

AT&T INC.
Form 11-K
June 22, 2017

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to

Commission File Number: 1-8610

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

BELLSOUTH SAVINGS AND SECURITY PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

AT&T INC.

208 S. Akard, Dallas, Texas 75202

Financial Statements, Supplemental Schedule and Exhibit

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Financial Statements:	
Statements of Net Assets Available for Benefits as of December 31, 2016 and 2015	2
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2016	3
Notes to Financial Statements	4
Supplemental Schedule:	
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) as of December 31, 2016	18
Exhibit:	
23 – Consent of Independent Registered Public Accounting Firm	25

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator of the
BellSouth Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the BellSouth Savings and Security Plan as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended December 31, 2016. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the BellSouth Savings and Security Plan at December 31, 2016 and 2015, and the changes in its net assets available for benefits for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets held (at end of year) as of December 31, 2016, has been subjected to audit procedures performed in conjunction with the audit of the BellSouth Savings and Security Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Dallas, Texas /s/ Ernst & Young LLP
June 22, 2017

1

BELLSOUTH SAVINGS AND SECURITY PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 (Dollars in Thousands)

	December 31,	
	2016	2015
ASSETS		
Investment in AT&T Savings Group Investment Trust	\$624,163	\$621,259
Investments, at fair value	1,783,206	1,618,132
Total Investments (See Note 4)	2,407,369	2,239,391
Notes receivable from participants	64,369	65,809
Participant contributions receivable	2,177	2,164
Employer contributions receivable	701	666
Interest receivable	370	420
Total Receivables	67,617	69,059
Total Assets	2,474,986	2,308,450
LIABILITIES		
Administrative expenses payable	773	809
Due to broker for securities purchased	27,023	14,160
Total Liabilities	27,796	14,969
Net Assets Available for Benefits	\$2,447,190	\$2,293,481

See Notes to Financial Statements.

BELLSOUTH SAVINGS AND SECURITY PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2015	\$2,293,481
Additions to Net Assets:	
Contributions:	
Participant contributions	65,020
Employer contributions	21,173
Rollover contributions	11,798
	97,991
Investment Income:	
Net income from investment in AT&T Savings Group Investment Trust	14,105
Interest	1,951
Dividends	45,997
Net appreciation in fair value of investments	200,383
	262,436
Interest income on notes receivable from participants	2,734
Total Additions	363,161
Deductions from Net Assets:	
Distributions	207,620
Administrative expenses	1,309
Total Deductions	208,929
Net increase	154,232
Transfers to affiliated plan	(523)
Net Assets Available for Benefits, December 31, 2016	\$2,447,190

See Notes to Financial Statements.

3

Notes to Financial Statements

(Dollars in Thousands)

NOTE 1. PLAN DESCRIPTION

The BellSouth Savings and Security Plan (Plan) is a defined contribution plan originally established by BellSouth Corporation (BellSouth) to provide a convenient way for eligible nonmanagement employees of participating BellSouth companies to save on a regular and long-term basis. In December 2006, BellSouth was acquired by AT&T Inc. (AT&T or the Company). The following description of the Plan provides only general information. The Plan has detailed provisions covering participant eligibility, participant allotments from pay, participant withdrawals, participant loans, employer contributions and related vesting of contributions and Plan expenses. The Plan text and prospectus include complete descriptions of these and other Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan participates in the AT&T Savings Group Investment Trust (Group Trust) with respect to the AT&T Stable Value Fund and International Stock Fund. The Bank of New York Mellon Corporation (BNY Mellon) serves as trustee for both the Group Trust and the trust holding the Plan's assets, known as the Bell South Savings and Security Plan Trust. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plan. During 2016, participants could invest their contributions in one or more of 12 funds in 1% increments:

- AT&T Shares Fund
- Bond Fund
- Vanguard Growth Index Fund
- Fidelity Growth and Income Portfolio
- Balanced Fund
- Interest Income Fund (known as the AT&T Stable Value Fund & International Stock Fund) *
- DFA U.S. Small Cap Value Portfolio
- DFA U.S. Large Cap Value Portfolio II
- T. Rowe Price Mid-Cap Growth Fund
- Indexed Stock Fund
- LifePath Funds (based on retirement date)

* Investment fund option of the Group Trust

Participants contribute to the Plan through payroll allotments. Participants may also contribute amounts representing distributions from other qualified defined benefit and defined contribution plans (rollovers). The Company contributes to the Plan by matching the participants' contributions based on the provisions of the Plan. All contributions are participant directed.

Dividends on shares in the AT&T Shares Fund can either be reinvested in the AT&T Shares Fund on a quarterly basis, or paid into a short-term interest bearing fund for distribution before the end of the year. Interest earned on dividends held in the short-term interest bearing fund are used to purchase additional units of the AT&T Shares Fund in the participant's account. During 2016, Plan participants elected to receive \$1,482 in dividend distributions. This amount is included in distributions on the Plan's statement of changes in net assets available for benefits.

Each participant is entitled to exercise voting rights attributable to the AT&T shares allocated to their account and is notified by the Company prior to the time that such rights may be exercised. Subject to the fiduciary provisions of ERISA, the trustee will not vote any allocated shares for which instructions have not been given by a participant. The trustee votes any unallocated shares in the same proportion as it votes those shares that were allocated to the extent the proportionate vote is consistent with the trustee's fiduciary obligations under ERISA. Participants have the same voting rights in the event of a tender or exchange offer.

Although it has not expressed any intent to do so, AT&T has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA and collectively bargained agreements. In the event that the Plan is terminated, subject to the conditions set forth by ERISA, the account balances of all participants shall be 100% vested.

Administrative Expenses Each participant in the Plan may be charged for investment manager fees and administrative expenses, including, trustee and other expenses considered reasonable by the Plan administrator. Investment manager fees are charged through the applicable investment option. Administrative fees are divided on a pro rata basis among investment options of the participant. An additional fee is charged to individual participants for various services provided by the Plan's recordkeeper and other service providers. Certain expenses are paid by the Plan, Group Trust, or Company.

Notes to Financial Statements (Continued)
(Dollars in Thousands)

NOTE 2. ACCOUNTING POLICIES

The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles (GAAP), which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Distributions are recorded when paid.

Investment Valuation and Income Recognition Investments are stated at fair value except those investments that are fully benefit responsive which are stated at contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Shares of registered investment companies (i.e. mutual funds) are valued based on quoted market prices, which represent the net asset value of shares held at year-end. Over-the-counter securities (OTC) and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. Depending on the types and contractual terms of OTC derivatives, fair value is measured using valuation techniques such as Black-Scholes option price models, simulation models, or a combination of various models.

Common/collective trust funds and 103-12 investment entities (i.e. an investment entity that holds the assets of two or more plans which are not members of a related group or employee benefit plan) are valued at quoted redemption values that represent the net asset values of units held at year-end. Publicly traded partnerships are valued using trades on a national securities exchange based on the last reported sales price on the last business day of the year.

Investment contracts held by a defined contribution plan are required to be reported at contract value. Contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Group Trust invests in fully benefit-responsive guaranteed investment contracts (GICs) and synthetic investment contracts (Synthetic GICs). The underlying investments of the Synthetic GICs are owned by the Group Trust and are comprised of corporate bonds and notes, registered investment companies and government securities and are also valued as described above. The contract value of the fully benefit-responsive investment contracts represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are reflected as of the trade date. Dividend income is recognized on the ex-dividend date. Interest earned on investments is recognized on the accrual basis.

Notes Receivable from Participants Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued, but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2016 or 2015. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a distribution is recorded.

Recent Accounting Standards

In February 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-06, "Employee Benefit Plan Master Trust Reporting" (ASU 2017-06). ASU 2017-06 requires plans to report interests in a master trust and changes in the value of that interest as separate line items on the plan's financial statements. The plans must also disclose the master trust's investments by general type as well as other assets and liabilities and disclose the dollar amount of the plan's interest in each category disclosed. The new standard is effective for fiscal years beginning after December 15, 2018, with retrospective application. Early adoption is permitted. Management is currently evaluating this updated guidance.

Notes to Financial Statements (Continued)
(Dollars in Thousands)

NOTE 3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted market prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Plan management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2016 and 2015.

See Note 4 for fair value hierarchy for the Group Trust's and Plan's investments.

NOTE 4. INVESTMENTS

The Plan held investments in its own trust and in the Group Trust (through participation in the Interest Income Fund, also known as the AT&T Stable Value Fund and International Stock Fund) as of December 31, 2016 and for the year ended December 31, 2016, and in the Group Trust (through participation in the Interest Income Fund, also known as the AT&T Stable Value Fund) as of December 31, 2015.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2016:

	Plan Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Interest-bearing investments	\$-	\$20,083	\$ -	\$20,083
AT&T common stock	514,356	-	-	514,356
Mutual funds or exchange-traded funds	754,319	-	-	754,319
U.S. government securities	1,068	50,366	-	51,434
Corporate debt instruments	-	29,233	-	29,233
Municipal debt instruments	-	6,854	-	6,854
Futures	(12)	-	-	(12)
Total assets in fair value hierarchy	\$1,269,731	\$106,536	\$ -	\$1,376,267
Common/collective trusts measured at net asset value:				
U.S. index stock fund ¹				165,728
International index stock fund ²				19,052
Blended equity & debt ³				198,290
Bond index fund ⁴				23,869
Total assets at fair value				\$1,783,206

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2015:

	Plan Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
AT&T common stock	\$430,786	\$-	\$ -	\$430,786
Mutual funds or exchange-traded funds	811,905	-	-	811,905
U.S. government securities	3,405	64,270	-	67,675
Corporate debt instruments	-	22,119	-	22,119
Municipal debt instruments	-	9,020	-	9,020
Futures	(8)	-	-	(8)
Total assets in fair value hierarchy	\$1,246,088	\$95,409	\$ -	\$1,341,497
Common/collective trusts measured at net asset value:				
U.S. index stock fund ¹				151,386
Blended equity & debt ³				103,601
Bond index fund ⁴				21,648
Total assets at fair value				\$1,618,132

¹ This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Standard and Poor's Composite Stock Price Index of 500 stocks (the "S&P 500®"). There are currently no redemption restrictions on this investment.

² This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the All Country World Index ex U.S. Index. Except for a short-term trading fee applicable to certain participant transactions, there are currently no redemption

restrictions on this investment.

³ This category includes common/collective trust funds also known as LifePath Portfolios which are well diversified portfolios that adjust the mix of the various underlying investments over time. The change in allocation of investments is designed to move from a more aggressive investment strategy to a more conservative strategy as the participants come closer to retirement. The year associated with the fund identification denotes the projected year of retirement of the participant selecting the fund. There are currently no redemption restrictions on these investments.

⁴ This category includes a common/collective trust fund with an objective to approximate the overall performance of the Barclays Capital Aggregate Bond Index. There are currently no redemption restrictions on these investments.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

AT&T Savings Group Investment Trust Investments

AT&T established the Group Trust to manage assets of pooled investment options among various AT&T sponsored employee benefit trusts. Each participating trust's interest in the investment fund options (i.e., separate accounts) of the Group Trust is based on account balances of the participants and their elected investment fund options. The Group Trust assets are allocated among the participating plans by assigning to each trust those transactions (primarily contributions, distributions, and expenses) that can be specifically identified and by allocating investment income and administrative expenses to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

The participating entities and ownership percentages of the Group Trust are listed below:

	December 31,	
	2016	2015
AT&T Master Trust	94.5 %	94.3 %
BellSouth Savings and Security Plan	5.5 %	5.7 %
Total	100.0%	100.0%

The Plan's percentage interest in each of the investment fund options within the Group Trust is disclosed below as of December 31, 2016.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T International Stock Fund	AT&T Stable Value Fund	Group Trust	
Interest bearing cash	\$15,420	\$-	\$-	\$-	\$15,420	
Corporate debt	137,313	-	-	-	137,313	
Government securities	254,983	-	-	-	254,983	
Common/collective trust funds	349,296	2,182,833	150,217	-	2,682,346	
103-12 investment entities	-	-	184,463	-	184,463	
Equities - common stock	-	340,452	141,536	-	481,988	
Equities - preferred stock	-	-	802	-	802	
Futures	8	-	-	-	8	
Registered investment companies	983,183	63,805	2,995	183,525	1,233,508	
Group Trust investments at fair value	1,740,203	2,587,090	480,013	183,525	4,990,831	
Unsettled trades and other	(122,816)	(359)	226	(273,085)	(396,034)	
Fully benefit-responsive investments contracts valued at contract value	-	-	-	6,755,551	6,755,551	
Group Trust net assets	\$1,617,387	\$2,586,731	\$480,239	\$6,665,991	\$11,350,348	
Plan's percentage ownership interest of investments	-	% -	% 0.4	% 9.4	% 5.5	%

8

Notes to Financial Statements (Continued)

(Dollars in Thousands)

The Plan's percentage interest in each of the investment fund options within the Group Trust is disclosed below as of December 31, 2015.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T International Stock Fund	AT&T Stable Value Fund	Group Trust	
Interest bearing cash	\$-	\$-	\$76	\$-	\$76	
Corporate debt	-	3,168	-	-	3,168	
Common/collective trust funds	223,554	1,270,030	154,807	-	1,648,391	
103-12 investment entities	-	-	174,297	-	174,297	
Equities - common stock	-	1,226,111	150,140	-	1,376,251	
Equities - preferred stock	-	-	433	-	433	
Publicly traded partnerships	-	8,176	-	-	8,176	
Registered investment companies	1,220,725	31,929	4,194	171,302	1,428,150	
Group Trust investments at fair value	1,444,279	2,539,414	483,947	171,302	4,638,942	
Unsettled trades and other	3,373	(1,746)	(89)	(165,522)	(163,984)	
Fully benefit-responsive investments contracts valued at contract value	-	-	-	6,432,747	6,432,747	
Group Trust net assets	\$1,447,652	\$2,537,668	\$483,858	\$6,438,527	\$10,907,705	
Plan's percentage ownership interest of investments	-	% -	% -	% 9.6	% 5.7	%

Net Appreciation in Fair Value of Group Trust Investments and
Total Investment Income for the year ended December 31, 2016

	Group Trust
Total net appreciation in fair value of Group Trust Investments	\$280,062
Investment income:	
Interest	\$161,039
Dividends	61,149
Total investment income of Group Trust Investments	\$222,188

9

Notes to Financial Statements (Continued)

(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Group Trust's assets at fair value as of December 31, 2016:

	Group Trust Assets and Liabilities at Fair Value			Total
	December 31, 2016			
	Level			
	Level 1	Level 2	3	
Corporate debt	\$-	\$137,313	\$ -	\$137,313
Interest-bearing investments	-	15,420	-	15,420
Common stock	481,988	-	-	481,988
Preferred stock	802	-	-	802
Futures	8	-	-	8
Registered investment companies	1,132,971	-	-	1,132,971
Government debt	-	254,983	-	254,983
Total assets in fair value hierarchy	\$1,615,769	\$407,716	\$ -	\$2,023,485
Investments measured at net asset value				
U.S. common/collective trusts ¹				2,333,051
International common/collective trusts ²				349,295
103-12 investments ³				184,463
Non-publically traded registered investments companies ⁴				100,537
Total assets and liabilities at fair value				\$4,990,831

Notes to Financial Statements (Continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Group Trust's assets at fair value as of December 31, 2015:

	Group Trust Assets and Liabilities at Fair Value December 31, 2015			
		Level	Level	Total
	Level 1	2	3	
Corporate debt	\$-	\$3,168	\$ -	\$3,168
Interest bearing cash	76	-	-	76
Equities - common stock	1,376,251	-	-	1,376,251
Publicly traded partnerships	8,176	-	-	8,176
Equities - preferred stock	433	-	-	433
Registered investment companies	1,428,150	-	-	1,428,150
Total assets and liabilities in fair value hierarchy	\$2,813,086	\$3,168	\$ -	\$2,816,254
Investments measured at net asset value				
U.S. common/collective trusts ¹				1,424,837
International common/collective trusts ²				223,554
103-12 investments ³				174,297
Total assets and liabilities at fair value				\$4,638,942

¹The objective of the common/collective trust funds held in the AT&T U.S. Stock Fund is to deliver diversified exposure to the large-capitalization U.S. equity market as represented by the Russell 3000 Index. This common/collective trust fund has redemption restrictions limited to daily and monthly settlement.

²The objective of the common/collective trust funds held in the AT&T International Stock Fund is to provide diversified exposure to international markets as represented by the All Country World Index ex U.S. and MSCI Emerging Markets Net Dividend Index. The three common/collective trust funds have redemption restrictions limited to daily, weekly or monthly. One fund is invested broadly in developed and emerging market countries, while the other two funds are invested primarily in emerging market countries.

³These are equity commingled funds that invest primarily in developed countries. These funds have redemption restrictions limited to monthly settlement.

⁴These are non-publically traded registered investment companies, consisting of a short-term floating rate portfolio plus publically-traded high-yield and asset-backed fixed income securities. The fair value of the investments in this group have been estimated using the net asset values reported by the fund manager. These funds are utilized on a discretionary basis as part of a broad fixed income mandate. These are open-ended funds, with no final termination dates.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

Derivative Financial Instruments

In the normal course of operations, Group Trust assets and liabilities held in the AT&T Stable Value Fund (Stable Value Fund) may include derivative financial instruments (futures and foreign currency forward contracts). These instruments involve, in varying degrees, elements of credit and market volatility risks in excess of more traditional investment holdings such as equity and debt instruments. The contract or notional amounts disclosed provide a measure of the Group Trust's involvement in such instruments but are not indicative of potential loss. The intent is to use derivative financial instruments as an economic hedge to manage market volatility and foreign currency exchange rate risk associated with the Stable Value Fund's investment assets. The Group Trust's fiduciaries do not anticipate any material adverse effect on the Group Trust's financial position resulting from its involvement in these instruments.

The following table presents the effect of gains (losses) with respect to these derivative instruments, by type of derivative. The gains (losses) are located on the Statement of Changes in Net Assets Available for Benefits as Net Income from Investment in AT&T Savings Group Investment Trust to the extent of the Plan's ownership in the Group Trust.

	Year Ended December 31, 2016
Futures contracts	\$ 93
Forward foreign currency exchange rate contracts	\$ 8,011

In addition to the derivative financial instruments held by the Group Trust, the Plan also holds derivative financial instruments as Plan investments in its own trust. The following table presents the effect on income with respect to these derivative instruments, by type of derivative. The income is located on the statements of changes in net assets available for benefits a component of net appreciation in fair value of investments.

	Year Ended December 31, 2016
Futures contracts	\$ (5)

Futures Contracts

The primary risk managed by the Group Trust using futures contracts is the price risk associated with investments. On behalf of the Group Trust, investment managers enter into various futures contracts to economically hedge investments. These contracts, which are considered derivatives under Accounting Standards Codification Topic 815, Derivatives and Hedging are agreements between two parties to buy or sell a security or financial interest at a set price on a future date and are standardized and exchange-traded. Upon entering into such a contract on behalf of the Group Trust, the investment manager is required to pledge to the broker an amount of cash or securities equal to the minimum "initial margin" requirements of the exchange on which the contract is traded. Pursuant to the contract, the investment manager agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded on a daily basis by the trustee as a realized gain or loss equal to the difference in the value of the contract between daily closing prices. Upon entering into such contracts, the Group Trust bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the Group Trust may not achieve the anticipated benefits of the futures contracts and may realize a loss. With futures, there is minimal counterparty credit risk to the Group Trust since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. The investments in the Group Trust are subject to equity price risk and interest rate risk, in the

normal course of pursuing its investment objectives. The U.S. interest rate futures held in the portfolio as of December 31, 2016 and 2015 were used primarily to hedge and manage the duration risk of the portfolio.

The fair value of the open futures contracts is separately disclosed in the detail of the Group Trust investments presented below and are included in the Statement of Net Assets Available for Benefits to the extent of the Plan's ownership in the Group Trust.

12

Notes to Financial Statements (Continued)
(Dollars in Thousands)

At December 31, 2016, open futures contracts held in the Group Trust were as follows:

Type of Contract	Number of Contracts
------------------	---------------------------