



2016 Financial Report

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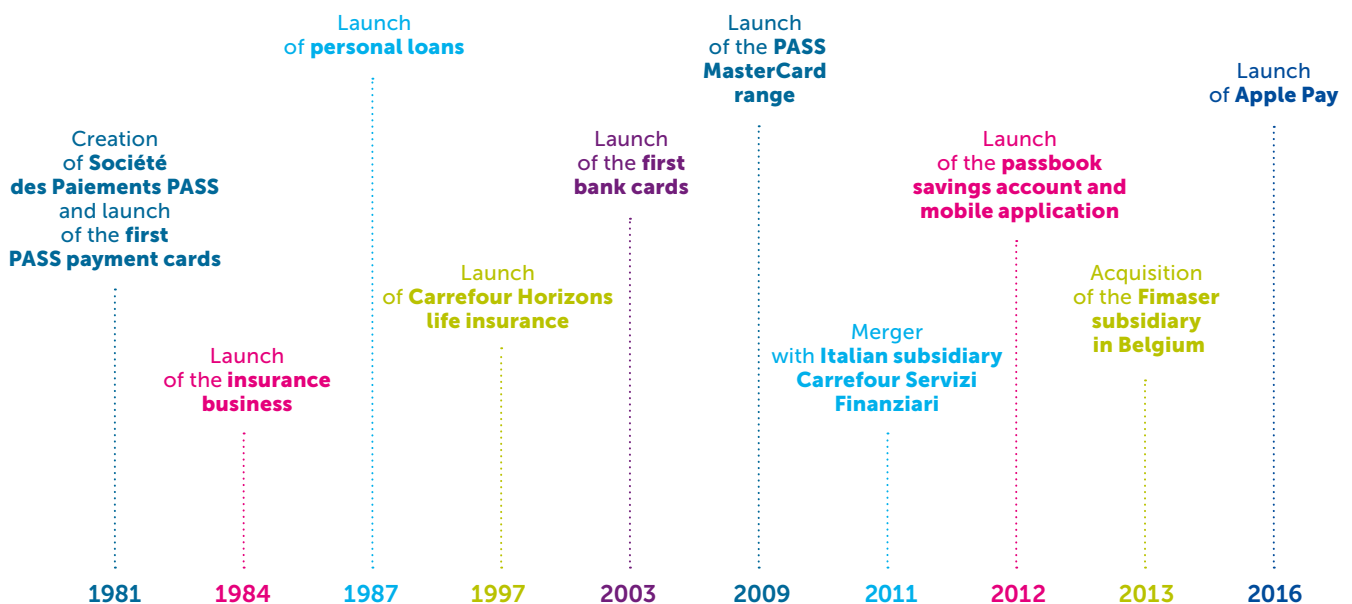
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Carrefour Banque et Assurance

IN 10 KEY DATES



A NEW RELATIONSHIP WITH YOUR BANK

Closer. A pioneer in the consumer credit market, Carrefour Banque et Assurance fosters close relationships with its customers by accompanying them in their life projects. Its portfolio includes the PASS credit associated with the PASS payment card and personal loans to enhance everyday living, as well as insurance and a range of savings products.

More accessible. With its strong foundation of €2.9 billion in loans outstanding and €2.3 billion in savings deposits, Carrefour Banque et Assurance is engaged in diversifying its distribution channels and creating a presence in both the physical and digital worlds. Its product range is available in branch offices as well as by phone, on the Internet and via mobile applications. Next-generation banking branches incorporate the latest digital tools. Whether in person or on the phone, advisors foster a peer-to-peer relationship with their customers to provide the best consultation advice and a more human approach.

Simpler. Carrefour Banque et Assurance's exclusive connection to its parent company Carrefour allows its 2.5 million customers to enjoy an ever-evolving range of loyalty advantages and access to select services. Innovation and partnerships with other solid players in the banking and insurance industry enable Carrefour Banque et Assurance to diversify its activities and simplify daily living for its customers.

PRODUCT RANGE

Carrefour Banque et Assurance offers a wide range of credit and savings products. Our quality, accessible products are designed to support customers in pursuing their everyday projects and needs. This close customer relationship is embodied in the new tagline: "Simply you".

A range of loan to finance a variety of projects

REVOLVING CREDIT

PASS credit is a revolving credit associated with the PASS card. Cardholders can choose a debit or credit transaction each time they make a payment.

Innovation continued in 2016 with the launch of the revolving eCredit, applied for directly on the Internet. Flexible and easy to use, this product supplements the credit offer for amounts below €3,000, with four repayment scenarios over six, 12, 24 or 36 months at attractive rates.

PERSONAL LOAN

Personal loans can be used to finance a variety of everyday projects such as a car, travel or home renovation. They can be taken out for up to €50,000 with a maximum reimbursement period of 84 months.

New television and radio advertising campaigns were launched following the success of the 2015 media plans. These contributed to the dynamic activity in personal loans in a highly competitive environment.

RETAIL CREDIT

Retail credit is used to purchase larger household items from Carrefour, in particular during the retailer's major promotional periods such as back-to-school and the Christmas holidays.

Promotions were run during the Euro 2016 football championship, with offers of no-fee credit in ten, 20 or 24 payments for a selection of household electronics and technology products. These campaigns are developed in cooperation with Carrefour and help make many of the retailer's products more accessible to its customers.





Payment cards to make purchasing easier

MORE FEATURES AND ADVANTAGES FOR THE PASS CARD

The PASS MasterCard is a credit card that can be used at Carrefour as well as other stores. Cardholders earn benefits that accumulate when they shop at Carrefour. They can also take advantage of exclusive payment options such as payment in three interest-free instalments, as well as promotional offers from Carrefour Banque partners. The launch of the Apple Pay feature in 2016 demonstrates Carrefour Banque et Assurance's innovative capacity in simplifying the lives of its customers.

High performance and accessible savings products

LIFE INSURANCE

Carrefour life insurance, developed in partnership with AXA, continues to earn consumer trust. Carrefour life insurance policy deposits grew faster than the market average, to reach €1.6 billion at the end of 2016. The Carrefour Horizons multi-fund contract in euros maintained an attractive rate of return of 2.51% net of management fees, also exceeding the market average.

SAVINGS ACCOUNT

Carrefour Banque et Assurance is vigilant as to the accessibility of its savings account. It can be opened starting with a €10 monthly deposit and is not subject to any cap. Loyalty is also rewarded, with an increase of up to 0.8% in the applicable interest rate.

A new, rapid payment service

Innovation. Carrefour Banque et Assurance continued its innovation strategy in 2016 by offering PASS MasterCard holders a new payment service in Carrefour stores. They were among the first in France to benefit from Apple Pay, which lets consumers pay for their purchases and earn loyalty advantages with just a tap of their smartphone. Customer feedback was very positive, and this feature was very quickly adopted.

Personalised information

Customer relationship. Carrefour Banque et Assurance has created an innovative electronic newsletter to send its customers carefully targeted information every month. Customers are able to select the topics on which they want to receive news. The newsletter's success is apparent in the reading and satisfaction rates it generates: 60% of customers say they regularly read the newsletter, and 81% declare themselves satisfied or very satisfied.

(Carrefour Banque survey – October 2016)





PRODUCT RANGE

Insurance products that appeal to customers

A QUALITY RANGE ASSOCIATED WITH LOYALTY ADVANTAGES

Carrefour Banque et Assurance offers a diversified range of insurance products to meet its customers needs, from car insurance to comprehensive home coverage, and including various family protection policies and the *Protection Avenir* insurance policy with a payout to family members in case of death.

These policies also allow customers to benefit from advantages at Carrefour. Insurance customers in 2016 received an offer on the anniversary date of their policy, giving them access to discount vouchers in the retail stores for a value of up to 5% of the premium amount.

In addition to insurance coverage, Carrefour Banque et Assurance supports its customers with prevention campaigns, for example in the area of road safety or during exceptional events such as the June 2016 floods.

SATISFIED CUSTOMERS

The expansion of services in 2015 led to further improvement of customer satisfaction last year, with respect to the quality of consultation provided by advisors and savings on premiums.

Fluidity of the application process was enhanced with the creation of a better online cost-simulation tool. Visits to the site, already boosted by the March and December radio campaigns, were further increased by this tool.

A SERVICE ORIENTED APPROACH

Electronic signature in Belgium and Italy

Services. In these two countries, payment, credit and insurance solutions are offered via a branch network, as well as by phone, on the Internet and through mobile applications. Several services to improve the customer experience were introduced in 2016.

Belgium and Italy adopted electronic signatures – for distance loan applications in Belgium and for Internet applications in Italy.

Belgium also launched a mobile application for the Carrefour Visa card and improved the security of Internet payments with the introduction of 3D Secure for its customers. The first customer satisfaction survey initiated in September highlighted the trust of Carrefour Visa card customers.

After its introduction in France, *Club PASS* was launched in Italy. It offers additional advantages and reductions to the retailer's most loyal customers, who also indicated their satisfaction and trust in the survey conducted in July 2016.

ACTIVITY IN 2016

Carrefour Banque et Assurance continued to work on its fundamentals by transforming its tools and developing new, forward-looking products. The various action plans implemented since 2015 to improve risk management led to the first decrease in risk load in the past seven years.

Credit shrinkage, sturdy savings

The French economy was weaker than expected in 2016, with growth of only 1.1% (INSEE sources) and a continued high rate of unemployment. The fragile economy led to a drop in household consumer spending, which explains the sluggishness of Carrefour Banque et Assurance's loan activities. The bank's traditional markets – revolving credit and personal loans – shrank in a highly competitive environment.

In the area of savings, Carrefour Banque et Assurance registered 3.6% growth in deposits under management in the very competitive life insurance market, which illustrates customer confidence in the bank's products. The Carrefour

Horizon policy's positive performance is due in particular to the sustained attractive rate of return of the euro fund in 2016 – 2.51% net of management fees – which enabled it to outperform the market. Passbook savings account deposits are in line with objectives.

For the 2016 fiscal year, net banking income decreased by 6% and net profit by 19%, after taking into account the cost of restructuring the branch network. It is noteworthy that income distribution remained balanced between income from interest and commissions for savings products, debt consolidation and insurance. This breakdown is indicative of the multi-product strategy of the past several years.



ACTIVITY IN 2016



Risk load back on the decline

The key figure for the 2016 fiscal year is positive: the decreasing risk load. This inflection is a first in seven years, and the fruit of the strategy begun in 2015 to tighten up the loan policy. The bank is better informed of its customers' financial situation and can support them more effectively. As a result, the average loan amount has risen and the average length increased, with a positive impact on the loan margin rate.

Loan production was down compared with 2015, but of a superior quality. This key trend allows to forecast a continued decrease in risk load in the coming years.

Exceptional refinancing conditions continue

Another positive element: Carrefour Banque et Assurance's solid rating, BBB+ A-2 (S&P) gives the bank access to very advantageous refinancing conditions and enables it to diversify its sources of financing.

A new bond issue was completed in March 2016 in the amount of €500 million over five years. At the same time, the €750 million syndication was extended by an additional year, and the securitisation for the revolving credit portfolio, in the amount of €110 million, was renewed for two years. Lastly, an Euro Medium-Term Note (EMTN) programme for €1 billion annually was introduced to gain greater flexibility in implementing a new bond issue. Meanwhile, the latest macro-economic trends (more sustained economic growth, risk of deflation eliminated) have led to a rate increase, and the bank anticipates a gradual rise in rates and refinancing costs starting in mid-2018.

Partnering with Secours Populaire Français

Carrefour Banque et Assurance demonstrated its solidarity by taking part in 2016 in the Secours Populaire Français's "Green Santa Claus" operation. Teams showed great dedication to this event, which demonstrates the bank's desire to show solidarity with those who are the most in need, in particular families during the holiday season.

Innovations to prepare for the future

Carrefour Banque et Assurance expanded its innovation efforts in 2016, particularly in the digital arena. PASS cardholders were thus among the first in France to benefit from the new Apple Pay service.

In the credit segment, the bank launched revolving eCredit, a 100% digital offer for smaller amounts over short loan periods. In insurance, customers now have access to a more effective online cost simulator and a streamlined application process. These changes are the reason for the increase in consultations of the web portal via mobile devices.



Lastly, 2016 was a year of preparation for the launch of C-Zam, the first current account available in stores for online activation. With this new product, Carrefour Banque et Assurance is responding to strong expectations from its customers to expand its range. This innovation will be sold at 3,000 Carrefour points of sale in the form of a box containing an international MasterCard and a user guide for opening an account online at compteczam.fr, or using a dedicated application, in ten minutes.

Customer relations have also been a focus of attention. Carrefour Banque et Assurance implemented a new CRM (customer relationship management) and launched a new branch concept with improved application tools and redesigned spaces intended to favour a close customer relationship. This new organisation will be rolled out gradually, starting with pilot branches (see the example of Villiers-en-Bière, opposite).



Next-generation branches

With the inauguration of the Villiers-en-Bière, Douai and Bourges branches, Carrefour Banque et Assurance launched a new branch design in 2016 incorporating digital tools. Branches are now more open, and advisors work side-by-side with their customers to provide personalised consultation.

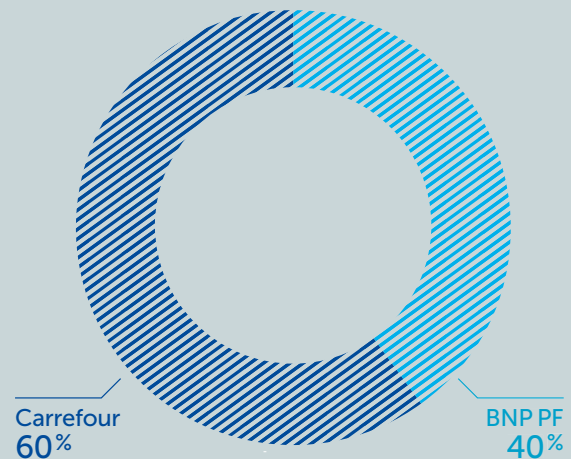
A new identity

In 2016, Carrefour Banque became Carrefour Banque et Assurance, a name that better highlights the company's multi-product dimension, including credit, savings and insurance. This clarification was accompanied by a new logo and new positioning that is voluntarily closer to the customer and more accessible, human and positive: "Simply you".



GOVERNANCE

Carrefour Banque has had a solid and stable shareholder composition since 1985. Carrefour Banque is rated BBB+ outlook stable, A-2 by Standard & Poor's.



Board of directors

Gauthier Durand Delbecque

Chairman of the Board of Directors of Carrefour Banque, Group Executive Director Customer Services and Data

Carrefour, represented by

Noël Prioux

Executive Director of Carrefour France, Director

Pierre-Jean Sivignon

Deputy Chief Executive Officer, Chief Financial Officer of the Carrefour Group, Director

BNP Personal Finance, represented by

Laurent David

Chief Executive Officer of BNP Personal Finance, Director

Michel Falvert

Head of Major Partnerships, BNP Personal Finance, Director

Specialised committees

Risk committee

Michel Falvert
Chair

Gauthier Durand Delbecque
Pierre-Jean Sivignon

Audit committee

Gauthier Durand Delbecque
Chair

Pierre-Jean Sivignon
Michel Falvert

Remuneration committee

Noël Prioux
Chair

Gauthier Durand Delbecque
Michel Falvert

Nomination committee

Gauthier Durand Delbecque
Chair

Pierre-Jean Sivignon
Laurent David

Executive committee

Julien Jaillon

Chief Executive Officer

Aurélien Cailliau

Deputy Chief Executive Officer
Head of Administration and Finance

Isabelle Clairac

Head of Information Systems

Marie Claire Combes

Head of Human Resources

Nadia Nikolic

Head of Sales and Customer Strategy

Sébastien Parron

Head of Organisation and Projects

Noémie Royer

Head of Operations

Abdou El Mazid Sow

Head of Risk and Internal Control
Coordination

2016 KEY INDICATORS

**The indicators cover
the consolidation scope
of banking activities in
France, Italy and Belgium
at 31 December 2016.**

2016 KEY INDICATORS

The indicators cover the consolidation scope of banking activities in France, Italy and Belgium at 31 December 2016.

Net profit

€29 MILLION
– 19% compared with 2015

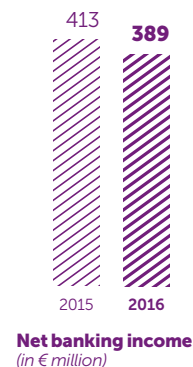
Net profit was down 19%, primarily due to the €23 million decrease in net banking income and €13 million in expenditures for the network restructuring to adapt Carrefour Banque et Assurance to its customers' changing consumption habits.



Net banking income

€389 MILLION
– 6% compared with 2015

Net banking income is down by 6%.



Solvency ratio

14.84%

Equity and the solvency ratio of 14.84% remain high, exceeding the 10.5% regulatory requirement.

Liquidity coverage ratio (LCR)

116.03%

The progressive regulatory liquidity requirement is 80% in 2017 and 100% in 2018.

Operating profit

€45 MILLION
– 41% compared with 2015

Operating profit dropped 41% due to the decreased net banking income and the cost of the network restructuring. The other operating expenses improved during the fiscal year.



Operating profit
(in € million)

Loans outstanding

€2,899 MILLION
– 9% compared with 2015

Loans outstanding decreased 9% in 2016 due to the declining distribution of new loans, which did not offset portfolio amortisations. The transfer of loan repurchasing activity to our shareholder BNP Personal Finance also contributed to decreased loans outstanding.

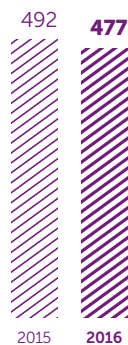


Loans outstanding
(in € million)

Doubtful loans

€477 MILLION
– 3% compared with 2015

Doubtful loans dropped by 3%, primarily thanks to the improved loan policy for the newer generations of loans.



Doubtful loans
(in € million)

Cost of risk

€112 MILLION
– 1% compared with 2015

The quality of new productions contributes to the decrease in doubtful loans, which leads to a decreased risk load.

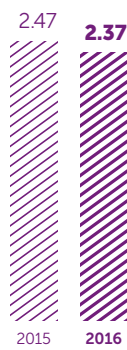


Cost of risk
(in € million)

2016 KEY INDICATORS

Number of cards

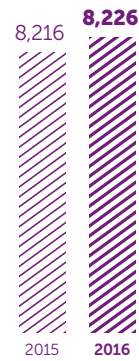
2.37 MILLION
– 4% compared with 2015



Number of cards
(in millions of cards)

Payments by card

€8,226 MILLION
Stable compared with 2015



Payments by card
(in € million)

Savings under management

€1,816 MILLION
+ 1% compared with 2015



Savings under management
(in € million)

Passbook savings deposits

€494 MILLION
– 13% compared with 2015



Passbook savings deposits
(in € million)

Statement of inactive accounts and life insurance policies – key figures at end-2016

- 67,646 savings accounts paid to the Caisse des Dépôts et Consignation (CDC) for a total of €7,375,735.45, and 33 life insurance policies paid to the CDC in the amount of €49,272.78
- Inactive accounts and unclaimed policies inventory: 91 life insurance policies in the amount of €885,334.40 and 106,719 savings accounts for a total of €33,955,554.04

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COMPANY FINANCIAL STATEMENTS

Balance sheet as at 31 December 2016

ASSETS (in thousands of euros)	Note	2016	2015
Cash and central banks		93	128,949
Government debt securities and equivalents		-	-
Amounts due from credit institutions	2-4	1,480,743	1,289,234
Transactions with customers	3-4	2,145,129	2,395,279
Bonds and other fixed-income securities	5	205,997	223,068
Equities and other variable-income securities	5	150,004	150,004
Participating interests and other long-term investment securities	5	650	148
Interests in related undertakings	8	22,724	22,764
Finance leases		-	-
Operating leases		-	-
Intangible assets	9	136,328	128,759
Property, plant and equipment	9	17,424	16,538
Capital called but not paid		-	-
Treasury shares		-	-
Other assets	10	182,211	194,443
Accrual accounting adjustments	10	103,385	215,415
TOTAL ASSETS		4,444,688	4,764,601
OFF BALANCE SHEET COMMITMENTS			
Commitments given	15	3,082,774	3,415,426
Loan commitments		2,395,338	2,624,089
Commitments on forward financial instruments		666,000	768,000
Guarantee commitments		21,436	23,337
Securities commitments		-	-

LIABILITIES AND EQUITY (in thousands of euros)	Note	2016	2015
Central banks		-	-
Amounts due to credit institutions	2-4	20,187	25,843
Transactions with customers	4	511,350	590,392
Debt securities in issue	6-7	3,089,871	3,236,470
Other liabilities	11	86,715	196,309
Accrual accounting adjustments	11	54,146	48,312
Provisions	12	50,649	34,662
Subordinated liabilities		-	-
Fund for general banking risks	13	3,735	3,735
Equity excluding fund for general banking risks	14	628,036	628,878
Subscribed share capital		101,347	101,347
Share premium		207,110	207,110
Reserves		150,370	150,233
Revaluation reserve		-	-
Restricted provisions	12	772	1,760
Retained earnings		140,115	130,913
Net profit for the period		28,322	37,516
TOTAL LIABILITIES AND EQUITY		4,444,688	4,764,601
OFF BALANCE SHEET COMMITMENTS		2016	2015
Commitments received	15-16	4,625,161	4,742,379
Loan commitments		2,123,801	2,127,951
Commitments on forward financial instruments		2,480,000	2,593,500
Guarantee commitments		21,360	20,928
Securities commitments		-	-

COMPANY FINANCIAL STATEMENTS

Income statement for the year ended 31 December 2016

(in thousands of euros)	Note	2016	2015
Interest and equivalent income	17	167,874	185,948
Interest and equivalent expenses	17	- 38,511	- 67,453
Income from finance leases and equivalents		-	-
Expenses on finance leases and equivalents		-	-
Income from operating leases		-	-
Expenses on operating leases		-	-
Income from variable-income securities		102,327	108,479
Fee and commission income	18	66,607	66,124
Fee and commission expense	18	- 6,837	- 5,530
Gains and losses on trading portfolios	22	3,674	5,359
Gains and losses on investment portfolios and equivalents	22	-	-
Other income from banking operations	19	142,971	151,851
Other expenses on banking operations	19	- 59,167	- 51,391
NET BANKING INCOME		378,938	393,386
General operating expenses	20	- 209,787	- 212,027
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		- 13,103	- 9,288
GROSS OPERATING PROFIT		156,048	172,072
Cost of risk	21	- 104,499	- 98,963
OPERATING PROFIT		51,549	73,109
Gains and losses on non-current assets		2,161	- 16,106
CURRENT PRE-TAX PROFIT		53,710	57,003
Exceptional items		- 13,646	-
Income taxes		- 12,730	- 19,926
Net change in fund for general banking risks and restricted provisions		988	439
NET PROFIT		28,322	37,516

Six-year financial summary

Financial position at end of period (in euros)	2011	2012	2013	2014	2015	2016
Share capital	99,970,792	99,970,792	99,970,792	99,970,792	101,346,957	101,346,957
Number of shares outstanding	6,524,356	6,524,356	6,524,356	6,524,356	6,614,184	6,614,184
RESULTS OF OPERATIONS						
Revenues	591,012,327	589,707,422	611,374,788	582,113,671	507,460,018	480,416,446
Profit before tax, profit-sharing, depreciation, amortisation, provisions and impairment	132,906,851	111,221,474	122,144,900	109,240,896	83,466,627	57,023,169
Income taxes	38,972,143	40,465,253	30,462,633	21,246,531	19,925,607	12,729,818
Profit-sharing expense	727,468	1,405,521	1,450,348	1,307,453	1,401,998	1,495,704
Profit after tax, profit-sharing, depreciation, amortisation, provisions and impairment	62,527,857	51,950,008	46,205,784	64,889,020	37,515,606	28,321,680
Total profits paid out as dividend	-	39,015,649	23,161,464	32,491,293	28,176,424	28,374,849
PER SHARE DATA						
Profit after tax and profit-sharing but before depreciation, amortisation, provisions and impairment	14.29	10.63	13.83	13.29	9.39	6.47
Profit after tax, profit-sharing, depreciation, amortisation, provisions and impairment	9.58	7.96	7.08	9.95	5.67	4.28
Dividend payout per share	-	5.98	3.55	4.98	4.26	4.29
EMPLOYEE DATA						
Average number of employees during the period	1,729	1,718	1,662	1,677	1,771	1,764
Total payroll	46,775,308	50,547,724	49,553,761	50,017,799	51,631,322	54,299,233
Total employee benefits	21,835,159	24,007,498	24,022,315	24,199,441	24,770,904	27,023,589

Notes to the financial statements

Note 1

ACCOUNTING POLICIES

A / Significant events of the year

1 / Further diversification of sources of funding

During 2016, Carrefour Banque carried out two major public issues to finance and expand its operations. In April 2016, a bond issue with a nominal amount of €500 million was carried out in the form of floating rate notes via the implementation of a Euro Medium-Term Note (EMTN) programme. In addition, a further €110 million was raised through the issuance of a fourth series of securities under our two-year floating-rate revolving credit securitisation programme in the form of a master trust. These issues are wholly in line with Carrefour Banque's intention to move towards compliance with Basel III liquidity ratios by significantly extending original maturities and achieving perfect matching of asset and liability flows. The second extension option under our €750 million syndication facility was activated, deferring the expiry of the facility from November 2020 to November 2021.

2 / Restructuring plan

Carrefour Banque booked a €13 million provision as of 31 December 2016 to cover a restructuring plan, with the resulting charge recognised as an exceptional item.

3 / Winding up of GIE Carrefour Personal Finance Services

This economic interest grouping was wound up on 30 November 2016.

Carrefour Banque, the contact member of the grouping, is acting as liquidator with effect from that date.

B / Presentation of the financial statements

The 2016 financial statements have been prepared and presented in accordance with the applicable regulatory requirements, in particular those specified by regulation 2014-07 on the financial statements of banking sector companies, issued on 26 November 2014 by the *Autorité des Normes Comptables* (ANC).

Unless otherwise indicated, all amounts in the notes to the financial statements are expressed in thousands of euros.

C / Branch

Carrefour Banque has included its Italian branch in the presentation of its separate financial statements since 1 October 2011, the date on which the merger took legal effect.

D / Customer loans

Non-doubtful and doubtful loans

Customer loans reported in the balance sheet include the outstanding principal at the balance sheet date, plus interest, penalties and insurance premiums due as of that date or accrued to that date but not yet due.

Customer loans are classified as doubtful if it is probable or certain that they will be wholly or partially non-recoverable. Impairment allowances are determined on the basis of up-to-date statistical observations for each product type, according to the age and known deterioration in credit quality of the loan. In accordance with Articles 2211-1 to 2251-13 of Book II, Title 2 of ANC regulation 2014-07 on the accounting treatment of credit risk, in determining allowances for impairment of doubtful loans, Carrefour Banque discounts the recoverable cash flows on the basis of the initial terms of the loan.

In addition, Carrefour Banque applies the same regulation in calculating the haircut on restructured loans, by using a reference to the original interest rate.

The discounting of recoverable cash flows as part of the impairment calculation, and the application of the haircut calculation, have an impact on net banking income.

Finally, doubtful interest and late payment penalties, which are included in net banking income but also written down via cost of risk, are eliminated from net banking income. This reclassification amounted to €6,974 thousand in 2016, versus €2,412 thousand in 2015.

Compromised doubtful loans

Compromised doubtful loans are doubtful loans for which there has been a marked deterioration in the prospects of recovery and which the bank expects ultimately to write off. The rules applied by Carrefour Banque in downgrading loans to "compromised doubtful loans" comply with Article 2221-8 of Book II - Title 2 of ANC regulation 2014-07, and are as follows:

- the loan has been subject to recovery management procedures for at least 12 months;
- a default has occurred on the loan (customer referred for legal recovery);
- the loan is subject to an over-indebtedness referral that has been under observation for at least 12 months;
- the loan is subject to a personal debt management plan.

Rules for writing off loans:

If it proves impossible to recover a loan either through negotiation or issuance of a legal summons to pay, that loan is written off. In such cases, the existing impairment allowance is reversed out against recognition of the loss.

In accordance with Articles 2111-1 to 2171-1 of Book II - Title 1 on the accounting treatment of fees and commission collected by a credit institution and marginal transaction costs on the granting or acquisition of loans, with effect from 1 January 2010, Carrefour Banque has amortised introducers' fees paid on the granting of a loan over the effective life of the loan. The effect of this amortisation was to reduce 2016 net banking income by €51 thousand.

E / Investment portfolio

In accordance with regulation 2005-01 issued by the *Comité de la Réglementation Comptable* (CRC) on the accounting treatment of securities, investment portfolio securities are reported in the balance sheet at acquisition cost. Impairment allowances are recognised as necessary to reflect market value at the balance sheet date. Unrealised gains are not recognised.

F / Non-current financial assets

Participating interests are reported in the balance sheet at cost. Impairment allowances are recognised as necessary to reflect value in use.

G / Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reported in the balance sheet at acquisition cost (purchase price plus incidental expenses). Depreciation and amortisation are charged using the straight line method over the expected economic life of the asset:

- licences and software: three to eight years;
- computer hardware: three to five years;
- fixtures and fittings: five to eight years;
- other assets: three to ten years.

Leasehold rights are not amortised, but are tested for impairment annually and whenever there is evidence that they may have become impaired.

H / Forward financial instruments

Interest rate hedges are used to limit the effect of interest rate fluctuations on floating rate debt. Carrefour Banque acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the two other entities (the Belgian financial services subsidiary Fimaser, and the Spanish subsidiary Servicios Financieros Carrefour) in the interests of mutualisation, organisational efficiency and access to markets.

Hedges are contracted over the counter with leading banks. The main financial instruments used are interest rate swaps. Gains and losses arising on these instruments are recognised symmetrically with gains and losses on the hedged items. Some hedging transactions may generate open positions, on a limited and temporary basis. These positions are remeasured at the balance sheet date, and a provision is recognised to cover any unrealised losses. The instruments in use as of 31 December are presented in notes 15 and 16. The nominal amount of commitments is reported off balance sheet.

In accordance with the amended CRC regulation 2004-16 on disclosure of the fair value of financial instruments, Carrefour Banque has measured its derivative financial instruments at fair value, based on observable market parameters.

I / Retirement benefits

Carrefour Banque pays a lump-sum benefit to its employees on retirement, based on their length of service within the Carrefour Group. The benefit obligation is calculated on an actuarial basis – taking into account factors such as employee turnover, mortality, and the rate of increase in salaries and social security charges – and is recognised in the form of a provision. Consequently, actuarial gains and losses are recognised in profit or loss in the period in which they arise.

J / Translation of foreign currency transactions

These transactions are accounted for in accordance with Articles 2711-1 to 2731-1 of Book II - Title 7 relating to foreign currency transactions. All assets, liabilities and off balance sheet items expressed in foreign currencies are translated into euros at the exchange rate prevailing on the balance sheet date. Income and expenses are translated into euros at the exchange rate prevailing on the transaction date. Foreign exchange gains and losses, whether unrealised or realised, are recognised in the income statement at the end of the period.

K / Income taxes

Carrefour Banque is the lead company in a group tax election.

Each company included in the group tax election is restored to the position it would have been in had it been taxed separately.

The tax saving or expense arising from the difference between the tax due by subsidiaries included in the group tax election and the tax arising from the group income tax computation is recognised by Carrefour Banque.

The corporate income tax rate is 33.33%. The additional profit-based contribution amounts to 3.3% of standard-rate tax, after applying an allowance of €763,000 but before offset of tax reductions, tax credits and all forms of tax receivables.

L / Events after the reporting period

No significant events have occurred since the end of the reporting period.

M / Proposed appropriation of profits

The appropriation of profit to be submitted to the Annual General Meeting for approval is as follows:

Net profit for the year (€)	28,321,680.76
Retained earnings brought forward	140,114,517.80
Distributable profits available for appropriation at the Annual General Meeting	168,436,198.56
Transfer to legal reserve	-
Transfer to other reserves	-
Dividend payout (€4.29 x 6,614,184 shares)	28,374,849.36
BALANCE CARRIED FORWARD AS RETAINED EARNINGS	140,061,349.20

Notes to the balance sheet

Note 2

AMOUNTS DUE FROM AND TO CREDIT INSTITUTIONS

(in thousands of euros)	31/12/2016	31/12/2015
Assets		
Current accounts, overnight loans and advances	196,460	16,657
Term loans and advances	1,284,283	1,272,577
TOTAL	1,480,743	1,289,234
of which accrued interest receivable	1,283	1,577
of which transactions with related undertakings	-	-
Liabilities		
Current accounts, overnight borrowings	20,187	25,843
Term deposits and borrowings	-	-
TOTAL	20,187	25,843
of which accrued interest payable	-	-
of which transactions with related undertakings	-	-

Note 3

CUSTOMER LOANS

(in thousands of euros)	31/12/2016	31/12/2015
Current accounts in debit	438,288	485,022
Other short-term loans	431,469	463,152
Medium-term loans	435,435	451,365
Long-term loans	1,157,257	1,333,110
Total gross customer loans	2,462,448	2,732,649
Loan impairment allowances	- 317,319	- 337,370
TOTAL NET CUSTOMER LOANS	2,145,129	2,395,279

CUSTOMER LOANS NET OF IMPAIRMENT ALLOWANCES

(in thousands of euros)	France	Italy	Principal	Accrued interest	31/12/2016	31/12/2015
Non-doubtful loans	1,822,684	194,798	2,017,482	6,690	2,024,172	2,247,771
of which transactions with related undertakings	148,000	-	148,000	95	148,095	161,133
of which restructured loans					302,408	309,005
Non-compromised doubtful loans						
Gross amount	100,104		100,104		100,104	115,342
Impairment allowances	- 42,768		- 42,768		- 42,768	- 50,213
Coverage ratio			43%		43%	44%
Compromised doubtful loans						
Gross amount	294,907	43,264	338,171		338,171	369,536
Impairment allowances	- 237,343	- 37,207	- 274,551		- 274,551	- 287,157
Coverage ratio			81%		81%	78%
CARRYING AMOUNT IN THE BALANCE SHEET	1,937,584	200,855	2,138,439	6,690	2,145,129	2,395,279

COMPANY FINANCIAL STATEMENTS

Note 4

MATURITY SCHEDULE OF AMOUNTS DUE FROM/TO CREDIT INSTITUTIONS AND CUSTOMERS

(in thousands of euros)						31/12/2016
Credit institutions and financial institutions	On demand/ no fixed term	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Assets	197,743	1,283,000	-	-	-	1,480,743
Liabilities	20,187	-	-	-	-	20,187
Other advances to customers	6,595	276,779	435,435	1,003,544	153,713	1,876,065
Loans to financial sector customers	95	148,000	-	-	-	148,095
Current accounts in debit	120,969	-	-	-	-	120,969
TOTAL CUSTOMER LOANS (ASSETS)	127,659	424,779	435,435	1,003,544	153,713	2,145,129
TOTAL TRANSACTIONS WITH CUSTOMERS (LIABILITIES)⁽¹⁾	511,349	-	-	-	-	511,349

(1) Of which transactions with related undertakings.

Note 5

EQUITIES, BONDS AND OTHER SECURITIES

(in thousands of euros)	31/12/2016	31/12/2015
Interests in investment portfolio UCITS	150,000	150,000
Equities and other investment portfolio securities unlisted	4	4
Equities and other investment portfolio securities listed	-	-
Other long-term investment securities	650	148
Bonds ⁽¹⁾	205,997	223,067
TOTAL	356,651	373,219

(1) Bonds issued by the Master Credit Cards PASS securitisation fund, maturing October 2025, and subscribed by Carrefour Banque:
 - of which subordinated bonds: **€135,241 thousand** including an impairment allowance of **€17,559 thousand**.
 - of which seller's interest bonds: **€70,720 thousand**.
 - of which accrued interest receivable: **€36 thousand**.

Note 6

DEBT SECURITIES IN ISSUE

(in thousands of euros)	31/12/2016	31/12/2015
Certificates of deposit	1,010,014	1,086,018
Other negotiable debt instruments	279,000	549,239
Bond issues	1,800,857	1,601,214
TOTAL	3,089,871	3,236,470
of which accrued interest payable	871	1,470
of which transactions with related undertakings	-	-

Note 7

MATURITY SCHEDULE OF DEBT SECURITIES IN ISSUE

(in thousands of euros)					31/12/2016
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	More than 5 years	TOTAL
Certificates of deposit	355,000	655,000	-	-	1,010,000
Other negotiable debt instruments	20,014	259,000	-	-	279,014
Bond issues	857	-	1,800,000	-	1,800,857
TOTAL	375,871	914,000	1,800,000	-	3,089,871

Note 8

INVESTMENTS IN SUBSIDIARIES AND PARTICIPATING INTERESTS

(in thousands of euros)	31/12/2016			31/12/2015		
	Gross value	Impairment allowances	Carrying amount	Gross value	Impairment allowances	Carrying amount
Unlisted subsidiaries and participating interests						
Fimaser SA	20,700	-	20,700	20,700	-	20,700
Servicios Financieros Carrefour, EFC SA	1,663	-	1,663	1,663	-	1,663
La Financière PASS SAS	37	-	37	37	-	37
FCT Copernic 2012/FCT Master Credit Cards PASS	-	-	-	-	-	-
GIE Carrefour Personal Finance Services	-	-	-	-	-	-
GIE Geric	-	-	-	40	-	40
GIE Chamnord	324	-	324	324	-	324
TOTAL	22,724	-	22,724	22,764	-	22,764

Fimaser SA: Avenue des Olympiades 20, 1140 Brussels; share capital €8,655,202.

Equity interest of Carrefour Banque: 99.98%.

Revenues for the 2016 financial year: **€23,971 thousand**, down 8.2% versus 2015.

Post-tax profit for the 2016 financial year: **€3,611 thousand**, down 19.6% versus 2015.

Reserves, retained earnings and share premium before appropriation of 2016 profits: **€14,937 thousand**.

The accounts of Fimaser are included in the consolidated financial statements of the Carrefour Banque group by the full consolidation method.

Servicios Financieros Carrefour, EFC SA: registered office Calle Juan Esplandiú no. 11, 28007 Madrid; share capital €18,567,438.

Equity interest of Carrefour Banque: 6.797%.

Revenues for the 2016 financial year: **€1,179,978 thousand**, up 11.2% versus 2015.

Post-tax profit for the 2016 financial year: **€120,691 thousand**, up 10.7% versus 2015.

Reserves, retained earnings and share premium before appropriation of 2016 profits: **€221,413 thousand**.

La Financière PASS SAS: registered office 1 Place Copernic, 91051 Evry Cedex, subsidiary with share capital of €37,000.

Equity interest of Carrefour Banque: 100%, net profit of €27 thousand for the 2016 financial year.

FCT Master Credit Cards PASS (securitisation fund): registered office 41 Rue Délézy, 93500 Pantin.

Equity interest of Carrefour Banque: 100% (representing €300).

The accounts of FCT Master Credit Cards PASS are included in the consolidated financial statements of the Carrefour Banque group by the full consolidation method.

GIE Carrefour Personal Finance Services (CPFS), registered office 1 Place Copernic, 91080 Courcouronnes.

Economic interest grouping with no capital, established on 13 April 2010 by CARMA and Carrefour Banque (which acts as the contact member).

GIE CPFS was wound up on 30 November 2016. Carrefour Banque is acting as liquidator with effect from that date.

The accounts of GIE CPFS are included in the consolidated financial statements of the Carrefour Banque Group by the full consolidation method.

COMPANY FINANCIAL STATEMENTS

Note 9

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/2015	Increases	Decreases	Other movements	31/12/2016
Gross value					
Intangible assets	145,813	35,231	18,099	- 1,647	161,298
Property, plant and equipment	37,055	5,711	1,163	- 1,609	39,994
TOTAL GROSS VALUE	182,868	40,942	19,262	- 3,256	201,292
Amortisation of intangible assets	17,054	8,951	1,036	-	24,970
Depreciation of property, plant and equipment	20,517	4,151	2,098	-	22,570
TOTAL CARRYING AMOUNT	145,297	27,840	16,128	- 3,256	153,752

Note 10

OTHER ASSETS AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2016	31/12/2015
Assets		
Sundry Group debtors	91,112	88,173
Other sundry debtors ⁽¹⁾	91,099	106,270
TOTAL OTHER ASSETS	182,211	194,443
Items in course of collection	65,829	171,260
Prepayments	9,644	11,206
Accrued income	27,911	32,949
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	103,385	215,415

(1) Includes advances to SCI Karukaz II: €6,013 thousand from 2009; to GIE GNIFI (INCO): €18,510 thousand from 2006; to La Financière PASS for KECHO 2: €8,400 thousand from 2014; and to SCI Ambaville: €6,124 thousand from 2013.
These advances represent tax-exempt investments.
Includes impairment allowances of €7,650 thousand as of 31 December 2016 against funds deposited as a guarantee against debtor default risk on loans transferred to the securitisation fund.

Note 11

OTHER LIABILITIES AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2016	31/12/2015
Liabilities		
Sundry Group creditors	18,029	121,447
Taxes payable	4,257	19,217
Employee-related liabilities	28,042	20,955
Trade payables	2,260	3,019
Other sundry creditors ⁽¹⁾	34,126	31,670
TOTAL OTHER LIABILITIES	86,715	196,309
Accruals	38,259	36,521
Deferred income	13,870	11,791
Items in course of collection	2,016	-
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	54,146	48,312

(1) Includes debt waivers in favour of SCI Karukaz II: €3,942 thousand from 2009; GIE GNIFI: €18,510 thousand from 2006; and SCI Ambaville: €4,016 thousand from 2013.

Note 12

IMPAIRMENT ALLOWANCES AND PROVISIONS

(in thousands of euros)	31/12/2015	Increases	Decreases	Other movements	31/12/2016
Impairment allowances against customer loans	337,370	32,556	52,607	-	317,319
TOTAL	337,370	32,556	52,607	-	317,319
Provisions				-	
Provisions for retirement benefits	17,725	7,712	2,268	-	23,169
Other provisions ⁽¹⁾	16,937	13,482	2,940	-	27,480
TOTAL	34,662	21,195	5,208	-	50,649
Restricted provisions					
Accelerated tax depreciation	875	1	104	-	772
Special profit-sharing reserve	885	-	885	-	-
TOTAL	1,760	1	990	-	772

(1) Includes a restructuring provision of €13,017 thousand at 31 December 2016.

Note 13

FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2015	Increases	Decreases	31/12/2016
Fund for general banking risks	3,735	-	-	3,735

Note 14

EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2015	Increases	Decreases	31/12/2016
Share capital: 6,614,184 shares	101,347	-	-	101,347
Reserves and retained earnings				
Share premium	207,110	-	-	207,110
Share warrants	-	-	-	-
Legal reserves	9,997	138	-	10,135
Reserves required under the bylaws	-	-	-	-
Other reserves	140,236	-	-	140,236
Retained earnings	130,913	9,202	-	140,115
TOTAL RESERVES AND RETAINED EARNINGS	488,256	9,339	-	497,595
TOTAL EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS	589,603	9,339	-	598,942

Notes on off balance sheet items

Note 15

**CONFIRMED CREDIT FACILITIES, SURETIES, ENDORSEMENTS
AND OTHER COMMITMENTS GIVEN AND RECEIVED**

(in thousands of euros)	31/12/2016	31/12/2015
Commitments given	3,082,774	3,415,426
Confirmed credit facilities available to customers	2,395,338	2,624,089
Commitments on interest rate instruments (swaps)	666,000	768,000
Sureties, endorsements and other guarantees given to customers	21,436	23,337
– of which financial guarantees	21,436	23,337
Securities commitments	-	-
Commitments received	4,625,161	4,742,379
Loan commitments received from credit institutions	1,613,801	1,617,951
Loan commitments received from financial sector customers	510,000	510,000
Commitments on forward financial instruments	2,480,000	2,593,500
Sureties, endorsements and other guarantees received from credit institutions	21,360	20,928

Note 16

FORWARD FINANCIAL INSTRUMENTS

(in thousands of euros)	31/12/2016				31/12/2015			
	Micro-hedging	Open position	Total	Fair value	Micro-hedging	Open position	Total	Fair value
Firm OTC instruments								
Interest rate swaps	1,189,000	1,742,000	2,931,000	- 10,017	1,150,500	1,896,000	3,046,500	- 15,383
Cross currency swaps	-	-	-	-	-	-	-	-
Caps	-	215,000	215,000	2	-	315,000	315,000	34
TOTAL	1,189,000	1,957,000	3,146,000	- 10,015	1,150,500	2,211,000	3,361,500	- 15,349
Residual maturity	≤ 1 year	1 to 5 years	> 5 years	Total				
Nominal value of contracts	336,500	331,500	521,000	1,189,000				
Fair value	- 2,247	- 4,855	- 2,915	- 10,017				

Notes to the income statement

Note 17

INTEREST AND EQUIVALENT INCOME INTEREST AND EQUIVALENT EXPENSES

(in thousands of euros)	2016		2015	
	Income	Expenses	Income	Expenses
On transactions with credit institutions	12,645	21,178	27,367	33,801
On transactions with customers ⁽¹⁾	151,500	6,438	147,186	10,337
On bonds and other fixed-income securities	3,730	10,895	11,395	23,315
TOTAL	167,874	38,511	185,948	67,453
(1) Related parties (income).	730		1,070	

Note 18

FEES AND COMMISSION

(in thousands of euros)	2016		2015	
	Income	Expenses	Income	Expenses
Fees and commission on securities transactions	11,821	-	13,553	-
Fees and commission on payment media	54,786	6,837	52,571	5,530
TOTAL	66,607	6,837	66,124	5,530

Note 19

OTHER INCOME AND EXPENSES FROM BANKING OPERATIONS

(in thousands of euros)	2016		2015	
	Income	Expenses	Income	Expenses
Share of joint operations	54,222	58,826	53,867	51,147
Expenses recharged to Group companies	-	-	-	-
Other income and expenses from banking operations ⁽¹⁾	88,749	341	97,984	244
TOTAL	142,971	59,167	151,851	51,391
(1) Related parties (income).	75,913	-	80,384	-

Note 20

GENERAL OPERATING EXPENSES

(in thousands of euros)	2016	2015
Wages and salaries	49,962	52,291
Social security charges and payroll taxes	39,254	32,441
Profit-sharing	4,486	4,245
Personnel costs	93,702	88,977
of which retirement benefit expenses	9,901	6,393
Other administrative expenses	116,085	123,049
TOTAL GENERAL OPERATING EXPENSES	209,787	212,027

Note 21

COST OF RISK

(in thousands of euros)	2016	2015
Net change in impairment allowances	1,840	4,072
Charges on customer loans mainly covered by impairment allowances	- 106,339	- 103,034
TOTAL	- 104,499	- 98,963

Note 22

GAINS AND LOSSES ON PORTFOLIOS

(in thousands of euros)	2016		2015	
	Income	Expenses	Income	Expenses
Gains and losses on trading portfolios				
On financial instruments	3,676	-	5,361	-
Foreign exchange gains and losses	-	2	-	2
TOTAL	3,676	2	5,361	2
Gains and losses on investment portfolios and equivalents				
Impairment of investment securities	-	-	-	-
Gains and losses on disposals of investment securities	-	-	-	-
Expenses related to investment securities	-	-	-	-
TOTAL	-	-	-	-

Other information

Note 23

DIRECTORS AND KEY EXECUTIVES

(in thousands of euros)	2016	2015
Remuneration paid to directors and key executives	1,403	1,764

Note 24

HEADCOUNT

(number of employees)	2016	2015
Average number of employees in the year, comprising:	1,764	1,771
Non-managerial grades	1,359	1,441
Managerial grades	406	330

Note 25

IDENTITY OF CONSOLIDATING ENTITIES

Carrefour Banque is included by the full consolidation method in the consolidated financial statements of the Carrefour SA Group (equity interest: 60%), registered office 33 Avenue Émile-Zola – 92100 Boulogne-Billancourt, and by the equity method in the consolidated financial statements of BNP Paribas SA, registered office 16 Boulevard des Italiens – 75009 Paris, via its subsidiary BNP Paribas Personal Finance SA (equity interest: 40%), registered office 1 Boulevard Haussmann – 75009 Paris.

Appropriation of profits

We propose appropriating the net profit for the year ended 31 December 2016 as follows:

Net profit for the year (€)	28,321,680.76
Retained earnings brought forward	140,114,517.80
Distributable profits available for appropriation by the Annual General Meeting	168,436,198.56
Transfer to legal reserve	-
Transfer to other reserves	-
Dividend payout (€4.29 x 6,614,184 shares)	28,374,849.36
Balance carried forward as retained earnings	140,061,349.20

Each share will receive a dividend of €4.29, payable from 5 June 2017.

The total dividend payout of €28,374,849.36, representing a dividend of €4.29 per share before social levies deducted at source, constitutes income eligible for the 40% tax relief specified in Article 158.3(2) of the French General Tax Code (*Code Général des Impôts* – CGI), subject to the conditions and limits stipulated by law and bearing in mind that responsibility for claiming this relief lies with the shareholder.

In accordance with Article 243 *bis* of the CGI, we report below the dividend distributed per share in respect of the three previous financial years, and the amount of income per share eligible for relief under Article 158.3(2) of the CGI:

Financial year	Dividend distributed	Income eligible for relief under Article 158.3(2) of the CGI
2013	€ 3.55	€ 3.55
2014	€ 4.98	€ 4.98
2015	€ 4.26	€ 4.26

Statutory Auditors' report on the financial statements

Year ended 31 December 2016

To the Shareholders,

In accordance with the terms of our appointment at the Annual General Meeting, we present below our report for the year ended 31 December 2016 on:

- the audit of the accompanying financial statements of Carrefour Banque SA;
- the basis of our assessments;
- the specific procedures and information required by law.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a sample basis or using other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, as well as evaluating the overall financial statement presentation. We believe that the evidence we have collected provides a sufficient and appropriate basis for our opinion.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016, and of the results of its operations for the year then ended, in accordance with French generally accepted accounting principles.

2. BASIS OF OUR ASSESSMENTS

Pursuant to article L. 823-9 of the French Commercial Code relating to the basis of an audit opinion, we would draw your attention to the following matters:

Accounting estimates

As stated in note 1.D "Accounting policies – Customer loans", note 3 "Customer loans" and note 12 "Impairment allowances and provisions", Carrefour Banque recognises impairment allowances to cover the credit risks inherent in its activities. As part of our assessment of significant estimates used in the preparation of the financial statements, we examined control systems relating to the monitoring of credit risk, the evaluation of the risk of non-recovery, and the coverage of such risks by impairment allowances calculated on the basis of statistical observations.

Our assessments were an integral part of our audit approach for the financial statements taken as a whole, and hence contributed to the opinion expressed in the first part of this report.

3. SPECIFIC PROCEDURES AND INFORMATION

We also carried out the specific procedures required by law, in accordance with the professional standards applicable in France.

We have no matters to report regarding the fairness or consistency with the financial statements of the information given in the management report prepared by the Board of Directors or in documents sent to shareholders about the company's financial position and financial statements.

As regards information specified in Article L.225-102-1 of the French Commercial Code on remuneration and benefits paid to corporate officers, and on commitments made in favour of corporate officers, we hereby inform you that such information is not provided in the management report. Consequently, we are unable to express an opinion as to the truth and fairness of that information.

Neuilly-sur-Seine and Paris-La Défense, 10 April 2017

The Statutory Auditors

Deloitte & Associés

Jean-Vincent Coustel

185 Avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

KPMG Audit
A department of KPMG SA
Fabrice Odent

Tour Egho - 2 Avenue Gambetta - CS 60055
92066 Paris La Défense Cedex

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CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position at 31 December 2015 and 31 December 2016

ASSETS (in thousands of euros)	Note	IFRS 31/12/2016	IFRS 31/12/2015
Cash, central banks and postal cheque accounts		593	129,553
Financial instruments at fair value through profit or loss	3.1	5,535	6,858
Hedging derivatives	3.2	550	426
Available-for-sale financial assets	3.3	151,638	151,185
Interbank and equivalent transactions	3.5	1,495,154	1,304,050
Transactions with customers	3.6	2,969,001	3,203,615
Current and deferred tax assets	3.8	69,090	71,565
Accrual accounting adjustments and other assets	3.9	150,656	267,048
Participating interests, interests in related undertakings and other long-term investment securities		2,638	2,176
Property, plant and equipment and intangible assets	3.10	140,369	164,453
Goodwill	3.11	-	-
TOTAL ASSETS		4,985,224	5,300,930

LIABILITIES AND EQUITY (in thousands of euros)	Note	IFRS 31/12/2016	IFRS 31/12/2015
Cash, central banks and postal cheque accounts		-	-
Financial instruments at fair value through profit or loss	3.1	5,611	6,977
Hedging derivatives	3.2	13,285	18,477
Interbank and equivalent transactions	3.5	20,188	23,530
Transactions with customers	3.6	524,692	602,918
Debt securities in issue	3.7	3,595,434	3,742,085
Current and deferred tax liabilities	3.8	9,527	6,250
Accrual accounting adjustments and other liabilities	3.9	110,157	210,735
Provisions	3.12	40,364	26,778
Shareholders' equity attributable to the Group:		665,967	663,178
Share capital and associated reserves		308,457	308,457
Consolidated reserves		328,048	318,200
Net profit for the period		29,461	36,521
TOTAL LIABILITIES AND EQUITY		4,985,224	5,300,930

Statement of financial position at 31 December 2015 and 31 December 2016

INCOME STATEMENT (in thousands of euros)	Note	2016	2015
Interest and equivalent income	4.1	285,751	319,472
Interest and equivalent expenses	4.1	– 39,952	– 70,594
Income from variable-income securities		5,563	6,219
Fee and commission income	4.2	76,529	83,498
Fee and commission expenses	4.2	– 9,696	– 11,005
Net gains/(losses) on financial instruments at fair value through profit or loss	4.3	–48	596
Net gains/(losses) on available-for-sale financial assets and other financial assets not measured at fair value	4.4	–	–
Other income from banking operations	4.5	146,683	156,019
Other expenses on banking operations	4.5	– 75,865	– 71,318
NET BANKING INCOME		388,965	412,888
General operating expenses		– 219,189	– 208,180
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		– 12,652	–14,342
GROSS OPERATING PROFIT		157,123	190,366
Cost of risk	4.6	– 112,134	– 113,741
OPERATING PROFIT		44,989	76,624
Gains and losses on non-current assets		– 610	– 16,106
Gain from bargain purchase/(goodwill impairment)		–	–
CURRENT PRE-TAX PROFIT		44,379	60,518
Income taxes	4.7	– 14,917	– 23,998
Non-controlling interests		–	–
NET PROFIT ATTRIBUTABLE TO THE GROUP		29,461	36,521

Consolidated statement of comprehensive income for the years ended 31 December 2015 and 31 December 2016

(in thousands of euros)	2016	2015
Net profit attributable to the Group	29,461	36,521
Non-controlling interests	–	–
Actuarial gains and losses on retirement benefit obligations	– 2,139	– 1,896
Value adjustments reclassifiable to profit or loss on cash flow hedging derivatives and available-for-sale assets	4,269	4,727
Value adjustments not reclassifiable to profit or loss on cash flow hedging derivatives and available-for-sale assets	–	–
Other comprehensive income	2,130	2,831
TOTAL COMPREHENSIVE INCOME	31,591	39,352
Attributable to owners of the parent company	31,591	39,352
Attributable to non-controlling interests	–	–

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Statement of changes in equity between 1 January 2015 and 31 December 2016

(in thousands of euros)	Share capital and share premium		Consolidated reserves	Gains and losses recognised directly in equity			Net profit attributable to the Group	Total equity attributable to the Group	Equity attributable to non-controlling interests	Total consolidated equity
	Share capital	Share premium		Changes in fair value of financial instruments						
				Available-for-sale financial assets	Hedging derivatives	Actuarial gains and losses				
IFRS EQUITY AT 01/01/2015 AFTER APPROPRIATION	99,971	200,434	367,224	355	- 15,028	- 5,678	-	647,279	-	647,279
Transactions with shareholders		1,376	6,677					8,053		8,053
Capital increase	1,376	6,677						8,053		8,053
Reclassification										
Distributions			- 32,491					- 32,491		- 32,491
Sub-total	1,376	6,677	- 32,491					- 24,438		- 24,438
Gains and losses recognised directly in equity										
Other movements				422	4,305			4,727		4,727
Sub-total				422	4,305			4,727		4,727
Other movements										
Net profit for the period							36,521	36,521		36,521
Other movements			985			- 1,896	0	- 911		- 911
Sub-total			985			- 1,896	36,521	35,610		35,610
IFRS EQUITY AT 31/12/2015	101,347	207,110	335,718	777	- 10,723	- 7,574	36,521	665,967		665,967
Appropriation of 2015 profits			36,521				- 36,521			
IFRS EQUITY AT 01/01/2016 AFTER APPROPRIATION	101,347	207,110	372,239	777	- 10,723	- 7,574	-	663,178	-	663,178
Transactions with shareholders										
Capital increase								-		-
Reclassification										
Distributions			- 28,176					- 28,176		- 28,176
Sub-total			- 28,176					- 28,176		- 28,176
Gains and losses recognised directly in equity										
Other movements				297	3,972			4,269		4,269
Sub-total				297	3,972			4,269		4,269
Other movements										
Net profit for the period							29,461	29,461		29,461
Other movements			- 624			- 2,139	-	- 2,763		- 2,763
Sub-total			- 624			- 2,139	29,461	26,698		26,698
IFRS EQUITY AT 31/12/2016	101,347	207,110	343,438	1,074	- 6,751	- 9,713	29,461	665,967	-	665,967

Cash flow statement for the years ended 31 December 2015 and 31 December 2016

(in thousands of euros)	2016	2015
Current pre-tax profit	44,379	60,518
Non-monetary items included in pre-tax profit and other adjustments not included in profit or loss	- 246,133	- 234,048
Depreciation and amortisation of property, plant and equipment and intangible assets, net	12,653	14,342
Impairment of goodwill and other non-current assets	-	15,823
Net change in provisions	- 2,025	499
Share of profits/losses of associates and joint ventures	-	-
Net gain/loss on investing activities	- 4,953	- 5,936
Income/expenses on financing activities	-	-
Other movements	- 251,808	- 258,776
Net cash inflows/(outflows) arising from assets and liabilities relating to operating activities	271,182	- 54,599
Net cash inflows/(outflows) arising from transactions with credit institutions	- 2,288	- 425,091
Net cash inflows/(outflows) arising from transactions with customers	425,494	329,701
Net cash inflows/(outflows) arising from transactions affecting other financial assets and liabilities	- 140,422	69,478
Income taxes paid	- 11,602	- 28,687
Net cash generated by/(used in) operating activities	69,428	- 228,129
Net cash inflows/(outflows) arising from financial assets and participating interests	5,061	6,079
Net cash inflows/(outflows) arising from property, plant and equipment and intangible assets	7,467	- 25,805
Net cash generated by/(used in) investing activities	12,528	- 19,726
Net cash inflows/(outflows) arising from transactions with shareholders	- 28,176	- 32,491
Net cash inflows/(outflows) arising from other financing activities	-	8,053
Net cash generated by/(used in) financing activities	- 28,176	- 24,438
Effect of exchange rate fluctuations on cash and cash equivalents	-	11
NET INCREASE/(DECREASE) IN CASH POSITION	53,780	- 272,282
Cash and cash equivalents at start of period	137,497	409,779
Cash, central banks and postal cheque accounts (assets and liabilities)	129,553	294,712
Loans to credit institutions repayable on demand	26,488	122,426
Borrowings from credit institutions repayable on demand	18,544	7,359
Cash and cash equivalents at end of period	191,277	137,497
Cash, central banks and postal cheque accounts (assets and liabilities)	593	129,553
Loans to credit institutions repayable on demand	190,684	26,488
Borrowings from credit institutions repayable on demand	-	18,544
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	53,780	- 272,282

Significant events of 2016

• Asset transfer

Carrefour Banque transferred its servers and automated payment infrastructures to Market Pay Tech during the first half of 2016.

• Reorganisation

On 7 June 2016, Carrefour Banque announced a reorganisation plan for its network of bricks-and-mortar branches. A restructuring provision of €13 million was recognised to cover this plan.

• Change in tax rate

Under the French Finance Act of 25 October 2016, the corporate income tax rate is due to change to 28% in 2020. Consequently, Carrefour Banque has recognised deferred taxes at a rate of 34.43% over the short term and 28% over the long term, generating an additional expense of €1.2 million.

Notes to the financial statements

Note 1

APPLICABLE ACCOUNTING STANDARDS

Carrefour Banque ("the Company") is a *société anonyme* (a form of public limited company) with share capital of €101,346,956.72. It is a credit institution and insurance broker, with its registered office at 1 Place Copernic, 91051 Évry Cedex, France. The consolidated financial statements for the year ended 31 December 2016 include the Company and its subsidiaries (collectively "the Group"). They have been prepared and are presented in euros, the Group's functional currency.

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Company for the year ended 31 December 2016 have been prepared in accordance with international financial reporting standards (IFRS) as endorsed by the European Union as of 1 January 2016 and mandatorily applicable as of that date.

The term "IFRS" refers collectively to International Financial Reporting Standards and International Accounting Standards (IAS), and to interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The Group has decided not to early adopt those standards and interpretations that are not mandatorily applicable as of 1 January 2016: IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which have not yet been endorsed by the European Union, and will be applicable from 1 January 2018.

IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 "Financial Instruments", issued by the International Accounting Standards Board (IASB) in July 2014, will replace IAS 39 "Financial Instruments: Recognition and Measurement" as regards the classification and measurement of financial instruments. The new standard defines new principles for the classification and measurement of financial instruments, impairment for credit risk associated with financial assets, and general hedge accounting (or micro-hedging).

Classification and measurement

Under IFRS 9, the classification and measurement of financial assets will depend on the business model within which they are held and their contractual characteristics. On initial recognition, financial assets will be classified either at amortised cost, fair value through other comprehensive income (in a separate line item), or fair value through profit or loss.

Applying the business model and contractual characteristics criteria could result in some financial assets being classified and measured differently from how they were classified and measured under IAS 39.

The IAS 39 requirements on derecognition of financial assets and financial liabilities have been carried over unchanged from IAS 39 to IFRS 9.

Impairment

IFRS 9 introduces a new impairment model for credit risk, based on expected losses.

The new IFRS 9 impairment model requires an entity to recognise 12-month expected credit losses (i.e. losses resulting from the risk of default events within the next 12 months) on instruments issued or acquired by the entity, and to do so from the date of initial recognition of those instruments in the balance sheet.

Lifetime expected credit losses (i.e. losses resulting from all possible default events over the expected life of the instrument) must be recognised if there has been a significant increase in credit risk since initial recognition.

The new impairment model is likely to lead to an increase in impairment allowances for credit risk, given that 12-month expected credit losses will have to be calculated for all financial assets. In addition, the scope of assets subject to a significant increase in credit risk could differ from the scope of assets requiring a portfolio-based provision under IAS 39.

Finally, the IFRS 9 impairment model places greater emphasis on prospective information than the IAS 39 model, leading to greater volatility in expected credit losses.

Carrefour Banque intends to rely on its existing concepts and mechanisms (especially those used for compliance with the Basel regulatory framework) in the case of exposures whose capital requirements in respect of credit risk are calculated using the IRBA approach. Those mechanisms will also have to be applied to portfolios whose capital requirements in respect of credit risk are calculated using the standard approach. However, the Basel mechanisms will have to be supplemented to reflect the specific requirements of IFRS 9, especially as regards prospective information.

Hedge accounting

The IFRS 9 hedge accounting model is intended to be more closely aligned on risk management, in particular by broadening the scope of qualifying hedging instruments and eliminating some rules that were regarded as too prescriptive.

The requirements of IAS 39 relating to portfolio hedges, as endorsed by the European Union, will continue to apply.

Based on the analyses conducted to date, Carrefour Banque expects to continue applying the IAS 39 hedge accounting requirements in full.

Transition

The new classification and measurement principles and the new impairment model in IFRS 9 are applicable retrospectively by adjusting opening balances as of the date of first-time application, but with no obligation to restate comparative periods.

As of 31 December 2016, the impacts of applying IFRS 9 within the Carrefour Banque group with effect from 1 January 2018 were not yet known. The full set of IASB pronouncements endorsed by the European Union can be consulted on the European Commission website at the following address: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Note 2

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1 / Consolidation

2.1.1 / Scope and method of consolidation

The consolidated financial statements of the Carrefour Banque Group include all entities under the exclusive control of the Company, which does not exercise joint control or significant influence over any other entities. Subsidiaries are consolidated from the date on which the Group obtains effective control.

Entities under exclusive control are consolidated using the full consolidation method.

Control exists when Carrefour Banque has the power to govern, directly or indirectly, the financial and operating policies of an entity.

In determining the percentage of control, the Group takes account of potential voting rights that give access to additional votes, provided that they are exercisable or convertible immediately.

As of 31 December 2016, the scope of consolidation of the Carrefour Banque Group comprised:

- Carrefour Banque, registered office 1 Place Copernic, Évry (91051), registered number 313 811 515. Carrefour Banque is the parent company, and has share capital of €101,346,956.72.
- FCT Master Credit Cards Pass – EuroTitratisation, a securitisation umbrella fund, registered office 41 Rue Délizy, Pantin (93500), registered in the Bobigny companies register as no. 352 458 368 00045.
- GIE Carrefour Personal Finance Services, an economic interest grouping with its registered office at 1 Place Copernic, Courcouronnes (91080), with no capital. This grouping was established on 13 April 2010 by CARMA and Carrefour Banque, with the latter acting as the contact member, and 75% of the grouping is included in the financial statements of the Carrefour Banque Group by the full consolidation method.
- Fimaser, acquired on 30 September 2013 for €20.7 million, registered office Avenue des Olympiades, Brussels (1140), and registered in the Brussels companies register; this company has share capital of €8,655,202.42, of which 99.98% is owned by Carrefour Banque, and is included in the financial statements of the Carrefour Banque Group by the full consolidation method.

CSF, acquired on 31 December 2010 for €11.502 million, registered office Via Calidera no. 21, Milan (Italy), share capital €5,000,000, is 100% owned by Carrefour Banque, with the status of a branch.

The Group also consolidates separate legal entities established specifically to manage a transaction or group of similar transactions (special purpose entities – “SPEs”), even if it has no equity interest in the SPE, when it has power over the relevant activities of the SPE and the ability to use that power to influence the amount of the returns from the SPE such that:

- the activities of the SPE are conducted exclusively for the Group so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making and managerial powers to obtain the majority of the benefits of the ordinary activities of the SPE, as evidenced in particular by the ability to wind up the SPE, amend its articles of association, or formally veto such amendment;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE. These benefits may take the form of a right to receive some or all of the SPE's annual profits, a right to a share of the SPE's net assets, a right to dispose of one or more assets, or a right to a majority of the residual assets of the SPE in the event of liquidation;
- the Group retains the majority of the risks incurred by the SPE in order to obtain benefits from them; this would apply, for example, if the Group retains exposure to the first losses on a portfolio of assets carried by the SPE.

As of 31 December 2016, separate legal entities formed specifically to manage a tax-efficient transaction or group of similar tax-efficient transactions have not been consolidated insofar as Carrefour Banque does not have power over the relevant activities of such entities.

CONSOLIDATED FINANCIAL STATEMENTS

2.1.2 / Consolidation rules

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Elimination of reciprocal transactions

Reciprocal balances arising from transactions between consolidated entities are eliminated, as are the transactions themselves (including income, expenses and dividends). Gains and losses arising from disposals of assets within the Group are eliminated, unless they indicate an impairment loss. Unrealised gains and losses incorporated into the value of available-for-sale assets are maintained at Group level.

Foreign currency translation

All entities in the scope of consolidation have the euro as their functional currency.

2.1.3 / Business combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the acquisition method.

Whenever the Group acquires control over a company or group of companies, it must identify and measure at fair value all of the assets acquired and liabilities assumed. The difference between (i) the fair value of the consideration transferred, including the amount recognised for any non-controlling interest in the acquiree, and (ii) the net amount recognised (usually at fair value) for the identifiable assets acquired and liabilities assumed, is recognised as goodwill. This goodwill is subsequently subject to impairment testing at cash generating unit level. It is recognised in the balance sheet of the acquiree, in the functional currency of the acquiree.

In accordance with the revised IFRS 3, which took effect on 1 January 2010, the Group applies the following policies:

- acquisition-related costs are recognised immediately as an operating expense as incurred;
- for each business combination, the Group assesses whether to apply the full goodwill method or the partial goodwill method:
 - under the full goodwill method, non-controlling interests are measured at fair value and are attributed a share of the goodwill arising on the acquisition;
 - under the partial goodwill method, non-controlling interests continue to be measured at their share of the acquiree's net assets, and hence are not attributed any goodwill;
- any potential price adjustment is measured at its estimated fair value at the acquisition date. The initial measurement may only be subsequently amended (via an adjustment to goodwill) if new information is obtained about facts and circumstances that existed at the acquisition date and the adjustment falls within the 12-month measurement period. If the financial liability recognised in respect of contingent purchase consideration is adjusted after the end of the measurement period, or is adjusted in a way that does not meet these criteria, the adjustment is recognised as a component of comprehensive income;
- in a step acquisition, any existing equity interest is remeasured at fair value through profit or loss when the Group obtains control. Conversely, loss of control requires any residual equity interest to be remeasured at fair value on the same basis;
- any negative goodwill (gain on a bargain purchase) is recognised immediately in profit or loss;
- any acquisition or disposal of equity interests which occurs subsequent to a business combination but does not affect control is treated as a transaction between shareholders and under the revised IAS 27 is recognised directly in equity.

If an entity or additional equity interest is acquired during the financial year, only the profits or losses arising since the acquisition date are included in consolidated profit or loss for the year.

Given its organisational structure and the inter-dependence of the cash flows generated by its banking activities, the Carrefour Banque Group constitutes a single cash generating unit.

Effectively, the Group's banking activities are run by a single management team, and share a common sales force and sales supervision team. The selling of insurance products is handled by Carrefour Banque staff, while all the Group's activities use common management reporting tools and information systems and share the same accounting, financial control, payroll and human resources functions.

Allocation of goodwill

Goodwill is allocated in full to the sole cash generating unit, constituting the Carrefour Banque Group.

2.2 / Financial assets and liabilities

2.2.1 / Loans

Loans and advances are initially recognised at fair value, which is usually the amount disbursed at inception and includes origination costs directly attributable to the transaction together with certain fee and commission income regarded as an adjustment to the effective return on the loan.

Loans and advances are subsequently measured at amortised cost, using the effective interest method.

In accordance with IAS 39, loans classified in "Transactions with customers" are written down by means of impairment allowances if they have been subject to one or more loss event subsequent to their initial recognition. Impairment allowances are therefore recognised for customer loans that are subject to a known credit risk as a result of any of the following events:

- there has been one or more missed payment under the specific terms of the loan;
- the counterparty's situation is such that regardless of any missed payments, it is reasonable to assume that a known credit risk exists;
- legal proceedings have been instigated between the bank and the counterparty.

The impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows. The calculation of impairment allowances is based on:

- a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk;
- probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors).

The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data.

In accordance with IAS 39, the cash inflows used in the statistical models are discounted. Impairment allowances calculated on loans subject to a known credit risk are recognised in "Cost of risk".

2.2.2 / Securities

Categories of securities

The securities held by the Carrefour Banque Group can be classified in two categories.

Financial assets at fair value through profit or loss

The "Financial assets at fair value through profit or loss" category comprises:

- held-for-trading financial assets;
- financial assets that the Group has designated as being recognised and measured at fair value through profit or loss from inception using the option permitted under IAS 39.
- Securities classified in this category and reported in the corresponding line item in the balance sheet are initially measured at fair value; transaction costs are recognised directly in profit or loss. At the reporting date, they are remeasured at fair value; any changes in fair value (other than accrued interest on fixed-income securities) are recognised in the income statement in "Net gains/losses on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and any realised gains or losses on disposal.

Income generated on fixed-income securities classified in this category is reported in "Interest and equivalent income" in the income statement. An assessment of counterparty risk is incorporated in the fair value of these securities.

Available-for-sale financial assets

The "Available-for-sale financial assets" category consists of fixed-income and variable-income securities that do not belong to any of the other categories of financial asset.

Securities classified in this category and reported in the corresponding line item in the balance sheet are initially measured at fair value plus directly attributable transaction costs. At the reporting date, they are remeasured at fair value; any changes in fair value (other than accrued interest) are recognised in "Other comprehensive income". When available-for-sale securities are sold, the unrealised gains and losses initially recognised in "Other comprehensive income" are reclassified to profit or loss, in "Net gains/losses on available-for-sale financial assets".

Repos and securities lending/borrowing

Securities temporarily sold under repurchase agreements ("repos") remain in the Group's balance sheet in their initial category. The corresponding liability is recognised in the appropriate line item on the liabilities side of the balance sheet except in the case of repos initiated by the Group's trading activities, the liability for which is recognised in "Financial liabilities at fair value through profit or loss".

Securities temporarily acquired under reverse repurchase agreements ("reverse repos") are not recognised in the Group's balance sheet. The corresponding receivable is recognised in "Loans and advances" except in the case of reverse repos initiated by the Group's trading activities, the receivable for which is recognised in "Financial assets at fair value through profit or loss".

Securities lending transactions do not lead to derecognition of the loaned securities, and securities borrowing transactions do not lead to recognition of the borrowed securities in the balance sheet unless the securities are subsequently sold by the Group, in which case the obligation to deliver the securities on expiry of the loan is reflected by a financial liability reported in "Financial liabilities at fair value through profit or loss".

2.2.3 / Foreign-currency transactions

At the reporting date, monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the Group entity in whose balance sheet they are recorded; the resulting foreign exchange gains or losses are recognised in profit or loss.

2.2.4 / Impairment of financial assets

Provisions for financing and guarantee commitments

Similar principles apply to provisions for financing and guarantee commitments given by the Group; in the case of financing commitments, the probability of drawdown is taken into account.

Impairment of a loan or advance is usually recorded in a separate allowance account that reduces the original value recognised for the loan or advance on the assets side of the balance sheet. Provisions relating to off balance sheet financial instruments, financing or guarantee commitments and litigation are recognised on the liabilities side of the balance sheet. Impaired loans or advances are fully or partly written off, and the allowance reversed up to the amount of the write-off, when all recourse available to the Carrefour Banque Group to recover the debt (and any collateral) has been exhausted or when the loan or advance has been wholly or partially waived.

Impairment of available-for-sale financial assets

Available-for-sale financial assets, mainly comprising securities, are written down individually by recognising an impairment loss in the income statement if there is objective evidence of other-than-temporary impairment resulting from one or more events occurring subsequent to acquisition.

In the case of variable-income securities quoted in an active market, the Group's control system identifies any equity interests that may be subject to other-than-temporary impairment by reference to two criteria: a significant fall in the share price below the acquisition value, or the length of time for which an unrealised loss has been observed. These criteria are used to determine whether a further individual qualitative analysis is performed, which may lead to the recognition of an impairment loss calculated on the basis of the quoted market price.

In addition to these identification criteria, the Group has defined three impairment criteria: one based on a significant fall in the quoted market price of a security, with a price fall of more than 50% below the acquisition value regarded as significant; another based on observation of an unrealised loss over two consecutive years; and the third based on observation of an unrealised loss of at least 30% on average over a one-year period. The Group considers two years to be the period required for a moderate fall in market price below cost to be regarded as an other-than-temporary phenomenon warranting recognition of an impairment loss, and not just attributable to the inherent volatility of the stock markets or to cyclical variations in these markets over several years.

Impairment losses on variable-income securities are recognised in net banking income, in the line item "Net gains/losses on available-for-sale financial assets"; they may only be reversed through profit or loss on the date of sale, if and when the security is sold. Any subsequent decline in market value is also regarded as an impairment loss, recognised in the income statement.

Impairment losses on fixed-income securities are recognised in "Cost of risk", and may be reversed through profit or loss if the market value of the security has increased due to an objective cause occurring subsequent to the recognition of the last impairment loss.

2.2.5 / Debt securities in issue

Financial instruments issued by Group companies are classified as debt instruments if there is a contractual obligation for the company to deliver cash to the holder in consideration. The same applies if the Group is obliged to exchange financial assets or financial liabilities with another entity on potentially unfavourable terms, or to deliver a variable number of its own equity instruments.

Debt securities in issue are measured at amortised cost using the effective interest method.

2.2.6 / Own equity instrument derivatives

The term "own equity instruments" refers to shares issued by the parent company (Carrefour Banque) and by its fully-consolidated subsidiaries. IAS 32 specifies the situations in which an own equity instrument derivative must be recognised as an equity instrument, as a debt instrument, or as a derivative financial instrument (which in the latter case means that the instrument must be measured at fair value, with changes in fair value recognised in profit or loss).

IAS 32 establishes the following principles:

- a) Only those own equity instrument derivatives that will be settled by the exchange of a fixed quantity of cash for a fixed number of own equity instruments can be recognised directly in equity. In such cases, they are not remeasured.
- b) An instrument that is settled net or that allows one of the parties to choose the method of settlement is treated as a derivative financial instrument. In such cases, changes in the fair value of the instrument are recognised in profit or loss.
- c) An own equity instrument derivative that requires the issuer to repurchase its own shares in exchange for a fixed amount of cash gives rise to a financial liability equal to the redemption amount.

2.2.7 / Derivatives and hedge accounting

All derivatives are recognised in the balance sheet on the value date at the transaction price, and are contracted to protect the Group's financial margin. At the reporting date, they are remeasured at fair value.

Held-for-trading derivatives

Held-for-trading derivatives are reported in the balance sheet, in "Financial assets at fair value through profit or loss" if they have a positive fair value and in "Financial liabilities at fair value through profit or loss" if they have a negative fair value. Realised and unrealised gains and losses are recognised in profit or loss, in "Net gains/losses on financial instruments at fair value through profit or loss".

To pool the hedging needs of the affiliates of Carrefour Banque (i.e. the Spanish financial services operations of the Carrefour Group – "the affiliates"), the Carrefour Banque Group acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the affiliates in the interests of mutualisation, organisational efficiency and access to markets.

Derivatives and hedge accounting

The Carrefour Banque Group distributes two principal consumer credit product families, which involves managing two types of portfolio: loans associated with the PASS card, and all other personal loans distributed to customers. To protect its financial margin, the Group has developed specific hedging strategies appropriate to each type of portfolio. These strategies use derivatives to limit the impact of a rise in interest rates.

On inception of a hedging relationship, the Group prepares formal documentation: designation of the hedged instrument or risk (or portion thereof), hedging strategy and nature of the hedged risk, designation of the hedging instrument, and methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group tests the retrospective and prospective effectiveness of its hedging relationships. Retrospective effectiveness tests are intended to ensure that the ratio of actual variations in the value or profits of the hedging instrument to actual variations in the value or profits of the hedged item is in a range between 80% and 125%. Prospective tests are intended to ensure that expected variations in the value or profits of the derivative over the residual life of the hedge will adequately offset expected variations in the value or profits of the hedged item.

The effective portion of a hedge is the lower of:

- the fair value of the hedging instrument (absolute value);
- changes in the fair value of the hedged cash flows (absolute value).

The ineffective portion is the difference between the fair value of the hedging instrument and the effective portion. This ineffective portion is recognised in the income statement, in “Net gains/losses on financial instruments at fair value through profit or loss”.

Under IAS 39 as endorsed by the European Union (which excludes some requirements relating to portfolio hedge accounting), fair value hedges of interest rate risk based on asset portfolios are used. In this context:

- the risk designated as the hedged risk is the interest rate risk associated with the interbank rate component included in the rate charged on commercial customer lending transactions;
- the hedging instruments are primarily plain vanilla interest rate swaps;
- retrospective hedge effectiveness is ensured by the fact that all the derivatives, as of their date of inception, have the effect of reducing interest rate risk on the portfolio of underlying hedged assets. Retrospectively, hedge accounting must be discontinued for such a hedge if the underlying assets specifically associated with the hedge for each maturity band are no longer sufficient. Carrefour Banque does not test effectiveness prospectively since its hedges are perfectly matched and are assumed to be highly effective for IAS 39 purposes.

The accounting principles applied to derivatives and to hedged instruments depend on the hedging strategy.

In the case of a fair value hedge, gains or losses arising from remeasurements of the derivative are recognised in profit or loss symmetrically with those arising from the hedged instrument to the extent of the hedged risk, such that the net impact on profit or loss is limited to any ineffectiveness of the hedge.

In the case of a cash flow hedge, the fair value remeasurement of the derivative is recognised by adjusting the carrying amount of the derivative in the balance sheet, with a matching entry recognised in equity. Any ineffective portion of the hedge is recognised in profit or loss.

Amounts recognised in equity during the life of the hedge are transferred to profit or loss (as interest income or expense) as and when gains or losses on the hedged instrument are recognised in the income statement.

If the hedged item ceases to exist, the cumulative amount recognised in equity is recognised in profit or loss immediately.

2.2.8 / Determination of fair value

Financial instruments are classified in three levels, in decreasing order of the observability of the values and inputs used to determine their fair value:

- Level 1 – Financial instruments with quoted market prices: This level consists of financial instruments with directly usable quoted prices in an active market.
- Level 2 – Financial instruments measured by valuation techniques that use observable inputs: This level consists of financial instruments valued by reference to (i) similar instruments quoted in an active market, or (ii) identical or similar instruments quoted in an inactive market but for which there are observable transactions, or (iii) financial instruments measured using valuation techniques based on observable inputs.
- Level 3 – Financial instruments measured by valuation techniques that use unobservable inputs:
- An instrument is classified as level 3 if a significant part of its valuation relies on unobservable inputs, defined as inputs whose value is derived from assumptions or correlations that are based neither on observable transaction prices for the same instrument at the measurement date nor on observable market data available as of that date.

Counterparty risk (CVA/DVA), which is taken into account via an adjustment to the model-derived valuation of derivatives, is calculated using observable market data.

The Carrefour Banque Group does not determine the market value of derivative instruments internally, but rather obtains those values from its counterparties.

2.2.9 / Income and expense on financial assets and financial liabilities

Financial assets at fair value through profit or loss

The Carrefour Banque Group reports interest on financial instruments measured at fair value that do not meet the definition of a derivative in “Interest and equivalent income” and “Interest and equivalent expenses”. Changes in the fair value of these instruments (other than accrued interest) are reported in “Net gains/losses on financial instruments at fair value through profit or loss”.

Hedging derivatives

Interest income and expenses on fair value hedging derivatives are reported with the income from the items whose risk exposure they hedge. Similarly, interest income and expenses on derivatives used to provide economic hedges of transactions designated as “at fair value through profit or loss” are included in the line item which records interest on the hedged transaction.

Available-for-sale assets

Income and expense on instruments measured at amortised cost and on fixed-income assets classified as available-for-sale financial assets are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that discounts future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

2.2.10 / Cost of risk

Cost of risk includes charges to and reversals of impairment allowances recognised for credit risk on fixed-income securities, and on loans and advances to customers and credit institutions.

It also includes any impairment losses recognised for known risks of default by counterparties in over-the-counter financial instrument contracts, and expenses arising from fraud and litigation relating to lending activities.

2.2.11 / Derecognition of financial assets and financial liabilities

The Group derecognises some or all of a financial asset when the contractual rights to receive the cash flows from the asset expire, or when the Group has transferred the contractual rights to receive the cash flows from the asset and substantially all of the risks and rewards of ownership of the asset. If any of these conditions is not met, the Group retains the asset in its balance sheet, and recognises a liability representing the obligations arising in connection with the transfer of the asset.

The Group derecognises some or all of a financial liability when some or all of that liability is extinguished.

2.2.12 / Offset of financial assets and financial liabilities

A financial asset and financial liability are offset, with a net amount reported in the balance sheet, if and only if the Group has an enforceable legal right to offset the amounts involved and intends either to settle the amount net or to realise the asset and settle the liability simultaneously.

2.3 / Intangible assets and property, plant and equipment

Intangible assets mainly comprise:

- Software, which is amortised over periods of between three and eight years. Internally-developed software that meets the criteria for recognition as an intangible asset is capitalised at its direct development cost, which includes external expenses and employee costs directly attributable to the project.
- Leasehold rights, which are not amortised but tested for impairment annually.
- Acquired intangible rights, which are tested for impairment annually.

Property, plant and equipment under construction is reported at cost net of any impairment losses.

Intangible assets are amortised and property, plant and equipment depreciated from the date they are ready for use until the date of their disposal, retirement or reclassification as held-for-sale assets under IFRS 5.

Depreciation and amortisation are charged on a straight line basis, with the principal components treated separately as appropriate, over the following estimated useful lives:

Licences and software	3 to 8 years
Computer equipment	3 to 5 years
Fixtures and fittings	5 to 8 years
Other property, plant and equipment	3 to 10 years

Given the nature of the assets used by the Group, no residual value is recognised for property, plant and equipment.

Depreciation methods and useful lives are reviewed at each reporting date, and where necessary are adjusted prospectively.

When entering into long-term lease contracts (especially for property assets), the Group analyses the terms of the contract to determine whether it is an operating lease or a finance lease (i.e. a lease which transfers to the lessee substantially all of the risks and rewards of ownership of the asset). Assets acquired by the Group under a finance lease are accounted for as follows:

- the leased asset is capitalised as an item of property, plant and equipment at the lower of its fair value or the present value of the minimum lease payments. It is then depreciated over the same period as items of property, plant and equipment owned by the Group, or over the term of the lease if this is shorter than the useful life of the asset;
- a corresponding liability is recognised on the liabilities side of the balance sheet;
- the lease payments are split between interest expense and repayments of the liability.

Depreciable assets are tested for impairment if indications of potential impairment are identified at the reporting date.

Non-depreciable assets are tested for impairment at least once a year.

If there is an indication that an asset may have become impaired, the new recoverable amount of the asset is compared with its carrying amount. Any impairment losses are recognised in profit or loss. Impairment losses are reversed if there is a change in the estimate of the recoverable amount or if there is no longer any indication of impairment. Impairment losses are reported in the income statement line item "Amortisation, depreciation and impairment of intangible assets and property, plant and equipment".

Gains and losses on disposals of intangible assets and property, plant and equipment are reported in the income statement line item "Gains and losses on other non-current assets".

2.4 / Leases

Leases contracted by the Carrefour Banque Group are classified as either operating leases or finance leases, based on an analysis of the substance and financial reality of the lease.

Finance leases

A finance lease is defined as a lease that transfers to the lessee substantially all the risks and rewards of ownership of an asset. It is treated as an acquisition of an item of property, plant and equipment by the lessee financed by a loan granted by the lessor.

IAS 17 specifies five situations in which a lease must be classified as a finance lease:

- the lease transfers ownership of the asset to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a price sufficiently lower than the fair value of the asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased asset is of such a specialised nature that only the lessee can use it without major modifications.

In addition, IAS 17 describes three indicators of situations that could also lead to a lease being classified as a finance lease:

- if the lessee cancels the lease, the lessor's losses associated with the cancellation (such as a loss on disposal of the asset) are borne by the lessee;
- gains or losses from fluctuations in the fair value of the residual value accrue to the lessee;
- the lessee has the ability to continue the lease at a rent substantially lower than market rent.

At inception of the lease, the lessor recognises a receivable in its balance sheet of an amount equal to the net investment in the lease, i.e. the present value of the minimum lease payments receivable from the lessee plus any unguaranteed residual value reverting to the lessor, discounted at the rate implicit in the lease.

Impairment of finance lease receivables is determined using the same methods as described for loans and advances.

Interest income from finance leases is recognised in "Interest and equivalent income" in the income statement.

Operating leases

An operating lease is a lease that does not transfer to the lessee substantially all of the risks and rewards of ownership of the asset.

In the financial statements of the lessor, the asset is capitalised as an item of property, plant and equipment and depreciated over the lease term (with the residual value excluded from the depreciable amount). The lease payments are recognised in profit or loss on a straight line basis over the term of the lease.

2.5 / Employee benefits

Group employees receive short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (jubilee benefits, long-service awards, compensation for paid leave entitlement not taken) and post-employment benefits under defined-contribution and defined-benefit plans (lump-sum retirement benefits, pensions, etc.).

Defined-contribution plans

Defined-contribution plans involve the payment of periodic contributions to an external body that administers and manages the plan. Under such plans, the employer is released from any further obligation; instead, the external body is responsible for paying employees the benefits to which they are entitled. Examples include the basic social security old age scheme in France, top-up retirement plans, and defined-contribution pension plans.

Contributions to such plans are recognised as expenses when they fall due.

Defined-benefit plans

The Carrefour Banque Group records a provision for the various defined-benefit plans under which employees gain entitlement on the basis of their length of service with the Group.

The obligation is calculated annually using the projected unit credit method, taking into account actuarial assumptions such as the rate of salary increases, retirement age, mortality, employee turnover and the discount rate. The discount rate used is the interest rate as of the reporting date on high-quality bonds with a maturity similar to that of the Group's obligations. The calculations are performed by a qualified actuary.

Under the amended IAS 19, effective 1 January 2014, the "corridor" method is no longer permitted. Consequently, the Group recognised all unamortised actuarial gains and losses and unrecognised past service costs in equity; these items will never impact profit or loss.

Share-based payment

Share-based payments are not recognised in the Carrefour Banque Group financial statements on grounds of immateriality.

2.6 / Segment information

By virtue of its organisational structure and internal reporting systems, the Carrefour Banque Group constitutes a single operating segment. The geographical segment in which the Group operates is France. Activities carried on outside France (Italy and Belgium) do not make a material contribution to the activities of the Group.

2.7 / Provisions

Other provisions

In accordance with IAS 37 "Provisions, contingent assets and contingent liabilities", provisions are established at the reporting date if the Group has a present obligation (legal or constructive) as a result of a past event, the amount of that obligation can be measured reliably, and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation. Such obligations may be statutory, regulatory, contractual or constructive. These provisions are estimated using methods appropriate to the nature of the obligation, based on the most likely assumptions. The amount of provisions is discounted where the effect of the passage of time is material.

2.8 / Current and deferred taxes

Income tax expense for the period includes current tax expense and deferred tax expense.

Deferred taxes are calculated using the balance sheet method for all temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and the tax base of that asset or liability (subject to the exceptions specified in IAS 12). Deferred taxes are determined using the liability method; they reflect the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities, and are calculated using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised on deductible temporary differences, and for tax losses and tax credits available for carry-forward to the extent that their recovery is regarded as probable.

The expense recorded in France for the corporate value-added contribution (CVAE) is also classified as an income tax expense, because the Group takes the view that it meets the definition specified in IAS 12.

2.9 / Cash flow statement

"Cash and cash equivalents" consists of the net balances recorded for cash, central banks and postal cheque accounts plus the net balance of loans to/borrowings from credit institutions payable on demand.

Net cash generated by (or used in) operating activities mainly comprises cash flows generated by the activities of the Carrefour Banque Group, transactions with credit institutions, transactions with customers, and transactions involving debt securities in issue.

Net cash generated by (or used in) investing activities mainly comprises cash flows generated by acquisitions and disposals of financial assets, of property, plant and equipment and of intangible assets, plus changes in the scope of consolidation.

Net cash generated by (or used in) financing activities mainly comprises inflows and outflows arising from transactions with shareholders (dividends paid in cash, and capital increases paid in cash). Capital increases involving the issuance of shares in exchange for assets are excluded from the cash flow statement if the assets obtained in exchange are of a non-monetary nature.

Note 3

NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2015 AND 31 DECEMBER 2016
3.1 / Financial assets, financial liabilities and derivatives at fair value through profit or loss

Financial assets measured at fair value through profit or loss, which amounted to €5.5 million at 31 December 2016, consist of the positive fair value of swaps contracted by Carrefour Banque on behalf of SFC, and the fair value of swaps relating to securitisation transactions. Financial liabilities at fair value through profit or loss, amounting to €5.6 million, consist of the negative fair value of swaps contracted by Carrefour Banque on behalf of SFC, caps held by Carrefour Banque on behalf of SFC, and the fair value of swaps relating to securitisation transactions. Carrefour Banque provides a credit facility to SFC, a non-consolidated Spanish entity, and consequently contracts swaps on the market which are then passed on to SFC.

(in thousands of euros)	31/12/2016			31/12/2015		
	Held for trading	Designated at fair value	TOTAL	Held for trading	Designated at fair value	TOTAL
Financial assets at fair value through profit or loss						
Equities and other variable-income securities	-	-	-	-	-	-
Equities and other variable-income securities	-	-	-	-	-	-
Derivative financial instruments	5,535	-	5,535	6,858	-	6,858
Derivatives	5,535	-	5,535	6,858	-	6,858
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5,535	-	5,535	6,858	-	6,858
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivative financial instruments	5,611	-	5,611	6,977	-	6,977
Derivatives	5,611	-	5,611	6,977	-	6,977
Other derivatives	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	5,611	-	5,611	6,977	-	6,977

3.2 / Hedging derivatives

The table below shows the fair value of derivative financial instruments used for hedging and non-hedging purposes.

(in thousands of euros)	31/12/2016		31/12/2015	
	Notional amounts	Fair value	Notional amounts	Fair value
CASH FLOW HEDGES	1,304,000	- 12,249	1,389,500	- 17,795
Interest rate derivatives - liabilities	1,036,500	- 12,689	1,098,500	- 17,989
Interest rate derivatives - assets	267,500	440	291,000	193
FAIR VALUE HEDGES	-	-	-	-
Interest rate derivatives - assets	-	-	-	-
DERIVATIVES USED FOR HEDGING PURPOSES	1,304,000	- 12,249	1,389,500	- 17,795
DERIVATIVES NOT USED FOR HEDGING PURPOSES	1,176,000	- 78	1,204,000	- 122
Derivatives - assets		5,531		6,855
Derivatives - liabilities		- 5,611		- 6,977
COUNTERPARTY RISK	2,480,000	- 486	2,593,500	- 257
Credit value adjustment (CVA) Derivatives assets		- 596		- 489
Debit value adjustment (DVA) Derivatives liabilities		110		232

Derivative financial instruments used for hedging purposes are contracted over-the-counter.

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3.3 / Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value.

(in thousands of euros)	31/12/2016			31/12/2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Fixed-income securities	-	-	-	-	-	-
Other bonds	-	-	-	-	-	-
Variable-income securities	151,638	-	151,638	151,185	-	151,185
Investments in UCITS	151,638	-	151,638	151,185	-	151,185
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	151,638	-	151,638	151,185	-	151,185

3.4 / Fair value measurement of financial instruments

The classification of financial instruments measured at fair value by valuation method complies with the requirements of IFRS 7 except for CVA and DVA.

(in thousands of euros)	31/12/2016				31/12/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Held-for-trading financial instruments at fair value through profit or loss	5,535	-	-	5,535	6,858	-	-	6,858
Hedging derivatives	-	440	-	440	-	194	-	194
Available-for-sale financial assets	151,638	-	-	151,638	151,185	-	-	151,185
Financial liabilities								
Held-for-trading financial instruments at fair value through profit or loss	5,611	-	-	5,611	6,977	-	-	6,977
Hedging derivatives	-	12,689	-	12,689	-	17,989	-	17,989

3.5 / Interbank transactions, amounts due from and to credit institutions

Loans and advances to credit institutions

(in thousands of euros)	31/12/2016	31/12/2015
Demand accounts	210,871	31,473
Loans	1,284,283	1,272,577
TOTAL LOANS AND ADVANCES TO CREDIT INSTITUTIONS	1,495,154	1,304,050

Amounts due to credit institutions

(in thousands of euros)	31/12/2016	31/12/2015
Demand accounts	20,188	23,530
Borrowings	1	-
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	20,188	23,530

3.6 / Loans and advances to customers, amounts due to customers

Loans and advances to customers

(in thousands of euros)	31/12/2016	31/12/2015
Current accounts in debit	501,360	538,530
Loans to customers	2,846,904	3,057,042
Finance leases	-	-
TOTAL LOANS AND ADVANCES TO CUSTOMERS BEFORE IMPAIRMENT	3,348,264	3,595,572
Impairment of loans and advances to customers	379,263	391,957
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET OF IMPAIRMENT	2,969,001	3,203,615

Amounts due to customers

(in thousands of euros)	31/12/2016	31/12/2015
Current accounts in credit	24,101	23,309
Term accounts and equivalents	-	-
Other accounts in credit	-	-
Regulated savings accounts	500,592	579,609
TOTAL AMOUNTS DUE TO CUSTOMERS	524,692	602,918

3.7 / Debt securities in issue

(in thousands of euros)	31/12/2016	31/12/2015
Certificates of deposit	1,010,082	1,085,919
Other negotiable debt instruments	278,475	548,787
Bonds	2,306,877	2,107,378
TOTAL DEBT SECURITIES IN ISSUE	3,595,434	3,742,085

3.8 / Current and deferred taxes

(in thousands of euros)	31/12/2016	31/12/2015
Current tax assets	8,880	9,652
Deferred tax assets	60,211	61,913
CURRENT AND DEFERRED TAX ASSETS	69,090	71,565
Current tax liabilities	5,520	2,221
Deferred tax liabilities	4,006	4,029
CURRENT AND DEFERRED TAX LIABILITIES	9,527	6,250

Movement in deferred taxes during the period

(in thousands of euros)	31/12/2016	31/12/2015
Net deferred tax asset at start of period	57,884	66,217
Deferred tax gain/(expense) (see note 4.7)	174	- 2,392
Changes in deferred tax arising from available-for-sale financial assets (remeasurements, and reclassification of past remeasurements to profit or loss)	- 156	- 190
Changes in deferred tax arising from hedging instruments (remeasurements, and reclassification of past remeasurements to profit or loss)	- 1,914	- 4,928
Effect of exchange rate fluctuations and other items	216	- 823
Net deferred tax asset at end of period	56,204	57,884

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Breakdown of net deferred tax asset by source

(in thousands of euros)	31/12/2016	31/12/2015
Available-for-sale financial assets	- 564	- 190
Unrealised finance lease reserve	-	-
Provisions for employee benefit obligations	6,604	7,873
Provisions for credit risk	41,064	40,987
Other items	9,100	9,214
Tax losses available for carry-forward	-	-
Net deferred tax asset	56,204	57,884
Deferred tax assets	60,211	61,913
Deferred tax liabilities	4,006	4,029

3.9 / Accrual accounting adjustments, other assets and liabilities

(in thousands of euros)	31/12/2016	31/12/2015
Items in course of collection	76,589	187,135
Prepayments	5,695	7,741
Accrued income	8,608	10,514
Other accrual accounting adjustments	2,870	3,421
Sundry Group debtors	23,176	23,251
Reinsurers' share of technical provisions	-	-
Other insurance assets	-	-
Other sundry debtors	33,718	34,986
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER ASSETS	150,656	267,048
Accruals	368	224
Deferred income	15,276	13,148
Items in course of collection	3,746	429
Sundry Group creditors	8,721	116,047
Taxes payable	2,421	3,276
Employee-related liabilities	28,902	27,276
Trade payables	39,101	41,317
Other insurance liabilities	-	-
Other sundry creditors	11,621	9,019
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER LIABILITIES	110,157	210,735

3.10 / Intangible assets and property, plant and equipment

(in thousands of euros)	31/12/2016			31/12/2015		
	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount
Investment property	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-
Equipment, furniture, fixtures and fittings	40,793	23,366	17,427	38,237	21,354	16,883
Assets leased out	-	-	-	-	-	-
Other property, plant and equipment	-	-	-	-	-	-
Property, plant and equipment	40,793	23,366	17,427	38,237	21,354	16,883
Acquired or internally-developed software	95,659	48,502	47,156	117,343	45,557	71,786
Other intangible assets	75,785	-	75,785	75,784	-	75,784
Intangible assets	171,444	48,502	122,942	193,128	45,557	147,571

Intangible assets

An impairment allowance of €15.8 million was recognised against acquired software in the year ended 31 December 2015; the allowance was retained as of 31 December 2016.

Carrefour Banque transferred its servers and automated payment infrastructures to Market Pay Tech for €18 million during the first half of 2016. "Other intangible assets" include in particular leasehold rights and customer relationships.

For impairment testing purposes, leasehold rights are valued as the sum total of the differences between (i) the market rent and (ii) the rent payable over the residual lease term discounted at the market rate of return.

As of 31 December 2016, impairment testing of these assets on an individual basis (performed using the methods described in note 2.3, "Intangible assets and property, plant and equipment") did not result in the recognition of any impairment losses.

Depreciation, amortisation and provisions

The net amount of depreciation charged against property, plant and equipment was €23 million in 2016 and €21 million in 2015; the net amount of amortisation charged against intangible assets was €32.7 million in 2016 and €29.7 million in 2015.

Assets leased out under operating leases

The table below shows the minimum future payments receivable under operating leases relating to assets owned by the Group:

(in thousands of euros)	31/12/2016	31/12/2015
Minimum future payments receivable under non-cancellable operating leases		
Payments receivable within less than 1 year	3,581	3,898
Payments receivable within more than 1 year but less than 5 years	8,277	9,347
Payments receivable after more than 5 years	2,786	1,538
TOTAL MINIMUM FUTURE PAYMENTS RECEIVABLE UNDER OPERATING LEASES	14,644	14,783

Minimum future lease payments receivable under non-cancellable leases represent the payments that the lessee is obliged to make during the term of the lease.

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3.11 / Goodwill

(in thousands of euros)	31/12/2016	31/12/2015
Carrying amount at start of period	-	-
Acquisitions	-	-
Currency translation differences	-	-
Impairment losses recognised in the period	-	-
Other movements (see note 8.2)	-	-
Carrying amount at end of period	-	-
Gross value	-	-

3.12 / Provisions

(in thousands of euros)	31/12/2016	31/12/2015
TOTAL PROVISIONS AT START OF PERIOD	26,778	23,208
Charges to provisions	18,768	2,134
Reversals of unused provisions	- 8,055	- 648
Other movements	2,874	2,084
TOTAL PROVISIONS AT END OF PERIOD	40,364	26,778

The main components of provisions for risks and charges are (i) in 2016 and 2015, the provision for retirement benefit obligations of €23.4 million and (ii) in 2016 only, a restructuring provision of €13 million relating to the reorganisation of the branch network booked in June 2016.

Note 4

**NOTES TO THE INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2015
AND 31 DECEMBER 2016**
4.1 / Interest and equivalent income and expenses

(in thousands of euros)	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
Transactions with customers	262,828	6,416	256,412	280,827	10,308	270,519
Accounts, loans and borrowings	262,828	6,416	256,412	280,827	10,308	270,519
Interbank transactions	9,455	204	9,250	17,815	416	17,399
Accounts, loans and borrowings	9,455	204	9,250	17,815	416	17,399
Repos	-	-	-	-	-	-
Debt securities issued by the Group	5,521	1,779	3,741	5,235	4,402	833
Cash flow hedging instruments	7,948	31,552	- 23,604	15,596	55,469	- 39,873
Available-for-sale assets	-	-	-	-	-	-
Other interest and equivalent income/expenses	-	-	-	-	-	-
TOTAL INTEREST AND EQUIVALENT INCOME/ EXPENSES	285,751	39,952	245,799	319,472	70,594	248,879

4.2 / Fee and commission income and expense

Fee and commission income and expense on financial assets and financial liabilities not measured at fair value through profit or loss totalled €76.5 million and €9.7 million respectively in 2016, compared with €83.5 million and €11 million respectively in 2015.

4.3 / Net gains/losses on financial instruments at fair value through profit or loss

"Net gains/losses on financial instruments at fair value through profit or loss" comprises all profit and loss items (including dividends) generated by held-for-trading financial instruments and by financial instruments designated by the Group at fair value through profit or loss, except for interest income and expenses (reported in "Interest and equivalent income and expenses", note 4.1).

(in thousands of euros)	2016	2015
Held-for-trading portfolio	183	432
Debt instruments	-	-
Other derivative financial instruments	183	432
Changes in fair value – ineffective portion	-	-
Fair value hedges	-	174
Losses on hedged items	-	- 1,813
Gains on hedging instruments	-	1,987
Cash flow hedges	-	145
Changes in fair value of hedging derivatives – ineffective portion	-	145
Gain/(loss) from counterparty risk on derivative instruments	- 229	- 153
Remeasurement of foreign exchange positions	- 2	- 2
TOTAL	- 48	596

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4.4 / Net gains/losses on available-for-sale financial assets and other financial assets not measured at fair value

(in thousands of euros)	2016	2015
Net change in impairment allowances on impaired securities	-	-
TOTAL	-	-

4.5 / Other income and expenses on banking operations

(in thousands of euros)	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
Share of joint operations	91,964	59,132	32,832	91,769	61,066	30,703
Expenses recharged to Group companies	53,209	-	53,209	62,783	-	62,783
Other income and expenses on banking operations	1,510	16,733	- 15,224	1,467	10,252	- 8,785
Net income from insurance activities	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES ON BANKING OPERATIONS	146,683	75,865	70,818	156,019	71,318	84,701

4.6 / COST OF RISK

"Cost of risk" consists of charges to impairment allowances recorded in respect of credit risk arising from the Group's intermediation activities.

Cost of risk for the period

(in thousands of euros)	2016	2015
Net reversal of impairment allowances	12,694	947
Charges on customer loans mainly covered by impairment allowances	- 124,828	- 114,688
TOTAL COST OF RISK FOR THE PERIOD	- 112,134	- 113,741

Cost of risk for the period by asset class

(in thousands of euros)	2016	2015
Loans and advances to credit institutions	-	-
Loans and advances to customers	- 112,134	- 113,741
Other assets	-	-
TOTAL COST OF RISK FOR THE PERIOD	- 112,134	- 113,741

Impairment allowances recognised for credit risk

Change in impairment allowances during the period

(in thousands of euros)	2016	2015
TOTAL IMPAIRMENT ALLOWANCES AT START OF PERIOD	388,222	389,163
Net change in impairment allowances	- 12,694	- 941
Movements related to newly-consolidated entities	-	-
Other items	-	-
TOTAL IMPAIRMENT ALLOWANCES AT END OF PERIOD	375,528	388,222

Impairment allowances by asset class

(in thousands of euros)	2016	2015
Impairment allowances		
Loans and advances to customers	375,528	388,222
Other assets	-	-
TOTAL IMPAIRMENT ALLOWANCES	375,528	388,222

4.7 / Income tax expense

(in thousands of euros)	2016	2015
Current taxes	15,092	21,605
Deferred taxes	- 174	2,392
TOTAL	14,917	23,998

(in thousands of euros)	2016	2015
Current pre-tax profit	44,379	60,518
Standard tax rate	33.33%	33.33%
Surtaxes	4.70%	4.70%
Theoretical tax charge	15,280	22,997
Items taxed at reduced rates	-	-
Net impact of add-backs and deductions	- 1,522	- 3,852
Levies and duties equivalent to income taxes	- 88	- 1,957
Other items	1,247	6,810
Income tax expense	14,917	23,998
Current income tax expense for the period	15,092	21,605
Deferred tax (gain)/expense for the period (see note 3.8)	- 174	2,392

RISK EXPOSURE AND REGULATORY RATIOS

5.1 / Overview of risk exposure

The Carrefour Banque Group specialises in providing consumer credit to retail customers. The Group distributes two principal product families: loans associated with the Universal PASS card, and the full range of personal loans (new and used cars, motorcycles, home improvements, cash advances, internal/external debt consolidation, asset finance, etc.).

The principal risks identified by Carrefour Banque are:

- **Interest rate risk:** Carrefour Banque would be adversely affected by interest rate risk if the rate payable on its debts were to rise faster than the rate charged to its customers. An unfavourable movement in interest rates of this kind would be liable to adversely affect the profitability of Carrefour Banque, and hence its ability to repay its debts. Carrefour Banque has opted for a policy of matching customer loans with interbank borrowings, in a manner that reflects the term and repayment profile of the customer loans.
- **Market risk:** Market risk is the risk of loss arising from fluctuations in the prices of financial instruments in a portfolio, and may relate to share prices, exchange rates or other financial products.
- **Liquidity risk:** This is the risk that an entity may be unable to meet its obligations, or to unwind or offset a position, due to market conditions.
- **Solvency risk:** Solvency is the ability of Carrefour Banque to secure its future over a relatively long time-frame without defaulting on its payments.
- **Credit risk:** For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations.
- **Counterparty risk:** This is the risk that arises if refinancing and/or derivatives transactions are concentrated with a very limited number of counterparties.
- **Foreign exchange risk:** The Carrefour Banque Group is by nature not exposed to foreign exchange risk. All Group companies are within the European Union, and the dividends received by Carrefour Banque are denominated in euros. If any refinancing is obtained in a currency other than the euro, the foreign exchange risk is neutralised in full at inception.

Carrefour Banque is subject to the regulatory obligations of Regulation 575/2013 of the European Parliament, and is in compliance with those obligations.

5.2 / Credit risk

For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations. Insolvency of borrowers to whom the Company has advanced funds is one of the principal risks affecting its operations. Consequently, Carrefour Banque has specifically focused on systems designed to exercise control over the quality and solvency of its customers, such as:

- a decision-making support system which incorporates tools to handle credit scoring, budgets and credit references, and also checks out negative reports;
- active management of negotiated and legal recovery procedures;
- permanent credit risk monitoring tools.

Provisions for credit risk are established in accordance with currently applicable accounting standards.

Credit risk management

Loan approval systems

The Carrefour Banque Group has its own in-house distribution network. Network sales staff are trained and sensitised to deal with issues relating to the prevention of over-indebtedness and the risk of financial exclusion, and approve loans on the basis of credit scoring and expert systems.

Organisational structure

During 2016, we reinforced our risk management structure by creating a Risk Management and Internal Control Co-ordination department, bringing together the following functions:

- Credit risk:** Responsible for loan acceptance policy, administration of decision-making tools used in the loan approval process, strategies for dealing with defaulting loans, estimating provisioning rates (used as the basis for the cost of risk calculations performed by the Finance Department), compiling and reviewing country risk scores, segmenting the loan book into Basel II exposure classes, and checking the quality of the underlying assets in securitisation transactions.
- Operational risks and risk mapping:** Responsible for compiling and maintaining risk mapping, and for monitoring and identifying operational risks.
- Level 2 permanent control:** Responsible for preparing and executing the level 2 control plan, and for supporting business lines in level 1 control.
- Compliance:** Responsible for oversight of financial security, control over outsourced essential services, protection of customer interests, ethical standards, and monitoring of regulatory requirements.
- Fraud prevention and anti money laundering:** Responsible for establishing rules and for monitoring systems used to prevent fraud, money laundering and the financing of terrorism.

This reinforced organisational structure reflects Carrefour Banque's commitment to enhancing control over the risks it faces while protecting the interests of its customers and complying with currently applicable regulations.

Our subsidiaries and branches are also monitored using these risk management structures, which are backed up by local teams.

Risk measurement and oversight

- Governance of risk operates via:
 - A Credit Risk Management Committee that meets quarterly, and consists of the Chief Financial Officer plus representatives from the operational management, sales, risk management, finance, marketing, compliance and permanent control functions. This Committee makes decisions on operational matters relating to control over credit risk. It establishes credit risk indicators, approves escalation criteria, flags up problem areas and disseminates information. The Committee's role is defined in the risk management policy.
 - Carrefour Banque BNP PF Risk Committee: This Committee meets quarterly, and brings together managers from major BNP PF partners and the Carrefour Banque Risk Management department. It performs benchmarking on trends in risk indicators, and assesses legal and negotiated recovery performance.
 - Board of Directors: Each Board meeting includes a presentation on risk trends, and action plans for controlling risk (both preventive and remedial measures).
- Oversight of risk using risk monitoring indicators:
 - Quarterly controls over internal ratings, based on comparisons between predicted and actual values for regulatory parameters. To reinforce these controls, Carrefour Banque has developed an indicator that measures the equity impact of predicted-to-actual variances in regulatory parameters.
 - Quarterly controls over prudence of estimators via a quality indicator. These quality indicators are provided to the Permanent Control team so that they can assess the equity impact of predicted-to-actual variances. The indicator is split into an expected loss component and an unexpected loss component. It indicates both the direction and amount of the variance.
 - Quarterly back-testing of all scores (Basel II segmentation relies essentially on the operational scores used by the Group); analysis of loan approval scoring performance by product and generation, as a control over scoring accuracy; analysis of trends in the composition of risk factors, as a control over the robustness of the scoring process; stability analysis versus prior quarter and target.
 - Monthly loan acceptance review: loan application acceptance rate, with focus on reconciling the decision per the expert system with the advisor's decision, by product and by salesperson.
 - Monthly review of level of risk on approval by product, by salesperson and by advisor, in quantity and in amount, with distribution to salespeople of lists of over-indebtedness referrals less than three months old.
 - Monitoring of application profiles, application conversion (expert system decisions versus salesperson decision) and generational risk.
 - Monthly review of "rejected-approved" applications by salesperson, product and reason (system decision compared to salesperson decision), including applications initially rejected due to inadequate score, budget overrun or non-compliance with standards. The aim is to understand trends in applications initially rejected but then approved in order to identify additional training needs and the reasons why rejected applications are subsequently approved, and to see whether the system is too restrictive. Since 2008, the information system has required an explanation for any application initially refused but subsequently accepted.
 - Monthly review of cost of risk, over-indebtedness referrals, trends in personal debt management plans and compromised loans, debt recovery referrals, and collections on debt recovery proceedings by counterparty.
 - Daily review of effectiveness of in-house recovery (number of calls made and received, percentage of recoveries, etc.) by customer manager, by group head and by phase, supplied to staff via the "risk weather report", and outsourced recovery.

Obligation related to the use of internal ratings systems to calculate capital requirements in respect of credit risk

Applying Basel II standards requires a bank to implement procedures to ensure that the parameters used to calculate the capital requirement are accurate, consistent and robust.

To meet the requirements of the Basel accord, Carrefour Banque segments its loan book into exposure classes. The segmentation process combines industry knowledge about risk levels (such as the distinction between standard loans and revolving credit) with statistical modelling. Loans grouped within a given exposure class have broadly similar characteristics in terms of probability of default, and the probability of default for the various exposure classes reflects differentiated risk profiles.

Non-doubtful exposures

The Carrefour Banque Group may carry out full or partial deferments or refinancings on its exposures. Such exposures are referred to as "restructured", and represent 11.69% of the Group's non-doubtful exposures.

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Doubtful exposures

The table below shows doubtful exposures, and the related impairment allowances.

(in thousands of euros)	31/12/2016			31/12/2015		
	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures
Loans and advances to customers	501,360	375,528	125,832	538,530	388,222	150,308
TOTAL DOUBTFUL EXPOSURES	501,360	375,528	125,832	538,530	388,222	150,308

Ageing of doubtful exposures

31 December 2016 (in thousands of euros)	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
	Loans and advances to customers	119,557	9,619	20,606	25,264	326,314
Impairment allowances on doubtful exposures	117,473	6,514	15,176	21,017	215,348	375,528
Doubtful exposures by time past due	2,084	3,105	5,430	4,247	110,967	125,832

31 December 2015 (in thousands of euros)	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
	Loans and advances to customers	149,262	12,981	30,944	43,069	302,274
Impairment allowances on doubtful exposures	116,836	5,667	19,164	33,840	212,715	388,222
Doubtful exposures by time past due	32,426	7,314	11,780	9,229	89,559	150,308

5.3 / Interest rate risk on the banking book

Overview of interest rate risk management

Carrefour Banque has two principal customer banking books denominated in euros (personal loans and revolving credit), for which specific interest rate hedging strategies are used.

The objective is to protect the Group's financial margin by using plain vanilla interest rate swaps.

Interest rate risk is overseen by a monthly risk committee, which defines appropriate indicators and sets risk limits.

5.4 / Liquidity risk

The exposure of the Carrefour Banque Group to liquidity risk is monitored via a liquidity policy approved by senior management as part of the Group's overall policies. The Group's refinancing position is assessed using internal standards, early warning indicators and regulatory ratios. Liquidity risk management aims to address the following objectives:

- security of refinancing, based on a monthly review of projected cash surpluses or needs via a comparison between (i) a static or dynamic projection of commitments received and (ii) a dynamic projection of customer outstandings;
- a gradual move to compliance with the new Basel III liquidity ratios;
- diversification of sources of refinancing (interbank, bonds, securitisation, negotiable debt instruments, on balance sheet savings deposits).

Note 6

EMPLOYEE REMUNERATION AND BENEFITS
6.1 / Personnel costs

Personnel costs amounted to €101.6 million in 2016, compared with €103.5 million in 2015.

Fixed and variable salaries and wages, plus voluntary and statutory profit-sharing expenses, came to €66 million (versus €68.3 million in 2015); retirement benefits, pension costs and other social charges amounted to €29.7 million (versus €30.3 million in 2015); and payroll-based taxes and equivalents totalled €5.8 million (versus €4.9 million in 2015).

6.2 / Post-employment benefits

The cost of defined-benefit plans is determined at the end of each annual reporting period using the projected unit credit method. The calculation is based on an actuarial method that builds in assumptions about salary increases and the retirement age.

The Group's defined-benefit plans take the form of retirement benefits payable under collective agreements in a single lump sum on the retirement date. In accordance with currently applicable legislation and collective agreements, the Group pays a lump-sum benefit to each employee on retirement, expressed in number of months' salary (based on the salary paid in the 12 months preceding retirement) and determined according to the employee's length of service with the Group.

Net expense for the period

(in thousands of euros)	2016	2015
Service cost	- 1,260	1,106
Interest expense	393	358
Expected return on plan assets	-	-
Amortisation of actuarial gains and losses	-	-
Other items	97	-
Net expense/(income)	- 770	1,464

Movement in the provision

(in thousands of euros)	TOTAL
Provision at 31 December 2014	9,790
Impact in income statement	1,464
Effect of changes in scope of consolidation	- 429
Benefits paid directly by the employer	- 264
Other items	1,152
Provision at 31 December 2015	11,712
Impact in income statement	- 770
Effect of changes in scope of consolidation	- 287
Benefits paid directly by the employer	- 633
Other items	- 128
Provision at 31 December 2016	9,894

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Amount of the liability

Obligation (in thousands of euros)	TOTAL
Defined benefit obligation at 31 December 2015	23,052
Provision	9,894
Fair value of plan assets	-
Gross obligation	9,894
Actuarial gains and losses	13,500
Defined benefit obligation at 31 December 2016	23,394

Actuarial assumptions

The assumptions used in the measurement of retirement benefit obligations are as follows:

Assumptions	2016	2015
Age at retirement	60-65 years	60-65 years
Salary inflation rate	2.5%	2.5%
Social security charges rate	45%	45%
Discount rate	1.21%	1.90%

6.3 / Other long-term benefits

The Group operates a scheme that enables employees who work during part of their paid leave entitlement to save credits in exchange for future benefits. The provision recorded in respect of this scheme was €1.6 million at 31 December 2016 and €1.8 million at 31 December 2015.

6.4 / Executive remuneration

Remuneration paid to key executives totalled €1.5 million for the year ended 31 December 2016, compared with €2.4 million for the year ended 31 December 2015.

Note 7

FINANCING AND GUARANTEE COMMITMENTS

7.1 / Financing commitments

Contractual value of financing commitments given and received by the Group

(in thousands of euros)	31/12/2016	31/12/2015
Financing commitments given		
To credit institutions	666,000	783,000
Hedging commitments	666,000	783,000
To customers	2,395,338	2,698,089
Committed credit facilities	2,395,338	2,624,089
Hedging commitments	-	74,000
TOTAL FINANCING COMMITMENTS GIVEN	3,061,338	3,481,089
Financing commitments received		
From credit institutions	4,090,000	4,211,451
Hedging commitments	2,480,000	2,593,500
Funding commitments	1,610,000	1,617,951
TOTAL FINANCING COMMITMENTS RECEIVED	4,090,000	4,211,451

7.2 / Signed guarantee commitments given and received

(in thousands of euros)	31/12/2016	31/12/2015
Guarantee commitments given		
To credit institutions	-	-
To customers	534,129	23,459
Property rental deposits	-	-
Administrative, tax and other sureties	20,327	23,142
Other guarantees given to customers	513,802	317
TOTAL GUARANTEE COMMITMENTS GIVEN	534,129	23,459
Guarantee commitments received		
Sureties received	21,360	20,928
TOTAL GUARANTEE COMMITMENTS RECEIVED	21,360	20,928

7.3 / Other guarantee commitments

Financial instruments posted as collateral

(in thousands of euros)	31/12/2016	31/12/2015
Securities posted as collateral	-	-

Financial instruments received as collateral

As of 31 December 2016 and 31 December 2015, no financial instruments received by the Group as collateral or in reverse repos had been effectively sold or reposted as collateral.

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Note 8

ADDITIONAL INFORMATION

8.1 / Changes in share capital

As of 31 December 2016, the share capital of Carrefour Banque consisted of 6,614,184 shares with a par value of €15.30, all fully paid; 60% of the share capital is held by Carrefour SA, and 40% by BNP Personal Finance SA.

On 29 May 2015, 89,828 new shares were issued on exercise of the share warrants held by BNP Paribas Personal Finance, representing a capital increase of €1.4 million.

In 2010, 506,148 new shares with an aggregate par value of €7.8 million were issued in connection with acquisitions and asset-for-share exchange transactions involving in-store finance and insurance booths, the aim of which was to unite within Carrefour Banque the banking and insurance product distribution networks previously carried by various legal entities within the Carrefour Group. Of these newly-issued shares, 358,181 (€5.5 million) were issued in exchange for the transfer of the finance booths to Carrefour Banque.

8.2 / Changes in share capital and reserves of subsidiaries attributable to the group and to non-controlling interests

The Carrefour Banque Group does not have any non-controlling interests in its consolidated financial statements.

8.3 / Business combinations

No business combinations took place in 2016.

8.4 / Related-party transactions

Transactions between the Carrefour Banque Group and related parties (the Carrefour Group and the BNP PF Group) are concluded on the market terms prevailing on the date of the transaction.

The tables below show year-end balances and items of income and expense arising from transactions with other companies in the Carrefour and BNP PF groups.

Related-party transactions – year-end balances

(in thousands of euros)	31/12/2016		31/12/2015	
	BNP PF	Carrefour	BNP PF	Carrefour
Assets				
Loans, advances and securities				
Current accounts	2,683		3,418	
Loans		1,283,000		1,271,000
Sundry assets		23,176		23,251
TOTAL	2,683	1,306,176	3,418	1,294,251
Liabilities				
Deposits				
Current accounts	-		6,507	
Other borrowings				
Sundry liabilities		8,721		116,047
TOTAL	-	8,721	6,507	116,047
Financing and guarantee commitments				
Financing commitments received	585,000	500,000	585,000	500,000
Other guarantee commitments				
Other guarantee commitments received	20,996	-	20,760	-

Related-party transactions – income and expenses

(in thousands of euros)	2016		2015	
	BNP PF	Carrefour	BNP PF	Carrefour
Interest and equivalent income	-	53,209	-	62,783
Interest and equivalent expenses	- 3,089	- 18,507	- 4,455	- 14,533
Fee and commission income	1,555	-	1,825	-
Fee and commission expenses	- 3,878	-	- 4,699	-
TOTAL	- 5,411	34,703	-7,329	48,250

8.5 / Maturity schedule

The table below breaks down financial assets and financial liabilities reported in the balance sheet by contractual maturity. Financial assets at fair value through profit or loss and available-for-sale financial assets are regarded as "undetermined" since these instruments are liable to be sold or redeemed prior to maturity. Derivative instruments (including CVA and DVA) are also regarded as "undetermined".

31 December 2016 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	593	-	-	-	-	593
Financial assets at fair value through profit or loss	5,535	-	-	-	-	-	5,535
Hedging derivatives	550	-	-	-	-	-	550
Available-for-sale financial assets	151,638	-	-	-	-	-	151,638
Loans and advances to credit institutions	-	212,154	1,283,000	-	-	-	1,495,154
Loans and advances to customers	-	322,326	236,817	640,235	1,610,940	158,683	2,969,001
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	157,724	535,073	1,519,817	640,235	1,610,940	158,683	4,622,472
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	5,611	-	-	-	-	-	5,611
Hedging derivatives	13,285	-	-	-	-	-	13,285
Amounts due to credit institutions	-	20,188	-	-	-	-	20,188
Amounts due to customers	-	30,368	494,324	-	-	-	524,692
Debt securities in issue	-	- 3,566	1,015,000	674,000	1,910,000	-	3,595,434
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	18,896	46,990	1,509,324	674,000	1,910,000	-	4,159,210

31 December 2015 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	129,553	-	-	-	-	129,553
Financial assets at fair value through profit or loss	6,858	-	-	-	-	-	6,858
Hedging derivatives	426	-	-	-	-	-	426
Available-for-sale financial assets	151,185	-	-	-	-	-	151,185
Loans and advances to credit institutions	-	33,050	-	-	1,271,000	-	1,304,050
Loans and advances to customers	-	498,926	252,476	624,624	1,669,023	158,566	3,203,615
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	158,469	661,529	252,476	624,624	2,940,023	158,566	4,795,687
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	6,977	-	-	-	-	-	6,977
Hedging derivatives	18,477	-	-	-	-	-	18,477
Amounts due to credit institutions	-	23,530	-	-	-	-	23,530
Amounts due to customers	-	32,962	569,956	-	-	-	602,918
Debt securities in issue	-	-	1,061,431	772,000	1,908,654	-	3,742,085
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	25,454	56,492	1,631,387	772,000	1,908,654	-	4,393,987

CONSOLIDATED FINANCIAL STATEMENTS

8.6 / Fair value of financial instruments carried at amortised cost

The disclosures contained in this note should be used and interpreted with the utmost caution, for the following reasons:

- These fair values represent a snapshot estimate of the value of the instruments as of 31 December 2016. They are liable to fluctuate from day to day as a result of variations in a number of parameters, including interest rates and counterparty credit quality. In particular, these fair values may be materially different from the amounts actually paid or received on maturity of these instruments. In most cases, these remeasured fair values are not intended to be (and in practice could not be) realised immediately. Consequently, they do not represent the effective value of these instruments for the Carrefour Banque Group on a going concern basis.
- Most of the snapshot fair values are not meaningful, and hence are not taken into account in managing the Carrefour Banque Group activities that use these financial instruments.

(in thousands of euros)	31/12/2016		31/12/2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Loans and advances to credit institutions	1,495,154	1,494,854	1,304,050	1,298,57
Loans and advances to customers	2,969,001	2,958,080	3,203,615	3,192,464
Financial liabilities				
Amounts due to credit institutions	20,188	20,188	23,530	23,530
Amounts due to customers	524,692	524,576	602,918	602,785
Debt securities in issue	3,595,434	3,585,782	3,742,085	3,732,271

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of the assets and liabilities mentioned in the table above were determined using the discounted cash flow method.

8.7 / Disclosure of interests in other entities

The schedule below shows information about the non-consolidated structured entities in which Carrefour Banque has an interest.

Entity (in thousands of euros)	Year	Description of activity	Status	Amount advanced	Debt waivers
GIE GNIFI	2006	Nickel and cobalt processing plant in New Caledonia	Ongoing	18,510	– 18,510
SCI Karukaz II	2009	Social housing in Guadeloupe	Ongoing	6,013	– 3,942
SCI Ambaville	2013	Social and ultra-social housing in Réunion	Ongoing	6,124	– 4,015
SCI Kecho 2	2014	Social housing in New Caledonia	Ongoing	8,400	-
TOTAL				39,047	– 26,468

8.8 / Operations outside France

International operations by country (in thousands of euros)

Name of operation	Carrefour Banque/GIE	Carrefour Banca	Fimaser	TOTAL
Description of business	Credit institution, investment service provider	Lending, payment media management and insurance brokerage	Electronic money, credit and insurance brokerage (for life insurance only)	
Country	France	Italy	Belgium	
Revenues	N/A	N/A	N/A	N/A
Net banking income	340,822	23,403	24,740	388,965
Average number of full-time employees	1,749	120	64	1,933
Public subsidies received	NO	NO	NO	NO
Current pre-tax profit	37,365	705	6,309	44,379
Current taxes	- 12,402	- 70	- 2,620	- 15,092
Deferred taxes	347	- 145	- 28	174

8.9 / Auditors' fees

(in thousands of euros)

	DELOITTE	KPMG
Audit of financial statements	158	275
Other services	-	19
TOTAL AUDITORS' FEES	158	294

CONSOLIDATED FINANCIAL STATEMENTS

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2016

To the Shareholders,

In accordance with the terms of our appointment at the Annual General Meeting, we present below our report for the year ended 31 December 2016 on:

- the audit of the accompanying consolidated financial statements of Carrefour Banque SA;
- the basis of our assessments;
- the specific procedure required by law.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a sample basis or using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the consolidated financial statements, as well as evaluating the overall financial statement presentation. We believe that the evidence we have collected provides a sufficient and appropriate basis for our opinion.

In our opinion, the consolidated financial statements for the year ended 31 December 2016 give a true and fair view of the assets, liabilities, financial position and results of the entities included in the consolidation, in accordance with international financial reporting standards as adopted in the European Union.

2. BASIS OF OUR ASSESSMENTS

Pursuant to article L. 823-9 of the French Commercial Code relating to the basis of an audit opinion, we would draw your attention to the following matters:

Accounting estimates

As stated in note 2.2.1 ("Summary of significant accounting policies - Loans"), note 2.2.4 ("Summary of significant accounting policies - Impairment of financial assets") and note 3.6 ("Loans and advances to customers, amounts due to customers"), Carrefour Banque recognises impairment allowances to cover the credit risks inherent in its activities. As part of our assessment of significant estimates used in the preparation of the financial statements, we examined control systems relating to the monitoring of credit risk, the evaluation of the risk of non-recovery, and the coverage of such risks by impairment allowances calculated on the basis of statistical observations.

Our assessments were an integral part of our audit approach for the consolidated financial statements taken as a whole, and hence contributed to the opinion expressed in the first part of this report.

3. SPECIFIC PROCEDURE

We also carried out the specific procedure required by law in respect of the information given in the Group management report, in accordance with the professional standards applicable in France.

We have no matters to report regarding the fairness or consistency with the consolidated financial statements of this information.

Neuilly-sur-Seine and Paris-La Défense, 10 April 2017

The Statutory Auditors

Deloitte & Associés

Jean-Vincent Coustel

185 Avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

KPMG Audit
A department of KPMG SA
Fabrice Odent

Tour Egho - 2 Avenue Gambetta - CS 60055
92066 Paris La Défense Cedex

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Editor in Chief: Julien Jaillon. **Communication Manager:** Isabelle Neuville. **Head of Finance and Management France:** Aurélien Caillau, Aurélie Caudrillier, Alain Régnier. **Design and production:** HAVAS WORLDWIDE PARIS. **Photographic credits:** Photothèque Carrefour, Lionel Barbe, all rights reserved. **Illustrations:** Tabas.



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Reg. no. 313 811 515 RCS Évry – ORIAS no. 07 027 516 (www.orias.fr)