

# **FINANCIAL REPORT**

2017



# 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 €2.7 TRILLION AND ASSETS UNDER ADMINISTRATION OF €1.8 TRILLION, CACEIS IS A EUROPEAN LEADER IN ASSET SERVICING AND ONE OF THE MAJOR PLAYERS WORLDWIDE.**

Figures as at 31 December 2017

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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

## 11 INCOME STATEMENT

| (in thousands of euros)  | Notes    | 31.12.2017     | 31.12.2016     |
|--|----------|----------------|----------------|
| Interest receivable and similar income   | 2.6.1    | 512 080        | 383 090        |
| Interest payable and similar expense   | 2.6.1    | -360 007       | -239 430       |
| Commission and fee income  | 2.6.2    | 782 106        | 691 584        |
| Commission and fee expense   | 2.6.2    | -192 738       | -139 488       |
| Net gains (losses) on financial instruments at fair value through profit or loss               | 2.6.3    | 70 372         | 53 499         |
| Net gains (losses) on available-for-sale financial assets                                      | 2.6.4    | 26 759         | 20 223         |
| Income related to other activities   | 2.6.5    | 9 281          | 10 961         |
| Expenses related to other activities   | 2.6.5    | -39 026        | -30 584        |
| <b>NET BANKING INCOME</b>  |          | <b>808 825</b> | <b>749 854</b> |
| Total operating expenses   | 2.6.6    | -584 017       | -569 171       |
| Depreciation, amortisation and impairment of property, plant & equipment and intangible assets | 2.6.7    | -22 158        | -23 571        |
| <b>GROSS OPERATING INCOME</b>  |          | <b>202 651</b> | <b>157 112</b> |
| Cost of risk   | 2.6.8    | -29            | -12            |
| <b>OPERATING INCOME</b>  |          | <b>202 622</b> | <b>157 100</b> |
| Share of profit in equity-accounted entities   |          |                |                |
| Net gains (losses) on disposal of other assets   |          |                |                |
| Change in value of Goodwill  |          |                |                |
| <b>PRE-TAX INCOME</b>  |          | <b>202 622</b> | <b>157 100</b> |
| Income tax expense   | 2.6.9.1  | -49 606        | -38 632        |
| After-tax income from discontinued or held-for-sale operations                                 |          |                |                |
| <b>NET INCOME</b>  |          | <b>153 016</b> | <b>118 468</b> |
| Non-controlling interests  |          |                |                |
| <b>NET INCOME - GROUP SHARE</b>  |          | <b>153 016</b> | <b>118 468</b> |
| Earnings per share (in euros)  | 2.7.15.2 | 9.36           | 7.25           |
| Diluted earnings per share (in euros)  | 2.7.15.2 | 9.36           | 7.25           |

## 1.2. NET INCOME AND OTHER COMPREHENSIVE INCOME

| (in thousands of euros)   | 31.12.2017     | 31.12.2016     |
|---|----------------|----------------|
| <b>NET INCOME</b>   | 153 016        | 118 468        |
| Actuarial gains and losses on post-employment benefits  | 1374           | -7927          |
| <b>Pre-tax other comprehensive income on items that will not be reclassified to profit and loss excluding equity-accounted entities</b> | <b>1374</b>    | <b>-7927</b>   |
| Income tax related to items that will not be reclassified to profit and loss excluding equity-accounted entities                        | -667           | 2099           |
| <b>Other comprehensive income on items that will not be reclassified subsequently to profit and loss net of income tax</b>              | <b>707</b>     | <b>-5827</b>   |
| Gains and losses on translation adjustments   | -34143         | 9055           |
| Gains and losses on available-for-sale financial assets   | 225 408        | 104 899        |
| Gains and losses on hedging derivative instruments  |                |                |
| <b>Pre-tax other comprehensive income on items that may be reclassified to profit and loss excluding equity-accounted entities</b>      | <b>191265</b>  | <b>113954</b>  |
| Income tax related to items that may be reclassified to profit and loss excluding equity-accounted entities                             | -56 408        | -28 991        |
| <b>Other comprehensive income on items that may be reclassified subsequently to profit and loss net of income tax</b>                   | <b>134 857</b> | <b>84 963</b>  |
| <b>OTHER COMPREHENSIVE INCOME NET OF INCOME TAX</b>   | <b>135 564</b> | <b>79 136</b>  |
| <b>NET INCOME AND OTHER COMPREHENSIVE INCOME</b>  | <b>288 581</b> | <b>197 604</b> |
| of which non-controlling interests  |                |                |
| of which Group share  | 288 581        | 197 604        |

## 1.3. BALANCE SHEET - ASSETS

| (in thousands of euros)                                   | Notes    | 31.12.2017        | 31.12.2016        |
|---|----------|-------------------|-------------------|
| Cash, due from central banks                              | 2.7.1    | 1334 425          | 1812 035          |
| Financial assets at fair value through profit or loss     | 2.7.2    | 259 643           | 404 847           |
| Hedging derivative instruments                            | 2.5.3.2  | 83 620            | 10 964            |
| Available-for-sale financial instruments                  | 2.7.3    | 21847 912         | 20 430 279        |
| Loans and receivables to credit institutions              | 2.7.4.1  | 29 703 924        | 28 416 336        |
| Loans and receivables to customers                        | 2.7.4.2  | 4193 452          | 7 047 808         |
| Revaluation adjustment on interest rate hedged portfolios |          | 700               | 1650              |
| Held-to-maturity financial assets                         |          |                   |                   |
| Current and deferred tax assets                           | 2.7.11   | 13 600            | 13 698            |
| Accruals, prepayments and sundry assets                   | 2.7.12.1 | 3192118           | 2 970 727         |
| Non-current assets held for sale                          |          | 8 089             |                   |
| Investment in equity-accounted entities                   |          |                   |                   |
| Investment property                                       |          |                   |                   |
| Property, Plant & Equipment                               | 2.7.13   | 34 423            | 37 063            |
| Intangible assets   | 2.7.13   | 114 393           | 119 556           |
| Goodwill  |          | 786 730           | 821 572           |
| <b>TOTAL ASSETS</b>                                       |          | <b>61 573 029</b> | <b>62 086 535</b> |

## 1.4. BALANCE SHEET - EQUITY AND LIABILITIES

| (in thousands of euros)                                      | Notes    | 31.12.2017        | 31.12.2016        |
|--|----------|-------------------|-------------------|
| Due to central banks   |          | 245 633           | 643 981           |
| Financial liabilities at fair value through profit or loss   | 2.7.2    | 289 125           | 404 354           |
| Hedging derivative instruments                               | 2.5.3.2  | 119 749           | 228 019           |
| Due to credit institutions                                   | 2.7.8.1  | 4 782 166         | 8 188 714         |
| Due to customers   | 2.7.8.2  | 48 428 571        | 45 877 011        |
| Debt securities  | 2.7.9    | 110 023           |                   |
| Revaluation adjustment on interest rate hedged portfolios    |          | 415               | 3 780             |
| Current and deferred tax liabilities                         | 2.7.11   | 161 707           | 81 258            |
| Accruals, prepayments and sundry liabilities                 | 2.7.12.2 | 4 226 723         | 3 839 659         |
| Liabilities associated with non-current assets held for sale |          | 1 565             |                   |
| Insurance company technical reserve                          |          |                   |                   |
| Provisions   | 2.7.14   | 79 385            | 79 692            |
| Subordinated debt  | 2.7.9    | 323 068           | 330 499           |
| <b>TOTAL DEBTS</b>   |          | <b>58 768 129</b> | <b>59 676 968</b> |
| <b>EQUITY</b>  | 2.7.15   | <b>2 804 900</b>  | <b>2 409 567</b>  |
| • Equity, Group share  |          | 2 804 900         | 2 409 567         |
| - Share capital and reserves                                 |          | 1 256 781         | 1 091 784         |
| - Consolidated reserves                                      |          | 1 105 796         | 1 045 573         |
| - Other comprehensive income                                 |          | 289 306           | 153 742           |
| - Net income for the financial year                          |          | 153 016           | 118 468           |
| • Non-controlling interests                                  |          |                   |                   |
| <b>TOTAL EQUITY</b>  |          | <b>2 804 900</b>  | <b>2 409 567</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                          |          | <b>61 573 029</b> | <b>62 086 535</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 2016</b>                               | 633 000                    | 1 503 181                          | 0                              | 2 136 181                                    |
| Capital increase  | 21 000                     | 17 156                             |                                | 38 156                                       |
| Change in treasury shares held                                |                            |                                    |                                |  |
| Equity instruments issuance                                   |                            |                                    |                                |  |
| 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                           |                            | 11 75                              |                                | 11 75  |
| <b>CHANGES DUE TO TRANSACTIONS WITH SHAREHOLDERS</b>          | <b>21 000</b>              | <b>-19 826</b>                     |                                | <b>11 74</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>                             |
| Allocation of 2016 results                                    |                            | 118 468                            |                                | 118 468                                      |
| <b>EQUITY AT 1 JANUARY 2017</b>                               | <b>654 000</b>             | <b>1 601 823</b>                   | <b>0</b>                       | <b>2 255 823</b>                             |
| Capital increase  |                            |                                    |                                | 0  |
| Change in treasury shares held                                |                            |                                    |                                |  |
| Equity instruments issuance                                   |                            |                                    | 165 000                        | 165 000                                      |
| Dividends paid in 2017  |                            | -58 313                            |                                | -58 313                                      |
| Dividends received from regional banks and subsidiaries       |                            |                                    |                                |  |
| Impact of acquisitions/disposals on non-controlling interests |                            |                                    |                                |  |
| <b>Changes due to share-based payments</b>                    |                            |                                    |                                | <b>0</b>                                     |
| <b>CHANGES DUE TO TRANSACTIONS WITH SHAREHOLDERS</b>          | <b>0</b>                   | <b>-58 313</b>                     | <b>165 000</b>                 | <b>106 687</b>                               |
| <b>CHANGE IN OTHER COMPREHENSIVE INCOME</b>                   |                            |                                    |                                |  |
| Share of changes in equity in equity-accounted entities       |                            |                                    |                                |  |
| Net income at 31/12/2017                                      |                            |                                    |                                |  |
| Other changes   |                            | -520                               |                                | -520   |
| <b>EQUITY AT 31 DECEMBER 2017</b>                             | <b>654 000</b>             | <b>1 542 990</b>                   | <b>165 000</b>                 | <b>2 361 990</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 |              |                           |
| -12 547  | 87 153   | 0                         | 2 210 787      | 0                                       | 0  | 0   | 0            | 2 210 787                 |
|  |  |                           | 38 156         |   |  |   |              | 38 156                    |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  |                           | -38 156        |   |  |   |              | -38 156                   |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  |                           | 1 175          |   |  |   |              | 1 175                     |
|  |  |                           | <b>1 174</b>   |   |  |   |              | <b>1 174</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  | 118 468                   | 2 409 567      | 0                                       | 0  | 0   | 0            | 2 409 567                 |
|  |  | -118 468                  |                |   |  |   |              | 0                         |
| -18 374  | 172 119  | 0                         | 2 409 567      | 0                                       | 0  | 0   | 0            | 2 409 567                 |
|  |  |                           | 0              |   |  |   |              | 0                         |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  |                           | 165 000        |   |  |   |              | 165 000                   |
|  |  |                           | -58 313        |   |  |   |              | -58 313                   |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  |                           | <b>0</b>       |   |  |   |              | <b>0</b>                  |
|  |  |                           | <b>106 687</b> |   |  |   |              | <b>106 687</b>            |
| 562  | 135 587  |                           | 136 149        |   |  |   |              | 136 149                   |
|  |  |                           |                |   |  |   |              | 0                         |
|  |  | 153 016                   | 153 016        |   |  |   |              | 153 016                   |
|  |  |                           | -520           |   |  |   |              | -520                      |
| -17 812  | 307 706  | 153 016                   | 2 804 900      | 0                                       | 0  | 0   | 0            | 2 804 900                 |

## 1.6. STATEMENT OF CASH FLOWS

| (in thousands of euros)  | 31.12.2017        | 31.12.2016        |
|--|-------------------|-------------------|
| PRE-TAX INCOME   | 202 622           | 157 100           |
| Depreciation, amortisation and impairment of property, plant & equipment and intangible assets | 35 740            | 37 197            |
| Impairment of goodwill and other fixed assets  |                   |                   |
| Net charge to depreciation, amortisation and impairment  | 1 212             | -33               |
| Share of profit in equity-accounted entities   |                   |                   |
| Net income from investment activities  | -169              | -466              |
| Net income from financing activities   | 22 762            | 10 368            |
| Other movements  | 19 529            | 72 743            |
| <b>TOTAL NON-CASH ITEMS INCLUDED IN PRE-TAX INCOME AND OTHER ADJUSTMENTS</b>                   | <b>79 074</b>     | <b>119 808</b>    |
| Change in interbank items  | 299 367           | 3 576 356         |
| Change in customer items   | 5 400 870         | 2 836 318         |
| Change in financial assets and liabilities   | -1 322 527        | 397 613           |
| Change in non-financial assets or liabilities  | 114 221           | -55 267           |
| Dividends received from equity-accounted entities  |                   |                   |
| Tax paid   | -25 756           | -34 022           |
| <b>NET DECREASE/INCREASE IN ASSETS AND LIABILITIES USED IN OPERATING ACTIVITIES</b>            | <b>4 466 175</b>  | <b>6 720 998</b>  |
| <b>TOTAL NET CASH GENERATED BY OPERATING ACTIVITIES (A)</b>                                    | <b>4 747 871</b>  | <b>6 997 906</b>  |
| <i>Change in equity investments</i>  | -731              | 9 123             |
| <i>Change in property, plant &amp; equipment and intangible assets</i>                         | -28 442           | -30 237           |
| <b>TOTAL NET CASH ASSOCIATED WITH INVESTMENT ACTIVITIES (B)</b>                                | <b>-29 173</b>    | <b>-21 114</b>    |
| <i>Cash received from/ paid to shareholders</i>  | 106 687           | 0                 |
| <i>Other cash provided/ used by financing activities</i>                                       | 79 831            | -10 355           |
| <b>TOTAL NET CASH ASSOCIATED WITH FINANCING ACTIVITIES (C)</b>                                 | <b>186 518</b>    | <b>-10 355</b>    |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)</b>                        | <b>-930</b>       | <b>18 610</b>     |
| <b>NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>                           | <b>4 904 286</b>  | <b>6 985 047</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING 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>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>  | <b>17 879 738</b> | <b>12 975 448</b> |
| Cash and due from banks net balance *  | 1 088 828         | 1 168 109         |
| Interbank demand net balance**   | 16 790 910        | 11 807 339        |
| <b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>   | <b>4 904 290</b>  | <b>6 985 047</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, 2017 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, 2016.

They have been supplemented by the IFRS standards as adopted by the European Union at December 31, 2017 and that must be applied for the first time in the financial year 2017.

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, 2017.

### 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/IFRS 9), insurance contracts (IFRS 4/IFRS 17) or leases (IAS 17/IFRS 16). It introduces new concepts that may affect the accounting treatment of certain components of revenues.

Based on the findings of the impact assessment carried out in the first half of 2016, CACEIS considers that the adoption of IFRS 15 will have no material impact on opening equity at 1 January 2018.

### 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. The "Prepayment features with negative compensation" amendment, which provides guidance on the recognition of debt instruments with such features is currently being adopted by the European Union and should come into effect on 1 January 2019 with possible early application from 1 January 2018. CACEIS plans to apply the amendment early in line with the AMF's recommendations.

IFRS 9 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.

Contractual characteristics (or SPPI) testing combines a set of criteria, examined cumulatively, to establish whether contractual cash flows meet the characteristics of simple financing (principal repayments and interest payments on the remaining amount of principal due).

In simple financing, interest represents the cost of the passage of time, the price of credit and liquidity risk over the period, and other components related to the cost of carrying the asset (e.g. administrative costs).

In some cases, when qualitative analysis of this nature does not allow a conclusion to be made, quantitative analysis (or benchmark testing) is carried out. This additional analysis consists of comparing the contractual cash flows of the asset under review with the cash flows of a benchmark asset.

If the difference between the cash flows of the financial asset and the benchmark asset is considered immaterial, the asset is deemed to be simple financing.

Moreover, specific analysis is conducted when the financial asset is issued by special purpose entities establishing a differentiated order of payment among the holders of the financial assets by contractually linking multiple instruments and creating concentrations of credit risk (“tranches”).

Each tranche is assigned a rank of subordination that specifies the order of distribution of cash flows generated by the structured entity.

In this case, the SPPI test requires an analysis of the characteristics of the contractual cash flows of

the underlying assets and the credit risk borne by the tranches subscribed under the “look-through” approach.

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 criteria under IFRS 9 should lead to:

- an increase in assets at fair value through profit or loss, given the reclassification of UCITS and the majority of equity instruments in this category, resulting in increased profit or loss volatility;
- the classification at amortised cost of the vast majority of loans and receivables, provided they pass the SPPI test;
- the classification of debt instruments at fair value through other comprehensive income (items that can be reclassified) or at amortised cost, depending on the documented business model at the date of initial application.

**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 enforcement of collateral security right.

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.

The change between impairment losses under IAS 39 and impairment losses under IFRS 9 will be recognised in non-recyclable equity.

### **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.

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 CACEIS was undertaken in the second quarter of 2017. At this stage of the project, CACEIS remains wholly focussed on defining the key options relating to the interpretation of the standard.

In addition, a number of amendments and two interpretations to existing standards were published by the IASB, which do not significantly impact CACEIS, which apply subject to their adoption by the European Union. This firstly includes the amendment to IFRS 12 "Disclosure of Interests in Other Entities" applicable from 1 January 2017, amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions", to IAS 28 "Investments in Associates and Joint Ventures" and to IAS 40 "Investment property" applicable from 1 January 2018, and a second amendment to IAS 28 "Investments in Associates and Joint Ventures" applicable from 1 January 2019. Secondly, it includes IFRIC 22 "Foreign Currency Transactions and Advance Consideration" applicable from 1 January 2018 and IFRIC 23 "Uncertainty over Income Tax Treatments" applicable from 1 January 2019

## 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 2017 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 2017 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 € 786,730 K.

At December 31, 2017, 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)   | 31.12.2017        | 31.12.2016        |
|---|-------------------|-------------------|
| Financial assets at fair value through profit or loss (excluding equity securities) | 259 643           | 404 847           |
| Hedging derivative instruments  | 83 620            | 10 964            |
| Available-for-sale assets (excluding equity securities)                             | 21 828 421        | 20 422 852        |
| Loans and receivables to credit institutions  | 30 780 139        | 29 431 802        |
| Loans and receivables to customers  | 4 995 302         | 7 377 544         |
| <b>EXPOSURE TO ON-BALANCE SHEET COMMITMENTS (NET OF IMPAIRMENTS)</b>                | <b>57 947 126</b> | <b>57 648 009</b> |
| Financing commitments given   | 1 283 852         | 692 906           |
| Financial guarantee commitments given   | 16 436            | 28 268            |
| <b>EXPOSURE TO OFF-BALANCE SHEET COMMITMENTS (NET OF PROVISIONS)</b>                | <b>1 300 288</b>  | <b>721 174</b>    |
| <b>TOTAL NET EXPOSURE</b>   | <b>59 247 414</b> | <b>58 369 183</b> |

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

| (in thousands of euros)                     | 31.12.2017        |   |                       |                       |                   |
|---|-------------------|---|-----------------------|-----------------------|-------------------|
|   | Gross outstanding | O/w gross loans and receivables individually impaired | Individual impairment | Collective impairment | Total             |
| Central governments                         |                   |   |                       |                       | 0                 |
| Central banks                               | 18 144 172        |   |                       |                       | 18 144 172        |
| Credit institutions                         | 11 559 752        |   |                       |                       | 11 559 752        |
| Institutions other than credit institutions |                   |   |                       |                       | 0                 |
| Large corporates                            | 4 193 452         |   |                       |                       | 4 193 452         |
| <b>TOTAL</b>                                | <b>33 897 376</b> | <b>0</b>  | <b>0</b>              | <b>0</b>              | <b>33 897 376</b> |

| (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> |

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

| (in thousands of euros)                             | 31.12.2017        |   |                       |                       |                   |
|---|-------------------|---|-----------------------|-----------------------|-------------------|
|   | Gross outstanding | o/w gross loans and receivables individually impaired | Individual impairment | Collective impairment | Total             |
| France (incl. overseas departments and territories) | 17 163 616        |   |                       |                       | 17 163 616        |
| Other EU countries                                  | 12 735 505        |   |                       |                       | 12 735 505        |
| Rest of Europe                                      | 356 933           |   |                       |                       | 356 933           |
| North America                                       | 566 440           |   |                       |                       | 566 440           |
| Central and South America                           | 36 270            |   |                       |                       | 36 270            |
| Africa and Middle East                              | 2 002 196         |   |                       |                       | 2 002 196         |
| Asia-Pacific (ex. Japan)                            | 887 350           |   |                       |                       | 887 350           |
| Japan   | 149 065           |   |                       |                       | 149 065           |
| Supranational organisations                         | 0                 |   |                       |                       | 0                 |
| <b>TOTAL</b>  | <b>33 897 376</b> | <b>0</b>  | <b>0</b>              | <b>0</b>              | <b>33 897 376</b> |

| (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> |

## 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)           | 31.12.2017      |                    |           |                  |                    |               |                    | 31.12.2016         |  |
|-----------------------------------|-----------------|--------------------|-----------|------------------|--------------------|---------------|--------------------|--------------------|--|
|                                   | 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         | 58 702           | 1 734              | 23 184        | 83 620             | 10 964             |  |
| • Interest rate swaps             |                 |                    |           | 58 702           | 1 734              | 23 184        | 83 620             | 10 964             |  |
| <b>TOTAL</b>                      | <b>0</b>        | <b>0</b>           | <b>0</b>  | <b>58 702</b>    | <b>1 734</b>       | <b>23 184</b> | <b>83 620</b>      | <b>10 964</b>      |  |

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

| (in thousands of euros)           | 31.12.2017      |                    |           |                  |                    |               |                    | 31.12.2016         |  |
|-----------------------------------|-----------------|--------------------|-----------|------------------|--------------------|---------------|--------------------|--------------------|--|
|                                   | 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         | 27 312           | 65 223             | 27 214        | 119 749            | 228 019            |  |
| • Interest rate swaps             |                 |                    |           | 27 312           | 65 223             | 27 214        | 119 749            | 228 019            |  |
| <b>TOTAL</b>                      | <b>0</b>        | <b>0</b>           | <b>0</b>  | <b>27 312</b>    | <b>65 223</b>      | <b>27 214</b> | <b>119 749</b>     | <b>228 019</b>     |  |

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

| (in thousands of euros)                                    | 31.12.2017      |                       |           |                  |                       |           | 31.12.2016         |                    |
|--|-----------------|-----------------------|-----------|------------------|-----------------------|-----------|--------------------|--------------------|
|  | Exchange-traded |                       |           | Over-the-counter |                       |           | Total market value | Total market value |
|  | ≤1 year         | > 1 year<br>≤ 5 years | > 5 years | ≤1 year          | > 1 year<br>≤ 5 years | > 5 years |                    |                    |
| <b>INTEREST RATE INSTRUMENTS:</b><br>• Interest rate swaps | 0               | 0                     | 0         | 0                | 0                     | 0         | 0                  | 0                  |
| <b>CURRENCY AND GOLD:</b><br>• Currency options            | 0               | 0                     | 0         | 0                | 0                     | 0         | 0                  | 0                  |
| <b>OTHER:</b><br>• Equity and index derivatives            | 0               | 0                     | 0         | 716              | 0                     | 5         | 721                | 692                |
| • Commodities derivatives                                  |                 |                       |           | 716              |                       | 5         | 721                | 685                |
| <b>SUBTOTAL</b>  | <b>0</b>        | <b>0</b>              | <b>0</b>  | <b>716</b>       | <b>0</b>              | <b>5</b>  | <b>721</b>         | <b>692</b>         |
| • Forward currency transactions                            |                 |                       |           | 258 491          | 431                   |           | 258 922            | 404 155            |
| <b>TOTAL</b>   | <b>0</b>        | <b>0</b>              | <b>0</b>  | <b>259 207</b>   | <b>431</b>            | <b>5</b>  | <b>259 643</b>     | <b>404 847</b>     |

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

| (in thousands of euros)                                    | 31.12.2017      |                       |           |                  |                       |             | 31.12.2016         |                    |
|--|-----------------|-----------------------|-----------|------------------|-----------------------|-------------|--------------------|--------------------|
|  | Exchange-traded |                       |           | Over-the-counter |                       |             | Total market value | Total market value |
|  | ≤1 year         | > 1 year<br>≤ 5 years | > 5 years | ≤1 year          | > 1 year<br>≤ 5 years | > 5 years   |                    |                    |
| <b>INTEREST RATE INSTRUMENTS:</b><br>• Interest rate swaps | 0               | 0                     | 0         | 0                | 0                     | 1680        | 1680               | 2331               |
|  |                 |                       |           |                  |                       | 1680        | 1680               | 2331               |
| <b>CURRENCY AND GOLD:</b><br>• Currency options            | 0               | 0                     | 0         | 0                | 0                     | 0           | 0                  | 0                  |
| <b>OTHER:</b><br>• Commodities derivatives                 | 0               | 0                     | 0         | 0                | 0                     | 0           | 0                  | 7                  |
|  |                 |                       |           |                  |                       |             | 0                  | 7                  |
| <b>SUBTOTAL</b>  | <b>0</b>        | <b>0</b>              | <b>0</b>  | <b>0</b>         | <b>0</b>              | <b>1680</b> | <b>1680</b>        | <b>2338</b>        |
| • Forward currency transactions                            |                 |                       |           | 286 991          | 406                   |             | 287 397            | 402 016            |
| <b>TOTAL</b>   | <b>0</b>        | <b>0</b>              | <b>0</b>  | <b>286 991</b>   | <b>406</b>            | <b>1680</b> | <b>289 077</b>     | <b>404 354</b>     |

### 2.5.2.2. Derivative instruments: total commitments

| (in thousands of euros)           | 31.12.2017         | 31.12.2016         |
|-----------------------------------|--------------------|--------------------|
| <b>INTEREST RATE INSTRUMENTS:</b> | 43 355 517         | 25 449 669         |
| • Futures                         |                    | 6 860 000          |
| • Interest rate swaps             | 43 355 517         | 18 589 669         |
| <b>CURRENCY AND GOLD:</b>         | -3                 | 928                |
| • Currency Futures                | -3                 | 928                |
| • Currency options                |                    |                    |
| <b>OTHER:</b>                     | 0                  | 0                  |
| • Credit derivatives              |                    |                    |
| <b>SUBTOTAL</b>                   | <b>43 355 514</b>  | <b>25 450 597</b>  |
| • Forward currency transactions   | 91 223 503         | 79 126 794         |
| <b>TOTAL</b>                      | <b>134 579 017</b> | <b>104 577 391</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)                      | 31.12.2017        |                                 |                                |                |              | Total             |
|--|-------------------|---------------------------------|--------------------------------|----------------|--------------|-------------------|
|  | ≤ 3 months        | > 3 months<br>up to<br>≤ 1 year | > 1 year<br>up to<br>≤ 5 years | > 5 years      | Unspecified  |                   |
| Loans and receivables to credit institutions | 20 604 797        | 6 386                           | 8 590 890                      | 500 093        | 1 758        | 29 703 924        |
| Loans and receivables to customers           | 3 863 542         | 329 910                         |                                |                |              | 4 193 452         |
| <b>TOTAL</b>                                 | <b>24 468 339</b> | <b>336 296</b>                  | <b>8 590 890</b>               | <b>500 093</b> | <b>1 758</b> | <b>33 897 376</b> |
| <b>IMPAIRMENT</b>                            |                   |                                 |                                |                |              |                   |
| <b>NET CARRYING AMOUNT</b>                   |                   |                                 |                                |                |              | <b>33 897 376</b> |

| (in thousands of euros)                      | 31.12.2016        |                                 |                                |                  |             | Total             |
|--|-------------------|---------------------------------|--------------------------------|------------------|-------------|-------------------|
|  | ≤ 3 months        | > 3 months<br>up to<br>≤ 1 year | > 1 year<br>up to<br>≤ 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> |



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

| (in thousands of euros) | 31.12.2017        |                           |                          |           |                   |
|-------------------------|-------------------|---------------------------|--------------------------|-----------|-------------------|
|                         | ≤ 3 months        | > 3 months up to ≤ 1 year | > 1 year up to ≤ 5 years | > 5 years | Total             |
| Due to banks            | 4 762 642         | 197                       | 19 327                   |           | 4 782 166         |
| Due to customers        | 48 422 188        | 6 383                     |                          |           | 48 428 571        |
| <b>TOTAL</b>            | <b>53 184 830</b> | <b>6 580</b>              | <b>19 327</b>            | <b>0</b>  | <b>53 210 737</b> |
| NET CARRYING AMOUNT     |                   |                           |                          |           | 53 210 737        |

| (in thousands of euros) | 31.12.2016        |                           |                          |           |                   |
|-------------------------|-------------------|---------------------------|--------------------------|-----------|-------------------|
|                         | ≤ 3 months        | > 3 months up to ≤ 1 year | > 1 year up to ≤ 5 years | > 5 years | Total             |
| Due to banks            | 8 166 745         | 346                       | 21 623                   |           | 8 188 714         |
| Due to customers        | 44 830 357        | 104 1800                  | 4 854                    |           | 45 877 011        |
| <b>TOTAL</b>            | <b>52 997 102</b> | <b>104 2146</b>           | <b>26 477</b>            | <b>0</b>  | <b>54 065 725</b> |
| NET CARRYING AMOUNT     |                   |                           |                          |           | 54 065 725        |

### 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, 2017 are interest rate swaps which cover securities or customer demand deposits.

#### 2.5.3.2. Hedging derivative instruments

| (in thousands of euros)  | 31.12.2017    |                |                   | 31.12.2016    |                |                   |
|--------------------------|---------------|----------------|-------------------|---------------|----------------|-------------------|
|                          | Market value  |                | Notional amount   | Market value  |                | Notional amount   |
|                          | positive      | negative       |                   | positive      | negative       |                   |
| <b>FAIR VALUE HEDGES</b> | <b>83 620</b> | <b>119 749</b> | <b>21 764 700</b> | <b>10 964</b> | <b>228 019</b> | <b>18 377 700</b> |
| Interest rate            | 83 620        | 119 749        | 21 764 700        | 10 964        | 228 019        | 18 377 700        |
| <b>TOTAL</b>             | <b>83 620</b> | <b>119 749</b> | <b>21 764 700</b> | <b>10 964</b> | <b>228 019</b> | <b>18 377 700</b> |

## 2.6. NOTES TO THE INCOME STATEMENT

### 2.6.1. INTEREST INCOME AND EXPENSE

| (in thousands of euros)  | 31.12.2017      | 31.12.2016      |
|--|-----------------|-----------------|
| Interbank transactions   | 52 637          | 17 944          |
| Customer transactions  | 180 727         | 98 944          |
| Accrued interest receivable on available-for-sale financial assets | 172 843         | 163 292         |
| Accrued interest receivable on hedging instruments                 | 72 780          | 55 240          |
| Other interest and similar income                                  | 33 092          | 47 670          |
| <b>INTEREST INCOME</b>   | <b>512 080</b>  | <b>383 090</b>  |
| Interbank transactions   | -90 764         | -62 537         |
| Customer transactions  | -39 234         | -5 974          |
| Debt securities  | -13 071         |                 |
| Subordinated debt  | -9 691          | -10 368         |
| Accrued interest payable on hedging instruments                    | -172 646        | -140 538        |
| Other interest and similar expense                                 | -34 601         | -20 013         |
| <b>INTEREST EXPENSE</b>  | <b>-360 007</b> | <b>-239 430</b> |

### 2.6.2. NET COMMISSION AND FEE INCOME

| (in thousands of euros)                                      | 31.12.2017     |                 |                | 31.12.2016     |                 |                |
|--|----------------|-----------------|----------------|----------------|-----------------|----------------|
|  | Income         | Expense         | Net            | Income         | Expense         | Net            |
| Interbank transactions                                       | 1              |                 | 1              | 659            |                 | 659            |
| Customer transactions  | 1 544          |                 | 1 544          | 1 549          |                 | 1 549          |
| Securities transactions                                      |                | -29             | -29            |                | -22             | -22            |
| Foreign exchange transactions                                | 9 931          |                 | 9 931          | 6 172          | 17              | 6 189          |
| Derivative instruments and other off-balance sheet items     | 74 145         | -65 263         | 8 882          | 29 540         | -22 400         | 7 140          |
| Payment instruments and other banking and financial services | 148 386        | -81 192         | 67 194         | 138 650        | -79 332         | 59 318         |
| Mutual funds management, fiduciary and similar operations    | 548 099        | -46 178         | 501 921        | 515 014        | -37 751         | 477 263        |
| <b>NET COMMISSION AND FEE INCOME</b>                         | <b>782 106</b> | <b>-192 662</b> | <b>589 443</b> | <b>691 584</b> | <b>-139 488</b> | <b>552 096</b> |

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

| (in thousands of euros)  | 31.12.2017    | 31.12.2016    |
|--|---------------|---------------|
| Unrealised or realised gains or losses on assets/liabilities at fair value through profit or loss classified as held for trading                                     | 1 347         | 2 799         |
| Net gains (losses) on foreign exchange transactions and similar financial instruments (excluding gains or losses on hedges of net investments in foreign operations) | 69 025        | 50 701        |
| Gains or losses from hedge accounting  |               | -1            |
| <b>NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>  | <b>70 372</b> | <b>53 499</b> |

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

| (in thousands of euros)   | 31.12.2017    |                |          |
|---|---------------|----------------|----------|
|   | Gains         | Losses         | Net      |
| <b>FAIR VALUE HEDGES</b>  | 35 555        | -35 555        | 0        |
| Change in fair value of hedged items attributable to hedged risks                             | -74 569       | -85 495        | -160 064 |
| Change in fair value of hedging derivatives (including sales of hedges)                       | 110 124       | 49 940         | 160 064  |
| <b>FAIR VALUE HEDGE OF THE INTEREST RATE EXPOSURE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS</b> | <b>1 115</b>  | <b>-1 115</b>  | <b>0</b> |
| Change in fair value of hedged items  | 700           | -415           | 285      |
| Change in fair value of hedging derivatives   | 415           | -700           | -285     |
| <b>TOTAL GAINS OR LOSSES FROM HEDGE ACCOUNTING</b>  | <b>36 670</b> | <b>-36 670</b> | <b>0</b> |

| (in thousands of euros)   | 31.12.2016     |                 |           |
|---|----------------|-----------------|-----------|
|   | Gains          | Losses          | Net       |
| <b>FAIR VALUE HEDGES</b>  | 117 943        | -117 944        | -1        |
| 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> |

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

| (in thousands of euros)  | 31.12.2017    | 31.12.2016    |
|--|---------------|---------------|
| Dividends received   | 1 242         | 4 115         |
| Realised gains or losses on available-for-sale financial assets                      | 20 607        | 17 805        |
| Disposal gain or loss on financial assets held to maturity and loans and receivables | 4 910         | -1 697        |
| <b>NET GAINS OR LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>                    | <b>26 759</b> | <b>20 223</b> |

## 2.6.5. INCOME AND EXPENSE ON OTHER ACTIVITIES

| (in thousands of euros)                             | 31.12.2017     | 31.12.2016     |
|---|----------------|----------------|
| Other net income (expense)                          | -29 745        | -19 623        |
| <b>INCOME (EXPENSE) RELATED TO OTHER ACTIVITIES</b> | <b>-29 745</b> | <b>-19 623</b> |

## 2.6.6. GENERAL OPERATING EXPENSES

| (in thousands of euros)                                | 31.12.2017      | 31.12.2016      |
|--|-----------------|-----------------|
| Personnel costs  | -344 253        | -326 092        |
| Taxes other than on income or payroll-related          | -16 902         | -21 773         |
| External services and other general operating expenses | -222 862        | -221 306        |
| <b>OPERATING EXPENSES</b>                              | <b>-584 017</b> | <b>-569 171</b> |

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

| (in thousands of euros)              | 31.12.2017 | 31.12.2016 |
|--------------------------------------|------------|------------|
| <b>DEPRECIATION AND AMORTISATION</b> | -22 158    | -23 571    |
| • property, plant & equipment        | -3 241     | -4 192     |
| • intangible assets                  | -18 916    | -19 379    |
| <b>TOTAL</b>                         | -22 158    | -23 571    |

## 2.6.8. COST OF RISK

| (in thousands of euros)                          | 31.12.2017 | 31.12.2016 |
|--|------------|------------|
| <b>CHARGE TO PROVISIONS AND IMPAIRMENT</b>       | -134       | -180       |
| Fixed income available-for-sale financial assets |            |            |
| Other assets                                     | -134       | -180       |
| <b>WRITE-BACKS OF PROVISIONS AND IMPAIRMENT</b>  | 119        | 168        |
| Fixed income available-for-sale financial assets |            |            |
| Other assets                                     | 119        | 168        |
| <b>NET CHARGE TO IMPAIRMENT AND PROVISIONS</b>   | -15        | -12        |
| Recoveries on bad debts written off              |            |            |
| <b>OTHER NET LOSSES</b>                          | -14        |            |
| <b>COST OF RISK</b>                              | -29        | -12        |

## 2.6.9. INCOME TAX EXPENSE

### 2.6.9.1. Tax expense

| (in thousands of euros)           | 31.12.2017 | 31.12.2016 |
|-----------------------------------|------------|------------|
| Current tax expense               | -47 904    | -46 640    |
| Deferred tax expense              | -1 702     | 8 008      |
| <b>TAX EXPENSE FOR THE PERIOD</b> | -49 606    | -38 632    |

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

| (in thousands of euros)  | 31.12.2017 |          |         |
|--|------------|----------|---------|
|  | Base       | Tax rate | Tax     |
| Income before tax, goodwill impairment, discontinued operations and share of profit in equity-accounted entities | 202 622    | 34.43%   | -69 763 |
| Impact of permanent differences  |            |          | -13 298 |
| Impact of different tax rates on foreign subsidiaries  |            |          | 10 025  |
| Impact of losses of the year, utilisation of tax loss carryforwards and temporary differences                    |            |          | -231    |
| Impact of reduced tax rate   |            |          | 23 290  |
| Impact of other items  |            |          | 370     |
| <b>EFFECTIVE TAX RATE AND TAX EXPENSE</b>  |            | 24.48%   | -49 606 |

| (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>  |            | 24.59%   | -38 632 |

## 2.7. NOTES TO THE BALANCE SHEET

### 2.7.1. CASH DUE FROM CENTRAL BANKS

| (in thousands of euros) | 31.12.2017       |                | 31.12.2016       |                |
|-------------------------|------------------|----------------|------------------|----------------|
|                         | Assets           | Liabilities    | Assets           | Liabilities    |
| Cash                    | 4                |                | 2                |                |
| Central Banks (1)       | 1 334 421        | 245 633        | 1 812 033        | 643 981        |
| <b>CARRYING AMOUNT</b>  | <b>1 334 425</b> | <b>245 633</b> | <b>1 812 035</b> | <b>643 981</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)           | 31.12.2017     | 31.12.2016     |
|-----------------------------------|----------------|----------------|
| Financial assets held for trading | 259 643        | 404 847        |
| <b>CARRYING AMOUNT</b>            | <b>259 643</b> | <b>404 847</b> |

#### Financial assets held for trading

| (in thousands of euros)                | 31.12.2017     | 31.12.2016     |
|--|----------------|----------------|
| <b>SECURITIES HELD FOR TRADING</b>     | <b>0</b>       | <b>0</b>       |
| - Treasury bill and similar securities |                |                |
| <b>DERIVATIVES INSTRUMENTS</b>         | <b>259 643</b> | <b>404 847</b> |
| <b>CARRYING AMOUNT</b>                 | <b>259 643</b> | <b>404 847</b> |

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

| (in thousands of euros)                | 31.12.2017     | 31.12.2016     |
|--|----------------|----------------|
| Financial liabilities held for trading | 289 125        | 404 354        |
| <b>CARRYING AMOUNT</b>                 | <b>289 125</b> | <b>404 354</b> |

## Financial liabilities held for trading

| (in thousands of euros) | 31.12.2017     | 31.12.2016     |
|-------------------------|----------------|----------------|
| Derivative instruments  | 289 125        | 404 354        |
| <b>CARRYING AMOUNT</b>  | <b>289 125</b> | <b>404 354</b> |

## 2.7.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| (in thousands of euros)   | 31.12.2017        |  |   | 31.12.2016        |  |   |
|---|-------------------|--|---|-------------------|--|---|
|   | 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   | 4 241 248         | 1 967  | -260  | 4 328 416         | 5 613  |   |
| Bonds and other fixed-income securities   | 17 587 173        | 321 022  | -544  | 16 094 436        | 119 424  | -17 111   |
| Shares and other variable-income securities   | 458               |  |   | 442               | 60   |   |
| Non-consolidated investments  | 19 033            | 15 345   | -720  | 6 985             | 3 620  | -205  |
| <b>TOTAL AVAILABLE-FOR-SALE SECURITIES</b>  | <b>21 847 912</b> | <b>338 334</b>                                 | <b>-1 524</b>                                   | <b>20 430 279</b> | <b>128 717</b>                                 | <b>-17 316</b>                                  |
| <b>CARRYING AMOUNT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>   | <b>21 847 912</b> | <b>338 334</b>                                 | <b>-1 524</b>                                   | <b>20 430 279</b> | <b>128 717</b>                                 | <b>-17 316</b>                                  |
| <b>INCOME TAX EXPENSE</b>   |                   | <b>-87 771</b>                                 | <b>423</b>                                      |                   | <b>-35 456</b>                                 | <b>4 517</b>                                    |
| <b>GAINS AND LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)</b> |                   | <b>250 563</b>                                 | <b>-1 101</b>                                   |                   | <b>93 261</b>                                  | <b>-12 799</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)                               | 31.12.2017        | 31.12.2016        |
|---|-------------------|-------------------|
| <b>LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS</b>   |                   |                   |
| Loans and receivables                                 | 18 153 396        | 14 248 521        |
| • of which performing current accounts in debit       | 1 301 164         | 2 137 994         |
| • of which performing overnight accounts and advances | 16 775 779        | 11 641 816        |
| Securities bought under repurchase agreements         | 2 575 229         | 4 338 753         |
| Securities not traded in an active market             | 8 975 299         | 9 829 062         |
| <b>TOTAL</b>  | <b>29 703 924</b> | <b>28 416 336</b> |
| <b>CARRYING AMOUNT</b>                                | <b>29 703 924</b> | <b>28 416 336</b> |

## 2.7.4.2. Loans and receivables to customers

| (in thousands of euros)                       | 31.12.2017     | 31.12.2016     |
|---|----------------|----------------|
| <b>LOANS AND RECEIVABLES TO CUSTOMERS</b>     |                |                |
| Customer receivables                          | 1777           | 859            |
| Other customer loans                          | 334172         | 274710         |
| Securities bought under repurchase agreements | 2020159        | 4226275        |
| Advances in associates current accounts       |                |                |
| Current accounts in debit                     | 1837344        | 2545964        |
| <b>TOTAL</b>                                  | <b>4193452</b> | <b>7047808</b> |
| <b>CARRYING AMOUNT</b>                        | <b>4193452</b> | <b>7047808</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                   | 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                    |
| (in thousands of euros)                        |  |  |  |          |                |                        |  |  |          |            |                                   |
| <b>Available-for-sale</b>                      | <b>3135333</b>                                 | <b>0</b>                               | <b>3135333</b>   | <b>-</b> | <b>3135333</b> | <b>-</b>               | <b>0</b>                               | <b>-</b>   | <b>0</b> | <b>-</b>   | <b>3135333</b>                    |
| Debt securities                                | 3135333  |  | 3135333  | -        | 3135333        |                        |  |  |          | -          | 3135333                           |
| <b>Loans and receivables</b>                   | <b>1997000</b>                                 | <b>0</b>                               | <b>201000</b>  | <b>-</b> | <b>1997000</b> | <b>201000</b>          | <b>0</b>                               | <b>201000</b>  | <b>0</b> | <b>-</b>   | <b>1796000</b>                    |
| Debt securities                                | 1997000  |  | 201000   | -        | 1997000        | 201000                 |  | 201000   |          | -          | 1796000                           |
| <b>TOTAL ASSETS TRANSFERRED</b>                | <b>5132333</b>                                 | <b>0</b>                               | <b>3336333</b>   | <b>-</b> | <b>5132333</b> | <b>201000</b>          | <b>0</b>                               | <b>201000</b>  | <b>0</b> | <b>-</b>   | <b>4931333</b>                    |

As of 31 December 2017, 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 2017, CACEIS has no commitments incurred related to transferred assets fully derecognised.

## 2.7.6. IMPAIRMENT DEDUCTED FROM FINANCIAL ASSETS

| (in thousands of euros)   | 31.12.2016 | Changes in scope | Impairment Losses increase | Write-backs | Translation adjustments | Other movements | 31.12.2017 |
|---------------------------|------------|------------------|----------------------------|-------------|-------------------------|-----------------|------------|
| Available-for-sale assets |            |                  |                            |             |                         |                 |            |
| Other financial assets    | 305        |                  | 134                        | -235        |                         |                 | 204        |
| <b>TOTAL</b>              | <b>305</b> | <b>0</b>         | <b>134</b>                 | <b>-235</b> | <b>0</b>                | <b>0</b>        | <b>204</b> |

| (in thousands of euros)   | 01.01.2016 | 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> |

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

| 31.12.2017              | Net exposures net of impairment                       |                                     |                       |                                   |  |
|-------------------------|---|-------------------------------------|-----------------------|-----------------------------------|--|
| (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                 |   | 251 326                             |                       |                                   |  |
| Belgium                 |   | 201 061                             |                       |                                   |  |
| Spain                   |   | 521 710                             |                       |                                   |  |
| United States           |   |                                     |                       |                                   |  |
| France                  |   | 3 267 151                           |                       |                                   |  |
| Greece                  |   |                                     |                       |                                   |  |
| Ireland                 |   |                                     |                       |                                   |  |
| Italy                   |   |                                     |                       |                                   |  |
| Japan                   |   |                                     |                       |                                   |  |
| Portugal                |   |                                     |                       |                                   |  |
| <b>TOTAL</b>            | <b>0</b>  | <b>4 241 248</b>                    | <b>0</b>              | <b>0</b>                          | <b>0</b>                                 |

| 31.12.2016              | Net exposures net of impairment                       |                                     |                       |                                   |  |
|-------------------------|---|-------------------------------------|-----------------------|-----------------------------------|--|
| (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                   |   | 543 306                             |                       |                                   |  |
| United States           |   |                                     |                       |                                   |  |
| France                  |   | 3 785 110                           |                       |                                   |  |
| Greece                  |   |                                     |                       |                                   |  |
| Ireland                 |   |                                     |                       |                                   |  |
| Italy                   |   |                                     |                       |                                   |  |
| Japan                   |   |                                     |                       |                                   |  |
| Portugal                |   |                                     |                       |                                   |  |
| <b>TOTAL</b>            | <b>0</b>  | <b>4 328 416</b>                    | <b>0</b>              | <b>0</b>                          | <b>0</b>                                 |



## 2.7.8. DUE TO CREDIT INSTITUTIONS AND TO CUSTOMERS

### 2.7.8.1. Due to credit institutions

| (in thousands of euros)                     | 31.12.2017       | 31.12.2016       |
|---|------------------|------------------|
| <b>CREDIT INSTITUTIONS</b>                  |                  |                  |
| Deposits                                    | 1312125          | 2409207          |
| • of which current accounts in credit       | 1291200          | 1972341          |
| • of which daylight overdrafts and accounts | 367              | 40               |
| Securities sold under repurchase agreements | 3470041          | 5779507          |
| <b>CARRYING AMOUNT</b>                      | <b>4 782 166</b> | <b>8 188 714</b> |

### 2.7.8.2. Due to customers

| (in thousands of euros)                     | 31.12.2017        | 31.12.2016        |
|---|-------------------|-------------------|
| Current accounts in credit                  | 48202750          | 42407701          |
| Other due to customers                      | 173313            | 1309987           |
| Securities sold under repurchase agreements | 52508             | 2159323           |
| <b>CARRYING AMOUNT</b>                      | <b>48 428 571</b> | <b>45 877 011</b> |

## 2.7.9. DEBT SECURITIES AND SUBORDINATED DEBT

| (in thousands of euros)      | 31.12.2017     | 31.12.2016     |
|------------------------------|----------------|----------------|
| <b>DEBT SECURITIES</b>       |                |                |
| Bond issues                  | 110023         |                |
| <b>CARRYING AMOUNT</b>       | <b>110 023</b> | <b>0</b>       |
| <b>SUBORDINATED DEBT</b>     |                |                |
| Fixed-term subordinated debt | 323068         | 250028         |
| Perpetual subordinated debt  |                | 80471          |
| <b>CARRYING AMOUNT</b>       | <b>323 068</b> | <b>330 499</b> |

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

### Offsetting - Financial Assets

| 31.12.2017  | Offsetting effects on financial assets covered by master netting agreement and similar agreements |   |   |  |   |   |
|---|---|---|---|--|---|---|
| Type of financial instrument<br><br>(in thousands of euros) | 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 |   |
| Derivatives   | 343 263   |   | 343 263   | 237 274  | 24 652  | 81 337                                  |
| Reverse repurchase agreements                               | 4 595 388   |   | 4 595 388   |  | 4 595 388   | 0                                       |
| Securities lent   | 1 948 499   |   | 1 948 499   |  |   | 1 948 499                               |
| <b>TOTAL FINANCIAL ASSETS SUBJECT TO OFFSETTING</b>         | <b>6 887 150</b>  | <b>0</b>  | <b>6 887 150</b>  | <b>237 274</b>   | <b>4 620 040</b>  | <b>2 029 836</b>                        |

| 31.12.2016  | Offsetting effects on financial assets covered by master netting agreement and similar agreements |   |   |  |   |   |
|---|---|---|---|--|---|---|
| Type of financial instrument<br><br>(in thousands of euros) | 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 |   |
| 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>                        |

## Offsetting - Financial Liabilities

| 31.12.2017  | Offsetting effects on financial assets covered by master netting agreement and similar agreements |   |   |  |   |   |
|---|---|---|---|--|---|---|
| Type of financial instrument<br><br>(in thousands of euros) | 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 |   |
| Derivatives   | 408 874   |   | 408 874   | 237 274  | 24 652  | 146 948                                 |
| Repurchase agreements                                       | 3 522 549   |   | 3 522 549   |  | 3 522 549   |   |
| Securities lent   |   |   |   |  |   |   |
| <b>TOTAL FINANCIAL LIABILITIES SUBJECT TO OFFSETTING</b>    | <b>3 931 423</b>  | <b>0</b>  | <b>3 931 423</b>  | <b>237 274</b>   | <b>3 547 201</b>  | <b>146 948</b>                          |

| 31.12.2016  | Offsetting effects on financial assets covered by master netting agreement and similar agreements |   |   |  |   |   |
|---|---|---|---|--|---|---|
| Type of financial instrument<br><br>(in thousands of euros) | 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 |   |
| 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>                          |

## 2.7.11. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

| (in thousands of euros)                           | 31.12.2017     | 31.12.2016    |
|---|----------------|---------------|
| Current tax                                       |                |               |
| Deferred tax                                      | 13 600         | 13 698        |
| <b>TOTAL CURRENT AND DEFERRED TAX ASSETS</b>      | <b>13 600</b>  | <b>13 698</b> |
| Current tax                                       | 33 963         | 11 814        |
| Deferred tax                                      | 127 743        | 69 445        |
| <b>TOTAL CURRENT AND DEFERRED TAX LIABILITIES</b> | <b>161 707</b> | <b>81 258</b> |

Net deferred tax assets and liabilities break down as follows:

| (in thousands of euros)                                      | 31.12.2017          |                          | 31.12.2016          |                          |
|--|---------------------|--------------------------|---------------------|--------------------------|
|  | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| <b>TEMPORARY TIMING DIFFERENCES</b>                          | <b>16 747</b>       | <b>13 211</b>            | <b>15 178</b>       | <b>4 636</b>             |
| Non-deductible accrued expenses                              | 4 579               | 0                        | 4 163               | 0                        |
| Non-deductible provisions for liabilities and charges        | 10 105              | 1 358                    | 8 921               | 0                        |
| Other temporary differences                                  | 2 064               | 11 853                   | 2 094               | 4 636                    |
| <b>DEFERRED TAX/ RESERVES FOR UNREALISED GAINS OR LOSSES</b> | <b>13 112</b>       | <b>95 574</b>            | <b>23 535</b>       | <b>48 995</b>            |
| Available-for-sale assets                                    | 7 856               | 95 272                   | 17 780              | 48 707                   |
| Gains and losses / Actuarial gains or losses                 | 5 256               | 302                      | 5 755               | 287                      |
| <b>DEFERRED TAX/ INCOME</b>                                  | <b>6 027</b>        | <b>41 244</b>            | <b>35 856</b>       | <b>76 684</b>            |
| <b>COMPENSATION IMPACT</b>                                   | <b>-22 286</b>      | <b>-22 286</b>           | <b>-60 871</b>      | <b>-60 871</b>           |
| <b>TOTAL DEFERRED TAX</b>                                    | <b>13 600</b>       | <b>127 743</b>           | <b>13 698</b>       | <b>69 445</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)                          | 31.12.2017       | 31.12.2016       |
|--|------------------|------------------|
| <b>OTHER ASSETS</b>                              | <b>2 476 534</b> | <b>2 325 918</b> |
| Miscellaneous debtors                            | 2 111 547        | 2 124 810        |
| Settlement accounts                              | 364 987          | 201 108          |
| <b>ACCRUALS AND DEFERRED INCOME</b>              | <b>715 585</b>   | <b>644 809</b>   |
| Items in course of transmission from other banks | 406 306          | 428 493          |
| Adjustment and suspense accounts                 | 32 860           | 3 909            |
| Accrued income                                   | 130 433          | 128 896          |
| Prepaid expenses                                 | 20 659           | 16 548           |
| Other accruals and prepayments                   | 125 328          | 66 963           |
| <b>NET CARRYING AMOUNT</b>                       | <b>3 192 119</b> | <b>2 970 727</b> |

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

| (in thousands of euros)                            | 31.12.2017       | 31.12.2016       |
|--|------------------|------------------|
| <b>OTHER LIABILITIES (1)</b>                       | <b>3 470 397</b> | <b>3 173 390</b> |
| Settlement accounts                                | 1 104 099        | 1 145 070        |
| Miscellaneous creditors                            | 2 366 298        | 2 028 320        |
| Other  |                  |                  |
| <b>ACCRUALS AND DEFERRED EXPENSES</b>              | <b>756 326</b>   | <b>666 268</b>   |
| Items in course of transmission to other banks (2) | 301 036          | 413 655          |
| Adjustment and suspense accounts                   | 33 481           | 3 620            |
| Unearned income                                    | 1 533            | 11 473           |
| Accrued expenses                                   | 270 563          | 205 222          |
| Other accruals and deferred income                 | 149 712          | 32 298           |
| <b>CARRYING AMOUNT</b>                             | <b>4 226 723</b> | <b>3 839 659</b> |

(1) Amounts include accrued interest

(2) Net amounts

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

| (in thousands of euros)                   | 31.12.2016     | Change in scope | Increases (acquisitions) | Decreases (disposals and redemptions) | Translation adjustments | Other movements | 31.12.2017     |
|---|----------------|-----------------|--------------------------|---------------------------------------|-------------------------|-----------------|----------------|
| <b>Property, plant &amp; equipment</b>    |                |                 |                          |                                       |                         |                 |                |
| Gross amount                              | 90 555         |                 | 1 106                    | -4 406                                | -220                    | -1 391          | 85 643         |
| Depreciation, amortisation and impairment | -53 492        |                 | -3 241                   | 4 406                                 | 108                     | 998             | -51 220        |
| <b>CARRYING AMOUNT</b>                    | <b>37 063</b>  | <b>0</b>        | <b>-2 136</b>            | <b>0</b>                              | <b>-111</b>             | <b>-393</b>     | <b>34 423</b>  |
| <b>Intangible assets</b>                  |                |                 |                          |                                       |                         |                 |                |
| Gross amount                              | 483 208        |                 | 40 374                   | -19 684                               | -5 391                  | -39 155         | 459 352        |
| Depreciation, amortisation and impairment | -363 652       |                 | -18 916                  | -6 936                                | 5 385                   | 39 158          | -344 961       |
| <b>CARRYING AMOUNT</b>                    | <b>119 556</b> | <b>0</b>        | <b>21 458</b>            | <b>-26 620</b>                        | <b>-6</b>               | <b>3</b>        | <b>114 391</b> |

| (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> |

## 2.7.14. PROVISIONS

| (in thousands of euros)                  | 31.12.2016    | Change in scope | Impairment losses increases | Write-back amounts used | Write-back amounts not used | Translation adjustments | Other movements | 31.12.2017    |
|--|---------------|-----------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------|---------------|
| Operational risk                         | 9 224         | 0               | 1 313                       | -3 151                  | -556                        | -4                      |                 | 6 826         |
| Employee retirement and similar benefits | 66 439        | 0               | 2 946                       | -397                    | -531                        | -69                     | -1 512          | 66 877        |
| Litigation                               | 1 041         | 0               | 412                         | -17                     |                             | -39                     |                 | 1 398         |
| Restructuring                            | 727           | 0               | 350                         | -307                    |                             |                         |                 | 770           |
| Other risks                              | 2 261         | 0               | 1 253                       |                         |                             |                         |                 | 3 514         |
| <b>TOTAL</b>                             | <b>79 692</b> | <b>0</b>        | <b>6 274</b>                | <b>-3 872</b>           | <b>-1 087</b>               | <b>-111</b>             | <b>-1 512</b>   | <b>79 385</b> |

| (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> |

## 2.7.15. EQUITY

### 2.7.15.1. Composition of equity

Equity is allocated as follows:

| (in thousands of euros) | Number of shares at 01.01.2017 | Number of shares issued | Number of refunded shares | Number of shares at 31.12.2017 | % of capital | % of voting rights |
|-------------------------|--------------------------------|-------------------------|---------------------------|--------------------------------|--------------|--------------------|
| CREDIT AGRICOLE S.A.    | 13 890 568                     |                         |                           | 16 341 849                     | 100%         | 100%               |
| NATIXIS                 | 2 451 277                      |                         |                           | 0                              | 0%           | 0%                 |
| Non-Group               | 5                              |                         |                           | 1                              | 0%           | 0%                 |
| <b>TOTAL</b>            | <b>16 341 850</b>              | <b>0</b>                |                           | <b>16 341 850</b>              |              |                    |

### 2.7.15.2. Income per share

|   | 31.12.2017  | 31.12.2016  |
|---|-------------|-------------|
| Net income-Group share (in millions of euros)   | 153         | 118         |
| 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>9.36</b> | <b>7.25</b> |
| <b>INCOME ON CONTINUED ACTIVITIES PER SHARE (IN EUROS)</b>  | <b>9.36</b> | <b>7.25</b> |
| <b>INCOME ON DISCONTINUED ACTIVITIES (IN EUROS)</b>   | <b>0</b>    | <b>0</b>    |
| <b>DILUTED INCOME PER SHARE (IN EUROS)</b>  | <b>9.36</b> | <b>7.25</b> |
| <b>DILUTED INCOME ON CONTINUED ACTIVITIES PER SHARE (IN EUROS)</b>                                  | <b>9.36</b> | <b>7.25</b> |
| <b>DILUTED INCOME ON DISCONTINUED ACTIVITIES (IN EUROS)</b>   | <b>0</b>    | <b>0</b>    |

## 2.8. HEADCOUNT AT YEAR-END

| Headcount      | 31.12.2017   | 31.12.2016   |
|----------------|--------------|--------------|
| France         | 1731         | 1671         |
| Outside France | 1562         | 1573         |
| <b>TOTAL</b>   | <b>3 292</b> | <b>3 244</b> |

## 2.9. RECLASSIFICATION OF FINANCIAL INSTRUMENTS

Nature and value of the reclassified assets

| (in thousands of euros)   | Total reclassified assets  |                                      | Assets reclassified in 2017 |                            |                                   | Assets reclassified before |                                   |                            |                                   |
|---|----------------------------|--------------------------------------|-----------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|
|   | Carrying amount 31.12.2017 | Estimated market value at 31.12.2017 | Reclassification value      | Carrying amount 31.12.2017 | Estimated market value 31.12.2017 | Carrying amount 31.12.2017 | Estimated market value 31.12.2017 | Carrying amount 31.12.2016 | Estimated market value 31.12.2016 |
| 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                    | 1252 730                   | 1252 730                             |                             |                            |                                   | 1252 730                   | 1252 730                          | 1253 475                   | 1253 475                          |
| <b>TOTAL RECLASSIFIED ASSETS</b>  | <b>1252 730</b>            | <b>1252 730</b>                      | <b>0</b>                    | <b>0</b>                   | <b>0</b>                          | <b>1252 730</b>            | <b>1252 730</b>                   | <b>1253 475</b>            | <b>1253 475</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, 2017.

### 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 31.12.2017                    |  | Assets reclassified before            |  |                                       |  |                                       |  |
|   | Impact at 31.12.2017                                 |  | Cumulative impact at 31.12.2016       |  | Impact at 31.12.2017                  |  | Cumulative impact at 31.12.2017       |  |
|   | 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                    |  |  | 15932                                 | 0  | 1018                                  | 0  | 16950                                 | 0  |
| <b>TOTAL RECLASSIFIED ASSETS</b>  | <b>0</b>   | <b>0</b>   | <b>15932</b>                          | <b>0</b>   | <b>1018</b>                           | <b>0</b>   | <b>16950</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                    | 1255 539                                    | 0.028                          |
| <b>TOTAL RECLASSIFIED ASSETS</b>  | <b>1255 539</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 31.12.2017  | Quoted prices in active markets for identical instruments: LEVEL 1 | Valuation based on observable data: LEVEL 2 | Valuation based on unobservable data: LEVEL 3 |
|--|-------------------|--|---|---|
| Financial assets not measured at fair value on balance sheet   |                   |  |   |   |
| <b>LOANS AND RECEIVABLES</b>                                   | <b>33 897 186</b> | <b>0</b>   | <b>33 897 186</b>                           | <b>0</b>                                      |
| <b>Loans and receivables due from credit institutions</b>      | <b>29 703 924</b> | <b>0</b>   | <b>29 703 924</b>                           | <b>0</b>                                      |
| Current accounts and overnight loans                           | 18 076 805        |  | 18 076 805                                  |   |
| Accounts and term deposits                                     | 76 591            |  | 76 591                                      |   |
| Securities bought under repurchase agreements                  | 2 575 229         |  | 2 575 229                                   |   |
| Securities not quoted in an active market                      | 8 975 299         |  | 8 975 299                                   |   |
| <b>Loans and receivables due from customers</b>                | <b>4 193 262</b>  | <b>0</b>   | <b>4 193 262</b>                            | <b>0</b>                                      |
| Trade receivables  | 1 777             |  | 1 777                                       |   |
| Other customer loans   | 334 172           |  | 334 172                                     |   |
| Securities bought under repurchase agreements                  | 2 020 159         |  | 2 020 159                                   |   |
| Advances in associates current accounts                        |                   |  | -   |   |
| Current accounts in debit                                      | 183 715           |  | 183 715                                     |   |
| <b>TOTAL FINANCIAL ASSETS OF WHICH FAIR VALUE IS DISCLOSED</b> | <b>33 897 186</b> | <b>0</b>   | <b>33 897 186</b>                           | <b>0</b>                                      |



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

| (in thousands of euros)   | Total 31.12.2017  | Quoted prices in active markets for identical instruments: LEVEL 1 | Valuation based on observable data: LEVEL 2 | Valuation based on unobservable data: LEVEL 3 |
|---|-------------------|--|---|---|
| Financial liabilities not measured at fair value on balance sheet                                 |                   |  |   |   |
| <b>DUE TO CREDIT INSTITUTIONS</b>   | <b>4 782 166</b>  | <b>0</b>   | <b>4 782 166</b>                            | <b>0</b>                                      |
| Current accounts and overnight borrowing  | 1 291 567         |  | 1 291 567                                   |   |
| Accounts and term deposits  | 20 558            |  | 20 558                                      |   |
| Securities sold under repurchase agreements   | 3 470 041         |  | 3 470 041                                   |   |
| Other   |                   |  | -   |   |
| <b>DUE TO CUSTOMERS</b>   | <b>48 428 571</b> | <b>0</b>   | <b>48 428 571</b>                           | <b>0</b>                                      |
| Current accounts in credit  | 48 202 750        |  | 48 202 750                                  |   |
| Special savings accounts  |                   |  | -   |   |
| Other amounts due to customers  | 173 313           |  | 173 313                                     |   |
| Securities sold under repurchase agreements   | 52 508            |  | 52 508                                      |   |
| Cash deposits received from cedants and retrocessionaires against technical insurance commitments |                   |  | -   |   |
| <b>SUBORDINATED DEBT</b>  | <b>110 023</b>    |  | <b>110 023</b>                              |   |
| <b>TOTAL FINANCIAL LIABILITIES OF WHICH FAIR VALUE IS DISCLOSED</b>                               | <b>53 320 760</b> | <b>0</b>   | <b>53 320 760</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 31.12.2017  | 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>259 643</b>    | <b>0</b>   | <b>259 643</b>                              | <b>0</b>                                      |
| Securities held-for-trading                          |                   |  |   |   |
| • Treasury bills and similar securities              |                   |  |   |   |
| Derivative instruments                               | 259 643           |  | 259 643                                     |   |
| <b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>           | <b>21 847 912</b> | <b>21 828 551</b>  | <b>19 361</b>                               | <b>0</b>                                      |
| Treasury bills and similar securities                | 4 241 248         | 4 241 248  |   |   |
| Bonds and other fixed income securities              | 17 587 173        | 17 587 116   | 57  |   |
| Equities and other variable-income securities        | 19 491            | 187  | 19 304                                      |   |
| <b>HEDGING DERIVATIVE INSTRUMENTS</b>                | <b>83 620</b>     |  | <b>83 620</b>                               |   |
| <b>TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE</b> | <b>22 191 175</b> | <b>21 828 551</b>  | <b>362 624</b>                              | <b>0</b>                                      |

| (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>             | 404 847           | 0  | 404 847                                     | 0   |
| Securities held-for-trading                          |                   |  |   | 0   |
| • 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>0</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>                                      |

#### Financial liabilities measured at fair value

| (in thousands of euros)                                   | Total 31.12.2017 | 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>             | 289 125          | 0  | 289 125                                     | 0   |
| Derivative instruments                                    | 289 125          |  | 289 125                                     |   |
| <b>HEDGING DERIVATIVE INSTRUMENTS</b>                     | <b>119 749</b>   |  | <b>119 749</b>                              |   |
| <b>TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE</b> | <b>408 874</b>   | <b>0</b>   | <b>408 874</b>                              | <b>0</b>                                      |

| (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>                                      |



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