



Bank Degroof Petercam

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blog.degroofpetercam.com
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“We are pleased to have closed the year 2017 with largely positive results. Our clients have benefited from robust management performance and tailored solutions. Our consolidated results for 2017 confirm the financial strength and growth of our group.”

Dear Madam, dear Sir,

The 2017 financial year proved both robust and exciting. Our results were robust, whereas in terms of challenges 2017 was a very exciting year that was marked by the consolidation of our mission: to offer our private, corporate and institutional clients the best services to help them achieve their ambitions.

Strong management performance in contrasting markets

On the market side, 2017 was a good year for the equity markets, with synchronized economic growth for the first time since 2010. The United States continued their positive economic cycle, while the recovery in growth was confirmed in Europe, Japan and the emerging countries. However, the decline recorded by the dollar weighed on equity market performance in euro terms. On the bond side, however, 2017 was not a good year. Developments in the monetary policies maintained by both the US Federal Reserve and the European Central Bank had an impact on long-term rates, which weighed on bond performance.

In this complex environment, the private banking and institutional asset management teams once again demonstrated their ability to add value by delivering above-average equity and bond performance to their clients. Our funds have received numerous awards, confirming the financial and technical expertise of our staff members.

Cross-functionality, proactivity and agility

In 2017, Degroof Petercam strengthened its operational foundations around its main strategic axes. Our clients have thus benefited from the synergies of the natural expertise between our various businesses, i.e. private banking, institutional asset management, investment banking and asset services (custodian and fund administration activities).

At the same time, our governance bodies have evolved to meet the new challenges of our industry and those of our group. Our objectives? To be more proactive and more agile and to capitalize both on our international network and on the synergies resulting from our business model.

This year, we focused a great deal of our attention on Family Business Owners as part of our development. Our approach allows providing specialized solutions to meet their specific needs, for the management of both their private and professional assets.

Further internationalization

At international level, by increasingly sharing our IT, reporting and communication tools, we are improving the efficiency with which we expand our services offer to the various entities of the group. The successful development of our subsidiaries continued. We have extended our network in Spain and created a specialized hub in Luxembourg to support our clients in their international projects. In Institutional Asset Management, local teams were reinforced in our key markets, namely in Germany, France, Spain and Italy. Investment Banking posted excellent results, particularly in France, while Asset Services recorded strong growth in Luxembourg.

Statement from the board of directors

Group revenues and profitability on the rise

The strength of our cross-functional and international commercial dynamics enabled us to have an excellent year, particularly in fund distribution, credits and international private banking.

In 2017, our revenues amounted to 468 million euros, up from 436 million euros in 2016. This result reflects the good performance of fee-generating businesses, in particular institutional management, private banking, investment banking and asset services, which largely offset the decline in market activities in a negative interest rate environment.

In 2017, Degroof Petercam recorded a gross operating income of 129 million euros, compared to 122 million euros in 2016. After exceptional items, mainly integration costs and after tax, the consolidated net profit for 2017 was 86 million euros, up from 58 million euros in 2016.

On 31 December 2017, assets under management amounted to 54.8 billion euros, against 52.3 billion euros at the end of 2016. This increase is due to significant new assets generated in particular by the distribution of our funds and by market effects. On 31 December 2017, outstanding loans amounted to 1.9 billion euros for a balance sheet of 8.3 billion euros and cash deposits of 6.7 billion euros. The capital ratio (CET1) was 17.1%, well in excess of regulatory requirements and a reflection of our strong balance sheet. Compared to 2016, the number of employees has slightly increased.

Investments in talent, expertise and digital technology

For 2018, our outlook on the economic and equity market remains positive, particularly in Europe. Economic growth seems to be holding steady at a relatively sustained pace in the various geographical areas and our baseline scenario is based on a continuation of this trend. Of course, we remain aware of the various persistent risk factors, namely interest rates, inflation, the dollar and the need to rebalance the Chinese economy. The positive business momentum that began in 2017 gives us confidence for this year. We intend capitalizing on the progress we have made which should now achieve its full potential.

We are continuing our efforts in the digital world to offer the best possible experience to our clients and staff members. Our digital platforms and applications are a priority and we plan to invest significant resources in them. The goal of these digital technologies is to reinforce the relationship with the clients and to enhance the user-friendliness of our services, but not to replace the human contact.

We are delighted to celebrate the 10th anniversary of the Degroof Petercam Foundation this year. The Foundation benefits from increased resources to support projects in connection with new sources of employment in the future. As with the dynamics around responsible investment, the social responsibility dimension is particularly important to us, as we are convinced that economic players like us play an important role in the community. We share this conviction with our clients, who are increasingly demanding responsible finance.

We would like to take this opportunity to once again thank our clients for their loyalty and trust. We would also like to express our gratitude to our employees for their commitment. We are proud of their teamwork, and are aware that the complexity of their efforts is not always

perceptible in a challenging regulatory environment. To accompany our staff in a constantly changing world, we are pursuing an ambitious training program. Being agile and well prepared for digital evolutions is key for our organization. In addition, Degroof Petercam is looking for new talent to strengthen its teams, in particular in Flanders where we have the ambition to grow significantly.

Finally, we are grateful to our directors and family shareholders for their continued support. We are committed to investing in talent and expertise and in our tools to provide the best services to our clients in an ever-changing world.



Philippe Masset
CEO



Alain Philippson
Chairman of the board
of directors

Since 1 January 2018, Ludwig Criel succeeded to Alain Philippson as chairman of the board of directors of Degroof Petercam. After 45 years with the group, Alain Philippson decided to pass on the board chairmanship, while remaining a member of the board of directors. As independent director, chairman of the remuneration committee, and member of the risk and appointments committees, Ludwig Criel knows our institution inside out. Alain Philippson: "I am confident that under Ludwig Criel's leadership, we will remain at the forefront of serving our clients in an increasingly complex financial world. Our independent group, in the hands of family shareholders, will continue to build on its unique heritage dating back to 1871. I would like to thank our clients for the trust they have placed in us. My family looks forward to continuing to be closely involved in the group as a reference shareholder and through its active participation in the board of directors. "



Degroof
Petercam

Key figures

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

Board of directors

Chairman of the board of directors
Baron Philippson
Chairman of the executive committee
Philippe Masset
Directors who are members of the executive committee
Nathalie Basyn
Gautier Bataille de Longprey
Bruno Colmant
Benoît Daenen
Gilles Firmin
Pascal Nyckees

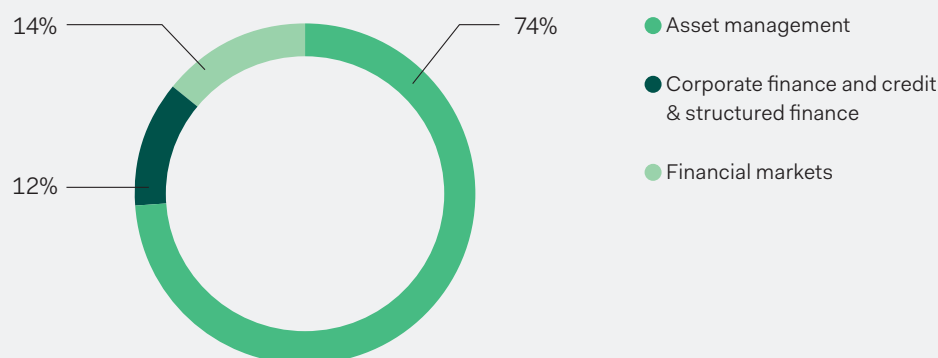
Directors
Ludwig Criel*
Miguel del Marmol
Jean-Baptiste Douville de Franssu
Christian Jacobs*
Jean-Marie Laurent Josi
Véronique Peterbroeck
Jacques-Martin Philippson
Alain Schockert
Frank van Bellingen

*Independent director.

(in billion EUR)

Assets under management	31.12.2017	31.12.2016
Private clients	34.9	35.1
Institutional clients	8.0	8.0
Third-party undertakings for collective investment holders	9.3	7.0
External management	2.6	2.2
Total	54.8	52.3

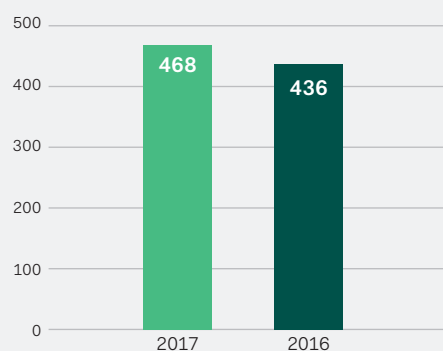
Breakdown of operating income 2017



¹ Restatement of the 2016 data following a transfer between institutional clients and third-party undertakings for collective investment holders.

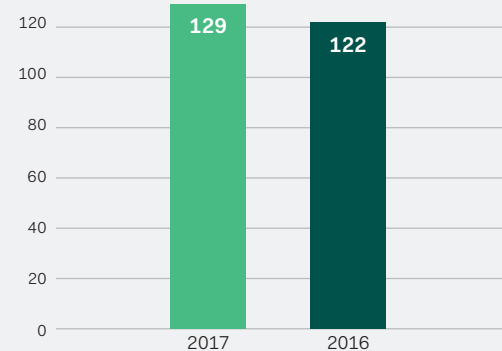
Net income

(in million EUR)



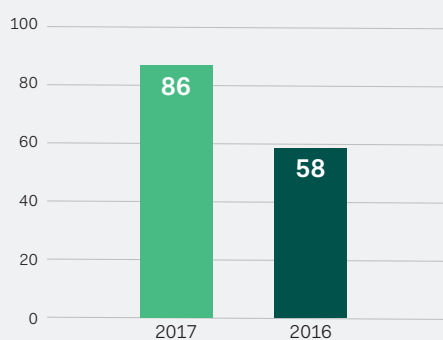
Gross operating profit

(in million EUR)



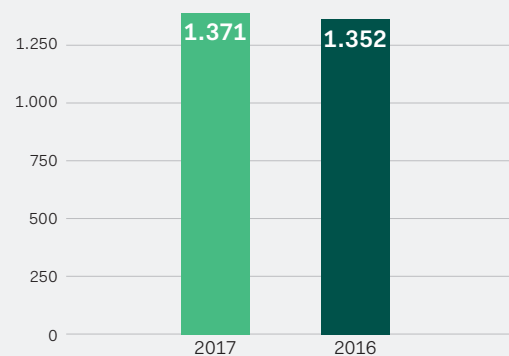
Consolidated net profit

(in million EUR)

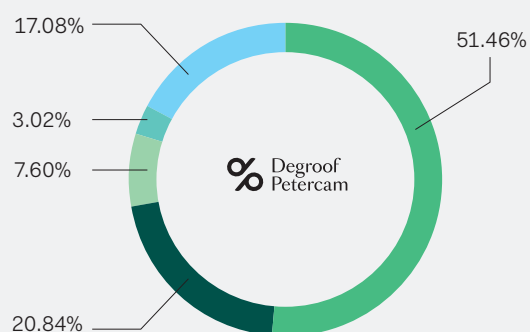


Employees

(in FTE)



Capital structure at 31.12.2017



- DSDC *
- Petercam Invest *
- Management and staff
- Own shares
- Financial partners

Total number of shares: 10.842.209

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



Highlights

Private Banking

- 34.9 billion euros in private client assets under management.
- Above-average returns (first quartile) for portfolios under management.
- Activities that contributed to performance:
 - 100% socially responsible mandates for clients in discretionary management;
 - Family Office service dedicated to large families with complex assets;
 - offer for Family Business Owners in partnership with the Corporate Finance team in Belgium and France;
 - impact investing solutions offered through projects by Inclusio, a real estate company with social ambitions, and Gingo, the platform for collaborative philanthropy;
 - investment offer in Private Equity projects;
 - major philanthropic mandates.
- Continuation of the internationalization of activities through the:
 - development of an international hub in Luxembourg;
 - launch of a network of independent private bankers in Spain.
- Investments and advances in the digital area, with new functionalities for the MyDegroofPetercam consultation and reporting tool on tablet and smartphone.
- Organization of the sixth Degroof Petercam Business Day which brings together entrepreneurs.
- Recruitment of private bankers, particularly in Flanders, to support growth in the north of the country.
- Named *Best Private Bank 2017* in Belgium by Euromoney for the second year running.

Institutional Asset Management

- Strong growth in institutional asset management due to net inflows, gross assets under management reached EUR 41.9 billion and net assets (excluding double counting) reached EUR 29.9 billion.
- Management of close to 300 institutional mandates totaling 7.8 billion euro.
- Continued international expansion, with over 50% of funds and mandates sold outside Belgium, confirming pan-European ambitions.
- Growth of almost 33% in assets under management for third-party owners (from 7.0 billion euros in 2016 to 9.3 billion euros in 2017).
- Excellent management performance (top second quartile – Morningstar).
- Strengthening of the sales teams in Germany, France, Spain and Italy.
- Numerous awards for quality management and fund performance:
 - Extel Awards: best fund manager in Belgium;
 - L'Echo / De Tijd: best bond manager and best US equity fund;
 - La Libre Belgique / De Standaard: best European and global equity funds;
 - Morningstar: best Belgian equity fund;
 - Thomson Reuters Lipper: 14 awards, notably for sustainable management, high-yield bonds, emerging-market bonds, inflation-linked bonds and listed real estate.

Asset Services

- 38 billion euros of assets under management and/or custody for investment funds incorporated under Belgian and Luxembourg law.
- 9% growth in investment funds for third-parties, which totaled 8.8 billion euros.
- Successful integration of the Luxembourg ex-Petercam funds.
- Degroof Petercam Asset Services and Banque Degroof Petercam Luxembourg ranked well in the Monterey Insight list for 2017 in the categories Management Company, Fund Administrator and Fund Custodians.
- Creation of the first Reserved Alternative Investment Fund (RAIF) for a private Swiss bank.

Investment Banking

- 94 mandates in consultancy, mergers & acquisitions (M&A) and capital market activities, confirming Degroof Petercam's strong position in all categories of financial consulting for mid-size companies.
- Sustained activity in 2017, which resulted in more than 2.5 billion euros in the bond markets (Befimmo, ImmoBel, Argan, Laurent Perrier, Limagrain, Gemalto) as well as capital markets (accelerated private placements: Biocartis, Mithra, Argan – capital increases: Aedifica, Sipef, Xior - IPOs: Nextstage and Prodways).
- 29 M&A mandates for companies in Belgium (Vio/SD Worx, Roularta/De Persgroep, Cegeka/GIMV, Connex Group/Stamley Black & Decker, Beltrami/Brachot Hermant, Nafilyan/ImmoBel) and in France (Moret/Europa, Ardian/Assystem, Biogroup) for a total of nearly 3 billion euros.
- Third (Benelux), fourth (France) and fifth (Europe) position in Standard and Poor's and Private Placement Monitor's 2016 League Tables ranking in private placements.
- Euronext nomination as Best Liquidity Provider for the eighth consecutive year.
- Organization of institutional seminars covering the healthcare, consumer, real estate, etc. sectors in major international financial centers such as New York, London, Paris, Milan, Zurich, Brussels and Luxembourg. After a record year in 2016, limited decline in treasury results thanks to the management strategy of the Asset Liability Management Committee, which had to deal with negative short-term rates.
- Stock option plan activity up sharply with a record 400 client companies.

Responsible investment

- Sustained growth in assets under management through SRI funds to 2.8 billion euros thanks to net inflows into the various funds and strong interest from institutional and private clients.
- Highest rating (A+) under the UN Principles for Responsible Investment (PRI).
- Full communication and transparency of ESG profiles (environmental, social and governance) of all investment funds managed by DPAM.
- Strengthening of the team responsible for internal investment research by recruiting three new professionals.
- Launch of the first Sustainable Seminar in Brussels, participation for the sixth consecutive time in the Semaine de la finance responsable (Financial responsibility week) in Paris and participation for the fourth time in the GFSI (Global Food Safety Institute) in Switzerland.
- Addition of four renowned external experts to the Fixed Income Sustainability Advisory Board to include the latest sustainable challenges in the country sustainability model.
- Expansion of the Voting Advisory Board to include three independent experts specialized in corporate governance issues and participation in the general meetings of shareholders of 507 companies with votes cast on more than 8 000 resolutions.
- Organization of several internal events to increase employee awareness of ESG issues.

Private Equity

- Expansion of the offering and confirmation of the growing demand from our clients.
- Successful private placements, mainly exclusive, through feeder structures offering access to first-class international funds and diversified strategies (the latest flagship buy-out fund of CVC Capital Partners, the Alpinvest co-investment platform and a Warburg Pincus fund).
- Closing of the first tranche of a second round of financing for an amount of 28 million euros from Inclusio, an impact investing fund.
- Positive developments in renewable energy funds: first sale resulting in a first distribution in Green Fund II and continued deployment of Green Fund III capital.
- New alternative investment funds enabling improved implementation and time-to-market thanks to close transversal collaboration between several teams and countries within the group.

Credits

- Increase in outstanding credits to 1.9 billion euros, the result of sustained Lombard credit activity with private clients in Belgium, Luxembourg, France, Spain and Switzerland.
- Successful development of an international service offering owing to flexible solutions, competitive credit terms and conditions and a low interest rate environment.
- Good credit portfolio quality.

Financial Research

- Buy-side research team of equity and credit analysts who draw up a list of recommendations for over 100 European and American equities and cover over 500 corporate bonds (high yield and investment grade).
- Publication of two macroeconomic books: *20 questions d'actualité sur la situation économique et financière* / *20 essentiële vragen over de financieel-economische toestand van vandaag* and *20 questions d'actualité sur l'économie belge* / *20 essentiële vragen over de Belgische economie*.
- Publication of the Benelux Company Handbook.
- With coverage of, Sell-side research team of analysts monitoring the majority of Benelux companies with 140 companies covered, and providing over 1 000 company reports and 40 detailed reports on listed companies. Generation of "positive alpha" confirming the team's track record year after year.

Philanthropy

- Second anniversary of the Gingo.community, the first platform for collective philanthropy in Belgium which raised a total of 272 087 euros to finance 21 projects.
- Launch of three new projects to promote general and technical education, vocational training and entrepreneurialism: La Petite Ecole, Synlab and Collective Impact.
- Organization of philanthropic forums welcoming Mrs Shirin Ebadi, the first Muslim woman to receive the Nobel Peace Prize and Mr Kenneth Roth, Executive Director of Human Rights Watch.
- The Degroof Petercam Cycling Team raised funds for the Belgian Foundation against Cancer.
- Participation in the annual summit of the European Venture Philanthropy Association (EVPA) in Oslo on the role of banks in promoting social investment.
- Investment of 100% of the Degroof Petercam Foundation's portfolio in socially responsible investment.
- 275 colleagues participated in the fifth edition of Degroof Petercam Solidarity Days, providing 2 200 volunteer hours to charitable organizations in Belgium.

International

Luxembourg

- Establishment of transversal group structures between Belgium and Luxembourg, with the development of:
 - . BeLux platforms for IT, custodian bank and Operations;
 - . an international hub for the international expansion of Private Banking activities;
 - . the International Patrimonial Services department to answer complex transnational Estate Planning questions.
- Launch of the Forum des entrepreneurs, an exchange platform contributing to the development of entrepreneurial culture, with the participation of Norbert Becker (Arthur Andersen, Atoz) and Yves Elsen (University of Luxembourg, Hitec and Luxembourg Space Cluster).
- Development of the 'Micro-donations' program, enabling staff members to donate an amount of their salary to a charity.

France

- Strong growth in investment banking for the second year in a row, in both revenues and the size of transactions carried out.
- Reorganization of Wealth Management activities, adaptation of the service offering and increase of synergies with the group.
- Development of the management company, increase in staff.
- Official launch of the private banking and family office activity, in Lyon, for the Auvergne-Rhône-Alpes region.
- Funding by the Degroof Petercam Foundation to open an office in Roubaix for Mozaik RH, France's leading human resources recruitment and consultancy firm specializing in the promotion of diversity.

Spain

- Significant increase in assets under management.
- Growth of the private bankers network in Barcelona, Madrid and Pamplona.
- Successful migration to a new technology platform.
- Strong commitment to society, notably through active participation in Net Mentora (entrepreneurial network), Oxfam Trailwalker 2017, *Banc dels Aliments*, etc.

Switzerland

- Continued sustained growth in assets under management.
- Significant development of the Swiss local clientele.



Corporate governance

1 Composition of the board of directors

The Bank Degroof Petercam board of directors is composed of members of the executive committee together with non-executive directors.

The composition of the board of directors is reliant on the following rules:

- the composition of the board as a whole must enable it to function effectively, efficiently, and in the best interests of the company. It must show a diversity of expertise together with a range of complementary experience;
- no individual member nor group of directors must be able to control the decision-making of the board;
- the majority of directors must be non-executive;
- the board must include two independent directors.

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

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

During the financial year, the following changes were made to the composition and size of the board of directors and executive committee:

The ordinary general shareholders' meeting of 23 May 2017 appointed Mr. Benoît Daenen as director for a six-year term. At its meeting on 16 March 2017, the board of directors decided to appoint him managing director and member of the executive committee.

At 31 December 2017, the board of directors was composed of the following members:

	Mandate expires
Chairman of the board of directors	
Baron Philippson	05/2019
Chairman of the executive committee – managing director	
Philippe Masset	05/2020
Directors who are members of the executive committee – managing directors	
Nathalie Basyn	05/2021
Gautier Bataille de Longprey	05/2022
Bruno Colmant	02/2021
Gilles Firmin	05/2019
Pascal Nyckees	05/2021
Benoît Daenen	05/2023
Directors	
Ludwig Criel ¹	05/2021
Miguel del Marmol	05/2021
Jean-Baptiste Douville de Franssu	05/2021
Christian Jacobs ¹	05/2019
Jean-Marie Laurent Josi	05/2022
Véronique Peterbroeck	06/2021
Jacques-Martin Philippson	05/2022
Alain Schockert	05/2022
Frank van Bellinghen	05/2019

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

Following the advice of the appointments committee, the board of directors of 8 February 2018 decided to propose to the shareholders at the ordinary general shareholders' meeting on 22 May 2018 the appointment of Mr. Guido Vanherpe, in replacement of Mr. Xavier Van Campenhout, who resigned on 31 December 2017, and of Mr. François Wohrer for a six-year term. The latter will become a member of the group executive committee pending his appointment by the general shareholders' meeting and a decision by the board of directors.

In accordance with the applicable statutory provisions, this proposal has been submitted for approval to the supervisors.

¹ Independent director.

2 Operation of the board of directors

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

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

The board of directors meets at least four times a year. During the past financial year, it met on eight occasions.

At the end of each quarter, the board of directors reviewed the results of the group. It conducted a strategic review of the policy lines of certain activities of the group and of possible acquisition dossiers, and followed up on the integration process.

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

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

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

The board of directors, in accordance with article 17 of its articles of association, has established an executive committee within its ranks.

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

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

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

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

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

4 Committees created by the board of directors

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

4.1 Audit committee

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

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

Mr. Christian Jacobs is the chairman of the audit committee.

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

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not members of the audit committee, are invited to attend meetings. The Chief Financial Officer is invited to meetings concerning the analysis of the half-yearly and annual financial statements and changes to the performance.

The company's auditor takes part in meetings that deal with the examination of the half-yearly and annual financial statements.

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

The audit committee met nine times during the past financial year. It reported systematically on its activities to the board of directors.

The meetings mainly focused on examining the half-yearly state of affairs, the annual financial statements and activity reports, on the follow-up and implementation of the recommendations by the group's internal auditors, and on approving the planning for internal audit work. The committee also examined the conclusions of the audit and risk committees of the subsidiaries. Representatives from the group's most important subsidiaries reported on their activities and any challenges encountered. The committee examined the summary of disputes.

4.2 Risk committee

The risk committee assists the board of directors with regard to the assessment of the risk tolerance level, and proposes action plans accordingly.

Mr. Frank van Bellingen is the chairman of the risk committee.

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

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not members of the risk committee, are invited to attend meetings.

The risk committee met nine times during the past financial year. It reported systematically on its activities to the board of directors.

The risk committee outlines the policies of the group with regard to risk management. It seeks the advice of competent members of management on specific matters and examines the control procedures relating to certain market risks and structural interest rate risks.

The risk committee paid particular attention to the follow-up by the risk management, and more specifically the impact of decisions regarding the risk profile of the Bank. Moreover, the committee supervised the correct application of the remuneration. The committee approved the ICAAP¹ and ILAAP² reports, the recovery plan, the interim risk management and operating risk reports and the annual report of the Compliance Officer.

4.3 Appointments committee

The appointments committee is consulted on issues concerning:

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

Mr. Alain Philippon is the chairman of the committee. Mr. Ludwig Criel is a member of the appointments committee in his capacity as an independent director. The Chief Executive Officer and the Chief HR Officer are invited to attend meetings of the appointments committee.

The appointments committee met eight times during the past financial year. It reported systematically on its activities to the board of directors.

4.4 Remuneration committee

The remuneration committee is consulted on issues concerning:

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

Mr. Ludwig Criel (chairman) and Mr. Christian Jacobs are members of the remuneration committee in their capacity as independent directors.

The Chief Executive Officer and the Chief HR Officer are invited to attend meetings of the remuneration committee.

The appointments committee met seven times during the past financial year. It reported systematically on its activities to the board of directors. It focused mainly on examining the harmonization of the remuneration policy following the merger.

¹ Internal Capital Adequacy Assessment Process.

² Internal Liquidity Adequacy Assessment Processes.

5 Earnings appropriation policy

The dividend is determined with reference to consolidated net profit and retained earnings, as well as the strategy of the group.

6 Governance memorandum

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

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

This information is submitted to the National Bank of Belgium and is periodically updated.



Management report

The consolidated financial statements have been drawn up in accordance with IFRS.

1 General remarks

The financial results achieved by the Bank in 2017 benefited from an improvement in the economic situation and stock markets. The slope of the yield curve rose slightly, whereas short-term interest rates remained negative.

These results reflect the good performance of fee-generating businesses, in particular institutional management, private banking, investment banking and asset services, even though the interest margin continued to be affected by negative short-term rates.

At 31 December 2017, assets under management totaled EUR 54.8 billion, compared to EUR 52.3 billion at the end of 2016. This increase is mainly due to market effects and the inflow of new capital particularly following the distribution of our funds to third parties. The yearly evolution in asset under management has however been negatively impacted by the implementation of fiscal measures at the end of the year.

At 31 December 2017, private client assets under management totaled EUR 34.9 billion, which means a relatively stable performance compared to 31 December 2016.

Institutional asset management grew from EUR 37.2 billion gross assets under management to EUR 41.9 billion (including private assets invested in group funds). The commercial network outside Belgium continued to expand, particularly in France, Italy, Germany and Spain.

At 31 December 2017, the Asset Services discipline had EUR 38 billion in assets under management and/or in custody, EUR 8.8 billion of which was held in investment funds for third parties.

The total amount of credits used by Bank Degroef Petercam clients at 31 December 2017 totaled EUR 1.9 billion, compared to the balance sheet total of EUR 8.3 billion and cash deposits of EUR 6.7 billion.

In France, corporate finance recorded a solid increase in its activities. Our subsidiary in Spain initiated a network of independent private bankers and credit activity increased in Switzerland.

2 Discussion of the financial statements

The consolidated net profit (group share) amounted to EUR 86 459 998 compared to EUR 57 876 665 in the previous financial year. The total comprehensive income (group share) is obtained by adding the unrealized profits and losses recorded directly in shareholders' equity (revaluation reserves) to the consolidated net profit and totaled EUR 88 228 590 at 31 December 2017, compared to EUR 56 336 622 for the previous year.

The net interest margin, for all activities, was slightly lower than the previous financial year. 2017 was strongly marked by the continued negative short-term rates which were partially offset by the continued narrowing of credit spreads. Income from credits rose following the increase in volumes and widening of margins in Luxembourg.

The accounting result from the sale of the bond portfolio was significantly lower than in 2016.

The Financial Markets activities were stable compared to the previous financial year, particularly for intermediation activity (bond desk and equity and index derivatives). The exchange desk also boosts 2016 figures, with higher fees in the Luxembourg entity. Moreover, Private Equity activity saw a notable rise in 2017 with a significant number of new deals concluded. The selling of stock option plans continued to increase in 2017 with the signing of new client contracts.

Net commission income saw a double-digit increase (of around 13%) compared to the previous financial year. At the end of the period, capital under management increased overall by 4.7% compared to 2016.

Fees for the management and administration of assets were sustained by the positive effect of markets, the revision of the house funds' rate structure and the net inflows of capital from the distribution of funds and international private clients activity. Corporate finance revenue figures saw a very significant rise in France, but also in Belgium, supported by a high level of transactions over the last months of the year.

Only brokerage fees did not follow the general upward trend, remaining at a similar level to that of the previous year.

Consolidated results from the available for sale (AFS) equity portfolio, which were up compared to 2016, were influenced by capital gains on securities investment operations managed by our trading room, and structured in advance by the Corporate Finance teams.

While the net operating result for the financial year under review was, on the whole, stable, it was affected by significant offsetting movements; mainly the recognition of the positive effects of the change in the conditions of post-employment benefits (as part of HR harmonization), which was offset by the negative trends of the main provisions items.

Personnel expenses increased compared to the previous year. This was attributable to indexation and the increase in the number of staff. At the end of the period, the number of FTE for the whole group increased sharply compared to the end of 2016. In addition, variable remuneration provisions, as well as IAS19 costs associated with future pensions were up compared to 2016.

Other general expenses decreased significantly. While current operating expenses were up slightly, integration and transformation costs were significantly lower than in 2016.

Depreciation and amortization during the financial year was stable. The net impairment of assets was similar to that in 2016; however, while that of the previous year was largely relating to certain credits and also financial instruments, the impairment losses in 2017 apply above all to the value of certain business activities in private banking.

The estimated tax liabilities at year-end were slightly lower than those of the previous financial year. The increase in the current taxes of certain subsidiaries (of which the Belgian and Luxembourg UCI management companies) was fully offset by the positive impact of the revision of deferred tax reserves on certain balance sheet assets and liabilities (following the tax reform at the end of the financial year lowering effective taxes to 29.58% in 2018 and 25% in 2020). The reserve of cumulative tax losses of some of the group's entities was slightly lower during the financial year ended.

The increase in total comprehensive income arose following an increase of the revaluation reserves on equity portfolios and other support SICAVS, as well as an increase of revaluation effects of financial projections and others on pension plans.

2.1 Appropriation of statutory profit

At 31 December 2017, the statutory net profit of Bank Degroof Petercam nv | sa totaled EUR 70 144 212. Adding the profit brought forward from last year (EUR 195 186 507), the profit to be appropriated totals EUR 265 330 719.

The board of directors proposes to the general shareholders' meeting that the profit for the financial year be appropriated as follows:

	(in EUR)
Profit for the period	70 144 212
+ Profit brought forward	195 186 507
= Profit to be appropriated	265 330 719
- Allocation to other reserves	0
- Directors' fees	795 000
- Dividends	65 053 254
- Profit shares	345 957
= Profit to be carried forward	199 136 508

The gross dividend to be proposed to the general meeting for distribution amounts to EUR 6.00 per share.

2.2 Consolidated shareholders' equity

Consolidated shareholders' equity, including minority interests, amounted to EUR 939.8 million at the end of the financial year, an increase of EUR 40.9 million compared to the previous year.

The increase of EUR 40.9 million resulted from the combined effects of the distribution relating to the previous financial year (EUR -47.3 million), the profit (including profit attributable to non-controlling interests) for the financial year (EUR 86.5 million), the revaluation of financial assets at fair value (EUR 4 million), the IAS 19 revaluation of post-employment benefit conditions (EUR 1 million), and the foreign currency translation difference (EUR -3.3 million).

At EUR 519.1 million, the equity ratio used to calculate the Basel III regulatory ratios is well in excess of that required by prudential standards. The Tier 1 (core equity capital) and Tier 2 (broad equity capital) solvency ratios were 17.1% at 31 December 2017.

2.3 Assets under custody

At the end of the financial year 2017, the combined consolidated assets under custody amounted to EUR 80.9 billion.

3 Changes in capital

At 31 December 2017, share capital amounted to EUR 34 211 634 comprising 10 842 209 shares without par value. All shares are fully subscribed and paid-up. The accounting par value per share is EUR 3.1554.

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

Bank Degroof Petercam nv|sa does not hold treasury shares.

At 31 December 2017, BD Square Invest nv|sa, Degroof Finance nv | sa, Industrie Invest nv | sa, Industrie Invest 2 nv|sa and Investment Company of Luxembourg sa held a total of 327 879 Bank Degroof Petercam nv|sa shares, representing 3.02% of the share capital.

The consolidated carrying amount of all treasury shares held by subsidiaries amounted to EUR 47 604 007 at 31 December 2017.

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

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

5 Circumstances that could significantly influence the development of the group

In the context of the implementation of the integration projects over the period 2016-18, significant IT investments will be made with a view to gradually equipping the main activities of the Bank with first class technology, most notably in the digital field.

Following the merger and gradual deployment of new information technologies, the group will continue to benefit from synergies and will be equipped with a modern platform promoting the growth of the segments of activity.

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

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

6 Research and development activities

The group continues its Research and development activities through the progressive implementation of its transformation programme of the operational and support applications.

7 Remuneration policy

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

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

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

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

The general principles are:

- the total volume of variable remuneration does not limit the Bank's capacity to increase its equity;
- variable remuneration is never guaranteed, except in exceptional cases of newly recruited employees, and only for the first year of employment;
- the executive committee has designated a number of 'identified staff' and drawn up a remuneration policy for them. This was done in line with the selection methodology and criteria set by the board of directors and based on the impact of these persons on the risk profile of the Bank.

The policy also provides for a maximum ratio between the amounts of fixed and variable remuneration, with systems to defer payment of variable remuneration, whether in cash or financial instruments, as provided for by the regulatory authorities;

- the remuneration of non-executive board members consists solely of fixed remuneration based on market benchmarks. These members do not receive variable remuneration of any kind.

8 Main risks to which the Bank is exposed

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

- market risks, essentially linked to investment activities in securities portfolios (equities and bonds) and to interest rate transformation activity (asset & liability management);
- liquidity risk, resulting from differences in maturities between financing resources (generally short-term) and the use thereof;
- counterparty risk, linked to credit activities (a risk largely covered by using securities portfolios as collateral) and intermediation operations in derivative instruments;
- asset management risk (the possibility of legal action by clients if mandates are not respected, commercial risk of loss of dissatisfied customers, and reputational damage);
- 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).

9 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 and State-guaranteed bank bonds from a micro-hedging perspective (the portfolio is recognized at fair value through profit or loss, the hedges are undertaken position by position) but also overall, from a macro-hedging perspective. This use of derivatives is supervised by the ALMAC Committee.

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

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

It should be noted that this use of derivatives was stopped at the end of the year.

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

10 Committees within the board of directors

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

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

10.1 Audit committee

At 31 December 2017, the audit committee comprised the following persons:

Members	
Mr Ludwig Criel	
Mr Miguel del Marmol	
Mr Christian Jacobs	Chairman
Mr Jean-Marie Laurent Josi	
Mr Frank van Bellingen	

Of these:

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

The chairman of the committee also sits on the board of directors of the subsidiary in Luxembourg, where he is a member of the audit committee, and on the board of directors of the subsidiary Degroof Petercam Asset Management (until 31 July 2017).

10.2 Risk Committee

At 31 December 2017, the risk committee comprised the following persons:

Members	
Mr Jean-Baptiste Douville de Franssu	
Mr Christian Jacobs	
Mr Jacques-Martin Philippson	
Mr Frank van Bellingen	Chairman

Of these:

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

10.3 Appointments committee

At 31 December 2017, the appointments committee comprised the following persons:

Members	
Mr Ludwig Criel	
Mr Jean-Marie Laurent Josi	
Ms Véronique Peterbroeck	
Baron Philippson	Chairman
Mr Jacques-Martin Philippson	

Of these:

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

10.4 Remuneration committee

At 31 December 2017, the remuneration committee comprised the following persons:

Members	
Mr Ludwig Criel	Chairman
Mr Christian Jacobs	
Mr Alain Schockert	

Of these:

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

11 Discharge to directors and auditors

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

12 List of mandates held by senior managers

In application of the Law of 3 May 2002 amending the rules on the incompatibility of mandates applicable to directors of credit institutions and investment companies and the Banking, Finance and Insurance Commission Regulation of 9 July 2002

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

Brussels, 26 April 2018.



Consolidated non-financial statement

This document constitutes Degroef
Petercam's draft non-financial information
statement for the year 2017.

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Introduction

Today's challenges are tomorrow's opportunities

With the modernisation of our societies, climate change, demographic change and the exhaustion of natural resources that inexorably accompanies these trends, public authorities and companies, including Degroof Petercam, face new paradigms. This is further intensified by the recent financial crises and several major scandals that have led to the destruction of shareholder value and an unprecedented crisis in the financial and public sectors.

The integration of environmental, social and governance (ESG) criteria in the management of Degroof Petercam's activities is not only a priority but also an absolute necessity within the framework of a global vision, taking into account the long-term perspective for the environment in which the company operates.

The identification of risks related to ESG issues allows both a better understanding of risks and improved management planning. This means that risks represent investment opportunities and create value for all stakeholders.

Degroof Petercam believes that today's global challenges are tomorrow's opportunities. Adopting a disciplined and global vision of the world can bring benefit to the company's clients and partners, investors and employees.

These challenges are only worthwhile if they are shared by all. ESG considerations must be integrated at all levels and are not an isolated process. ESG performance is intrinsically part of a complex package that can generate a competitive advantage for companies.

Whatever challenges this presents in placing companies in their global context, sustainable development must be encouraged. More than ever, this is a prerequisite for a company's sustainability and therefore for its profitability and its ability to create long-term shareholder value.

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”¹

ESG

ESG is an international acronym used to target environmental, social and governance issues that constitute the three fundamental pillars of non-financial information and corporate and banking social responsibility.



Environment

These criteria assess whether a company takes into account its environmental footprint in terms of priorities and performance (energy and water consumption, CO₂ and waste output, pollution, etc).



Society

These criteria refer to a company's societal impact on all its stakeholders, for instance the respect of labour rights, health and safety, non-discrimination, etc.



Governance

These criteria relate to the way a company is managed, led and controlled, by focussing on ethical rules and transparency, in particular with regards to the relationships between management, the board of directors and shareholders.

¹ Brundtland Report for the United Nations – 1987.

Non-financial statement

The objective of this non-financial statement is to explain Degroof Petercam's policy as a bank and financial group with regard to sustainable development issues and thus to analyse the progress and improvements to be implemented in order to achieve these objectives.

In this context, non-financial information concerning Degroof Petercam will be presented, as required by the Law of 3 September 2017 on the publication of non-financial information and information relating to diversity by certain large companies and groups, published in the Moniteur belge of 11 September 2017. This law amended Article 119 of the Belgian Company Code by requiring that a statement be included in the management report of the consolidated financial statements of the group concerned in order to describe the development of the business, the performance, the situation of the group and the impact of its activity relating at least to social, environmental and personnel issues, respect for human rights and the fight against corruption. Paragraph 2 of this article allows a parent company to prepare this consolidated non-financial statement in a separate report.

This statement constitutes such a separate report. Prepared by Bank Degroof Petercam nv|sa, this statement contains non-financial information concerning it and the Belgian subsidiaries of the group of which it is the parent company. In this respect, in this statement the name "Degroof Petercam" refers both to the company Bank Degroof Petercam nv|sa and to the group of companies of which it is the umbrella company.

After briefly describing Degroof Petercam's business model, the following information will be presented:

- its responsibility as a responsible investor;
- its social and human resources approach;
- its environmental approach;
- its approach to the fight against corruption; and
- employment and education aid through the Degroof Petercam Foundation.

In drawing up this statement, Degroof Petercam relied in particular on the following international benchmarks:

- the publication of the European Federation of Associations of Financial Analysts entitled *KPIs for Environmental, Social and Governance (ESG) Issues. A Guideline for the Integration of ESG into Financial Analysis and Corporate Valuation*;
- the UN Principles of Responsible Investment (PRI); and
- UN Sustainable Development Goals (SDG).

This statement incorporates, in the various sections mentioned above, the non-financial key performance indicators (KPIs) that Degroof Petercam has deemed necessary to understand the development of its business, its performance, its situation and the impact of its activity.

For topics for which it would not have been possible to provide all relevant key performance indicators in this first non-financial statement, the necessary assessments and quantifications will be made in the course of the 2018 financial year with a view to being included in the next non-financial statement.

Degroof Petercam – a bank, a group

With a history dating back to 1871, Degroef Petercam is a major financial institution based in Brussels. Degroef Petercam is an independent group owned by long-term family shareholders and offers its services to private and institutional investors.

Degroef Petercam's clients benefit from a unique combination of services based around four main divisions, in accordance with the business model currently in place:

- private banking;
- institutional management;
- investment banking (corporate finance and financial intermediation); and
- asset services.

At the end of 2017, Degroef Petercam directly or indirectly managed 55 billion euros in assets for individual investors, families, companies, pension funds, universities, insurance companies and governmental and non-profit organisations through its group entities.

On the same date, Degroef Petercam employed 1 371 experienced people² in Belgium, Luxembourg, France, Spain, Switzerland, the Netherlands, Germany, Italy and Hong Kong.

Its mission is to offer our private, professional and institutional clients the best services to help them achieve their ambitions.

To accomplish this, the group takes a cross-functional and international approach to business as part of its development strategy.

References

Topics	Documents
Organisation and structure of governance at Degroef Petercam	<ul style="list-style-type: none">• <i>Corporate governance – 2017 annual report</i> Available on the website www.degroofpetercam.be• <i>2017 in brief</i> Available on the website www.degroofpetercam.be• <i>2017 Management report</i> Available on the website www.degroofpetercam.be <p>7 <i>Remuneration policy</i> (pp. 6 and 7) 10 <i>Committees within the Board of Directors</i> (pp. 8 to 10)</p>
Trends and factors that may influence the future development of the Degroef Petercam group	<ul style="list-style-type: none">• <i>2017 Annual report</i> Available on the website www.degroofpetercam.be <i>Chapter 5 – Risk management</i> (pp. 27 to 40)• <i>2017 Management report</i> Available on the website www.degroofpetercam.be <p>5 <i>Circumstances that could significantly influence the development of the group</i> (pp. 5 and 6)</p> <p>8 <i>Main risks to which the Bank is exposed</i> (p. 7)</p>

² Full-time equivalents (FTE).

Investing responsibly – the group's responsibility

1 Principle

Degroof Petercam continuously takes into account all environmental, social and governance (ESG) issues related to its asset management and private banking activities and aims to ensure transparency and consistency in its approach, methodology, products and services.

In this context, the group is constantly mindful of the principles and dynamics of responsible investment principles that are rooted in its corporate culture and whose guiding principle is ESG issues.

Degroof Petercam is aware of the fact that the integration of these issues is part of an investor's fiduciary duty towards its clients and beneficiaries, and has developed clear and coherent policies in this respect, notably on the eligibility of specific products and services evaluated from the more general perspective of sustainable development. It regularly informs its staff about relevant ESG topics and controversial activities.

2 Scope

Degroof Petercam Asset Management nv/sa ("DPAM"), an entity of the Degroef Petercam group in charge of managing its investment funds, bears the main responsibility for developing and applying policies related to ESG issues.

However, they also serve as a guideline for all the entities of the Degroef Petercam group, which raises awareness and makes use of its resources to ensure that these policies are assimilated and applied consistently in each segment of its activities.

The data in this section therefore mainly concern DPAM, although the entire Degroef Petercam group actively implements the policies in question.

3 Policies, approaches and resources

a. United Nations Principles for Responsible Investment (PRI)

DPAM has been a signatory of the Principles for Responsible Investment (PRI) sponsored by the United Nations since 2011.

In this context, DPAM is committed to implementing the six principles for responsible investment of the United Nations and therefore to integrating ESG factors into its investment decision-making and shareholding practices as part of its active participation in shareholder meetings of positions held through the investment funds it manages.

These principles³ provide a framework for the global investment community to participate in the development of a more economically stable and sustainable financial system. This system aims to reduce short-term risks to corporate performance, investment returns and market attitudes and to reward responsible investment over the long term, benefiting both the environment and society as a whole.

³ The Principles for Responsible Investment were developed by an international group of institutional investors, reflecting the growing importance of environmental, social and corporate governance issues for investment practices. The process was organised by the Secretary-General of the United Nations. By signing the Principles, Degroef Petercam, as an investor, publicly undertakes to adopt and implement them, as long as they are in line with its fiduciary responsibilities. It is also committed to assessing the effectiveness and improving the content of the Principles over time. It believes that this will enable it to better honour its commitments to beneficiaries and better align its investment activities with the general interests of society.

Consolidated non-financial statement

6 PRINCIPLES:

1. We will integrate ESG issues into our investment analysis and decision-making processes.
2. We will be active shareholders and integrate ESG issues into our share ownership policies and procedures.
3. We will, as far as possible, ask the entities in which we invest to be transparent about ESG issues.
4. We will encourage the adoption and implementation of the Principles in the investment sector.
5. We will cooperate to improve the effectiveness of our implementation of the Principles.
6. We will each report on our activities and progress in implementing the Principles.

Each year, an evaluation of the progress of all PRI signatories, including DPAM, in implementing these principles is conducted. Public reporting in this context is available on the UNPRI website (<https://www.unpri.org/>).

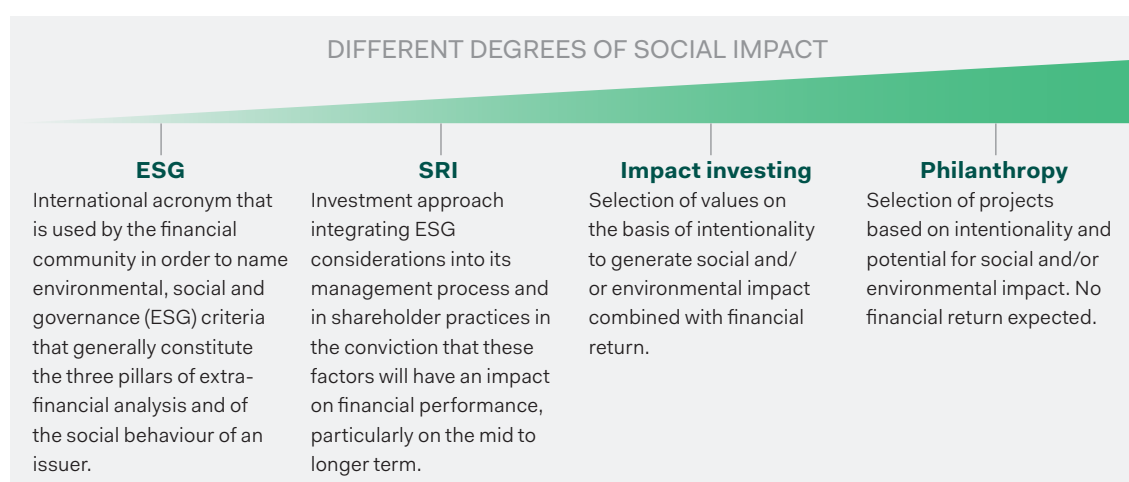
During its evaluation in 2017, DPMA obtained the top rating of A+, reflecting the progress made on the implementation of the six principles and in particular the seriousness of the integration of ESG factors (Principle 1) and its shareholder responsibility (Principle 2).

“ESG integration is the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions, based on a systematic process and appropriate research sources. This integration process includes the explicit consideration of ESG factors with financial factors in the overall investment analysis. It focuses on the potential impact of ESG issues on companies’ financial statements (positive and negative), which may affect the investment decision”

(Source : EUROSIF)

Environment	Social	Governance
✓ Climate change	✓ Working conditions, including slavery and child labour	✓ Executive compensation
✓ Greenhouse gas emissions	✓ Local communities, including indigenous communities	✓ Corruption
✓ Resource depletion, including water	✓ Conflicts	✓ Political lobbying and donations
✓ Waste & pollution	✓ Health and safety	✓ Management structure and diversity
✓ Deforestation	✓ Employee relations and diversity	

b. Investment decision-making process at DPAM level



DPAM operates a gradation of its “social responsibility” on two levels in making its investment decisions:

I. Upstream integration of the investment process

ESG factors are integrated upstream into all DPAM funds by teams of DPAM analysts and portfolio managers as part of the investment process.

II. Sustainable & Responsible Investing (SRI)

1. Philosophy and approach

In the management of certain “sustainable” funds, DPAM is specifically prohibited from investing in certain sectors or issuers whose ESG profiles are not satisfactory, and demonstrates its willingness to invest mainly in issuers offering solutions to the various challenges of tomorrow, based on the following precepts:

- defending fundamental rights – United Nations Global Compact;
- formulating an opinion on controversial activities; and
- being a responsible stakeholder and promoting best practices and progress.

These principles are reflected in DPAM's sustainable and responsible investment policy.

ESG SCREENING			
Normative ESG screening	Controversies and exclusions	Quantitative ESG screening	Qualitative ESG screening
<ul style="list-style-type: none"> • Exclusion of companies non-compliant with the 10 Principles of the Global Compact* 	<ul style="list-style-type: none"> • Exclusion of tobacco, armament, pornography and gambling • Exclusion of the most controversial companies (highest severity) 	<ul style="list-style-type: none"> • Best in class approach: exclusion of the worst performing in term of ESG score 	<ul style="list-style-type: none"> • Sustainability themes included in top down and bottom up process • Pro-actively included in investment process • Active voting company

At the end of 2017, DPAM held more than 25.8 billion euros under management, including approximately 2.8 billion euros under the “Sustainable” name, i.e. more than 10% of total assets under management.

SRI (FUNDS) assets under management:

(change in EUR million)

	31.12.2012	31.12.2013	31.12.2014	31.12.2015	30.09.2016	31.12.2017
Equity	315.96	355.77	365.89	424.31	610.31	758.14
Fixed income	204.55	108.64	206.35	860.73	1 372.44	2 003.35
Multi assets	19.97	21.95	37.93	36.90	43.84	52.74
Total	540.48	486.36	610.16	1 321.93	2 026.59	2 814.23
Assets	540.48	486.36	610.16	1 321.93	1 890.11	2 588.27
Liabilities					136.48	225.97
Total	540.48	486.36	610.16	1 321.93	2 026.59	2 814.23

Number of funds:

(change in EUR million)

	31.12.2012	31.12.2013	31.12.2014	31.12.2015	30.09.2016	31.12.2017
Equity	2	2	2	3	6	7
Fixed income	1	2	2	3	3	3
Multi assets	1	1	1	1	1	1
Total	4	5	5	7	10	11

* The Ten Principles of the UN Global Compact offer a framework to develop and promote sustainable business models and markets. The principles have been universally validated and refer to four main areas: human rights, labour, environment and anti-corruption.

Consolidated non-financial statement

Breakdown of sustainable investments by fund:

(change in EUR million)

	31.12.2012	31.12.2013	31.12.2014	31.12.2015	30.09.2016	31.12.2017
Equities World Sustainable	267.64	293.21	330.72	313.63	375.90	416.91
Equities Europe sustainable	48.32	62.56	35.16	35.85	32.07	25.39
L Bonds Government Sustainable	204.55	58.97	86.68	69.05	67.14	108.03
L Bonds Emerging Markets Sustainable		49.66	119.67	160.26	437.00	1 008.48
Sustainable Food Trends (formerly Agrivalue)				74.84	65.86	56.18
NewGems Sustainable (formerly World)						33.70
EUR Quality Sustainable				631.42	868.31	886.84
indexed SRI EMU					58.26	59.69
indexed SRI US					31.81	81.41
indexed SRI World					46.42	84.86
Glob Balanced Conservative Sust. (ex-Degroof Ethical)	19.97	21.95	37.93	36.90	43.84	52.74
Total	540.48	486.36	610.16	1 321.93	2 026.59	2 814.23

2. External recognition

In 2017, DPAM obtained the LuxFLAG⁴ label for 4 of the investment funds it currently manages (DPAM Equities World Sustainable, DPAM Europe Sustainable, DPAM L Bonds Government Sustainable and DPAM L Bonds EM Sustainable), thereby rewarding the responsible investment strategies implemented for these funds.

The main objective of the LuxFLAG ESG label is to reassure investors that the investment fund actually invests in assets that integrate ESG (environmental, social, governance) considerations throughout its investment process. The eligibility criteria for the LuxFLAG ESG label require that the applicant's fund selects 100% of its invested portfolio in accordance with one of the ESG strategies and standards recognised by LuxFLAG.

By the end of 2018, the objective is to have the 8 active management strategies certified.

⁴ The Luxembourg Finance Agency (LuxFLAG) is an independent, non-profit association created in Luxembourg in July 2006. It aims to promote the raising of capital for the Responsible Investment sector by awarding a recognisable label to eligible investment vehicles.

3. DPAM – 15 years of experience in responsible and sustainable investment

SOLID TRACK RECORD

2001	2003	2008	2009	2011	2012
<ul style="list-style-type: none"> First sustainable balanced expertise 	<ul style="list-style-type: none"> First sustainable European equities expertise 	<ul style="list-style-type: none"> First proprietary country sustainability model 	<ul style="list-style-type: none"> Founding fixed income sustainability advisory board 	<ul style="list-style-type: none"> Founding responsible investment steering group UN PRI Signatory 	<ul style="list-style-type: none"> Membership national sustainable investment forum
2018	2017	2016	2015	2014	2013
<ul style="list-style-type: none"> External recognition – Luxflag label Sustainable thematic strategies: food trends and NEWGEMS 	<ul style="list-style-type: none"> ESG factsheets for all investment funds Carbon footprint disclosure of sustainable portfolios 	<ul style="list-style-type: none"> Launch indexed SRI series Second independent research provider 	<ul style="list-style-type: none"> ESG integration for EUR IG credit 	<ul style="list-style-type: none"> Formalization ESG process in global equity Engagement program Best-efforts added to sustainable European equity strategy 	<ul style="list-style-type: none"> Launch sustainable EM debt fund ESG integration in research for European equities First independent research equities Voting policy

c. Role of DPAM as responsible shareholder

As part of its fund management activities, DPAM exercises the voting rights of the funds under management in more than 500 companies in Europe and North America, and voted on more than 8 000 resolutions in their shareholder meetings.

The Voting Advisory Board set up by DPAM, composed of 3 external members and 7 internal members, is responsible for:

- reviewing voting policies and voting instructions;
- ensuring proper implementation of voting directives;
- adopting voting instructions on practical matters not covered by the directives;
- making decisions in cases giving rise to potential conflicts of interest; and
- validating the activity report.

DPAM's commitment in figures

+ 500	In 2017, DPAM participated in the general and special shareholder meetings of more than 500 companies in Europe and North America.
+ 8 100	DPAM expressed its opinion on more than 8 100 resolutions and supported 85% of them included in shareholder proposals.
59	DPAM has engaged in a dialogue with 59 companies and continues its commitment to better governance, greater transparency and a response to tomorrow's challenges.

d. Resources implemented at Degroof Petercam group level

Various bodies and actions have been set up within the Degroof Petercam group, or more particularly, at DPAM level, in order to ensure compliance with the above principles.

1. Steering group for responsible investment

In order for the Degroof Petercam group to guide all responsible investment initiatives and to be proactive in its approach, the Responsible Investment Steering Group (RISG) brings together twelve professionals from different business sectors within the group. It aims to reflect ESG issues and to ensure transparency and consistency of approaches, methodologies, products and services and to ensure that the dynamics of responsible investment principles are in line with the 6 United Nations Principles for Responsible Investment.

II. Competence centre for responsible investment

The competence centre for responsible investment, set up within DPAM, is composed of four members. It guides all initiatives, methodologies and projects related to ESG aspects of investment processes and works closely with the various areas of expertise: bond management, credit research, equity management and equity research. It has access to independent ESG research from world leaders in these fields

In addition, the competence centre is responsible for acting as the focal point for the UN PRI and other parties involved in responsible investment (Beama, Eurosif, etc.) and reports to the DPAM Steering Committee.

III. External experts

It is also important for the members of the Degroof Petercam group to be able to rely on numerous independent experts specialised in environmental, governance or social issues. As a member of the scientific councils created within the group (voting policy, sustainability of countries) or as a guest of the Responsible Investment Corners (see below), they contribute significantly to the improvement of the processes and methodologies applied at group level.

IV. Fixed Income Sustainability Advisory Board (Fisab)

This committee, created at DPAM level, is composed of 4 external experts and 4 internal experts.

Its role is to:

- define the sustainability of each country;
- provide assistance on criteria and model construction (emerging country model and OECD model);
- discuss and make recommendations for change; and
- approve the methodology and final ranking.

V. Responsible Investment Corners

Degroof Petercam organises internal events on a quarterly basis at which an external expert presents ESG-specific topics for Degroof Petercam group employees. The purpose of these actions is to:

- increase staff awareness of ESG issues;
- make each employee responsible for his or her role within the group; and
- make informed investment decisions.

e. Transparency

The ESG policies and activity reports are all available on the Degroof Petercam website (www.degroofpetercam.com), including the voting policy, the sustainable and responsible investment policy, the controversial activities policy and the commitment programme.

Degroof Petercam is actively working on the determination of priority Sustainable Development Goals (SDGs)⁵ to be formalised in the course of 2018. These will be accompanied by relevant key performance indicators (KPIs) for the purpose of reporting on the results achieved in this respect, with a view to increasing transparency.

⁵ Sustainable Development Goals (SDG) is the name commonly used for the seventeen goals established by the UN Member States and which form Agenda 2030, which was adopted in September 2015. This agenda sets targets to be achieved by 2030, defined by SDG. There are 169 targets and they are common to all the countries involved. They meet the following general objectives: eradicating poverty, protecting the planet and ensuring prosperity for all. These goals replace the 8 Millennium Development Goals, which ended in 2015. <https://sustainabledevelopment.un.org/>

Human resources

1 Principles

As at 31 December 2017, Degroof Petercam provided good jobs to 882 employees in Belgium⁶, in functions as diverse as private banker, financial analyst, asset manager or administrative staff.

Degroof Petercam aims to provide its employees with competitive remuneration, training programmes and opportunities for personal and professional development within the group. It wants to be seen as an attractive employer within its environment. With this in mind, Degroof Petercam strives to attract, develop and retain top-level employees by offering them attractive and stimulating leadership roles that open up new prospects for development.

2 Scope

This section contains data on the following Belgian companies, which employ staff in Belgium:

- Bank Degroof Petercam nv|sa;
- Degroof Petercam Asset Management nv|sa (DPAM);
- Degroof Petercam Corporate Finance nv|sa (DPCF); and
- Imofig nv|sa.

3 Policies, risk management, results and objectives

a. Staff status and turnover

- ESG 5 – Age of employees

The average age of Degroof Petercam's employees is 44.9 years, 45.2 for women and 44.6 for men.

- GSS 5-1 Age structure/distribution (number of employees by age group, 10-year intervals)

Age group	20-29	30-39	40-49	50-59	60-69	Total
Women	25	82	115	114	19	355
Men	40	116	196	139	36	527
Total	65	198	311	253	55	882

- ESG 3-1 Percentage of employees leaving the company per year/total employees (FTE)

60 departures in 2017 out of 882 employees at the end of the year, which represents 6.8%, and was largely offset by more than 70 new hires during the same period.

NEW HIRES 2017

Age group	20-29	30-39	40-49	50-59	Total
Women	8	8	5	4	25
Men	13	17	13	3	46
Total	21	25	18	7	71

⁶ This figure represents the total number of persons employed by Degroof Petercam as at 31 December 2017, including early retirees, employees on long-term disability and independent directors. These are not included in the social balance sheet, which explains the headcount difference of 21 between the social balance sheet and this report.

Consolidated non-financial statement

EMPLOYEES LEAVING THE COMPANY 2017

Age group	20-29	30-39	40-49	50-59	60-69	Total
Women	3	4	8	1	3	19
Men	4	13	8	12	4	41
Total	7	17	16	13	7	60

- GSS 5-2 – Percentage of workforce expected to retire within next 5 years

Retirement expected in 2023, based on age

Age	60	61	62	63	64	65	67	70	Total
Women	5	3	1	2		1			12
Men	13	6	7	3	2		1	1	33
Total	18	9	8	5	2	1	1	1	45

Over the next 5 years, over 40 Degroef Petercam employees who have reached the retirement age of 65 are expected to retire.

b. Sustainable employee commitment

In 2017, a staff commitment survey was conducted for the first time after the merger between Degroef and Petercam, based on the Willis Towers Watson methodology and focusing on sustainable staff commitment and baseline data collection at national and sector level. 650 employees participated in Belgium (out of approximately 1 100 participants at group level), which represents a response rate of 76%. This participation reinforces the relevance of the survey findings, but also shows employees' hope that the survey will bring about change.

The overall commitment score was 73%, i.e. 4 points below the Belgian National Standard⁷.

Compared to the Belgian National Standard, the 5 domains that delivered scores above the average are:

- the "wellness" dimension and the fact that Degroef Petercam offers a working environment free of discrimination and harassment, and that employees do not often feel overwhelmed by their work;
- the "customer orientation" dimension at all levels of Degroef Petercam;
- the proximity of our management team and the freedom to express their opinions and vision;
- the degree of commitment demonstrated to meet the company's ambition;
- the importance attached to ethical issues.

Besides these positive results, the results obtained in several areas are not in line with Degroef Petercam's ambitions. Specifically, these include:

- understanding the company's vision and strategy;
- the aspect of excellence, particularly in relation to operational excellence;
- training and development (the information and resources provided to manage one's career effectively);
- the issue of "wellness": is employee wellness an important issue for management?

Group-wide results identified 5 key areas for improvement:

1. communication from management to employees, through the chain of command;
2. workload and flexibility;
3. the culture of excellence;
4. commitment to Corporate Social Responsibility;
5. the personal development culture.

Some of the topics highlighted in this report, particularly in priority areas 2, 4 and 5, show that we have already made progress.

⁷ This score represents the percentage of employees who answered "agree" or "somewhat agree" to a series of 8 Towers Watson survey questions corresponding to their baseline measure of sustainable commitment.

The goal for 2018 is to conduct a similar baseline survey on sustainable employee commitment to measure progress in these 5 areas of improvement and increase our sustainable employee commitment score. This specific measure is integrated into the performance evaluation used to measure and reward the performance of the members of the Executive Committee of the Degroof Petercam group.

c. Diversity

ESG 15 – Diversity

- ESG 15-1 – Percentage of employees in total
- GSS 15-2 Percentage of female managers in total

According to the 2017 social balance sheet, the percentage of women in the organisation is 41.69%. In management, the proportion of women is 38.45%. This proportion is 28.22% in people management roles.

Age group	Groups	
Women	293	38.45%
Men	469	61.55%
Total	762	

d. Wellness

ESG 6 – Absenteeism rate

- ESG 6-1 – Number of working days lost per employee per year

In 2017, an average of 6.94 working days per employee was lost due to illness or accident, which is well below the sector average. If long-term illnesses (more than one year) are excluded, the figure for Degroof Petercam employees on sick leave was 2.63% in 2017, down from 2016, compared to a sector average calculated on the same basis of 4.10% in this category.

Degroof Petercam is committed to creating a healthy environment and makes significant efforts to promote wellness at work and eliminate work-related health risks.

To this end, Degroof Petercam has a workplace prevention and protection committee (WPPC) which meets at least once a month and is responsible for the Degroof Petercam business unit in Belgium. Its mission is to research and propose all relevant measures that actively contribute to everything that is undertaken to promote the wellness of all employees (100%) as they carry out their work. Members of the employee delegation attend all visits by the workplace physician in order to be able to propose improvements.

In 2018, Degroof Petercam will pay particular attention to long-term absences, and will initiate a reintegration policy, defined in agreement with the social partners.

In 2017, there were no fatal accidents or accidents resulting in permanent disability. There were 2 workplace accidents resulting in temporary disability for a total of 23 calendar days lost, calculated from the date after the accident. The disabilities involved one man and one woman.

The most important risks for Degroof Petercam staff members are psychosocial risks and risks related to IT work.

Various specific measures were taken in 2017 to promote or ensure safety and wellness at work, such as: the complete renovation of the main buildings, the fitting-out of the new furniture platforms, the Tell Us commitment and wellness survey (see above), individual preventive and curative stress coaching sessions, stress management training sessions as part of our Summer Academy (see below) for employees and team leaders.

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Degroof Petercam employs a small number of manual workers. They have the required safety equipment. A small number of employees also have a special uniform. Specific individual agreements have been concluded with the workers in question concerning the conditions of use. No additional formal agreements (with trade unions) have been concluded on health and safety.

e. Flexibility of work – Introduction of teleworking

One of the main measures implemented in 2017-18 in terms of work flexibility is the gradual deployment of teleworking at the rate of one day per week of home work for all employees, with the exception of those whose function does not allow remote work (nature of the function or access to data or systems). To date, 88.3% of the 350 or so employees who have been offered this flexibility have accepted it. The deployment of teleworking is being continued in 2018 to cover all departments in 2018. Only about twenty people, representing less than 10 functions, were excluded due to constraints related to the nature of their work (security, access, etc.).

f. Social relations

Degroof Petercam supports the principle of collective bargaining in a constructive and transparent manner.

When Degroof and Petercam merged in October 2015, a new social consultation model was introduced and new members of the social delegation were appointed to represent the interests of all staff members (100%). Social relations are exercised in the following consultative bodies: the social delegation, a works council and a workplace prevention and protection committee. These bodies are in place until the new social elections in 2020. Regular meetings are organised to ensure constructive social consultation within Degroof Petercam.

Several collective labour agreements (CLAs) were negotiated in 2017, always with a specific term or with a negotiated notice period (usually 6 months). Degroof Petercam is convinced of the value of lasting relationships with its staff.

Specific information sessions were organised to inform our staff of the changes made to their working conditions.

In addition, Degroof Petercam's intranet (Wallstream) serves as a communication tool, enabling employees to easily find information.

Notice of operational changes that are significant to employees and their representatives is given in a timely manner and always before the decision is made public.

In the case of individual employment contracts, management complies with the statutory notice period in the event of termination, as well as the legislation on job placement assistance.

g. Non-discrimination

(GRI 406 – Disclosure 406-1)

Conflict, bullying, discrimination, sexual harassment and assault in the workplace are forms of harassment. This unacceptable behaviour endangers workers' wellness, including their mental and physical health, the quality of their work and the organisation's results. The prevention and treatment of harassment in the workplace is essential for the psychosocial wellness and physical integrity of all employees. For this reason, Degroof Petercam has set up a specific complaint mechanism, allowing an individual to lodge a complaint with an external prevention advisor. Its internal prevention advisor can assume the role of confidential advisor or first contact in order to advise on the measures likely to be taken.

In 2017, Degroof Petercam did not record any formal cases of discrimination based on race, colour, sex, religious or political beliefs or national or social origin, as defined by the ILO. This fact was highlighted by employees as a strong point in Degroof Petercam's 2017 "Tell Us" Wellness survey.

h. Training and personal development⁸

ESG 4 – Training & qualification

- ESG 4-1 – Percentage of employees trained per year/total employees (FTE)
- GSS 4-2 Average training expenditure per employee per year

According to the 2017 social report figures, 763 employees participated in training activities in 2017, totalling 21 350 hours of training. On average, each employee received 26.6 hours of training (25.5 on average for women and 27 for men) at an average cost per employee of 1 625 euros per year.

Following the merger of Degroof and Petercam at the end of 2015 and the integration of the two entities' IT platforms, training activities in 2017 focused on professional, technical and leadership skills.

A particular effort was devoted to the introduction of new colleagues with the organisation of 2 international days for new colleagues, totalling no less than 130 participants in 2017 and aimed at familiarizing them with the group's businesses.

One highlight is a "Summer Academy" programme which has been established covering four weeks of training with free access to all employees around 4 selected themes.

71 training courses were organised in this framework, totalling more than 2 500 hours of training. 368 employees participated in this program, with a total of approximately 1 000 registrations (each employee can undertake multiple training courses).

Selected themes:

- Personal Balance, covering both personal effectiveness and wellness;
- Know Our Bank, dedicated to knowledge of our internal business; and
- Digitalisation, covering new trends in the banking sector.

A leadership development program has also been initiated for 250 employees at group level, including 2 days in 2017 and 3 days in 2018.

In addition, all employees have an annual performance review in which skills development and training needs are discussed.

Degroof Petercam particularly supports the continuous training of its experts by offering them the financing of long-term certification courses directly linked to the exercise of their function.

i. Staff engagement in community relations

Through Solidarity Days, 275 volunteer employees gave a day of their working time to support various associations. For 2017, this spontaneous effort represented 2 200 hours of work donated to social causes.

Degroof Petercam's ambition does not stop there; in 2018, together with its employees, the company will take part in various major actions:

- the implementation of a micro-donation policy among employees in Brussels;
- the launch of a skills patronage program whereby its employees will be able to donate two hours per month of their working time and skills to associations in need; and
- the launch of volunteering and micro-donations in Luxembourg.

Degroof Petercam's objective is to devote a budget of 1 day per employee per year to volunteering by 2022.

⁸ Source: Belgian social balance sheet (bilan social belge).

Environment

1 Principles



Every year, Degroof Petercam receives the “CO₂ Neutral” label, an international climate responsibility certification in accordance with the PAS2060 standard⁹. The label is also validated by Vinçotte¹⁰.

In addition, Degroof Petercam is gradually putting in place appropriate consumer policies and technical means to significantly reduce the ecological footprint of its activities.

2 Scope

This section contains data relating to the following Belgian companies:

- Bank Degroof Petercam nv|sa;
- Degroof Petercam Asset Management nv|saA (DPAM);
- Degroof Petercam Corporate Finance Snn|sa (DPCF); and
- Imofig nv|sa

3 Policies, risk management, results and objectives

a. Reduction and offsetting of CO₂ emissions



In order to obtain the “CO₂ Neutral” label, Degroof Petercam calculates, on the basis of its own statistics, its CO₂ emissions and its climate impact with the help of CO₂logic, a compensation company¹¹.

Degroof Petercam leads environmentally friendly initiatives by reducing its energy consumption and CO₂ emissions. Amongst other things, it is currently planning major measures to reduce its CO₂ emissions and more specifically the impact of mobility

within the company, which accounts for most of these emissions.

At the same time, Degroof Petercam offsets the residual CO₂ emissions in order to become a CO₂-neutral company and not to make the community bear the consequences of its climate impact.

The main objective for 2018 is to create a scoreboard to measure, monitor and reduce Degroof Petercam's carbon footprint and to establish a concrete action plan for the coming years on this basis.

“By choosing CO₂ neutrality, Degroof Petercam has decided to take responsibility for the real impact of its CO₂ emissions instead of passing them on to society and future generations.”

⁹ PAS 2060 is a specification detailing how to demonstrate carbon neutrality produced and published by the British Standards Institution.

¹⁰ Integrated video: www.youtube.com/watch?v=shn3dh7xfhw (online version)

¹¹ www.co2logic.com.

b. Support for climate projects - Saving Trees

Degroof Petercam pays back an amount proportional to its impact by supporting Gold Standard¹² certified climate projects, in partnership with CO2logic.

The environmental project "Saving Trees" in Uganda (Africa), supported by Degroef Petercam, contributes to the fight against deforestation through the use of efficient ovens. 3 billion people (out of 7.5 billion on the planet) still cook every day with charcoal or wood. The significant population growth in Africa is putting increasing pressure on local biodiversity (forests, ecosystems...). Poverty prevents people from accessing renewable energy solutions.

With financial support from Degroef Petercam, CO2logic enables the distribution of efficient and affordable ovens that reduce the amount of wood and charcoal needed by approximately 50%. This is an essential contribution to the vital fight against deforestation¹³.

The environmental project supported contributes to several United Nations Sustainable Development Goals (SDGs)¹⁴ such as :



SDG1- Poverty Eradication

This project helps people reduce the amount of coal they have to buy on a recurring and intensive basis. It also saves families money that can be invested in added value such as education and food.

SDG3- Health and Wellness

Efficient ovens reduce exposure to toxic fumes and reduce respiratory diseases.

SDG8 - Decent Work and Economic Growth

The project creates jobs in the construction, distribution and sale of ovens in the communities.

SDG11- Sustainable Cities and Communities

Ovens contribute to the development and reduction of air pollution in densely populated areas.

SDG13- Fight against climate change

Reducing deforestation prevents high amounts of CO₂ emissions.

SDG15- Protection of terrestrial flora and fauna

Tackling the problem of deforestation also helps to preserve life on Earth.

¹² Gold Standard is a standards and certification body whose mission is to ensure that every financial contribution to climate and development is effectively allocated to the objectives that have been set - <https://www.goldstandard.org/>

¹³ Avoiding deforestation is often considered to be more effective than reforestation projects in addressing the root causes of the problem. Reforestation is a positive objective but if the cause of the problem is not addressed, trees will continue to be felled near protected/reforested areas.

¹⁴ See above, footnote 9.

c. Other actions to reduce Degroof Petercam's environmental footprint

I. Energy/water consumption

Degroof Petercam has signed renewable energy contracts and aims to reach 100% renewable energy use by 2020. Degroof Petercam strives to install the most environmentally friendly technologies to reduce its water and electricity consumption when renovating buildings that it owns.

All offices are equipped with water coolers to reduce the amount of plastic containers and bottles.

II. Mobility

In July 2017, Degroof Petercam launched its new mobility plan for employees benefiting from a company vehicle. This new mobility plan is based on 3 pillars: sustainability, comfort and safety.

Degroof Petercam's objective is to reduce the environmental impact and improve work-life balance for its employees.

Degroof Petercam has selected company cars with reduced CO₂ emissions in each category. Employees can opt for smaller cars (petrol/diesel/hybrid/electric) and combine them with an alternative form of mobility such as public transport, (electric) bicycle, electric scooter...

With the help of its leasing partners, Degroof Petercam has developed and redefined the entire process in order to reduce all possible inconveniences when ordering an all-electric vehicle. Degroof Petercam will thus be able to significantly reduce its carbon footprint associated with mobility.

Degroof Petercam also authorises its employees to exchange their vehicles for an all-electric model in the event of emissions exceeding 145 g/km.

Starting in 2018, a dashboard will be created to monitor the fuel consumption of petrol vehicles and analyse the impact of hybrid and 100% electric models on average CO₂ emissions.

Since 2015, the average CO₂ emission (g/km) based on the actual fuel consumption of each car has steadily decreased.

	01.01.2015	01.01.2016	01.01.2017	01.01.2018
Average total CO ₂ emissions DPCF	136	133	133	123
Average total CO ₂ emissions DPAM	126	121	119	110
Average total CO ₂ emissions BDP	130	119	121	117

In 2018, charging stations for electric and hybrid vehicles will be installed in two regional offices and at the Bank's headquarters.

III. Certification of buildings

One of Degroof Petercam's main buildings in Brussels is BREEAM certified¹⁵ and the future flagship office in Ghent will be predominantly energy neutral.

IV. Pollution / Waste Management

In collaboration with suppliers, selective waste treatment is organised throughout the Bank's premises. Starting in 2018, a dashboard will be created to monitor the quantities of waste produced and recycled.

¹⁵ Building Research Establishment Environmental Assessment Method.

V. Paper

All paper used in centralized and decentralized printers is FSC¹⁶ or PEFC¹⁷ certified. Paper from confidential or non-confidential documents and destroyed archives is recycled. The volumes of this recycled paper will be included in the waste dashboard.

All decentralised printers are checked for excess printing. In addition, an awareness campaign will be launched on this subject in 2018.

VI. Suppliers

A group procurement policy (Global procurement policy) promoting sustainable purchasing is currently being drafted.

¹⁶ Forest Stewardship Council.

¹⁷ Program for the Endorsement of Forest Certification.

Anti-corruption policies, procedures and standards

1 Scope of data

In compiling this section, Degroof Petercam relied solely on data relating to Bank Degroof Petercam nv|sa.

2 Detection of indications of corruption among clients

a. Generally speaking

Degroof Petercam's Compliance Department is responsible for ensuring compliance with various legal provisions, including the Law of 18 September 2017 on the prevention of money laundering and terrorist financing and on limiting the use of cash¹⁸.

These legal provisions are intended to identify and report movements of money from criminal activities. Participation in the commission of an offence related to embezzlement by public officials and corruption¹⁹ are among the criminal activities listed by law. The whole system put in place by Degroof Petercam is therefore also applicable to money derived from corruption.

This system is based on different types of actions: identifying future clients before opening their account and monitoring their transactions. The law requires that special attention be paid to account openings and transactions by politically exposed persons (PEPs). A special mention is therefore added to the electronic file of these clients in order to allow appropriate monitoring of their transactions.

As at 31 December 2017, Degroof Petercam had 158 clients identified as PEP.

If the Bank has a suspicion of money laundering related to these criminal activities, it must report it to the Financial Information Processing Unit (CTIF)²⁰.

b. In practical terms

The problem of corruption is dealt with in the internal procedure for accepting clients and capital.

Each country is subject to an internal scoring by Degroof Petercam (Country Risk Assessment) in order to determine whether entering into a relationship with a natural or legal person from that country could present an increased risk. This scoring takes into account, amongst other things, the corruption index established by Transparency International²¹.

Any contact with natural or legal persons established in countries with a high level of corruption and all funds from these countries are monitored by the Compliance Department and, depending on the risk, are subject to prior agreement at an appropriate hierarchical level.

Degroof Petercam has put in place a procedure to detect any contact with PEPs from a country with a high level of corruption and/or other countries with a high level of risk. This procedure (the so-called red line procedure) was reinforced in September 2017.

Degroof Petercam management and the Compliance Department are involved in this reinforced procedure.

18 Moniteur belge of 06/10/2017.

19 Active and passive corruption and influence peddling are offences referred to in Articles 246, 247, 504 bis and 504 ter of the Belgian Criminal Code.

20 <http://www.ctif-cfi.be/website/>

21 <https://www.transparency.org>

In 2017, entries into relationships with domestic PEPs are subject to the prior approval of the Compliance Department, and since the new onboarding procedure of 2017 came into force on 9 April 2018, these entries into relationships must ultimately be approved by the group Due Diligence Committee.

A similar procedure is applied for legal persons and their beneficial owners.

A second line control to monitor these account openings and the transfer of funds from abroad is performed consistently.

Remittances from PEPs are monitored with particular attention.

3 Detection of indications of corruption among employees

a. Generally speaking

Degroof Petercam has implemented various policies and procedures to detect and prevent attempted corruption by its employees.

The Code of Business Conduct contains provisions that frame different behaviours that could be indicators of corruption:

- Degroof Petercam employees may not have proxies on customers' accounts;
- acceptance of gifts is limited and subject to prior approval;
- accepted gifts are generally pooled within the department and drawn at random; and
- the exercise of directors' mandates both in group companies and in the private sphere is supervised and subject to prior authorisation.

b. In practical terms

Enforcement procedures for each of these provisions are in place and the Compliance Department issues recommendations in the majority of these cases.

It also monitors gifts and external mandates.

4 Employees dedicated to this work

Within the Compliance Department of Bank Degroef Petercam nv/sa, 4 full-time workers (FTE) are dedicated to the prevention and detection of money laundering. Detecting corruption is one aspect of this work.

Degroof Petercam Asset Management nv/sa (DPAM), the group entity in charge of fund management, dedicates a team of 4 full-time employees (FTE) to this task.

5 Appropriate employee training

Each new employee receives a document entitled "Welcome Pack Compliance" which explains the various areas of responsibility of the Compliance Department, including the fight against money laundering resulting from criminal activities and the preventive measures taken by the Bank.

Thematic training courses were organised in 2017.

An e-learning course on money laundering prevention is planned for 2018.

An information page dedicated to the Compliance Department's activities will be put online in 2018. This page will contain the different policies and procedures regarding the matters covered by the Compliance Department.

6 Whistleblowing procedures

In order to complete this system, a whistleblowing policy has been implemented within Degroof Petercam. This procedure offers an alternative to employees who wish to report a fraudulent practice and who cannot use hierarchical channels to do so.

Whistleblowing allows them to report their suspicions anonymously and with protection to either the Group Compliance Officer or the Chief Human Resources Officer. The policy provides for the intervention of the Risk Committee if the person targeted by the whistleblowing is an effective member of management.

7 Reporting

Degroof Petercam is currently examining ways of improving its reporting in this area and determining the most relevant key performance indicators (KPIs), with a view to reporting even more specifically on the results obtained in future reports.

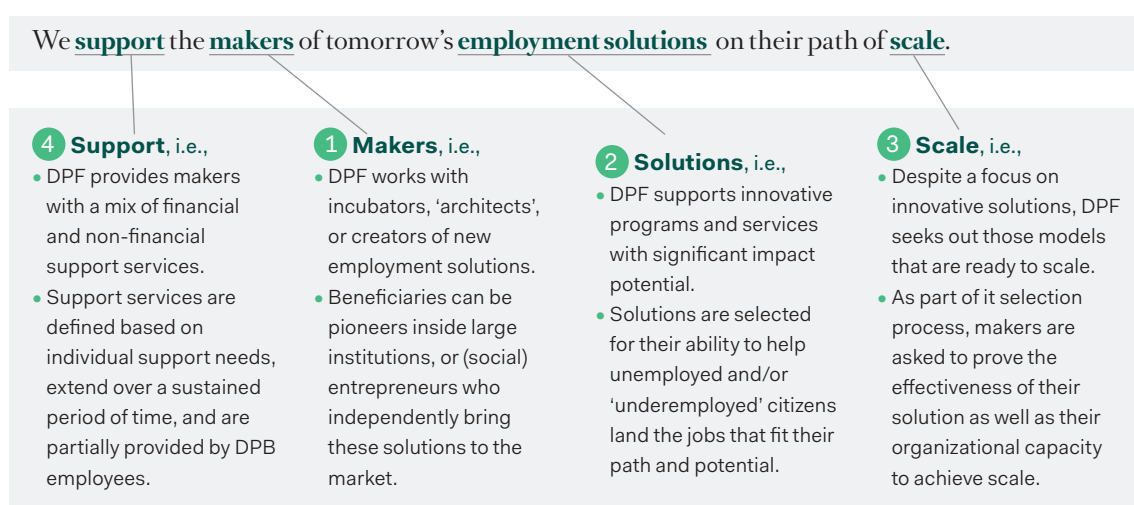
Philanthropy – Degroof Petercam Foundation

1 Vision and mission

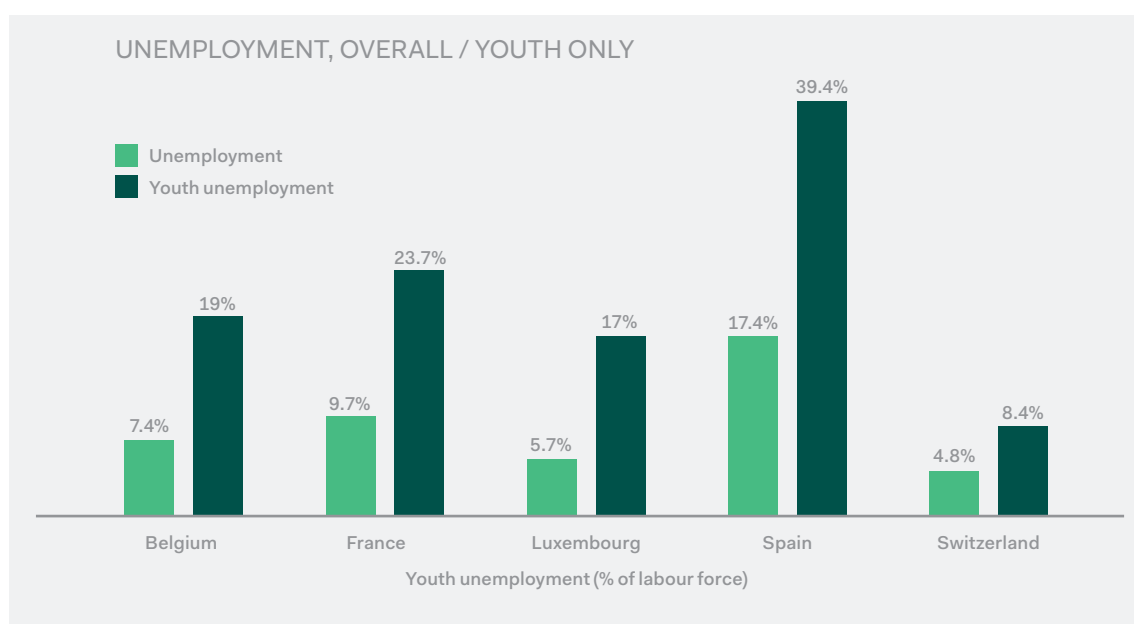
The Degroof Petercam Foundation (hereinafter the “Foundation”) celebrates its 10th anniversary this year and is now one of Belgium’s top 10 largest foundations.

The Foundation believes in a sustainable and inclusive society, where everyone has the opportunity to prosper. Its mission is to support the job creators of tomorrow on the road to growth.

The Foundation identifies solutions that create future jobs, invests in the creators of these solutions and supports them by providing them with the resources and networks necessary for their success.



The Foundation is active in the countries where Degroof Petercam is established: Belgium, France, Luxembourg, Spain and Switzerland. The table below illustrates the unemployment situation it faces in these 5 countries.



Consolidated non-financial statement

Another major mission of the Foundation is to promote education through the improvement of general, technical and vocational education. More specifically, the Foundation supports education by helping to reduce the number of school dropouts. It focuses mainly on children from low-income and socially disadvantaged households.

It contributes to quality, equitable education by supporting students and teachers through coaching sessions, guidance, information and education workshops.

In addition to these missions, the Foundation seeks to create value for Degroof Petercam and its clients by:

- strengthening the legacy and position of Bank Degroof Petercam as a credible and inclusive institution.
- offering concrete opportunities with high impact for clients and employees of Bank Degroof Petercam.

In fulfilling its mission, the Foundation intends to integrate Degroof Petercam's values of excellence, teamwork, humanity, entrepreneurship and customer focus into everything it undertakes.

2 How it works

The Foundation receives 0.30% of the net results of the Degroof Petercam group, with a minimum of 250 000 euros per year. In addition, it receives bequests from clients of Degroof Petercam, now with an annual budget of around one million euros.

Its own assets are now managed by Degroof Petercam.

In essence, the Foundation has a societal impact, which means that it must address this theme in all its dimensions, including its assets and investments. The Foundation limits its impact on society by eliminating investments in certain sectors and/or investments that do not meet certain ESG criteria. The objective is to be 100% invested in socially responsible investment (SRI) by the end of 2018.

In this respect, the Foundation invests through direct lines of action or via funds with the socially responsible investment (SRI) label. It has a very good offering within Degroof Petercam via DPAM's range of SRI funds but also makes use of third-party funds.

The Foundation ensures that Degroof Petercam's clients can get involved as a coach or mentor in the projects it selects. In addition, when a Foundation project needs access to new capital, the Foundation also opens its network to it.

3 Achievements

In 2017, 13 projects were supported by the Foundation. The amount committed in donations amounted to 570 000 euros.

Over the last 10 years, the Foundation has supported 30 projects and received 2.5 million euros in donations. The growth of the Foundation in terms of budget amounted to 25% and in terms of human resources to 50%.

In terms of results, as there was no benchmark in place from the time when support began to be provided, the success rate cannot currently be measured. This reference and "impact measurement" framework is one of the main objectives of 2018 for all projects included in the Foundation's programme from 2019.

4 UN Sustainable Development Goals (SDG) ²²

The Foundation is active in the 2 areas defined by the SDG to solve employment problems and contribute to decent work and sustainable economic growth:

- Objective 8: Promoting sustained, shared and sustainable economic growth, full and productive employment and decent work for all; and
- Objective 4: Ensuring access for all to quality education on an equal footing and promoting lifelong learning opportunities;



5 The Foundation's long-term objectives

The Foundation has defined several objectives to be achieved by 2023. The achievement of these objectives would consist in having:

- committed 5 million euros in aid;
- contributed to the creation of 3 000 jobs;
- engaged 30% of Degroof Petercam's employees and clients in its work as a foundation.

²² See above, footnote 9.



Consolidated financial statements

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Consolidated balance sheet

(in thousands of EUR)

	Notes	31.12.2017	31.12.2016	31.12.2015
Assets				
Cash, balances with central banks and other demand deposits	7.1	3 191 899	1 789 612	2 061 222
Financial assets held for trading	7.2	132 368	110 235	114 325
Financial assets designated at fair value through profit or loss	7.3	893 350	1 740 918	829 861
Available-for-sale financial assets	7.4	1 195 166	1 431 390	2 101 471
Loans and advances to credit institutions	7.5	221 999	157 192	350 482
Loans and advances to customers	7.6	1 916 135	1 690 640	1 678 708
Financial assets held to maturity	7.7	80 726	115 306	125 701
Property and equipment	7.8	84 912	86 460	76 617
Goodwill and other intangible assets	7.9	368 843	385 454	394 664
Investments in entities accounted for using the equity method	7.10	146	183	13 527
Current tax assets		10 553	5 820	9 455
Deferred tax assets	7.19	7 985	9 134	10 603
Other assets	7.11	151 273	139 064	132 161
Total assets		8 255 355	7 661 408	7 898 797

(in thousands of EUR)

	Notes	31.12.2017	31.12.2016	31.12.2015
Liabilities and equity				
Liabilities		7 315 541	6 762 497	6 996 257
Financial liabilities held for trading	7.12	158 234	134 719	142 401
Deposits from credit institutions	7.13	164 487	117 086	156 596
Deposits from customers	7.14	6 730 634	6 238 233	6 408 182
Debt securities	7.15	0	0	3 000
Provisions	7.17	67 852	80 983	80 274
Current tax liabilities		27 221	48 807	40 740
Deferred tax liabilities	7.19	11 394	11 867	17 588
Other liabilities	7.18	155 719	130 802	147 476
Equity		939 814	898 911	902 540
Issued capital	7.20	34 212	34 212	34 212
Share premium	7.20	420 553	420 553	420 925
Reserves and retained earnings	7.20	445 523	434 961	385 334
Revaluation reserves	7.20	(3)	(1 771)	(231)
Treasury shares (-)	7.20	(47 604)	(47 605)	(45 956)
Net profit for the period	7.20	86 460	57 877	107 643
Minority interests		673	684	613
Total liabilities and equity		8 255 355	7 661 408	7 898 797

Consolidated statement of comprehensive income¹

(in thousands of EUR)

	Notes	31.12.2017	31.12.2016	31.12.2015
Interest income	8.1	53 748	51 385	65 614
Interest expense	8.1	(11 996)	(6 051)	(9 501)
Dividend income	8.2	2 931	5 950	5 274
Fee and commission income	8.3	526 522	468 954	469 775
Fee and commission expense	8.3	(151 553)	(137 030)	(140 415)
Net result on financial instruments held for trading	8.4	22 066	23 366	19 419
Net result on financial instruments designated at fair value through profit or loss	8.5	(2 862)	(1 544)	(3 196)
Net result on financial instruments not designated at fair value through profit or loss	8.6	8 660	9 990	67 623
Other net operating results	8.7	20 637	20 961	(15 540)
Share in the results from entities accounted for using the equity method		(351)	63	266
Net income		467 802	436 044	459 319
Personnel expenses	8.8	(194 116)	(180 284)	(191 079)
General and administrative expenses	8.9	(135 746)	(145 706)	(110 924)
Depreciation and amortization	8.10	(21 893)	(21 542)	(12 543)
Impairments	8.11	(7 702)	(7 467)	(21 587)
Profit before tax		108 345	81 045	123 186
Income tax expense	8.12	(21 883)	(23 160)	(15 564)
Net profit		86 462	57 885	107 622
Remeasurement gains (losses) related to post-employment benefit plans	8.13	1 012	(2 754)	10 993
Total other comprehensive income 2 that may not be reclassified subsequently to net profit²		1 012	(2 754)	10 993
Fair value adjustments – Available-for-sale financial assets	8.13	4 002	2 740	(68 993)
Currency translation differences	8.13	(3 247)	(1 526)	1 963
Total other comprehensive income 2 that may be reclassified subsequently to net profit²		755	1 214	(67 030)
Total comprehensive income		88 229	56 345	51 585

¹ The column 31.12.2015 covers a period of 15 months.

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

(in thousands of EUR)

	Notes	31.12.2017	31.12.2016	31.12.2015
Net profit attributable to		86 462	57 885	107 622
shareholders of the parent company		86 460	57 877	107 643
minority interests	2	8	(21)	
Total comprehensive income attributable to		88 229	56 345	51 585
shareholders of the parent company		88 229	56 337	51 605
minority interests		0	8	(20)

Consolidated statement of changes in equity

	Capital	Share premium	Reserves and retained earnings	Revaluation reserves
Balance at 30.09.2014	47.491	153.921	339.806	55.598
Share option plans	0	641	0	0
Capital decrease	(15 779)	(57 681)	(83 446)	0
Treasury shares transactions	0	0	0	0
Dividends paid	0	0	(44 101)	0
Change in minority interests	0	0	3 469	0
Prior period results	0	0	84 380	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(57 997)
Business combination	2 500	324 044	85 226	0
Currency translation differences	0	0	0	0
Balance at 31.12.2015	34 212	420 925	385 334	(2 399)
Share option plans	0	44	0	0
Treasury shares transactions	0	(416)	0	0
Dividends paid	0	0	(57 910)	0
Change in minority interests	0	0	(106)	0
Prior period results	0	0	107 643	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(14)
Currency translation differences	0	0	0	0
Balance at 31.12.2016	34 212	420 553	434 961	(2 413)
Treasury shares transactions	0	0	0	0
Dividends paid	0	0	(47 315)	0
Change in minority interests	0	0	0	0
Prior period results	0	0	57 877	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	5 011
Currency translation differences	0	0	0	0
Balance at 31.12.2017	34 212	420 553	445 523	2 598

(in thousands of EUR)

Currency translation differences	Treasury shares	Net profit for the period	Equity group's share	Minority interests	Total
209	(55.008)	84.380	626.397	633	627.030
0	0	0	641	0	641
0	5 796	0	(151 110)	0	(151 110)
0	3 256	0	3 256	0	3 256
0	0	0	(44 101)	(22)	(44 123)
0	0	0	3 469	22	3 491
0	0	(84 380)	0	0	0
0	0	107 643	107 643	(21)	107 622
0	0	0	(57 997)	(3)	(58 000)
0	0	0	411 770	0	411 770
1 959	0	0	1 959	4	1 963
2 168	(45 956)	107 643	901 927	613	902 540
0	0	0	44	0	44
0	(1 649)	0	(2 065)	0	(2 065)
0	0	0	(57 910)	0	(57 910)
0	0	0	(106)	63	(43)
0	0	(107 643)	0	0	0
0	0	57 877	57 877	8	57 885
0	0	0	(14)	0	(14)
(1 526)	0	0	(1 526)	0	(1 526)
642	(47 605)	57 877	898 227	684	898 911
0	1	0	1	0	1
0	0	0	(47 315)	0	(47 315)
0	0	0	0	(13)	(13)
0	0	(57 877)	0	0	0
0	0	86 460	86 460	2	86 462
0	0	0	5 011	0	5 011
(3 243)	0	0	(3 243)	0	(3 243)
(2 601)	(47 604)	86 460	939 141	673	939 814

Consolidated financial statements

Consolidated cash flow statement¹

(in thousands of EUR)

	Notes	31.12.2017	31.12.2016	31.12.2015
Net profit		86.462	57.885	107.622
Non-monetary items included in the net profit and other adjustments		42.282	42.456	70.739
Taxes and deferred taxes	8.12	21 883	23 160	15 564
Income from associates, net of dividends received		351	1 028	513
Share-based payments		0	44	641
Unrealised foreign exchange gains or losses and currency translation differences		251	(28)	0
Impairment and depreciation/amortization of (in) tangible assets	7.8/7.9	28 668	23 697	22 753
Changes in provision	7.17	(12 669)	663	17 855
Net losses (profits) on investments		237	(1 979)	(262)
Other adjustments		3 561	(4 129)	13 675
Change in assets and liabilities from operating activities		(92 564)	(417 153)	(823 311)
Assets held for trading or designated at fair value		825 492	(906 953)	257 821
Loans and advances		(1 727 091)	84 362	(1 213 462)
Available-for-sale loans and securities		240 926	672 112	(584 728)
Other assets		(22 092)	(14 673)	(3 554)
Liabilities held for trading		23 548	(7 695)	(27 968)
Deposits from credit institutions		58 942	26 525	(105 885)
Deposits from customers		475 846	(156 599)	796 456
Debtenture loan		0	0	(1)
Other liabilities		31 865	(114 232)	58 010
Income taxes paid		(51 330)	(8 661)	(48 600)
Net cash flows from operating activities (A)		(15 150)	(325 473)	(693 550)
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired (including increase in percentage interest held)	6	0	0	1 134 412
Disposal of subsidiaries, joint ventures and associates, net of cash disposed of (including decrease in percentage interest held)	6	50	12 483	0
Purchase of (in)tangible assets		(12 490)	(19 890)	(14 730)
Disposal of (in)tangible assets		545	396	422
Purchase of held to maturity investments		(7 041)	0	(12 363)
Income from the disposal or reimbursement of held to maturity investments		40 825	10 000	60 173
Net cash flows from investing activities (B)		21 889	2 989	1 167 914
Dividends paid		(47 326)	(57 910)	(44 123)
Purchase or sale of treasury shares		0	(2 065)	9 052
Cash inflows from the issue or cash outflows from the repayment of subordinated debt	7.16	0	0	(39 500)
Cash inflows from the issue of new share or cash repayment from repurchase of shares, other equity instruments and other capital variations		0	0	(156 906)
Other financing		0	0	(3 017)
Net cash flows from financing activities (C)		(47 326)	(59 975)	(234 494)
Effect of exchange rate changes on cash and cash equivalents (D)		(5 742)	727	9 244

¹ The column 31.12.2015 covers a period of 15 months.

(in thousands of EUR)

	Notes	31.12.2017	31.12.2016	31.12.2015
Net increase/decrease of cash and cash equivalents (A + B + C + D)		(46 329)	(381 732)	249 114
Cash and cash equivalents at the beginning of the period		481 056	862 788	613 674
Cash and cash equivalents at the end of the period		434 727	481 056	862 788

Supplementary information

Interest received		75 030	63 662	83 267
Dividends received		2 931	5 950	5 274
Interest paid		(41 472)	(32 900)	(36 666)

Components of cash and cash equivalents		434 727	481 056	862 788
Cash and balances with central banks	7.1	30 730	34 663	22 803
Current accounts and call money loans with credit institutions	7.1	272 305	389 180	489 624
Loans and advances to credit institutions	7.5	131 692	57 213	350 361
of which not available		0	0	0

1 General information

The Royal Decree of 5 December 2004 requires quoted and unquoted credit institutions and investment firms to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for financial periods that commenced on or after 1 January 2006. For this reason, the consolidated financial statements of Bank Degroof Petercam have been prepared in accordance with IFRS in force at 31 December 2017, as adopted by the European Union.

As Bank Degroof Petercam has no securities or borrowings that are traded, or are in the process of being offered, on a public securities market, IFRS 8 ('Operating segments') and IAS 33 ('Earnings per share') have not been applied.

It is for this reason that Bank Degroof Petercam does not publicly announce interim results and, accordingly, has only a single reporting date, namely the annual period-end.

In 2015, Bank Degroof Petercam changed the closing date of its financial year, so that it runs from 1 January through 31 December of each year. Previously, the financial year covered the period from 1 October through 30 September. Exceptionally, the financial period which commenced on 1 October 2014 closed on 31 December 2015, resulting in a financial period of 15 months. As a result, certain amounts presented in the financial statements are not directly comparable as the 2015 financial period covered a longer period than the other financial periods presented. Following the merger and in accordance with IFRS standards, the result for the 2015 financial period includes three months of results of the new entity, Bank Degroof Petercam, and twelve months results of Bank Degroof.

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

2 Changes in accounting policies and methods

The following IFRS standards (amended) are applicable for the first time during the current financial year:

- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses';
- Amendments to IAS 7 'Disclosure Initiative'.

The application of these new measures has not had a significant impact on the result or shareholders' equity of Bank Degroof Petercam, or on the presentation of the financial statements.

The standards, amendments of standards, and interpretations published by the IASB (International Accounting Standards Board) as at 31 December 2017 which become effective for future financial periods include:

STANDARDS ENDORSED BY THE EUROPEAN UNION:

- IFRS 9 'Financial Instruments' and subsequent amendments applicable for financial periods beginning on or after 1 January 2018;
- IFRS 15 'Revenue from Contracts with Customers' applicable for financial periods beginning on or after 1 January 2018;
- IFRS 16 'Leases' applicable for financial periods beginning on or after 1 January 2019;
- Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' applicable for financial periods beginning on or after 1 January 2018.

STANDARDS NOT ENDORSED BY THE EUROPEAN UNION:

- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions' applicable for financial periods beginning on or after 1 January 2018;
- Annual Improvements to IFRS Standards 2014-2016 Cycle applicable for financial periods beginning on 1 January 2017 (one modification) or for financial periods beginning on or after 1 January 2018 (the other modifications);
- Annual Improvements to IFRS Standards 2015-2017 Cycle applicable for financial periods beginning on or after 1 January 2019;

- Amendments to IAS 40 'Transfers of Investment Property' applicable for financial periods beginning on or after 1 January 2018
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' applicable for financial periods beginning on or after 1 January 2018.
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation' applicable for financial periods beginning on or after 1 January 2019.
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures' applicable for financial periods beginning on or after 1 January 2019.
- IFRIC 23 'Uncertainty over Income Tax Treatments' applicable for financial periods beginning on or after 1 January 2019.
- IFRS 17 'Insurance Contracts' applicable for financial periods beginning on or after 1 January 2021.

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

IFRS 9 (which replaces the requirements of IAS 39 'Financial Instruments: Recognition and Measurement') introduces new requirements in respect of the classification and measurement of financial assets and liabilities, a unique impairment model based on expected losses, and a substantially reformed approach to hedge accounting.

- **Classification and measurement of financial assets and liabilities:** in accordance with IFRS 9, financial assets are classified and measured on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Bank Degroof Petercam has determined these business models at a level that reflects the manner in which groups of financial assets are collectively managed in order to achieve a specific commercial objective. On the basis of the business models defined by Bank Degroof Petercam and the contractual cash flow characteristics, the financial assets covered by IFRS 9 have been classified under the following categories:

Financial assets measured:

- at amortised cost (the business model comprises holding the asset in order to collect contractual cash flows, with the cash flows consisting solely of payments linked to the principal and interest on the principal),
- financial assets measured at fair value through other comprehensive income (the business model comprises holding the asset in order to collect contractual cash flows and to sell the assets, with the cash flows consisting solely of payments linked to the principal and interest on the principal),
- and financial assets measured at fair value through profit or loss (financial assets that are not eligible for measurement at amortised cost or in the category that are measured at fair value through other comprehensive income).

The application of IFRS 9 will result in the transfer of the portfolio of 'available-for-sale' financial assets to 'at amortised cost'. Bank Degroof Petercam has used the transition provisions relating to classification and measurement in order to revoke the retrospective classification of financial assets as being measured at fair value through profit or loss. In respect of investments in equity instruments (which are not held for trading), IFRS 9 permits (an irrevocable choice at initial recognition) the designation of these investments at fair value through other comprehensive income. At the date of initial application, Bank Degroof Petercam will use this option. In respect of financial liabilities, the implementation of IFRS 9 will not result, for Bank Degroof Petercam, in changes resulting from the criteria for the classification and measurement of these instruments. Bank Degroof Petercam does not anticipate that the changes introduced by IFRS 9 will have a material impact on the balance sheet, results or shareholders' equity. Nevertheless, a certain volatility relating to instruments that are required to be measured at fair value through profit or loss may have an impact on results. In the opening balance sheet, the expected impact of the changes relating to the new criteria for the classification and measurement of instruments is an estimated reduction in shareholders' equity of EUR 2 million.

- **Impairment:** IFRS 9 has led to an overhaul of the impairment model which is now based on 'expected' losses rather than 'incurred' losses as provided for by IAS 39. This new model aims at recognising losses more rapidly and necessitates the availability of significant amounts of information including historic and current data, and forecast macro-economic factors. This model applies principally to loans, debt instruments measured at amortised cost or at fair value through other comprehensive income, to loan commitments and to financial guarantees issued. The expected losses are an estimate, which is probability-weighted, of the lifetime expected credit losses of the financial instrument. The calculation of these losses is based, in

part, on the following parameters: probability of default ('PD'), loss given default ('LGD'), exposure (residual accounting) at default ('EAD') and the discount rate. The expected credit losses are calculated on the basis of probability-weighted scenarios. The financial assets are classified on the basis of the extent of the deterioration in credit quality since their initial recognition, in three categories:

- Category 1 (initial recognition: 'performing'): the impairment is measured as the amount of the lifetime expected credit losses resulting from the risk of default during the 12 months following the year-end;
- Category 2 (significant increase in credit risk: 'under-performing'): the impairment is measured as the amount of the expected credit losses over the lifetime of the financial instrument;
- Category 3 (distressed financial assets for which there is objective proof of default at the year-end: 'non-performing'): the impairment is measured as the difference between the accounting value of the asset and its expected recoverable value.

In order to assess the deterioration in credit risk, Bank Degroof Petercam compares the risk of default at the year-end to that at the date of initial recognition of the financial asset. In order to classify these credit exposures, Bank Degroof Petercam has decided to establish an internal scoring model which changes in function of credit events for its credit portfolios. In respect of debt instruments, the ratings of external agencies are principally used and Bank Degroof Petercam makes use of the exception relating to low credit risk. Bank Degroof Petercam expects the impact on its opening balance sheet to be a gross increase in provisions for losses of approximately EUR 1 million and a reduction in shareholders' equity of approximately EUR 0.3 million.

- **Hedge accounting:** Bank Degroof Petercam (which does not apply the IAS 39 provisions for hedge accounting) intends to use the new provisions of IFRS 9 in terms of micro-hedge accounting to cover the value of rate risk. This decision concerns financial instruments designated, under IAS 39, at fair value through profit or loss.

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

IFRS 16 replaces IAS 17 'Leases'. The most important change introduced by IFRS 16 is that the majority of leasing contracts will be recorded on the balance sheets of the lessees. The new standard no longer permits lessees to account for leases as either operating or finance leases, treating all such contracts (with two exceptions) as finance leases. For lessees, this implies that most leases will be recognised on the balance sheet in the form of a right-of-use asset and a leasing debt. In respect of accounting by lessors, many aspects of IAS 17 are carried over into IFRS 16. An analysis of the standard and the identification of its possible impacts is on-going.

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

3 Summary of accounting policies and methods

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

3.1 Consolidation principles

SCOPE OF CONSOLIDATION

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

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

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

JOINT ARRANGEMENTS

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

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

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

ASSOCIATES

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

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

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

3.2 Translation of foreign currencies

CONVERSION OF ACCOUNTS IN FOREIGN CURRENCIES

On consolidation, the balance sheets of entities having a functional currency different from that of Bank Degroef Petercam (EUR) are translated at the exchange rate prevailing at the period-end.

The income statements and the cash flow statements for the same entities are translated at the average exchange rate for the financial period.

Exchange differences arising on translation are recorded in shareholders' equity.

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

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

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

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

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

Non-monetary items valued at fair value are translated at the exchange rate prevailing at the period-end. Exchange differences arising on translation are recorded either in shareholders' equity or in the income statement depending on the accounting treatment of the item in question. Other non-monetary items are valued at historic exchange rates (i.e. the exchange rate prevailing on the transaction date).

3.3 Financial instruments

3.3.1 Recognition date for financial instruments

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

3.3.2 Offsetting

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

3.3.3 Financial assets and liabilities held for trading

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

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

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

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

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

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

The choice of the fair value option cannot be reversed once the asset or liability has been recognized in the balance sheet.

The same measurement rules apply to this category of assets and liabilities as those that apply to the 'financial assets and liabilities held for trading' category.

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

3.3.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value (including transaction costs if they are significant), and are subsequently measured at amortized cost using the effective interest method corrected for any impairment losses.

The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period in order to obtain the net carrying amount of the financial asset or financial liability.

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

Impairments are recorded in the income statement under 'impairments'. Loans and receivables consist principally of interbank and client loans and receivables.

3.3.6 Held-to-maturity investments

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

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

3.3.7 Available-for-sale financial assets

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

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

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

3.3.8 Other financial liabilities

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

Other financial liabilities are recognized initially at fair value (plus transaction costs, if significant), and subsequently at amortized cost using the effective interest method.

Accrued interest (including any difference between the redemption amount and the net amount received) is recorded, using the effective interest method, in the income statement under 'interest expense'.

3.3.9 Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, on the principal or the most advantageous market, at the measurement date. The fair value of a liability reflects non-performance risk.

The fair value is determined by reference to quoted prices on an active market (quotations established by a stock exchange, broker, or any other source recognized by investors). Where no market exists or market prices are not available, valuation techniques are used in order to estimate, at the measurement date, the fair value under current market conditions. These techniques make maximum use of market inputs, of currently used calculation methods, as well as of a series of other factors including time value and credit and liquidity risk. The fair value estimated in this manner is affected by the data used. Valuation techniques include, in particular, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, option pricing models, and other appropriate valuation models.

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

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

ACTIVE MARKET

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

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

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

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

ABSENCE OF ACTIVE MARKET

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

Where, however, this difference (commonly known as 'Day 1 profit and loss') is generated by a valuation model the parameters of which are not all based on observable market data, it is recorded in the income statement over the life of the transaction, or deferred until the date on which the instrument is derecognized. In all cases, any unrecognized differences are immediately recorded in the income statement if parameters that were not originally observable later become so, or where the fair value can be determined by reference to a price quoted on an active market involving the same instrument. For all transactions, the appropriate method for recording the difference in the income statement is determined on a case by case basis.

ABSENCE OF ACTIVE MARKET – EQUITY INSTRUMENTS (UNQUOTED SHARES)

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

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

3.3.10 Embedded derivatives

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

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

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

This (embedded) derivative is valued at fair value through profit or loss in the same manner as a stand-alone derivative.

The host contract is accounted for and valued according to the principles governing the category to which it belongs.

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

3.3.11 Derecognition of financial instruments

A financial asset is derecognized when:

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

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

3.4 Hedge accounting

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

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

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

FAIR VALUE HEDGE

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

CASH FLOW HEDGES

The effective part of changes in the fair value of derivatives designated and qualifying as cash flow hedges is deferred in shareholders' equity under 'revaluation reserves'. The ineffective part of changes in the fair value is recorded directly in the income statement.

Gains and losses previously recorded in equity are transferred to the income statement and recognized in income or expense over the period during which the hedged instrument impacts the result.

If the hedging relationship is broken or if the hedge no longer meets the conditions for hedge accounting, the accumulated amounts recorded in shareholders' equity are maintained in shareholders' equity until the forecast transaction impacts on the income statement. Once it is foreseen that the forecast transaction will no longer take place, these amounts are immediately recorded in the income statement.

HEDGE OF A NET INVESTMENT IN A FOREIGN ENTITY

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

3.5 Leasing contracts

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

A GROUP ENTITY AS THE LESSEE IN A LEASE CONTRACT

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

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

A GROUP ENTITY AS THE LESSOR

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

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

3.6 Property and equipment (including investment property)

Property and equipment are recorded at acquisition cost (including directly attributable expenses) less accumulated depreciation and any impairment losses. Bank Degroof Petercam applies the component method of fixed asset accounting (mainly for buildings) and the depreciable amount of an asset is determined after deduction of its residual value.

Depreciation is calculated on a straight-line basis, according to the useful lives of the assets concerned.

The useful lives applied are:

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

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

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

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

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

3.7 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical substance.

Such an asset is recorded initially at cost if it is deemed that it will produce future economic benefits and if the acquisition cost of this asset can be reliably determined.

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

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

Business activities ('fonds de commerce') are amortized on a straight-line basis over their expected useful lives. These useful lives generally do not exceed 20 years.

At each financial period-end, where there is an indication that an intangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable value) is performed. An impairment loss is recognized when the carrying amount of the asset is higher than its estimated recoverable value.

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

GOODWILL

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

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

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

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

3.8 Other assets

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

3.9 Impairments

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

At each financial period-end, Bank Degroof Petercam assesses whether there is any indication (i.e. a loss-generating event) that an asset may have lost value. Where such an indication exists, an impairment test is carried out and, where appropriate, an impairment loss is recorded through the income statement.

Even where no objective indication exists of impairment, such an examination is carried out, at least every year at the same date, in respect of intangible assets with indefinite useful lives and of goodwill.

FINANCIAL ASSETS

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

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

The analysis of the existence of any impairment is undertaken initially on an individual basis, and subsequently on a collective basis. The collective assessment for the calculation of an impairment on the credit activities of Bank Degroof Petercam involves grouping those counterparties that have not been individually impaired into homogenous portfolios with the assessment being based on the historic data for each portfolio.

The methodology used by the Bank is based upon an approach that combines the probabilities of default, and the losses in case of default. This methodology and the assumptions used are reviewed regularly in order to reduce possible differences between the estimated losses and the real historic losses.

Impairment on financial assets recognized at amortized cost corresponds to the difference between their carrying amount and the value of estimated cash flows, discounted at the original effective interest rate.

Where the discount effect is negligible, it is ignored. Impairment losses are recognized in the income statement under 'impairments', with an off-setting entry to an allowance account in respect of the carrying amount of the impaired financial assets. If an event subsequent to the recording of the impairment indicates that the impairment loss no longer exists, or only partially exists, the previously recorded impairment loss is reversed through the 'impairments' heading of the income statement.

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

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

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

OTHER ASSETS

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

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

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

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

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

An impairment loss on goodwill cannot be subsequently reversed.

3.10 Provisions

A provision is recorded when:

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

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

3.11 Tax

CURRENT TAX

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

DEFERRED TAXES

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

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

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

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

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

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

3.12 Employee benefits

OTHER LONG-TERM BENEFITS

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

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

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

COMMITMENTS RELATED TO PENSION SCHEMES

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

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

Defined benefit schemes are plans where the Bank is required to pay supplementary contributions to the schemes in the event that the latter have insufficient assets to meet the current and past service obligations to employees. For these schemes, the charge to the income statement is determined using the projected unit credit method in such a way as to spread the cost of the future pension over the employee's expected working life. Any obligation of the Bank over and above the assets held by the schemes is recorded as a liability on the balance sheet. Actuarial gains and losses in respect of the obligations and assets of these schemes that

result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period, are fully and immediately accounted in other comprehensive income. All calculations are performed by an independent actuary.

OTHER POST-EMPLOYMENT COMMITMENTS

Certain group companies offer to assume all or part of the cost of a 'medical care' insurance policy for employees under contract to the company at the time of their retirement.

The group's estimated commitment is accumulated as a liability over the employees' years of service and is determined in a manner similar to that used for defined benefit pension schemes. The relevant calculations are also performed by an independent actuary.

SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

3.13 Other liabilities

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

3.14 Shareholders' equity

CAPITAL ISSUE COSTS

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

DIVIDENDS

Dividends on shares for the period are not deducted from shareholders' equity at the financial period-end.

Details of the amount of the dividend proposed to the general meeting are provided in the section on post balance sheet events.

TREASURY SHARES

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

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

OTHER COMPONENTS

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

3.15 Interest income and charges

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

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

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

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

3.16 Dividends

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

3.17 Fees and commissions

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

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

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

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

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

3.18 Result on the revaluation or disposal of financial instruments

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

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

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

3.19 Cash and cash equivalents

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

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

Tax flows, interest received and interest paid are presented together with the operating activities. Dividends received are classified as cash flows from operating activities.

Dividends paid are recorded as cash flows from financing activities. Equity instruments included in the portfolio of 'available-for-sale financial assets' are included in operating activities.

4 Use of judgments and estimates in preparing the financial statements

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

These estimates and judgements relate primarily to the following matters:

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

5 Risk management

5.1 General principles

The Bank's executive committee has defined the group's risk management policy in accordance with the risk tolerances defined in the Bank's economic capital model (ICAAP & ILAAP¹), which has been validated by the risk committee.

The executive committee has delegated certain of its responsibilities for implementing its risk management policy to the following committees:

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

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

1 Internal Capital Adequacy Assessment Process & Internal Liquidity Adequacy Assessment Process.

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

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

During 2015, the Bank was subject to a 'Comprehensive Assessment' exercise. The exercise was carried out in respect of data as at 31 December 2014. Even though the exercise was performed exclusively in respect of Bank Degroof (as it covered the period prior to the merger with Petercam), its results are globally valid for Bank Degroof Petercam given the absence of credit activities and proprietary trading positions at Petercam.

A 'Comprehensive Assessment' exercise comprises two parts: the Asset Quality Review (AQR) and the Stress Test. The AQR comprises an in-depth analysis of the assets (primarily loans) and the accounting processes of the bank being tested. The objective is to ensure that the level of own funds of the bank (CET1 ratio) reflects reality, and that all necessary provisions have been recorded. The AQR exercise results in a correction to the CET1 ratio (adjusted CET1) which is used as the starting point for the Stress Test. The Stress Test ensures that the bank has a sufficient CET1 ratio for the following three years, even during a major crisis.

Two scenarios (the first known as the base scenario which simulates a normal development of market factors, the second known as the unfavourable scenario which simulates a major crisis) are applied to the results and the balance sheet of the bank.

The minimum thresholds of the CET1 ratio that need to be met are 8% under the base scenario and 5.5% under the unfavourable scenario. If a bank falls below these thresholds, it has nine months following the publication of the results to remedy the situation.

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

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

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

In 2018, Bank Degroof Petercam, like all other banks under the direct supervision of the European Central Bank, will be subject to a new Stress Test exercise, the results of which will be revealed during the final quarter of 2018.

5.3 Liquidity risk

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

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

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

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

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

The table below sets out the maturities of our assets and liabilities¹. The liquidity gap is based on contractual maturities. The calculation of the corrected liquidity gap takes into account the capacity to mobilize the bond portfolios²:

(in thousands of EUR)

31.12.2017	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets					
Loans and advances to credit institutions ³	3 192 060	224 541	0	58	336
Loans and advances to customers	193 666	253 396	443 873	928 650	122 211
Bonds and other fixed income securities	0	236 449	452 633	1 027 231	214 135
Derivatives	0	3 698 794	1 138 178	112 535	13 326
Interest rate derivatives	0	6 378	25 368	112 535	13 326
IRS	0	6 378	25 368	112 535	13 326
Other interest rate derivatives	0	0	0	6	0
Exchange rate derivatives	0	3 692 416	1 112 810	0	0
Total assets	3 385 726	4 413 180	2 034 684	2 068 474	350 008
Financial liabilities					
Deposits from credit institutions	131 502	32 631	0	0	0
Deposits from customers	6 377 493	264 309	48 419	3 003	0
Subordinated liabilities	0	0	0	0	0
Derivatives	0	3 713 293	1 147 743	105 781	9 624
Interest rate derivatives	0	13 355	29 867	105 781	9 624
IRS	0	13 355	29 867	105 781	9 624
Other interest rate derivatives	0	0	0	0	0
Exchange rate derivatives	0	3 699 938	1 117 876	0	0
Financial guarantees issued	0	114 940	0	0	0
Credit lines confirmed	0	306 232	0	0	0
Total liabilities	6 508 995	4 431 405	1 196 162	108 784	9 624
Liquidity gap	(3 123 269)	(18 225)	838 522	1 959 690	340 384
Impact of repo capacity of bond portfolio	1 701 166	(113 216)	(541 902)	(839 814)	(206 234)
Corrected liquidity gap	(1 422 103)	(131 441)	296 620	1 119 876	134 150

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

² 70% of the non-sovereign portfolio and 97% of the sovereign portfolio are deemed to be readily accessible through repo operations with the European Central Bank.

³ Includes cash and assets with central bank.

Notes to the consolidated financial statements

(in thousands of EUR)

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

¹ Includes cash and assets with central bank.

(in thousands of EUR)

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

The encumbered assets of the Degroof Petercam group amounted to EUR 327 million at 31 December 2017 and represented 3.96% of total assets.

In respect of the financial data for 2015, each amount analysed below should be the median value of the quarterly data relating to the preceding twelve months. Nevertheless, in the context of the merger of Bank Degroof and Petercam and in order to best reflect economic reality, the financial data set out below relates only to the final quarter of the financial period.

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

The encumbered assets of the Bank concern loaned securities (in the context of the Bond Lending activity or in the context of repo operations), securities or cash provided as guarantees (principally in the context of operations involving derivatives) as well as mandatory monetary reserves deposited with central banks.

Notes to the consolidated financial statements

The table below analyses assets on the basis of whether or not they are encumbered:

(in thousands of EUR)

	Accounting value of encumbered assets	Fair value of encumbered assets	Accounting value of unencumbered assets	Fair value of unencumbered assets
31.12.2017				
Assets of the Degroof Petercam group	580 532		7 682 240	
Equity instruments			74 144	44 077
Debt instruments	480 202	480 924	2 888 820	2 820 762
Other assets			742 535	
31.12.2016				
Assets of the Degroof Petercam group	683 739		7 345 700	
Equity instruments			96 304	96 304
Debt instruments	539 196	539 830	3 354 379	3 030 353
Other assets			731 445	
31.12.2015¹				
Assets of the Degroof Petercam group	709 525		7 189 272	
Equity instruments			97 572	97 572
Debt instruments	667 059	668 087	2 328 121	2 329 334
Other assets			740 520	

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

(in thousands of EUR)

	Fair value of encumbered guarantees received or encumbered own equity instruments issued	Fair value of guarantees received or own debt instruments issued susceptible to being encumbered
31.12.2017		
Guarantees received by the Degroof Petercam Group		547 068
Equity instruments		
Debt instruments		432 682
Other assets		114 386
Own debt securities issued other than own secured obligations or asset-backed securities.		
31.12.2016		
Guarantees received by the Degroof Petercam Group		565 930
Equity instruments		
Debt instruments		512 139
Other assets		53 791
Own debt securities issued other than own secured obligations or asset-backed securities.		
31.12.2015¹		
Guarantees received by the Degroof Petercam Group	3 312	924 864
Equity instruments		
Debt instruments		924 864
Other assets		
Own debt securities issued other than own secured obligations or asset-backed securities.		

¹ The financial data for 2015 has been adjusted to reflect the new presentation of the encumbrance of assets.

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

(in thousands of EUR)

	Corresponding liabilities, possible liabilities or loaned securities	Assets, guarantees received and own debt instruments issued, other than guaranteed debt and securities linked to encumbered assets
31.12.2017		
Accounting value of the financial liabilities selected	143 642	163 635
31.12.2016		
Accounting value of the financial liabilities selected	370 092	683 834
31.12.2015¹		
Accounting value of the financial liabilities selected	723 781	817 229

The Bank does not have a programme of covered bonds. The principal sources of encumbered assets are linked to the Bank's activities on the repo market, bond lending, or to collateral exchanged in order to cover exposures on derivative instruments.

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

5.4 Market risk

5.4.1 Policy

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

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

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

5.4.2 Short-term market risk

5.4.2.1 Interest rate risk

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

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

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

5.4.2.2 Foreign exchange risk

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

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

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

5.4.2.3 Equity & options risk

The indicators used to monitor the daily equity risk are:

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

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

Notes to the consolidated financial statements

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

(in thousands of EUR)

2017		31.12.2017	Average	Minimum	Maximum
Interest rate risk	BPV	(105)	(118)	(89)	(139)
Foreign exchange risk	Nominal	3 006	1 571	844	3 311
	VAR 99%	8	17	4	68
Equity risk	Nominal	4 000	2 340	1 000	5 600
	VAR 99%	109	146	58	455
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0	0	0	0

2016		31 12 2016	Average	Minimum	Maximum
Interest rate risk	BPV	(113)	(106)	(88)	(127)
Foreign exchange risk	Nominal	1 621	1 251	311	3 645
	VAR 99%	49	51	8	256
Equity risk	Nominal	2 600	1 826	700	2 800
	VAR 99%	194	121	23	203
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0	0	0	0

2015		31 12 2015	Average	Minimum	Maximum
Interest rate risk	BPV	(101)	(56)	(23)	(101)
Foreign exchange risk	Nominal	1 007	1 605	353	3 595
	VAR 99%	39	36	8	81
Equity risk	Nominal	500	1 342	400	2 300
	VAR 99%	25	61	18	114
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0	0	0	0

5.4.3 Long term

5.4.3.1 Interest rate risk

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

This risk is managed on a monthly basis by the almac committee using a standard defined in terms of duration gap. This standard has been developed based on the maximum loss that is deemed to be acceptable in the event that interest rates rise by 1%, as allocated by the executive committee to the group's transformation activity. This includes all balance sheet items¹ and, accordingly, also the treasury positions.

Furthermore, in accordance with Basel II, a stress test compares the loss which would be recorded if there was a parallel increase in interest rates of 2%, to the Bank's shareholders' equity. The result of this test was 9% of regulatory own funds at 31 December 2017.

This ratio decreased strongly compared to 2016 (when it amounted to 9%). This is due to multiple factors:

- the inclusion of the Bank's engagements towards its Pension Funds;
- the increase of own funds;
- the decrease of the Bank's exposure to interest rate risk.

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

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

The loss in case of an increase in interest rates of 1% amounted to:

(in thousands of EUR)

2017

On 31.12.2017	2 454
Average for the period	12 393
Maximum for the period	17 810
Minimum for the period	2 454

2016

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

2015

On 31.12.2015	23 448
Average for the period	23 054
Maximum for the period	25 528
Minimum for the period	20 503

5.4.3.2 Equity risk

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

This risk has declined significantly during the past three financial periods as a result of the sale he majority of the portfolio of shares.

Market value of the Bank's proprietary share portfolio:

(in thousands of EUR)

Position

31.12.2017	43 984
31.12.2016	32 897
31.12.2015	50 958

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

(in thousands of EUR)

Relevant markets or indices ²	Movement	Impact on own funds		
		31.12.2017	31.12.2016	31.12.2015
Bel 20	10%	0	0	0
Other Belgian securities	10%	426	0	758
Other European securities	10%	0	0	588
The rest of the world	10%	3 972	3 290	3 750

² Having an impact on the portfolio value.

Notes to the consolidated financial statements

5.5 Credit risk

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

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

5.5.2 Pure credit risk is monitored on a nominal basis. The table below sets out the exposures (expressed in nominal amounts, without deducting guarantees received), by type of counterparty:

(in thousands of EUR)

31.12.2017	Counterparty	Carrying amount	Credit risk	Guarantees
Loans and advances to credit institutions	a	494 384	494 384	0
Loans and advances to customers	b	2 209 505	2 209 505	1 493 128
Bonds and other fixed-income securities		2 114 100	2 114 100	0
<i>Public sector</i>	e	638 501	638 501	0
<i>Other issuers – banks</i>	c+e	706 614	706 614	0
<i>Other issuers – commercial companies</i>	d+e	768 985	768 985	0
Equities, shares and other variable-income securities		71 271	71 271	0
Derivatives		119 063	95 822	16 826
Financial guarantees issued		114 940	114 940	86 105

(in thousands of EUR)

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

(in thousands of EUR)

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

In the tables above, the column 'credit risk' takes account of the possibility of compensation for derivative positions with counterparties that have signed ISDA contracts.

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

Five separate credit categories can be identified within the group:

a) Limits for banking counterparties

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

At 31 December 2017, loans to credit institutions comprise principally current accounts, the majority of which are without any notice period, and to a lesser extent, with short-term notice periods.

b) Credits to non-banking counterparties

This category consists principally of guaranteed credits. Approximately 92% of the Bank's consolidated outstanding credit balances are covered by real guarantees (principally diversified portfolios subject to fixed coverage ratios which are defined in function of the composition of the pledged portfolio and, to a lesser extent, unlisted securities and real estate).

c) Group's portfolio of investments with banking counterparties

This portfolio of investments was created in order to respond to the reinvestment requirements for treasury and represents approximately 24% of the total of the group's treasury that has been reinvested.

The portfolio consists almost exclusively of covered bonds with very good ratings.

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

		(in %)
Rating	Proportion	
AAA	57%	
AA	43%	
A	0%	
BBB	0%	

d) Corporate portfolios

This category comprises:

- the 'corporate portfolio' of the credit department, which is a portfolio of floating-rate European securitizations. This portfolio is being run-off (the Bank no longer makes new purchases) and currently amounts to approximately EUR 15 million. The portfolio is depreciating rapidly, due both to the arrival at maturity of a series of positions, but also due to the depreciable nature of the large majority of the securities included in the portfolio;
- the investment portfolio, started in 2012, which invests in short-term corporate bonds (four to five year terms). This portfolio, which amounts to EUR 493 million, comprises primarily good quality European issuers, and to a lesser extent 'high yield' paper (of which EUR 10 million is in the Degroof Bonds Corporate EUR fund and EUR 5 million is in the II Belgian Credit Opp I Hedged Dis fund);
- a portfolio of very short-term commercial paper (maximum one year), which amounted to EUR 189 million at 31 December 2017;
- a new portfolio of car loans (ABS) with very good ratings (AAA), amounting to EUR 49 million at 31 December 2017.

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

		(in %)
Rating	Proportion	
AAA	7%	
AA	3%	
A	21%	
BBB	42%	
BB	9%	
B	2%	
NR	16%	

The NR exposures relate almost entirely to very short-term commercial paper (maximum one year).

Notes to the consolidated financial statements

e) Portfolio of sovereign and state-guaranteed bank debt

This category comprises Government debt and bank debt benefitting from guarantees by EU governments in various European countries. More than 6% of the portfolio is invested in Canadian debt and 8% in supranational debt.

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

Rating	(in %)
AAA	23%
AA	50%
A	0%
BBB	27%

5.5.3 Geographic exposure

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

5.5.4 Doubtful receivables

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

	31.12.2017	31.12.2016	31.12.2015
Doubtful receivables	41 858	52 163	47 102
Impairments	(35 391)	(33 111)	(29 077)
Doubtful receivables after impairments	6 467	19 052	18 025

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

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

	31.12.2017	(in thousands of EUR; in %)
Receivables in respect of which no impairment has been recorded, and for which there are no overdue unpaid amounts	2 064 202	93%
Receivables in respect of which no impairment has been recorded, but for which there are overdue unpaid amounts	103 445	5%
– receivables with unpaid overdue balance ≤ 30 days	72 996	
– receivables with unpaid overdue balance > 30 days and ≤ 60 days	847	
– receivables with unpaid overdue balance > 60 days and ≤ 90 days	5 333	
– receivables with unpaid overdue balance > 90 days and ≤ 180 days	4 838	
– receivables with unpaid overdue balance > 180 days and ≤ 1 year	19 017	
– receivables with unpaid overdue balance > 1 year	414	
Receivables in respect of which a partial or complete impairment has been recorded	41 858	2%

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

Loans that are renegotiated due to financial difficulties encountered by the borrower (forborne loans), which result in a restructuring or a renegotiation of the terms and conditions of the contract amounted to EUR 61 million of the total outstanding loans granted by the Bank at 31 December 2017. Of this EUR 61 million, EUR 4 million were specifically impaired. The remaining balance of the loans continues to perform (no balance overdue for more than 90 days) and/or is guaranteed by sufficient collateral.

In respect of those loans that have not been individually impaired, a general provision for losses that have been incurred but not reported (IBNR) is foreseen and recorded. The objective of this general provision, which amounts to EUR 3 million at 31 December 2017, is to cover a possible increase in credit risk relating to the loan portfolio (but which has not yet become apparent as a result of a default). This provision is calculated by grouping the Bank's loans in homogenous portfolios and using historic data on defaults and losses for each of the portfolios. The methodology used by the Bank is based on an approach that combines the probability of default with the probability of losses (in case of default), by portfolio. The methodology and the related assumptions are reviewed on a regular basis in order to reduce possible differences between the estimates of losses and actual losses.

5.6 Asset management risk

Asset management risk is the financial risk deriving from a possible lack of consistency or excessive risk-taking in the asset management strategies pursued by the group as a whole. This risk includes elements imposed by regulations (MIFID, etc.).

This risk is monitored within each entity by the respective control departments, and also at a consolidated level using aggregated data. The checks¹ performed focus on compliance with management constraints set by both the client and the group's executive committee, as well as on monitoring of performance.

The risk management of the group ensures that the checks and the management principles are consistent from one subsidiary to another.

5.7 Operational risk

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

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

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

5.8 Capital management

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

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

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

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

Notes to the consolidated financial statements

Regulatory capital:

(in thousands of EUR; in %)

	31.12.2017	31.12.2016	31.12.2015
Tier 1 own funds	519 052	483 553	468 281
Tier 2 own funds	0	0	0
Weighted risk volume	3 032 635	2 826 742	2 913 940
CRD ratio	17,12 %	17,11%	16,07%
Tier 1 ratio	17,12 %	17,11%	16,07%

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

- the risk weighted exposure of the Bank has slightly increased, primarily as a result of the reinvestment in private debt instruments (with a less good weighting) compared to public debt instruments, and partly to an increase linked to market risk;
- Tier 1 regulatory capital has increased primarily as a result of the appropriation of the result for the current financial period after deduction of the dividend, and a reduction in the accounting value of intangible assets that need to be deducted as a result of the amortization charge for the financial year, partially off-set by other movements impacting own funds in accordance with the accounting standards.

The combination of these factors leads to a CRD ratio of 17.12%, and an identical Tier 1 ratio, which substantially exceeds regulatory requirements. This figure takes account of the planned dividend distribution.

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

6 Consolidation scope

6.1 List of the principal subsidiaries of Bank Degroof Petercam at 31 December 2017

Name	Registered office	(in%) Percentage of capital held	Activity
Degroof Petercam Finance SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Degroof Petercam Gestion SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Degroof Petercam Immobilier SARL	Rue de Lisbonne 44 – 75008 Paris	100	Other undertaking
Banque Degroof Petercam Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Credit institution
Banque Degroof Petercam France SA	Rue de Lisbonne 44 – 75008 Paris	100	Credit institution
BD Square Invest SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Cobimmo SA NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroof Petercam Asset Management Ltd	6/F Alexandra House 16 Chater Road Central Hong Kong	91.8	Other financial institution
Degroof Petercam Corporate Finance SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Petercam Corporate Finance Spain	Avenida Diagonal 464 – 08006 Barcelona	100	Other financial institution
Degroof Finance SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Petercam Asset Management SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroof Petercam Asset Services SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Degroof Holding Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	100	Other financial institution
Degroof Petercam Insurance Broker SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Guimard Investissements SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Heaven Services SA	Rue Eugène Ruppert 14 – 2453 Luxembourg Cloche d'Or	99.96	Other undertaking
Imofig SA NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Industrie Invest SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Industrie Invest 2 SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Invest House SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Immobilière Cristal Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution
Messine Holding SA	Rue de Lisbonne 44 – 75008 Paris	100	Other financial institution
Banque Degroof Petercam (Suisse) SA	Route de l'Aéroport 31 1218 Le Grand-Saconnex	100	Credit institution
Petercam Services SA NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
3P (L) SARL	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	100	Other financial institution
Bank Degroof Petercam Spain, S.A.U.	Plaza del Ayuntamiento 26 - 46002 Valencia	100	Credit institution
Degroof Petercam, S.G.I.I.C	Avenida Diagonal 464 – 08006 Barcelona	100	Other financial institution
Promotion Partners SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99.96	Other financial institution

6.2 List of the principal associates of Bank Degroof Petercam at 31 December 2017

Name	Registered office	(in%) Percentage of capital held	Activity
BDG & Associés	244, rue Saint-Jacques Ouest bureau 51 Montréal QC H2Y 1Lg – Canada	45	Other financial institution
Le Cloître SA	Rue Eugène Ruppert 14 – 2453 Luxembourg Cloche d'Or	33.58	Other company
Promotion 777 SA	Rue Sigismond 17 – 2537 Luxembourg	33.98	Other company
Stairway to Heaven SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	47.98	Other financial institution

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

The continuation of the reorganization of the group's activities and the simplification of its structures has been achieved with the absorption of Petercam Participations SA by Banque Degroof Petercam (Suisse) SA, the disposal of Seniorenresidenz Berdorf SA, as well as with the liquidation of Degroof Structured Finance SA, Monceau M SA, Overseas Investments Company SA and Société de Participations et d'Investissements Luxembourgeoise SA.

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

In addition to the above operations, DS Lux SA and Investment Company of Luxembourg SA have changed their corporate names to Degroof Petercam Insurance Broker SA, and Immobilière Cristal Luxembourg SA respectively.

In Spain, the group aims to pursue the growth in its Corporate Finance activities through the incorporation of Degroof Petercam Corporate Finance Spain.

6.4 Non-consolidated real estate affiliates

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

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

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

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

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

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

6.5 Merger of Bank Degroof and Petercam – Pro forma information comprehensive income 2015

If the financial period had been the 2015¹ calendar year, total consolidated comprehensive income would have been the following:

	(in thousands of EUR)		
	2017	2016	2015
Interest income	53 748	51 385	52 867
Interest expense	(11 996)	(6 051)	(7 854)
Dividend income	2 931	5 950	5 023
Fee and commission income	526 522	468 954	509 110
Fee and commission expense	(151 553)	(137 030)	(136 783)
Net result on financial instruments held for trading	22 066	23 366	20 586
Net result on financial instruments designated at fair value through profit or loss	(2 862)	(1 544)	(82)
Net result on financial instruments not designated at fair value through profit or loss	8 660	9 990	63 789
Other net operating results	20 637	20 961	(14 102)
Share in the results from entities accounted for using the equity method	(351)	63	(121)
Net income	467 802	436 044	492 433
Personnel expenses	(194 116)	(180 284)	(213 496)
General and administrative expenses	(135 746)	(145 706)	(134 789)
Depreciation and amortization	(21 893)	(21 542)	(11 502)
Impairments	(7 702)	(7 467)	(22 033)
Profit before tax	108 345	81 045	110 613
Income tax expense	(21 883)	(23 160)	(14 580)
Net profit	86 462	57 885	96 033
<i>Net profit attributable to shareholders of the parent company</i>	<i>86 460</i>	<i>57 877</i>	<i>96 127</i>
<i>minority interests</i>	<i>2</i>	<i>8</i>	<i>(94)</i>
Remeasurement gains (losses) related to post-employment benefit plans	1 012	(2 754)	10 993
Total other comprehensive income that may not be reclassified subsequently to net profit	1 012	(2 754)	10 993
Fair value adjustments - Available-for-sale financial assets	4 002	2 740	(66 937)
Currency translation differences	(3 247)	(1 526)	1 900
Total other comprehensive income that may be reclassified subsequently to net profit	755	1 214	(65 037)
Total comprehensive income	88 229	56 345	41 989
Total comprehensive income attributable to			
<i>shareholders of the parent company</i>	<i>88 229</i>	<i>56 337</i>	<i>42 082</i>
<i>minority interests</i>	<i>0</i>	<i>8</i>	<i>(93)</i>

¹ Unaudited situation covering a period of 12 months (1 January through 31 December).

Notes to the consolidated financial statements

6.6 Information by country

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

(in thousands of EUR)

31.12.2017	Belgium	Luxembourg	Spain	France	Switzerland	Total
Turnover	285 709	132 301	9 025	30 000	11 118	468 153
Number of employees (in units)	857	326	64	103	21	1 371
Profit (or loss) before tax	48 440	61 685	(1 305)	(855)	731	108 696
Tax on profit or loss	13 801	7 620	98	0	364	21 883
Public subsidies received	0	0	0	0	0	0

(in thousands of EUR)

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

(in thousands of EUR)

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

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

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

7 Notes to the consolidated balance sheet

7.1 Cash, balances with central banks and other demand deposits

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Cash	3 917	4 136	4 029
Balances with central banks – Mandatory reserves ¹	2 888 945	1 365 102	1 529 072
Balances with central banks – other than mandatory reserves	26 652	30 527	18 774
Other demand deposits	272 385	389 847	509 347
Total cash, balances with central banks and other demand deposits	3 191 899	1 789 612	2 061 222

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

Other demand deposits amounting to EUR 272.3 million at 31 December 2017 (EUR 389.2 million at 31 December 2016; EUR 489.6 million at 31 December 2015) are included in the Bank's definition of cash and cash equivalents in the consolidated cash flow statement.

7.2 Financial assets held for trading

Financial assets held for trading comprise the following:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
1. Financial assets held for trading	13 305	9 799	14 860
Fixed-income securities	4 479	1 988	11 870
<i>Treasury bills and government bonds</i>	0	0	1 483
<i>Bonds from other issuers</i>	4 479	1 988	10 387
Variable-income securities	8 826	7 811	2 990
<i>Equities</i>	8 663	6 596	420
<i>Other variable income securities</i>	163	1 215	2 570
2. Derivative financial instruments	119 063	100 436	99 465
Foreign exchange derivatives	32 764	40 562	47 214
Interest rate derivatives	26 573	27 933	13 199
Equity derivatives	59 726	31 722	39 052
Credit derivatives	0	0	0
Commodity derivatives	0	219	0
Total assets held for trading	132 368	110 235	114 325

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

7.3 Financial assets designated at fair value through profit or loss

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

More specifically, this designation is used in order to prevent any consecutive mismatch in the valuation of certain sovereign and bank debt that is almost entirely guaranteed by EU governments or by covering assets² (fair value recognized directly in shareholders' equity), purchased with the objective of supporting liquidity and linked, in accordance with the risk management strategy, to interest rate swaps (fair value through profit or loss). Similarly, the fair value option for certain equity investments which are economically hedged by an option structure has not been used anymore since 2017.

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Fixed income securities	893 350	1 712 089	794 715
<i>Treasury bills and government bonds</i>	351 176	438 993	205 354
<i>Bonds from other issuers</i>	542 174	1 273 096	589 361
Variable-income securities	0	28 829	35 146
<i>Equities</i>	0	28 829	35 146
Total financial assets designated at fair value through profit or loss	893 350	1 740 918	829 861

The financial assets designated at fair value through profit or loss include as at 31 December 2017 an amount of EUR 688.3 million for which the residual life exceeds 12 months (31 December 2016: EUR 1 403.4 million; 31 December 2015: EUR 675.1 million).

7.4 Available-for-sale financial assets

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Carrying amount before impairments	1 203 803	1 440 800	2 109 255
Fixed income securities	1 135 223	1 379 646	2 044 790
<i>Treasury bills and government bonds</i>	226 953	501 944	902 587
<i>Bonds from other issuers</i>	887 218	861 511	1 104 994
<i>Other fixed income instruments</i>	21 052	16 191	37 209
Variable-income securities	68 580	61 154	64 465
<i>Equities</i>	23 847	21 861	21 972
<i>Other variable income securities</i>	44 733	39 293	42 493
Impairments	(8 637)	(9 410)	(7 784)
Total available-for-sale financial assets	1 195 166	1 431 390	2 101 471

Available-for-sale financial assets at 31 December 2017 include a total of EUR 510.8 million the residual life of which exceeds 12 months (31 December 2016: EUR 808.9 million; 31 December 2015: EUR 1 204.6 million).

¹ Commonly known as 'Covered bonds'

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

(in thousands of EUR)

	Fixed income securities	Variable income securities	Total
Closing balance at 30.09.2014	(2 384)	(12 421)	(14 805)
Impairments	0	(8)	(8)
Impairment allowance used	0	7 401	7 401
Currency translation differences	(372)	0	(372)
Closing balance at 31.12.2015	(2 756)	(5 028)	(7 784)
Impairments	0	(1 560)	(1 560)
Impairment allowance used	0	24	24
Currency translation differences	(90)	0	(90)
Closing balance at 31.12.2016	(2 846)	(6 564)	(9 410)
Impairments	0	0	0
Impairment allowance used	0	429	429
Currency translation differences	344	0	344
Closing balance at 31.12.2017	(2 502)	(6 135)	(8 637)

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

(in thousands of EUR)

	Fixed income securities	Variable income securities	Total
Closing balance at 30.09.2014	16 435	72 145	88 580
Increase (decrease) in unrealised revaluation gains ²	(2 554)	(77 320)	(79 874)
Decrease (increase) in unrealised revaluation losses ²	(3 532)	8 729	5 197
Impairment recognized in the income statement	0	0	0
Closing balance at 31.12.2015	10 349	3 554	13 903
Increase (decrease) in unrealised revaluation gains ²	(2 688)	1 059	(1 629)
Decrease (increase) in unrealised revaluation losses ²	2 979	1 414	4 393
Impairment recognized in the income statement	0	0	0
Closing balance at 31.12.2016	10 640	6 027	16 667
Increase (decrease) in unrealised revaluation gains ²	(2 670)	7 600	4 930
Decrease (increase) in unrealised revaluation losses ²	257	(833)	(576)
Impairment recognized in the income statement	0	0	0
Closing balance at 31.12.2017	8 227	12 794	21 021

² Including changes in unrealized gains and losses transferred from equity to the income statement as the result of the derecognition of these investments.

Notes to the consolidated financial statements

7.5 Loans and advances to credit institutions

Interbank loans and advances are as follows:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Term loans	105 296	116 081	49 706
Reverse repurchase operations	99 973	0	300 776
Other	16 730	41 111	0
Total loans and advances to credit institutions	221 999	157 192	350 482

Loans with initial terms of less than three months for an amount of EUR 131.7 million as at 31 December 2017 (31 December 2016: EUR 57.2 million; 31 December 2015: EUR 350.4 million) are included in the definition of cash and cash equivalents in the consolidated cash flow statement.

7.6 Loans and advances to customers

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Carrying amount before impairments	1 951 526	1 727 558	1 711 919
Overdrafts	412 509	363 146	326 989
Trade bills	2 600	2 589	89
Mortgage loans	95 476	81 734	89 405
Term loans	1 406 745	1 243 785	1 230 813
Reverse repurchase agreements	0	0	12 722
Debt instruments	12 862	14 990	20 859
Subordinated loans	1 389	1 753	11 474
Other	19 945	19 561	19 568
Impairments	(35 391)	(36 918)	(33 211)
Total loans and advances to customers	1 916 135	1 690 640	1 678 708

Loans and advances to customers include as at 31 December 2017 an amount of EUR 705.2 million for which the residual life exceeds 12 months (31 December 2016: EUR 390.4 million; 31 December 2015: EUR 449.2 million).

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Opening balance	(36 918)	(33 211)	(22 619)
Impairment loss recognized	(5 038)	(4 992)	(12 592)
Reversal of impairment	4 112	1 239	1 223
Impairment allowance used	2 442	48	788
Currency translation differences	11	(2)	(11)
Closing balance	(35 391)	(36 918)	(33 211)

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

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

(in thousands of EUR)

	Carrying amount	Fair value	Revaluation reserves
Closing balance at 31 December 2017	12 862	12 315	(1)
Closing balance at 31 December 2016	14 990	13 824	(8)
Closing balance at 31 December 2015	20 859	19 166	(14)

(in thousands of EUR)

Amounts recognised in profit or loss or in equity	Profit or loss	Equity
At 31 December 2017		
Interest income	142	
Impairment	0	
Realised gains (losses)	0	
Amounts transferred from revaluation reserves to profit or loss		6
At 31 December 2016		
Interest income	8	
Impairment	0	
Realised gains (losses)	19	
Amounts transferred from revaluation reserves to profit or loss		6
At 31 December 2015		
Interest income	118	
Impairment	0	
Realised gains (losses)	49	
Amounts transferred from revaluation reserves to profit or loss		8

The fair value losses or gains that would have been recognized in equity after the reclassification date, if the reclassification had not occurred, amount to an aggregate net gain at 31 December 2017 of EUR 0.9 million (31 December 2016: net gain of EUR 0.4 million; 31 December 2015: net gain of EUR 0.5 million).

7.7 Financial assets held to maturity

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Fixed income securities	80 726	115 306	125 701
Treasury bills and government bonds	70 575	105 032	115 306
Bonds from other issuers	10 151	10 274	10 395
Total financial assets held to maturity	80 726	115 306	125 701

Financial assets held to maturity with a maturity in excess of 12 months amount to EUR 34.5 million at 31 December 2017 (31 December 2016: EUR 70.8 million; 31 December 2015: EUR 114.7 million).

Notes to the consolidated financial statements

7.8 Property and equipment and investment property

Property and equipment comprise the following:

(in thousands of EUR)

	Land and buildings	IT equipment	Office equipment	Other equipment	Total
Net closing carrying amount at 31.12.2017	70 364	6 849	4 199	3 500	84 912
Acquisition cost	120 839	17 758	9 402	6 718	154 717
Accumulated depreciation and impairment	(50 475)	(10 909)	(5 203)	(3 218)	(69 805)
Net closing carrying amount at 31.12.2016	70 099	7 534	4 707	4 120	86 460
Acquisition cost	117 846	23 370	11 752	8 301	161 269
Accumulated depreciation and impairment	(47 747)	(15 836)	(7 045)	(4 181)	(74 809)
Net closing carrying amount at 31.12.2015	65 164	4 195	2 727	4 531	76 617
Acquisition cost	116 750	23 138	11 872	8 833	160 593
Accumulated depreciation and impairment	(51 586)	(18 943)	(9 145)	(4 302)	(83 976)

The movements in the net book value are as follows:

(in thousands of EUR)

	Land and buildings	IT equipment	Office equipment	Other equipment
Closing balance at 30.09.2014	61 090	3 056	1 478	2 978
Acquisitions	6 350	1 918	1 581	1 801
Changes in consolidation scope	789	1 157	123	1 014
Disposals	0	0	0	(427)
Depreciation	(3 048)	(1 946)	(468)	(732)
Impairment loss recognized	0	0	0	(14)
Reversal of impairment	0	0	11	0
Currency translation differences	0	5	2	11
Other	(17)	5	0	(100)
Closing balance at 31.12.2015	65 164	4 195	2 727	4 531
Acquisitions	9 162	5 656	2 588	750
Disposals	(305)	0	(3)	(430)
Depreciation	(3 168)	(2 321)	(620)	(672)
Impairment loss recognized	(1 086)	0	0	0
Currency translation differences	66	0	0	2
Other	266	4	15	(61)
Closing balance at 31.12.2016	70 099	7 534	4 707	4 120
Acquisitions	3 671	3 177	412	285
Disposals	(46)	(3)	(1)	(168)
Depreciation	(3 616)	(2 537)	(585)	(721)
Impairment loss recognized	(593)	(207)	(349)	0
Currency translation differences	(274)	(2)	0	(11)
Other	1 123	(1 113)	15	(5)
Closing balance at 31.12.2017	70 364	6 849	4 199	3 500

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

The estimated fair value of property (accounted for at amortized cost) of Bank Degroof Petercam amounts to EUR 149.2 million at 31 December 2017 (31 December 2016: EUR 159.8 million; 31 December 2015: EUR 147.3 million). The estimated fair values of the majority of the properties have been obtained from valuation reports prepared by independent real estate experts. In view of the limited liquidity in the property market, the specific nature of these properties, and the difficulty in obtaining details of comparable transactions, the estimated values of these properties have been classed at level 3 in the hierarchy of fair values. The techniques used by the real estate experts were primarily the following: the rental capitalization method, the discounted cash flow method, and the comparative market analysis method (valuation based on the value of the square metres constructed). Where several valuation methods are used for one property, the estimated value represents the average of the values calculated.

Bank Degroof Petercam does not hold investment property.

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

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Less than one year	9 543	10 191	10 437
Between one and five years	20 671	24 483	28 435
More than five years	3 412	5 536	9 720
Closing balance	33 626	40 410	48 592

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

7.9 Goodwill and other intangible assets

Goodwill and other intangible assets comprise the following:

(in thousands of EUR)

	Goodwill	Business activities	Software	Other intangible assets	Total
Net closing carrying amount at 31.12.2017	275 881	85 806	4 509	2 647	368 843
Acquisition cost	352 756	165 489	27 642	2 647	548 534
Accumulated depreciation and impairment	(76 875)	(79 683)	(23 133)	0	(179 691)
Net closing carrying amount at 31.12.2016	275 881	104 912	4 661	0	385 454
Acquisition cost	352 756	166 618	30 623	0	549 997
Accumulated depreciation and impairment	(76 875)	(61 706)	(25 962)	0	(164 543)
Net closing carrying amount at 31.12.2015	270 460	119 312	4 892	0	394 664
Acquisition cost	347 335	167 083	29 084	0	543 502
Accumulated depreciation and impairment	(76 875)	(47 771)	(24 192)	0	(148 838)

Notes to the consolidated financial statements

The movements in the net book value are as follows:

(in thousands of EUR)

	Goodwill	Business activities ¹	Software	Other intangible assets
Closing balance at 30.09.2014	44 523	17 638	3 539	0
Acquisitions	233 260	106 653	3 076	0
Disposals	0	0	(68)	0
Changes in consolidation scope	0	0	171	0
Depreciation	0	(4 554)	(1 796)	0
Impairment loss recognized	(7 383)	(425)	(30)	0
Currency translation differences	60	0	0	0
Closing balance at 31.12.2015	270 460	119 312	4 892	0
Acquisitions	0	0	1 733	0
Depreciation	0	(12 842)	(1 920)	0
Impairment loss recognized	0	(1 068)	0	0
Other	5 421	(586)	(44)	0
Currency translation differences	0	96	0	0
Closing balance at 31.12.2016	275 881	104 912	4 661	0
Acquisitions	0	0	2 297	2 647
Disposals	0	0	(565)	0
Depreciation	0	(12 603)	(1 832)	0
Impairment loss recognized	0	(5 591)	(35)	0
Other	0	0	(17)	0
Currency translation differences	0	(912)	0	0
Closing balance at 31.12.2017	275 881	85 806	4 509	2 647

BUSINESS ACTIVITIES

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

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

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

The results of these impairment tests are similar or superior to the accounting value of the business activities, except in the case of the valuation of Banque Degroof Petercam France relating to asset management activities in respect of which an impairment loss of EUR 2.43 million has been recorded. The fair value has been used to estimate the value of the business activities, by applying a goodwill coefficient to assets under management and taking into account the cost structure which currently impacts profitability.

The value in use has been used for the estimation of the value of business activities in the context of the merger with Petercam relating to client relations in the framework of private banking activities and institutional asset management. The valuation performed in order to test for impairment is based on the same model as that used for the initial determination of the value of these business activities. This model comprises the discounting of cash flows, on the basis of projections of revenues generated through the management of client assets over a defined period ending in 2026. The progressive attrition of historic private discretionary asset management clients is estimated at 10.8% per annum, while the annual growth in funds under management is estimated at 3%. The cash flows are discounted at an estimated cost of own funds after tax of 7.7%.

In addition, the Bank has reduced to nil the residual accounting value of two small business activities which had already been largely amortised.

¹ Of which EUR 7.4 million at 31 December 2017, to be amortized over the remaining useful life of 11 years, on the account of Banque Degroof Petercam France, and EUR 78.4 million related to business combinations Petercam.

GOODWILL

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

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

The results of these impairment tests are similar or superior to the accounting value of the goodwill.

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

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

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

The projected cash flows were based upon medium term plans drawn up by management covering the period 2018-2022, before applying a steady growth rate of 2% corresponding to the forecast long term inflation rate. The projected cash flows were discounted at the estimated cost of capital before taxes as at 31 December 2017 of 14.7%. The resultant value was higher than the accounting value. A sensitivity analysis has been performed which tests a scenario of lower income, resulting in cash flows that are approximately 20% lower. The recoverable value that results from this sensitivity analysis is close to the accounting value.

Goodwill is analyzed below, by cash generating unit:

(in thousands of EUR)

Cash generating unit	Carrying amount			Method used for the recoverable amount
	31.12.2017	31.12.2016	31.12.2015	
Bank Degroof Petercam SA NV (Asset Management & UCITS)	227 634	227 634	222 213	Fair value ²
Bank Degroof Petercam SA NV (Credits & Structuring)	5 480	5 480	5 480	Fair value ²
Bank Degroof Petercam SA NV (Sales & Advice/Professionals)	24 550	24 550	24 550	Fair value ²
Banque Degroof Petercam France SA (Corporate Finance)	18 217	18 217	18 217	Value in use
Total	275 881	275 881	270 460	

7.10 Investments in entities accounted for using the equity method

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

(in thousands of EUR)

Associates	31.12.2017	31.12.2016	31.12.2015
Landolt & Cie SA	0	0	13 384
BDG & Associés	146	183	143
Total	146	183	13 527

At 31 December 2017, the shareholders' equity of BDG & Associés amounted to CAD 488 000 and its result amounted to CAD (89 000).

At 31 December 2017, an amount of EUR 1 339 million is included in the caption 'Other liabilities'.

² Level 3 in the hierarchy of fair values.

Notes to the consolidated financial statements

7.11 Other assets

Other assets comprise the following items:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Accrued income and prepaid expenses	111 809	88 717	97 678
Miscellaneous debtors	19 577	24 647	19 658
Other assets	19 887	25 700	14 825
Total other assets	151 273	139 064	132 161

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

7.12. Financial liabilities held for trading

Financial liabilities held for trading comprise the following:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
1. Financial liabilities held for trading	1 015	113	3 968
Fixed income	253	4	3 968
Variable income	762	109	0
2. Derivatives	157 219	134 606	138 433
Foreign exchange derivatives	46 018	39 080	49 508
Interest rate derivatives	29 247	45 805	48 125
Equity derivatives	81 954	49 502	40 800
Credit derivatives	0	0	0
Commodity derivatives	0	219	0
Total financial liabilities held for trading	158 234	134 719	142 401

7.13 Deposits from credit institutions

Interbank deposits comprise the following:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Sight deposits	131 502	105 537	144 400
Term deposits	27 640	11 549	5 714
Other deposits	5 345	0	6 482
Total deposits from credit institutions	164 487	117 086	156 596

7.14 Deposits from customers

Deposits from customers are as follows:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Sight deposits	6 377 492	5 889 767	5 774 219
Term deposits	314 885	330 129	595 040
Other deposits	38 257	18 337	38 923
Total deposits from customers	6 730 634	6 238 233	6 408 182

Deposits from customers include as at 31 December 2017 an amount of EUR 1.5 million for which the residual life exceeds 12 months (31 December 2016: EUR 8.6 million; 31 December 2015: EUR 3.5 million).

7.15 Debt securities

Debt securities issued by the Degroof Petercam group amounted to EUR 0 million at 31 December 2017 (31 December 2016: EUR 0 million; 31 December 2015: EUR 3 million).

7.16 Subordinated debt

The subordinated debt of the Degroof Petercam group comprised until 1 July 2015.

7.17 Provisions

The provisions of the Bank comprise the following:

	(in thousands of EUR)		
	31.12.2017	31.12.2016	31.12.2015
Pensions and other post employment defined benefit obligations	33 453	42 210	36 948
Other long term employee benefits	4 601	5 434	3 725
Restructuring	15 260	16 943	18 900
Other provisions	14 538	16 396	20 701
Closing balance	67 852	80 983	80 274

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

The provision for restructuring was set up in 2015 following the reorganization of activities resulting from the merger of the Degroof and Petercam groups. During the current accounting period EUR 3.8 million of the provision was used. At the year-end, the human resources department completely revised the provision to cover a new period of three years, which resulted in an additional expense of EUR 2.1 million.

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

	(in thousands of EUR)		
	31.12.2017	31.12.2016	31.12.2015
Opening balance	16 396	20 701	6 092
Allowances for provisions	1 346	425	12 000
Use of provisions	(1 095)	(1 424)	(2 132)
Reversal of unused provisions	(2 109)	(3 306)	(1 559)
Changes in consolidation scope	0	0	6 300
Closing balance	14 538	16 396	20 701

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

In view of the uncertainties inherent in any legal dispute, the process of estimating the risks is inevitably uncertain. A provision that covers a proportion of certain amounts claimed has been recorded in the financial statements as at 31 December 2017.

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

Notes to the consolidated financial statements

7.18 Other liabilities

Other liabilities comprise the following items:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Salaries and social charges	53 372	49 009	63 125
Accrued charges and deferred income	45 335	33 348	33 718
Miscellaneous creditors	45 037	30 554	29 401
Share-based payment liability	2 262	4 012	3 902
Other	5 221	10 127	13 733
Liabilities relating to the anticipated acquisition of minority interests	4 492	3 752	3 597
Total other liabilities	155 719	130 802	147 476

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

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

7.19 Tax

The movements on deferred taxes are explained by:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Opening balance	(2 732)	(6 985)	(2 139)
Income (expense) in income statement	(332)	(2 728)	14 930
Items recorded directly in equity	(1 340)	2 006	926
Impact of change in income tax rate – income statement	1 601	0	0
Impact of change in income tax rate – equity	(1 076)	0	0
Changes in consolidation scope	438	1 591	(20 695)
Other	(31)	3 391	0
Currency translation differences	63	(7)	(7)
Closing balance	(3 409)	(2 732)	(6 985)

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Deferred tax assets	26 887	38 301	41 626
Personnel benefits	18 067	21 211	23 845
Tangible and intangible assets	6 376	9 174	10 537
Provisions for liabilities and charges	762	1 245	1 272
Derivatives	733	2 028	2 089
Losses carried forward	168	1 969	0
Other	781	2 674	3 883
Deferred tax liabilities	30 296	41 033	48 611
Tangible and intangible assets	23 138	33 035	39 895
Provisions for liabilities and charges	562	605	1 081
Financial instruments at fair value through profit or loss	1 437	2 371	1 932
Available-for-sale financial assets	4 910	4 100	4 864
Other	249	922	839
Net deferred taxes	(3 409)	(2 732)	(6 985)

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

Unrecognized deferred tax assets at 31 December 2017 amounted to EUR 12 095 million and related purely to recoverable tax losses with indefinite expiry dates (31 December 2016: EUR 15 625 million; 31 December 2015: EUR 21 098 million).

Deferred taxes amounting to EUR 4.3 million at 31 December 2017 (31 December 2016: EUR 4.8 million; 31 December 2015: EUR 4.0 million) have not been recognized on temporary differences relating to the distributable reserves of subsidiaries, as these differences are unlikely to reverse in the short term.

7.20 Shareholders' equity

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Issued capital	34 212	34 212	34 212
Share premium	420 553	420 553	420 925
Legal reserve	4 411	4 411	4 411
Untaxed reserve	15 108	15 108	15 108
Reserves available for distribution	93 137	93 137	93 137
Other reserves and retained earnings	332 867	322 305	272 678
Revaluation reserves	(3)	(1 771)	(231)
Treasury shares (-)	(47 604)	(47 605)	(45 956)
Net profit for the period	86 460	57 877	107 643
Total	939 141	898 227	901 927

The share capital of Bank Degroef Petercam is represented by 10 842 209 ordinary shares without nominal value. All shares are fully subscribed and paid up.

Movements on share capital are detailed below:

(in thousands of EUR; in units)

	31.12.2017		31.12.2016		30.09.2015	
	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares
Opening balance	34 212	10 842 209	34 212	10 842 209	47 491	7 683 481
Destruction of own shares	0	0	0	0	0	0
Capital decrease	0	0	0	0	(15 779)	0
Business combination	0	0	0	0	2 500	3 158 728
Closing balance	34 212	10 842 209	34 212	10 842 209	34 212	10 842 209

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

Revaluation reserves comprise, in part, unrealized gains and losses on available-for-sale financial assets (see note 7.4), deferred gains and losses on debt securities reclassified from 'Available-for-sale financial assets', as well as translation differences resulting from the consolidation of financial statements of entities prepared in a functional currency different from that used by Bank Degroef Petercam and, in part, actuarial gains and losses in respect of obligations and assets of pension schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period.

At 31 December 2017, the Degroef Petercam group held 327 879 shares in Bank Degroef Petercam SA | NV, representing 3.02% of the subscribed capital. These treasury shares are used, as a general rule, to cover staff incentive plans.

7.21 Fair values of financial instruments

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

(in thousands of EUR)

	31.12.2017		31.12.2016		30.09.2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash, balances with central banks and other demand deposits	3 191 899	3 191 899	1 789 612	1 789 612	2 061 222	2 061 222
Loans and advances to credit institutions	221 999	222 023	157 192	157 206	350 482	350 431
Loans and advances to customers	1 916 135	1 919 814	1 690 640	1 700 104	1 678 708	1 684 780
Financial assets held for trading	132 368	132 368	110 235	110 235	114 325	114 325
Financial assets designated at fair value through profit or loss	893 350	893 350	1 740 918	1 740 918	829 861	829 861
Available-for-sale financial assets	1 195 166	1 195 166	1 431 390	1 431 390	2 101 471	2 101 471
Financial assets held to maturity	80 726	83 454	115 306	120 123	125 701	132 402
Total	7 631 643	7 638 074	7 035 293	7 049 588	7 261 770	7 274 492
Financial liabilities						
Financial liabilities held for trading	158 234	158 234	134 719	134 719	142 401	142 401
Financial assets at amortized cost	6 895 121	6 895 333	6 355 319	6 355 547	6 567 778	6 568 624
Deposits from credit institutions	164 487	164 486	117 086	117 085	156 596	156 595
Deposits from customers	6 730 634	6 730 847	6 238 233	6 238 462	6 408 182	6 409 029
Subordinated liabilities		0	0	0	0	0
Debt securities		0	0	0	3 000	3 000
Total	7 053 355	7 053 567	6 490 038	6 490 266	6 710 179	6 711 025

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

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

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

Level 1 – Published market value:

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

Level 2 – Valuation technique based on observable market data:

this category includes financial instruments for which the fair values are determined by reference to valuation techniques the parameters of which are derived from an active market or which are observable. These valuation techniques are those that are currently used by market participants.

Level 3 – Valuation technique based on non-observable market data:

this category includes financial instruments for which a significant part of the parameters used for the determination of the fair value are not derived from observable market data.

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

The classification of financial instruments by hierarchy of fair values was fully reviewed during 2015. During 2017 there were no significant transfers.

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

(in thousands of EUR)

31.12.2017	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	10 589	107 051	0	117 640
Financial assets held for trading	4 141	4 091	4 994	13 226
Financial assets designated at fair value through profit or loss	716 584	170 681	2 254	889 519
Available-for-sale financial assets	684 535	480 717	24 017	1 189 269
Total	1 415 849	762 540	31 265	2 209 654
Financial liabilities				
Derivatives	10 589	136 704	0	147 293
Financial liabilities held for trading	269	742	0	1 011
Total	10 858	137 446	0	148 304

(in thousands of EUR)

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

(in thousands of EUR)

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

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

			(in thousands of EUR)
	Financial assets held for trading	Financial assets designed at fair value through profit or loss	Available-for sale financial assets
Closing balance at 30.09.2014	0	0	103.500
Profits and losses recognised in the result for the current year ¹			51 230
Profits and losses recognised in shareholders' equity			(58 759)
Impairment			(1)
Acquisitions	800		13 698
Disposals			(87 782)
Issuances			457
Settlements			(194)
Transfers to level 3		3 205	13 429
Transfers from level 3			0
Changes to the scope of consolidation			(163)
Other			0
Closing balance at 31.12.2015	800	3 205	35 415
Profits and losses recognised in the result for the current year ¹	(18)	9	247
Profits and losses recognised in shareholders' equity			(606)
Impairment			(1 560)
Acquisitions	695		1 059
Disposals	(800)		(1 660)
Issuances			425
Settlements			(832)
Transfers to level 3			0
Transfers from level 3			0
Changes to the scope of consolidation			0
Other			(24)
Closing balance at 31.12.2016	677	3 214	32 464
Profits and losses recognised in the result for the current year ¹	1	(799)	(240)
Profits and losses recognised in shareholders' equity		(423)	(263)
Impairment			0
Acquisitions	4 993	2 464	4 612
Disposals	(677)		(480)
Issuances		262	300
Settlements		(2 464)	(8 410)
Transfers to level 3			2 514
Transfers from level 3			(5 281)
Changes to the scope of consolidation			(1 235)
Other			36
Closing balance at 31.12.2017	4 994	2 254	24 017

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

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

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

¹ Recorded under 'Net result on financial instruments held for trading' (note 8.4).

Recorded under 'Net result on financial instruments designated at fair value through profit or loss' (note 8.5).

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

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

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

(in thousands of EUR)

	Value	Alternative value	Impact on result	Impact on equity
31.12.2017				
Variable-income securities	26 444	19 877	0	(6 567)
Fixed-income securities	4 821	4 142	0	(679)
31.12.2016				
Variable-income securities	20 292	14 850	0	(5 442)
Fixed-income securities	16 063	14 916	0	(1 147)
31.12.2015				
Variable-income securities	22 288	15 709	0	(6 579)
Fixed-income securities	17 132	15 902	0	(1 230)

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

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

(in thousands of EUR)

31.12.2017	Level 1	Level 2	Level 3	Total
Financial assets				
Cash, balances with central banks and other demand deposits	0	3 191 980	0	3 191 980
Loans and advances to credit institutions	0	222 218	0	222 218
Loans and advances to customers	0	1 810 412	103 287	1 913 699
Financial assets held to maturity	82 020	0	0	82 020
Total	82 020	5 224 610	103 287	5 409 917
Financial liabilities				
Deposits from credit institutions	0	164 475	0	164 475
Deposits from customers	0	6 728 022	0	6 728 022
Total	0	6 892 497	0	6 892 497

(in thousands of EUR)

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets				
Cash, balances with central banks and other demand deposits	0	1 789 508	0	1 789 508
Loans and advances to credit institutions	0	157 281	0	157 281
Loans and advances to customers	0	1 611 867	83 571	1 695 438
Financial assets held to maturity	103 215	15 175	0	118 390
Total	103 215	3 573 831	83 571	3 760 617
Financial liabilities				
Deposits from credit institutions	0	125 688	0	125 688
Deposits from customers	0	6 227 163	0	6 227 163
Total	0	6 352 851	0	6 352 851
Total	0	6 565 460	0	6 565 460

7.22 Transfers of financial assets

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

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

(in thousands of EUR)

31.12.2017	Securities lending		Repurchase agreements	
	Fixed income securities	Variable-income securities	Fixed income securities	Variable-income securities
Transferred financial assets at carrying amount	63 336	0	10 041	0
Financial assets designated at fair value through profit or loss	45 168	0	0	0
Available-for-sale financial assets	15 203	0	10 041	0
Financial assets held to maturity	2 965	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n/a	n/a	0	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n/a	n/a	0	0
Fair value of associated liabilities	n/a	n/a	0	0
Net position	n/a	n/a	0	0

(in thousands of EUR)

31.12.2016	Securities lending		Repurchase agreements	
	Fixed income securities	Variable-income securities	Fixed income securities	Variable-income securities
Transferred financial assets at carrying amount	74 516	0	0	0
Financial assets designated at fair value through profit or loss	64 454	0	0	0
Available-for-sale financial assets	10 062	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n/a	n/a	0	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n/a	n/a	0	0
Fair value of associated liabilities	n/a	n/a	0	0
Net position	n/a	n/a	0	0

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

7.23 Offsetting financial assets and liabilities

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

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

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31.12.2017	Gross amount of recorded financial instruments	Gross amount of offset recorded financial instruments	Net amount of financial instruments recorded on the balance sheet
Financial assets			
Derivatives	119 063	0	119 063
Reverse repos, securities borrowed and similar arrangements	99 973	0	99 973
Reverse repos	99 973	0	99 973
Total	219 036	0	219 036
Financial liabilities			
Derivatives	157 218	0	157 218
Repos, securities lent and similar arrangements	5 031	0	5 031
Repos	5 031	0	5 031
Total	162 249	0	162 249

31.12.2016	Gross amount of recorded financial instruments	Gross amount of offset recorded financial instruments	Net amount of financial instruments recorded on the balance sheet
Financial assets			
Derivatives	100 436	0	100 436
Reverse repos, securities borrowed and similar arrangements	0	0	0
Reverse repos	0	0	0
Total	100 436	0	100 436
Financial liabilities			
Derivatives	134 606	0	134 606
Repos, securities lent and similar arrangements	0	0	0
Repos	0	0	0
Total	134 606	0	134 606

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

(in thousands of EUR)

Non-offset amounts in balance sheet

Financial instruments	Cash guarantees	Guarantees in form of securities	Net amounts
23 241	16 826	0	78 996
0	0	99 973	0
0	0	99 973	0
23 241	16 826	99 973	78 996
23 241	21 775	0	112 202
0	0	5 031	0
0	0	5 031	0
23 241	21 775	5 031	112 202

(in thousands of EUR)

Non-offset amounts in balance sheet

Financial instruments	Cash guarantees	Guarantees in form of securities	Net amounts
24 122	16 635	0	59 679
0	0	0	0
0	0	0	0
24 122	16 635	0	59 679
24 122	35 166	0	75 318
0	0	0	0
0	0	0	0
24 122	35 166	0	75 318

(in thousands of EUR)

Non-offset amounts in balance sheet

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

8 Notes to the consolidated statement of comprehensive income

8.1 Interest income and expense

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Interest income	53 748	51 385	65 614
<i>Financial assets held for trading</i>	125	299	498
<i>Financial assets at fair value through profit or loss</i>	17 383	13 208	11 893
Interest income on assets stated at fair value	17 508	13 507	12 391
<i>Loans and advances to credit institutions</i>	679	622	1 450
<i>Loans and advances to customers</i>	23 684	22 407	33 847
<i>Available-for-sale securities</i>	6 300	10 622	14 708
<i>Held to maturity securities</i>	1 790	2 077	3 217
<i>Other</i>	3 787	2 150	1
Interest income on assets not stated at fair value	36 240	37 878	53 223
Interest expenses	(11 996)	(6 051)	(9 501)
<i>Financial liabilities held for trading</i>	(55)	(142)	(17)
Interest expenses on assets stated at fair value	(55)	(142)	(17)
<i>Deposits from credit institutions</i>	(1 393)	(2 926)	(1 974)
<i>Deposits from customers</i>	(4 081)	(2 532)	(5 754)
<i>Debt securities</i>	0	0	(2)
<i>Subordinated liabilities</i>	0	0	(1 592)
<i>Other</i>	(6 467)	(451)	(162)
Interest expenses on liabilities not stated at fair value	(11 941)	(5 909)	(9 484)
Net interest income	41 752	45 334	56 113

8.2 Dividend income

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Financial assets held for trading	531	191	53
Financial assets designated at fair value through profit or loss	1 050	2 024	2 636
Available-for-sale securities	1 350	3 735	2 585
Total	2 931	5 950	5 274

8.3 Fee and commission income and expense

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Fee and commission income	526 522	468 954	469 775
Asset management	326 661	303 180	281 577
Issues and placements of securities	10 932	9 011	13 250
Custodian services	83 964	62 422	68 585
Other securities services	58 977	56 328	68 601
Cash related services	9 746	11 785	14 686
Financial engineering	31 507	21 890	18 535
Derivatives	4 735	4 338	4 541
Fee and commission expense	(151 553)	(137 030)	(140 415)
Asset management	(81 233)	(77 946)	(105 243)
Issues and placements of securities	(79)	(572)	(331)
Custodian services	(40 686)	(32 289)	(5 370)
Other securities services	(23 392)	(19 907)	(23 409)
Cash related services	(5 604)	(5 473)	(4 545)
Derivatives	(559)	(843)	(1 517)
Net commission income	374 969	331 924	329 360

8.4 Net result on financial instruments held for trading

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Realized and unrealized gains (losses) on financial instruments held for trading	15 879	17 039	23 495
Fixed income securities	4 070	4 320	4 846
Variable income securities	947	1 479	1 000
Exchange activities	10 833	11 171	17 561
Other	29	69	88
Gains (losses) on derivatives	6 187	6 327	(4 076)
Foreign exchange derivatives	9 734	9 821	6 587
Interest rate derivatives	(4 212)	3 423	(8 997)
Equity derivatives	681	(6 904)	(2 173)
Other derivatives	(16)	(13)	507
Net result on financial instruments held for trading	22 066	23 366	19 419

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

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

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Fixed income securities	(2 971)	(8 966)	(5 031)
Variable income securities	109	7 422	1 835
Net result on financial instruments designated at fair value through profit or loss	(2 862)	(1 544)	(3 196)

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

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

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Gains (losses) on available-for-sale financial assets	8 661	9 934	67 128
Fixed income securities – public debts	1 148	2 527	1 654
Fixed income securities – other debts	3 032	7 767	733
Variable income securities	4 481	(360)	64 741
Net result on sale of loans and advances	(1)	19	39
Gains on sale of loans and advances	0	20	51
Losses on sale of loans and advances	(1)	(1)	(12)
Gains (losses) on held to maturity financial assets	0	37	456
Fixed income securities – public debts	0	37	(7)
Fixed income securities – other debts	0	0	463
Net result on financial instruments not designated at fair value through profit or loss	8 660	9 990	67 623

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

8.7 Other net operating results

Other net operating results are analyzed below:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Other operating income	30 058	24 304	18 260
Lease income	3 326	2 450	2 493
Realized capital gains on sales of tangible and intangible fixed assets	101	64	85
Realized capital gains on sales of investments	387	2 106	0
Reversals of provisions	2 109	3 544	1 559
Supply of services	7 284	7 853	4 941
Other	16 851	8 287	9 182
Other operating charges	(9 421)	(3 343)	(33 800)
Realized capital losses on sales of tangible and intangible fixed assets	(795)	(227)	(278)
Transfer to provisions	(3 431)	(425)	(30 900)
Other	(5 195)	(2 691)	(2 622)
Other net operating results	20 637	20 961	(15 540)

The account 'Other income and operational charges' include the impacts of the modification of the contractual conditions of the advantages subsequent to the employment, following the harmonisation of the remuneration policy due to the merger. These impacts are described within annex 10 'employee benefits and other remunerations'.

8.8 Personnel expenses

Personnel expenses comprise the following:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Wages and salaries	(152 931)	(140 953)	(148 526)
Social security, social insurance and extra-legal insurance	(26 132)	(25 593)	(25 578)
Pension costs	(11 858)	(10 689)	(10 253)
Share-based compensation	1 106	(155)	(3 078)
Other costs	(4 301)	(2 894)	(3 644)
Personnel expenses	(194 116)	(180 284)	(191 079)

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

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

(in units)

FTE on	31.12.2017	31.12.2016	31.12.2015
Senior management	362	357	360
Employees	999	983	1 002
Workers	10	12	13
Total	1 371	1 352	1 375

Notes to the consolidated financial statements

8.9 General and administrative expenses

General and administrative expenses are analyzed below:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Marketing, advertising and public relations	(5 877)	(5 838)	(5 241)
Professional fees	(21 548)	(24 792)	(27 580)
Operating leases	(15 806)	(16 887)	(11 956)
IT and telecommunications charges	(44 568)	(48 882)	(27 249)
Repairs and maintenance	(5 594)	(6 548)	(6 352)
Operational taxes	(19 619)	(19 094)	(11 895)
Other general and administrative expenses	(22 734)	(23 665)	(20 651)
General and administrative expenses	(135 746)	(145 706)	(110 924)

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

The exceptional expenses specific to the integration and merger of the Degroof and Petercam groups impact primarily the captions 'Professional fees' and 'Other general and administrative expenses' in 2015. Regarding the increase of the captions 'IT and telecommunication expenses' and 'Operating tax expenses', these are justified, mainly and respectively, by exceptional costs incurred as part of the integration and transformation of the Degroof Petercam Group and by the new Belgian tax on credit institutions.

8.10 Depreciation of property and equipment and amortization of intangible assets

During the financial period ended 31 December 2017, depreciation of property and equipment amounted to EUR 7.5 million (31 December 2016: EUR 6.8 million; 31 December 2015: EUR 6.2 million) and amortization of intangible assets amounted to EUR 14.4 million (31 December 2016: EUR 14.7 million; 31 December 2015: EUR 6.3 million).

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

8.11 Impairments

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Reversals of impairment losses	4 112	1 239	1 234
Loans and advances	4 112	1 239	1 223
Tangible assets	0	0	11
Allowance for impairments	(11 814)	(8 706)	(22 821)
Loans and advances	(5 039)	(4 992)	(12 592)
Available-for-sale financial assets	0	(1 560)	(8)
Tangible assets	(1 149)	(1 086)	(14)
Intangible assets	(5 626)	(1 068)	(7 838)
Investments in entities accounted for using the equity method	0	0	(2 369)
Net variation of impairment losses on assets	(7 702)	(7 467)	(21 587)

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

8.12 Income tax expense

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Tax on current year result	(22 688)	(22 202)	(14 276)
Income tax for the period	(25 446)	(19 474)	(29 206)
Deferred tax	2 758	(2 728)	14 930
Other tax expense	805	(958)	(1 288)
Income tax on prior years	906	(855)	(1 172)
Other items	(101)	(103)	(116)
Net income tax expense	(21 883)	(23 160)	(15 564)

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
<i>Profit before income tax</i>	<i>108 345</i>	<i>81 045</i>	<i>123 186</i>
<i>Income of entities accounted for using the equity method</i>	<i>351</i>	<i>(63)</i>	<i>(266)</i>
Tax base	108 696	80 982	122 920
Tax rate applicable at closing	33,99 %	33,99 %	33,99 %
Theoretical income tax expense	(36 946)	(27 526)	(41 781)
Effect of tax rate differences in other jurisdictions	(4 096)	2 411	3 223
Tax impact of non-deductible expenses	(6 348)	(4 528)	(8 235)
Tax impact of non-taxable income	25 421	9 418	34 668
Offset of foreign taxes and repayable taxes	0	3	0
Permanent differences	(827)	(1 845)	(3 960)
Effect of other items	(505)	(666)	492
Previously unrecognized deferred tax assets	1 778	907	0
Unrecognized deferred tax assets	(1 372)	(376)	1 317
Income tax for the period	(22 895)	(22 202)	(14 276)
Average effective tax rate	21,06 %	27,42%	11,61%

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

8.13 Other components of other comprehensive income

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

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Remeasurement gains (losses) related to post-employment benefit plans	1 012	(2 754)	10 993
Gross amount	1 544	(4 074)	13 640
Taxes recorded directly in reserves	(532)	1 320	(2 647)
Total other comprehensive income that may not be reclassified subsequently to net profit	1 012	(2 754)	10 993
Currency translation differences	(3 247)	(1 526)	1 963
Gross amount	(3 247)	(1 526)	1 963
Fixed income securities	4 002	2 740	(68 993)
Adjustment to fair value, before taxes	(835)	515	(3 529)
Transfer from the reserve to results, before taxes	1 792	10 588	(3 699)
Impairments	(3 647)	(9 760)	(1 649)
<i>Losses (gains) on disposals</i>	<i>(4 180)</i>	<i>(10 294)</i>	<i>(2 387)</i>
<i>Prorata of the reserve for the revaluation of available-for-sale financial assets following their reclassification</i>	<i>533</i>	<i>534</i>	<i>738</i>
Taxes recorded directly in reserves	1 020	(313)	1 819
Variable income securities	4 837	2 225	(65 464)
Adjustment to fair value, before taxes	11 244	2 150	(3 854)
Transfer from the reserve to results, before taxes	(4 481)	360	(64 741)
<i>Impairments</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Losses (gains) on disposals</i>	<i>(4 481)</i>	<i>360</i>	<i>(64 741)</i>
Taxes recorded directly in reserves	(1 926)	(285)	3 131
Total other comprehensive income that may be reclassified subsequently to net profit	755	1 214	(67 030)
Total other comprehensive	1 767	(1 540)	(56 037)

9 Rights and commitments

9.1 Assets in open custody

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

Assets in open custody with the Bank at 31 December 2017, 31 December 2016 and at 31 December 2015 amounted to EUR 80.9 billion, EUR 74.0 billion and EUR 69.8 billion respectively.

9.2 Credit related rights and commitments

Bank Degroef Petercam has commitments under credit lines granted to clients, the unused portion of which at 31 December 2017 amounted to EUR 306.2 million (31 December 2016: EUR 338.3 million; 31 December 2015: EUR 230.2 million).

9.3 Guarantees given and received

Bank Degroef Petercam has pledged, for its own account and for those of its clients, financial instruments amounting to EUR 179.1 million at 31 December 2017 (31 December 2016: EUR 180.7 million; 31 December 2015: EUR 137.7 million).

Bank Degroef Petercam has received pledges of assets from its clients amounting to EUR 4 798.9 million at 31 December 2017 (31 December 2016: EUR 4 349.2 million; 31 December 2015: EUR 4 376.5 million). As a general rule, these pledges cannot be used by the Bank in the absence of a default by the owner of the pledge, except for those obtained in the context of repo operations, which amounted to EUR 0.0 million at 31 December 2017 (31 December 2016: EUR 0 million; 31 December 2015: EUR 313.5 million). Of the pledges obtained that can be used, none had been given as a guarantee for repo operations at 31 December 2017 (guarantees received and then given as guarantees at 31 December 2016: nil; 31 December 2015: nil).

10 Employee benefits and other remuneration

10.1 Other long-term benefits

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

Movements on this provision are as follows:

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Opening balance	5 434	3 725	1 386
Allowances for provisions	2 173	3 194	2 340
Use of provisions	(2 704)	(1 486)	(815)
Reversal of unused provisions	(215)	0	0
Other	(87)	1	0
Changes in consolidation scope	0	0	814
Closing balance	4 601	5 434	3 725

10.2 Post-employment benefits

Post-employment benefits comprise pension schemes and the partial payment of medical care insurance premiums following the retirement of employees. Beneficiaries of this benefit are employees who are currently retired or who will be retired before May 1, 2022 as well as their spouses.

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

The charge for the current financial period in respect of the defined contribution plans was EUR 2.4 million (31 December 2016: EUR 2.0 million; 31 December 2015: EUR 1.8 million). For the other plans, the table below details the Degroof Petercam group's commitments and the principal actuarial assumptions used:

	Pension plans		
	31.12.2017	31.12.2016	31.12.2015
Present value of the funded obligations	124 463	115 135	105 390
Fair value of plan assets	95 820	87 168	81 372
A. Net liability (asset) of post-employment benefits	28 643	27 967	24 018
B. Change in defined benefit obligation			
Balance at beginning of year	115 135	105 390	59 420
Current service cost	10 372	6 778	8 762
Interest cost	1 313	1 657	1 916
Benefits paid during year	(1 052)	(4 015)	(4 647)
Administrative charges and taxes	(1 034)	(876)	(1 082)
Increase (decrease) related to business combinations, disposals, transfers	44	5	44 566
Currency translation differences	(1 245)	135	0
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	0	510	(1 986)
b. Actuarial gains and losses from financial assumptions	384	5 824	(564)
c. Actuarial gains and losses from other assumptions	546	(273)	(995)
Balance at end of year	124 463	115 135	105 390

(in thousands of EUR)

Other benefits		
31.12.2017	31.12.2016	31.12.2015
4 810	14 243	12 930
0	0	0
4 810	14 243	12 930
14 243	12 930	16 976
(8 096)	867	1 532
298	373	423
(87)	(93)	(114)
0	0	0
0	0	0
0	0	0
0	0	0
(393)	1 369	(4 269)
(1 155)	(1 203)	(1 618)
4 810	14 243	12 930

Notes to the consolidated financial statements

	Pension plans		
	31.12.2017	31.12.2016	30.09.2015
C. Change in fair value of plan assets			
Balance at beginning of year	87 168	81 372	38 006
Interest income	1 057	1 356	1 332
Employer contributions	7 414	6 928	8 096
Employee contributions	161	163	145
Benefits paid during year	(1 052)	(4 015)	(4 647)
Administrative charges and taxes	(1 034)	(876)	(1 082)
Net transfers	44	5	37 018
Currency translation differences	(832)	91	0
Return on plan assets (other than interest income)	2 894	2 144	2 504
Balance at end of year	95 820	87 168	81 372
D. Components of cost			
Service cost			
a. Current service costs	8 528	6 778	8 762
b. Past service costs	1 845	0	0
Charges / income (net of interest)	256	301	584
Employee contributions	(161)	(163)	(145)
Administrative charges and taxes	7	8	0
Net charges recorded in income	10 475	6 924	9 201
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	0	510	(1 986)
b. Actuarial gains and losses from financial assumptions	384	5 824	(564)
c. Actuarial gains and losses from other assumptions	538	(273)	(995)
d. Return on assets (other than interest income)	(2 894)	(2 152)	(2 504)
Revaluations recorded in other elements of comprehensive income	(1 972)	3 909	(6 049)
E. Reconciliation of net obligations (assets) related to post-employment benefits			
Balance at beginning of year	27 967	24 018	21 414
Net charges recorded in income	10 475	6 924	9 201
Revaluations recorded in other elements of comprehensive income	(1 972)	3 909	(6 049)
Employer contributions	(7 414)	(6 928)	(8 096)
Currency translation differences	(413)	44	0
Increase (decrease) related to business combinations, disposals, transfers	0	0	7 548
Balance at end of year	28 643	27 967	24 018
F.1 Principal actuarial assumptions to determine the defined benefit obligations			
Discount rate	1.10%	1.30%	1.80%
Future salary increase	2.75%	2.75%	2.50%
Inflation rate	1.75%	1.75%	1.50%
Mortality rate	MR/FR-5	MR/FR-5	MR/FR-5
F.2 Principal actuarial assumptions to determine net costs			
Discount rate	1.30%	1.80%	2.00%
Future salary increase	2.75%	2.50%	3.00%
Inflation rate	1.75%	1.50%	2.00%
Mortality rate	MR/FR-5	MR/FR-5	MR/FR-5
G. Plan assets			
Treasury	4 152	5 156	4 844
Equity securities	22 509	23 269	22 218
Debt securities	28 185	20 702	19 284
Real estate	6 256	7 548	7 298
Assets held by the insurance company	33 298	30 493	27 728
Other	1 420	0	0

(in thousands of EUR)

Other benefits

[illegible]

Notes to the consolidated financial statements

(in thousands of EUR)

Pension plans

H. Sensitivity analysis on defined benefit obligations at year-end

Discount rate	(0.25%)	0.25%
Amount of obligation related to pension schemes	127 980	121 067
Amount of obligation related to other benefits	5 030	4 604
Inflation rate	(0.25%)	0.25%
Amount of obligation related to pension schemes	122 503	126 453
Rate of increase in medical costs	(0.25%)	0.25%
Amount of obligation related to other benefits	4 614	5 017

I. Cash flows forecast for next financial year

Employer contributions

Contributions related to pension schemes	7 999
Contributions related to other benefits	98

Timing of payments of future benefits

Less than one year	4 469
Between one and two years	3 063
Between two and three years	4 457
Between three and four years	2 909
Between four and five years	5 100
Between five and ten years	29 419

In the context of the merger between Bank Degroef and Petercam, the harmonisation of remuneration policies has led to a modification to the medical care plan and to the defined contribution pension plan for the personnel of the former Bank Degroef.

In respect of the medical care plan, it no longer covers personnel following their retirement. Nevertheless, a transitional measure is applicable for five years, whereby currently retired personnel and personnel who will retire before 1 May 2022, as well as their partners, will remain covered until their deaths in return for a minor financial contribution. In respect of the defined contribution pension plan, the contribution paid by personnel has been increased to 2%.

10.3 Share-based payments

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

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

Per 31 December 2017, all option plans that will be settled by delivery of securities have a maturity in the course of 2018.

The movements on share options are as follows:

(in units; in EUR)

	31.12.2017		31.12.2016		30.09.2015	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Opening balance	254 379	138.51	272 138	138.10	356 028	165.82
Opening balance	0	0	0	0	32 430	138.10
Options withdrawn	(7 531)	143.33	(1 335)	137.39	(925)	163.83
Options exercised	(1)	146.68	(16 424)	131.69	(20 245)	148.92
Options expired	(61 949)	146.68	0	0	(95 150)	192.30
Closing balance	184 898	135.58	254 379	138.51	272 138	138.10
of which exercisable	184 898	135.58	254 379	138.51	182 017	141.01

In respect of the above-mentioned plans and in accordance with IFRS 2, the Bank no longer records an expense as all vesting periods have ended (31 December 2016: EUR 0.1 million; 31 December 2015: EUR 0.6 million). Until such time as these options are exercised, the recording of the expense does not have an impact on shareholders' equity as this balance is increased by an identical amount. Once the options are exercised, shareholders' equity will increase by an amount equal to the number of options exercised multiplied by the exercise price.

In addition to the above-mentioned plans, there are three cash-settled option plans at 31 December 2017. The fair value of these options is calculated annually on the basis of the underlying value of the options.

The first plan was established in 2013 using a subsidiary (Industrie Invest), the sole activity of which is the holding of shares in Bank Degroef Petercam and Degroef Equity (shares issued in the context of the split of the shares of Bank Degroef before the merger with Petercam), financed by own funds and borrowings. The number of options granted at 15 May 2013 was 79 870, of which 74 660 remain outstanding at 31 December 2017. These options have a final exercise date of 30 April 2021 and an exercise price of EUR 45. An income of EUR 0.9 million was recorded in respect of this plan during the current financial period. This plan is valued using a specific model based on Least Square Monte-Carlo type simulations in order to take into account the possibility of the early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroef Petercam shares (EUR 132.34) and Degroef Equity (EUR 12.99), anticipated dividends (EUR 5.50), and the implied volatility (18.93% corresponding to the at the money implied volatility of Eurostoxx 50 until the last possible exercise date).

The second plan was also established during 2013 using a subsidiary (Bank Degroef Petercam Spain), for the sole benefit of the directors of this company. The number of options granted at 25 September 2013 was 583 000 of which 291 500 remain outstanding at 31 December 2017. These options have a final exercise date of 30 December 2019 and an exercise price of EUR 6.17. This plan generated an expense of EUR 0.3 million during the current financial period. This plan is valued using a specific model based on Least Square Monte-Carlo type simulations in order to take into account the possibility of the early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroef Petercam Spain shares (EUR 8.31), anticipated dividends (EUR 0.00), and the implied volatility (12.42% corresponding to the at the money implied volatility of Eurostoxx 50 until the earliest possible exercise date).

The third plan was established during 2014 using a subsidiary (Industrie Invest II) the sole activity of which is the holding of shares in Bank Degroef Petercam and Degroef Equity (shares issued in the context of the split of the shares of Bank Degroef before the merger with Petercam), financed by own funds. The number of options granted at 1 August 2014 was 54 055 of which 48 585 remain outstanding at 31 December 2017. These options have a final exercise date of 30 April 2019 and an exercise price of EUR 160.84. This plan generated an income of EUR 0.5 million during the current financial period. This plan is valued using a specific model based on Least Square Monte-Carlo type simulations in order to take into account the possibility of the early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroef Petercam shares (EUR 132.34) and Degroef Equity (EUR 12.99), anticipated dividends (EUR 5.50), and the implied volatility (17.69% corresponding to the at the money implied volatility of Eurostoxx 50 until the last possible exercise date).

11 Related parties

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

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

(in thousands of EUR)

31.12.2017	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Balance sheet					
Overdrafts	1 290	20 194	0	0	21 484
Term loans	10 599	0	0	336	10 935
Mortgage loans	0	0	0	0	0
Investment securities	0	0	0	3 204	3 204
Other assets	0	0	0	0	0
Total assets	11 889	20 194	0	3 540	35 623
Deposits	71 741	63	5 821	1 495	79 120
Other	5	0	0	2	7
Other liabilities	0	0	0	28 661	28 661
Total liabilities	71 746	63	5 821	30 158	107 788
Guarantees given by the group	800	0	0	3 147	3 947
Guarantees received by the group	34 673	0	0	0	34 673
Commitments	651	0	0	0	651
Notional amount of derivatives	469	0	0	0	469

(in thousands of EUR)

31.12.2017	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Profit and loss					
Interest expenses	30	0	2	0	32
Loss on derivatives	0	0	0	0	0
Fees and commissions	0	0	0	0	0
Personnel expenses	0	0	0	7 130	7 130
Other	0	0	0	739	739
Total expenses	30	0	2	7 869	7 901
Interest income	207	518	1	0	726
Profit on derivatives	0	0	0	0	0
Fees and commissions	448	66	13	18	545
Purchases or sales of goods, property and other assets	0	0	0	34	34
Other	0	8	0	151	159
Total income	655	592	14	203	1 464

(in thousands of EUR)

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

(in thousands of EUR)

31.12.2016	Entities with joint control or significant influence	Associates	Key Management	Other related parties	Total
Profit and loss					
Interest expenses	111	2	93	63	269
Loss on derivatives	10	0	0	0	10
Fees and commissions	0	730	0	0	730
Personnel expenses	0	0	0	3 491	3 491
Other	0	0	0	1 819	1 819
Total expenses	121	732	93	5 373	6 319
Interest income	173	238	639	99	1 149
Profit on derivatives	76	0	2	0	78
Fees and commissions	734	110	137	26	1 007
Purchases or sales of goods, property and other assets	0	0	0	195	195
Other	0	109	0	158	267
Total income	983	457	778	478	2 696

Notes to the consolidated financial statements

(in thousands of EUR)

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

(in units)

Share options					
Granted	1.056	0	4.688	0	5.744

(in thousands of EUR)

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

All transactions with related parties included in the above tables have been made under normal market conditions.

The costs linked to the remuneration paid to executive directors including bonuses paid to the members of the board of directors as well as the costs regarding the allocation of options to these same people are presented by category of advantages granted to employees, defined within the IAS 19 and IFRS 2 standards.

(in thousands of EUR)

	31.12.2017	31.12.2016	31.12.2015
Short-term benefits	7 241	8 008	10 583
Post-employment benefits	532	550	418
Other long-term employee benefits	1 297	714	1 151
Termination benefits	800	0	1 567
Share-based payments	(126)	33	307
Total	9 744	9 305	14 026

12 Post balance sheet events

The meeting of the board of directors on 26 April 2018 decided to propose to the annual general shareholders meeting that a gross dividend of EUR 6 per share be distributed, giving rise to a distribution outside the group of EUR 63 085 980 and authorized the publication of the financial statements.

Auditor's fees

(in thousands of EUR)

31.12.2017

Auditor's fees in the exercise of his mandate	261
Fees for exceptional services or special missions undertaken for the company by the auditor	36
Other attestation projects	16
Other missions outside the auditing missions	20
Fees paid to parties linked to the auditor in respect of an audit mandate undertaken at group level	584
Emoluments for exceptional services or specific projects completed within the company by parties related to the auditor	325
Other attestation projects	206
Tax consultancy missions	37
Other missions outside the auditing missions	82

Statutory auditor's report

Statutory auditor's report to the general meeting Bank Degroof Petercam SA on the consolidated financial statements as of and for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Bank Degroof Petercam SA ('the Company') and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the audit of the consolidated financial statements for the year ended 31 December 2017, as well as our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed as statutory auditor by the general meeting of 24 May 2016, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2018. We have not been able to identify the exact date of our initial appointment. However, we can confirm that we have performed the statutory audit of the consolidated financial statements of Bank Degroof Petercam SA for at least 30 consecutive financial years.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 8 255 355 (000) and the consolidated statement of profit or loss shows a profit for the year of EUR 86 462 (000).

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

We refer to note 9 section 7 of the consolidated financial statements.

Description

As at 31 December 2017, the Group's consolidated statement of financial position included goodwill amounting to EUR 275 881 (000), representing four Cash generating units ('CGU').

Goodwill is assessed for impairment annually in accordance with IAS 36. The recoverable value of a CGU is determined as being the higher of its value-in-use and its fair value less cost of disposal. The value-in-use approach uses a discounted free cash flow method which discounts all future cash flows. The fair value less cost of disposal approach uses the application of reference multiples to the net operating result, or to the assets under management.

Determining the amount of impairment losses, if any, to be recorded requires the Group to exercise significant judgment and make key assumptions, particularly in relation to the determination of the reference multiples to determine the fair value less cost of disposal and to the forecasting and discounting of future cash flows to determine the value-in-use.

Our audit procedures

With the assistance of our valuation specialists, we have performed the following procedures:

- We evaluated the appropriateness of management's determination of the CGU's,
- We assessed the reasonableness of the reference multiples used in the determination of the fair value less cost of disposal by performing a regression analysis,
- We evaluated the process by which management's business plan was prepared, used in the determination of the value-in-use,
- We assessed management's previous ability to forecast cash flows accurately and challenged the reasonableness of current forecasts by comparing key assumptions (in particular the discount rate, forecasted period growth rate and inflation rate) to historical data, economic and industry forecasts and internal planning data,
- We corroborated the key market related assumptions to external data,
- We challenged the appropriateness of the sensitivity analysis performed by management by performing further sensitivity analysis, primarily focused on changes in operating cash flows and reference multiples,
- We tested the mathematical accuracy of the cash flows models,
- We assessed the appropriateness of the information presented in note 9 section 7 of the consolidated financial statements.

Provision for litigations

We refer to note 17 section 7 of the consolidated financial statements.

Description

As at 31 December 2017, the Group's consolidated statement of financial position included a provision for litigations amounting to EUR 14 508 (000).

Due to the nature of its activities, the Group is involved in a limited number of legal disputes. On the other hand, an unfavorable outcome for certain litigation could lead to a potential significant impact on the financial position of the Group.

In view of the uncertainties inherent in any legal dispute, the process of estimating the risks is inevitably uncertain. Management recognizes provisions for litigations based on its assessment of the likelihood of settlement of individual cases resulting in an outflow of resources and taking into account factors such as the Group's insurance cover. The assessment of the likely outcome of a litigation includes a significant level of subjectivity and judgment by management.

Our audit procedures

- We evaluated the process by which management's assess the likely outcome of litigations, as well as the appropriateness of management's assessment,
- We assessed management's previous ability to determine the likely outcome of litigations accurately and challenged the reasonableness of current determination,
- We agreed management's assessment of litigations to relevant correspondence and to the complaints register,
- We inspected the latest report issued by the in-house legal counsel, including analysing the rationale for the conclusion reached,
- We inspected and analysed the correspondence from the external lawyers in response to our request for confirmation of the status of the legal actions and assessed the impact of this evidence on the appropriateness of the provisions for litigations,
- We examined the contractual arrangements for insurance cover.

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

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON THE OTHER LEGAL, REGULATORY AND PROFESSIONAL REQUIREMENTS

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, that is information incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you. We do not express any form of assurance on the board of directors' annual report on the consolidated financial statements.

Consolidated financial statements

The non-financial information required by article 119 §2 of the Companies' Code has been included in a separate report attached to the board of directors' annual report on the consolidated financial statements, which is part of the annual report. This report on the non-financial information contains the information required by article 119 §2 of the Companies' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on KPIs for Environmental, Social & Governance Issues ('KPIs for ESG'), Principles for Responsible Investment ('PRI') and Sustainable Development Goals ('SDG'). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with KPIs for ESG, PRI and SDG mentioned in the board of directors' annual report on the consolidated financial statements. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspect

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Berchem, May 7, 2018
KPMG Bedrijfsrevisoren | Réviseurs d'Entreprises
Statutory auditor represented by

Erik Clinck
Réviseur d'Entreprises | Bedrijfsrevisor



Degroef
Petercam

Abridged company financial statements

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

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

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

Balance sheet after profit appropriation

(in thousands of EUR)

	31.12.2017	31.12.2016	30.09.2015
Assets			
I Cash in hand, balances with central banks and post office banks	1 345 310	773 620	1 393 660
II Short-term government securities eligible for refinancing at the central bank	0	75 076	150 003
III Loans and advances to credit institutions	223 378	287 863	373 751
A Repayable on demand	122 815	187 658	344 776
B Other loans and advances (with agreed maturity dates or periods of notice)	100 563	100 205	28 975
IV Loans and advances to customers	1 304 905	1 168 168	1 111 667
V Debt securities including fixed-income securities	1 466 881	1 860 003	1 265 813
A Issued by public bodies	263 681	524 736	343 558
B Issued by other borrower	1 203 200	1 335 267	922 255
VI Shares and other variable-yield securities	8 447	4 574	1 715
VII Financial fixed assets	399 216	394 953	368 005
A Participating interests in affiliated enterprises	392 848	393 188	366 140
B Participating interests in other enterprises linked by participating interests	2 750	600	699
C Other financial fixed assets	3 282	1 165	1 166
D Subordinated claims on affiliated enterprises and on other enterprises linked by participating interests.	336	0	0
VIII Formation expenses and intangible fixed assets	9 163	11 922	14 019
IX Tangible fixed assets	23 740	24 263	16 125
XI Other assets	33 663	33 154	19 743
XII Deferred charges and accrued income	87 784	68 651	61 350
Total assets	4 902 487	4 702 247	4 775 851

(in thousands of EUR)

	31.12.2017	31.12.2016	30.09.2015
Liabilities			
Debts	4 440 114	4 194 074	4 344 344
I Amounts owed to credit institutions	290 720	299 816	362 946
A Repayable on demand	220 128	286 748	115 222
C Other debts (with agreed maturity dates or periods of notice)	70 592	13 068	247 724
II Amounts owed to customers	3 910 147	3 735 685	3 826 458
B Other debts	3 910 147	3 735 685	3 826 458
¹ Repayable on demand	3 750 989	3 637 378	3 717 792
² With agreed maturity dates or periods of notice	159 158	98 307	108 666
III Debt securities		0	3 000
A Bonds and debentures in circulation		0	3 000
IV Other liabilities	167 901	79 583	141 713
V Accrued charges and deferred income	34 166	34 777	28 655
VI Provisions and deferred taxes	27 080	34 113	32 052
A Provisions for liabilities and charges	26 849	33 871	31 799
³ Other liabilities and charges	26 849	33 871	31 799
B Deferred taxes	231	242	253
VII Fund for general banking risks	10 100	10 100	10 100
VIII Subordinated liabilities		0	0
Shareholders' equity	462 373	508 173	370 927
IX Capital	34 212	34 212	34 212
A Issued capital	34 212	34 212	34 212
IX Share issue premiums	115 919	115 919	115 919
XII Reserves	113 105	113 126	113 142
A Legal reserve	4 411	4 411	4 411
C Untaxed reserves	15 557	15 578	15 594
D Reserves available for distribution	93 137	93 137	93 137
XII Profit (loss(-)) brought forward	199 137	244 916	107 654
Total liabilities	4 902 487	4 702 247	4 775 851

(in thousands of EUR)

	31.12.2017	31.12.2016	30.09.2015
Off-balance sheet captions			
I Contingent liabilities	222 629	220 069	143 932
B Guarantees serving as direct credit substitutes	119 379	100 474	37 463
C Other guarantees	1 030	2 726	3 191
E Assets charged as collateral security on behalf of third parties	102 220	116 869	103 278
II Commitments which could give rise to a credit risk	245 364	216 078	255 617
A Firm credit commitments	0	0	0
B Commitments as a result of spot purchases of transferable or other securities	23 881	18 722	84 707
C Undrawn margin on confirmed credit lines	221 483	197 356	170 910
III Assets lodged with the credit institution	48 783 157	48 843 507	45 051 803
B Safe custody and equivalent items	48 783 157	48 843 507	45 051 803

Income statement

(in thousands of EUR)

	31.12.2017	31.12.2016	30.09.2015
Charges			
II Interest payable and similar charges	5 247	4 566	10 422
V Commissions payable	4 498	4 800	5 218
VI Loss on financial transactions		0	0
B Loss on disposal of investment securities		0	0
VII General administrative expenses	170 118	175 384	229 150
A Remuneration, social security costs and pensions	103 561	92 859	139 282
B Other administrative expenses	66 557	82 525	89 868
VIII Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	8 160	7 691	7 177
IX Increase in amounts written off receivables and in provisions for off-balance-sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a credit risk'	622	3 479	1 864
X Amounts written off on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	0	4 022	1 184
XII Provisions for liabilities and charges other than those included in the off balance sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a risk'	760	5 421	10 020
XV Other operating charges	18 574	19 217	13 229
XVIII Extraordinary charges	14 930	4 480	30 921
A Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	751	173	44
B Amounts written off financial fixed assets	10 592	0	7 970
C Provisions for extraordinary liabilities and charges: allowances	2 022	0	22 088
D Loss on disposal of fixed assets	0	330	49
E Other extraordinary charges	1 565	3 977	770
XX Income taxes	1 221	1 457	11 297
XXI Profit for the period	70 123	137 245	50 894
XXIII Profit for the period, available for appropriation	70 144	137 261	50 925

(in thousands of EUR)

		31.12.2017	31.12.2016	30.09.2015
Income				
I	Interest receivable and similar income	31 342	36 416	39 707
	including that from fixed-income securities	14 445	14 087	15 046
III	Income from variable-yield securities	75 232	29 913	93 509
	A From shares and other variable-yield securities	530	239	157
	B Participating interests in affiliated enterprises	74 106	29 389	93 256
	C From participating interests in other enterprises linked by participating interests	31	79	89
	D From other shares held as financial fixed assets	565	206	7
IV	Commissions receivable	141 315	134 673	181 624
	A Brokerage and related fees	26 057	26 799	39 218
	B Remuneration of asset management, investment advice and safekeeping services	25 268	28 301	32 880
	C Other fees received	89 990	79 573	109 526
VI	Profit on financial transactions	11 525	20 830	19 766
	A Profit on trading of securities and other financial instruments	9 089	12 068	16 589
	B Profit on disposal of investment securities	2 436	8 762	3 177
X	Adjustments in write-downs on the investment portfolio of debt securities, shares and other fixed-income or equity investment securities	914	0	0
XI	Utilisation and write-backs of provisions for liabilities and charges other than those included in the off balance sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a risk'	5 096	584	0
XIV	Other operating income	24 956	25 890	23 488
XVII	Extraordinary income	3 810	118 922	13 269
	A Adjustments to depreciation and amounts written off intangible and tangible fixed assets	1	0	0
	B Adjustments to amounts written off financial fixed assets	10	2 318	0
	C Adjustments to provisions for extraordinary liabilities and charges	2 383	238	7 592
	D Gain on disposal of fixed assets	96	115 521	153
	E Other extraordinary income	1 320	845	5 524
XIX bis	B Transfers from deferred income taxes	11	11	13
XX	B Adjustments of income taxes and write-back of tax provisions	52	523	0
XXII	Transfers from untaxed reserves	21	16	31

(in thousands of EUR)

	31.12.2017	31.12.2016	30.09.2015
Appropriation account			
A Profit (loss (-)) to be appropriated	265 331	244 916	168 234
1 Profit (loss (-)) for the period, available for appropriation	70 144	137 261	50 925
2 Profit (loss (-)) brought forward	195 187	107 655	117 309
C Appropriation to capital and reserves	0	0	0
3 To the other reserves	0	0	0
D Profit (loss (-)) to be carried forward	199 137	195 186	107 654
F Distribution of profit	(66 194)	(49 730)	(60 580)
1 Dividends	(65 399)	(49 058)	(60 034)
2 Directors' fees	(795)	(672)	(546)

Private Banking ●
Institutional Asset Management ●
Investment Banking ●
Asset Services ●

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