Interim dividends paid		0	(50 320 000)
Net cash from/used in financial activities (C)		**0**	**(50 320 000)**
Effects of movements in exchange rates on cash and cash equivalents		11 398 975	6 182 744
Net increase/decrease in cash and cash equivalents (A + B + C)		(311 811 715)	312 510 005
Cash and cash equivalents at beginning of period		566 566 241	247 873 492
Cash and cash equivalents at end of period		**266 153 501**	**566 566 241**
Composition of cash and cash equivalents			
Cash and balances with central banks	8.1	844 246	137 234 165
Current accounts with credit institutions	8.5	224 775 815	85 910 678
Term loans to credit institutions	8.5	64 941 212	362 539 414
Overdraft from credit institutions	8.14	(15 416 454)	(13 445 079)
Term deposits from credit institutions	8.14	(8 991 318)	(5 672 937)

A change in the representation has occurred in comparison to 2015 annual report to include interest/dividends received and interest paid in part (A): Net cash from/used in operating activities.

The notes refer to the appendix and are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 General

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

On 1 April 2016, BANQUE DEGROOF LUXEMBOURG S.A. and PETERCAM (LUXEMBOURG) S.A. merged with retroactive effect from 1 January 2016; the new company is called BANQUE DEGROOF PETERCAM LUXEMBOURG S.A. The merger was legally effected through the absorption of all assets and liabilities of Petercam (Luxembourg) S.A. (the absorbed company) by Banque Degroof Luxembourg S.A. (the absorbing company). The Luxembourg Division chose the carrying value method for this transaction, which, in accordance with IFRS, is a business combination under common control. The difference between the amount paid by Banque Degroof Luxembourg S.A. of € 136 522 000 and the carrying value of the net assets of Petercam represented the goodwill recorded in reserves of € 73 188 213. The Bank also recognised an additional amount of € 17 280 050 in the estimate of the purchasing price parity following this merger for three new businesses.

As part of the merger, Petercam (Luxembourg) S.A. sold the shares of its subsidiary Petercam Banque Privée (Suisse) S.A. to Banque Degroof Petercam S.A. on 16 February 2016 and sold the shares of its subsidiary Petercam Institutional Asset Management (Luxembourg) S.A. to Degroof Petercam Asset Services S.A. on 18 February 2016.

The Bank’s object is to carry out all banking and savings activities, in particular deposit-taking and lending of any kind, as well as all transactions of any kind involving transferable securities, wealth management, fiduciary and financial services and in short any and all commercial and financial transactions whether involving movable or immovable assets that facilitate the achievement of the above-mentioned corporate object.

The Bank and its subsidiaries (hereinafter “the Luxembourg Division”) are also included in the consolidation of Banque Degroof Petercam S.A., with its registered office at 44 Rue de l'Industrie, 1040 Brussels. On 1 October 2015, Banque Degroof S.A. and Petercam S.A. merged; the new entity bears the name Banque Degroof Petercam S.A.

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

The financial statements of the Luxembourg Division are available at: www.degroofpetercam.lu. The financial statements of Banque Degroof Petercam S.A. are available at: www.degroofpetercam.com.

Since 9 December 2005 the Luxembourg Division has had a branch in Belgium, at 19 Rue Guimard, 1040 Brussels.

The financial statements were approved by the Board of Directors on 10 April 2017.

With a view to harmonising the accounting closing dates at Group level, the Extraordinary General Meeting of Shareholders of 28 September 2015 resolved to change the financial year, which ran from 1 October to 30 September, such that it now runs from 1 January to 31 December of each year. The 2015 financial year, which provides the figures for the previous financial year, started on 1 October 2014 and ended on 31 December 2015, i.e. a financial year with a total duration of 15 months.

All the amounts relating to the income statement for the financial year ended 31 December 2015 covered in these financial statements therefore refer to a financial year of 15 months as against a financial year of 12 months for 2016.

2 Regulatory context

The Luxembourg Division's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the interpretations of these standards effective as at 31 December 2016 and approved within the European Union.

In the case of accounting principles not specifically mentioned hereinafter, please refer to the IFRS as approved within the European Union.

The accounting principles used in the preparation of these consolidated financial statements for the financial year ended 31 December 2016 are consistent with those applied to the financial year ended 31 December 2015.

3 Changes in accounting policies and methods

The following IFRS (new, revised or amended) and IFRIC interpretations apply for the first time to the financial year ended 31 December 2016:

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarification of acceptable methods of amortisation
- Amendments to IFRS 11 "Joint Arrangements": Accounting for acquisitions of interests in joint operations
- Amendments to IAS 27 "Separate Financial Statements": Use of the equity method in separate financial statements
- Amendments to IAS 1 "Presentation of Financial Statements": Disclosure initiative
- Annual Improvements (2012-2014) to IFRS
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in other Entities" and IAS 28 "Investments in Associates and Joint Ventures": Investment entities: applying the consolidation exception
- IFRS 14 "Regulatory Deferral Accounts"

The application of these new provisions had no material impact on the results or the equity of Banque Degroof Luxembourg S.A.

Of the standards, amendments to standards and interpretations published by the IASB (International Accounting Standards Board) and adopted by the European Union as at 31 December 2016, those mentioned below will come into force in subsequent financial years:

- IFRS 9 "Financial Instruments" and subsequent amendments, applicable to financial reporting periods commencing on or after 1 January 2018
- IFRS 15 "Revenue from Contracts with Customers", applicable to financial reporting periods commencing on or after 1 January 2018

The following standards and amendments to standards have not yet been adopted by the European Union as at 31 December 2016, but the Bank will apply them when they come into force

- IFRS 16 "Leases"
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or contribution of assets between an associate and joint venture
- Amendments to IAS 12 "Income taxes": Recognition of deferred tax assets for unrealised losses
- Amendment to IAS 7 "Statement of Cash Flows": Disclosure initiative
- Classification to IFRS 15 "Revenue from contracts with customers"
- Amendment to IFRS 2 "Share-based payment": Classification and valuation of transactions with share-based payment

- Amendment to IFRS 4 "Insurance Contracts": Apply IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements (2014-2016) to IFRS
- Amendments to IAS 40 "Investment Property": Transfers of investment property
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

Published in July 2014, IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements related to the classification and valuation of financial instruments, including a new model for calculating the impairments on financial assets (expected loss model), and new provisions relating to general hedge accounting. It also includes provisions relating to the recognition and measurement of financial instruments of IAS 39.

Banque Degroof Petercam S.A. organised a project for the implementation of this standard at the Group level by collaborating jointly with the Finance and Risk departments. The structure of the project has two main parts.

The first relates to the implementation and analysis of the impact of changes resulting from new criteria for classifying and measuring financial instruments. At this stage, Banque Degroof Petercam S.A. has performed a study of the overall impact, which may still change, on the basis of ongoing analyses and tests. However, the Bank does not expect these changes to have a material impact on the balance sheet, results or equity.

The second part relates to financial assets subject to impairment and the changes introduced by the revision of the impairment model, now based on "expected" loss rather than loss "incurred" as provided for in IAS 39. This new model aims to record impairments more quickly and requires substantial information including historic and current data, and the outlook for macroeconomic factors. At this stage, Banque Degroof Petercam S.A. is focusing on the definition of the structuring choices and collecting information currently available. As regards the quantified impact, it is too early to provide a range that would be representative of the effect of the implementation of the new requirements. However, given the enlargement of the scope of application of impairments, the Bank expects an increase in provisions for impairments. In addition, as the Bank is not currently using the provisions of IAS 39 on hedge accounting, the change to IFRS 9 is considered to re-evaluate the use of hedge accounting.

IFRS 15 will replace IAS 11 "Construction contracts" and IAS 18 "Revenue from operating activities" and the corresponding interpretations. This new standard applies to all contracts concluded with clients (except those which fall under the scope of the standards relating to financial instruments, insurance contracts and leases) and introduces a new model for determining when to record income from ordinary business, of any amount. Although the new principles of IFRS 15 may lead to a change in the terms for recognising certain income, the Bank does not expect these provisions to have a material impact on results, given the Group's main activities. An analysis of the possible impact is being performed.

IFRS 16 is intended to replace IAS 17 "Leases". The most important change introduced by IFRS 16 is that most leases will be recorded in the lessors' balance sheet. For takers, the new standard abandons the classification of leases into operating leases or finance leases, by treating all of them (with two exceptions) as finance leases. Many aspects will remain the same for the lessor's accounts. An analysis of the impact of this standard will be performed in 2017.

The Group does not expect the other texts listed above to have a material impact when they will be applied.

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

Preparing consolidated financial statements in accordance with IFRS entails making judgments and estimates. Although the Management of the Luxembourg Division believes that it has taken into account all the available information in arriving at these opinions and estimates, the reality may be different, and these differences may have an impact on the consolidated financial statements.

These estimates and judgments relate mainly to the following subjects:

- determining the fair value of unlisted financial instruments
- determining the useful life and the residual value of intangible and tangible assets
- estimating the recoverable amount of impaired assets
- assessing the current obligation resulting from past events in the context of the recognition of provisions
- estimating the value of goodwill

5 Summary of accounting policies and methods

5.1 Principles of consolidation

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. Subsidiaries are any companies controlled by the Bank, i.e. entities over which the Luxembourg Division has the direct or indirect power to dictate financial and operational policies in order to derive benefits from these activities.

Subsidiaries are consolidated using the full integration method, with effect from the date on which effective control was transferred to the Bank, and are removed from the scope of consolidation on the date such control ends. The Bank's and the subsidiaries' financial statements are drawn up as at the same date, using similar accounting methods and using restatements where necessary. Intra-group balances, transactions, income and charges are eliminated.

Participating interests that are not controlling interests and are recognised in equity are shown separately in the consolidated income statement and in the consolidated balance sheet.

As an exception to these rules, companies with a negligible interest are excluded from the scope of consolidation, in accordance with the following criteria implemented by the Group:

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

JOINT VENTURES

Joint ventures are any undertakings over which the Bank has direct or indirect joint control, i.e., no financial or operational strategic decision can be taken without the unanimous agreement of the parties that share control of the undertaking.

At present the Bank does not have any joint ventures, but should it do so, they will be accounted for using the equity method with effect from the date they come under joint ownership until such time as they are no longer jointly owned.

ASSOCIATES

Associates are any undertakings over which the Bank exercises a significant influence, i.e. it has the power to participate in decisions on financial and operating policy although it does not have control or joint control over these policies.

If these undertakings exceed the materiality threshold, they are accounted for using the equity method with effect from the date on which the Bank first exercises significant influence over them and until such time as it ceases to have such significant influence.

The materiality threshold is based on an analysis of various criteria, including the share in consolidated equity, the share in consolidated income and the share of the consolidated balance sheet total.

The associate’s financial statements are drawn up as at the same date, using similar accounting methods and using restatements where necessary.

5.2 Translation of financial statements and transactions in foreign currencies

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

On consolidation, the balance sheets of entities whose functional currency is different from that of the Luxembourg Division are converted at the exchange rate on the closing date of the financial year. However, these entities’ income statements and cash flow statements are converted at the average exchange rate for the reporting period. Exchange differences resulting from these conversions are recognised in equity.

5.2.1 Translation of transactions in foreign currencies

Transactions in foreign currencies are recognised at the exchange rate in force on the date of the transaction.

Monetary assets and liabilities are converted at the exchange rate in force on the closing date of the financial year, generating an exchange difference which is recognised in profit and loss.

Non-monetary items measured at fair value are converted at the exchange rate on the closing date of the financial year. The exchange difference resulting from this conversion is recognised in equity or in profit and loss, depending on the accounting treatment of the item in question.

Other non-monetary items are measured at the historical exchange rate, i.e. the exchange rate in force on the date of the transaction.

5.3 Financial instruments

5.3.1 Date of recognition of financial instruments

All derivatives, and all purchases or sales of securities under a contract whose terms and conditions require delivery of the security within a time frame generally dictated by the regulations or by an agreement on the transaction concerned, are recognised on the transaction date. Receivables and deposits are recognised on settlement date.

5.3.2 Offsetting

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

5.3.3 Financial assets and liabilities held-for-trading

Financial assets and liabilities held for trading are financial assets and liabilities acquired or assumed mainly with a view to a short-term sale or purchase, or as part of a portfolio of financial instruments that are managed together and whose profile is that of recent short-term profit taking.

These assets and liabilities are initially recognised at their fair value (excluding trading costs recognised directly in profit and loss) and are subsequently remeasured at their fair value. Changes in fair value are recognised in profit and loss under “Net result on financial instruments held for trading”. Interest earned or paid on non-derivative instruments is recognised under “Interest income and charges”. Dividends received are included in “Dividend income”.

All financial instruments having a positive (negative) replacement value are treated as held-for-trading financial assets (liabilities), with the exception of derivatives classed as hedging instruments. Derivatives held for trading are recognised at their fair value at the beginning of the transaction and are subsequently measured at their fair value. Changes in fair value are recognised under “Net result on financial instruments held for trading” and interest earned or paid on derivatives is recognised under “Interest income and charge”.

5.3.4 Financial assets and liabilities at fair value through profit and loss

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

- this designation eliminates or significantly reduces a valuation or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would occur if it was not used, 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 a duly documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that is not closely related

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

The same headings as those defined for financial assets and liabilities held for trading are used for recognising interest and dividends. However, changes in fair value are recognised under “Net result on financial instruments at fair value through profit and loss”.

5.3.5 Loans and advances

Loans and advances are non-derivative financial assets, with fixed or determinable payments, that are not listed on an active market. Loans and advances are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment. The effective interest rate is the rate that discounts the future cash outflows or inflows over the expected life of the financial instrument or over a shorter period, where appropriate, so as to obtain the net carrying amount of the financial asset or liability.

Amortised cost calculated using the effective interest rate takes into account premiums and discounts and transaction fees and costs, which form an integral part of the effective interest rate. Amortisation using the effective interest rate method is recognised in profit and loss under “Interest income”. Impairment amounts are recognised in profit and loss under “Net impairment of assets”.

Loans and advances mainly comprise interbank and customer loans and advances.

5.3.6 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Luxembourg Division intends and is able to hold until maturity. Held-to-maturity financial assets are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

Amortisation using the effective interest rate method is recognised in profit and loss under “Interest income”. Impairment amounts are recognised in profit and loss under “Net impairment of assets”.

5.3.7 Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as being available for sale or do not fall into one of the aforementioned categories. These assets are initially recognized at their fair value and subsequently remeasured at their fair value. Any fluctuations in fair value are recognized under a specific heading in equity. If these assets are sold or impaired, the cumulative results of remeasurement previously recognised in equity are recognised in profit and loss under “Net result of financial assets not measured at fair value through profit and loss” or in the case of impairment under the heading ‘Net impairment of assets’.

Income from interest-bearing instruments recognised using the effective interest rate method is included under “Interest income”. Dividends received are included in “Dividend income”.

Available-for-sale assets mainly comprise fixed or variable income securities not classed as financial assets held for trading at fair value through profit and loss.

5.3.8 Participating interests

Participating interests not classified as “Available-for-sale Financial Assets” are valued at acquisition cost.

5.3.9 Other financial liabilities

Other financial liabilities comprise all other financial debts, subordinated or otherwise (with the exception of derivatives), not classified as held for trading or as measured at fair value through profit and loss.

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

5.3.10 Fair value of financial instruments

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the main market or the most advantageous market on the valuation date. Fair value is determined on the basis of prices quoted on an active market (quotations given by a Stock Market, a broker or any other source recognised by investors). If there is no market, or no market prices are available, valuation techniques are used in order to estimate the fair value based on the prevailing market conditions on the valuation date. These techniques make use of as many market data as possible, current calculation methods and a whole range of other factors such as time value, credit risk and liquidity risk.

The fair value estimated using these techniques is therefore affected by the data used. The valuation techniques used include in particular discounted cash flow methods, comparing the market values of similar instruments, option valuation models and other appropriate valuation models.

When first recognised, the fair value of a financial instrument is the price of the transaction (i.e. the value of the sum paid or received for it), unless another fair value can be proved by a price on an active market for the same instrument or using a valuation technique based solely on observable market data.

To determine the fair value of financial instruments, the Luxembourg Division mainly uses the following valuation methods:

ACTIVE MARKET

Financial instruments are valued at fair value by reference to prices listed on an active market, when these are readily available, taking account of criteria such as the volume of transactions or recent transactions. Securities and derivatives listed on organised markets (futures and options) are valued in this manner.

Over-the-counter derivatives such as interest rate swaps, options and foreign exchange contracts are valued using widely recognised models (discounted cash flows, Black Scholes model, etc.), which use observable market data.

For valuations that use mid-market prices as the basis for determining fair value, a price adjustment is applied, for each risk position, to net open positions using the buying or selling price as the case may be.

NO ACTIVE MARKET

Most derivatives are traded on active markets. If the price of a transaction on an inactive market does not correspond to the fair value of other observable transactions on this market for the same instrument or to the valuation with an internal model based on observable market data, this difference is recognised directly in profit and loss.

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

NO ACTIVE MARKET – EQUITY INSTRUMENTS (UNLISTED SHARES)

In the absence of any price for a transaction recently carried out in normal market conditions, the fair value of the unlisted shares is estimated using recognised valuation techniques such as discounted cash flow, 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.

5.3.11 Embedded derivatives

An embedded derivative is defined as a component of a composite (hybrid) instrument that includes both a derivative financial instrument and a non-derivative host contract. An embedded derivative must be separated from the host contract and accounted for as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract
- a separate instrument with the same terms and conditions 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 and loss in the same way as a standalone derivative. The host contract is accounted for and valued according to the principles governing the category to which it belongs.

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

5.3.12 Derecognition of financial instruments

A financial asset is derecognised when:

- the contractual rights to the cash flows attached to the financial asset expire; or
- the Luxembourg Division has transferred substantially all the risks and rewards attaching to the ownership of this financial asset. If the Bank neither transfers nor retains substantially all the risks and rewards attached to the ownership of the financial asset, this is derecognised if control of the financial asset is not kept. Otherwise, the Bank keeps the financial asset on the balance sheet to the extent of its continuing involvement in this asset.

A financial liability is derecognised if the liability has expired, i.e. if the obligation described in the contract is cancelled or expires.

5.4 Lease agreements

A finance lease is a lease that transfers substantially all of the risks and rewards attached to the ownership of the asset. An operating lease is any lease agreement other than a finance lease.

AS LESSEE

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

For finance leases, the leased asset is capitalised and recognised at the lower of its fair value and the net present value of the minimum contractual lease payments. The asset is subsequently depreciated using the same depreciation rules as those applied to assets of a similar nature over the shorter of the duration of the contract and the asset's estimated useful life. The related financial debt is recognised in liabilities as borrowing.

The financial expense is recognised through profit and loss over the period covered by the lease contract so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period.

AS LESSOR

Assets leased out under an operating lease are accounted for in the balance sheet as fixed assets and depreciated using the same depreciation rules as those applied to assets of a similar nature. Lease revenues are recognised as income on a straight-line basis over the life of the lease.

For finance leases, the net present value of the minimum payments, plus the residual value of the asset if any, is recognised as a receivable and not as a fixed asset. The financial income from the finance lease is spread over the life of the lease based on a chart reflecting a constant rate of return on the net outstanding investment in the lease.

5.5 Property, plant & equipment

Property, plant and equipment is recognised at acquisition cost (including directly attributable expenses), less accumulated depreciation and any impairment losses. The Bank 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 over the useful lives of the assets concerned.

The useful lives applied are:

Nature of the fixed asset or component	Useful life
Land	Indefinite
Buildings, structures	40 years
Technical installations	10 years
General installations	20 years
Finishings	5 to 10 years
IT/telecoms 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 year-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 amount) is performed. An impairment loss is recognised when the carrying amount of the asset is higher than its estimated recoverable amount.

The useful lives and residual amounts of property and equipment are reviewed at each financial year-end.

5.6 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical substance. Such an asset is recognised initially at cost if it is considered 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 applications acquired or developed internally as well as goodwill acquired in the context of business combinations.

Purchased software is amortised on a straight-line basis over a four-year period from the time it becomes usable. Software maintenance costs are charged to profit and loss as incurred. However, expenditure that improves the quality of the software or helps extend its useful life is added to the initial acquisition cost. The cost of developing software written in-house are amortised on a straight-line basis over the period during which the Luxembourg Division expects to benefit from the asset. Research costs are expensed directly as incurred.

Intangible assets are amortised on a straight-line basis over the period during which the group expects to benefit from the asset. This useful life does not exceed 20 years.

At each financial year-end, where an indication of any kind exists that an intangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognised when the carrying amount of the asset is higher than its estimated recoverable amount. The recoverable amount of the intangible asset is estimated on the basis of changes in assets under management.

Intangible assets are recognised at acquisition cost less accrued depreciation and any impairment losses. The useful lives and residual amounts of intangible fixed assets are reviewed at each financial year-end.

5.7 Other assets

Other assets basically consist of income receivable (other than interest), prepaid expenses and sundry debtors. Also included in this item are amounts receivable from employees.

5.8 Impairment of assets

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

At each balance sheet date, the Luxembourg Division assesses whether there is any indication (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 recognised in profit and loss. Even if there is no objective indication of impairment, such an examination is carried out, at least every year on the same date, in respect of intangible assets with indefinite useful lives.

FINANCIAL ASSETS

Impairment is recognised on financial assets or groups of financial assets whenever there is objective evidence of measurable impairment resulting from one or more events occurring since the initial recognition of the asset or group of assets and whenever such loss-generating event(s) affect(s) 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 experienced by the issuer
- breach of contract such as a default or delayed payment of interest or principal
- facilities accorded to the borrower for legal or economic reasons linked to its financial difficulties
- high 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 unfavourable change in the repayment behaviour of borrowers in the group or an unfavourable change in a sector of activity that affects the borrowers in the Group
- major or prolonged decline in the fair value of an equity instrument below its cost

The analysis of the possible existence of impairment is first undertaken on an individual basis and then on a collective basis. Collective assessment for calculating impairment is carried out for the Bank's lending activities by grouping counterparties not individually impaired in similar portfolios and based on the historical data for each portfolio. The method used by the Bank is based on an approach combining probabilities of default and loss given default. This method and the assumptions used are regularly reviewed in order to reduce any differences between estimated losses and actual historical losses.

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

Once an impairment loss has been recognised on an asset, subsequent interest income is recognised based on the interest rate used for discounting the future cash flows to NPV.

The recoverable amount of available-for-sale financial assets is generally based on the quoted market prices or, if these are not available, on projected cash flows, discounted to NPV at the current market interest rate for a similar asset. Whenever there is an objective indication of impairment, the accumulated loss recognised directly in equity is removed from equity and recognised through profit and loss under “Net impairment losses on assets”.

If the fair value of a fixed income security on which an impairment loss has been recognised later appreciates as the result of an event subsequent to the impairment, the impairment loss is reversed through profit and loss (“Net impairment losses on assets”). However, any subsequent recovery in the fair value of an equity instrument is recognised directly in equity.

OTHER ASSETS

The recoverable amount of a non-financial asset is the greater of its fair value less selling costs and its value in use. Fair value less selling costs corresponds to the amount that can be realised 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.

If it is not possible to estimate the recoverable amount 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 through profit and loss under “Net impairment losses on assets”. If an asset is revalued, the impairment loss is treated as a reduction of the revaluation. The impairment of a CGU is allocated so as to reduce the carrying amount of the assets of this unit in proportion to the carrying amount of each of the CGU’s assets.

An impairment loss recognised during a previous financial year is reversed if there has been a favourable change in the estimates used for determining the recoverable amount of the asset since an impairment loss was last recognised. In such cases, the carrying amount of the asset must be increased to its recoverable amount, but without exceeding the carrying amount that would have applied had no such prior reduction been made to its value, i.e. after applying the normal depreciation or amortisation rules.

5.9 Provisions

A provision is recognised when:

- the Luxembourg Division has a present legal or constructive obligation resulting from a past event
- it is probable that an outflow of resources will be necessary to settle the obligation
- the amount of the obligation can be reliably estimated

If the effect of the time value of money is material, the provision is recognised at its net present value.

5.10 Taxation

CURRENT TAXATION

Current tax assets and liabilities correspond to the amounts actually payable or recoverable, determined on the basis of the prevailing tax regulations at the financial year-end, as well as to tax adjustments made in previous financial years.

DEFERRED TAXATION

Deferred tax is recognised whenever a temporary difference exists between the tax value of assets and liabilities and their carrying amount. Deferred tax is recognised using the liability method, which consists of calculating, at each reporting date, 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 recognised for all taxable temporary differences, with the exception of those:

- 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 ventures 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 notreverse in the foreseeable future

Deferred tax assets are recognised 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 utilised, 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 investments in subsidiaries, associates and joint ventures to the extent that this difference will not reverse in the foreseeable future

Current taxes payable and deferred taxes are recognised through profit and loss as tax charges or income, except where they are linked to items recognised in equity (fair value revaluation of available-for-sale assets), in which case they are initially recognised in equity and subsequently recognised in profit and loss at the same time as the realised capital gains or losses.

5.11 Employee benefits

In compliance with national regulations and practices in the sector, the pension scheme in place in the Luxembourg Division is a defined contribution group insurance scheme. There are a few rare exceptions in the form of defined benefits schemes in Luxembourg, resulting from the transitional arrangements accepted by the Social Security General Inspectorate when the plan was brought into conformity with the 1998 legislation.

For both the defined contributions system and the remaining cases of defined benefits, the Luxembourg Division pays the insurer the amounts calculated in accordance with the regulations at the beginning of each financial year. These premiums are recognised as expense in the financial year in question.

The results relating to the profit sharing incentive plans put in place in the Luxembourg Division are recognised in profit and loss with equity as the counter-entry.

5.12 Other liabilities

Other liabilities include in particular dividends payable, charges payable (excluding interest), deferred income and other debts.

5.13 Interest income and charges

Interest income and charges are recognised through profit and loss on all interest-bearing instruments using the effective interest method. The effective interest rate is the rate that discounts the future cash flows over the life of the financial instrument, or such shorter period as may be appropriate, so as to obtain an NPV equal to the net carrying amount of the instrument. The calculation of this rate includes all related fees and commissions paid or received, transaction costs and premiums or discounts. Transaction costs are incremental costs directly linked to the acquisition, issue or sale of a financial instrument.

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

Interest charges and income in respect of derivatives held for trading are recognised under this same heading.

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

5.14 Dividends

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

5.15 Fees and commissions

The Luxembourg Division recognises fees and commissions received in respect of the various services rendered to its clients as income. The method of accounting for these fees and commissions depends on the nature of the services.

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

Fees linked to the performance of important acts, such as fees for intermediation services, placement, performance fees and brokerage commissions, are deferred and recognised at the time the act is performed.

5.16 Gains and losses on revaluation or disposal of financial instruments

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

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

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

6 Risk management

6.1 Organisation of risk management

The risk management strategy is determined by the Board of Directors and reflects the strategy defined for the whole Group by the Board of Directors of the parent company, Banque Degroof Petercam S.A.

The Banque Degroof Petercam Luxembourg S.A. Management Committee is responsible for its application throughout the Group. Within this framework it regularly assesses the level of risks taken and reviews all position limits on an annual basis. The Management Committee of the Bank is responsible to the parent company and the Board of Directors for applying this strategy by implementing a risk management policy at local level and at the level of its subsidiaries.

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

- the Asset and Liability Management Committee (ALMAC), which is responsible for managing the Group's balance sheet and off-balance sheet assets and liabilities, in order to generate a stable and adequate financial margin within acceptable risk limits. This committee also manages the consolidated liquidity risk

- the “Limits” Committee, which is responsible at Group level for granting new limits for all types of products to banking and broking counterparties. It also reviews existing limits on a regular basis

Day-to-day risk management and control of compliance with limits is also carried out by the Bank Risk Management department. The department monitors liquidity, market and counterparty risks, wealth management risks and operational risks.

At the Bank’s request, the CSSF (Commission de Surveillance du Secteur Financier, the Luxembourg financial supervisor) had approved the total exemption of the risks on the Banque Degroof Petercam S.A. Group from the calculation of major risk limits, in accordance with part XVI, point 24 of Circular 06/273 as amended.

Under the new prudential requirements set out in Regulation (EU) 575/2013, this exemption remains valid by virtue of Article 493, paragraph 3 point c of said Regulation and CSSF Regulation 14-01 Article 20.

6.2 Liquidity risk

Liquidity risk is the risk of the Group’s being unable to meet its financial commitments at due date at a reasonable cost.

This risk is managed at the consolidated level by the ALMAC, on a monthly basis, while the Bank has delegated day-to-day management to the dealing room treasury department, under the supervision of the Risk Management department.

The Luxembourg Division applies a prudent strategy to cash management. The Luxembourg Division mainly places its cash with the Banque Centrale du Luxembourg and in a portfolio of highly liquid bonds that can be realised at any time through sale or repurchase agreements. In the case of non-sovereign bonds, the Luxembourg Division applies rigorous selection criteria in terms of rating and liquidity, and imposes diversification among issuers in order to reduce concentration risk as much as possible. In this way it can ensure the liquidity of these portfolios, either via sales or via bi- or tripartite repo programs.

The Luxembourg Division requires monetary reserves to be kept with the Banque Centrale du Luxembourg and/or in an amount of unencumbered extremely liquid bonds (‘extremely high quality assets’ within the meaning of Basel III) in order to have sufficient day-to-day liquidity to meet any withdrawals. The minimum amount for the 2014/15 financial year was set at €225 million.

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

The Luxembourg Division has put in place a liquidity management policy linked to the crisis scenarios referred to above. This provides, in the event of a generalised liquidity crisis, for the possibility of raising cash immediately through repo transactions on all bonds in the Bank’s portfolio. In the event of a liquidity crisis specific to the Bank, the policy provides for the immediate liquidation of the bond portfolio and of the portfolio of protected equities within five days.

The Liquidity Coverage Ratio (LCR) introduced under the Basel III agreements by the CRR/CRD IV package stood at 213% as of 31 December 2016 (2015: 195%) and demonstrates the Bank’s good liquidity level.

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

It is important to note that the Bank has no covered bond program. Its encumbered assets are mainly linked to its activities in the repo market or to collateral exchanged to cover exposures to derivative instruments. In this context, the collateral pledged results partly from the collateral received by other counterparties with which the Bank is active in the derivatives market.

As of 31 December 2016, Luxembourg Division's encumbered assets concerned only amounts given as collateral in the context of derivative transactions. The following charts breaks down the assets according to whether or not they are encumbered:

(median value in EUR)

31.12.2016	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the Bank	**562 928 707**	**N/A**	**2 075 185 054**	**N/A**
Equity instruments	0	0	37 033 013	37 033 013
Debt instruments	454 926 608	455 560 148	1 121 748 678	1 122 871 209
Other assets	0	0	206 599 470	0
31.12.2015	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets of the Bank	**709 961 938**	**N/A**	**2 130 315 170**	**N/A**
Equity instruments	0	0	42 120 716	42 120 716
Debt instruments	602 860 431	603 747 183	773 052 926	769 512 931
Other assets	0	0	220 008 961	0

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

(median value in EUR)

	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	Fair value of encumbered collateral received	Fair value of collateral received available for pledging	Fair value of encumbered collateral received	Fair value of collateral received available for pledging
Collateral received by reporting institution		**489 005 825**		**771 113 695**
Equity instruments		0		0
Debt instruments		489 005 825		771 113 695
Other collateral received		0		0

Encumbered collateral is received in the context of derivative transactions, and bonds available to be encumbered were obtained in the context of repo transactions.

The carrying amount of liabilities likely to entail additional charges encumbering the assets and that of the associated encumbered assets and collateral are shown in the following chart (median value in euros):

(median value in EUR)

	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	Corresponding liabilities, other liabilities or securities lent	Encumbered assets collateral received	Corresponding liabilities, other liabilities or securities lent	Encumbered assets collateral received
Carrying amount of selected financial liabilities	**525 188 101**	**562 928 707**	**565 127 992**	**764 851 351**

These assets, liabilities and guarantees are all linked to derivative transactions.

The corrected liquidity gap is always calculated taking account of the ability to realise the bond portfolios.

The following charts detail respectively the liquidity gaps based on contractual cash flows (known or estimated) and not discounted to NPV for financial assets and liabilities (in euros):

(in EUR)

31.12.2016	Current	Up to three months	From three months to one year	From one to five years	Over five years	Total
Financial assets						
Loans and advances to credit institutions[1]	854 241 699	64 951 954	0	0	0	**919 193 653**
Loans and advances to customers	60 885 175	136 224 214	120 165 867	35 017 618	21 173 894	**373 466 768**
Bonds and other fixed income securities[2]	0	32 447 976	245 164 918	759 213 979	200 003 702	**1 236 830 575**
Derivatives	964 183	3 133 902 128	491 934 501	30 279 612	4 094 805	**3 661 175 229**
Undrawn credit lines	121 072 289	0	0	0	0	**121 072 289**
Total assets	**1 037 483 126**	**3 367 526 272**	**857 265 286**	**824 511 209**	**225 272 401**	**6 311 768 514**
Financial liabilities						
Deposits from credit institutions	81 917 021	8 975 132	35 026	0	0	**90 927 179**
Customer deposits	2 082 750 418	125 395 339	30 842 270	1 873 097	0	**2 240 861 124**
Derivatives	953 428	3 164 861 043	465 276 260	29 313 372	3 500 895	**3 663 904 998**
Guarantees issued	0	28 797 282	0	0	0	**28 797 282**
Total liabilities	**2 165 620 867**	**3 328 028 796**	**496 153 556**	**31 186 469**	**3 500 895**	**6 024 490 583**
Liquidity gap	**(1 128 457 521)**	**39 527 476**	**361 111 730**	**793 324 740**	**221 771 506**	**287 277 931**
Effect of repo capacity of bond portfolio[2]	1 249 437 614	0	(67 120 449)	(948 028 981)	(234 288 184)	**0**
Corrected liquidity gap	**120 980 093**	**39 527 476**	**293 991 281**	**(154 704 241)**	**(12 516 678)**	**287 277 931**

31.12.2015	Current	Up to three months	From three months to one year	From one to five years	Over five years	Total
Financial assets						
Loans and advances to credit institutions[1]	242 248 676	492 702 931	50 040 113	-	-	**784 991 720**
Loans and advances to customers	82 505 821	186 562 917	77 420 518	49 683 151	35 299 285	**431 471 692**
Bonds and other fixed income securities[2]	144 399	41 485 573	409 974 275	770 627 291	275 445 901	**1 497 677 439**
Derivatives	25 444 033	3 686 847 856	872 488 055	83 725 773	4 811 268	**4 673 316 985**
Undrawn credit lines	49 689 812	-	-	-	-	**49 689 812**
Total assets	**400 032 741**	**4 407 599 277**	**1 409 922 961**	**904 036 215**	**315 556 454**	**7 437 147 648**
Financial liabilities						
Deposits from credit institutions	28 977 323	5 712 957	-	-	-	**34 690 280**
Customer deposits	2 048 099 204	363 777 126	86 823 371	-	1 830 435	**2 500 530 136**
Derivatives	25 598 420	3 587 287 193	877 458 809	92 792 273	4 713 059	**4 587 849 754**
Guarantees issued	-	40 933 775	-	-	-	**40 933 775**
Total liabilities	**2 102 674 947**	**3 997 711 051**	**964 282 180**	**92 792 273**	**6 543 494**	**7 164 003 945**
Liquidity gap	**(1 702 642 206)**	**409 888 226**	**445 640 781**	**811 243 942**	**309 012 960**	**273 143 703**
Effect of repo capacity of bond portfolio[2]	1 476 749 404	(28 856 841)	(396 994 541)	(768 327 152)	(282 570 870)	**0**
Corrected liquidity gap	**(225 892 802)**	**381 031 385**	**48 646 240**	**42 916 790**	**26 442 090**	**273 143 703**

[1]Includes cash and balances with the central bank.
[2]The majority of the euro-denominated bonds included in this chart are considered to be rapidly realisable via repurchase agreements.

6.3 Market risk

6.3.1 Policy

Market risks are the risks of an adverse development of market factors (interest rates, equity prices, exchange rates, etc.) affecting the value of positions taken by the Luxembourg Division for its own account.

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

These activities are compared with limits set by the Management Committee within the framework dictated by the parent company and are characterised by outstandings that are of limited significance relative to equity.

In the context of Basel III, the calculation method chosen is based on the impact of a 200 basis point movement in interest rates for interest rate risk and historical VaR (which measures the maximum loss with a 95% confidence interval and a one-day holding period) for foreign exchange risk. These indicators are used to calculate economic capital for interest-rate and foreign exchange-related market risks.

6.3.2 Interest rate risk

This is the financial risk resulting from the impact of a change in interest rates on the interest margin and on the fair value of fixed income instruments.

This risk is managed on a monthly basis by the ALMAC using a standard defined in terms of duration gap. This standard has been constructed on the basis of the maximum acceptable loss in the event that rates rise by 1%, as allocated by the Management Committee of Banque Degroof Petercam S.A. to the Group's transformation activity and shared between Brussels and Luxembourg. This includes all balance sheet items and therefore all cash positions.

The limit on the maximum acceptable amount of loss as a result of a 1% movement in interest rates is set at €8 million. This translates into an operating limit in VBP (Value per Basis Point) of €105 000 which encompasses all the interest rate positions and is monitored daily. This latter limit was reviewed and reduced to €100 000 at the beginning of October 2015.

The following chart shows the key figures relating to the exposure to interest rate risk:

(VBP in EUR)

2016		**31.12.2016**	**Mean**	**Minimum**	**Maximum**
Interest rate risk	VBP	58 823	74 833	48 155	97 198
2015		**31.12.2015**	**Mean**	**Minimum**	**Maximum**
Interest rate risk	VBP	95 927	90 930	78 624	112 043

6.3.3 Foreign Exchange risk

This basically concerns the hedging and optimisation of the foreign exchange risk generated by all the Bank's departments. Trading is forbidden.

The indicators used to monitor daily foreign exchange risk are:

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

The following chart shows the key figures relating to the exposure to currency risk:

(total currency position in EUR)

2016		**31.12.2016**	**Mean**	**Minimum**	**Maximum**
Exchange risk	Nominal	914 352	507 350	168 985	1 453 538
2015		**31.12.2015**	**Mean**	**Minimum**	**Maximum**
Exchange risk	Nominal	530 985	466 237	181 822	1 374 533

The limits concerning exchange risk have been established in nominal values.

Overnight limits in absolute values:

	Weekdays	Weekends
Commonly traded currencies (limit per currency)	2 000 000	1 000 000
Exotic currencies (limit per currency)	250 000	250 000
Total all currencies	3 000 000	2 000 000

The weekday limits were revised downwards during the reporting period.

6.4 Credit risk

6.4.1 Description

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.

As regards counterparty limits, exposure is calculated in line with changes in market value, plus an add-on reflecting the risk of future changes in this value. This exposure is then compared with the limits granted by the Limits Committee.

6.4.2 Management of credit risk

The amount of the Luxembourg Division’s exposure to credit risk is represented by the carrying amount, net of value corrections, of the assets, guarantees issued and unutilised confirmed credit lines granted to its clients. The amount of the Luxembourg Division’s exposure to credit risk on derivative financial instruments is represented by their global replacement cost. To reduce the credit risk on these transactions, the Luxembourg Division has signed 23 CSA (Credit Support Annex) agreements.

The charts that follow show the Bank’s exposure to credit risk, calculated according to Basel III rules:

(in EUR)

31.12.2016	Net value at risk	Final value at risk[1]	Risk weighted assets[2]
Total	**2 161 144 833**	**1 868 298 732**	**384 437 480**
Loans and advances to credit institutions	326 853 949	324 272 912	64 854 582
Loans and advances to customers	372 850 506	237 954 601	211 946 816
Bonds and other fixed income securities	1 212 166 841	1 212 166 841	29 395 457
Public sector issuers	*414 420 340*	*414 420 340*	-
Other issuers	*797 746 501*	*797 746 501*	*29 395 457*
Shares and other variable income securities	30 496 977	30 496 977	30 496 977
Contingent liabilities and commitments	147 869 571	9 412 282	9 396 366
Derivatives held for trading - Unlisted	70 906 989	53 995 119	38 347 282
Total derivatives held for trading - Unlisted	**70 906 989**	**53 995 119**	**38 347 282**

31.12.2015	Net value at risk	Final value at risk[1]	Risk weighted assets[2]
Total	**2 789 257 197**	**2 199 023 887**	**413 778 657**
Loans and advances to credit institutions	647 715 022	354 728 724	67 124 890
Loans and advances to customers	439 816 764	234 735 429	222 968 886
Bonds and other fixed income securities	1 500 418 154	1 500 418 154	32 891 335
Public sector issuers	*698 343 909*	*698 343 909*	-
Other issuers	*802 074 245*	*802 074 245*	*32 891 335*
Shares and other variable income securities	42 030 826	42 030 826	42 200 759
Contingent liabilities and commitments	90 623 587	11 107 829	11 351 571
Derivatives held for trading - Unlisted	68 652 844	56 002 925	37 241 216
Total derivatives held for trading - Unlisted	**68 652 844**	**56 002 925**	**37 241 216**

[1] The final value at risk reflects the techniques used to mitigate credit risk (mainly guarantees) and the off-balance sheet conversion factor.
[2] The amount of risk weighted assets corresponds to the final value at risk multiplied by the weighting associated with the counterparty for each exposure.

A distinction can be made among three categories of credit in the Bank:

a) Limits granted to banking counterparties

The granting of interbank limits is centralised at Luxembourg Division level and is based on the granting and review of limits by the Limits Committee, which meets monthly bringing together the responsible persons from Brussels and Luxembourg.

b) Loans granted to clients for non-banking counterparties

The Luxembourg Division's appetite for credit risk is very low. The Luxembourg Division will only consider lending to private individuals up to the equivalent amount of appropriate collateral. Credit facilities for companies are limited to first rate borrowers.

Non-performing and non-impaired loans consist solely of loans and advances granted to clients which are either overdue or cancelled. The amounts shown in the chart below (in euros) correspond to amounts outstanding in the case of overdue receivables or the full amount of the loan (principal and interest) in the case of cancelled loans; the duration is the number of days since first unpaid due date or termination date respectively:

(in EUR)

	31.12.2016 Loans	31.12.2016 Guarantees[1]	31.12.2015 Loans	31.12.2015 Guarantees[1]
Less than three months	9 507 315	8 904 449	565 597	111 865
From three months to one year	20 009	202	546 844	61 679
From one year to five years	371 298	350 000	318 219	240 348
Over five years	-	-	101 447	-
Total non-performing loans	**9 898 622**	**9 254 651**	**1 532 107**	**413 892**

[1] The amount of guarantees received is limited to the amount of the loans covered. The guarantees include cash, securities and mortgages.

A loan, of which the late payment of € 8 011 869 under "Less than three months" as of 31 December 2016, was adjusted during the first quarter of 2017.

As of 31 December 2016, restructured loans, amounting to € 9 078 049 (2015: € 10 248 196), concerned the same loans as of 31 December 2015; they are advances to customers only, the due dates of which have been renegotiated following borrowers' difficulties in honouring their commitments on time. As of 31 December 2016, impairments amounting to € 421 108 (2015: € 0) were recognised on these loans.

c) The Bank's investment portfolio

The Bank's overall bond portfolio was completely reviewed and is now divided between two portfolios corresponding to two main categories. The first category includes public sector bonds, i.e. sovereign issuers, government agencies, public-guaranteed bonds and bonds issued by supranational issuers. The second category includes private sector bonds which in this case is almost exclusively made up of covered bonds. A maximum of EUR 425 million was granted for the second category.

As at 31 December 2016, the "public sector" portfolio stood at € 956 million (2015: € 1 149.5 million). The average rating of this portfolio is AA+ and all issuers have Investment Grade rating.

As for the "private sector" portfolio composed almost exclusively of covered bonds, the total assets stood at € 282.5 million at 31 December 2016 (2015: € 295.0 million). The average rating is AAA and all issuers have Investment Grade rating.

6.4.3 Geographical exposure

In geographical terms, the Luxembourg Division has no exposure to emerging countries and focuses basically on the European Union and certain OECD countries. The list of authorised countries is reviewed on a regular basis.

The following chart shows the geographical distribution of the portfolios of state-guaranteed bonds.

Geographical distribution of countries with state-guaranteed bonds	(in %)
Supranational institutions	34.85%
Germany	24.77%
France	12.28%
Belgium	11.99%
Spain	6.61%
Italy	5.91%
Denmark	1.77%
Austria	1.52%
Luxembourg	0.31%
Total	**100.00%**

The following chart shows the geographical distribution of "private sector" portfolio bonds.

Geographical distribution of countries of origin of bank bonds	(in %)
Belgium	53.10%
France	37.70%
Luxembourg	5.31%
Germany	3.19%
New Zealand	0.71%
Total	**100.00%**

6.5 Wealth management risk

Wealth management risk is the financial risk resulting from possible inconsistencies or excessive risk taking in the asset management strategies pursued in the Luxembourg Division as a whole.

This risk is monitored within each entity by the respective control departments, and also at the consolidated level, using aggregated data. The controls focus on compliance with the management constraints set by both the client and the Group's Management Committee (in particular in terms of diversification, equity ratio and authorised investment products) as well as performance monitoring.

The Group's Risk Management department ensures that the controls and investment principles are consistent among the various subsidiaries.

6.6 Return on assets

Return on the bank's assets is as follows:

(in EUR)	**31.12.2016**	**31.12.2015**
Total assets	2 716 548 641	2 958 168 850
Profit/(loss) for the financial year	47 723 172	60 618 594
Return on Assets	**1.76%**	**2.05%**

6.7 Capital management

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

Regulatory own funds calculated under the CRR/CRD IV package as of 31 December 2016 and 31 December 2015 (in euros) were as follows:

(in EUR)

	31.12.2016	31.12.2015
Tier 1 own funds	208 784 229	234 451 127
Total own funds	**208 784 229**	**234 451 127**
Own funds requirements	57 852 884	62 710 586
Ratio	**28.87%**	**29.91%**

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

7 Scope of consolidation

	31.12.2016	31.12.2015
Name and location of the office	**Proportion of share capital held**	
Parent company:		
Banque Degroof Petercam Luxembourg S.A. - Luxembourg		
Fully consolidated subsidiaries:		
D.S. Lux S.A. - Luxembourg	100.00%	100.00%
Degroof Petercam Asset Services S.A., DPAS - Luxembourg	99.95%	99.95%
Promotion Partners S.A. - Luxembourg	100.00%	100.00%
Degroof Asset Management (HK) Limited - Hong Kong	91.84%	90.00%
Investment Company of Luxembourg S.A., ICL - Luxembourg	100.00%	100.00%
Sociétés de Participations et d'Investissements Luxembourgeoise S.A., SOPIL - Luxembourg	100.00%	100.00%
Overseas Investments Company S.A. - Luxembourg	100.00%	100.00%
Invest House S.A. - Luxembourg	100.00%	100.00%
Heaven Services S.A. - Luxembourg	100.00%	100.00%
3P (L) S.à.r.l.	100.00%	
Associates included using the equity method:		
Landolt & Cie S.A. - Switzerland		25.00%
Promotion 777 S.A - Luxembourg	34.00%	34.00%
Stairway To Heaven S.A. - Luxembourg	48.00%	48.00%
Seniorenresidenz Berdorf S.A. - Luxembourg	50.00%	50.00%
Le Cloître S.A.- Luxembourg	33.60%	33.60%

On 27 May 2014, a subsidiary company, Degroof Asset Management (HK) Limited, was formed in Hong Kong. The Bank held 90% of this company's capital. The Bank participated in a first capital increase decided on 15 April 2015 following two others on 22 March 2016 and 14 December 2016. As at 31 December 2016, the Bank holds 91.84% (2015: 90%) of Degroof Asset Management (HK) Limited capital;

On 10 May 2016, Landolt & Cie S.A. was sold without affecting the profit and loss account. The sale price was transferred on 15 July 2015, the date Landolt & Cie S.A. effectively left the Luxembourg Division's scope of consolidation

The Bank took part in the capital increase of D.S. Lux S.A. on 10 December 2014 and holds 100% of this company following the acquisition of the last share (agreement signed 7 January 2015).

As at 31 December 2015, the Bank also incorporated Heaven Services S.A. into its consolidation scope.

On 1 April 2016, Degroof Gestion Institutionnelle - Luxembourg S.A. - Luxembourg and Petercam Institutional Asset Management (Luxembourg) S.A. merged with retroactive effect from 1 January 2016; the new company is called Degroof Petercam Asset Services S.A.

As at 31 December 2015, the Bank included the following associates in its consolidation scope: Promotion 777 S.A., Stairway To Heaven S.A., Seniorenresidenz Berdorf S.A. and Le Cloître S.A., which is held directly by Stairway To Heaven S.A. and indirectly by the Bank.

3P(L) SARL, formerly a subsidiary of Petercam (Luxembourg) S.A., was incorporated into the Bank's portfolio during the merger for EUR 12 500.

As at 31 December 2016, a limited number of companies had not been consolidated.

These companies are not included in the scope of consolidation on the basis of the following criteria:

- the size of equity
- the non-material impact on the consolidated balance sheet
- no activity was performed in the company
- company in liquidation which has no longer any effective business
- limited business and consolidation (after cancelling intra-group operations) would not have any impact (or very little) on the consolidated balance sheet

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

All the conditions listed in the consolidation principles were complied with.

8 Notes to the balance sheet

8.1 Cash and sight accounts with central banks

The breakdown of "Cash and sight balances with central banks" is as follows:

(in EUR)

	31.12.2016	31.12.2015
Cash	842 711	851 051
Balances with central banks - Regulatory reserves	591 484 055	0
Balances with central banks other than regulatory reserves	1 535	136 383 114
Total	**592 328 301**	**137 234 165**

As of 31 December 2015, the Luxembourg Division had fulfilled its obligations in terms of "regulatory reserves" with Banque Centrale du Luxembourg.

The amounts included in cash and cash equivalents are as follows:

(in EUR)

	Notes[1]	31.12.2016	31.12.2015
Cash	8.1	842 711	851 051
Balances with central banks other than regulatory reserves	8.1	1 535	136 383 114
Current accounts with credit institutions	8.5	224 775 815	85 910 678
Term loans with credit institutions	8.5	64 941 212	362 539 414
Overdrafts from credit institutions	8.14	(15 416 454)	(13 445 079)
Term deposits from credit institutions	8.14	(8 991 318)	(5 672 937)
Total		**266 153 501**	**566 566 241**

[1] The amounts shown in the chart are from the balances set out in the notes indicated.

The total amount of cash and cash equivalents includes:

- cash
- balances with central banks, except amounts of mandatory reserves
- debit and credit sight balances with credit institutions, excluding vostro accounts and balances which guarantee repurchase/reverse repurchase transactions or derivative transactions
- loans and deposits with credit institutions, the initial duration of which is less than three months

The Bank changed the method for determining the composition of cash and cash equivalents to exclude vostro accounts and include cash equivalents of liabilities.

The total impact of this change on the 2015 balance is € (38 228 138) and € (61 561 193) on the 2016 balance.

8.2 Financial assets held for trading

Financial assets held for trading consist of the following types:

(in EUR)

	31.12.2016	31.12.2015
Derivatives held for trading	**57 200 781**	**64 434 296**
Equity instruments	**0**	**410 582**
Units & shares in Collective Investment Services		410 582
Debt instruments	**1 955 465**	**10 860 903**
Public sector paper and government bonds	0	1 469 329
Bonds of other issuers	1 955 465	9 391 574
Accrued interest	**158 112**	**1 314 914**
Total assets held for trading	**59 314 358**	**77 020 695**

The charts below show breakdowns of the derivatives held for trading:

(in EUR)

	31.12.2016 Carrying amount	31.12.2016 Notional value	31.12.2015 Carrying amount	31.12.2015 Notional value
Exchange derivatives	**35 130 393**	**1 886 411 129**	**43 518 951**	**2 492 546 721**
Not listed				
Forward contracts	26 622 155	1 288 005 307	26 125 771	1 376 843 777
Swap contracts	8 476 964	560 559 733	16 941 723	851 713 446
Options acquired	31 274	6 820 368	451 457	248 419 760
Organised market				
Futures	0	31 025 721	0	15 569 738
Interest rate derivatives	**13 948 463**	**1 179 129 713**	**8 681 870**	**944 654 511**
Not listed				
Swap contracts	13 932 080	1 005 695 037	5 268 216	771 399 824
Options acquired	0	0	30	3 000 000
Organised market				
Options acquired	16 383	9 566 711	3 413 624	61 944 372
Futures	0	163 867 965	0	108 310 315
Equity derivatives	**8 121 925**	**648 949 216**	**12 233 475**	**618 102 867**
Not listed				
Options acquired	825 920	24 571 079	5 613 250	48 606 835
Organised market				
Options acquired	7 296 005	82 665 011	6 620 225	164 564 778
Futures	0	541 713 126	0	404 931 254
Commodity derivatives	**0**	**0**	**0**	**0**
Organised market				
Futures	0	0	0	0
Total derivatives held for trading	**57 200 781**	**3 714 490 058**	**64 434 296**	**4 055 304 099**

Please refer to note 8.20 for a breakdown of fair values (excluding accrued interest), according to whether they are derived from a published market price or using a valuation technique. The amounts of bonds under repos or lent are set out in note 8.21.

8.3 Financial assets at fair value through profit and loss

Equity investments are designated on their acquisition date at fair value through profit and loss if they are hedged by an option structure, in accordance with a risk management strategy. This designation eliminates, or significantly reduces, any accounting mismatch that might otherwise occur as a result.

At the beginning of 2009, interbank deposit activity was limited for reasons of liquidity risk and credit risk. A new bond portfolio was created to compensate for this. Most of the securities in this portfolio are government issuances or securities issued by financial institutions with a state guarantee or covered bonds.

This portfolio is hedged using interest rate swaps and has been designated at fair value through profit and loss to avoid a mismatch resulting from different valuation methods.

Financial assets designated at fair value through profit and loss break down as follows:

(in EUR)

	31.12.2016	31.12.2015
Equity instruments	**28 828 590**	**35 146 000**
Equities	28 828 590	35 146 000
Debt instruments	**873 073 328**	**576 473 086**
Public sector paper and government bonds	264 409 920	204 035 211
Bonds of other issuers	608 663 408	372 437 875
Accrued interest	**3 767 428**	**3 740 288**
Total financial assets at fair value through profit and loss	**905 669 346**	**615 359 374**

Please refer to note 8.20 for a breakdown of fair values according to whether they are derived from a published market price or using a valuation technique.

The amounts of bonds under repos or lent are set out in note 8.21.

8.4 Available-for-sale financial assets

Available-for-sale financial assets, which comprise listed and unlisted fixed or variable income transferable securities, are shown below broken down by type:

(in EUR)

	31.12.2016	31.12.2015
Equity instruments	**1 668 387**	**6 338 020**
Equities	1 595 560	480 852
Units & shares in CIS	72 827	5 857 168
Debt instruments	**253 725 587**	**824 102 284**
Public sector paper and government bonds	80 241 683	417 565 381
Bonds of other issuers	173 335 004	406 388 187
Other fixed income instruments	1 489 000	148 716
Accrued interest	**515 161**	**3 193 664**
Total available-for-sale financial assets	**255 909 135**	**833 633 968**

Available-for-sale financial assets are recognised at fair value. A breakdown of fair values (excluding accrued interest), according to whether they are derived from a published market price or using a valuation technique, is given in note 8.20.

Impairment tests performed as at 31 December 2016 and 31 December 2015 did not reveal any impairment losses to be recognised in connection with this portfolio, which is carried at fair value.

The amounts of bonds lent are set out in note 8.21.

The revaluation reserve consists of the following items:

(in EUR)

	31.12.2016	31.12.2015
Revaluation reserve for the portfolio of available-for-sale financial assets	484 942	1 669 428
Total revaluation reserves net of deferred taxation	**484 942**	**1 669 428**

The chart below shows the movements of the revaluation reserve for the available-for-sale assets portfolio:

(in EUR)

	Fixed income securities	Variable income securities	Total
Balance at 30.09.2014	**7 806 007**	**2 153 258**	**9 959 265**
Increase (decrease) in unrealised gross revaluation gains – AFS portfolio	(6 389 130)	(2 975 623)	**(9 364 753)**
Decrease (increase) in unrealised gross revaluation losses – AFS portfolio	(1 590 836)	0	**(1 590 836)**
Deferred taxation	1 796 275	869 477	**2 665 752**
Balance at 31.12.2015	**1 622 316**	**47 112**	**1 669 428**
Increase (decrease) in unrealised gross revaluation gains – AFS portfolio	(2 172 929)	21 125	**(2 151 804)**
Decrease (increase) in unrealised gross revaluation losses – AFS portfolio	125 561	(11 271)	**114 290**
Deferred taxation	855 943	(2 915)	**853 028**
Balance at 31.12.2016	**430 891**	**54 051**	**484 942**

8.5 Loans and advances to credit institutions

Interbank loans and advances break down as follows:

(in EUR)

	31.12.2016	31.12.2015
Overdrafts	261 929 235	97 672 597
Term loans	56 000 000	249 231 674
Reverse repo transactions	8 941 212	300 655 953
Accrued interest	(16 498)	154 798
Total loans and advances to credit institutions	**326 853 949**	**647 715 022**

Current accounts not guarantying reverse repurchase or derivative transactions and term loans with initial terms of less than three months are included in cash equivalents in the cash flow statement.

8.6 Loans and advances to customers

Loans and advances to customers and movements of impairments on these receivables are as follows:

(in EUR)

	31.12.2016	31.12.2015
Advances in current account	61 776 674	97 926 551
Mortgage loans	73 002 660	76 235 111
Term loans (including Lombard loans)	245 888 282	271 826 940
Accrued interest	1 046 771	1 206 071
Carrying amount before impairment	**381 714 387**	**447 194 673**
Impairment based on individual assessments	(7 541 348)	(6 741 326)
Impairment based on collective assessments	(1 322 533)	(636 583)
Total loans and advances to credit institutions	**372 850 506**	**439 816 764**

Since 2015, the Bank has decided to record impairments on the basis of collective valuations for an amount of € 1 322 533 (2015: € 636 583) as described in chapter 5.7 "Impairment of assets", on the basis of the recommendations of the European Central Bank and of the Group.

Changes in provisions for impairments on the basis of individual valuations are as follows:

(in EUR)

	31.12.2016	31.12.2015
Balance at beginning of period	**6 741 326**	**6 336 574**
Additions	849 814	452 778
Reversals	-19 806	-58 897
Application of provisions	-32 726	-
Exchange adjustment	2 740	10 871
Balance at end of period	**7 541 348**	**6 741 326**

8.7 Participating interests

Participating interests are recognised at acquisition cost.

As of 31 December 2016, their gross value was €43 396 (€136 224 as at 31 December 2015).

8.8 Held-to-maturity investments

Held-to-maturity investments are as follows:

(in EUR)

	31.12.2016	31.12.2015
Government bonds	70 670 754	72 670 755
Bonds issued by credit institutions	10 640 400	10 640 400
Premiums / discounts	(2 881 382)	(2 042 420)
Accrued interest	667 722	666 585
Total held-to-maturiy investments	**79 097 494**	**81 935 320**

No impairment losses have been recognised on held-to-maturity investments.

The amounts of bonds lent are set out in note 8.21.

8.9 Property, plant & equipment

Property, plant and equipment can be broken down as follows:

(in EUR)

	Land and buildings[1]	IT equipment	Office equipment	Other equipment	Total
Net carrying amount at 30.09.2014	**40 979 264**	**655 595**	**516 410**	**432 781**	**42 584 050**
Acquisition value	65 664 080	6 127 918	2 501 995	1 089 994	**75 383 987**
Cumulative depreciation and impairment	(24 684 816)	(5 472 323)	(1 985 585)	(657 213)	**(32 799 937)**
Net carrying amount at 31.12.2015	**42 022 992**	**992 767**	**523 091**	**308 395**	**43 847 245**
Acquisition value	68 735 394	6 900 035	2 629 637	1 053 461	**79 318 527**
Cumulative depreciation and impairment	(26 712 402)	(5 907 268)	(2 106 546)	(745 066)	**(35 471 282)**
Net carrying amount at 31.12.2016	**40 865 679**	**2 217 707**	**599 930**	**265 688**	**43 949 004**
Acquisition value	69 224 285	8 506 110	2 807 468	939 993	**81 477 856**
Cumulative depreciation and impairment	(28 358 606)	(6 288 403)	(2 207 538)	(674 305)	**(37 528 852)**

[1] The acquisition cost of the land is €10 248 042 for the Bank and $225 000 for Promotion Partners S.A.

Changes in the net carrying amount can be explained as follows:

(in EUR)

	Land and buildings	IT equipment	Office equipment	Other equipment	Total
Balance at 30.09.2014	**40 979 264**	**655 595**	**516 410**	**432 781**	**42 584 050**
Acquisitions	3 071 314	772 117	127 642	20 254	**3 991 327**
Disposals	0	0	0	(56 788)	**(56 788)**
Depreciation & amortisation	(2 023 454)	(434 892)	(120 959)	(110 401)	**(2 689 706)**
Reversal of depreciation on diposal	0	0	0	15 007	**15 007**
Reversal of impairement on diposal	0	0	0	7 556	**7 556**
Exchange differences	(4 132)	(53)	(2)	(14)	**(4 201)**
Balance at 31.12.2015	**42 022 992**	**992 766**	**523 091**	**308 396**	**43 847 245**
Acquisitions	413 958	1 605 874	177 818	0	**2 197 650**
Disposals	0	0	0	(113 538)	**(113 538)**
Depreciation & amortisation	(1 637 229)	(381 025)	(100 987)	(42 746)	**(2 161 987)**
Reversal of depreciation on diposal	0	0	0	113 538	**113 538**
Reversal of impairment on diposal	0	0	0	0	**0**
Exchange differences	65 958	91	8	39	**66 096**
Balance at 31.12.2016	**40 865 679**	**2 217 706**	**599 930**	**265 689**	**43 949 004**

Residual amounts of fully depreciated fixed assets are estimated at zero.

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

8.10 Intangible assets

Intangible assets can be broken down as follows:

(in EUR)

	Goodwill	Software applications	Total
Net carrying amount at 30.09.2014	**8 693 359**	**1 069 840**	**9 763 199**
Acquisition value	26 780 138	11 303 174	**38 083 312**
Cumulative amortisation	(17 087 932)	(10 233 334)	**(27 321 266)**
Impairment	(998 847)	0	**(998 847)**
Net carrying amount at 31.12.2015	**6 381 530**	**1 364 881**	**7 746 411**
Acquisition value	26 780 138	12 314 989	**39 095 127**
Cumulative amortisation	(19 066 711)	(10 950 108)	**(30 016 819)**
Impairment	(1 331 897)	0	**(1 331 897)**
Net carrying amount at 31.12.2016	**19 276 817**	**1 238 347**	**20 515 164**
Acquisition value	53 200 583	12 786 531	**65 987 114**
Cumulative amortisation	(31 513 930)	(11 548 184)	**(43 062 114)**
Impairment	(2 409 836)	0	**(2 409 836)**

Changes in the net carrying amount can be explained as follows:

(in EUR)

	Goodwill	Software applications	Total
Balance at 30.09.2014	**8 693 359**	**1 069 840**	**9 763 199**
Acquisitions	0	1 011 815	**1 011 815**
Disposals	0	0	**0**
Depreciation & amortisation	(1 978 779)	(716 774)	**(2 695 553)**
Amortisation/depreciation reversal on disposal	0	0	**0**
Impairment	(333 050)	0	**(333 050)**
Balance at 31.12.2015	**6 381 530**	**1 364 881**	**7 746 411**
Acquisition value	26 395 880	496 107	**26 891 987**
Depreciation & amortisation	(12 422 654)	(622 641)	**(13 045 295)**
Impairment	(1 077 939)	0	**(1 077 939)**
Balance at 31.12.2016	**19 276 817**	**1 238 347**	**20 515 164**

In accordance with the accounting methods and principles described in note 5.6, the Luxembourg Division conducts impairment tests on intangible assets as a minimum at the close of each financial year, and more frequently if there is any indication of an intangible asset having lost value.

The recoverable value is determined as being the higher of the fair value and the value in use.

The fair value is estimated either by applying multiples to the net operating result or capital 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.

As at 31 December 2016, the results of these impairment tests are similar or superior to the accounting value of the business activities, except in the case of the business activities relating to the merger with Petercam, in respect of which an impairment loss of € 1 027 000 has been recorded, and business activities of Nagelmackers, in respect of which a loss of € 59 939 has been recorded.

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.

In 2016, the goodwill of € 9 115 830 recorded in the Petercam (Luxembourg) S.A. balance sheet and fully amortised has been included in the Bank's balance sheet. A new amount of € 17 280 050 has been recognised following the merger.

In accordance with the accounting methods and principles described in note 5.5, the Bank conducts impairment tests on intangible assets as a minimum at the close of each financial year, and more frequently if there is any indication of an intangible asset having lost value.

The value in use was used to estimate the goodwill value of the merger with Petercam (Luxembourg) S.A. for customer relations as part of the private bank and institutional management activities.

The valuation performed for the impairment tests is based on the same model as the one initially used to calculate the goodwill value. This model is based on the discounted cash flow method, which is based on projected revenue generated by client capital over a defined period, ending in 2026. The gradual decline of traditional customers in private discretionary management is estimated at 10.8% per annum, while the annual growth of the remaining capital under management is estimated at 3%. Cash flows are discounted at the capital cost after taxes of 7.6%. Since the value in use calculated is lower than the carrying value, an impairment of €1 027 000 was recognised at year end.

As for other goodwill, an impairment loss is recorded when the fair value of the capital under management initially included in the goodwill and still present on the test date is less than the carrying value of the goodwill. As a result, an impairment of € 50 939 was recorded at the end of the year for the Nagelmackers fund.

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

The chart below shows impairments recognised per goodwill item:

		(in EUR)
	31.12.2016	**31.12.2015**
Degroof, Thierry, Portabella & Associés S.A.	(312 089)	(312 089)
Banque Nagelmakers 1747 (Luxembourg) S.A.	(1 070 747)	(1 019 808)
Petercam (Luxembourg) S.A.	(1 027 000)	0
Total impairment	**(2 409 836)**	**(1 331 897)**

8.11 Interests in associates accounted for using the equity method

Investments in companies accounted for using the equity method are summarized as follows:

		(in EUR)
	31.12.2016	**31.12.2015**
Landolt & Cie S.A.		(13 336 410)

As of 31 December 2015, the equity of Landolt & Cie S.A. amounted to CHF 37 082 991 and the profit to CHF 5 386 031 (15 months). On 10 May 2016, Landolt & Cie S.A. was sold.

On 31 December 2016, an amount of € 1 270 451 was included in "Other liabilities" (31 December 2015: €1 254 082) (note 8.17) concerning associates accounted for using the equity method:

		(in EUR)
	31.12.2016	**31.12.2015**
Promotion 777 S.A.	(25 559)	(154 892)
Stairway To Heaven S.A.	9 243	12 976
Seniorenresidenz Berdorf S.A.	(254 619)	(147 882)
Le Cloître S.A.	(999 516)	(964 284)
Total	**(1 270 451)**	**(1 254 082)**

8.12 Other assets

The ‘Other assets’ item comprises:

		(in EUR)
	31.12.2016	**31.12.2015**
Income receivable	54 011 107	53 964 053
Prepaid expenses	1 944 066	1 133 861
Advance payment of taxes	390 318	538 742
VAT	3 100 216	3 907 133
Other assets	572 281	843 463
Total other assets	**60 017 988**	**60 387 252**

Income receivable mainly relates to fees due from investment funds. “Tax advances” heading shows advance payments of taxes other than those on profit and refundable in accordance with national legislation.

8.13 Financial liabilities held for trading

Financial liabilities held for trading comprise the following:

(in EUR)

	31.12.2016	31.12.2015
Derivatives held for trading	**59 269 118**	**74 209 874**
Liabilities linked to short selling of financial assets	**0**	**3 920 166**
Fixed income securities	0	3 920 166
Accrued interest	**4 140 935**	**6 505 753**
Total financial liabilities held for trading	**63 410 053**	**84 635 793**

The charts below show breakdowns of the derivatives held-for-trading:

(in EUR)

	31.12.2016 Carrying amount	31.12.2016 Notional value	31.12.2015 Carrying amount	31.12.2015 Notional value
Exchange derivatives	**33 606 809**	**1 835 850 841**	**45 178 374**	**3 004 086 885**
Not listed				
Forward contracts	10 547 954	764 031 479	18 085 378	975 480 753
Swap contracts	23 027 581	1 033 973 273	26 644 091	1 368 282 654
Options issued	31 274	6 820 368	448 905	246 570 354
Organised market				
Futures	0	31 025 721	0	413 753 124
Interest rate derivatives	**15 429 175**	**1 494 923 008**	**21 314 725**	**1 495 233 905**
Not listed				
Swap contracts	15 412 792	1 331 949 336	17 901 101	1 417 723 148
Organised market				
Options issued	16 383	9 566 711	3 413 624	61 941 020
Futures	0	153 406 961	0	15 569 737
Equity derivatives	**10 233 134**	**662 970 129**	**7 716 775**	**752 765 352**
Not listed				
Options issued	2 937 130	26 168 384	1 096 550	50 773 256
Organised market				
Options issued	7 296 004	82 665 013	6 620 225	164 564 778
Futures	0	554 136 732	0	537 427 318
Total derivatives held for trading	**59 269 118**	**3 993 743 978**	**74 209 874**	**5 252 086 142**

Please refer to note 8.20 for a breakdown of fair values (excluding accrued interest), according to whether they are derived from a published market price or using a valuation technique.

8.14 Deposits from credit institutions

Interbank deposits break down as follows:

(in EUR)

	31.12.2016	31.12.2015
Sight deposits	81 916 968	28 977 628
Term deposits	9 026 385	5 710 714
Accrued interest	3 223	2 984
Total deposits from credit institutions	**90 946 576**	**34 691 326**

Note that sight accounts which do not guarantee reverse repurchase transactions or derivatives and deposits with initial terms of less than three months, are included in cash equivalents in the cash flow statement.

8.15 Customer deposits

Deposits from customers break down as follows:

(in EUR)

	31.12.2016	31.12.2015
Sight deposits	2 082 943 601	2 028 730 720
Term deposits	157 527 577	471 173 000
Accrued interest	(65 358)	85 138
Total customer deposits	**2 240 405 820**	**2 499 988 858**

8.16 Provisions

Provisions break down as follows:

(in EUR)

	31.12.2016	31.12.2015
Provision for restructuring	3 672 711	4 100 000
Provisions for litigation	0	2 550 000
Total provisions	**3 672 711**	**6 650 000**

The restructuring provision was recognised following the reorganisation of activities as a result of the merger of the Degroof and Petercam groups which took effect on 1 April 2016 through the merger of the Luxembourg Divisions.

The provisions for litigations are based on the best estimates available at the end of the financial year, taking into account the opinion of internal and external experts: following these analyses, all provisions were reversed during the previous financial year, i.e. € 2 550 000.

The cash flows relating to these provisions are not known, given uncertainties relating to the result and the time frame for settling these litigations.

8.17 Other liabilities

Other liabilities comprise the following items:

(in EUR)

	31.12.2016	31.12.2015
Salaries and social liabilities	6 990 145	6 811 735
Charges payable	40 391 786	40 082 042
Unearned income	251 483	166 971
Other financial liabilities	5 032 302	6 519 226
Other liabilities	7 942 033	7 854 819
Associates accounted for using the equity method	1 270 451	1 254 082
Total other liabilities	**61 878 200**	**62 688 875**

Other payables consist mainly of VAT and other taxes. Companies accounted for using the equity method are listed in note 8.11.

8.18 Current and deferred tax liabilities

Tax liabilities can be summarised as follows:

(in EUR)

	31.12.2016	31.12.2015
Current taxation	18 537 900	14 365 696
Deferred taxation	7 452 601	5 185 949
Total current and deferred taxation	**25 990 501**	**19 551 645**

Changes in deferred tax liabilities are explained by:

(in EUR)

	31.12.2016	31.12.2015
Balance at beginning of period	**5 185 949**	**8 357 828**
Charge (Income) to profit and loss	(791 297)	(541 681)
Items recognised directly in equity	(595 650)	(2 665 755)
Reclassification of current tax	(1 591 176)	35 557
Changes in consolidation scope	5 244 775	0
Balance at end of period	**7 452 601**	**5 185 949**

Changes in scope are as follows:

(in EUR)

	31.12.2016
Deferred taxes on Petercam Luxembourg Private Banking goodwill	2 254 469
Deferred taxes on PLU-PIAM Luxembourg goodwill	2 540 694
Deferred taxes on transfers to the reserve provision of the FRBG	449 612
Total current and deferred taxation	**5 244 775**

Deferred tax is calculated on the following temporary differences:

(in EUR)

	31.12.2016	31.12.2015
Plant, property & equipment and intangible assets	6 197 620	2 193 754
Provisions	1 054 959	605 347
Available-for-sale financial assets	200 022	795 672
Interests in companies accounted for using the equity method	0	1 591 176
Deferred taxation	**7 452 601**	**5 185 949**

8.19 Equity

The chart below shows the composition of equity:

(in EUR)

	31.12.2016	31.12.2015
Capital subscribed	37 000 000	37 000 000
Share premiums	40 356 000	40 356 000
Legal reserve	3 700 000	3 700 000
Reserve for wealth tax	34 516 174	35 489 898
Other reserves and retained earnings	66 411 932	121 431 933
Revaluation reserves	484 942	1 669 428
Profit for the year attrubutable to owners of the parent	47 723 172	60 618 594
Interim dividend	0	(50 320 000)
Non-controlling participating interests recognized in equity	52 560	16 500
Total	**230 244 780**	**249 962 353**

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

LEGAL RESERVE

Under the Commercial Companies Act, at least 5% of net profit must be allocated to a legal reserve each year until this reserve is equal to 10% of the share capital. The legal reserve has reached 10% of the share capital.

RESERVE FOR WEALTH TAX

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

REVALUATION RESERVES

Revaluation reserves comprise unrealised net gains and losses on available-for-sale financial assets (see notes 8.4 and 9.14). In accordance with CSSF regulation no. 14-02, unrealised gains net of tax from the last financial year included in the revaluation reserves are allocated to a non-distributable reserve. The amount concerned is €484 942 for the financial year ended 31 December 2016 (2015: €1 669 428).

OTHER RESERVES AND RETAINED EARNINGS

Other reserves and retained earnings reflect the impact of the transition to IFRS for an amount of €16 594 740 , and the result relating to the profit sharing plan put in place in the Group, namely a reversal of €32 466 for the financial year ended 31 December 2016 (2015: a charge of €592 010).

As at 31 December 2016, the cumulative amount relating to the profit sharing plan included in other reserves stood at €4 698 929 (2015: €4 731 396).

Other reserves also include goodwill of €73 188 213 recorded in 2016 following the integration of Petercam (Luxembourg) S.A and the reclassification of the profit and loss account to reserves of gains realised by Petercam (Luxembourg) S.A. at the time of the sale of PIAM Luxembourg to DPAS for €7 547 663.

In accordance with CSSF no. 14-02, unrealised gains net of tax on portfolio securities "Financial assets at fair value through profit and loss" shown in the profit and loss for the financial year 2015 have been allocated to a non-distributable reserve of €206 390.

INTERIM DIVIDEND

The Board of Directors of the Luxembourg Division decided not to make an interim dividend payment in 2016 (2015: €50 320 000) as permitted by the Articles of Association.

8.20 Fair value of financial instruments

The carrying amounts and fair values of financial instruments are shown, by financial instrument category, in the chart below:

(in EUR)

	31.12.2016 Carrying amount	31.12.2016 Fair value	31.12.2015 Carrying amount	31.12.2015 Fair value
Financial assets				
Cash and balances with central banks	592 328 301	592 328 301	137 234 165	137 234 165
Financial assets held for trading	59 314 358	59 314 358	77 020 695	77 020 695
Financial assets at fair value through profit and loss	905 669 346	905 669 346	615 359 374	615 359 374
Available-for sale financial assets	255 909 135	255 909 135	833 633 968	833 633 968
Loans and advances to credit institutions	326 853 949	326 866 887	647 715 022	647 757 565
Loans and advances to customers	372 850 506	375 143 635	439 816 764	442 220 913
Held-to-maturity investments	79 097 494	80 327 909	81 935 320	83 718 971
Total	**2 592 023 089**	**2 595 559 571**	**2 832 715 308**	**2 836 945 651**
Financial liabilities				
Financial liabilities held for trading	63 410 053	63 410 053	84 635 793	84 635 793
Deposits from credit institutions	90 946 576	90 927 178	34 691 326	34 690 280
Customer deposits	2 240 405 820	2 240 861 125	2 499 988 858	2 500 530 136
Total	**2 394 762 449**	**2 395 198 356**	**2 619 315 977**	**2 619 856 209**

The fair value of financial instruments includes accrued interest.

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

- the carrying amount of short-term financial instruments and of financial instruments without fixed maturities corresponds to a reasonable approximation of their fair value
- other loans and borrowings are revalued by discounting their future cash flows to NPV on the basis of market interest rate curves at the closing date

The fair value of financial instruments is determined using the methods described in chapter 5.3.10 'Fair value of financial instruments'.

The classification of financial instruments by hierarchy of fair values was thoroughly reviewed in 2015. This re-examination focused particularly on some of the criteria used to determine the level at which a fair value is classified, such as the metric of the level of liquidity of a market, the average volumes of transactions observed and the frequency of valuations.

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

- level 1, comprising valuations based on quoted prices on active markets; No valuation model or technique is used
- level 2, which relies on valuation models and techniques using observable parameters on an active market

Valuations not based on observable data on active markets are classified as level 3.

The charts below show fair value classifications (excluding accrued interest) by valuation category:

(in EUR)

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Derivatives	7 312 388	49 888 393	0	57 200 781
Other financial assets held for trading	117 434	1 527 554	310 477	1 955 465
Financial assets at fair value through profit and loss	763 314 568	138 587 350	0	901 901 918
Available-for sale financial assets	169 057 540	86 137 427	199 007	255 393 974
Total	**939 801 930**	**276 140 724**	**509 484**	**1 216 452 138**
Financial liabilities				
Derivatives	7 312 387	51 956 731	0	59 269 118
Other financial liabilities held for trading	0	0	0	0
Total	**7 312 387**	**51 956 731**	**0**	**59 269 118**

31.12.2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Derivatives	10 033 849	54 400 447	-	64 434 296
Other financial assets held for trading	5 968 294	4 563 447	739 744	11 271 485
Financial assets at fair value through profit and loss	462 568 086	149 051 000	-	611 619 086
Available-for sale financial assets	722 111 982	108 117 506	210 816	830 440 304
Total	**1 200 682 211**	**316 132 400**	**950 560**	**1 517 765 171**
Financial liabilities				
Derivatives	10 033 849	64 176 025	0	74 209 874
Other financial liabilities held for trading	3 920 166	0	0	3 920 166
Total	**13 954 015**	**64 176 025**	**0**	**78 130 040**

Level 3 securities in the Available-for-sale Financial Assets portfolio are valued mainly on the basis of equity and consist of structures used by Estate Planning and unlisted shares.

The following chart sets out the movements relating to the carrying amounts of the available-for-sale financial instruments classified as level 3:

(in EUR)

	Variable income securities
Balance at 30.09.2014	**4 129 422**
Acquisitions	29 910 742
Disposals	(12 917 247)
Dissolutions	(20 191 717)
Revaluation of securities	16 900
Transfer to Participating Interests portfolio	(737 284)
Balance at 31.12.2015	**210 816**
Acquisitions	62 992
Disposals	(1 253)
Dissolutions	(82 288)
Revaluation of securities	8 741
Transfer to Participating Interests portfolio	(1)
Balance at 31.12.2016	**199 007**

The details of the period's movements are as follows:

(in EUR)

	31.12.2016	31.12.2015
Net result on financial instruments not measured at fair value through profit and loss – Available-for-sale financial assets	286 376	3 408 043
Tax on income for the financial year	(83 679)	(995 830)
Effect on profit(loss) for the financial year	**202 697**	**2 412 213**
Remeasurement of fair value – Available-for-sale financial assets	8 741	16 900
Taxes charged directly to reserves	(2 554)	(4 938)
Effect on other components of comprehensive income	**6 187**	**11 962**
Effect on total comprehensive income	**208 884**	**2 424 175**

8.21 Financial assets transferred

Financial assets transferred as of 31 December 2016 and 31 December 2015 but remaining fully recognised consist solely of bonds lent in the context of the securities lending activity. The amounts of these securities are listed by asset class in the following table:

(in EUR)

	31.12.2016	31.12.2016	31.12.2015	31.12.2015
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at fair value through profit and loss	115 370 627	115 370 627	122 614 923	122 614 923
Available-for sale financial assets	20 124 192	20 124 192	423 364 805	423 364 805
Held-to-maturity investments	0	0	46 358 311	47 386 234
Total financial assets transferred	**135 494 819**	**135 494 819**	**592 338 039**	**593 365 962**

8.22 Offsetting of financial assets and liabilities

The Luxembourg Division does not employ accounting offsetting practices but it has signed some 'offsetting master agreements' with certain counterparties such as:

- 'ISDA Master Agreement' for OTC derivative transactions
- 'global master repurchase agreements' for repurchase and reverse repurchase transactions
- 'global master securities lending agreements' for securities lending transactions

Assets given or received as collateral for these financial transactions may be the following:

- cash and securities for repurchase and reverse repurchase transactions and for over-the-counter derivative transactions for which the Luxembourg Division has signed a Credit Support Annex agreement in addition to the'ISDA'
- securities for securities lending transactions.

The charts below set out the financial assets and liabilities which are covered by an enforceable offsetting master agreement or a similar agreement. Collateral in the form of securities is shown at valuation amount.

(in EUR)

	Financial assets subject to offsetting			Offsetting potential		
31.12.2016	**Amount before offsetting**	**Balance sheet offsetting with financial liabilities**	**Net amount recognised**	**Financial liabilities**	**Collateal received**	**Net amount after taking into account offsetting potential**
Derivatives	48 213 013	0	**48 213 013**	(21 337 839)	(25 652 380)	**1 222 794**
Reverse repos	8 939 844	0	**8 939 844**	-	(8 939 844)	**0**
Securities lending	135 494 819	0	**135 494 819**	-	(66 848 885)	**68 645 934**
Total	**192 647 676**	**0**	**192 647 676**	**(21 337 839)**	**(101 441 109)**	**69 868 728**
31.12.2015						
Derivatives	49 483 188	0	**49 483 188**	(24 366 574)	(14 509 951)	**10 606 663**
Reverse repos	300 655 953		**300 655 953**	0	(298 146 844)	**2 509 109**
Securities lending	592 338 059	0	**592 338 039**	0	(592 338 039)	**0**
Total	**942 477 200**	**0**	**942 477 180**	**(24 366 574)**	**(904 994 834)**	**13 115 772**

(in EUR)

	Financial liabilities subject to offsetting			Offsetting potential		
31.12.2016	**Amount before offsetting**	**Balance sheet offsetting with financial assets**	**Net amount recognised**	**Financial assets**	**Collateal received**	**Net amount after taking into account offsetting potential**
Derivatives	51 075 426	0	51 075 426	(21 337 839)	(29 737 587)	0
Total	**51 075 426**	**0**	**51 075 426**	**(21 337 839)**	**(29 737 587)**	**0**
31.12.2015						
Derivatives	62 860 809	0	62 860 809	(24 366 574)	(19 104 245)	19 389 990
Total	**62 860 809**	**0**	**62 860 809**	**(24 366 574)**	**(19 104 245)**	**19 389 990**

9 Notes to the income statement

The profit and loss account as at 31 December 2016 includes the profit and loss of Petercam (Luxembourg) S.A. for the first quarter of 2016, following the integration of this company into the new organisation on the 1 April with retroactive effect from 1 January 2016.

9.1 Interest income and charges

Interest income and charges by type of interest-bearing financial instrument are as follows:

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Interest income	**45 288 721**	**47 615 164**
Cash and sight accounts with central banks	3 342	8 242
Financial assets held for trading	29 236 198	26 027 516
Financial assets at fair value through profit and loss	9 043 458	8 202 383
Available-for sale financial assets	780 667	2 831 867
Loans and advances to credit institutions	431 840	1 050 857
Loans and advances to customers	5 072 292	8 085 426
Held-to-maturity investments	720 924	1 408 873
Interest charges	**-33 898 454**	**-34 733 598**
Financial liabilities held for trading	(32 579 319)	(33 020 157)
Owed to credit institutions	(429 120)	-280 714
Customer deposits	(890 015)	(1 432 727)
Net interest margin	**11 390 267**	**12 881 566**

9.2 Dividend income

Dividends received by financial asset category are set out below:

(in EUR)

Dividend income	**31.12.2016 (12 months)**	**31.12.2015 (15 months)**
Financial assets held for trading	2 023 400	0
Financial assets at fair value through profit and loss	7 559	2 617 900
Available-for sale financial assets	1 606	790 151
Total	**2 032 565**	**3 408 051**

9.3 Fees and commissions received and paid

Fees and commissions received and paid are distributed among the following services:

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Commission received	**254 194 525**	**303 416 486**
Activities linked to investment funds – Depositary bank	12 952 653	16 645 727
Activities linked to investment funds – Central administration	21 601 430	12 336 080
Activities linked to investment funds – Other	175 339 158	129 008 416
Asset management	7 071 780	92 835 627
Brokerage fees	12 632 939	19 585 244
Activities linked to securities (other than custody fees)	15 711 312	22 088 033
Custody fees	4 641 362	5 436 753
Other	4 243 891	5 480 606
Commission paid	**(166 925 592)**	**(200 057 216)**
Activities linked to investment funds – Central administration	(1 616 385)	(2 182 191)
Activities linked to investment funds – Depositary bank and others	(144 724 501)	(166 862 134)
Brokerage fees	(10 383 646)	(15 410 120)
Activities linked to securities (other than custody fees)g	(5 226 733)	(7 937 093)
Fees	(1 227 655)	(1 371 008)
Custody fees	(2 397 587)	(3 005 353)
Other	(1 349 085)	(3 289 317)
Net fees & commissions	**87 268 933**	**103 359 270**

The heading “Investment-fund related activities – Other” consists essentially of distribution commissions and management fees.

Most of the fees are commissions paid to business referrers.

9.4 Net result on held-for trading financial instruments

The chart below breaks down the gains and losses on held-for-trading financial instruments by type of financial instrument:

(in EUR)

Net gain /(loss) on financial assets and liabilities held for trading	31.12.2016 (12 months)	31.12.2015 (15 months)
Equity instruments and associated derivatives	(8 686 530)	(4 015 384)
Interest rate instruments and associated derivatives	12 676 284	7 872 443
Exchange transactions	6 362 426	12 047 603
Total	**10 352 180**	**15 904 662**

All interest received and paid on these financial instruments is recognised in interest income and charges. The above-mentioned gains and losses include marking to fair value of these financial instruments.

9.5 Net result on financial instruments at fair value through profit and loss

Results on financial instruments at fair value through profit and loss break down as follows by type of financial instrument:

(in EUR)

Net gain /(loss) on financial assets and liabilities at fair value through profit and loss	31.12.2016 (12 months)	31.12.2015 (15 months)
Equity instruments	7 422 195	1 629 405
Interest rate instruments	(6 804 311)	(4 060 058)
Total	**617 884**	**(2 430 653)**

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

9.6 Net result on financial instruments not measured at fair value through profit and loss

The chart below breaks down the gains and losses on financial instruments not measured at fair value through profit and loss by category and by type of financial instrument:

(in EUR)

Net gain /(loss) on financial assets and liabilities not measured at fair value through profit and loss	31.12.2016 (12 months)	31.12.2015 (15 months)
Available-for sale financial assets	5 651 191	5 763 305
Loans and advances	0	(10000)
Total	**5 651 191**	**5 753 305**

All interest received and paid on these financial instruments is recognised in interest income and charges. The marking to fair value of available-for-sale financial assets is recognised in equity under revaluation reserves.

Only gains or losses realised on sales of available-for-sale financial assets are included under this heading.

9.7 Other net operating results

Other net operating results break down as follows:

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Other operating income	**9 541 114**	**5 183 906**
Rental income	2 149 217	2 367 942
Capital gains realised on sale of property, plant & equipment & intangible assets	21 720	0
Recovery of miscellaneous expenses	1 500 535	1 599 002
AGDL reimbursements	65 374	54 729
Interes received on financial liabilities	3 089 671	144 166
Miscellaneous	2 714 597	1 018 067
Other operating expenses	**(2 895 238)**	**(1 973 696)**
Capital losses realised on sale of property, plant & equipment & intangible assets	0	(4 167)
Interest paid on financial assets	(2 349 513)	(149 976)
Taxes and duties other than on income	(303 102)	(437 843)
Miscellaneous	(242 623)	(1 381 710)
Other net operating results	**6 645 876**	**3 210 210**

VAT refunds are recognised under miscellaneous income for an amount of €1 183 024 in the financial year as of 31 December 2016 (31 December 2015: €665 431). Recovery of miscellaneous expenses also includes the re-invoicing of administrative services and general expenses such as electricity cogeneration and equipment rental.

Interest received and paid on financial instruments, the interest of which is negative, concerns interest rate derivatives, assets deposited with the Luxembourg Central Bank and client deposits.

9.8 Personnel expenses

Personnel expenses comprise the following:

(in EUR)

Personnel expenses	**31.12.2016 (12 months)**	**31.12.2015 (15 months)**
Salaries and other benefits	(32 193 899)	(36 114 741)
Social security, national insurance and supplementary insurance	(3 402 670)	(3 793 893)
Charges associated with pensions	(934 030)	(1 135 480)
Employee benefits linked to profit sharing scheme	32 466	(592 010)
Other costs	(824 108)	(1 043 799)
Total	**(37 322 241)**	**(42 679 923)**

Note 11 provides information on benefits granted to staff and on the profit sharing plan.

The average number of employees was:

Personnel	**31.12.2016**	**31.12.2015**
Board members	11	13
Senior managers	147	132
Employees	175	172
Total	**333**	**317**

The amount of remuneration allocated to the governing body during the year was:

(in EUR)

Governance body	**31.12.2016 (12 months)**	**31.12.2015 (15 months)**
Directors	(212 404)	(191 091)
Management	(3 198 354)	(5 077 189)
Total	**(3 410 758)**	**(5 268 280)**

As of 31 December 2016, the total amount of advances/loans granted to directors stood at €891 491 (31 December 2015: €991 670) while not advance was granted to the management body in 2016 (31 December 2015: €334 755).

As of 31 December 2016 other commitments had been made to directors for €22 870 (31 December 2015: €28 658); while no commitment was granted to the management body in 2016 (31 December 2015: €16 109).

9.9 General and administrative expenses

General and administrative expenses break down as follow:

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Marketing, advertising and public relations	(778 441)	(737 893)
Professional fees	(4 775 921)	(2 300 232)
Operating fees	(1 972 535)	(1 702 450)
IT and telecommunications charges	(7 277 930)	(6 185 422)
Repair and maintenance	(2 144 784)	(2 580 196)
Other general and administrative expenses	(6 377 979)	(4 089 513)
Total	**(23 327 590)**	**(17 595 706)**

Other general and administrative expenses consist mainly of entertainment and travel expenses, supplies and documentation costs, training expenses, and contributions and insurance premiums other than those linked to personnel.

For the financial year ended 31 December 2016 the contribution of €423 172 to the national resolution fund and the provision of €34 442 for the deposit guarantee fund were also included under this heading (31 December 2015: €183 392 and €166 120, respectively).

Fees recognised for services invoiced to the Luxembourg Division during the year by KPMG Luxembourg Société Cooperative and by audit firms belonging to the KPMG network are as follows:

(excluding VAT, in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Legal audit of the consolidated financial statements for the year	(343 233)	(407 126)
Tax advisory services	(343 534)	(302 956)
Other services	(79 226)	(193 420)
Total	**(765 993)**	**(903 502)**

9.10 Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation of property, plant and equipment for the year ended 31 December 2016 amounted to €2 173 935 (2015: €2 689 706) and amortisation of intangible assets amounted to €3 920 719 (2015: €2 695 553).

A breakdown of this depreciation and amortisation by asset category is given in notes 8.9 and 8.10.

9.11 Provisions

During the previous financial year, a provision for restructuring was recognised for €4 100 000 (note 8.15), it was only used in 2016. The total of provisions for litigations as of 31 December 2015 which amounted for € 2 550 000, was reversed in 2016.

As of 31 December 2015, additional provisions of € 498 679 allowed the Group to settle two disputes (note 8.16).

9.12 Net impairment losses on assets

Net impairment losses on assets break down as follows:

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Loans and advances to customers	(1 515 958)	(1 030 464)
Intangible assets (goodwill)	(1 077 939)	(333 050)
Interests in associates, subsidiaries and joint ventures accounted for using the equity method	0	(1 605 257)
Total	**(2 593 897)**	**(2 968 771)**

The breakdown of changes in impairment on loans and advances to customers as of 31 December 2016 and 2015 are included in note 7.6.

Net impairment on intangible assets is related to Bank Landolt & Cie S.A. as shown in the note 7.7.

9.13 Tax expense

The net tax expense is explained as follows:

(in EUR)

	31.12.2016	31.12.2015
Tax on income for the financial year	10 497 139	12 845 885
Deferred taxation	(1 045 366)	(541 681)
Tax on income for the financial year	**9 451 773**	**12 304 204**
Reversal of prior years' provisions	(10 264)	(3 866 019)
Net tax expense	**9 441 509**	**8 438 185**

The following chart shows the reconciliation of the standard tax rate in Luxembourg (29.22% with the Bank's effective tax rate).

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Pre-tax profit	57 154 145	69 011 684
Tax rate applicable at closing date	29.22%	29.22%
Notional tax on profit	**16 700 441**	**20 165 214**
Effect of differences in tax rates in other jurisdictions	106 297	135 448
Tax effect of non-deductible expenses	1 427 685	1 309 185
Tax effect of non-taxable income	(761 730)	(1 942 922)
Deductible tax expenses	(6 140 100)	(7 469 146)
Effect of other items	(1 880 820)	106 425
Tax on income for the financial year	**9 451 773**	**12 304 204**
Average effective tax rate	**16.54%**	**17.83%**

The tax effect of non-taxable income consists mainly of capital gains on shares, non-taxable dividends and reversals of previous years' provisions for taxes.

9.14 Other components of comprehensive income

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

For the financial years ended 31 December 2016 and 31 December 2015, other items of comprehensive income consisted solely of unrealised gains and losses relating to the revaluation of the portfolio of available-for-sale financial assets as shown in the chart below in euros. These results are recognised directly in equity (see note 8.4) and may be reclassified to profit and loss in a subsequent period.

(in EUR)

	31.12.2016 (12 months)	31.12.2015 (15 months)
Fixed income securities	**(2 050 252)**	**(5 177 268)**
Adjustement to fair value before tax	219 282	(7 361 559)
Transfer from reserve to pre-tax profit		
Reversal of reserve following disposals / reimbursements	(2 009 271)	(618 408)
Change in unrealised revaluation gains and losses on available-for-sale assets as a result of their reclassification as held-to-maturity investments	0	(8 287)
Taxes charged directly to reserves	(260 263)	2 810 986
Variable income securities	**865 766**	**(3 120 856)**
Adjustement to fair value before tax	9 853	16 900
Transfer from reserve to pre-tax profit		
Reversal of reserve following disposals / reimbursements	0	(2 992 522)
Taxes charged directly to reserves	855 913	(145 234)
Total other components of comprehensive income	**(1 184 486)**	**(8 298 124)**

10 Rights and commitments

10.1 Assets in open custody

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

The Luxembourg Division’s assets in open custody as of 31 December 2016 and 31 December 2015 amounted to €41 268 267 339 and €39 276 537 532 respectively.

10.2 Guarantees issued

As of 31 December 2016, the Bank had issued bank guarantees totalling €18 985 881 and completion guarantees amounting to €7 811 401 (2015: €16 746 581 and €24 187 194 respectively).

As of 31 December 20165, the total amount of cash pledged as collateral stood at €97 149 691 (2015: €50 338 403) of which €56 040 263 (2015: €31 234 158) pledged to Banque Degroof Petercam S.A. in respect of proprietary and client options and futures transactions; the balance is mostly accounted for by guarantees granted in the context of CSA agreements.

10.3 Guarantees received

Total guarantees received in the form of assets, asset assignments and sureties for loans granted to customers, securities lending and derivatives transactions amounted to €623 106 361 as of 31 December 2016 (31 December 2015: €1 396 662 917). Of these guarantees €514 823 876 (31 December 2015: €1 289 898 204) consisted of mortgages and pledges of cash and securities.

As of 31 December 2016 and 2015, €8 939 421 and 298 054 036, respectively, of collateral was received under repurchase transactions but none of these amounts have been used to guarantee repurchase transactions.

10.4 Commitments

The Bank has commitments under credit lines granted to customers, of which the unused amount at 31 December 2016 stood at €119 072 289 (at 31 December 2015: €49 689 812).

The Bank has also commitments to subscribe securities on behalf of its clients for € 2 000 000 as of 31 December 2016. In 2015, no commitment of this nature has been made.

As of 31 December 2016, the amount of fiduciary transactions was €493 204 174 (2015: € 656 493 011).

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

The law on measures for the resolution, recovery and liquidation of credit institutions and certain investment undertakings and deposit guarantee schemes and indemnification of investors ('the Act') was passed on 18 December 2015. It transposed Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and Directive 2014/49/EU on deposit guarantee schemes into Luxembourg law.

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

By the end of 2024 the financial resources of the FRL (Fonds de Résolution Luxembourg) must reach at least 1% of the guaranteed deposits as defined in Article 1, no. 36 of the Act of all approved credit institutions in all participating Member States. This amount will be collected from credit institutions by means of annual contributions from 2015 to 2024.

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

When the level of 0.8% is reached, Luxembourg credit institutions will continue to contribute for eight more years so as to build up an additional safety cushion of 0.8% of guaranteed deposits as defined in Article 163 no. 8 of the Act.

During the financial year, the Luxembourg Division paid annual contributions to FGDL of €200 562 and €423 172 to FRL.

11 Employee benefits and share-based payment plans

11.1 Post-employment benefits

Post-employment benefits consist of defined contribution pension plans. The contributions expense during this past financial year was €934 030 (€1 135 480 for the year to 31 December 2015).

11.2 Group profit sharing plans

In recent years Banque Degroof Petercam S.A. has set up a number of profit sharing plans either for directors, senior managers of the Banque Degroof Petercam Group or both, with a view to ensuring their loyalty and aligning their personal interests with those of the Group. These schemes have been set up in accordance with local legal provisions. The corresponding entry for the charge for the period of €32 466 in 2016 (2015: €592 010) is recognised in equity.

The profit sharing plans set up include cash-settled plans and share-settled plans. The Bank did not announce any plan during the previous two financial years under review.

12 Related parties

The Luxembourg Division's related parties are the associates, members of the Board of Directors and other executives of the Luxembourg Division and its subsidiaries ('key management'), as well as close family members of the aforementioned persons and any company controlled or significantly influenced by one of the aforementioned persons.

The charts below summarise, by type, the transactions undertaken with related parties of the Banque Degroof Petercam S.A. Group:

(in EUR)

31.12.2016	Parent company	Associates	Key management	Other related parties	Total
Balance sheet					
Advances in current accounts	161 296 820	451 705	2 695 891	3 147 857	**167 592 273**
Term loans	0	439 786	12 675 648	64 939 016	**78 054 450**
Other assets	4 015 174	0	0	3 377 191	**7 392 365**
Total assets	**165 311 994**	**891 491**	**15 371 539**	**71 464 064**	**253 039 088**
Deposits	19 720 595	10 560 714	165 210	60 002 260	**90 448 779**
Other liabilities	7 908 788	271	0	202 904	**8 111 963**
Total liabilities	**27 629 383**	**10 560 985**	**165 210**	**60 205 164**	**98 560 742**
Guarantees issued	13 750	20 000	7 188 759	0	**7 222 509**
Guarantees received	0	450 385	6 948 873	17 939 421	**25 338 679**
Other commitments	0	2 870	510 674	5 852 143	**6 365 687**

(in EUR)

31.12.2016	Parent company	Associates	Key management	Other related parties	Total
Income statement					
Financial expenses	(10)	0	0	(149 624)	**(149 634)**
Fees and commissions	(61 229 649)	0	0	(21 148 117)	**(82 377 766)**
Personnel expenses	0	(5 224 817)	0	0	**(5 224 817)**
Other	(1 726 136)	0	0	(33 028)	**(1 759 164)**
Total expenses	**(62 955 795)**	**(5 224 817)**	**0**	**(21 330 769)**	**(89 511 381)**
Interest income	309 258	9 996	305 524	1 554	**626 332**
Fees and commissions	1 068 734	18 745	0	11 051 375	**12 138 854**
Other	0	0	8 144	10 000	**18 144**
Total revenues	**1 377 992**	**28 741**	**313 668**	**11 062 929**	**12 783 330**

(in EUR)

31.12.2015	Parent company	Associates	Key management	Other related parties	Total
Balance sheet					
Advances in current accounts	65 109 881	553 702	4 584 053	2 616 843	**72 864 479**
Term loans	180 040 928	772 723	12 514 244	61 883 132	**255 211 027**
Other assets	12 100 030	-	-	2 755 919	**14 855 949**
Total assets	**257 250 839**	**1 326 425**	**17 098 297**	**67 255 894**	**342 931 455**
Deposits	8 322 175	9 248 150	9 621 429	566 488	**27 758 242**
Other liabilities	18 420 642	3 252	159 000	3 692 234	**22 275 128**
Total liabilities	**26 742 817**	**9 251 402**	**9 780 429**	**4 258 722**	**50 033 370**
Guarantees issued	13 750	22 500	15 461 694	0	**15 497 944**
Guarantees received	0	6 948	6 948 873	9 000 000	**15 955 821**
Other commitments	0	22 267	1 500 658	6 383 157	**7 906 082**

(in EUR)

31.12.2015	Parent company	Associates	Key management	Other related parties	Total
Income statement (15 months)					
Financial expenses	(707)	0	(2 903)	(102 328)	**(105 938)**
Fees and commissions	(69 907 729)	(4 503)	(969 618)	(17 882 250)	**(88 764 100)**
Personnel expenses	0	(7 337 816)	0	(385 483)	**(7 723 299)**
Other	(15 262)	0	(478 240)	(233 825)	**(727 327)**
Total expenses	**(69 923 698)**	**(7 342 319)**	**(1 450 761)**	**(18 603 886)**	**(97 320 664)**
Interest income	177 835	24 472	268 751	124 083	**595 141**
Fees and commissions	273 984	33 405	91 566	14 013 490	**14 412 445**
Other	0	0	108 845	12 500	**121 345**
Total revenues	**451 819**	**57 877**	**469 162**	**14 150 073**	**15 128 931**

All the related party transactions shown in the above charts were carried out under normal market conditions.

Key management personnel costs break down as follows:

(in EUR)

	31.12.2016	31.12.2015
Short-term personnel benefits	(4 973 249)	(6 767 575)
Post-employment benefits	(213 250)	(287 868)
Employee benefits linked to profit sharing scheme	(37 863)	(282 373)
Total	**(5 224 362)**	**(7 337 816)**

13 Geographical information

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

The following charts summarise the main information on the Group in terms of the countries where the subsidiaries are domiciled:

(in EUR)

31.12.2016 (12 months)	Average number of FTE employees	Net revenue	Profit (loss) before tax	Taxes on income
Hong Kong	5	197 413	(600 446)	0
Luxembourg	328	123 761 483	57 754 591	9 441 509
Total	**333**	**123 958 896**	**57 154 145**	**9 441 509**

31.12.2015 (15 months)	Average number of FTE employees	Net revenue	Profit (loss) before tax	Taxes on income
Hong Kong	5	222 545	(477 727)	0
Luxembourg	312	141 863 866	69 489 411	8 438 185
Total	**317**	**142 086 411**	**69 011 684**	**8 438 185**

14 Events after the reporting period

Since the end of the reporting period, no event likely to have a significant effect on the Group's position or activities should be noted.

Contacts

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LUXEMBOURG ••••

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