

# FINANCIAL REPORT

2016



# CACEIS

CACEIS is the asset servicing banking group of Crédit Agricole dedicated to institutional and corporate clients. Through offices across Europe, North America and Asia, CACEIS offers a broad range of services covering execution, clearing, depositary and custody, fund administration, middle office outsourcing, forex, securities lending, fund distribution support and issuer services.

**WITH ASSETS UNDER CUSTODY OF  
€2.5 TRILLION AND ASSETS UNDER  
ADMINISTRATION OF €1.6 TRILLION,  
CACEIS IS A EUROPEAN LEADER IN  
ASSET SERVICING AND ONE OF THE  
MAJOR PLAYERS WORLDWIDE.**

Figures as at 31 December 2016

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# **EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

THE FINANCIAL STATEMENTS PRESENTED ARE EXTRACTED FROM CACEIS'S CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THAT WERE CERTIFIED BY LEGAL AUDITORS AND LODGED AT PARIS' COMMERCIAL COURT ("GREFFE DU TRIBUNAL DE COMMERCE DE PARIS").

# 1. EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS

## 1.1. INCOME STATEMENT

(in thousands of euros)	Notes	31.12.2016	31.12.2015
Interest receivable and similar income	2.6.1	383 090	261 446
Interest payable and similar expense	2.6.1	-239 430	-131 603
Commission and fee income	2.6.2	691 584	692 300
Commission and fee expense	2.6.2	-139 488	-128 270
Net gains (losses) on financial instruments at fair value through profit or loss	2.6.3	53 499	48 574
Net gains (losses) on available-for-sale financial assets	2.6.4	20 223	18 125
Income related to other activities	2.6.5	10 961	50 187
Expenses related to other activities	2.6.5	-30 584	-62 381
<b>NET BANKING INCOME</b>		<b>749 854</b>	<b>748 380</b>
Total operating expenses	2.6.6	-569 171	-559 383
Depreciation, amortisation and impairment of property, plant & equipment and intangible assets	2.6.7	-23 571	-23 759
<b>GROSS OPERATING INCOME</b>		<b>157 112</b>	<b>165 237</b>
Cost of risk	2.6.8	-12	-186
<b>OPERATING INCOME</b>		<b>157 100</b>	<b>165 051</b>
Share of profit in equity-accounted entities			
Net gains (losses) on disposal of other assets			-118
Change in value of Goodwill			
<b>PRE-TAX INCOME</b>		<b>157 100</b>	<b>164 933</b>
Income tax expense	2.6.9.1	-38 632	-50 563
After-tax income from discontinued or held-for-sale operations			
<b>NET INCOME</b>		<b>118 468</b>	<b>114 370</b>
Non-controlling interests			
<b>NET INCOME - GROUP SHARE</b>		<b>118 468</b>	<b>114 370</b>
Earnings per share (in euros)	2.7.15.2	7.25	7.22
Diluted earnings per share (in euros)	2.7.15.2	7.25	7.22

## 1.2. NET INCOME AND OTHER COMPREHENSIVE INCOME

(in thousands of euros)	31.12.2016	31.12.2015
<b>NET INCOME</b>	<b>118 468</b>	<b>114 370</b>
Actuarial gains and losses on post-employment benefits	-7 927	2 867
<b>Pre-tax other comprehensive income on items that will not be reclassified to profit and loss excluding equity-accounted entities</b>	<b>-7 927</b>	<b>2 867</b>
Income tax related to items that will not be reclassified to profit and loss excluding equity-accounted entities	2 099	-2 781
<b>Other comprehensive income on items that will not be reclassified subsequently to profit and loss net of income tax</b>	<b>-5 827</b>	<b>86</b>
Gains and losses on translation adjustments	9 055	30 266
Gains and losses on available-for-sale financial assets	104 899	-14 286
Gains and losses on hedging derivative instruments		368
<b>Pre-tax other comprehensive income on items that may be reclassified to profit and loss excluding equity-accounted entities</b>	<b>113 954</b>	<b>16 348</b>
Income tax related to items that may be reclassified to profit and loss excluding equity-accounted entities	-28 991	4 166
<b>Other comprehensive income on items that may be reclassified subsequently to profit and loss net of income tax</b>	<b>84 963</b>	<b>20 514</b>
<b>OTHER COMPREHENSIVE INCOME NET OF INCOME TAX</b>	<b>79 136</b>	<b>20 600</b>
<b>NET INCOME AND OTHER COMPREHENSIVE INCOME</b>	<b>197 604</b>	<b>134 970</b>
of which non-controlling interests		
of which Group share	197 604	134 970

## 1.3. BALANCE SHEET - ASSETS

(in thousands of euros)	Notes	31.12.2016	31.12.2015
Cash, due from central banks	2.71	1812 035	384 370
Financial assets at fair value through profit or loss	2.7.2	404 847	339 042
Hedging derivative instruments	2.5.3.2	10 964	18 180
Available-for-sale financial instruments	2.7.3	20 430 279	20 562 362
Loans and receivables to credit institutions	2.7.4.1	28 416 336	24 858 526
Loans and receivables to customers	2.7.4.2	7 047 808	5 586 879
Revaluation adjustment on interest rate hedged portfolios		1 650	515
Held-to-maturity financial assets			
Current and deferred tax assets	2.7.11	13 698	22 419
Accruals, prepayments and sundry assets	2.7.12.1	2 970 727	2 254 063
Non-current assets held for sale			
Investment in equity-accounted entities			
Investment property			
Property, Plant & Equipment	2.7.13	37 063	39 282
Intangible assets	2.7.13	119 556	120 707
Goodwill		821 572	812 628
<b>TOTAL ASSETS</b>		<b>62 086 535</b>	<b>54 998 973</b>

## 1.4. BALANCE SHEET - EQUITY AND LIABILITIES

(in thousands of euros)	Notes	31.12.2016	31.12.2015
Due to central banks		643 981	
Financial liabilities at fair value through profit or loss	2.7.2	404 354	332 553
Hedging derivative instruments	2.5.3.2	228 019	99 567
Due to credit institutions	2.7.8.1	8 188 714	7 247 744
Due to customers	2.7.8.2	45 877 011	41 579 921
Debt securities	2.7.9		
Revaluation adjustment on interest rate hedged portfolios		3 780	9 512
Current and deferred tax liabilities	2.7.11	81 258	57 279
Accruals, prepayments and sundry liabilities	2.7.12.2	3 839 659	3 059 332
Liabilities associated with non-current assets held for sale			
Insurance company technical reserve			
Provisions	2.7.14	79 692	71 793
Subordinated debt	2.7.9	330 499	330 486
<b>TOTAL DEBTS</b>		<b>59 676 968</b>	<b>52 788 186</b>
<b>EQUITY</b>	2.7.15	<b>2 409 567</b>	<b>2 210 787</b>
• Equity, Group share		2 409 567	2 210 787
- Share capital and reserves		1 091 784	1 053 632
- Consolidated reserves		1 045 573	968 179
- Other comprehensive income		153 742	74 605
- Net income for the financial year		118 468	114 370
• Non-controlling interests			
<b>TOTAL EQUITY</b>		<b>2 409 567</b>	<b>2 210 787</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62 086 535</b>	<b>54 998 973</b>

## 1.5 STATEMENT OF CHANGES IN EQUITY

	Group			
	Share capital and reserves			
	Share Capital	Premiums and consolidated reserves	Elimination of treasury shares	Capital & consolidated reserves, Group share
(in thousands of euros)				
<b>EQUITY AT 1 JANUARY 2015</b>	<b>633 000</b>	<b>1 424 980</b>	<b>0</b>	<b>2 057 980</b>
Capital increase				
Change in treasury shares held				
Dividends paid in 2015		-36 731		-36 731
Dividends received from regional banks and subsidiaries				
Impact of acquisitions/disposals on non-controlling interests				
Changes due to share-based payments				
<b>CHANGES DUE TO TRANSACTIONS WITH SHAREHOLDERS</b>	<b>0</b>	<b>-36 731</b>		<b>-36 731</b>
<b>CHANGE IN OTHER COMPREHENSIVE INCOME</b>				
Share of changes in equity in equity-accounted entities				
Net income at 31/12/2015				
Other changes		563		563
<b>EQUITY AT 31 DECEMBER 2015</b>	<b>633 000</b>	<b>1 388 811</b>	<b>0</b>	<b>2 021 811</b>
Allocation of 2015 results		114 370		114 370
<b>EQUITY AT 1 JANUARY 2016</b>	<b>633 000</b>	<b>1 503 181</b>	<b>0</b>	<b>2 136 181</b>
Capital increase	21 000	17 156		38 156
Change in treasury shares held				
Dividends paid in 2016		-38 156		-38 156
Dividends received from regional banks and subsidiaries				
Impact of acquisitions/disposals on non-controlling interests				
Changes due to share-based payments		1 175		1 175
<b>CHANGES DUE TO TRANSACTIONS WITH SHAREHOLDERS</b>	<b>21 000</b>	<b>-19 826</b>		<b>1 174</b>
<b>CHANGE IN OTHER COMPREHENSIVE INCOME</b>				
Share of changes in equity in equity-accounted entities				
Net income at 31/12/2016				
Other changes				0
<b>EQUITY AT 31 DECEMBER 2016</b>	<b>654 000</b>	<b>1 483 355</b>	<b>0</b>	<b>2 137 355</b>



share		Non-controlling interests						Total consolidated equity
Other comprehensive income		Net income	Total equity	Capital, associated reserves and income	Other comprehensive income		Total equity	
Other comprehensive income on items that will not be reclassified to profit and loss	Other comprehensive income on items that will not be reclassified to profit and loss				Other comprehensive income on items that will not be reclassified to profit and loss	Other comprehensive income on items that may be reclassified to profit and loss		
-12 633	66 639	0	2 111 985	0	0	0	0	2 111 985
								0
			-36 731					0
								0
								0
			<b>-36 731</b>					<b>-36 731</b>
<b>86</b>	<b>20 514</b>		<b>20 601</b>					<b>20 601</b>
								0
		114 370	114 370					114 370
			563					563
-12 547	87 153	114 370	2 210 787	0	0	0	0	2 210 787
		-114 370						0
-12 547	87 153	0	2 210 787	0	0	0	0	2 210 787
			38 156					38 156
								0
			-38 156					-38 156
								0
								0
			1175					1175
			<b>1174</b>					<b>1174</b>
<b>-5 827</b>	<b>84 966</b>		<b>79 139</b>					<b>79 139</b>
								0
		118 468	118 468					118 468
			0					0
-18 374	172 119	118 467	2 409 567	0	0	0	0	2 409 567

## 1.6. STATEMENT OF CASH FLOWS

(in thousands of euros)	31.12.2016	31.12.2015
<b>PRE-TAX INCOME</b>	<b>157 100</b>	<b>164 933</b>
Depreciation, amortisation and impairment of property, plant & equipment and intangible assets	37 197	37 343
Impairment of goodwill and other fixed assets		
Net charge to depreciation, amortisation and impairment	-33	1 952
Share of profit in equity-accounted entities		
Net income from investment activities	-466	117
Net income from financing activities	10 368	11 394
Other movements	72 743	-1 349
<b>TOTAL NON-CASH ITEMS INCLUDED IN PRE-TAX INCOME AND OTHER ADJUSTMENTS</b>	<b>119 808</b>	<b>49 457</b>
Change in interbank items	3 576 356	3 418 761
Change in customer items	2 836 318	5 959 922
Change in financial assets and liabilities	397 613	-2 341 008
Change in non-financial assets or liabilities	-55 267	-81 273
Dividends received from equity-accounted entities		
Tax paid	-34 022	-34 780
<b>NET DECREASE/INCREASE IN ASSETS AND LIABILITIES USED IN OPERATING ACTIVITIES</b>	<b>6 720 998</b>	<b>1 557 622</b>
<b>TOTAL NET CASH GENERATED BY OPERATING ACTIVITIES (A)</b>	<b>6 997 906</b>	<b>1 772 012</b>
Change in equity investments	9 123	-799
Change in property, plant & equipment and intangible assets	-30 237	-34 330
<b>TOTAL NET CASH ASSOCIATED WITH INVESTMENT ACTIVITIES (B)</b>	<b>-21 114</b>	<b>-35 129</b>
Cash received from/ paid to shareholders	0	-36 731
Other cash provided/ used by financing activities	-10 355	-113 493
<b>TOTAL NET CASH ASSOCIATED WITH FINANCING ACTIVITIES (C)</b>	<b>-10 355</b>	<b>-150 224</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)</b>	<b>18 610</b>	<b>434</b>
<b>NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>6 985 047</b>	<b>1 587 093</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>5 990 401</b>	<b>4 403 308</b>
Cash and due from banks net balance *	384 360	185 258
Interbank demand net balance**	5 606 041	4 218 050
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>12 975 448</b>	<b>5 990 401</b>
Cash and due from banks net balance *	1 168 109	384 360
Interbank demand net balance**	11 807 339	5 606 041
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>6 985 047</b>	<b>1 587 093</b>

\* Consisting of the net balance of "Cash and due to central banks" excluding accrued interest.

\*\* Comprises the balance of "performing current accounts in debit" and "performing overnight accounts and advances" and "current accounts in credit" and "daylight overdrafts and accounts" (excluding accrued interest).

# 2. EXTRACT FROM THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2.1. APPLICABLE STANDARDS AND COMPARABILITY

Pursuant to Regulation EC 1606/2002, the annual financial statements have been prepared in accordance with IAS/ IFRS and IFRIC interpretations applicable at December 31, 2016 and as adopted by the European Union (carve out version), thus using certain exceptions in the application of IAS 39 on macro-hedge accounting.

These standards and interpretations are available on the European Commission website at [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

The standards and interpretations are the same as those applied in the CACEIS's financial statements for the year ended December 31, 2015.

They have been supplemented by the IFRS standards as adopted by the European Union at December 31, 2016 and that must be applied for the first time in the financial year 2016.

Moreover, it is recalled that when the early application of standards and interpretations adopted by the European Union is optional for a period, this option is not selected by the Group, unless otherwise stated.

CACEIS does not expect the application of these standards and interpretations to produce a significant impact on the net income or net assets.

Lastly, standards and interpretations that have been published by the IASB, but not yet been adopted by the European Union, will become mandatory only as from the date of such adoption. The Group has not applied them as of December 31, 2016.

### **IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS**

IFRS 15 Revenue from Contracts with Customers will become effective for years beginning on or after 1 January 2018 (in accordance with EU regulation 2016/1905). The "Clarifications to IFRS 15" amendment, which provides further clarification is in the course of being adopted by the European Union and should come into effect on the same date.

For the first-time application of this standard, CACEIS elected to apply the modified retrospective method, recognising the cumulative effect as of 1 January 2018,

with no comparison for 2017, with any impact the standard has on the various items in the financial statements being detailed in the notes.

IFRS 15 will replace IAS 11 Construction Contracts and IAS 18 Revenue, along with all the related interpretations relating to IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

It brings into a single text the principles for recognising revenue for long-term sales contracts, sales of goods and the provision of services that do not fall within the scope of standards related to financial instruments (IAS 39), insurance contracts (IFRS 4) or leases (IAS 17). It introduces new concepts that may affect the accounting treatment of certain components of revenues.

An impact study on the implementation of the standard in the CACEIS group is ongoing with initial results being expected in early 2017.

### **IFRS 9 FINANCIAL INSTRUMENTS:**

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments. It was adopted by the European Union on 22 November 2016 and published in the Official Journal of the European Union on 29 November 2016. It will be mandatory for fiscal years beginning on or after 1 January 2018. It sets new principles governing the classification and measurement of financial instruments, impairment of credit risk and hedge accounting, excluding macro-hedging transactions.

#### **The main changes introduced by the standard *Classification and measurement of financial assets***

Under IFRS 9, the classification and measurement criteria depend on the nature of the financial asset, namely whether it qualifies as a debt instrument (i.e. loan, advance, credit, bond, fund unit) or an equity instrument (i.e. share).

In the case of debt instruments (loans and fixed or determinable terms to classify and measure financial assets, income securities), IFRS 9 tests the business model and contractual terms to classify and measure financial assets.

### **The three business models:**

- The collection only model where the intention is to collect the contractual cash flows over the life of the asset;
- The mixed model where the intention is to collect the contractual cash flows over the life of the asset and to sell the asset if an opportunity arises; and
- The selling only model where the intention is to sell the asset.

### **The contractual terms (“Solely Payments of Principal & Interest” [SPPI] test):**

This second criterion is applied to the contractual terms of the loan or debt security to finally determine the accounting classification and measurement category to which the instrument belongs.

When the debt instrument has expected cash flows that are not solely payments of principal and interest (i.e. simple rate), its contractual terms are deemed too complex and as a result, the loan or debt security is recognised at fair value through profit or loss regardless of their business model. This involves the instruments that do not satisfy the conditions of the “SPPI” test.

Certain issues of interpretation are still being examined by the IASB in this regard. The Group accordingly pays close attention to IASB discussions on, in particular, additional compensation for early repayment and will, where necessary, take on board the outcome of these discussions.

On the basis of the foregoing criteria:

- a debt instrument is recognised at amortised cost when it is held to collect cash flows that are solely payments of principal and interest (SPPI test);
- a debt instrument is recognised at fair value through other comprehensive income (items that can be reclassified) in the case of a mixed model to collect cash flows and sell where opportunities arise, provided its contractual terms also comprise solely payments of principal and interest (SPPI test);
- a debt instrument that does not qualify for the amortised cost or fair value through other comprehensive income category (items that can be reclassified) is recognised at fair value through profit or loss. The same applies to debt instruments where the business model is selling only. This also includes non-consolidated UCITS units that are debt instruments that fail to satisfy the SPPI test regardless of the business model.

In the case of equity instruments (investments such as shares), they must, by default, be recognised at fair value through profit or loss, except in the case of an irrevocable election to classify them at fair value through other comprehensive income (items that cannot be reclassified) (provided these instruments are not held for trading).

In summary, the Group’s application of the classification and measurement requirements of IFRS 9 should result in an increase in the proportion of financial instruments – UCITS and equity instruments – measured at fair value through profit or loss. Overall, loans and receivables satisfy the SPPI test and will remain at amortised cost.

### **Impairment**

IFRS 9 introduces a new impairment model that requires the recognition of Expected Credit Losses (ECL) on credit and debt instruments measured at amortised cost or at fair value through other comprehensive income (items that can be reclassified), on loan commitments and financial guarantee contracts that are not recognised at fair value, as well as on lease receivables and trade receivables.

This new ECL approach is designed to bring forward as much as possible the recognition of expected credit losses, whereas under the IAS 39 provisioning model, it is subject to there being objective evidence that an impairment loss has been incurred.

ECL is defined as the weighted expected probable value of the discounted credit loss (principal and interest). It represents the present value of the difference between the contractual cash flows and the expected cash flows (including principal and interest).

The formula includes the probability of default, loss given default and exposure at default parameters.

These calculations are broadly based on the internal models used as part of the regulatory framework, but with adjustments to determine an economic ECL. IFRS 9 recommends a Point in Time analysis while having regard to historical loss data and forward looking macro-economic data, whereas the regulatory perspective is analysed Through the Cycle for probability of default and in a downturn for loss given default.

The accounting approach also requires the recalculation of certain Basel parameters, in particular to eliminate internal recovery costs or floors that are imposed by the regulator in the regulatory calculation of loss given default (LGD).

The new credit risk provisioning model has three stages:

- First stage: upon initial recognition of the financial instrument (credit, debt security, guarantee, etc.), the entity recognises the 12-month expected credit losses;
- Second stage: if the credit quality subsequently significantly deteriorates for a particular portfolio or transaction, the entity recognises the full lifetime expected credit losses;
- Third stage: at a later date, once one or more default events have occurred on the transaction or on a counterparty having an adverse effect on the estimated future cash flows, the entity recognises incurred credit losses at maturity.

At the second stage, the monitoring and estimation of the significant deterioration in credit risk can be done on a transaction-by-transaction basis or collectively at portfolio level by grouping financial instruments on the basis of similar credit risk characteristics. The approach calls on a wide range of information, including historical data on observed losses, cyclical and structural adjustments, and loss projections based on reasonable scenarios.

This deterioration depends on the risk level on the date of initial recognition and must be recognised before the transaction is impaired (third stage).

In order to assess the significant deterioration, the Group employs a process built around two levels of analysis:

- The first level is based on absolute and relative criteria and rules applying to all Group entities;
- The second level is linked to local assessment of the qualitative criteria of the risk held by each entity in its portfolios that may result in a tightening of the deterioration criteria defined in the first level (switching a portfolio or sub-portfolio to ECL stage two at maturity)

There is a rebuttable presumption of a significant deterioration in the event of a non-payment for over thirty days. The Group may rebut this presumption on the scope of outstanding amounts for which internal rating systems have been put in place, in particular exposures using the advanced approach, given that all the information incorporated into the rating systems allow for a more detailed assessment than just the non-payment for over thirty days criterion.

In the absence of the internal rating model, the Group will use the absolute threshold of non-payments for over thirty days as the maximum threshold for significant deterioration and classification in stage two.

With respect to the scope of instruments subject to phase three provisioning, the Group will bring the definition of default into line with the one currently used in management for regulatory purposes.

A debtor is, therefore, considered to be in default when at least one of the following conditions has been met:

- A payment is generally more than ninety days past due, unless specific circumstances point to the fact that the delay is due to reasons beyond the debtor's control;
- The entity believes that the debtor is unlikely to settle its credit obligations unless it avails itself of certain measures such as the provision of collateral surety.

In short, the new provisioning model in IFRS 9 May lead to an increase in the amount of impairment on loans and securities recognised on the balance sheet at amortised cost or at fair value through other comprehensive income (items that can be reclassified), and on off-balance sheet commitments as well as lease receivables and trade receivables.

### **Hedge accounting**

With respect to hedge accounting (excluding fair value macro-hedging transactions), IFRS 9 makes limited changes from IAS 39. The standard's requirements apply to the following scope:

- All micro-hedging transactions; and
- only cash flow macro-hedging transactions.

Fair value macro-hedging transactions for interest rate risk are excluded and may remain subject to IAS 39 (option).

Upon first time application of IFRS 9, there are two possibilities under the standard:

- Apply the "hedge accounting" requirements of IFRS 9; or
- Continue to apply IAS 39 until application of IFRS 9 for all hedging relationships (at the latest when the fair value macro-hedging for interest rate risk text is adopted by the European Union).

After having carried out a feasibility study in the first half of 2015, the Group decided not to apply this aspect of the standard.

Nevertheless, information must be provided in the notes to the financial statements with increased granularity on risk management and the effects of hedge accounting on the financial statements.

Other requirements relating to first-time application

IFRS 9 allows the early adoption of requirements relating to specific credit risk relating to financial liabilities designated as at fair value through profit or loss, namely the recognition of changes in value attributable to specific credit risk in other comprehensive income (items that cannot be reclassified). CACEIS does not currently plan to apply these requirements early.

### **Transition**

IFRS 9 is applied retrospective with a mandatory effective date of 1 January 2018 by adjusting the opening balance sheet on the date of first-time application, with no restatement of the 2017 comparative financial statements. As a result, the Group does not plan to restate the financial statements presented for comparative purposes with the 2018 financial statements.

The standards and interpretations published by the IASB at 31 December 2016 but not yet adopted by the European Union are not applied by the Group. They will become mandatory only as from the date planned by the European Union and have not been applied by the Group at 31 December 2016.

This concerns IFRS 16 in particular.

IFRS 16 Leases will replace IAS 17 and all related interpretations SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease). It will (IFRIC 4 Determining Whether an Arrangement Contains a Lease, apply to reporting periods beginning 1 January 2019.

The main change made by IFRS 16 relates to accounting for lessees. IFRS 16 will call for a model in respect of lessees that recognises all leases on the balance sheet, with a lease liability on the liability side representing commitments over the life of the lease and on the asset side, an amortisable right-to-use.

An impact study on the implementation of the standard in the CACEIS Group will be undertaken in 2017 in order to assess the main effects at issue.

In addition, three amendments to existing standards have been published by the IASB that pose no major issue to the Group: these are the amendments to IAS 7 Statement of Cash flows, to IAS 12 Income Taxes, which apply to CACEIS group as of 1 January 2017, while the amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions will be applicable as of 1 January 2018. These dates will be confirmed once these standards have been adopted by the European Union.

## 2.2. PRESENTATION OF FINANCIAL STATEMENTS

In the absence of a prescribed presentation format under IFRS, CACEIS's complete set of financial statements (balance sheet, income statement, statement of net income and comprehensive income, statement of changes in equity and statement of cash flows) has been presented in the format set out in ANC Recommendation 2013-04 dated November 7, 2013.

## 2.3. SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES

### 2.3.1. USE OF ASSESSMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

A certain number of estimates have been made by management to draw up the 2016 financial statements. These estimates are by their nature based on certain assumptions and involve risks and uncertainties as to whether they will be achieved in the future.

Future achievements may be influenced by many factors, including but not limited to:

- Activity in domestic and international markets;
- Fluctuations in interest and exchange rates;
- The economic and political climate in certain industries or countries;
- Changes in regulations or legislation.

This list is not exhaustive.

### 2.3.2. FINANCIAL INSTRUMENTS (IAS 32 & 39)

Financial assets and liabilities are treated in the financial statements in accordance with IAS 39 as endorsed by the European Commission.

At the time of initial recognition, financial assets and financial liabilities are measured at fair value including trading costs (with the exception of financial instruments recognised at fair value through profit or loss). Subsequently, financial assets and liabilities are measured according to their classification, either at fair value or at amortised cost based on the effective interest rate method.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants, on the principal or the most advantageous market, at the measurement date.

### 2.3.2.1. SECURITIES CLASSIFIED AS ASSETS

Under IAS 39, securities are divided into the following categories:

- Financial assets at fair value through profit or loss;
- Available-for-sale financial assets;
- Loans and receivables;
- Financial assets designated as at fair value through profit or loss upon initial recognition;
- Held-to-maturity financial assets.

The two last categories do not concern CACEIS.

#### Financial assets at fair value through profit or loss

Securities that are classified under financial assets at fair value through profit or loss are recognised at fair value at inception, excluding transaction costs attributable directly to their acquisition (which are taken directly to profit or loss) and including accrued interest.

They are subsequently carried at fair value and changes in fair value are taken to profit or loss.

No impairment losses are booked for this category of securities.

#### Available-for-sale financial assets

IAS 39 defines "available-for-sale financial assets" both as assets that are designated as available-for-sale and as the default category.

The accounting principles of securities classified as "available-for-sale" are:

- "Available-for-sale securities" are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition and including accrued interest.
- "Available-for-sale securities" are later estimated at fair value and subsequent changes in fair value are recorded in other comprehensive income. Amortisation of any premiums or discounts on fixed-income securities is recognised in the income statement using the effective interest rate method.
- If the securities are sold, these changes are transferred to the income statement.
- If objective evidence of impairment, significant or long-standing, appears in the value of equity securities, evidenced by a risk of non-recovery for debt securities, the unrealised loss initially recorded in other comprehensive income is written-back and a permanent impairment is registered in the income statement. Should a positive change of fair value appear, the permanent impairment reversal would be recorded in the income statement for debt securities, and in other comprehensive income for equity securities.

#### Loans and receivables

"Loans and receivables" comprise unlisted financial assets that generate fixed or determinable payments.

Securities of the "loans and receivables" portfolio are initially recognised at acquisition cost, including transaction costs that are directly attributable to the acquisition and including accrued interest.

They are subsequently measured at amortised cost with amortisation of any premiums or discounts using the effective interest method adjusted for any impairment losses.

### **2.3.2.2. Securities classified as financial liabilities or equity**

#### **Distinction between liabilities and equity**

A debt instrument or financial liability is a contractual obligation to:

- Deliver cash or another financial asset;
- Exchange instruments under potentially unfavourable conditions.

An equity instrument is a contract evidencing a residual interest in an enterprise after deduction of all of its liabilities (net assets).

### **2.3.2.3. Temporary investments in/disposals of securities**

Within the meaning of IAS 39, temporary sales of securities (securities lending/borrowing, repurchase agreements) do not fulfil the derecognition conditions of IAS 39 and are regarded as collateralised financing. Assets lent or sold under repurchase agreements are kept on the balance sheet. If applicable, amounts received, representing the liability to the transferee, are recognised on the liabilities side of the balance sheet.

Items borrowed or bought under repurchase agreements are not recognised on the transferee's balance sheet. Instead, if the items are subsequently sold, the transferee recognises the amount paid out representing its receivable from the transferor.

Revenue and expenses relating to such transactions are taken to profit and loss on a prorata temporis basis, except in the case of assets and liabilities recognised at fair value through profit or loss.

### **2.3.2.4. Financial liabilities**

IAS 39 as endorsed by the European Union recognises three categories of financial liabilities:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities designated as at fair value through profit or loss upon initial recognition;
- Other financial liabilities.

CACEIS is not concerned by the category of financial liabilities designated as at fair value through profit or loss upon initial recognition.

Concerning financial liabilities at fair value through profit or loss, fair value changes on this portfolio are recognised in profit or loss.

The other financial liabilities category includes all other financial liabilities. These liabilities are initially measured at fair value (including transaction income and costs) and subsequently at amortised cost using the effective interest method.

### **2.3.2.5. Derivative instruments**

Derivative instruments are financial assets or liabilities and are recognised on the balance sheet at fair value at inception of the transaction. At the end of each reporting period derivatives are measured at fair value, whether they are held for trading purposes or used for hedging.

#### **Hedge accounting**

Different hedging methods exist:

- Fair value hedges;
- Cash flow hedges;
- Hedges of net investments in a foreign operation.

Fair value hedges are intended to provide protection from exposure to a change in the fair value of an asset or of a liability that has been recognised, or of a firm commitment that has not been recognised.

Hedges must meet the following criteria in order to be eligible for hedge accounting:

- The hedging instrument and the instrument hedged must be eligible;
- There must be formal documentation from inception, primarily including the individual identification and characteristics of the hedged item, the hedging instrument, the nature of the hedging relationship and the nature of the hedged risk;
- The effectiveness of the hedge must be demonstrated, at inception and retrospectively, by testing at each reporting date.

The change in value of the derivative in a fair value hedge is recognised in the income statement symmetrically with the change in value of the hedged item in the amount of the hedged risk. Only the net amount of any ineffective portion of the hedge is recognised in the income statement.

When the conditions for benefiting from hedging accounting are no longer met, only the hedging instrument continues to be revaluated through profit or loss. The hedging element is wholly accounted for according to its classification. For available-for-sale securities, changes in fair value subsequent to the ending of the hedging relationship are recorded in other comprehensive income. For hedged elements valued at amortised cost, which were interest rate hedged, the valuation adjustment is amortised over the remaining life of those hedged elements.

### **2.3.2.6. Determination of the fair value of financial instruments**

When determining the fair value of financial instruments observable inputs must be prioritised. It is presented using the hierarchy defined in IFRS 13.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants, on the principal or the most advantageous market, at the measurement date.

Fair value applies individually to each financial asset or financial liability. A portfolio exemption may be used where the management and risk monitoring strategy so allows and is appropriately documented. Thus, certain fair value parameters are calculated on a net basis when a group of financial assets and financial liabilities is managed on the basis of its net exposure to market or credit risks. This is notably true of the CVA/DVA calculation.

CACEIS considers that the best evidence of fair value is reference to quoted prices published in an active market.

When such quoted prices are not available, fair value is established by using valuation techniques based on observable data or unobservable inputs.

#### **Fair value of derivatives**

CACEIS incorporates into fair value the assessment of counterparty risk for derivative assets (Credit Valuation Adjustment or CVA) and, using a symmetrical treatment, the non-performance risk for derivative liabilities (Debt Valuation Adjustment or DVA or own credit risk).

The CVA makes it possible to determine the expected losses due to the counterparty from the perspective of Crédit Agricole Group, and DVA, the expected losses due to Crédit Agricole Group from the perspective of the counterparty.

The calculation of the CVA/DVA is based on estimated expected losses having regard to the probability of default and the loss given default. The methodology used maximises the use of observable entry data. It is primarily based on market data such as registered and listed CDS (or Single Name CDS) or index CDS in the absence of registered CDS on the counterparty. In certain circumstances, historical default data can be used.

#### **Fair value hierarchy**

The standard classifies fair value into three levels based on the observability of inputs used in valuation techniques:

- Level 1: fair value corresponding to quoted prices (unadjusted) in active markets;
- Level 2: fair value measured using observable inputs, either directly or indirectly, other than quoted prices included within Level 1;
- Level 3: fair value measured using significant unobservable inputs.

For its 2016 financial statements, CACEIS did not determine any fair value of financial instruments at Level 3.

#### **Absence of accepted valuation method to determine equity instruments' fair value**

According to IAS 39 principles, if there is no satisfactory method, or if the estimates obtained using the various methods differ excessively, the security is valued at cost and stays recorded under "Available-for-sale financial assets" because its fair value cannot be reliably measured. In this case, CACEIS does not report a fair value, in

accordance with the applicable recommendations of IFRS 7. These primarily include investments in non-consolidated subsidiaries that are not listed on an active market of which fair value is difficult to measure reliably.

#### **2.3.2.7. Net gains or losses on financial instruments**

##### **2.3.2.7.1. Net gains (losses) on financial instruments at fair value through profit or loss**

For financial instruments designated at fair value through profit or loss and financial assets and liabilities held for trading, this heading mainly includes the following income statement items:

- Dividends and other revenues from equities and other variable-income securities which are classified under financial assets at fair value through profit or loss;
- Changes in fair value of financial assets or liabilities at fair value through profit or loss;
- Gains and losses on disposal of financial assets at fair value through profit or loss;
- Changes in fair value and gains and losses on termination of derivative instruments not included in a fair value or cash flow hedging relationship.

This heading also includes the inefficient portion of fair value hedges, cash flow hedges and hedges of net investments in foreign currencies.

##### **2.3.2.7.2. Net gains (losses) on available-for-sale financial assets**

For available-for-sale financial assets, this heading mainly includes the following income statement items:

- Dividends and other revenues from equities and other variable-income securities which are classified under available-for-sale financial assets;
- Gains and losses on disposal of fixed-income and variable-income securities which are classified under available-for-sale financial assets;
- Losses in value of variable-income securities;
- Net income on disposal or termination of instruments used for fair value hedges of available for sale financial assets when the hedged item is sold;
- Gains and losses on disposal or termination of loans and receivables and held-to-maturity securities in those cases provided for by IAS 39.

#### **2.3.3. PROVISIONS (IAS 37 AND 19)**

CACEIS has identified all obligations (legal or constructive) resulting from a past event for which it is probable that an outflow of resources will be required to settle the obligation, and for which the due date or amount of the settlement is uncertain but can be reliably estimated. These estimates are discounted where applicable whenever there is a material impact. For obligations other than those related to credit risk, CACEIS has set aside general provisions to cover:

- Operational risks;
- Employee benefits;
- Financing commitment execution risks;
- Tax risks.



### 2.3.4. EMPLOYEE BENEFITS (IAS 19R)

In accordance with IAS 19R, employee benefits are recorded in four categories:

- Short-term employee benefits, such as salaries, social security contributions, annual leave, profit-sharing, incentive plans and variable compensation payable within 12 months after the end of the period;
- Long-term employee benefits such as long-service awards, variable compensation and compensation payable 12 months or more after the end of the period;
- Termination benefits;
- Post-employment benefits, classed in the two categories described below: defined-benefit plans and defined-contribution plans.

#### 2.3.4.1. Long-term employee benefits

Long-term employee benefits are the employee benefits other than post-employment benefits or termination benefits and equity benefits but not fully due to employees within 12 months after the end of the period in which the related services have been rendered.

It concerns in particular variable compensation and other compensation deferred for more than 12 months.

The measurement method is similar to the one used by CACEIS for post-employment benefits with defined-benefit plans.

#### 2.3.4.2. Post-employment benefits

##### 2.3.4.2.1. Defined-benefit plans

At each reporting date, CACEIS sets aside reserves to cover its liabilities for retirement and similar benefits and all other employee benefits falling into the defined-benefit plans' category.

In keeping with IAS 19, these commitments are stated using a set of actuarial, financial and demographic assumptions, and in accordance with the projected unit credit method. Under this method, for each year of service, an expense is booked in an amount corresponding to the employee's vested benefits for the period. The expense is calculated in relation to the discounted future benefit.

Discount rates are determined using the average duration of the obligation, that is, the arithmetic mean of the durations calculated between the valuation date and the payment date weighted by employee turnover assumptions.

##### 2.3.4.2.2. Defined-contribution plans

"Employers" contribute to a variety of compulsory pension schemes. Plan assets are managed by independent organisations and the contributing companies have no legal or implicit obligation to pay additional contributions if the funds do not have sufficient assets to cover all benefits corresponding to services rendered by employees during the year and during prior years.

### 2.3.5. CURRENT AND DEFERRED TAX

In accordance with IAS 12, the income tax expense includes all income taxes, whether current or deferred.

The standard defines current tax as "the amount of income tax expected to be paid to (recovered from) taxation authorities in a given accounting period". Taxable income is the profit (or loss) for a given accounting period measured in accordance with the rules determined by the taxation authorities.

This standard requires that deferred taxes be recognised in the following cases:

- A deferred tax liability should be recognised for any taxable temporary difference between the carrying amount of an asset or liability on the balance sheet and its tax base;
- A deferred tax asset should be recognised for any deductible temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base, insofar as it is deemed probable that a future taxable profit will be available against which such deductible temporary differences can be allocated;
- A deferred tax asset should also be recognised for carrying forward unused tax losses and tax credits insofar as it is probable that a future taxable profit will be available against which the unused tax losses and tax credits can be allocated.

### 2.3.6. TREATMENT OF FIXED ASSETS (IAS 16, 36, 38, 40)

CACEIS applies component accounting for all of its property, plant and equipment. In accordance with the provisions of IAS 16, the depreciable amount takes account of the potential residual value of property, plant and equipment.

Property used in operations, investment property and equipment are measured at cost less accumulated depreciation, amortisation and impairment losses since the time they were placed in service.

Purchased software is measured at purchase price less accumulated depreciation, amortisation and impairment losses since acquisition.

Proprietary software is measured at cost less accumulated depreciation, amortisation and impairment losses since completion.

Fixed assets are depreciated linearly over their estimated useful lives.

Based on available information, CACEIS concluded that impairment testing would not lead to any change in the existing amount of its fixed assets as of the end of the reporting period.

### 2.3.7. CURRENCY TRANSACTIONS (IAS 21)

In accordance with IAS 21, monetary and non-monetary items are separated.

At the reporting date, assets and liabilities denominated in foreign currencies are translated at the closing price into CACEIS's operating currency. The resulting conversion rate adjustments are recorded in the income statement. There are two exceptions to this rule:

- For available-for-sale financial assets, only the translation

adjustments calculated on amortised cost are taken to the income statement; the balance is recorded in equity;

- Translation adjustments on elements designated as cash flow hedges or part of a net investment in a foreign entity are recognised in equity.

### **2.3.8. COMMISSIONS AND FEES (IAS 18)**

Commission and fee income and expense are recognised in income based on the kind of services with which they are associated.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised in “Commission and fees” by reference to the stage of completion of the transaction at the end of the reporting period:

- Commissions and fees paid or received in consideration for non-recurring services are fully recognised in the income statement. Commissions and fees payable or receivable that are contingent upon meeting a performance target are recognised only if all the following conditions are met:
  - The amount of commission and fees can be reliably estimated;
  - It is probable that the future economic benefits from the services rendered will flow to the Company;
  - The stage of completion of the service can be reliably estimated, and the costs incurred for the service and the costs to complete it can be reliably estimated.
  - Commissions and fees related to ongoing services, such as commission and fees on payment instruments, are recognised in the income statement and spread over the duration of the service rendered.

### **2.3.9. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (IFRS 5)**

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable.

The relevant assets and liabilities are shown separately on the balance sheet under “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”.

A non-current asset (or disposal group) classified as held for sale is measured at the lowest of its carrying amount and lowest fair value costs of sale. An expense for impairment of unrealised gains is recognised in the income statement. Unrealised gains are no longer amortised when they are reclassified.

The following are disclosed on a separate line of the income statement:

- The post-tax profit or loss of discontinued operations until the date of disposal;
- The post-tax gain or loss recognised on the disposal or on measurement to fair value less costs of sale of the assets and liabilities constituting the discontinued operations.

## **2.4. CONSOLIDATION PRINCIPLES AND METHODS (IFRS 10, IFRS 11, IAS 28)**

### **2.4.1. SCOPE OF CONSOLIDATION**

The consolidated financial statements include the financial statements of CACEIS and those of all companies over which, in compliance with IFRS 10, IFRS 11 and IAS 28, CACEIS exercises control, joint control or significant influence.

### **2.4.2. DEFINITIONS OF CONTROL**

In compliance with international standards, all entities under control, under joint control or under significant influence are consolidated, provided that their contribution is deemed material.

Exclusive control over an entity is deemed to exist if CACEIS is exposed to or entitled to receive variable returns as a result of its involvement with the entity and if the power it holds over this entity allows it to influence these returns. Power in this context means substantive (voting or contractual) rights. Rights are considered substantive if the holder of the rights can in practice exercise them when decisions about the company's relevant activities are made.

CACEIS is deemed to control a subsidiary through voting rights when its rights give it the practical ability to direct the subsidiary's relevant activities. CACEIS is generally considered to control a subsidiary when it holds more than half the existing or potential voting rights in an entity, whether directly or indirectly through subsidiaries, except when it can be clearly demonstrated that such ownership does not give it the power to direct its relevant activities. Control is also deemed to exist where CACEIS holds half or less than half of the voting rights, including potential rights, in an entity but is able in practice to direct its relevant activities at its sole discretion, notably because of the existence of contractual arrangements, the size of its stake in the voting rights compared to those of other investors, or other reasons.

Control of a structured entity is not assessed on the basis of voting rights as these have no effect on the entity's returns. When assessing control, consideration is given not only to contractual arrangements in force but also to whether CACEIS was involved in creating the entity and what decisions it made at the time, what agreements were made at its inception and what risks are borne by CACEIS, any rights under agreements that give the investor the power to direct relevant activities in specific circumstances only and any other facts or circumstances that indicate the investor can direct the entity's relevant activities.

Where there is a management agreement, the extent of decision-making powers granted to the delegated manager and the remuneration accorded by such contractual agreements are examined to establish whether the manager is in practice acting as an agent (with delegated powers) or as a principal (on their own account).

Furthermore, when decisions on the entity's relevant activities are taken, the indicators used to assess whether an entity is acting as agent or principal are as follows: the extent of the decision-making powers compared to the powers over the entity delegated to the manager, the remuneration provided for under the contractual agreements, any substantive rights that may affect the decision-making capacity of other parties involved in the entity and the exposure to variable returns of other interests in the entity.

Joint control is deemed to exist when there is a contractual division of control over an economic activity. Decisions affecting the entity's relevant activities require unanimous agreement of the joint controllers.

In traditional entities, significant influence is defined as the power to influence but not control a company's financial and operational policies. CACEIS is presumed to have significant influence if it owns 20% or more of the voting rights in an entity, whether directly or indirectly through subsidiaries.

#### **2.4.3. TRANSLATION OF FOREIGN SUBSIDIARIES FINANCIAL STATEMENTS (IAS 21)**

Financial statements of subsidiaries denominated in foreign currencies are translated into euros in two steps:

- If applicable, the local currency, in which the financial statements are prepared, is translated into the functional currency (currency of the main business environment of the entity) using the historical cost method and all translation adjustments are fully and immediately recognised in the income statement;
- The functional currency is translated into euros, the currency in which CACEIS's consolidated financial statements are presented. Assets and liabilities are translated at the closing rate. Income and expenses included in the income statement are translated at the average exchange rate for the period.

Translation adjustments for assets, liabilities and income statement items are recorded under a specific item in equity. These translation differences are recorded in earnings during the total or partial transfer of the entity. In the case of the cession of a subsidiary (exclusive control), the reclassification of equity to income comes only in case of loss of control.

#### **2.4.4. BUSINESS COMBINATIONS - GOODWILL**

Business combinations are accounted for using the acquisition method in accordance with IFRS 3, except for business combinations under common control which are excluded from the field of application of IFRS 3. Pursuant to IAS 8, these transactions are entered at carrying amount using the pooling of interests method, with reference to US standard ASU805-50 which seems to comply with the IFRS general principles.

On the date of acquisition the identifiable assets, liabilities and contingent liabilities of the acquired entity which satisfy the conditions for recognition set out in IFRS 3 are recognised at their fair value.

Price adjustment clauses are recognised at their fair value even if their application is not probable. Subsequent changes in the fair value of clauses if they are financial liabilities are recognised in the income statement.

Only price adjustment clauses relating to transactions where control was obtained at the latest by 31 December 2009 may still be recorded against goodwill, because these transactions were accounted for under IFRS 3 pre revision (2004).

The initial assessment of assets, liabilities and contingent liabilities may be revised within a period of 12 months after the date of acquisition.

The spread between the cost of acquisition and interests that do not allow control and the net balance on the date of acquisition of acquired identifiable assets and liabilities taken over, valued at their fair value is recognised, when it is positive, in the assets side of the consolidated balance sheet, under the heading "Goodwill" when the acquired entity is fully or proportionately consolidated and in the heading "Investments in equity-accounted companies" when the acquired company is consolidated using the equity method. Any negative goodwill is recognised immediately through profit or loss.

It is tested for impairment whenever there is objective evidence of a loss of value and at least once a year.

For the purpose of impairment testing, goodwill is allocated to the Cash Generating Units (CGUs) that are expected to benefit from the business combination. The CGUs have been defined within the CACEIS's business lines. Impairment testing consists of comparing the carrying amount of each CGU, including any goodwill allocated to it, with its recoverable amount. When the recoverable amount is lower than the carrying amount, a corresponding impairment loss is recognised for the goodwill allocated to the CGU on the income statement.

The valuation method chosen by CACEIS is the Discounted Cash Flow method, the other methods not being relevant.

Considering the economic and financial bonds between the business lines in France, Luxembourg, Switzerland, Germany, and North America, CACEIS defined a single CGU.

In consequence, the recoverable value was determined with a global evaluation aggregating the French and Foreign entities' flows engaged in custody, investor servicing, and fund administration activities.

Goodwill was calculated for each company by comparing the net consolidated situation-Group share at the entry in the consolidation scope with the market values' quoted in the transfer agreements.

The total amount of goodwill is of € 821,572 K.

At December 31, 2016, the investor services activity's goodwill was subject to an impairment test, based on the assessment of the value in use of the cash generating unit to which it is associated. The determination of the value in use was calculated by discounting the CGU's estimated future cash flows calculated from the medium term plans developed for Group management purposes.

No impairment was recorded in CACEIS's accounts subsequently to this test. Indeed, the impairment test revealed that the recoverable value of CACEIS's single CGU's goodwill was above the carrying amount increased of the concerned entities' net situation.

## 2.5. FINANCIAL MANAGEMENT, EXPOSURE TO RISK AND HEDGING POLICY

### 2.5.1. CREDIT AND COUNTERPARTY RISK

Credit risk is inherent to the following operations and commitments:

- Granted overdrafts (via internal limits not confirmed to the customers) and the confirmed credit lines;
- Spot and term foreign exchange operations, temporary investments in/disposal of securities and all other derivative operations;
- Operations related to Assets and Liabilities Management, mainly cash and equity investments;
- Cash deposits in the different banks of our correspondents' network;
- Commitments and guarantees of any form granted.

#### 2.5.1.1. Maximum exposure to credit risk

An entity's maximum exposure to credit risk is the gross carrying amount, net of any offset amount and any recognised loss of value.

(in thousands of euros)	31.12.2016	31.12.2015
Financial assets at fair value through profit or loss (excluding equity securities)	404 847	339 042
Hedging derivative instruments	10 964	18 180
Available-for-sale assets (excluding equity securities)	20 422 852	20 554 987
Loans and receivables to credit institutions	29 431 802	25 615 358
Loans and receivables to customers	7 377 544	6 108 259
<b>EXPOSURE TO ON-BALANCE SHEET COMMITMENTS (NET OF IMPAIRMENTS)</b>	<b>57 648 009</b>	<b>52 635 826</b>
Financing commitments given	692 906	327 815
Financial guarantee commitments given	28 268	28 760
<b>EXPOSURE TO OFF-BALANCE SHEET COMMITMENTS (NET OF PROVISIONS)</b>	<b>721 174</b>	<b>356 575</b>
<b>TOTAL NET EXPOSURE</b>	<b>58 369 183</b>	<b>52 992 401</b>

#### 2.5.1.2. Loans and receivables to credit institutions and customers by customer type

(in thousands of euros)	31.12.2016				
	Gross outstanding	O/w gross loans and receivables individually impaired	Individual impairment	Collective impairment	Total
Central governments					0
Central banks	12 262 576				12 262 576
Credit institutions	16 153 760				16 153 760
Institutions other than credit institutions					0
Large corporates	7 047 808				7 047 808
<b>TOTAL</b>	<b>35 464 144</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35 464 144</b>

(in thousands of euros)	31.12.2015				
	Gross outstanding	O/w gross loans and receivables individually impaired	Individual impairment	Collective impairment	Total
Central governments	149				149
Central banks	8 786 137				8 786 137
Credit institutions	16 072 389				16 072 389
Institutions other than credit institutions					0
Large corporates	5 586 730				5 586 730
<b>TOTAL</b>	<b>30 445 405</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30 445 405</b>

### 2.5.1.3. Loans and receivables to credit institutions and customers by geographical area

(in thousands of euros)	31.12.2016				
	Gross outstanding	o/w gross loans and receivables individually impaired	Individual impairment	Collective impairment	Total
France (incl. overseas departments and territories)	13 476 223				13 476 223
Other EU countries	16 656 954				16 656 954
Rest of Europe	465 138				465 138
North America	525 313				525 313
Central and South America	16 096				16 096
Africa and Middle East	2 811 753				2 811 753
Asia-Pacific (ex. Japan)	1 201 778				1 201 778
Japan	310 889				310 889
Supranational organisations	0				0
<b>TOTAL</b>	<b>35 464 144</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35 464 144</b>

(in thousands of euros)	31.12.2015				
	Gross outstanding	o/w gross loans and receivables individually impaired	Individual impairment	Collective impairment	Total
France (incl. overseas departments and territories)	10 975 854				10 975 854
Other EU countries	14 636 699				14 636 699
Rest of Europe	333 226				333 226
North America	395 181				395 181
Central and South America	21 114				21 114
Africa and Middle East	2 595 565				2 595 565
Asia-Pacific (ex. Japan)	1 434 585				1 434 585
Japan	53 181				53 181
Supranational organisations					0
<b>TOTAL</b>	<b>30 445 405</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30 445 405</b>

## 2.5.2. MARKET RISK

Management of these financial risk positions is centralised at the Foreign exchange Cash Department in CACEIS Bank.

### 2.5.2.1. Derivative instruments: analysis by remaining maturity

#### 2.5.2.1.1. Hedging derivative instruments - fair value of assets

(in thousands of euros)	31.12.2016						31.12.2015	
	Exchange-traded			Over-the-counter			Total market value	Total market value
	≤1 year	> 1 year ≤ 5 years	> 5 years	≤1 year	> 1 year ≤ 5 years	> 5 years		
<b>INTEREST RATE INSTRUMENTS:</b>	0	0	0	1905	0	9 059	10 964	18 180
• Interest rate swaps				1905		9 059	10 964	18 180
<b>TOTAL</b>	0	0	0	1905	0	9 059	10 964	18 180

#### 2.5.2.1.2. Hedging derivative instruments - fair value of liabilities

(in thousands of euros)	31.12.2016						31.12.2015	
	Exchange-traded			Over-the-counter			Total market value	Total market value
	≤1 year	> 1 year ≤ 5 years	> 5 years	≤1 year	> 1 year ≤ 5 years	> 5 years		
<b>INTEREST RATE INSTRUMENTS:</b>	0	0	0	18 990	102 757	106 272	228 019	99 567
• Interest rate swaps				18 990	102 757	106 272	228 019	99 567
<b>TOTAL</b>	0	0	0	18 990	102 757	106 272	228 019	99 567

#### 2.5.2.1.3. Derivative instruments held for trading - fair value of assets

(in thousands of euros)	31.12.2016						31.12.2015	
	Exchange-traded			Over-the-counter			Total market value	Total market value
	≤1 year	> 1 year ≤ 5 years	> 5 years	≤1 year	> 1 year ≤ 5 years	> 5 years		
<b>INTEREST RATE INSTRUMENTS:</b>	0	0	0	0	0	0	0	0
• Interest rate swaps								
<b>CURRENCY AND GOLD:</b>	0	0	0	0	0	0	0	0
• Currency options								
<b>OTHER:</b>	0	0	0	465	221	6	692	7
• Equity and index derivatives				458	221	6	685	
• Commodities derivatives				7			7	7
<b>SUBTOTAL</b>	0	0	0	465	221	6	692	7
• Forward currency transactions				404 060	95		404 155	339 035
<b>TOTAL</b>	0	0	0	404 525	316	6	404 847	339 042

### 2.5.2.1.4. Derivative instruments held for trading – fair value of liabilities

(in thousands of euros)	31.12.2016						31.12.2015	
	Exchange-traded			Over-the-counter			Total market value	Total market value
	≤1 year	> 1 year ≤ 5 years	> 5 years	≤1 year	> 1 year ≤ 5 years	> 5 years		
<b>INTEREST RATE INSTRUMENTS:</b>	0	0	0	174	0	2157	2331	4154
• Interest rate swaps				174		2157	2331	4154
<b>CURRENCY AND GOLD:</b>	0	0	0	0	0	0	0	0
• Currency options								
<b>OTHER:</b>	0	0	0	7	0	0	7	7
• Commodities derivatives				7			7	7
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>181</b>	<b>0</b>	<b>2157</b>	<b>2338</b>	<b>4161</b>
• Forward currency transactions				401997	20		402016	328392
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>402178</b>	<b>20</b>	<b>2157</b>	<b>404354</b>	<b>332553</b>

### 2.5.2.2. Derivative instruments: total commitments

(in thousands of euros)	31.12.2016	31.12.2015
<b>INTEREST RATE INSTRUMENTS:</b>	25 449 669	25 749 781
• Futures	6 860 000	
• Interest rate swaps	18 589 669	25 749 781
<b>CURRENCY AND GOLD:</b>	928	0
• Currency Futures	928	
• Currency options		
<b>OTHER:</b>	0	0
• Credit derivatives		
<b>SUBTOTAL</b>	<b>25 450 597</b>	<b>25 749 781</b>
• Forward currency transactions	79 126 794	84 553 336
<b>TOTAL</b>	<b>104 577 391</b>	<b>110 303 117</b>

### 2.5.2.3. Foreign exchange risk

Foreign exchange is the risk of a change of value of a financial instrument due to a change in a currency's value.

### 2.5.2.4. Liquidity and financing risk

Liquidity and financing risk is the risk of loss if the company is unable to meet its financial commitments in timely fashion and at reasonable prices when they reach maturity.

These commitments include obligations to depositors and suppliers, as well as commitments in respect of loans and investments.

**2.5.2.4.1. Loans and receivables to credit institutions and customers by remaining maturity**

(in thousands of euros)	31.12.2016					Total
	≤ 3 months	> 3 months up to ≤ 1 year	> 1 year up to ≤ 5 years	> 5 years	Unspecified	
Loans and receivables to credit institutions	17 855 543	701 750	8 158 368	1 700 675		28 416 336
Loans and receivables to customers	6 813 680	234 128				7 047 808
<b>TOTAL</b>	<b>24 669 223</b>	<b>935 878</b>	<b>8 158 368</b>	<b>1 700 675</b>	<b>0</b>	<b>35 464 144</b>
<b>IMPAIRMENT</b>						
<b>NET CARRYING AMOUNT</b>						<b>35 464 144</b>

(in thousands of euros)	31.12.2015					Total
	≤ 3 months	> 3 months up to ≤ 1 year	> 1 year up to ≤ 5 years	> 5 years	Unspecified	
Loans and receivables to credit institutions	10 870 877	2 120 670	6 678 181	5 188 798		24 858 526
Loans and receivables to customers	5 581 639	5 240				5 586 879
<b>TOTAL</b>	<b>16 452 516</b>	<b>2 125 910</b>	<b>6 678 181</b>	<b>5 188 798</b>	<b>0</b>	<b>30 445 405</b>
<b>IMPAIRMENT</b>						
<b>NET CARRYING AMOUNT</b>						<b>30 445 405</b>

**2.5.2.4.2. Due to banks and customers by remaining maturity**

(in thousands of euros)	31.12.2016				Total
	≤ 3 months	> 3 months up to ≤ 1 year	> 1 year up to ≤ 5 years	> 5 years	
Due to banks	8 166 745	346	21 623		8 188 714
Due to customers	44 830 357	104 180	4 854		45 877 011
<b>TOTAL</b>	<b>52 997 102</b>	<b>104 216</b>	<b>26 477</b>	<b>0</b>	<b>54 065 725</b>
<b>NET CARRYING AMOUNT</b>					<b>54 065 725</b>

(in thousands of euros)	31.12.2015				Total
	≤ 3 months	> 3 months up to ≤ 1 year	> 1 year up to ≤ 5 years	> 5 years	
Due to banks	6 667 793	579 951	0		7 247 744
Due to customers	40 550 190	1023 859	5 872		41 579 921
<b>TOTAL</b>	<b>47 217 983</b>	<b>1 603 810</b>	<b>5 872</b>	<b>0</b>	<b>48 827 665</b>
<b>NET CARRYING AMOUNT</b>					<b>48 827 665</b>



### 2.5.3. CASH FLOW AND FAIR VALUE INTEREST RATE AND FOREIGN EXCHANGE HEDGING

Derivative financial instruments used in a hedging relationship are designated according to the intended purpose:

- Fair value hedge;
- Cash flow hedge;
- Hedge of a net investment in foreign currency.

Each hedging relationship is formally documented describing the strategy, item hedged and hedging instrument, and method of measuring effectiveness.

#### 2.5.3.1. Fair value hedges

A fair value hedge modifies the risk of changes in the fair value of a fixed-rate financial instrument caused by changes in interest rates. Fair value hedges transform fixed-rate assets or liabilities into floating-rate assets or liabilities. Items hedged are principally fixed-rate loans, securities, deposits and subordinated debt.

The financial instruments considered as hedging instruments on December 31, 2016 are interest rate swaps which cover securities or customer demand deposits.

#### 2.5.3.2. Hedging derivative instruments

(in thousands of euros)	31.12.2016			31.12.2015		
	Market value		Notional amount	Market value		Notional amount
	positive	negative		positive	negative	
<b>FAIR VALUE HEDGES</b>	<b>10 964</b>	<b>228 019</b>	<b>18 377 700</b>	<b>18 180</b>	<b>99 567</b>	<b>25 036 700</b>
Interest rate	10 964	228 019	18 377 700	18 180	99 567	25 036 700
<b>TOTAL</b>	<b>10 964</b>	<b>228 019</b>	<b>18 377 700</b>	<b>18 180</b>	<b>99 567</b>	<b>25 036 700</b>

## 2.6. NOTES TO THE INCOME STATEMENT

### 2.6.1. INTEREST INCOME AND EXPENSE

(in thousands of euros)	31.12.2016	31.12.2015
Interbank transactions	17 944	14 632
Customer transactions	98 944	27 409
Accrued interest receivable on available-for-sale financial assets	163 292	171 474
Accrued interest receivable on hedging instruments	55 240	39 933
Other interest and similar income	47 670	7 998
<b>INTEREST INCOME</b>	<b>383 090</b>	<b>261 446</b>
Interbank transactions	-62 537	-27 656
Customer transactions	-5 974	-12 329
Subordinated debt	-10 368	-11 394
Accrued interest payable on hedging instruments	-140 538	-80 204
Other interest and similar expense	-20 013	-20
<b>INTEREST EXPENSE</b>	<b>-239 430</b>	<b>-131 603</b>

## 2.6.2. NET COMMISSION AND FEE INCOME

(in thousands of euros)	31.12.2016			31.12.2015		
	Income	Expense	Net	Income	Expense	Net
Interbank transactions	659		659	26		26
Customer transactions	1549		1549		-53	-53
Securities transactions		-22	-22		-90	-90
Foreign exchange transactions	6172	17	6189	6510	-1592	4918
Derivative instruments and other off-balance sheet items	29 540	-22 400	7 140	12 187	-5 223	6 964
Payment instruments and other banking and financial services	138 650	-79 332	59 318	137 685	-69 239	68 446
Mutual funds management, fiduciary and similar operations	515 014	-37 751	477 263	535 893	-52 073	483 820
<b>NET COMMISSION AND FEE INCOME</b>	<b>691 584</b>	<b>-139 488</b>	<b>552 096</b>	<b>692 300</b>	<b>-128 270</b>	<b>564 031</b>

## 2.6.3. NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in thousands of euros)	31.12.2016	31.12.2015
Unrealised or realised gains or losses on assets/liabilities at fair value through profit or loss classified as held for trading	2 799	-556
Net gains (losses) on foreign exchange transactions and similar financial instruments (excluding gains or losses on hedges of net investments in foreign operations)	50 701	49 129
Gains or losses from hedge accounting	-1	1
<b>NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>53 499</b>	<b>48 574</b>

### Analysis of net gains (losses) from hedge accounting

(in thousands of euros)	31.12.2016		
	Gains	Losses	Net
<b>FAIR VALUE HEDGES</b>	<b>117 943</b>	<b>-117 944</b>	<b>-1</b>
Change in fair value of hedged items attributable to hedged risks	75 288	342	75 630
Change in fair value of hedging derivatives (including sales of hedges)	42 655	-118 286	-75 631
<b>FAIR VALUE HEDGE OF THE INTEREST RATE EXPOSURE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS</b>	<b>5 205</b>	<b>-5 205</b>	<b>0</b>
Change in fair value of hedged items	1 650	-3 555	-1 905
Change in fair value of hedging derivatives	3 555	-1 650	1 905
<b>TOTAL GAINS OR LOSSES FROM HEDGE ACCOUNTING</b>	<b>123 148</b>	<b>-123 149</b>	<b>-1</b>

(in thousands of euros)	31.12.2015		
	Gains	Losses	Net
<b>FAIR VALUE HEDGES</b>	<b>2 106</b>	<b>-2 105</b>	<b>1</b>
Change in fair value of hedged items attributable to hedged risks	-12 380	-9 341	-21 721
Change in fair value of hedging derivatives (including sales of hedges)	14 486	7 236	21 722
<b>FAIR VALUE HEDGE OF THE INTEREST RATE EXPOSURE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS</b>	<b>10 027</b>	<b>-10 027</b>	<b>0</b>
Change in fair value of hedged items	515	-9 512	-8 997
Change in fair value of hedging derivatives	9 512	-515	8 997
<b>TOTAL GAINS OR LOSSES FROM HEDGE ACCOUNTING</b>	<b>12 133</b>	<b>-12 132</b>	<b>1</b>

#### 2.6.4. NET GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in thousands of euros)	31.12.2016	31.12.2015
Dividends received	4 115	229
Realised gains or losses on available-for-sale financial assets	17 805	17 896
Disposal gain or loss on financial assets held to maturity and loans and receivables	-1 697	
<b>NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>20 223</b>	<b>18 125</b>

#### 2.6.5. INCOME AND EXPENSE ON OTHER ACTIVITIES

(in thousands of euros)	31.12.2016	31.12.2015
Other net income (expense)	-19 623	-12 194
<b>INCOME (EXPENSE) RELATED TO OTHER ACTIVITIES</b>	<b>-19 623</b>	<b>-12 194</b>

#### 2.6.6. GENERAL OPERATING EXPENSES

(in thousands of euros)	31.12.2016	31.12.2015
Personnel costs	-326 092	-319 549
Taxes other than on income or payroll-related	-21 773	-17 657
External services and other general operating expenses	-221 306	-222 177
<b>OPERATING EXPENSES</b>	<b>-569 171</b>	<b>-559 383</b>

#### 2.6.7. DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31.12.2016	31.12.2015
<b>DEPRECIATION AND AMORTISATION</b>	<b>-23 571</b>	<b>-23 759</b>
• property, plant & equipment	-4 192	-4 312
• intangible assets	-19 379	-19 448
<b>TOTAL</b>	<b>-23 571</b>	<b>-23 759</b>

## 2.6.8. COST OF RISK

(in thousands of euros)	31.12.2016	31.12.2015
<b>CHARGE TO PROVISIONS AND IMPAIRMENT</b>	-180	-315
Fixed income available-for-sale financial assets		
Other assets	-180	-315
<b>WRITE-BACKS OF PROVISIONS AND IMPAIRMENT</b>	168	129
Fixed income available-for-sale financial assets		
Other assets	168	129
<b>NET CHARGE TO IMPAIRMENT AND PROVISIONS</b>	-12	-186
Recoveries on bad debts written off		
<b>OTHER NET LOSSES</b>		
<b>COST OF RISK</b>	-12	-186

## 2.6.9. INCOME TAX EXPENSE

### 2.6.9.1. Tax expense

(in thousands of euros)	31.12.2016	31.12.2015
Current tax expense	-46 640	-44 748
Deferred tax expense	8 008	-5 815
<b>TAX EXPENSE FOR THE PERIOD</b>	-38 632	-50 563

### 2.6.9.2. Reconciliation of theoretical tax rate and effective tax rate

(in thousands of euros)	31.12.2016		
	Base	Tax rate	Tax
Income before tax, goodwill impairment, discontinued operations and share of profit in equity-accounted entities	157100	34.43%	-54 089
Impact of permanent differences			3 632
Impact of different tax rates on foreign subsidiaries			3 929
Impact of losses of the year, utilisation of tax loss carryforwards and temporary differences			-3 835
Impact of reduced tax rate			11 597
Impact of other items			135
<b>EFFECTIVE TAX RATE AND TAX EXPENSE</b>		<b>24.59%</b>	<b>-38 632</b>

(in thousands of euros)	31.12.2015		
	Base	Tax rate	Tax
Income before tax, goodwill impairment, discontinued operations and share of profit in equity-accounted entities	164 933	38.00%	-62 675
Impact of permanent differences			-4 153
Impact of different tax rates on foreign subsidiaries			9 590
Impact of losses of the year, utilisation of tax loss carryforwards and temporary differences			-12 486
Impact of reduced tax rate			13 155
Impact of other items			6 006
<b>EFFECTIVE TAX RATE AND TAX EXPENSE</b>		<b>30.66%</b>	<b>-50 563</b>

## 2.7. NOTES TO THE BALANCE SHEET

### 2.7.1. CASH DUE FROM CENTRAL BANKS

(in thousands of euros)	31.12.2016		31.12.2015	
	Cash	Liabilities	Assets	Liabilities
Central Banks (1)	2		4	
CARRYING AMOUNT	1812 033	643 981	384 366	
<b>NET COMMISSION AND FEE INCOME</b>	<b>1812 035</b>	<b>643 981</b>	<b>384 370</b>	<b>0</b>

(1) Accrued interest included

### 2.7.2. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Financial assets at fair value through profit or loss

(in thousands of euros)	31.12.2016	31.12.2015
Financial assets held for trading	404 847	339 042
<b>CARRYING AMOUNT</b>	<b>404 847</b>	<b>339 042</b>

#### Financial assets held for trading

(in thousands of euros)	31.12.2016	31.12.2015
<b>SECURITIES HELD FOR TRADING</b>	<b>0</b>	<b>0</b>
• Treasury bill and similar securities		
<b>DERIVATIVES INSTRUMENTS</b>	<b>404 847</b>	<b>339 042</b>
<b>CARRYING AMOUNT</b>	<b>404 847</b>	<b>339 042</b>

#### Financial liabilities at fair value through profit or loss

(in thousands of euros)	31.12.2016	31.12.2015
Financial liabilities held for trading	404 354	332 553
<b>CARRYING AMOUNT</b>	<b>404 354</b>	<b>332 553</b>

#### Financial liabilities held for trading

(in thousands of euros)	31.12.2016	31.12.2015
Derivative instruments	404 354	332 553
<b>CARRYING AMOUNT</b>	<b>404 354</b>	<b>332 553</b>

### 2.7.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in thousands of euros)	31.12.2016			31.12.2015		
	Fair value	Gains recognised in other comprehensive income	Losses recognised in other comprehensive income	Fair value	Gains recognised in other comprehensive income	Losses recognised in other comprehensive income
Treasury bills and similar securities	4 328 416	5 613		6 582 148	1 294	-13 504
Bonds and other fixed-income securities	16 094 436	119 424	-17 111	13 972 839	42 685	-27 252
Shares and other variable-income securities	442	60		288		
Non-consolidated investments	6 985	3 620	-205	7 087	3 497	-218
<b>TOTAL AVAILABLE-FOR-SALE SECURITIES</b>	<b>20 430 279</b>	<b>128 717</b>	<b>-17 316</b>	<b>20 562 362</b>	<b>47 476</b>	<b>-40 974</b>
<b>CARRYING AMOUNT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>20 430 279</b>	<b>128 717</b>	<b>-17 316</b>	<b>20 562 362</b>	<b>47 476</b>	<b>-40 974</b>
<b>INCOME TAX EXPENSE</b>		<b>-35 456</b>	<b>4 517</b>		<b>-13 920</b>	<b>11 972</b>
<b>GAINS AND LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)</b>		<b>93 261</b>	<b>-12 799</b>		<b>33 556</b>	<b>-29 002</b>

### 2.7.4. LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS AND CUSTOMERS

#### 2.7.4.1. Loans and receivables to credit institutions

(in thousands of euros)	31.12.2016	31.12.2015
<b>LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS</b>		
Loans and receivables	14 248 521	7 370 205
• of which performing current accounts in debit	2 137 994	718 072
• of which performing overnight accounts and advances	11 641 816	6 518 558
Securities bought under repurchase agreements	4 338 753	3 934 395
Securities not traded in an active market	9 829 062	13 553 926
<b>TOTAL</b>	<b>28 416 336</b>	<b>24 858 526</b>
<b>CARRYING AMOUNT</b>	<b>28 416 336</b>	<b>24 858 526</b>

#### 2.7.4.2. Loans and receivables to customers

(in thousands of euros)	31.12.2016	31.12.2015
<b>LOANS AND RECEIVABLES TO CUSTOMERS</b>		
Customer receivables	859	613
Other customer loans	274 710	92 599
Securities bought under repurchase agreements	4 226 275	3 909 788
Advances in associates current accounts		265
Current accounts in debit	2 545 964	1 583 614
<b>TOTAL</b>	<b>7 047 808</b>	<b>5 586 879</b>
<b>CARRYING AMOUNT</b>	<b>7 047 808</b>	<b>5 586 879</b>

## 2.7.5. TRANSFERRED ASSETS NOT DERECOGNISED OR DERECOGNISED WITH ONGOING INVOLVEMENT

### 2.7.5.1. Transferred assets not fully derecognised

Assets transferred, but not fully derecognised											
Nature of assets transferred  (in thousands of euros)	Assets transferred, but still fully recognised										
	Assets transferred					Associated liabilities					Assets and associated liabilities
	Carrying amount	O/w securitisation (non consolidating)	O/w securities sold/bought under Repurchase agreements	Other	Fair value	Carrying amount	O/w securitisation (non consolidating)	O/w securities sold/bought under Repurchase agreements	Other	Fair value	Net fair value
<b>Available-for-sale</b>	<b>5 339 571</b>	<b>0</b>	<b>1 776 109</b>	<b>3 563 462</b>	<b>5 339 571</b>	<b>1 776 109</b>	<b>0</b>	<b>1 776 109</b>	<b>0</b>	<b>1 776 109</b>	<b>3 563 462</b>
Debt securities	5 339 571		1 776 109	3 563 462	5 339 571	1 776 109		1 776 109		1 776 109	3 563 462
<b>Loans and receivables</b>	<b>3 819 745</b>	<b>0</b>	<b>1 376 913</b>	<b>2 442 832</b>	<b>3 819 745</b>	<b>1 376 913</b>	<b>0</b>	<b>1 376 913</b>	<b>0</b>	<b>1 376 913</b>	<b>2 442 832</b>
Debt securities	3 819 745		1 376 913	2 442 832	3 819 745	1 376 913		1 376 913		1 376 913	2 442 832
<b>TOTAL ASSETS TRANSFERRED</b>	<b>9 159 316</b>	<b>0</b>	<b>3 153 022</b>	<b>6 006 294</b>	<b>9 159 316</b>	<b>3 153 022</b>	<b>0</b>	<b>3 153 022</b>	<b>0</b>	<b>3 153 022</b>	<b>6 006 294</b>

As of 31 December 2016, CACEIS has no assets transferred but recognised to the extent of the Group's continuing involvement.

### 2.7.5.2. Commitments incurred related to transferred assets fully derecognised

As of 31 December 2016, CACEIS has no commitments incurred related to transferred assets fully derecognised.

## 2.7.6. IMPAIRMENT DEDUCTED FROM FINANCIAL ASSETS

(in thousands of euros)	31.12.2015	Changes in scope	Impairment Losses increase	Write-backs	Translation adjustments	Other movements	31.12.2016
Available-for-sale assets							
Other financial assets	360	0	181	-236			305
<b>TOTAL</b>	<b>360</b>	<b>0</b>	<b>181</b>	<b>-236</b>	<b>0</b>	<b>0</b>	<b>305</b>

(in thousands of euros)	01.01.2015	Changes in scope	Impairment Losses increase	Write-backs	Translation adjustments	Other movements	31.12.2015
Available-for-sale assets							
Other financial assets	422		374	-436			360
<b>TOTAL</b>	<b>422</b>	<b>0</b>	<b>374</b>	<b>-436</b>	<b>0</b>	<b>0</b>	<b>360</b>

## 2.7.7. EXPOSURE TO SOVEREIGN RISK IN EUROPEAN COUNTRIES UNDER WATCH

31.12.2016	Net exposures net of impairment					Total banking activity before hedging	Hedging Available-for-sale financial assets	Total banking activity after hedging
(in thousands of euros)	O/w banking portfolio				O/w trading book (excluding derivatives)			
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity financial assets				
Germany								
Belgium								
Spain		543 306						
United States								
France		3 785 110						
Greece								
Ireland								
Italy								
Japan								
Portugal								
<b>TOTAL</b>	0	4 328 416	0	0	0	0	0	0

31.12.2015	Net exposures net of impairment					Total banking activity before hedging	Hedging Available-for-sale financial assets	Total banking activity after hedging
(in thousands of euros)	O/w banking portfolio				O/w trading book (excluding derivatives)			
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Held-to-maturity financial assets				
Germany								
Spain		519 049						
United States								
France		4 637 457						
Greece								
Ireland								
Italy								
Japan		379 784						
Portugal								
<b>TOTAL</b>	0	5 536 290	0	0	0	0	0	0

## 2.7.8. DUE TO CREDIT INSTITUTIONS AND TO CUSTOMERS

### 2.7.8.1. Due to credit institutions

(in thousands of euros)	31.12.2016	31.12.2015
<b>CREDIT INSTITUTIONS</b>		
Deposits	2 409 207	1 671 704
• of which current accounts in credit	1 972 341	1 618 798
• of which daylight overdrafts and accounts	40	1 1809
Securities sold under repurchase agreements	5 779 507	5 576 040
<b>CARRYING AMOUNT</b>	<b>8 188 714</b>	<b>7 247 744</b>



### 2.7.8.2. Due to customers

(in thousands of euros)	<b>31.12.2016</b>	<b>31.12.2015</b>
Current accounts in credit	42 407 701	37 734 260
Other due to customers	1 309 987	1 786 659
Securities sold under repurchase agreements	2 159 323	2 059 002
<b>CARRYING AMOUNT</b>	<b>45 877 011</b>	<b>41 579 921</b>

### 2.7.9. DEBT SECURITIES AND SUBORDINATED DEBT

(in thousands of euros)	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>SUBORDINATED DEBT</b>		
Fixed-term subordinated debt	250 028	250 017
Perpetual subordinated debt	80 471	80 469
<b>CARRYING AMOUNT</b>	<b>330 499</b>	<b>330 486</b>

### 2.7.10. INFORMATION ON THE OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### Offsetting - Financial Assets

31.12.2016	Offsetting effects on financial assets covered by master netting agreement and similar agreements						
	Type of financial instrument	Gross amounts of recognised financial assets before offsetting	Gross amounts of recognised financial liabilities set off in the financial statements	Net amounts of financial assets presented in the financial statements	Other amounts that can be offset under given conditions		Net amount after all offsetting effects
					Gross amounts of financial liabilities covered by master netting agreement	Amounts of other financial instruments received as collateral, including security deposit	
(in thousands of euros)							
Derivatives	430 890			430 890	361 387	9 059	60 444
Reverse repurchase agreements	8 575 861			8 575 861		8 558 268	17 593
Securities lent	4 401 185			4 401 185			4 401 185
<b>TOTAL FINANCIAL ASSETS SUBJECT TO OFFSETTING</b>	<b>13 407 936</b>	<b>0</b>	<b>13 407 936</b>	<b>361 387</b>	<b>8 567 327</b>	<b>4 479 222</b>	

<b>31.12.2015</b>	<b>Offsetting effects on financial assets covered by master netting agreement and similar agreements</b>					
<b>Type of financial instrument</b>  (in thousands of euros)	<b>Gross amounts of recognised financial assets before offsetting</b>	<b>Gross amounts of recognised financial liabilities set off in the financial statements</b>	<b>Net amounts of financial assets presented in the financial statements</b>	<b>Other amounts that can be offset under given conditions</b>		<b>Net amount after all offsetting effects</b>
				<b>Gross amounts of financial liabilities covered by master netting agreement</b>	<b>Amounts of other financial instruments received as collateral, including security deposit</b>	
Derivatives	357 222		357 222	249 655	67 357	40 210
Reverse repurchase agreements	7 844 183		7 844 183		1 433 348	6 410 835
Securities lent	2 340 635		2 340 635			2 340 635
<b>TOTAL FINANCIAL ASSETS SUBJECT TO OFFSETTING</b>	<b>10 542 040</b>	<b>0</b>	<b>10 542 040</b>	<b>249 655</b>	<b>1 500 705</b>	<b>8 791 680</b>

#### Offsetting - Financial Liabilities

<b>31.12.2016</b>	<b>Offsetting effects on financial assets covered by master netting agreement and similar agreements</b>					
<b>Type of financial instrument</b>  (in thousands of euros)	<b>Gross amounts of recognised financial liabilities before offsetting</b>	<b>Gross amounts of recognised financial assets set off in the financial statements</b>	<b>Net amounts of financial liabilities presented in the financial statements</b>	<b>Other amounts that can be offset under given conditions</b>		<b>Net amount after all offsetting effects</b>
				<b>Gross amounts of financial assets covered by master netting agreement</b>	<b>Amounts of other financial instruments given as guarantee, including security deposits</b>	
Derivatives	647 334		647 334	361 387	9 059	276 888
Repurchase agreements	6 026 702		6 026 702		6 026 702	
Securities lent	60 847		60 847			60 847
<b>TOTAL FINANCIAL LIABILITIES SUBJECT TO OFFSETTING</b>	<b>6 734 883</b>	<b>0</b>	<b>6 734 883</b>	<b>361 387</b>	<b>6 035 761</b>	<b>337 735</b>

31.12.2015	Offsetting effects on financial assets covered by master netting agreement and similar agreements						
	Type of financial instrument	Gross amounts of recognised financial liabilities before offsetting	Gross amounts of recognised financial assets set off in the financial statements	Net amounts of financial liabilities presented in the financial statements	Other amounts that can be offset under given conditions		Net amount after all offsetting effects
					Gross amounts of financial assets covered by master netting agreement	Amounts of other financial instruments given as guarantee, including security deposits	
(in thousands of euros)»							
Derivatives	432120			432120	249655	76090	106375
Repurchase agreements	7635042			7635042		1228668	6406374
<b>TOTAL FINANCIAL LIABILITIES SUBJECT TO OFFSETTING</b>	<b>8067162</b>	<b>0</b>		<b>8067162</b>	<b>249655</b>	<b>1304758</b>	<b>6512749</b>

### 2.7.11. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

(in thousands of euros)	31.12.2016	31.12.2015
Current tax		3857
Deferred tax	13698	18562
<b>TOTAL CURRENT AND DEFERRED TAX ASSETS</b>	<b>13698</b>	<b>22419</b>
Current tax	11814	3051
Deferred tax	69445	54228
<b>TOTAL CURRENT AND DEFERRED TAX LIABILITIES</b>	<b>81258</b>	<b>57279</b>

#### Net deferred tax assets and liabilities break down as follows:

(in thousands of euros)	31.12.2016		31.12.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<b>TEMPORARY TIMING DIFFERENCES</b>	<b>15178</b>	<b>4636</b>	<b>21297</b>	<b>4853</b>
Non-deductible accrued expenses	4163	0	4070	0
Non-deductible provisions for liabilities and charges	8921	0	10734	2017
Other temporary differences	2094	4636	6493	2836
<b>DEFERRED TAX/ RESERVES FOR UNREALISED GAINS OR LOSSES</b>	<b>23535</b>	<b>48995</b>	<b>5278</b>	<b>3823</b>
Available-for-sale assets	17780	48707	1400	3347
Gains and losses / Actuarial gains or losses	5755	287	3878	476
<b>DEFERRED TAX/ INCOME</b>	<b>35856</b>	<b>76684</b>	<b>18393</b>	<b>71958</b>
<b>COMPENSATION IMPACT</b>	<b>-60871</b>	<b>-60871</b>	<b>-26406</b>	<b>-26406</b>
<b>TOTAL DEFERRED TAX</b>	<b>13698</b>	<b>69445</b>	<b>18562</b>	<b>54228</b>

## 2.7.12. ACCRUED INCOME AND EXPENSES AND OTHER ASSETS AND LIABILITIES

### 2.7.12.1. Accruals, prepayments and sundry assets

(in thousands of euros)	31.12.2016	31.12.2015
<b>OTHER ASSETS</b>	<b>2 325 918</b>	<b>1 749 042</b>
Miscellaneous debtors	2 124 810	1 633 890
Settlement accounts	201 108	115 152
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>644 809</b>	<b>505 021</b>
Items in course of transmission from other banks	428 493	278 391
Adjustment and suspense accounts	3 909	6 368
Accrued income	128 896	203 683
Prepaid expenses	16 548	11 412
Other accruals and prepayments	66 963	5 167
<b>NET CARRYING AMOUNT</b>	<b>2 970 727</b>	<b>2 254 063</b>

### 2.7.12.2. Accruals, deferred income and sundry liabilities

(in thousands of euros)	31.12.2016	31.12.2015
<b>OTHER LIABILITIES (1)</b>	<b>3 173 390</b>	<b>2 501 228</b>
Settlement accounts	1 145 070	674 521
Miscellaneous creditors	2 028 320	599 403
Other		1 227 304
<b>ACCRUALS AND DEFERRED EXPENSES</b>	<b>666 268</b>	<b>558 104</b>
Items in course of transmission to other banks (2)	413 655	239 293
Adjustment and suspense accounts	3 620	5 644
Unearned income	11 473	1 972
Accrued expenses	205 222	195 244
Other accruals and deferred income	32 298	115 950
<b>CARRYING AMOUNT</b>	<b>3 839 659</b>	<b>3 059 332</b>

(1) Amounts include accrued interest

(2) Net amounts

### 2.7.13. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

(in thousands of euros)	31.12.2015	Change in scope	Increases (acquisitions)	Decreases (disposals and redemptions)	Translation adjustments	Other movements	31.12.2016
<b>Property, plant &amp; equipment</b>							
Gross amount	89 405	-1	1 945	-890	96		90 555
Depreciation, amortisation and impairment	-50 123	0	-4 198	890	-60		-53 492
<b>CARRYING AMOUNT</b>	<b>39 282</b>	<b>-1</b>	<b>-2 254</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>37 063</b>
<b>Intangible assets</b>							
Gross amount	455 558	1	28 352	-2 123	1 420		483 208
Depreciation, amortisation and impairment	-334 851	3 552	-19 379	-11 554	-1 420		-363 652
<b>CARRYING AMOUNT</b>	<b>120 707</b>	<b>3 553</b>	<b>8 973</b>	<b>-13 677</b>	<b>0</b>	<b>0</b>	<b>119 556</b>

(in thousands of euros)	31.12.2014	Change in scope	Increases (acquisitions)	Decreases (disposals and redemptions)	Translation adjustments	Other movements	31.12.2015
<b>Property, plant &amp; equipment</b>							
Gross amount	89 908		4 114	-4 638	20		89 404
Depreciation, amortisation and impairment	-50 308		-4 313	4 520	-20		-50 122
<b>CARRYING AMOUNT</b>	<b>39 600</b>	<b>0</b>	<b>-199</b>	<b>-118</b>	<b>0</b>	<b>0</b>	<b>39 282</b>
<b>Intangible assets</b>							
Gross amount	426 255		34 455	-9 620	4 471		455 561
Depreciation, amortisation and impairment	-302 736		-19 448	-8 201	-4 470		-334 854
<b>CARRYING AMOUNT</b>	<b>123 519</b>	<b>0</b>	<b>15 007</b>	<b>-17 821</b>	<b>1</b>	<b>0</b>	<b>120 707</b>

### 2.7.14. PROVISIONS

(in thousands of euros)	31.12.2015	Change in scope	Impairment losses increases	Write-back amounts used	Write-back amounts not used	Translation adjustments	Other movements	31.12.2016
Operational risk	9 358	0	2 192	-964	-1 363	0		9 224
Employee retirement and similar benefits	55 309	0	5 059	-1 101	-697	19	7 850	66 439
Litigation	1 750	0	100	-813		4		1 041
Restructuring	587	0	181	-41				727
Other risks	4 788	0	6		-2 533			2 261
<b>TOTAL</b>	<b>71 793</b>	<b>0</b>	<b>7 538</b>	<b>-2 919</b>	<b>-4 593</b>	<b>23</b>	<b>7 850</b>	<b>79 692</b>

(in thousands of euros)	31.12.2014	Change in scope	Impairment losses increases	Write-back amounts used	Write-back amounts not used	Translation adjustments	Other movements	31.12.2015
Operational risk	6124		4730	-650	-850	4		9358
Employee retirement and similar benefits	55547		3703	-164	-1057	137	-2857	55309
Litigation	1662		570	-489	-40	46	1	1750
Restructuring	743			-156				587
Other risks	8866		1829	-266	-5640			4788
<b>TOTAL</b>	<b>72942</b>	<b>0</b>	<b>10832</b>	<b>-1725</b>	<b>-7587</b>	<b>187</b>	<b>-2856</b>	<b>71793</b>

## 2.7.15. EQUITY

### 2.7.15.1. Composition of equity

Equity is allocated as follows:

(in thousands of euros)	Number of shares at 01.01.2016	Number of shares issued	Number of refunded shares	Number of shares at 31.12.2016	% of capital	% of voting rights
CREDIT AGRICOLE S.A.	13 457 460	433 108		13 890 568	85%	85%
NATIXIS	2 374 846	76 426		2 451 277	15%	15%
Non-Group	5			5	0%	0%
<b>TOTAL</b>	<b>15 832 311</b>	<b>509 534</b>		<b>16 341 850</b>		

### 2.7.15.2. Income per share

	31.12.2016	31.12.2015
Net income-Group share (in millions of euros)	118	114
Weighted average number of outstanding securities during the financial period	16	16
Adjustment coefficient	1	1
Weighted average number of outstanding securities used for calculating the diluted income per share	16	16
<b>INCOME PER SHARE (IN EUROS)</b>	<b>7.25</b>	<b>7.22</b>
<b>INCOME ON CONTINUED ACTIVITIES PER SHARE (IN EUROS)</b>	<b>7.25</b>	<b>7.22</b>
<b>INCOME ON DISCONTINUED ACTIVITIES (IN EUROS)</b>	<b>0</b>	<b>0</b>
<b>DILUTED INCOME PER SHARE (IN EUROS)</b>	<b>7.25</b>	<b>7.22</b>
<b>DILUTED INCOME ON CONTINUED ACTIVITIES PER SHARE (IN EUROS)</b>	<b>7.25</b>	<b>7.22</b>
<b>DILUTED INCOME ON DISCONTINUED ACTIVITIES (IN EUROS)</b>	<b>0</b>	<b>0</b>

## 2.8. HEADCOUNT AT YEAR-END

Headcount	31.12.2016	31.12.2015
France	1671	1640
Outside France	1573	1549
<b>TOTAL</b>	<b>3244</b>	<b>3189</b>

## 2.9. NATURE AND VALUE OF THE RECLASSIFIED ASSETS

Nature and value of the reclassified assets

(in thousands of euros)	Total reclassified assets		Assets reclassified in 2016			Assets reclassified before			
	Carrying amount 31.12.2016	Estimated market value at 31.12.2016	Reclassification value	Carrying amount 31.12.2016	Estimated market value 31.12.2016	Carrying amount 31.12.2016	Estimated market value 31.12.2016	Carrying amount 31.12.2015	Estimated market value 31.12.2015
Financial assets at fair value through profit or loss reclassified as loans and receivables	0	0							
Available-for-sale financial assets transferred to loans and receivables	1253 475	1253 475				1253 475	1253 475	1254 223	1254 223
<b>TOTAL RECLASSIFIED ASSETS</b>	<b>1253 475</b>	<b>1253 475</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1253 475</b>	<b>1253 475</b>	<b>1254 223</b>	<b>1254 223</b>

### Change in fair value of reclassified assets recognised in profit or loss

No change in fair value of reclassified assets has been recognised in profit or loss at December 31, 2016.

### Contribution of reclassified assets to net income since the reclassification date

(in thousands of euros)	Impact on pre-tax income since reclassification date							
	Assets reclassified at 31.12.2016		Assets reclassified before					
	Impact at 31.12.2016		Cumulative impact at 31.12.2015		Impact at 31.12.2016		Cumulative impact at 31.12.2016	
	Actual income and expenses recognised	If asset has been retained in its former category (change in fair value)	Actual income and expenses recognised	If asset has been retained in its former category (change in fair value)	Actual income and expenses recognised	If asset has been retained in its former category (change in fair value)	Actual income and expenses recognised	If asset has been retained in its former category (change in fair value)
Financial assets at fair value through profit or loss reclassified as loans and receivables							0	0
Available-for-sale financial assets transferred to loans and receivables			798	0	15133	0	15932	0
<b>TOTAL RECLASSIFIED ASSETS</b>	<b>0</b>	<b>0</b>	<b>798</b>	<b>0</b>	<b>15133</b>	<b>0</b>	<b>15932</b>	<b>0</b>

## Additional information

(in thousands of euros)	Expected value at the reclassification date	
	Future Cash flows	Effective interest rate (in %)
Financial assets at fair value through profit or loss reclassified as loans and receivables		
Available-for-sale financial assets transferred to loans and receivables	1269 407	0.028
<b>TOTAL RECLASSIFIED ASSETS</b>	<b>1269 407</b>	<b>0.028</b>

## 2.10. FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial instruments that are traded in an active market (i.e. prices are quoted and disseminated), the best estimate of fair value is their market price.

The amounts hereafter quoted are those estimated at the closing date, they are likely to evolve with the changes of the markets' conditions or of other factors' changes.

The calculations are the best estimations possible. In the absence of a market and of reliable data, fair value is determined at the closing date using an appropriate method that is consistent with the valuation methods used in financial markets: market value of a comparable instrument, discounted future cash flows, or valuation models. Considering the hypothesis and uncertainties the models contain, the fair values stated might not be materialised at the outcome of the operation.

In practice and in business continuity logic, all of the financial instruments couldn't be subject to an immediate realisation for the values quoted below.

### 2.10.1. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST Financial assets recognised at cost and measured at fair value on the balance sheet

(in thousands of euros)	Total 31.12.2016	Quoted prices in active markets for identical instruments: LEVEL 1	Valuation based on observable data: LEVEL 2	Valuation based on unobservable data: LEVEL 3
<b>Financial assets not measured at fair value on balance sheet</b>				
<b>LOANS AND RECEIVABLES</b>	<b>35 454 834</b>	<b>0</b>	<b>35 454 834</b>	<b>0</b>
<b>Loans and receivables due from credit institutions</b>	<b>28 409 645</b>	<b>0</b>	<b>28 409 645</b>	<b>0</b>
Current accounts and overnight loans	13 779 390		13 779 390	
Accounts and term deposits	468 850		468 850	
Securities bought under repurchase agreements	4 337 578		4 337 578	
Securities not quoted in an active market	9 823 827		9 823 827	
<b>Loans and receivables due from customers</b>	<b>7 045 189</b>	<b>0</b>	<b>7 045 189</b>	<b>0</b>
Trade receivables	859		859	
Other customer loans	271 904		271 904	
Securities bought under repurchase agreements	4 226 640		4 226 640	
Advances in associates current accounts			-	
Current accounts in debit	2 545 786		2 545 786	
<b>TOTAL FINANCIAL ASSETS OF WHICH FAIR VALUE IS DISCLOSED</b>	<b>35 454 834</b>	<b>0</b>	<b>35 454 834</b>	<b>0</b>



**Financial liabilities recognised at cost and measured at fair value on the balance sheet**

(in thousands of euros)	Total 31.12.2016	Quoted prices in active markets for identical instruments: LEVEL 1	Valuation based on observable data: LEVEL 2	Valuation based on unobservable data: LEVEL 3
<b>Financial liabilities not measured at fair value on balance sheet</b>				
<b>DUE TO CREDIT INSTITUTIONS</b>	<b>8 188 693</b>	<b>0</b>	<b>8 188 693</b>	<b>0</b>
Current accounts and overnight borrowing	1 972 052		1 972 052	
Accounts and term deposits	436 769		436 769	
Securities sold under repurchase agreements	5 779 872		5 779 872	
Other			-	
<b>DUE TO CUSTOMERS</b>	<b>45 877 110</b>	<b>0</b>	<b>45 877 110</b>	<b>0</b>
Current accounts in credit	42 407 662		42 407 662	
Special savings accounts			-	
Other amounts due to customers	1 309 985		1 309 985	
Securities sold under repurchase agreements	2 159 463		2 159 463	
Cash deposits received from cedants and retrocessionaires against technical insurance commitments			-	
<b>SUBORDINATED DEBT</b>	<b>330 001</b>		<b>330 001</b>	
<b>TOTAL FINANCIAL LIABILITIES OF WHICH FAIR VALUE IS DISCLOSED</b>	<b>54 395 804</b>	<b>0</b>	<b>54 395 804</b>	<b>0</b>

**2.10.2. INFORMATION ABOUT FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

Financial instrument measured at fair value broken down by fair value hierarchy

Amounts presented below include accrued interest and are net of impairment.

**Financial assets measured at fair value**

(in thousands of euros)	Total 31.12.2016	Quoted prices in active markets for identical instruments: LEVEL 1	Valuation based on observable data: LEVEL 2	Valuation based on unobservable data: LEVEL 3
<b>FINANCIAL ASSETS HELD-FOR-TRADING</b>	<b>404 847</b>	<b>0</b>	<b>404 847</b>	<b>0</b>
Securities held-for-trading				
• Treasury bills and similar securities				
Derivative instruments	404 847		404 847	
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>20 430 279</b>	<b>20 423 166</b>	<b>7 113</b>	<b>0</b>
Treasury bills and similar securities	4 328 416	4 328 416		
Bonds and other fixed income securities	16 094 436	16 094 436		
Equities and other variable-income securities	7 427	314	7 113	
<b>HEDGING DERIVATIVE INSTRUMENTS</b>	<b>10 964</b>		<b>10 964</b>	
<b>TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>	<b>20 846 090</b>	<b>20 423 166</b>	<b>422 924</b>	<b>0</b>

(in thousands of euros)	Total 31.12.2015	Quoted prices in active markets for identical instruments: LEVEL 1	Valuation based on observable data: LEVEL 2	Valuation based on unobservable data: LEVEL 3
<b>FINANCIAL ASSETS HELD-FOR-TRADING</b>	339 042	0	339 042	0
Securities held-for-trading				0
• Treasury bills and similar securities				
Derivative instruments	339 042		339 042	
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>20 562 362</b>	<b>20 555 275</b>	<b>7 087</b>	<b>0</b>
Treasury bills and similar securities	6 582 148	6 582 148		
Bonds and other fixed income securities	13 972 839	13 972 839		
Equities and other variable- income securities	7 375	288	7 087	
<b>HEDGING DERIVATIVE INSTRUMENTS</b>	<b>18 180</b>		<b>18 180</b>	<b>0</b>
<b>TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>	<b>20 919 584</b>	<b>20 555 275</b>	<b>364 309</b>	<b>0</b>

### Financial liabilities measured at fair value

(in thousands of euros)	Total 31.12.2016	Quoted prices in active markets for identical instruments: LEVEL 1	Valuation based on observable data: LEVEL 2	Valuation based on unobservable data: LEVEL 3
<b>FINANCIAL LIABILITIES HELD-FOR-TRADING</b>	404 354	0	404 354	0
Derivative instruments	404 354		404 354	
<b>HEDGING DERIVATIVE INSTRUMENTS</b>	<b>228 019</b>		<b>228 019</b>	
<b>TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE</b>	<b>632 373</b>	<b>0</b>	<b>632 373</b>	<b>0</b>

(in thousands of euros)	Total 31.12.2015	Quoted prices in active markets for identical instruments: LEVEL 1	Valuation based on observable data: LEVEL 2	Valuation based on unobservable data: LEVEL 3
<b>FINANCIAL LIABILITIES HELD-FOR-TRADING</b>	332 553	0	332 553	0
Derivative instruments	332 553		332 553	
<b>HEDGING DERIVATIVE INSTRUMENTS</b>	<b>99 567</b>		<b>99 567</b>	<b>0</b>
<b>TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE</b>	<b>432 120</b>	<b>0</b>	<b>432 120</b>	<b>0</b>



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