BNP PARIBAS FORTIS SA/NV

ANNUAL REPORT 2022

BNP PARIBAS FORTIS

The bank
for a changing
world

Sustainable banking in all its aspects is an essential pillar of our Positive Banking approach.
That is why this Annual Report was produced in an environmentally friendly way from recycled papers.

INTRODUCTION

BNP Paribas Fortis is a limited liability company (naamloze vennootschap (NV)/société anonyme (SA)), incorporated and existing under Belgian law, having its registered office address at Warandeberg 3, 1000 Brussels and registered under number BE VAT 0403.199.702 (hereinafter referred to as the '**bank**' or as '**BNP Paribas Fortis**').

The BNP Paribas Fortis annual report 2022 contains both the audited consolidated and non-consolidated financial statements, preceded by the report of the Board of Directors, the statement of the Board of Directors and a section on corporate governance including the composition of the Board of Directors. The audited BNP Paribas Fortis consolidated financial statements 2022, with comparative figures for 2021, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are followed by the audited non-consolidated financial statements 2022 of BNP Paribas Fortis, prepared on the basis of the rules laid down in the Belgian royal decree of 23 September 1992 on the annual accounts of credit institutions.

The BNP Paribas Fortis annual report 2022 is available in English, French and Dutch. The English version is the original one while the other versions are unofficial translations. Every effort has been made to ensure that the language versions correspond to one another. If one difference should exist, the English version would take precedence.

It is considered that the information included in the note 7.j 'Scope of consolidation', together with the information included in the report of the Board of Directors and in the corporate governance statement, complies with the requested information in article 168, §3 of the Belgian act of 25 April 2014 on the legal status and supervision of credit institutions.

All amounts in the tables of the consolidated financial statements are denominated in millions of euros, unless stated otherwise. All amounts in the tables of the non-consolidated financial statements are denominated in thousands of euros, unless stated otherwise. Because figures have been rounded off, small discrepancies with previously reported figures may appear. Certain reclassifications have been made with regard to the prior year's financial statements in order to make them comparable for the year under review.

BNP Paribas Fortis refers in the consolidated financial statements to the BNP Paribas Fortis SA/NV consolidated situation unless stated otherwise. BNP Paribas Fortis refers in the non-consolidated financial statements to the BNP Paribas Fortis SA/NV non-consolidated situation, unless stated otherwise.

All information contained in the BNP Paribas Fortis annual report 2022 relates to the BNP Paribas Fortis consolidated and non-consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: www.bnpparibas.com.

This annual report 2022 is a reproduction of the official version of the 2022 Annual Report of BNP Paribas Fortis annual that was prepared in ESEF (European Single Electronic Format) format and is available on the website: www.bnpparibasfortis.com.


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REPORT OF THE BOARD OF DIRECTORS

A word from the Chairman and the CEO

The invasion of Ukraine and the resulting humanitarian crisis and geopolitical tensions to a large extent determined the face of 2022. These also had a serious effect on Belgium's economy and its citizens, mainly due to the energy crisis and the consequent soaring inflation. Although the Belgian economy has proved resilient, the general situation has impacted growth, leading to a sharp slowdown. Meanwhile we note that the transition to sustainable energy, mobility and housing is becoming more urgent. In these circumstances, our market positioning and range of products and services nevertheless enabled us to protect, support and advise our customers throughout 2022, a year in which our bank also celebrated its 200th anniversary. A constant theme in our history has been that we have always been able to help our customers grow by continually adapting and staying ahead. With the acquisition of bpost bank in January 2022 we have added a new chapter in this regard, in which we will build an enhanced offer through the proximity and service capabilities of bpost bank and the expertise and products of BNP Paribas Fortis.

In 2022 we kept up our momentum and maintained a positive dynamic across all our activities. Net profit came to 3,161 million euros, a very good result which equates to an almost 19%* increase on 2021. Revenues were up 17%* at 9,642 million euros, while the rise in operating costs - mainly attributable to higher banking taxes and inflation - came to 11%*. Our consolidated cost-income ratio improved to 52.6% from the previous year's 54.4%.

Commercial & Personal Banking in Belgium achieved an improvement in its pre-tax income thanks to a rise in volumes, increased revenues due to a return to higher interest rate levels, and higher commissions in, among other fields, transaction banking. Lending to customers rose by 14.8% (7.5%*) versus 2021, to 135 billion euros. Deposits, standing at 162 billion euros at year-end, were up 9.2% (1.2%*). Meanwhile our Corporate Banking business achieved a good performance, especially in Global Markets.

Profits at Arval rose sharply due to, inter alia, higher prices for second-hand cars. Leasing Solutions and Personal Finance performed well with increased pre-tax income driven by higher volumes, although margins were under pressure at Personal Finance. Despite higher operating expenses driven by inflation, our Turkish subsidiary TEB posted a higher profit on the back of a very strong increase in lending, higher interest income and very strong results in Global Markets. Meanwhile BGL in Luxemburg posted a rise in net profit thanks to higher interest income and commission income.

In spite of the volatile economic climate, the bank's cost of risk fell by 11%* to 14 basis points, illustrating our clear and proactive long-term risk policies.

Our capital position, with a CET1 ratio of 17.2%, is excellent and our liquidity, with a coverage ratio (LCR) of 126% as at 31 December 2022, remained very satisfactory. These figures reflect our ability to finance future growth and help individual customers, families, businesses and non-profit organisations to carry out their projects.

** Excluding retreated items (RI), i.e. at constant scope, constant exchange rates and excluding other one-off results.*

Accelerated rollout of our 2025 Strategic Plan

The challenges we face – the transition to a low-carbon economy, new mobility solutions, advanced payment technologies, how and what we want to invest in – cover every facet of our society and lives. With a stronger commitment to transformation levers and technological excellence, from information systems to data to artificial intelligence, we want to strengthen the resilience and agility of the Belgian economy and its citizens to meet these challenges and unlock growth potential. We want to combine technology and innovation with the enhanced expertise of our employees to improve the customer experience and our operational efficiency.

The accelerated implementation of the BNP Paribas Fortis Strategic Plan 2025, supported by technology and the human expertise in our bank, is designed to ensure a pragmatic and consistent approach to providing our customers with the means to realise their projects. Although the current environment is fragile and challenging, we are seeing continuing customer agility and resilience, which our Strategic Plan seeks to stimulate. The three pillars of our Plan – **growth, accessibility and sustainability** – are central to the further development of our banking services.

Growth

We see seamless, efficient payment solutions as key to enabling merchants and companies to achieve growth. Accordingly, we have brought together Trade Finance, Cash Management, Factoring and Fixed Income in a single business called Transaction Banking. In Belgium, we currently hold a 40% market share in Factoring and Easy2Cash, our 100% digital factoring service for SMEs, saw a 130% rise in contracts in 2022 compared to the year before. Relying on new technology and the international presence of the BNP Paribas Group, we intend to further strengthen our position in Transaction Banking for companies.

With already more than 1 million home and other risk insurance contracts we are continuing our efforts to reposition BNP Paribas Fortis as bancassurer. Following the launch of a dedicated insurance offering for professionals and companies, we continue to invest in insurance expertise and in 2023 we plan to double the number of certified staff working in non-life insurance professionals. On the digital insurance front, user-friendliness is our watchword. Currently some 35% of our insurance policies are purchased online and in most cases loss or damage claims are handled via a single contact moment on Easy Banking App or Easy Banking Web.

We introduced 30 new insurance packages and launched new Touring Go and Touring Move On travel assistance insurance policies. We broadened our range of solutions by providing the Homiris home protection system.

Meanwhile we created an all-in-one digital pack called Hello bank! Pro, designed to help those wishing to start up a business. One year after its launch, Hello bank! Pro numbers 2,300 self-employed professional clients and, in collaboration with Xerius, we have to-date helped 330 people to set up their own independent business. In total the bank helped some 18,000 beginning entrepreneurs on their way in 2022, and as of this year we are rolling out a new all-in-one approach, with 300 of our experts assisting clients in the launch and development of their business.

Accessibility

We intend to remain the most accessible bank in Belgium, with our customer advisors as the central element in customer relations alongside digital systems providing a real-time, personalised and highly-intuitive experience.

In early 2024 we will be rolling out new service models, combining the convenience of a close-knit network of local sales points of bpost with the skills and expertise of BNP Paribas Fortis staff.

Customers will be able to choose basic banking services provided through Nickel (via now 415 sales partners, expected to rise to 1,400 within five years); to go fully digital with Hello bank!; or have easy access to daily banking services at 657 bpost branches. BNP Paribas Fortis branches will be oriented towards expert advice on appointment, while 16 Client Houses will meet the needs of Private Banking and Entrepreneur clients.

In this respect, while preparing to welcome on board some 600,000 bpost bank customers, our acquisition of bpost bank represents an important expansion of our ability to provide first-class assistance and accessibility to all types of customers.

In 2022 we received 4.7 million branch visits (6.7 million incl. bpost bank), alongside 1.2 billion contacts via App and Web (incl. bpost bank customers), plus 3.5 million Easy Banking Centre and Client Service Centre calls. One in two sales were finalised entirely via digital channels. Our Easy Banking App is becoming increasingly popular, with some 2.1 million customers – 10% more than at end-2021 – now actively using and loving it. Customers are showing particular appreciation for the Budget Management Module that we recently added to the App, which provides a precise overview of outgoings, broken down into a dozen categories. The module has now over 500,000 users per month and consulting firm Sia Partners named it as 'Best in class on the market' in 2022.

Going forward, 'Easy Cashback', our new in-app reward programme service to be launched this year in partnership with Paylead, will provide consenting clients with automatic cashback rewards and a frictionless experience when making in-store and online purchases with their BNP Paribas Fortis payment card at partnering merchants across Belgium.

Sustainability

During 2022 we continued to provide our customers with all manner of financing solutions in the fields of sustainable construction and renovation, sustainable mobility, socially- and environmentally-responsible investment products and advice to companies on transition measures towards more sustainable practices.

It is our aim to substantially increase the percentage of loans we grant for projects that meet ESG criteria. We manage a portfolio of ESG-loans to companies totalling 15.1 billion euros, of which 2.9 billion euros for renewable energy-related projects. Moreover, we are seeing increased take-up of our Sustainable Impact Loans, whereby favourable credit terms are applied when sustainability-related targets are met. In addition, in our Private Equity business, which has a target of one billion euros worth of investment by 2025, we also give preference where possible to ESG-oriented funds and companies.

When investing in sustainability-oriented projects, our corporate clients are able to draw on the expertise and support of our Sustainable Business Competence Centre. In 2022 the SBCC provided assistance in formulating sustainable financing applications worth a total of 470 million euros.

BNP Paribas Fortis is the Belgian market leader in the provision of sustainable investments for private individuals. At end-2022 we had 38.3 billion euros worth of 'Towards Sustainability' investment products under management, with 79% of our clients with a securities or retirement savings account investing in Towards Sustainability products. Moreover, part of the income from this is channelled into good causes via our 'Impact Together' fund. In this way, since 2015 some 360,000 customers of the bank have made a 15 million euro contribution to 150 projects supported by the King Baudouin Foundation.

In the field of sustainable mobility, we assiduously promote the use of electrified vehicles. Fully 19% of the fleet managed by our Leasing subsidiary Arval now consists of electrified vehicles. The leasing of e-bikes saw a 30% rise. Arval has set a target of having 50% of its fleet composed of energy-efficient cars by 2025.

Through our acquisition of e-mobility software specialist Optimile, we are also able to offer Mobility as a Service (MaaS) and Charging as a Service (Caas). Currently there are some 16,000 connected charging points in Belgium with Optimile's software, +168% vs. 2021, while the Optimile pass gives access to more than 300,000 charging points all over Europe.

We would like to thank all our colleagues for the great dedication and commitment they have shown in helping to achieve these excellent results. We're also glad to say that we have begun the year 2023 with the successful rollout of our new commercial organisation, which will enable us to respond even more rapidly in the services we provide to our customers.

We are a solid bank that can count on the largest franchise in Belgium to serve the broadest and most diverse customer base. Combined with the power of tech and the expertise of our people, we have all building blocks in place to accelerate the successful rollout of our 2025 Strategic Plan, focusing on growth, accessibility, and sustainability.

We hired over 500 Positive Bankers in 2022, and we intend to employ a further 1,500 new staff by 2025 in order to strengthen our teams. Realising our ambition to keep developing and providing best-in-class banking services and the technology needed to underpin them is going to depend crucially on the skills and expertise of our people.

We intend to do everything to be the partner of choice for all our customers going forward. This remains our exclusive focus, and we would like to thank all of them for the trust they continue to place in BNP Paribas Fortis. More than ever BNP Paribas Fortis is the engine of the sustainable economy.

Max Jadot
Chairman of the Board of Directors

Michael Anseeuw
Chief Executive Officer

Economic context

Belgium's economy grew by 3.1% during 2022, mainly thanks to an excellent first six months, and due also to the final lifting of measures designed to combat the coronavirus pandemic. The second half of the year on the other hand was affected by the consequences of the war in Ukraine, which impacted the global economy, especially that of Europe given its close geographical proximity to the conflict and its strong dependency on Russian gas. The sharp rise in the price of energy came on top of the other price rises already making themselves felt since mid-2021 in line with the clear rebound in economies all over the world. As a result, Belgian inflation had risen to over 13% by October before subsequently showing a slight decline.

It was not long before these sky-rocketing price rises made a serious dent in the confidence of Belgium's economic actors, notwithstanding the automatic wage-indexing policy in force in this country. The soaring energy bills rapidly led to expectations of a sharp rise in costs in the months to come, dampening the outlook for businesses. It therefore came as no surprise that investment fell throughout the year as most businesses found themselves facing considerable challenges to maintain competitiveness and profitability. Many firms are now saying that they will focus more on automation and digital tools in the long term. The geopolitical situation proved to be so fraught throughout the year that confidence among Belgian households fell even lower than in March 2020, when the first lockdown due to the epidemic was imposed. Confidence did however rise again towards the end of the year, when it became clear that energy prices and inflation had probably already passed their peak.

The employment market continued to benefit from the strong economic growth recorded in 2021 and plenty of jobs continued to be created during 2022. The unemployment rate now stands at 5.5%, although there remains a considerable mismatch between the jobs on offer and those seeking employment, as is the case in a number of countries where, in many sectors, the pandemic appears to have led people to alter their view of the world of work. The list of sectors suffering from employee shortages never stopped lengthening from month to month, giving rise to strike action and wage claims in several key sectors of the economy such as transport and healthcare.

Most European countries were hit by the same inflationary shock in 2022, so that growth weakened everywhere during the second half of the year, with the consequence that a recession during the next few months can no longer be ruled out.

Meanwhile the USA managed to achieve a relatively good performance, thanks largely to its energy independence. Moreover, the US moved quickly to alleviate the shortage of Russian gas in Europe by providing huge volumes of liquefied natural gas to European countries at extremely high prices, which garnered billions of dollars over the year.

Unsurprisingly, the unprecedented surge in prices all over the world led to soaring interest rates. In the United States, the Federal Reserve (Central Bank) raised its main policy rate seven times during the year, from 0.25% to 4.5%, while in Europe, the European Central Bank (ECB) imposed four consecutive hikes between July and December, taking the refinancing rate for banks borrowing funds from the ECB from 0% to 2.5%. At the same time, the ECB decided to reduce the volume of liquidity pumped into the banking system during the pandemic crisis, which resulted in the balance sheets of the main monetary financial institutions starting to slim down again.

The inflationary shock was so sudden that the bond markets were seriously affected by it throughout the year. Within the space of a few months, 10-year US government bond yields rose from 1.5% to 3.3%, while in Europe 10-year yields climbed from 0.3% at the start of 2022 to 3.2% by end-December. In Belgium, 10-year government bond yields rose from 0.2% to 3.1% over the year. In the wake of these developments, mortgage loan interest rates rose substantially, sometimes bringing real estate markets to a full stop in those countries where mortgage lending is subject to variable interest rates. Belgium has avoided this scenario because the vast majority of mortgages are granted at fixed rates, which explains the strong resilience of this market in 2022, following an already extremely dynamic year 2021 when very low interest rates, coupled with a desire for more living space, prompted many Belgians to invest in real estate throughout the pandemic period. The rise in real estate prices slowed slightly in 2022, but is still running at 5% per annum, having reached the very substantial rate of increase of 8% for 2021.

The new rise in long-term interest rates is a source of concern as regards to the management of public finances, since the pandemic had already brought about a worsening of the budget deficit and government debt situations in many countries, including Belgium, which saw its budget deficit climb to 9% in 2021 and remain above 5% in 2022. Going forward, it will be important to see what impact a recession might have, especially as central banks have decided to reduce the size of their balance sheets, to better control inflation. This implies that governments which need to raise funds in 2023 will no longer be able to count as a matter of course on their central banks to purchase their bonds, but will once again need to convince private investors that they are managing their economies in a sound manner.

Meanwhile the Belgian banking sector continued during 2022 to fulfil its role of financing economic activity, with a substantial rise in the volume of loans granted during the year. During the first nine months, total outstanding lending to private individuals and corporate clients reached 250 and 150 billion euros worth of credit respectively. This represents an increase of some 8% in lending to households and 10% in loans to businesses in a single year.

Core Businesses

BNP Paribas Fortis

BNP Paribas Fortis includes an important part of the Commercial, Personal Banking & Services (CPBS) as well as Corporate & Institutional Banking (CIB) activities of the BNP Paribas Group in Belgium. On 31 December 2022, the bank employed a total of 10,400 FTEs in Belgium.

Retail Belgium

BNP Paribas Fortis Retail banking activities comprise banking services to a range of client types, including individual customers, self-employed people and those in the liberal professions, small and medium-sized companies, local businesses, corporate clients and non-profit organisations. Retail Belgium provides its services via two networks, which operated in 2022 under a segmented business approach: Retail & Private Banking Belgium and Corporate Banking Belgium.

Retail & Private Banking Belgium

BNP Paribas Fortis is the No. 1 bank for retail customers in Belgium and has a strong position in the professional clients and small-business sectors, with 3.35 million customers. BNP Paribas Fortis is also the leading Private Bank in Belgium. Fintro has more than 351,000 customers.

Retail & Private Banking serves individual customers, entrepreneurs, and small and medium-sized businesses through its various networks, as part of a hybrid banking strategy in which customers can choose to do their banking either in-branch or using digital channels:

- The physical network comprises 342 branches (of which 153 are independent) and 16 Banque des Entrepreneurs (small business banking) centres. In addition, there are 206 Fintro branches operated under franchise, and 657 bpost bank branches (100% owned) operated in partnership with Bpost. The 342 BNP Paribas Fortis branches are organised into 32 branch groups divided between nine regions.
- RPB's digital platform provides online banking (Easy Banking) and mobile banking (2.7 million total aggregate active users, including Fintro), and manages a network of 878 ATMs (including Fintro ATMs).

  BNP Paribas Fortis owns a stake in Batopin, a joint venture with KBC, ING and Belfius, with each partner owning 25%. Batopin is installing bank-neutral CASH points across Belgium in locations where customer footfall is expected to be high. Batopin currently has 483 ATMs in operation, and the number is rising every week.
- The bank is also available for customers thanks to the Easy Banking Centre which handles up to 70,000 customer calls per week.

The offer is completed by the digital banking service Hello bank! which has more than 518,000 customers.

Private Banking services are aimed at individual customers with invested assets of more than 250,000 euros. Within Private Banking, the Wealth Management Department caters to customers with invested assets of more than 5 million euros. Private Banking customers are served via 30 Private Banking centres, one Private Banking Centre by James (Private Banking centre providing remote services through digital channels) and two Wealth Management centres.

BNP Paribas Fortis continued to develop its digital services and improve the customer experience in 2022, particularly through the Easy Banking remote banking app. New features and improved performance led to the Easy Banking App being rated 4.6 out of 5 for the iOS version and 4.5 for Android. Automation and AI are now fully deployed in the Customer Service Centre, allowing the bank to handle the growing volume of queries from customers and staff members as efficiently as possible.

From 1 January 2023, BNP Paribas Fortis has a new commercial organisation based around three customer segments:

- Retail Banking for personal and self-employed customers, served by a multidisciplinary team;
- Affluent & Private Banking for personal and self-employed customers with more than 85,000 euros of assets, who each have a dedicated relationship manager;
- Corporate Banking for business clients with a dedicated relationship manager. The Enterprises business line serves small and medium-sized businesses while Corporate Coverage handles large corporations, public-sector entities and institutional clients.

In 2022, BNP Paribas Fortis acquired Bpost's 50% stake in bpost bank, taking its total interest to 100%. At the same time, Bpost and BNP Paribas Fortis signed an exclusive, seven-year commercial agreement under which Bpost will continue to offer BNP Paribas Fortis services and products in its network of post offices.

The bank is more determined than ever to be a trusted financial partner for customers

In 2022, we were more determined than ever to stand by our customers against a background that saw the country gradually emerge from the acute COVID-19 phase but having to face a nascent energy crisis due to the war in Ukraine. We therefore stepped up our communication campaigns, towards both our private individual customers and our self-employed professional clients, with a view to providing them with the most personalised and relevant service possible.

Given the economic situation, the energy crisis and the changing regulations, we stepped up our Financial Wellbeing outreach to private individual customers, with four distinct areas of action: creating and constantly revising the content of the My Life pages on our Easy Banking Web (EBW); providing a range of sales materials to our sales force on the themes of My Mobility, My Budget, My Future and My Housing; producing a newsletter sent out to individual customers and also setting up targeted leads in order to create opportunities for contact with customers experiencing financial difficulties or in need of assistance in managing their budget – with a particular focus on solutions for financing home renovation/insulation works designed to reduce their energy bills.

We also ran information campaigns on the launch of the new Bancontact Visa debit card and the rollout of a new network of CASH point ATMs.

Towards more sustainable mobility

As part of our policy of actively promoting the transition to a more sustainable world, we focused – among other things – on sustainable mobility, running a high-profile internal communication drive and a large-scale external publicity campaign, involving frequent TV and radio spots, use of digital channels, plus posters at our branches and direct marketing. In addition, we created a web-seminar – aimed at our self-employed professional clients – looking at changes in the tax treatment of work-related travel, and also made those clients frequent special offers, in partnership with our Arval subsidiary, for 'top deals' on electric vehicles. Determined to fulfil our role as a trusted partner to our customers, on mobility issues as well as other questions, the bank published in December the results of a large-scale survey among 2,000 Belgians, enquiring into how their choice of transport options, including the transition towards zero-emission vehicles, is evolving. Results revealed that close to half of all those Belgians surveyed wished to switch to an electric car by 2029, provided that a number of improvements are made in terms of the range of vehicles on offer, lower prices for bottom-of-the-range vehicles, wider availability of recharging infrastructure, and greater battery-related driving autonomy. The survey results also underlined that consumers expect the banks to play a proactive part in assisting the transition.

Banking and insurance services: our repositioning drive continues

In 2022 we also continued our drive to reposition BNP Paribas Fortis as the preferred partner for both banking and insurance solutions, for both private individual customers and self-employed professionals. We ran advertising campaigns on TV, radio and the digital media and also engaged in direct communication with our customers, placing emphasis on the broad range of solutions available, further boosted by our partnership with alarm system and remote monitoring expert Homiris, whose alarm systems enable customers to obtain a discount on their home insurance policy, also underlining the greater ease of use thanks to, inter alia, new digital functionality in our Easy Banking App (EBA) that enables customers for example to subscribe to Touring services, submit loss or damage claims, or sign up to insurance policies, all on line.

Meanwhile, in November, the bank, together with insurance group AG, signed an in-principle agreement with the non-profit organisation Touring Club Royal de Belgique for the transfer of all operational and commercial activities of the Touring group to a limited liability company called Touring SA and the acquisition of the shares of Touring SA by AG (75%) and BNP Paribas Fortis (25%).

In addition, we launched an initial large-scale campaign designed to promote insurance solutions provided by AG for self-employed professionals that are now integrated into our portfolio, enabling clients to sign up directly with the bank for those policies and services. For this purpose, we developed an online tool to help customers choose the right occupational insurance solution. We also expanded our portfolio of solutions for 2nd Pillar pensions, incorporating 'Tak 23'-type products into our offer range.

More targeted investment assistance

We also continued to build out and promote our MyExperts expertise platform, which enables Private Banking, Wealth Management and Priority Exclusive clients to access articles and web-seminars designed to help them take the right investment decisions. We have now broadened the range of subjects covered to include information precisely geared to the needs of entrepreneurs and members of the liberal professions.

At the same time, we decided to close down the Lucy online investment platform.

In line with our policy of promoting sustainable and socially-responsible investments, we launched during the year a new philanthropic fund entitled Impact Together, embedded within the King Baudouin Foundation, which is financed solely by revenue from the sustainable investment solutions offered by the bank. This replaces the Venture Philanthropy Fund, whose profile was not sufficiently high. The money thus collected is intended to provide long-term backing to local organisations, specifically supporting one-off projects, plus also intervening to help mitigate natural disasters or alleviate crisis situations.

Following the adoption of new EU legislation on sustainable investment, the bank has now adjusted its approach so as to systematically gauge customers' interest in opting for sustainable investment solutions. Inter alia, new terminology has been adopted in order to distinguish 'sustainable' investments from 'socially-responsible' investments.

Continuous development of our digital solutions for managing day-to-day tasks

In order to make life easier for our customers, we also continued during 2022 to build out our digital tools, offering customers greater autonomy in managing their day-to-day needs, including adjusting transaction limits on cards and launching Personal Finance Management, a tool that helps customers to manage their budget. In addition, we ran an advertising campaign on TV, digital media and the social networks, designed to promote the full range of digital solutions available on our EBA. We also conducted direct campaigns aimed specifically at our entrepreneur clients, highlighting the Easy Banking Business and Easy Banking Business mobile platforms, which provide advanced functionality for helping to run a business. At the same time, we continued to communicate regularly on the bank's accessibility via our digital Click to call and Easy Banking App, plus video calls.

Last but not least, we continued during the year to help educate our customers in the safe use of digital tools and processes, stepping up our fraud prevention and phishing avoidance campaigns with new videos posted on our Easy Banking Website.

Promoting digital payment solutions

Following the entry into force on 1 July 2022 of a new law requiring retailers and merchants to offer a digital payments option to their customers, we took a number of initiatives to highlight our digital payment acceptance solutions for our clients in these sectors. In close partnership with our subsidiary Axepta and payment platform Payconiq, we stepped up our appearances at trade fairs and salons, and conducted several direct communication campaigns to enable our clients to find the solution that best matches their needs.

We also worked during the year to promote the Loyalty solutions provided by our partner Joyn. Complementing payment solutions, these Loyalty solutions enable digitalisation of customer relations and help to boost business by facilitating merchants' promotional efforts vis-à-vis their customers. In support of this aim, we ran a wide-ranging drive to activate the Joyn solutions at our own premises in order to increase familiarity with and foster ambassadorship of this type of solution among our staff.

Stepping up outreach to business starters

Determined to play to the full our role in helping to develop the local economy, during the year we stepped up our efforts to reach out to business starters, a process begun in 2021, via both the BNP Paribas Fortis and Hello bank! brands. We ran fresh advertising campaigns on radio and digital media to promote our solutions and highlight our expertise in supporting future entrepreneurs. At the same time, we developed a web-seminar aimed at business starters, focusing on the circular economy, and created a number of video clips highlighting various aspects of our expertise for young entrepreneurs, in partnership with the Goed Bezig! (Good job!) broadcast on the Dutch-speaking TV business channel KanaalZ.

Our expertise widely recognised again

On 13 July, BNP Paribas Fortis was named 'Best Bank in Belgium' and 'Best Investment Bank in Belgium' at the 2022 *Awards for Excellence* ceremony hosted by the celebrated international finance magazine Euromoney. These awards are designed to honour banks that show leadership, innovation and dynamism in the markets where they operate.

On 4 November, leading financial magazine *The Banker* – part of the Financial Times group – named BNP Paribas Fortis 'Best Private Bank in Belgium'.

On 29 November, publisher *Global Finance* conferred its Best SME Bank Award 2023 on BNP Paribas Fortis for the Belgian market, in recognition of our commitment to supporting small and medium-sized businesses in Belgium.

Corporate Banking

With its well-developed, diversified and integrated business and service model, the BNP Paribas Fortis Corporate Banking division is well equipped to serve a wide range of clients, including small and medium-sized companies, Belgian and other European corporates, financial institutions, institutional investors, public entities and local authorities. Corporate Banking (CB) serves an extensive and diversified clientele among large and medium-sized companies and is the market leader in these two categories. CB is also a strong challenger in the public sector category.

Our Relationship Managers are central to the Corporate Banking relationship model. CB deploys a wide variety of experts who are able to provide all kinds of bespoke banking solutions and services to their dedicated portfolios of clients. Within the Corporate Banking division, the Commercial Banking team serves SMEs and MidCaps through a network of 14 Business Centres across the country. Relationships with Large Corporates, Financial Institutions and Public Institutions are handled by dedicated central teams based at our Headquarters in Brussels.

Providing a wide range of both traditional and bespoke specialised solutions and services and drawing on the international network of the BNP Paribas Group across 65 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients in Belgium and abroad.

A financial partner helping corporates navigate through uncertainty

In 2022, Corporate Banking continued to play a major role in providing support to the Belgian economy. Our Transaction Banking unit was able to provide notable assistance to clients seeking to navigate through a disrupted supply chain environment brought about by geopolitical events while our Global Markets specialists helped clients to hedge their risks, with regard to interest rates, currency volatility or inflation. Meanwhile our Private Equity teams continued throughout the year to invest in Belgian companies in line with our '2025 Strategy'.

An organisation adapting in order to sustain continuous growth

During the year, the Corporate Banking division pursued its roadmap for digital transformation and process efficiency improvement. CB also further enhanced its servicing model by accelerating the rollout of digital capabilities and remote contact channels.

Our partnerships with EMAsphere and Climact are good examples of how CB is bringing continuous added value to its clients by broadening the scope of the solutions offered to corporate clients beyond the confines of traditional banking services.

2022 was also the year of preparation for the bank's new commercial organisation, whereby enterprises benefiting from a dedicated relationship manager will be served by Corporate Banking as from 2023. This adapted model will help us to strengthen our relationships with clients as part of our strategy towards 2025.

A trusted partner to assist corporates towards more sustainable business models

With our Sustainable Business Competence Centre, Corporate Banking is firmly positioning itself as the Sustainable Corporate Bank. During the year the division stepped up its efforts to help clients make the transition to more sustainable practices and business models and to invest in transformative projects needed to address the huge challenges of harmful climate change and shrinking biodiversity. We devoted ever-greater attention to the fields of energy transition, decarbonisation, biochemistry, and the circular and regenerative economy. CB also stepped up its expertise regarding the regulatory framework of the EU Green Deal and Environmental, Social and Corporate Governance (ESG) business criteria. Our partnership with Climact is an important development here, enabling us to provide our corporate clients with a means of measuring the carbon footprint of their activities.

In 2022, BNP Paribas Fortis carried off for the third year in a row the title of Belgium's Best Investment Bank, conferred by *Euromoney* magazine as part of its annual Awards for Excellence. In addition, Corporate Banking received several excellence awards from Coalition Greenwich: Share Leader and Quality Leader for Large Corporate Banking and Large Corporate Cash Management (2021) and for Trade Finance (2022).

Arval

Arval is a BNP Paribas Fortis subsidiary specialised in full-service vehicle leasing and new sustainable mobility solutions. Arval provides its corporate clients – ranging from large international corporates to small and medium-sized enterprises – its partners, their employees, plus also individual customers, with flexible solutions to help make their journeys seamless and sustainable.

At end-2022, Arval had permanent establishments in 30 countries, employing more than 8,000 staff, leasing close to 1.6 million vehicles (an 8.3%* increase versus end-2021), including 296,676 electrified vehicles. The company mainly does business in Europe, where it holds a leading position. It has also entered into a number of strategic partnerships through the Element-Arval Global Alliance, the world leader in this sector with more than three million leased vehicles in 53 countries. In 2022, Arval made two new acquisitions: BCR Fleet Management in Romania (3,800 vehicles); and Terberg Business Lease in the Netherlands and Belgium (38,000 vehicles).

In 2022, Arval continued to provide its customers with innovative products and services such as Arval Connect, a powerful solution to help customers control their costs and accelerate their energy transition, and Arval Adaptiv, an innovative flexible car subscription offering for private customers. In addition, during the year Arval extended its first international biodiversity project '1 Electrified Vehicle = 1 Tree' – which was launched in eight Arval countries in 2021 – to all remaining countries where the company operates. As of end-December 2022, the planting of 207,995 trees had been financed in this way.

BNP Paribas Leasing Solutions

BNP Paribas Leasing Solutions helps both companies and members of the professions to develop their businesses by providing them with leasing and financing solutions, together with a range of services designed to meet their needs.

The expert teams of BNP Paribas Leasing Solutions support and assist:

- Equipment manufacturers and business software publishers, providing them with exclusive, comprehensive solutions designed to support and boost the sales achieved by their distribution networks and/or dealerships;
- Distributors, dealers and integrators of business equipment, providing them with sales support solutions plus a wide range of financial products and services designed to meet the needs of their customers;
- Businesses, local authorities, members of the professions and craftsmen and -women, providing solutions for financing their investments in equipment.

BNP Paribas Leasing Solutions provides assistance to players in the real economy by financing purchases of all major types of business and professional equipment, including for the agricultural, medical, logistics and IT sectors, and also helps clients make the transition to more environmentally-friendly practices by financing both the purchase of equipment designed to make a positive impact and circular economy enterprise.

At end-2022, BNP Paribas Leasing Solutions was named European Lessor of the Year for a record seventh time by Leasing Life, the leading magazine reporting on the Leasing profession in Europe, also winning the award for Best Energy Transition Financing Program of the Year conferred by the same publication.

BGL BNP Paribas

BNP Paribas in Luxembourg offers a comprehensive range of financial products and services tailored to the needs of all its customers in Luxembourg and is the largest employer in the Luxembourg financial sector.

* *Growth rate at end-2022 vs. end-2021. Excluding the acquisitions of TBLG and of the operating lease activities of BCR in Romania, organic growth was +5.5% at end-2022 vs. end-2021.*

BGL BNP Paribas activities

The BGL BNP Paribas **Retail Banking** business line provides private individuals, self-employed professionals and entrepreneurs with products and services ranging from daily banking needs to financing, plus also savings and bancassurance solutions and investment products. It has one of the widest ranges of retail banking products in Luxembourg, including private leasing.

BGL BNP Paribas Banque Privée provides clients resident in Luxembourg or the Greater Region with comprehensive and customised financial and wealth management solutions.

The **Wealth Management** business line targets an international client base, in particular business owners and families, assisting them with their specific needs through tailored asset and financial management solutions, in addition to a suite of high-quality services: investment advice; discretionary management; wealth planning and organisation; asset diversification and financing.

Through the **Corporate Banking** business line, BGL BNP Paribas is Luxembourg's number one banking partner for large firms, the public sector and institutions, social organisations, real estate professionals and startups. The product range is structured around various specific areas, including Financing (classic, project, transfers & acquisitions, real estate), Trade (letters of credit, documentary credit), Cash Management (cash pooling, multibank cash management tools, cards programs, etc), Rate (exchange or interest) risk coverage and Escrow Accounts. As part of the BNP Paribas Group, BGL BNP Paribas also provides its corporate clients with access to the full spectrum of the Group's specialist business expertise and services.

Corporate and Institutional Banking provides corporate and institutional clients with products and services related to the capital and financing markets in Luxembourg.

BGL BNP Paribas Development was created in 2021 to support Luxembourg businesses by acquiring minority stakes in companies. Through direct investment in unlisted Luxembourg commercial, industrial and technology firms, the bank aims to play a supportive role in their organic and external growth plans and assist them with business transfers.

Türk Ekonomi Bankası A.Ş. (TEB)

BNP Paribas Fortis operates in Turkey through TEB. On 30 September 2022, TEB, which provides the full range of BNP Paribas Group Retail products and services in Turkey, stood 10th in the country's deposit bank rankings in terms of market share of deposits and loans.

In 2022, TEB continued to diversify and enrich its products, services and campaigns, in order to be able to offer customer-oriented solutions. We also expanded our range of services and products through our digital channels. TEB applies a human-centric design and customer journey methodology and runs advocacy programmes designed to obtain and make good use of customer insights. A key factor in this respect is the meticulous monitoring of customer habits and customer acquisition channels. In addition to transactional and relational Net Promotor Score (NPS) studies, we continue to gather insights and improve customer experience through ad-hoc research and communication with our customers through all channels, with 200,000 registered communication exchanges in 2022. In the benchmark NPS research conducted independently every year, TEB was ranked in the top three in its Turkish retail banking peer group for the fifth year in a row.

At the close of 2022, TEB Digital Channels were serving just under 2.65 million active online customers, with 87% of personal loans and 66% of time deposit accounts opened via the CEPTETEB Digital Banking Platform. CEPTETEB continued to develop its digital channel experience during the year, expanding the customer base and launching new features on the CEPTETEB Mobile Application and the TEB FX platform. Incorporating the latest technology and innovations, CEPTETEB also features chatbot platforms named TELEPATİ and Fon Danışmanım (My Fund Advisor), an automated, algorithm-driven portfolio builder for funds.

TEB focused special attention on digital banking for elderly people. TEB has been very active in becoming the first choice for retired persons and by the end of 2022 TEB had increased its retiree customer base by 147% compared to 2021. TEB encourages increasing digital activity among the retired by making system developments to simplify the processes and deliver further ease of use for all retired customers. Mobile app activity among retired CEPTETEB users increased during the year, with 66% of this customer segment now using the app.

At the end of 2021 TEB launched a Currency Protected TRY Time Deposit Account, a YUVAM* Account and a Foreign Currency/ Gold Conversion TRY Time Deposit Account, becoming one of the first banks in Turkey to offer these products via a mobile application. TEB contacted potential customers with a view to promoting these innovative accounts through Relationship Managers, Digital Relationship Managers, SMS, email, push notifications, banners and digital channels. By end-2022 our market share in Currency Protected TRY Time Deposit Accounts had reached 2.57%, up from 1.39% in December 2021.

Retail customers with foreign exchange and gold assets were offered 'Marifetli' accounts, a daily term account that enables the capital and interest to be reinvested each day. The account offers attractive 'welcome' interest rates and the option of investing in a mutual fund with additional interest rate. In 2022, TEB welcomed some 57,000 new Marifetli customers, plus also more than 50,000 new mutual fund customers.

Throughout 2022, TEB continued to focus on mass affluent customers. Asset thresholds were increased to minimum 300,000 TRY, digitalisation was expanded, and the investment product offer widened, resulting in greater customer loyalty and a 28% increase in customer numbers year-on-year. Privileges offered to this client segment via CEPTETEB Digital Banking had a positive impact on digital activity, with 80% of affluent customers now actively using the mobile app. TEB also bolstered its aim of becoming the main bank for Turkish lawyers, enhancing its 'Lawyer Package' by adding pension contributions to lawyers' cashflow, and making agreements with 52 law societies to reach legal professionals all over Turkey.

Private Banking

TEB Private Banking revived the TEB Private Banking Angel Investment Platform designed to offer clients advisory services that include alternative investment products and innovative ideas. The platform brings entrepreneurs and potential investors together at face-to-face customer events, helping to raise mutual awareness and unlock business potential. In 2022, TEB Private Banking won prestigious global awards, including a *Euromoney* first prize in Capital Markets Investment Advisory, the title of 'Best Private Bank in Turkey' for the fourth time at the World Finance Banking Awards, the 'Most Innovative Private Bank' award at the International Finance Awards (for the fifth time) and the 'Best Digital Innovator of the Year' award at the PWM Wealth Tech Awards.

SME Banking

TEB has always focused on SMEs, because of the important role they play in Turkey's economic growth. Aided by the worldwide presence and expertise of the BNP Paribas Group, TEB offers exclusive tailor-made financial and non-financial products and services to SMEs by acting as a consultant bank rather than following the classical banking approach. We offer a wide range of customised products to SMEs, such as foreign trade packages, project financing and derivative products. A digital service model has been established with the aim of enabling SME clients to perform daily banking, cash management and investment transactions through CEPTETEB İŞTE without having to visit a branch, while also offering customised advice by dedicated and well-trained relationship managers. In line with the accelerated digital transformation that is shaping the banking sector and changing clients' demands and expectations, SME Banking focuses on digitalisation, innovation, creativity and the optimisation of business processes, working with fintechs and startups both on digital transformation projects which require high software competency and on the development of new financial products and services.

In addition to the SME and Agricultural Banking business lines, TEB provides financial solutions to startups, and offers specific banking approaches to meet the needs of local government and the gold trade. Under its Municipality Banking approach, TEB SME Banking offers financial solutions to local government, including credit lines for projects in such areas as solar energy investment, environmentally-friendly transportation systems and solid waste treatment facilities. The specific Gold Banking service enables customers who deal with gold production or gold trading, including jewelry retailers, wholesalers and exporters, to obtain Gold Loans to finance their capital needs, while the Gold Deposit Account is designed to enable customers who choose to invest their savings in gold to buy and sell this precious metal by the gramme.

* *YUVAM: a Turkish lira account that encourages non-resident persons and their companies abroad to bring their savings to Turkey by offering a Central Bank guarantee of protection against exchange rate volatility.*

TEB Start-up Banking has established 'Startup Houses' in seven large cities to support technology-based startups, the most comprehensive and widespread entrepreneurship programme in Turkey. TEB SME Banking also supports projects that have a positive impact on the environment and/or society. Within the scope of sustainable finance, TEB SME Banking offers financing solutions to SMEs and municipalities for the financing of green projects such as renewable energy, energy efficiency, the circular economy, waste management and renovation projects designed to reduce carbon emissions.

Corporate Banking

TEB Corporate Banking provides services including international trade finance, structured finance, cash management, credit services and hedging of currency, interest-rate and commodity risk. TEB provides its services through foreign trade centres staffed with experienced specialists and also through 11 corporate branches, five of which are located in Istanbul, specifically designed to meet the requirements of multinational companies.

In a fast-transforming world with new technological developments, where customer expectations and requirements are changing at a rapid pace, TEB Corporate Banking focused hard during 2022 on maintaining product quality and the overall customer experience at the highest level by anticipating and responding to those changing customer expectations and needs. During the year, we succeeded in maximising customer satisfaction by meeting our customers' diverse needs through our sales channels.

Corporate Social Responsibility (CSR)

As a trusted partner to its customers, the bank works closely with them to help create a fairer, more sustainable world.

Our Corporate Social Responsibility (CSR) actions are based around four themes:

Transition to carbon neutrality

BNP Paribas has set itself the aim of financing a carbon-neutral economy by 2050. In 2021, the group signed up to the Net-Zero Banking Alliance, thus committing to aligning the greenhouse gas (GHG) emissions arising both from the activities it finances and also from its own investment portfolio with the Paris Agreement. The group has published an initial analysis and climate alignment report, which sets out its targets for reducing the intensity of GHG emissions arising from its lending activities in three of the highest-emitting sectors: electricity generation, oil & gas production and the automobile industry. This constitutes a first step; we will address seven other sectors by 2024.

Natural capital and biodiversity

The depletion of biodiversity and natural capital has environmental, economic and human repercussions. Determined to help protect worldwide biodiversity, BNP Paribas continues to adopt targeted policies designed to combat such problems as deforestation. The group is a member of various coalitions, including the Taskforce for Nature-related Financial Disclosures, which seeks to ensure global consistency in companies' reporting on their nature-related risks and opportunities. BNP Paribas also finances actions that help protect biodiversity, currently aiming to dedicate 4 billion euros worth of financing by 2025 to businesses pursuing biodiversity targets.

In Belgium, the bank's continuing support for Natagora and Natuurpunt once again this year enabled these two environmental protection non-profits to expand their nature reserves and thus help to protect biodiversity in this country. In addition, some 10,000 trees were planted by bank staff on 16 December to mark its 200th anniversary.

The circular economy

Every economy generates waste and pollution and depletes primary resources. In order to preserve biodiversity and combat climate change it is therefore essential to promote the circular economy. By prioritising the recovery and reconditioning of end-of-life products, the circular economy enables human society to reduce its consumption of non-renewable resources and diminish waste-production. To this end, BNP Paribas Fortis has forged a partnership with international non-profit CO_2 Value Europe, whose purpose is to capture, recycle and use CO_2 as a primary resource, working towards a circular economy in carbon.

Inclusiveness

BNP Paribas Fortis is determined to help combat inequality of all kinds and promote the development of an inclusive society in which everyone can find their place.

Digital inclusion is becoming increasingly important in order to enable everyone to participate fully in our society. For this reason, in 2020 BNP Paribas Fortis launched DigitAll, the first-ever Belgian alliance – bringing together social welfare organisations, public bodies and private enterprises – for the purpose of combating digital exclusion. In early 2022, DigitAll unveiled MobiDig, a mobile toolbox containing digital equipment, the aim being to facilitate social organisations to reach out to their target public to help them acquire competence in the use of digital tools. Meanwhile, the Digital Inclusion by Design Index, another tool developed by DigitAll, enables designers of digital tools and services to a) assess to what extent they lend themselves to digital inclusion and then b) work to make them more accessible to a public not fully familiar with such tools and services.

BNP Paribas Fortis' sustainability-promotion policies are geared to five strategic priorities:

Sustainable and responsible investing

At end-2022, assets under off-balance-sheet management bearing the 'Towards Sustainability' label totalled 38.30 billion euros. Some 64.6% of all new investments in funds carried out in 2022 were in products that meet the 'Towards Sustainability' criteria.

Sustainable real estate

BNP Paribas Fortis is the first large Belgian bank to apply the European Union's Energy Efficient Mortgage (EEM) label. The bank offers preferential credit terms to individual customers who opt for environmentally and socially sustainable real estate projects. At end-2022, mortgage loans granted by the bank carrying the EEM label totalled 4.95 billion euros.

In 2022, Energy Loans (i.e. loans to finance works designed to save energy) accounted for 45% of the bank's total lending for property renovation purposes.

Meanwhile, Energy Loans granted by BNP Paribas Fortis during the year totalled 352 million euros, compared with 205 million euros in 2021, a 72% increase year-on-year.

Corporate Sustainability Transition

The bank aims to substantially increase the proportion of its loans that are granted for projects which meet Environment, Social and Governance (ESG) criteria. As at 31 December 2022, the amount of outstanding ESG lending to BNP Paribas Fortis* clients totalled 15.1 billion euros. This figure also includes lending that meets the definition of Sustainability-Linked Loans.**

ESG loans include 5.7 billion euros for company projects in the fields of renewable energy (51% of the total), recycling, sustainable construction or property renovation and 'soft' mobility, plus also 3.5 billion euros worth of lending to the non-market sector: hospitals, schools, universities, social enterprises and charitable organisations.

The bank calls on the skills of a vast network of experts in order to assist these businesses and organisations in making their transition towards a more sustainable activity model.

Corporate clients are able to draw on the skills of our staff at the Sustainable Business Centre (SBCC) and obtain their assistance in carrying out environmentally and socially sustainable projects. In 2022, the SBCC assisted with 106 loan requests totalling 470 million euros worth of sustainable financing.

The BNP Paribas group's networks on sustainability matters – the Low-Carbon Transition Group and the Network of Experts in Sustainability Transitions (NEST) also place their expertise at the disposal of the bank's corporate clients.

Meanwhile, the Sustainable Business Approach unit embedded in our Retail & Private Banking division is staffed by a network of 160 advisors who drive and promote the bank's sustainability strategy vis-à-vis both individual customers and entrepreneur and small business clients.

With its recognised expertise in this field, plus its extensive international connections, the bank took part during 2022 in various debt issuance operations with a sustainability component, including acting as Bookrunner for a 1 billion euro Dual Tranche Green Bond issue by VGP and as Joint Global Coordinator for a 500 million euro Sustainable Bond issue by Cofinimmo.

** Clients of BNP Paribas Fortis SA/NV (including loans granted by Alpha Credit and Leasing Solutions to these clients), bpost banque and the Factoring businesses.*

*** Loans whose charging mechanism is linked to improvements in a company's ESG performance indicators.*

Determined to support the economy in an ethical manner, BNP Paribas Fortis has adopted a set of sector-related policies, setting out strict rules governing investment and financing operations in sensitive sectors. Accordingly, the bank declines to finance or invest in companies that do not fulfil certain conditions relating to human rights and the environment. However, before denying such companies our services, we always attempt to engage with them in dialogue so as to encourage them to change their practices. Out of the 541 proposed transactions submitted to Company Engagement and Compliance for in-depth analysis during 2022, 12 were rejected due to their non-compliance with the bank's sector-specific policies.

Sustainable mobility

BNP Paribas Fortis encourages both its individual customers and business clients to choose more sustainable modes of transport by offering them financing, leasing, insurance and assistance solutions. For example, Individual customers benefit from preferential credit terms when they purchase electric vehicles. As at 31 December 2022, one in three new car loans was for a low-emission vehicle. BNP Paribas Fortis leasing subsidiary Arval offers company clients operational leasing and consultancy services to help them set up alternative mobility solutions. As at 31 December 2022, 7.05% of the Arval fleet in Belgium was made up of 100%-electric vehicles, which accounted for 28.4% of total orders. Some 18.39% of Arval-managed vehicles registered in 2022 were 100%-electric.

Following the bank's acquisition, in tandem with AG, of the equity of Touring SA (a transaction scheduled for finalisation in mid-2023) and the reorganisation of shareholdings in Optimile, in which each of those three companies held a 33% stake, BNP Paribas Fortis will become the majority shareholder in Optimile, thus concretising our intention of becoming a serious player in sustainable mobility. Optimile provides software solutions for businesses wishing to 'mobility as a service' to their employees, and also software solutions for charging up electric vehicles – known as 'charging infrastructure as a service'.

Social inclusiveness

The stated purpose of social enterprises – which operate in fields such as adapted work, the circular economy, energy efficiency and decarbonisation – is to provide a solution to a specific social problem. As at end-2022, BNP Paribas Fortis numbered some 458 social entrepreneurs among its clients and had 128 million euros worth of credit outstanding to social enterprises. The bank further stepped up its commitment to this sector by taking a stake in social investment fund Trividend.

BNP Paribas Fortis also supports financial inclusion through micro*Start*. This micro-lender, of which the bank is a co-founder, makes small loans and provides various kinds of assistance to persons who wish to set up or further develop their own business but are unable to obtain financing through traditional banking channels. Since its inception in 2011, micro*Start* has to-date granted some 6,780 loans worth a total of 55 million euros to micro-entrepreneurs, thus supporting some 4,890 business projects and enabling the creation or continuation of over 9,000 jobs. The year 2022 saw 555 new micro-loans totalling some 6 million euros granted, and micro*Start*'s expert staff also provided 1,460 micro-entrepreneurs with practical assistance, entirely free-of-charge.

Meanwhile, in pursuit of its policy of commitment to inclusion and diversity, the bank signed up to the Open@Work charter, as part of a network of Belgian companies that are determined to help create, through targeted policies and practical action, an inclusive working environment that is welcoming to LGBTQIA+ persons.

The Diversity Weeks 2022 were kicked off at a joint event hosted by Solvay and BNP Paribas Fortis. The event provided an opportunity to share practical experiences, testimonies and good practice, starting with a video featuring the two CEOs, Ilham Kadri and Max Jadot.

Drawing on the findings of the Diversity Barometer, a tool which helps to measure progress on indicators for, among other issues, the 'glass ceiling', BNP Paribas Fortis has drawn up specific action plans for each type of post, with a view to improving *inter alia* gender equality at all levels of the bank.

Meanwhile the BNP Paribas Fortis Foundation Fund, which is embedded inside the King Baudouin Foundation Fund, continues to help combat social exclusion among young people and children from precarious backgrounds. Every year the 10 Champions programme allocates support worth 50,000 euros over a period of two years to 10 charitable organisations working in this field.

2022 saw the launch of a new philanthropic fund called Impact Together, whose aim is to help create a more sustainable and socially responsible world by working along three specific lines: long-term strengthening of local organisations; financial assistance to projects run by social or environmental organisations; and urgent response to help alleviate crisis situations.

In 2022, the bank donated part of the fees arising from Sustainability- and Social Responsibility-oriented investment funds to a number of non-profit organisations and charitable bodies. Accordingly, a total of 538,170 euros was transferred to Natagora/Natuurpunt, the Belgian Red Cross, the Anti-Cancer Foundation and micro*Start* during the year.

BNP Paribas Fortis staff also mobilised during the year to provide assistance to victims of the war in Ukraine. Their huge contributions to the group's Rescue & Recovery Fund, which were then matched by the group, plus a supplementary donation of 500,000 euros to the King Baudouin Foundation by our Private Banking division, resulted in a total of 656,556 euros being donated to this cause.

Meanwhile the bank's #ourjob2 campaign encourages staff to make a practical contribution to environmental protection and society at large. This commitment has been taken to a new level by a volunteering programme called 1MillionHours2Help, launched by the BNP Paribas group, which enables every employee to devote one half-day of working time to a project on a voluntary basis. In 2022, some 9,785 bank employees took part in the #ourjob2 campaign. 7,355 of them provided a total of 29,305 hours of voluntary work. For each participation in #ourjob2, the bank arranges for the WeForest organisation to plant a tree as part of a reforestation project in Zambia. Together with trees planted under initiatives by other departments of the bank, a total 125,874 trees have been planted since 2017. In addition, for each participation in the 1MillionHours2Help programme the bank began in 2022 to finance the restoration of one square metre of natural environment by either Natagora or Natuurpunt. This means a total of 7,355 m^2 of nature restored during the last year alone, plus also a further 657 m^2 due to registrations with the new #ourjob2 platform dedicated to volunteering.

In late April, the festivities held to mark the bank's 200th anniversary were kicked off by Positive Impact Day, during which some 6,700 staff took part in 390 local Sustainability activities.

In addition to these five strategic priorities, BNP Paribas Fortis makes strenuous efforts to reduce its own environmental footprint.

The bank set out from the beginning to ensure that the new headquarters building in the heart of Brussels, which was inaugurated in 2021, would be exemplary from an environmental point of view. Accordingly, we are now in the process of obtaining an 'Excellent' certification according to the Building Research Establishment Environmental Assessment Method (BREAAM). The building has already received a MIPIM award in the *Best Office and Commercial Development category*. With an energy consumption rate just one-seventh as high as the previous headquarters, and equipped with a 5,500 square metre 'green' roof and photovoltaic panels, the new building has a parking garage which gives pride of place to recharging stations for electric vehicles and also provides 330 slots reserved for bicycles.

Meanwhile ever more of our staff are opting for a rechargeable hybrid or 100%-electric car. At end-2022, just under 30% of the fleet of private staff vehicles leased from Arval were electric vehicles – either 100%-electric or rechargeable hybrids. At that date, 79.5% of car orders waiting for delivery were for electric vehicles.

Since 2015, BNP Paribas Fortis has been making 100% use of 'green' electricity in all its central buildings, branches and regional headquarters. Since 2012, the bank has reduced its CO2 emissions by 68% and its paper consumption by 80%. Fully 99.5% of all paper used is certified FSC or PEFC, or is recycled paper.

Additional information

BNP Paribas Fortis discloses comprehensive and updated information about the bank's Corporate Social Responsibility on its corporate website (*https://www.bnpparibasfortis.com/our-commitment*) together with the publication of an annual Corporate Social Responsibility report since 2015.

BNP Paribas Fortis contributes to the BNP Paribas Group's strategic initiatives. More information is available in the chapter 7 of the BNP Paribas Group's universal registration document ("*Information concerning the economic, social, civic and environmental responsibility of BNP Paribas*"), in its "*Task Force on Climate Disclosure (TCFD) report*", and on its corporate website.

Changes in the scope of consolidation

Information on the changes in the scope of consolidation is provided in note 7.b 'Business combinations and other changes of the consolidation scope' and note 7.j 'Scope of consolidation'.

BNP Paribas Fortis credit ratings at 10/02/2023

	Long-term	Outlook	Short-term
Standard & Poor's	A+	Stable Outlook	A-1
Moody's	A2	Stable Outlook	P-1
Fitch Ratings	AA-	Stable Outlook	F1+

The table above shows the main BNP Paribas Fortis credit ratings and outlook on 10 February 2023.

Each of these ratings reflects the view of the rating agency specifically at the moment when the rating was issued; any explanation of the significance of a given rating is to be obtained from the rating agency which issued it.

Forward-looking Statements

It should be noted that any statement of future expectations and other forward-looking elements are based on the company's current views and assumptions including a certain degree of risk and uncertainty, especially given the current general economic and market conditions.

Comments on the evolution of the results

BNP Paribas Fortis realised a **net income attributable to equity holders** of 3,161 million euros in 2022, compared to 2,593 million euros in 2021, up by 568 million euros or 22%.

Please note that the comments in the present section have been written by referring to the financial statements and the respective notes. For a more business oriented analysis, please refer to the Press Release of BNP Paribas Fortis available on the corporate website. This analysis focuses on the underlying evolution, which excludes scope changes (acquisition, sale and transfer of activities), foreign exchange impacts and one-off results. By excluding these effects, BNP Paribas Fortis showed an increasing underlying net income attributable to equity holders by 19% compared to 2021.

Operating income amounted to 4,242 million euros in 2022, up by 766 million euros or 22% compared to 3,476 million euros in 2021. The increase was the result of higher revenues by 1,230 million euros or 15%, also higher costs by (495) million euros or 11% and a decrease of the cost of risk by 31 million euros or (9%).

Non-operating items (share of earnings of equity-method entities, net gain or loss on non-current assets and goodwill) were up by 256 million euros whereas the corporate income tax increased by (458) million euros.

The comparison between 2022 and the 2021 results was impacted by the following elements:

- the pandemic crisis (in 2021), the invasion of Ukraine (in 2022) and the higher inflation affecting the Belgian, European and world economy;
- few scope changes, including mainly the full consolidation of bpost bank effective since first January 2022;
- foreign exchange variations, and more in particular the further material depreciation of the Turkish lira against Euro (from 10.49 EUR/TRY on average in 2021 to 20.02 EUR/TRY on average in 2022);
- the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in Turkey, effective first January 2022.

Based on the segment information, 45% of the revenues were generated by banking activities in Belgium, 38% by the Specialised Businesses made of Arval, Leasing Solutions and Personal Finance (Alpha Crédit in Belgium), 7% by banking activities in Luxembourg and 10% by banking activities in Turkey.

Net interest income reached 4,866 million euros in 2022, an increase of 172 million euros or 4% compared to 2021. Excluding the scope changes (161 million euros) and the foreign exchange effect of the Turkish lira ((295) million euros), the net interest income increased by 306 million euros.

In Belgium, the net interest income increased, supported by the normalisation of interest rates and by the growth of customer loans and deposits. In other banking activities, the net interest income increased in Luxembourg, supported by the normalisation of the interest rates, and decreased in Turkey, because of the depreciation of the Turkish lira. In the Specialised Businesses, there was an overall decrease driven by the net interest expenses of Arval while the net interest income increased at Leasing Solutions and remained stable at Personal Finance.

Net commission income amounted to 1,410 million euros in 2022, up by 15 million euros or 1% compared to 2021. Excluding the scope changes (8 million euros) and the foreign exchange effect of the Turkish lira ((52) million euros), net commission income increased by 59 million euros.

In Belgium there was an increase of the net commissions, mainly in banking fees and partly offset by a decrease of financial fees. In other activities, the net commissions also increased and were supported by the banking activities in Luxembourg, with a small increase in Turkey despite the material depreciation of the Turkish lira.

Net results on financial instruments at fair value through profit or loss stood at 413 million euros, up by 217 million euros compared to 2021. Excluding the foreign exchange effect of the Turkish lira (76 million euros), net results on financial instruments at fair value through profit or loss increased by 141 million euros.

This increase was mainly driven by the banking activities in Turkey, servicing clients in a context of strong volatility in currency exchange rates and interest rates.

Net results on financial instruments at fair value through equity amounted to 40 million euros in 2022, increasing by 3 million euros compared to 2021.

The 2022 result in Belgium was marked by higher capital gains than in 2021, mainly on the disposal of fixed-income securities, partly offset by lower capital gains in Luxembourg and Turkey.

Net gain or loss on the derecognition of financial assets at amortised cost totalled (2) million euros in 2022 compared to 2 million euros in 2021.

Net income from insurance activities totalled 71 million euros in 2022 compared to 80 million euros in 2021.

Net income from other activities totalled 2,844 million euros in 2022, increasing by 836 million euros or 42% compared to 2021.

The main contributor remains Arval that achieved a very good performance, thanks to a further expansion of the financed fleet and the still high used car prices.

Salary and employee benefit expenses amounted to (2,591) million euros in 2022 an increase of (189) million euros compared to 2021. Excluding the scope changes ((34) million euros) and the foreign exchange effect of the Turkish lira (94 million euros), there was an increase of (249) million euros.

In Belgium, there were more staff expenses, with an increase mainly attributable to the impact of inflation mitigated by the decrease of the FTEs. In other banking activities, there was a contained increase in Luxembourg where the increase mainly due to inflation was mitigated by a further decrease of FTEs and a pronounced increase in Turkey in hyperinflation. In the Specialised Businesses, there was an overall increase mainly to support the growth of the activities with an impact of inflation more pronounced in some countries.

Other operating expenses amounted to (2,084) million euros in 2022, i.e. an increase of (270) million euros compared to 2021. Excluding the scope changes ((91) million euros) and the foreign exchange impact of the Turkish lira (59 million euros), the operating expenses increased by (238) million euros.

In Belgium, the other operating expenses increased mainly due to the banking taxes, from (316) million euros in 2021 to (402) million euros in 2022. In other activities, there was an overall increase of the other operating expenses due among others to the unfavourable impact of the inflation, especially in Turkey. The increase is otherwise driven by the growth of the activities in the Specialised Businesses as well as the increase of banking taxes in Luxembourg.

Depreciation charges stood at (397) million euros in 2022, versus (361) million euros compared to previous year, i.e. an increase of (36) million euros. The increase is located in Belgium and at Arval.

Cost of risk totalled (328) million euros in 2022, i.e. a decrease of 31 million euros compared to 2021. Excluding the scope changes ((33) million euros) and the foreign exchange impact of the Turkish lira (31 million euros), there was a decrease of 33 million euros.

In Belgium, cost of risk decreased mainly thanks to less provisions on non-performing loans, a positive evolution compared to last year, partly offset by a material increase of the provisions on performing loans reflecting the deterioration of the macroeconomic environment linked among others to the invasion of Ukraine, the higher inflation and the sharp increase in interest rates.

In other activities, despite the deterioration of the macroeconomic environment, there was an overall limited decrease of the cost of risk driven by lower provisions on performing loans offset by more provisions on non-performing loans mainly in Turkey, despite the material depreciation of the Turkish lira, and at Leasing Solutions and Arval.

Share of earnings of equity-method entities amounted to 292 million euros in 2022, compared to 322 million euros in 2021.

The decreased contribution from equity-method entities was mainly attributable to the participation in BNP Paribas Asset Management, impact by the market performance in 2022 and an exceptional capital gain in 2021, and by the change of consolidation, from equity-method to full consolidation, of bpost bank in 2022.

Net gain or loss on non-current assets and **Goodwill** amounted to 301 million euros in 2022 versus 15 million euros in 2021.

The increase mainly reflects the 245 million euros positive impact of a badwill recognized on bpost bank as a result of the change of consolidation.

According to IAS 29 in connection with the hyperinflation situation of the economy in Turkey, the line **Results from monetary positions** reported in **Net gain or loss on non-current assets** mainly includes the effect of the evolution of the consumer price index in Turkey on the valuation of non-monetary assets and liabilities ((400) million euros) and on accrued income from the Turkish government bonds portfolio indexed to inflation and held by Turk Ekonomi Bankasi AS (431 million euros, reclassified from interest margin).

Corporate income tax in 2022 totalled (1,210) million euros compared to (752) million euros, an increase of (458) million euros. Excluding the share of earnings of equity-method entities (reported net of income taxes) and the badwill on bpost bank, the effective tax rate stood at 28% in 2022 compared to 22% in 2021.

Net income attributable to minority interests amounted to 464 million euros in 2022, compared to 468 million euros in 2021.

Comments on the evolution of the balance sheet

The **total balance sheet** of BNP Paribas Fortis amounted to 350.4 billion euros as at 31 December 2022, up by 8.7 billion euros or 3% compared with 341.6 billion euros at 31 December 2021.

Based on the segment information, 65% of the assets were contributed by banking activities in Belgium, 21% by the specialised businesses, 9% by banking activities in Luxembourg, 4% by banking activities in Turkey and 1% by other segments.

Assets

Cash and amounts due from central banks amounted to 39.0 billion euros, decreased by (22.3) billion euros compared to 31 December 2021, mainly in Belgium and related, among others, to the partial reimbursement of the TLTRO III (Targeted Longer-Term Refinancing Operations) resulting in a lower cash position at the National Banking of Belgium.

Financial instruments at fair value through profit or loss stood at 12.3 billion euros, down by (1.3) billion euros compared to 31 December 2021. The decrease is driven by less reverse repos for (1.7) billion euros, partly offset by the increase of 0.3 billion euros in 'Derivative financial instruments' that was mainly related to the increase of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side.

Derivatives used for hedging purposes increased by 4.5 billion euros and amounted to 6.5 billion euros, reflecting the increase of the interest rate curve. 'Derivatives used for hedging purposes' on the liability side increased by 6.5 billion euros. In both cases, the increase is mainly located in Belgium and Luxembourg.

Financial assets at fair value through equity decreased by (2.0) billion euros to 5.9 billion euros following the reimbursements and disposals of government bonds, mainly in Belgium.

Financial assets at amortised cost amounted to 241.2 billion euros as at 31 December 2022, up by 27.9 billion euros compared with 213.2 billion euros as at 31 December 2021.

'Loans and advances to customers' amounted to 216.8 billion euros, up by 22.7 billion euros mainly related to the increase of mortgage loans, term loans and factoring loans granted by BNP Paribas Fortis and the full consolidation of bpost bank following the acquisition of the remaining 50% previously held by Bpost. Loans and advances to customers also strongly increased in all other activities.

In addition, 'Loans and advances to credit institutions' increased by 3.8 billion euros due to an increase in Belgium and at Arval.

'Debt securities at amortised cost' increased by 1.4 billion euros especially in Belgium with the full consolidation of bpost bank.

Remeasurement adjustment on interest-rate risk hedged portfolios amounted to (0.9) billion euros compared to 1.8 billion euros at 31 December 2021. This evolution is due to the increase of the interest rates in 2022 with an evolution mainly in Belgium.

Current and deferred tax assets amounted to 1.2 billion euros, down by (0.1) billion euros compared to 1.3 billion euros at 31 December 2021.

Accrued income and other assets stood at 11.5 billion euros as at 31 December 2022, up by 2.3 billion euros compared to 9.2 billion euros at 31 December 2021. The increase of the margin calls, which is mainly located in Belgium, explained most of the evolution.

Equity-method investments amounted to 2.6 billion euros, down by (1.2) billion euros compared to 3.8 billion euros at 31 December 2021. The decrease is mainly related to changes in assets and liabilities recognised directly in equity in an unfavourable market context and increasing interest rates.

Property, plant and equipment and Investment property amounted to 29.6 billion euros as at 31 December 2022, up by 3.4 billion euros compared to 26.1 billion euros at 31 December 2021 mainly related to the growth of the financed fleet at Arval.

Liabilities and Equity

Deposits from central banks stood at 2.4 billion euros, up by 1.9 billion euros compared to 0.4 billion euros at 31 December 2021, mainly in Belgium.

Financial instruments at fair value through profit or loss decreased by (3.9) billion euros, totalling 18.5 billion euros as at 31 December 2022 compared to 22.4 billion euros at 31 December 2021. The decrease is mainly explained by the repo activity in Belgium.

Financial liabilities at amortised cost amounted to 277.5 billion euros as at 31 December 2022, up by 6.7 billion euros compared with 270.8 billion euros at 31 December 2021.

'Deposits from customers' stood at 212.7 billion euros, up by 13.7 billion euros mostly attributable to Belgium (10.9 billion euros) resulting mainly from the full consolidation of bpost bank, with an increase on current and saving accounts, as well as an increase in Luxembourg (1.2 billion euros) and Turkey (1.4 billion euros) driven by term accounts.

'Deposits from credit institutions' decreased by (10.3) billion euros mainly due to the reimbursement of (10) billion euros of the participation to the TLTRO III (Targeted Longer-Term Refinancing Operations) in Belgium, partly offset by an increase of deposits from credit institutions at Arval.

'Debt securities' increased by 3.4 billion euros, due to issuance of debt securities at Arval.

'Subordinated debt' stood at 2.3 billion euros as at 31 December 2022, the same amount as at 31 December 2021.

Remeasurement adjustment on interest-rate risk hedged portfolios amounted to (5.2) billion euros compared to 0.5 billion euros at 31 December 2021. This evolution is due to the increase of the interest rates in 2022, with an evolution mainly in Belgium and in Luxembourg.

Current and deferred tax liabilities amounted to 1.1 billion euros, up by 0.3 billion euros compared to 0.8 billion euros at 31 December 2021.

Accrued expenses and other liabilities stood at 11.4 billion euros as at 31 December 2022, up by 3.4 billion euros compared to 8.0 billion euros at 31 December 2021. An increase of 1.5 billion euros is due to an increase in margin calls in Belgium.

Provisions for contingencies and charges came in at 3.8 billion euros, decreased by (0.4) billion euros compared with the 4.2 billion euros at 31 December 2021.

Shareholders' equity amounted to 25.4 billion euros as at 31 December 2022, down by (0.5) billion euros compared with 25.9 billion euros at 31 December 2021. The total capital, retained earnings and net income for the period were mainly impacted by the net income attributable to shareholders for this year 2022 (3.2 billion euros), by the dividend distributed by BNP Paribas Fortis in the first half of the year of 2022 ((2.6) billion euros), and by a negative evolution of (1.2) billion euros related to changes in assets and liabilities recognised directly in equity, mainly related to equity-method investments and mainly due to the context of unfavourable market context and increasing interest rates.

At 1 January 2022, the first-time application of IAS 29 resulted in a 170 million euros increase in Equity, of which 222 million euros in "Changes in assets and liabilities recognised directly in equity – exchange differences".

Minority interests stood at 5.7 billion euros as at 31 December 2022, compared to the situation end 2021 at 5.3 billion euros.

Liquidity and solvency

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at 213 billion euros and customer loans at 217 billion euros.

Customer deposits consist of the 'due to customers' figure excluding 'repurchase agreements'. Customer loans are loans and receivables due from customers excluding 'debt securities at amortised cost' and 'reverse repurchase agreements'.

BNP Paribas Fortis' solvency stood well above the minimum regulatory requirements. At 31 December 2022, BNP Paribas Fortis' phased-in Basel III Common Equity Tier 1 ratio (CET1 ratio) stood at 17.2%. Total risk-weighted assets amounted to 122.5 billion euros at 31 December 2022, of which 100.4 billion euros are related to credit risk, 1.4 billion euros to market risk and 7.9 billion euros to operational risk, while counterparty risk, securitisation and equity risk worked out at 1.0 billion euros, 0.7 billion euros and 11.1 euros billion respectively.

Principal risks and uncertainties

BNP Paribas Fortis' activities are exposed to a number of risks, such as credit risk, market risk, liquidity risk and operational risk. To ensure that these risks are identified and adequately controlled and managed, the bank adheres to a number of internal control procedures and refers to a whole array of risk indicators, which are further described in the Chapter 'Risk management and capital adequacy' of the BNP Paribas Fortis consolidated financial statements 2022 and in the BNP Paribas Fortis 'Pillar 3 disclosure' 2022.

BNP Paribas Fortis is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business, as further described in note 7.a 'Contingent liabilities: legal proceedings and arbitration' to the BNP Paribas Fortis consolidated Financial Statements 2022.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of BNP Paribas Fortis is responsible for preparing the BNP Paribas Fortis consolidated financial statements as at 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the BNP Paribas Fortis non-consolidated financial statements as at 31 December 2022 in accordance with rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The Board of Directors reviewed the BNP Paribas Fortis consolidated and non-consolidated financial statements on 9 March 2023 and authorised their issue.

The Board of Directors of BNP Paribas Fortis declares that, to the best of its knowledge, the BNP Paribas Fortis consolidated financial statements and the BNP Paribas Fortis non-consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of BNP Paribas Fortis and the undertakings included in the consolidation and that the information herein contains no omissions likely to modify significantly the scope of any statements made.

The Board of Directors of BNP Paribas Fortis also declares that, to the best of its knowledge, the report of the Board of Directors includes a fair review of the development, results and position of BNP Paribas Fortis and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties with which they are confronted.

The BNP Paribas Fortis consolidated financial statements and the BNP Paribas Fortis non-consolidated financial statements as at 31 December 2022 will be submitted to the annual General Meeting of Shareholders for information and for approval on 20 April 2023.

Brussels, 9 March 2023
The Board of Directors of BNP Paribas Fortis

CORPORATE GOVERNANCE STATEMENT

BNP Paribas Fortis complies with the '2020 Belgian Code on Corporate Governance' (hereafter referred to as the '**Code**'). The Code can be consulted on *https://www.corporategovernancecommittee.be/en.*

1. Compliance with the Code

BNP Paribas Fortis is of the opinion that it complies with the large majority of the requirements of the Code. The main remaining deviation relates to principle 8 of the Code "*The company shall treat all shareholders equally and respect their rights*". The reason that makes the company unable to comply with all the provisions of principle 8 of the Code lies within the structure of the shareholdership of BNP Paribas Fortis. Specifically, BNP Paribas SA, a public limited company ('société anonyme'/'naamloze vennootschap'), having its registered office address at Boulevard des Italiens 16, 75009 Paris, France, registered under number 662 042 449 RCS Paris, holds 99.94% of the shares of BNP Paribas Fortis. The remaining 0.06% of the shares is held by minority shareholders. Nevertheless, BNP Paribas Fortis communicates on an ongoing basis with its various stakeholders through its website and other media and actively answers to the questions raised by its minority shareholders in the framework of the general shareholders' meetings.

BNP Paribas Fortis' Corporate Governance Charter is available on its public website.

BNP Paribas SA itself is a Euronext-listed company, which implies that BNP Paribas Fortis, its directors and its staff, must take into account certain legal provisions on the disclosure of sensitive information to the market. The Board of Directors of BNP Paribas Fortis is anyway determined to protect the interests of all shareholders of BNP Paribas Fortis at all times and will provide them with the necessary information and facilities to exercise their rights, in compliance with the Code on companies and associations.

BNP Paribas Fortis did not receive any transparency declarations within the meaning of the Law of 2 May 2007 on the disclosure of significant shareholdings.

2. Governing bodies

Board of Directors

Role and responsibilities

In general, the Board of Directors is responsible for BNP Paribas Fortis in accordance with the applicable law. In particular, and in accordance with article 23 of the law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (the 'Banking Law'), the Board of Directors defines and supervises among others:

- the strategy and goals of BNP Paribas Fortis;
- the risk policy (including the risk tolerance) of BNP Paribas Fortis;
- the organization of BNP Paribas Fortis for the provision of investment services and activities;
- the integrity policies;
- BNP Paribas Fortis' Internal Governance Memorandum, Corporate Governance Charter and the Policy on Suitability assessments.

Size and membership criteria

The Board of Directors of BNP Paribas Fortis consists of no less than five (5) and no more than thirty-five (35) directors (legal persons cannot be members of the Board of Directors). Directors are appointed for one (1) or more renewable periods, each individual period covering no more than four (4) full accounting years of BNP Paribas Fortis.

The composition of the Board of Directors of BNP Paribas Fortis has to be balanced in terms of (i) skills and competences, (ii) gender, (iii) age, and (iv) executive and non-executive directors, whether independent or not. The Board of Directors cannot consist of a majority of executive directors.

As at 9 March 2023, the Board of Directors of BNP Paribas Fortis is made up of sixteen (16) members, seven (7) of which are women.

It moreover includes ten (10) non-executive directors, four (4) of them being independent directors within the meaning of the Banking law and six (6) executive directors.

All directors must at all times be fit (*'passende deskundigheid'/'expertise adéquate'*) and proper (*'professionele betrouwbaarheid'//'honorabilité professionelle'*) for the exercise of their function. All are preselected and assessed based on a predefined list of selection criteria. In general, a director is considered to be 'fit' if he has the knowledge, experience, skills and professional behaviour suitable for the exercise of his director's mandate. A director is considered to be 'proper' if there are no elements suggesting differently and if there is no reason to question the reputation of the concerned director.

BNP Paribas Fortis will assess and determine the suitability of each nominee director (including in case of a mandate renewal) prior to his (re-)appointment. BNP Paribas Fortis will assess all directors continuously during their directorship, at least once a year at the occasion of the periodic suitability assessment, and every time a new element requires so.

The decision is subject to a separate suitability assessment, performed by the competent supervisor.

Composition

As at 9 March 2023, the composition of the Board of Directors is as follows:

JADOT Maxime
Chairman of the Board of Directors. Non-executive director.
Member of the Board of Directors since 13 January 2011.
The current board member mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

ANSEEUW Michael
Chairman of the Executive Board. Executive director.
Member of the Board of Directors since 19 April 2018.
The current board member mandate has been renewed on 21 April 2022.
It will expire at the end of the 2026 annual general meeting of shareholders.

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d'ASPREMONT LYNDEN Antoinette
Independent non-executive director.
Member of the Board of Directors since 19 April 2012.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

AUBERNON Dominique
Non-executive director.
Member of the Board of Directors since 21 April 2016.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

BEAUVOIS Didier
Executive director.
Member of the Board of Directors since 12 June 2014.
The current board member mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

BOOGMANS Dirk
Non-executive director.
Member of the Board of Directors since 1 October 2009.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

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de CLERCK Daniel
Executive director.
Member of the Board of Directors since 12 December 2019.
The board member mandate will expire at the end of the 2023 annual general meeting of shareholders.

DE PLOEY Wouter
Independent non-executive director.
Member of the Board of Directors since 1 December 2022.
It will expire at the end of the 2026 annual general meeting of shareholders.

DUTORDOIR Sophie
Non-executive director.
Member of the Board of Directors since 30 November 2010.
The current board member mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

LECLERCQ Anne
Independent non-executive director.
Member of the Board of Directors since 21 April 2022.
The board member mandate will expire at the end of the 2026 annual general meeting of shareholders.

MERLO Sofia
Non-executive director.
Member of the Board of Directors since 21 April 2016.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

VAN AKEN Piet
Executive director.
Member of the Board of Directors since 3 June 2016.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

VAN WAEYENBERGE Titia
Independent non-executive director.
Member of the Board of Directors since 18 April 2019.
The board member mandate will expire at the end of the 2023 annual general meeting of shareholders.

VARÈNE Thierry
Non-executive director.
Member of the Board of Directors since 14 May 2009.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

VERMEIRE Stéphane
Executive director.
Member of the Board of Directors since 19 April 2018.
The current board member mandate has been renewed on 21 April 2022. It will expire at the end of the 2026 annual general meeting of shareholders.

WILIKENS Sandra
Executive director.
Member of the Board of Directors since 21 April 2022.
The board member mandate will expire at the end of the 2026 annual general meeting of shareholders.

Between 1 January 2022 and 31 December 2022, the composition of the Board of Directors was as follows:

DAEMS, Herman
Chairman of the Board of Directors until 31 December 2022.

JADOT, Maxime
Executive director and chairman of the Executive Board until 31 December 2022.

ANSEEUW, Michael
Executive director

d'ASPREMONT LYNDEN, Antoinette
Independent non-executive director

AUBERNON, Dominique
Non-executive director

BEAUVOIS, Didier
Executive director

BOOGMANS, Dirk
Independent non-executive director until 21 April 2022.
Non-executive director since that date.

de CLERCK, Daniel
Executive director

DECRAENE, Stefaan
Non-executive director until 22 October 2022.

DE PLOEY, Wouter
Independent non-executive director since 1 December 2022.

DUTORDOIR, Sophie
Independent non-executive director until 30 November 2022.
Non-executive director since that date.

LECLERCQ, Anne
Independent non-executive director since 21 April 2022.

MERLO, Sofia
Non-executive director

VAN AKEN, Piet
Executive director

VAN WAEYENBERGE, Titia
Independent non-executive director

VARÈNE, Thierry
Non-executive director

VERMEIRE, Stéphane
Executive director

WILIKENS, Sandra
Executive director since 21 April 2022.

Attendance at meetings

The Board of Directors held fifteen (15) meetings in 2022. Attendance at these meetings was as follows:

Director	Number of Meetings Attended
DAEMS, Herman	15
JADOT, Maxime	15
ANSEEUW, Michael	14
d'ASPREMONT LYNDEN, Antoinette	15
AUBERNON, Dominique	13
BEAUVOIS, Didier	13
BOOGMANS, Dirk	15
de CLERCK, Daniel	15
DECRAENE, Stefaan (until 22 October 2022)	8
DE PLOEY, Wouter (since 1 December 2022)	1
DUTORDOIR, Sophie	14
LECLERCQ, Anne (since 21 April 2022)	10
MERLO, Sofia	14
VAN AKEN, Piet	15
VAN WAEYENBERGE, Titia	15
VARENE, Thierry	15
VERMEIRE, Stéphane	14
WILIKENS, Sandra (since 21 April 2022)	10

Assessment of the Board of Directors and of the directors

At least once a year, the Governance and Nomination Committee and the Board of Directors perform an evaluation of the Board of Directors and of all directors. At the occasion of this evaluation, any element that may impact the suitability assessment performed previously, as well as the time dedicated and the efforts delivered to perform one's mandate properly, is reviewed. As part of this annual evaluation, recommendations on how to manage and resolve any identified weaknesses are formulated.

The last evaluation process of the Board of Directors ended in October 2022 and the one of the directors individually ended in February 2023.

Remuneration

Information regarding the total remuneration for the corporate year 2022, including the remunerations, benefits in kind and pension plans, of all directors, paid and payable by BNP Paribas Fortis, can be found in note 7.f 'Compensation and benefits awarded to BNP Paribas Fortis' corporate officers' to the BNP Paribas Fortis Consolidated Financial Statements.

Executive Board

Role and responsibilities

In accordance with article 24 of the Banking Law and article 21 of the Articles of association of BNP Paribas Fortis, the Board of Directors has set up an Executive Board ('*Directiecomité*'/'*Comité de Direction*'). The members of the Executive Board are hereafter referred to as the 'executive directors'.

Size and membership criteria

The Executive Board is exclusively composed out of executive directors of BNP Paribas Fortis. Taking into account article 24, §2 of the Banking Law, the total number of members of the Executive Board must be inferior to half of the total number of directors. In addition, the Executive Board must keep the number of its members within limits, ensuring that it operates effectively and with the requisite flexibility.

Since all members of the Executive Board are to be considered as effective leaders, certain suitability criteria apply in addition to the suitability criteria generally imposed upon directors. The decision whether or not to appoint a member of the Executive Board belongs to the competence of the Board of Directors. It will rely on a recommendation of the Governance and Nomination Committee. The decision will be subject to a separate suitability assessment subsequently performed by the competent supervisor.

Composition

As at 9 March 2023, the composition of the Executive Board is as follows:

ANSEEUW Michael
Executive director and chairman of the Executive Board

BEAUVOIS Didier
Executive director

de CLERCK Daniel
Executive director

VAN AKEN Piet
Executive director

VERMEIRE Stéphane
Executive director

WILIKENS Sandra
Executive director

Other Board of Directors' committees

Article 27 of the Banking Law provides that the Board of Directors must set up four (4) board committees: an audit committee, a risk committee, a remuneration committee and a nomination committee.

The existence of these committees does not in any way impinge upon the Board's right to set up further *ad hoc* committees to deal with specific matters, as and when the need arises.

The Board of Directors has used this right to set up a.o. an *ad hoc* board committee composed of three (3) directors and chaired by an independent director to assess, if and when necessary, whether an intended transaction falls within the scope of article 72 of the Banking Law and ascertain that the requirements of said article are complied with.

This right is also used by the Board of Directors when, in the context of intra-group transactions, it sets up a special board committee in accordance with its internal corporate governance policies (for more information reference is made to the chapter 'Information regarding related party transactions').

Each board committee has an advisory function towards the Board of Directors.

Besides the *ad hoc* committee that convenes within the framework of article 72 of the Banking Law and of which the Chief Risk Officer is a member while being an executive director, all members of the other committees are non-executive directors. In addition to the criteria applicable to non-executive directors, the chairperson of a committee must also meet the requirements of his function.

The criteria to be met by directors composing a board committee are similar to those of the other directors.

The appointment of these committees' members is further based on (i) their specific competencies and experience, in addition to the general competency requirements for any board members, and (ii) the requirement that each committee must, as a group, possess the competencies and experience needed to perform its tasks.

A specific committee (the Governance and Nomination Committee – see further) will assess whether the suitability requirements applicable to the members and chairperson of each committee are met. For this assessment, the Governance and Nomination Committee will take into account the induction program that BNP Paribas Fortis will provide to any new member of these committees.

The four (4) committees function in accordance with the organisation set out below.

Audit committee (AC)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate AC to assist the Board of Directors with audit related matters.

Role and responsibilities

The competences of the AC are set forth in the Banking Law and are listed in the Code on companies and associations. It concerns, in general, the following domains: finance, internal control and risk management, internal and external audit. The AC shall, upon request of the Board of Directors, assist (and make recommendations to) the Board of Directors in all audit and accounting related matters.

Membership criteria

In addition to the suitability requirements for non-executive directors, the members of the AC must collectively have the necessary skills and competences relating to BNP Paribas Fortis' activities and to audit and accounting. At least one (1) member of the AC must have an expertise in audit and/or accounting. Both independent directors, currently members of the BNP Paribas Fortis AC, have a specific expertise in audit and accounting.

Composition

The AC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Banking law.

The chairperson of the AC must be an independent director.

The chairpersons of the AC and RC (see below) meet on a regular basis with the chairpersons of the AC's and RC's of the most important entities within the governance perimeter of BNP Paribas Fortis.

Composition as at 9 March 2023:

- Wouter De Ploey (non-executive, independent director), chairman
- Dominique Aubernon (non-executive director)
- Anne Leclercq (non-executive, independent director)

Attendance at meetings

The AC met nine (9) times in 2022. Attendance was as follows:

Committee Member	Number of meetings attended
d'ASPREMONT LYNDEN, Antoinette (until 30 November 2022)	9
DE PLOEY Wouter (since 1 December 2022)	NA
AUBERNON, Dominique	9
BOOGMANS, Dirk (until 21 April 2022)	2
LECLERCQ Anne (since 21 April 2022)	7

Risk committee (RC)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate RC to assist the Board of Directors with risk related matters.

Role and responsibilities

The competences of the RC are set forth in the Banking Law and concern: (i) the strategy and risk appetite, (ii) the price setting, and (iii) the remuneration policy. The RC shall, upon request of the Board of Directors, assist (and make recommendations to) the Board of Directors in all risk related matters.

Membership criteria

In addition to the suitability requirements for non-executive directors, the members of the RC must individually have the required knowledge, expertise, experience and skills in order to be able to understand and apprehend BNP Paribas Fortis' risk strategy and tolerance.

Composition

The RC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Banking law.

The chairperson of the RC must be an independent director.

The chairpersons of the AC and RC meet on a regular basis with the chairpersons of the AC's and RC's of the most important entities within the governance perimeter of BNP Paribas Fortis.

Composition as at 9 March 2023:

- Anne Leclercq (non-executive, independent director), chairwoman
- Dominique Aubernon (non-executive director)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings

The RC met eight (8) times in 2022. Attendance was as follows:

Committee Member	Number of meetings attended
BOOGMANS, Dirk (until 21 April 2022)	3
LECLERCQ, Anne (since 21 April 2022)	5
AUBERNON, Dominique	8
VAN WAEYENBERGE, Titia	8

Governance and nomination committee (GNC)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate GNC to assist the Board of Directors with governance and nomination related matters.

Role and responsibilities

The competences of the GNC are set forth in the Banking Law and the regulations of the Belgian National Bank. They concern the expression of a relevant and independent judgment on the composition and functioning of the Board of Directors and the other management bodies of BNP Paribas Fortis, and specifically on the individual and collective expertise of their members, their integrity, reputation, independence of mind and time commitment.

Membership criteria

In addition to the suitability requirements for non-executive directors, the members of the GNC have collectively and individually the necessary skills and competences in the field of governance and nomination regulation and practices within the Belgian banking sector.

Composition

The GNC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Banking law.

The chairperson of the GNC must be an independent director.

Composition as at 9 March 2023:

- Antoinette d'Aspremont Lynden, (non-executive, independent director), chairwoman
- Maxime Jadot (non-executive director) (since January 1, 2023)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings

The GNC met nine (9) times in 2022. Attendance was as follows:

Committee Member	Number of meetings attended
DUTORDOIR, Sophie (until 30 November 2022)	8
d'ASPREMONT LYNDEN, Antoinette (since 1 December 2022)	1
DAEMS, Herman (until December 31, 2022)	8
VAN WAEYENBERGE, Titia	9

Remuneration committee (RemCo)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate RemCo to assist the Board of Directors with remuneration related matters.

Role and responsibilities

The competences of the RemCo are set forth in the Banking Law. They concern the expression of a relevant and independent judgement on the remuneration policies, reward practices and related incentives, taking into account BNP Paribas Fortis' risk management, equity needs and liquidity position.

Membership criteria

In addition to the suitability criteria for non-executive directors, the members of the RemCo individually and collectively have the necessary skills, competences and expertise in the field of remuneration, and in particular those applicable to the Belgian banking sector.

Composition

The RemCo is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Banking law.

The chairperson of the RemCo must be an independent director.

Composition as at 9 March 2023:

- Antoinette d'Aspremont Lynden (non-executive, independent director), chairwoman
- Sofia Merlo (non-executive director)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings

The RemCo met eight (8) times in 2022. Attendance was as follows:

Committee Member	Number of meetings attended
DUTORDOIR, Sophie (until 30 November 2022)	7
d'ASPREMONT LYNDEN, Antoinette	8
MERLO, Sofia	6
VAN WAEYENBERGE, Titia (since 1 December 2022)	1

Executive Committee

BNP Paribas Fortis has set up an Executive Committee, in order to assist the Executive Board with the fulfilment of its missions and responsibilities and to advise the Executive Board as the case may be.

The Executive Committee currently consists of eleven (11) members, of which six (6) are executive directors. It brings together the Executive Board and the five (5) key heads of businesses and support functions.

Composition as at 9 March 2023:

Michael ANSEEUW
Executive director, chairman of the Executive Board/ Executive Committee, chief executive officer

Didier BEAUVOIS
Executive director, member of the Executive Committee, chief corporate banking

Pierre BOUCHARA
Member of the Executive Committee, chief financial officer

Marc CAMUS
Member of the Executive Committee, chief information officer

Daniel de CLERCK
Executive director, member of the Executive Committee, chief operating officer

Christophe GALIMARD
Member of the Executive Committee, chief compliance officer

Laurent LONCKE
Member of the Executive Committee, chief retail banking

Khatleen PAUWELS
Member of the Executive Committee, head of client service center

Piet VAN AKEN
Executive director, member of the Executive Committee, chief risk officer

Stéphane VERMEIRE
Executive director, member of the Executive Committee, chief private banking and wealth management

Sandra WILIKENS
Executive director, member of the Executive Committee, chief human resources officer

3. Internal Control Procedures

Missions and Activities of the Finance Department – Finance Charter

The Finance Function, under the authority of the Chief Financial Officer, reporting to the Chief Executive Officer, is responsible for preparing and processing accounting and financial information. This responsibility is further defined in a specific Charter and consists of:

- Elaborating financial information and ensuring that published financial and prudential information is accurate and fairly stated, in accordance with regulatory framework and standards;
- Providing Executive Management with the necessary information for the financial steering at organizational levels;
- Defining accounting, performance management and selected prudential policies and lead their operational insertion;
- Defining, deploying and supervising the permanent control framework associated with financial information;
- Assisting Executive Management in defining the entity's strategy, benchmarking the entity's performance and initiating and investigating merge & acquisition operations;
- Proceeding to the analysis and the financial structuring of the external and internal acquisition, partnership and divestment projects;
- Managing the financial communications, ensuring a high quality and a clear perception by the markets;
- Monitoring changes to the regulatory/prudential framework; elaborate and communicate the entity's position statements thereupon;
- Coordinating banking supervisory issues, notably relationship with the ECB;
- Defining/running the Finance function's organization and monitor its resources and costs;
- Driving the Target Operating Model implementation, contribute to the definition of the functional architecture and the design of Finance systems and proceed to their deployment.

Producing financial information

Policies and rules

The local financial statements for each entity are prepared under local GAAP while the BNP Paribas Fortis Consolidated Financial Statements are prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Union.

A dedicated team within Accounting & Reporting (A&R), section of the Finance department, draws up the accounting policies based on IFRS as endorsed by the European Union and to be applied by all BNP Paribas Fortis entities. These are aligned with BNP Paribas Group accounting policies. This A&R team monitors regulatory changes and prepares new internal accounting policies in line with the level of interpretation necessary to adapt them to the operations carried out by BNP Paribas Fortis. A BNP Paribas Group accounting manual is available, together with additional documentation and guidance related to the specific BNP Paribas Fortis products and scope. This IFRS accounting manual is distributed to all accounting and reporting teams. It is regularly updated to reflect regulatory changes. The dedicated A&R team also handles requests for specific accounting analysis made by the local entities and the Core Businesses/Business Lines.

The Management Control department follows up the management accounting and reporting rules as determined by BNP Paribas Group Finance.

At Finance level, the changes in the prudential reporting are followed up by the Financial Management department and discussed during the Prudential Affairs Coordination Committee. The reporting principles and rules associated with solvency are within the remit of Risk Management, and those associated with liquidity are within the remit of ALM – Treasury.

Preparation of financial information

There are two distinct reporting channels involved in the process of preparing financial information:

- the financial accounting and reporting channel: the particular responsibility of this channel is to perform the entities' financial and cost accounting, and to prepare the BNP Paribas Fortis' consolidated financial statements in compliance with the policies and standards. It also produces information on solvency and liquidity, ensuring that it is consistent with the accounting at each level. This channel certifies the reliability of the information produced by using dedicated control tools and by applying internal certification procedures (described below) at the first level of control;
- the management accounting and reporting channel: this channel prepares the management information (from the Divisions/OEs/business lines compiled from the data per entity) that is relevant to the economic management of activities, complying with the established internal principles and standards. It ensures the consistency of the management data with the accounting data, at every level. This channel is also responsible for the preparation of solvency and liquidity ratios and for their analysis. This channel certifies the reliability of the information produced by applying internal certification procedures (described below) at the first level of control.

BNP Paribas Group Finance designs, distributes and administers the reporting tools for the two channels. These tools are designed to suit the channels' individual objectives and necessary complementarity, and provide information for the entire BNP Paribas Group. In particular, BNP Paribas Group Finance promotes the use of standard accounting and reporting systems in the BNP Paribas Group entities. The systems are designed at BNP Paribas Group level and progressively rolled out. This approach promotes the sharing of information and facilitates the implementation of cross-functional projects in the context of the development of pooled account processing and synthesis within the BNP Paribas Group.

For the preparation of liquidity-related data as well as solvency data, the bank has adopted the principle of integrating internal management data and those required for regulatory reporting, based on the following building blocks:

- governance involving Finance, ALM-Treasury and Risk Management;
- policies and methodologies applicable as required by regulations;
- dedicated tools ensuring data collection and the production of internal and regulatory reports.

Permanent control - Finance

Internal control within the Finance Function

Internal control at Finance is certified by a dedicated second level of control team that is supported by specialized tools, encompassing accounting controls and other operational permanent control areas. The basis of their controls is the control results and certification of the first level of control done in the operational departments and other functions.

The mission of this team is to ensure, on a permanent basis, the reliability of the processes used for producing and validating the financial figures for BNP Paribas Fortis, and to ensure compliance with the legal and regulatory reporting requirements. Next to performing this second level of control, the department's activities consist of maintaining relations with the external auditors and ensuring that their recommendations are correctly applied throughout BNP Paribas Fortis.

Internal Certification Process

BNP Paribas Fortis monitors the accounting and reporting risk through a certification process, whose purpose is to report on the quality of the information provided in the different reporting systems. The results of the certification process related to the financial reporting are presented quarterly to the BNP Paribas Fortis Audit Committee.

Based on general rules, set by BNP Paribas Group, each entity submitting a reporting package is required to certify the accuracy of the reporting package on a quarterly basis, using the Finance Accounting Control Tool, an application designed to support the certification process across the BNP Paribas Group. Certificates are made up of standardized questions, included in a generic control plan, addressing the main accounting and financial risk areas.

Permanent control within Finance provides a level of comfort to the CFO, BNP Paribas Group Finance, the BNP Paribas Fortis Audit Committee, the external auditors and also the National Bank of Belgium that the internal control measures are being properly maintained, by performing a second level of control on these certificates and ensuring the final validation by the CFO.

The certification process encompasses:

- the certification that the accounting and reporting data are reliable and comply with the BNP Paribas Group accounting and reporting policies;
- the certification that the accounting and reporting internal control system designed to ensure the quality of data is operating effectively.

This internal certification process forms part of the overall permanent control monitoring system and enables the BNP Paribas Fortis Finance department to be informed of any incidents relating to the preparation of the financial statements, to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to book appropriate provisions. As regards BNP Paribas Fortis in Belgium, the certification process is supported by an extensive set of sub-certificates which cover all activities that may generate accounting and financial risks for the company.

The certification system is also used in liaison with Risk Management for information forming part of the regulatory reporting on credit risk and solvency ratios. Those contributing to the reports attest that they have complied with the standards and procedures and that the data used are of appropriate quality. They further describe the results of the controls carried out at the various stages of producing the reports, including the accounting data to credit-risk data reconciliation. On the same principles, a certification system has been installed for liquidity-related data. The various contributors report on compliance with standards and the results of key controls performed to ensure the quality of the reporting.

Control of the value of financial instruments and the use of valuation in determining the results of market activities and accounting reports

The Finance department delegates the determination and control of market value or models of financial instruments to the various departments involved in measuring financial instruments within the overall process of monitoring market risk and management data. However, it remains the responsibility of the Finance department to oversee the accuracy of these operations.

The purpose of these control procedures within Finance is:

- to ensure that transactions involving financial instruments are properly recorded in BNP Paribas Fortis' financial and management data;
- to guarantee the quality of the measurement and reporting of financial instruments used both in preparing the financial and management accounts and in managing and monitoring market and liquidity risks; and
- to ensure that the results of market transactions are accurately determined and correctly analysed.

Periodic control – General Inspection

General Inspection has a team of inspectors who are specialists in accounting and finance audit. This reflects its strategy of strengthening audit capability in accountancy, as regards both the technical complexity of its work and its coverage of accounting risk.

Its action plan is based on the remote accounting internal control tools available to BNP Paribas Fortis and the risk evaluation chart set up by General Inspection.

The core aims of the team are as follows:

- to constitute a hub of accounting and financial expertise in order to reinforce the capability of General Inspection when carrying out inspections in such areas;
- to identify via risk assessments and inspect risk areas at the level of BNP Paribas Fortis.

Relations with the statutory auditors

In 2022, the accredited statutory auditor was PwC Bedrijfsrevisoren bv / PwC Reviseurs d'Entreprises srl, represented by Mr. Jeroen BOCKAERT.

The statutory auditor is appointed by the Annual General Meeting of Shareholders, based on advice from the Audit Committee, proposal by the Board of Directors and after approval of the Works Council.

The statutory auditor is required to issue an audit report every financial year, in which he gives his opinion regarding the true and fair view of the consolidated financial statements of BNP Paribas Fortis and its subsidiaries. A summary of the control findings and recommendations is presented to the Audit Committee in the '2022 Internal Control findings & recommendations' document.

Next to this report, the statutory audit issues an Internal Control Report describing the review of the functioning of the internal control environment for this entity.

The statutory auditor also carries out specified procedures for the BNP Paribas Group auditors and audit/review procedures for the prudential regulator.

As part of their statutory audit assignment and based on his audit tasks, he :

- examines any significant changes in accounting standards and presents his recommendations to the Audit Committee regarding choices that have a material impact;
- presents his findings, observations and recommendations for improving the internal control system to the relevant Bank entities and to Finance.

The Audit Committee of the Board of Directors is informed about any accounting choices that have a material impact on the financial statements, so that they can submit these choices to the Board of Directors for a final decision.

4. Conflicts of Interest

In addition to the legal provisions on conflicts of interest in the Code on companies and associations, BNP Paribas Fortis is required to comply with the provisions of the Banking Law and the substance of a number of circular letters issued by the National Bank of Belgium (NBB) whose purpose is to avoid conflicts of interest between BNP Paribas Fortis and its directors or executive management, inter alia in relation to external functions exercised; as well as to contracts, transactions and loans.

In addition, BNP Paribas Fortis has in place a general integrity policy and specific codes of conduct regarding conflicts of interest, which state that the attainment of commercial, financial, professional or personal objectives must not stand in the way of compliance with the following basic principles:

1. customers' interests (this includes understanding customers' needs, ensuring the fair treatment of customers and protecting the customers' interests, ...);
2. financial security (this includes fighting against money laundering, against external bribery & corruption and terrorist financing, sanctions & embargoes...);
3. market integrity (this includes promoting free and fair competition, complying with market abuse rules,...);
4. professional ethics (this includes avoiding conflicts of interests in outside activities, taking measures against internal bribery and corruption,...);
5. respect for colleagues (this includes applying best standards in professional behavior, rejecting any forms of discrimination and ensuring the safety of the workplace);
6. group protection (this includes building and protecting the BNP Paribas Group's long-term value, protecting the Group's information, communicating responsibly,...);
7. involvement with society (this includes promoting the respect for human rights, protecting the environment and combating climate change and acting responsibly in public representation).

Finally, BNP Paribas Fortis directors have been assessed by the relevant supervisor before their formal appointment, in accordance with the Banking Law. Before issuing its approval for an appointment, the relevant supervisor conducts an assessment which involves verifying that certain conflicts of interest do not exist.

BNP PARIBAS FORTIS CONSOLIDATED FINANCIAL STATEMENTS 2022

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Profit and loss account for the year ended 31 December 2022

In millions of euros	Note	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Interest income	2.a	8,236	7,017
Interest expense	2.a	(3,370)	(2,323)
Commission income	2.b	2,275	2,199
Commission expense	2.b	(865)	(804)
Net gain or loss on financial instruments at fair value through profit or loss	2.c	413	196
Net gain or loss on financial instruments at fair value through equity	2.d	40	37
Net gain or loss on the derecognition of financial assets at amortised cost		(2)	2
Net income from insurance activities		71	80
Income from other activities	2.e	13,968	13,408
Expense on other activities	2.e	(11,124)	(11,400)
REVENUES		**9,642**	**8,412**
Salary and employee benefit expenses	6.a	(2,591)	(2,402)
Other operating expenses	2.f	(2,084)	(1,814)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.l	(397)	(361)
GROSS OPERATING INCOME		**4,570**	**3,835**
Cost of risk	2.g	(328)	(359)
OPERATING INCOME		**4,242**	**3,476**
Share of earnings of equity-method entities	4.k	292	322
Net gain or loss on non-current assets	2.h	56	15
Goodwill	4.m	245	-
PRE-TAX INCOME		**4,835**	**3,813**
Corporate income tax	2.i	(1,210)	(752)
NET INCOME		**3,625**	**3,061**
of which net income attributable to minority interests		464	468
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**3,161**	**2,593**

Statement of net income and change in assets and liabilities recognised directly in equity

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Net income for the period	**3,625**	**3,061**
Changes in assets and liabilities recognised directly in equity	**(1,033)**	**(490)**
Items that are or may be reclassified to profit or loss	**(982)**	**(489)**
Changes in exchange rate items	359	(470)
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*(79)*	*(10)*
Changes in fair value reported in net income	*(30)*	*(4)*
Changes in fair value of investments of insurance activities		
Changes in fair value recognised in equity	*(24)*	-
Changes in fair value reported in net income	*(3)*	*1*
Changes in fair value of hedging instruments		
Changes in fair value recognised in equity	*(123)*	*21*
Changes in fair value reported in net income	*(1)*	*(2)*
Income tax	71	(5)
Changes in equity-method investments	(1,152)	(20)
Items that will not be reclassified to profit or loss	**(51)**	**(1)**
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*44*	-
Debt remeasurement effect arising from BNP Paribas Fortis issuer risk	30	4
Remeasurement gains (losses) related to post-employment benefit plans	(239)	(26)
Income tax	59	5
Changes in equity-method investments	55	16
Total	**2,592**	**2,571**
Attributable to equity shareholders	2,011	2,323
Attributable to minority interests	581	248

Balance sheet at 31 December 2022

In millions of euros	Note	31 December 2022	31 December 2021
Assets			
Cash and balances at central banks		39,009	61,263
Financial instruments at fair value through profit or loss		12,315	13,634
Securities	*4.a*	*1,376*	*1,317*
Loans and repurchase agreements	*4.a*	*2,558*	*4,282*
Derivative financial instruments	*4.a*	*8,381*	*8,035*
Derivatives used for hedging purposes	4.b	6,499	1,982
Financial assets at fair value through equity		5,877	7,861
Debt securities	*4.c*	*5,739*	*7,547*
Equity securities	*4.c*	*138*	*314*
Financial assets at amortised cost		241,156	213,208
Loans and advances to credit institutions	*4.e*	*11,220*	*7,394*
Loans and advances to customers	*4.e*	*216,785*	*194,102*
Debt securities	*4.e*	*13,151*	*11,712*
Remeasurement adjustment on interest-rate risk hedged portfolios		(907)	1,812
Financial investments of insurance activities		266	248
Current and deferred tax assets	4.i	1,241	1,342
Accrued income and other assets	4.j	11,467	9,188
Equity-method investments	4.k	2,572	3,809
Property, plant and equipment and Investment property	4.l	29,581	26,144
Intangible assets	4.l	468	390
Goodwill	4.m	848	767
Total assets		**350,392**	**341,648**
Liabilities			
Deposits from central banks		2,363	426
Financial instruments at fair value through profit or loss		18,520	22,372
Securities	*4.a*	*603*	*159*
Deposits and repurchase agreements	*4.a*	*7,562*	*13,060*
Issued debt securities	*4.a*	*2,388*	*3,028*
Derivative financial instruments	*4.a*	*7,967*	*6,125*
Derivatives used for hedging purposes	4.b	9,692	3,215
Financial liabilities at amortised cost		277,522	270,821
Deposits from credit institutions	*4.g*	*46,295*	*56,610*
Deposits from customers	*4.g*	*212,692*	*199,037*
Debt securities	*4.h*	*16,252*	*12,878*
Subordinated debt	*4.h*	*2,283*	*2,296*
Remeasurement adjustment on interest-rate risk hedged portfolios		(5,216)	472
Current and deferred tax liabilities	4.i	1,083	768
Accrued expenses and other liabilities	4.j	11,405	8,012
Technical reserves and other insurance liabilities		190	156
Provisions for contingencies and charges	4.n	3,782	4,209
Total liabilities		**319,341**	**310,451**
Equity			
Share capital, additional paid-in capital and retained earnings		*24,898*	*24,735*
Net income for the period attributable to shareholders		*3,161*	*2,593*
Total capital, retained earnings and net income for the period attributable to shareholders		28,059	27,328
Changes in assets and liabilities recognised directly in equity		(2,673)	(1,436)
Shareholders' equity		**25,386**	**25,892**
Minority interests	7.c	**5,665**	**5,305**
Total equity		**31,051**	**31,197**
Total liabilities & equity		**350,392**	**341,648**

Cash flow statement for the year ended 31 December 2022

In millions of euros	Note	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Pre-tax income		**4,835**	**3,813**
Non-monetary items included in pre-tax net income and other adjustments		**8,630**	**7,607**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		4,230	4,484
Impairment of goodwill and other non-current assets		45	(23)
Net addition to provisions		15	404
Share of earnings of equity-method entities		(292)	(322)
Net expense (income) from investing activities		(24)	(14)
Net expense from financing activities		3	4
Other movements		4,653	3,074
Net increase in cash related to assets and liabilities generated by operating activities		**(35,717)**	**2,969**
Net increase in cash related to transactions with customers and credit institutions		(23,734)	9,914
Net increase in cash related to transactions involving other financial assets and liabilities		(1,468)	3,371
Net decrease in cash related to transactions involving non-financial assets and liabilities		(9,845)	(9,779)
Taxes paid		(670)	(537)
Net increase (decrease) in cash and equivalents generated by operating activities		**(22,252)**	**14,389**
Net increase in cash related to acquisitions and disposals of consolidated entities		1,440	249
Net decrease related to property, plant and equipment and intangible assets		(295)	(280)
Net increase (decrease) in cash and equivalents related to investing activities		**1,145**	**(31)**
Net decrease in cash and equivalents related to transactions with shareholders		(2,836)	(1,258)
Net increase (decrease) in cash and equivalents generated by other financing activities		2,589	(105)
Net decrease in cash and equivalents related to financing activities*		**(247)**	**(1,363)**
Effect of movement in exchange rates on cash and equivalents		**(667)**	**(1,706)**
Net increase in cash and equivalents		**(22,021)**	**11,289**
Balance of cash and equivalent accounts at the start of the period		**62,823**	**51,534**
Cash and amounts due from central banks		61,270	50,084
Due to central banks		(426)	(70)
On-demand deposits with credit institutions	4.e	3,457	2,828
On-demand loans from credit institutions	4.g	(1,478)	(1,308)
Balance of cash and equivalent accounts at the end of the period		**40,802**	**62,823**
Cash and amounts due from central banks		39,018	61,270
Due to central banks		(2,363)	(426)
On-demand deposits with credit institutions	4.e	5,849	3,457
On-demand loans from credit institutions	4.g	(1,702)	(1,478)
Net increase in cash and equivalents		**(22,021)**	**11,289**
Additional information:			
Interest paid		(2,482)	(2,616)
Interest received		7,596	6,873
Dividend paid/received		(2,483)	(987)

* *Changes in liabilities arising from financing activities other than those arising from cash flows amount to EUR 53 million, due to foreign exchange and revaluation effect, for respectively EUR 87 million and EUR (63) million*

Statement of changes in shareholders' equity between 1 January 2021 and 31 December 2022

In million of euros	Capital and retained earnings				Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss				Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss					Total Shareholders' equity	Minority interests (note 7.c)	Total consolidated equity
	Share capital	Subordinated equity instruments	Non distributed reserves	Total capital and retained earnings	Financial instruments designated as at fair value through equity	Own-credit valuation adjustment of debt securities designated as at fair value through profit or loss	Remeasurement gains (losses) related to post-employment benefits plans	Total	Exchange rate	Financial instruments at fair value through equity	Financial investments of insurance activities	Derivatives used for hedging purposes	Total			
Capital and retained earnings at 1 January 2021	**11,905**	**500**	**13,274**	**25,679**	**196**	**(22)**	**(246)**	**(72)**	**(1,829)**	**62**	**764**	**(91)**	**(1,094)**	**24,513**	**5,325**	**29,838**
Other movements	-	-	6	6	-	-	-	-	-	-	-	-	-	6	23	29
Dividends	-	-	(950)	(950)	-	-	-	-	-	-	-	-	-	(950)	(291)	(1,241)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	-	3	(9)	(6)	(253)	(52)	(2)	43	(264)	(270)	(220)	(490)
Net income for 2021	**-**	**-**	**2,593**	**2,593**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,593**	**468**	**3,061**
Capital and retained earnings at 31 December 2021	**11,905**	**500**	**14,923**	**27,328**	**196**	**(19)**	**(255)**	**(78)**	**(2,082)**	**10**	**762**	**(48)**	**(1,358)**	**25,892**	**5,305**	**31,197**
IAS 29 impact	-	-	(28)	(28)	-	-		-	123	-	-	-	123	95	75	170
Capital and retained earnings at 1 January 2022	**11,905**	**500**	**14,895**	**27,300**	**196**	**(19)**	**(255)**	**(78)**	**(1,959)**	**10**	**762**	**(48)**	**(1,235)**	**25,987**	**5,380**	**31,367**
Other movements	-	-	(23)	(23)	-	-	-	-	-	-	-	-	-	(23)	(71)	(94)
Dividends	-	-	(2,589)	(2,589)	-	-	-	-	-	-	-	-	-	(2,589)	(225)	(2,814)
Realised gains or losses reclassified to retained earnings	-	-	*210*	210	(210)	-	-	(210)	-	-	-	-	-	-	-	-
Changes in assets and liabilities recognised directly in equity	-	-	-	-	43	22	(109)	(44)	146	(110)	(1,222)	80	(1,106)	(1,150)	117	(1,033)
Net income for 2022	**-**	**-**	**3,161**	**3,161**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,161**	**464**	**3,625**
Capital and retained earnings at 31 December 2022	**11,905**	**500**	**15,654**	**28,059**	**29**	**3**	**(364)**	**(332)**	**(1,813)**	**(100)**	**(460)**	**32**	**(2,341)**	**25,386**	**5,665**	**31,051**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY BNP PARIBAS FORTIS

1.a Accounting standards

1.a.1 Applicable accounting standards

The consolidated financial statements of BNP Paribas Fortis have been prepared in accordance with international accounting standards (International Financial Reporting Standards – IFRS), as adopted for use in the European Union[1]. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded.

- On 16 March 2022, the International Practices Task Force (IPTF) of the Center for Audit Quality (CAQ) included Turkey in its list of hyperinflationary economies, the cumulative inflation rate over three years having reached 100.6% at the end of February 2022. Consequently, BNP Paribas Fortis applies IAS 29 "Financial Reporting in Hyperinflationary Economies" for the presentation of the financial statements of its consolidated subsidiaries in Turkey.

  Accordingly, for these subsidiaries, all non-monetary assets and liabilities, including shareholders' equity, and all line items in the income statement, are revalued according to the change in the Consumer Price Index (CPI). This revaluation between 1 January and the closing date resulted in the recognition of a gain or loss on the net monetary position, recorded under "Net gains on non-current assets" (see note 2.h). The financial statements of these subsidiaries were converted into euros at the closing rate, in accordance with the specific provisions of IAS 21 "The Effects of changes in foreign exchange rates" applicable to the translation of the financial statements of entities located in hyperinflationary economies.

  In accordance with the provisions of the IFRIC decision of March 2020 on the classification of the effects of the indexation and conversion of the financial statements of subsidiaries in hyperinflationary economies, BNP Paribas Fortis has opted to present these effects (including the effect on the net monetary position of the date of first application of IAS 29) as changes in assets and liabilities recognised directly in equity relative to exchange differences.

  At 1 January 2022, the first-time application of IAS 29 resulted in a EUR 170 million increase in Equity, of which EUR 222 million was recorded in "Changes in assets and liabilities recognised directly in equity – exchange differences". The comparative amounts as at 31 December 2021 are not restated for subsequent changes in the price level as the amounts were already presented in the currency of a non-hyperinflationary economy.

The introduction of other standards, amendments and interpretations that are mandatory as from 1 January 2022 had no effect on the financial statements as at 31 December 2022.

BNP Paribas Fortis did not early adopt any of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2022 was optional.

1.a.2 New major accounting standards, published but not yet applicable

IFRS 17 'Insurance Contracts', issued in May 2017 and amended in June 2020, will replace IFRS 4 'Insurance Contracts'. It was adopted by the European Union in November 2021 and will be mandatory for financial periods beginning on or after 1 January 2023.

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[1] The full set of standards adopted for use in the European Union can be found on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

1.b Segment reporting

The Bank considers that within the legal and regulatory scope of BNP Paribas Fortis ('controlled perimeter'), the nature and financial effects of the business activities in which it engages and the economic environments in which it operates are best reflected through the following segments:

- banking activities in Belgium;
- banking activities in Luxembourg;
- banking activities in Turkey;
- specialised businesses;
- other.

Operating segments are components of BNP Paribas Fortis:

- that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Board of Directors of BNP Paribas Fortis in order to make decisions about resources to be allocated to that segment and to assess its performance;
- for which discrete financial information is available.

The Board of Directors of BNP Paribas Fortis is deemed to be the chief operating decision maker (CODM) within the meaning of IFRS 8 'Operating Segments', jointly overseeing the activities, performance and resources of BNP Paribas Fortis.

BNP Paribas Fortis, like many other companies with diverse operations, organises and reports financial information to the CODM in more than one way.

BNP Paribas Fortis and the legal entities that are part of the BNP Paribas Fortis Group exercise management control over the full legal and regulatory scope, known as the 'controlled perimeter', including the establishment of appropriate governance structures and control procedures.

Within this organisational structure and in the context of the regulatory scope ('controlled perimeter') of BNP Paribas Fortis, the operating segments mentioned above are best aligned with the core principles and criteria for determining operating segments as defined in IFRS 8 'Operating Segments'.

Transactions or transfers between the operating segments are entered into under normal commercial terms and conditions as would be the case with non-related third parties.

1.c Consolidation

1.c.1 Scope of consolidation

The consolidated financial statements of BNP Paribas Fortis include entities that are controlled by BNP Paribas Fortis, jointly controlled, and under significant influence, with the exception of those entities whose consolidation is regarded as immaterial to BNP Paribas Fortis. Companies that hold shares in consolidated companies are also consolidated.

Subsidiaries are consolidated from the date on which BNP Paribas Fortis obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

1.c.2 Consolidation methods

Exclusive control

Controlled enterprises are fully consolidated. BNP Paribas Fortis controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For entities governed by voting rights, BNP Paribas Fortis generally controls the entity if it holds, directly or indirectly, the majority of the voting rights (and if there are no contractual provisions that alter the power of these voting rights) or if the power to direct the relevant activities of the entity is conferred on it by contractual agreements.

Structured entities are entities established so that they are not governed by voting rights, for instance when those voting rights relate to administrative tasks only, whereas the relevant activities are directed by means of contractual arrangements. They often have the following features or attributes: restricted activities, a narrow and well-defined objective and insufficient equity to permit them to finance their activities without subordinated financial support.

For these entities, the analysis of control shall consider the purpose and design of the entity, the risks to which the entity is designed to be exposed and to what extent BNP Paribas Fortis absorbs the related variability. The assessment of control shall consider all facts and circumstances able to determine BNP Paribas Fortis' practical ability to make decisions that could significantly affect its returns, even if such decisions are contingent on uncertain future events or circumstances.

In assessing whether it has power, BNP Paribas Fortis considers only substantive rights which it holds or which are held by third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the relevant activities of the entity need to be made.

Control is reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

Where BNP Paribas Fortis contractually holds the decision-making power, for instance where BNP Paribas Fortis acts as fund manager, it shall determine whether it is acting as agent or principal. Indeed, when associated with a certain level of exposure to the variability of returns, this decision-making power may indicate that BNP Paribas Fortis is acting on its own account and that it thus has control over those entities.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet within consolidated equity. The calculation of minority interests takes into account the outstanding cumulative preferred shares classified as equity instruments issued by subsidiaries, when such shares are held outside BNP Paribas Fortis.

As regards fully consolidated funds, units held by third-party investors are recognised as debts at fair value through profit or loss, inasmuch as they are redeemable at fair value at the subscriber's initiative.

For transactions resulting in a loss of control, any equity interest retained by BNP Paribas Fortis is remeasured at its fair value through profit or loss.

Joint control

Where BNP Paribas Fortis carries out an activity with one or more partners, sharing control by virtue of a contractual agreement which requires unanimous consent on relevant activities (those that significantly affect the entity's returns), BNP Paribas Fortis exercises joint control over the activity. Where the jointly controlled activity is structured through a separate vehicle in which the partners have rights to the net assets, this joint venture is accounted for using the equity method. Where the jointly controlled activity is not structured through a separate vehicle or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, the BNP Paribas Fortis accounts for its share of the assets, liabilities, revenues and expenses in accordance with the applicable IFRS.

Significant influence

Companies over which BNP Paribas Fortis exercises significant influence or associates are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of a company without exercising control. Significant influence is presumed to exist when BNP Paribas Fortis holds, directly or indirectly, 20% or more of the voting rights of a company. Interests of less than 20% can be included in the consolidation scope if BNP Paribas Fortis effectively exercises significant influence. This is the case for example for entities developed in partnership with other associates, where BNP Paribas Fortis participates in strategic decisions of the enterprise through representation on the Board of Directors or equivalent governing body, or exercises influence over the enterprise's operational management by supplying management systems or senior managers, or provides technical assistance to support the enterprise's development.

Changes in the net assets of associates (companies accounted for under the equity method) are recognised on the assets side of the balance sheet under 'Investments in equity-method entities' and in the relevant component of shareholders' equity. Goodwill recorded on associates is also included under 'equity-method investments'.

Whenever there is an indication of impairment, the carrying amount of the investment consolidated under the equity method (including goodwill) is subjected to an impairment test, by comparing its recoverable value (the higher of value-in-use and market value less costs to sell) to its carrying amount. Where appropriate, impairment is recognised under 'Share of earnings of equity-method entities' in the consolidated income statement and can be reversed at a later date.

If BNP Paribas Fortis' share of losses of an equity-method entity equals or exceeds the carrying amount of its investment in this entity, BNP Paribas Fortis discontinues including its share of further losses. The investment is reported at nil value. Additional losses of the equity-method entity are provided for only to the extent that BNP Paribas Fortis has contracted a legal or constructive obligation, or has made payments on behalf of this entity.

Where BNP Paribas Fortis holds an interest in an associate, directly or indirectly through an entity that is a venture capital organisation, a mutual fund, an open-ended investment company or similar entity such as an investment-related insurance fund, it may elect to measure that interest at fair value through profit or loss.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under 'Net gain on non-current assets'.

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

1.c.3 Consolidation rules

Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of financial instruments at fair value through equity are maintained in the consolidated financial statements.

Translation of accounts expressed in foreign currencies

The consolidated financial statements of BNP Paribas Fortis are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

Financial statements of BNP Paribas Fortis' subsidiaries located in hyperinflationary economies, previously adjusted for inflation by applying a general price index are translated using the closing rate. This rate applies to the translation of assets and liabilities as well as income and expenses.

Differences arising from the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under 'Exchange differences' and in 'Minority interests' for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, BNP Paribas Fortis has reset to zero all translation differences, by booking all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004 to retained earnings.

On liquidation or disposal of some or all of an interest held in a foreign enterprise located outside the eurozone, leading to a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without keeping a significant influence), the cumulative exchange difference at the date of liquidation or sale is recognised in the profit and loss account.

Should the percentage of interest change without leading to a modification in the nature of the investment, the exchange difference is reallocated between the portion attributable to shareholders and that attributable to minority interests, if the entity is fully consolidated; if the entity is consolidated under the equity method, it is recorded in profit or loss for the portion related to the interest sold.

1.c.4 Business combination and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method.

Under this method, the acquiree's identifiable assets and liabilities assumed are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell.

The acquiree's contingent liabilities are not recognised in the consolidated balance sheet unless they represent a present obligation on the acquisition date and their fair value can be measured reliably.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued to obtain control of the acquiree. Costs directly attributable to the business combination are treated as a separate transaction and recognised through profit or loss.

Any contingent consideration is included in the cost, as soon as control is obtained, at fair value on the date when control was acquired. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

BNP Paribas Fortis may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss, on the acquisition date.

Minority interests are measured at their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, BNP Paribas Fortis can elect to measure minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, BNP Paribas Fortis has never used this latter option.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

On the acquisition date, any previously held equity interest in the acquiree is remeasured at its fair value through profit or loss. In the case of a step acquisition, the goodwill is therefore determined by reference to the acquisition-date fair value.

Since the revised IFRS 3 has been applied prospectively, business combinations completed prior to 1 January 2010 were not restated for the effects of changes to IFRS 3.

As permitted under IFRS 1, business combinations that took place before 1 January 2004 and were recorded in accordance with the previously applicable accounting standards (Belgian GAAP), had not been restated in accordance with the principles of IFRS 3.

Measurement of goodwill

BNP Paribas Fortis tests goodwill for impairment on a regular basis.

Cash-generating units

BNP Paribas Fortis has split all its activities into cash-generating units. representing major business lines[1]. This split is consistent with the organisational structure and management methods of BNP Paribas Fortis, and reflects the independence of each unit in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit less costs to sell, and its value in use.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by the Executive Management, and from analyses of changes in the relative positioning of the unit's activities on their market. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

Transactions under common control

Transfers of assets or exchange of shares between entities under common control do not fall within the scope of IFRS 3 'Business Combinations' or other IFRS standards. Therefore, based on IAS 8, which requires management to use its judgement in developing and applying an accounting policy that provides relevant and reliable financial statement information, BNP Paribas Fortis has decided to adopt a predecessor basis of accounting. Under this method, BNP Paribas Fortis, as acquiring party, recognises those assets and liabilities at their carrying amount as determined and reported by the transferring entity in the consolidated financial statements of BNP Paribas Fortis at the date of the transfer. Consequently, no new goodwill (other than the existing goodwill relating to either of the combining entities) is recognised. Any difference between the consideration paid/transferred and the share in the net assets measured at the predecessor carrying amount is presented as an adjustment in equity. This predecessor basis of accounting for the business combinations under common control is applied prospectively from the date of the acquisition.

1 The notion used under IAS 36 for homogenous group of businesses in "Cash-generating units".

1.d Translation of foreign currency transactions

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by BNP Paribas Fortis, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities[1] expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant entity at the closing rate. Foreign exchange differences are recognised in the profit and loss account, except for those arising from financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction (i.e. date of initial recognition of the non-monetary asset) if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Foreign exchange differences relating to non-monetary assets denominated in foreign currencies and recognised at fair value (equity instruments) are recognised in profit or loss when the asset is classified in 'Financial assets at fair value through profit or loss' and in equity when the asset is classified under 'Financial assets at fair value through equity'.

1.e Net interest income, commissions and income from other activities

1.e.1 Net interest income

Income and expenses relating to debt instruments measured at amortised cost and at fair value through shareholders' equity are recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that ensures the discounted value of estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, is equal to the carrying amount of the asset or liability in the balance sheet. The effective interest rate measurement takes into account all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.

Commissions considered as an additional component of interest are included in the effective interest rate, and are recognised in the profit and loss account in 'Net interest income'. This category includes notably commissions on financing commitments when it is considered that the setting up of a loan is more likely than unlikely. Commissions received in respect of financing commitments are deferred until they are drawn and then included in the effective interest rate calculation and amortised over the life of the loan. Syndication commissions are also included in this category for the portion of the commission equivalent to the remuneration of other syndication participants.

1.e.2 Commissions and income from other activities

Commissions received with regards to banking and similar services provided (except for those that are integral part of the effective interest rate), revenues from property development and revenues from services provided in connection with lease contracts fall within the scope of IFRS 15 'Revenue from Contracts with Customers'.

This standard defines a single model for recognising revenue based on five-step principles. These five steps enable to identify the distinct performance obligations included in the contracts and allocate the transaction price among them. The income related to those performance obligations is recognised as revenue when the latter are satisfied, namely when the control of the promised goods or services has been transferred.

[1] *Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash*

The price of a service may contain a variable component. Variable amounts may be recognised in the income statement only if it is highly probable that the amounts recorded will not result in a significant downward adjustment.

Commission

BNP Paribas Fortis records commission income and expense in profit or loss:

- either over time as the service is rendered when the client receives continuous service. These include, for example, certain commissions on transactions with customers when services are rendered on a continuous basis, commissions on financing commitments that are not included in the interest margin, because the probability that they give rise to the drawing up of a loan is low, commissions on financial collateral, clearing commissions on financial instruments, commissions related to trust and similar activities, securities custody fees, etc.

  Commissions received under financial guarantee commitments are deemed to represent the initial fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, in Commission Income.

- or at a point in time when the service is rendered, in other cases. These include, for example, distribution fees received, loan syndication fees remunerating the arrangement service, advisory fees, etc.

Income from other activities

Income from services provided in connection with lease contracts is recorded under 'Income from other activities' in the income statement as the service is rendered, i.e. in proportion to the costs incurred for maintenance contracts.

1.f Financial assets and liabilities

Financial assets are classified at amortised cost, at fair value through shareholders' equity or at fair value through profit or loss depending on the business model and the contractual features of the instruments at initial recognition.

Financial liabilities are classified at amortised cost or at fair value through profit or loss at initial recognition.

Financial assets and liabilities are recognised in the balance sheet when BNP Paribas Fortis becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets made within a period established by the regulations or by a convention in the relevant marketplace are recognised in the balance sheet at the settlement date.

1.f.1 Financial assets at amortised cost

Financial assets are classified at amortised cost if the following two criteria are met: the business model objective is to hold the instrument in order to collect the contractual cash flows and the cash flows consist solely of payments relating to principal and interest on the principal.

Business model criterion

Financial assets are managed within a business model whose objective is to hold financial assets in order to collect cash flows through the collection of contractual payments over the life of the instrument.

The realisation of disposals close to the maturity of the instrument and for an amount close to the remaining contractual cash flows, or due to an increase in the counterparty's credit risk is consistent with a business model whose objective is to collect the contractual cash flows ('collect'). Sales imposed by regulatory requirements or to manage the concentration of credit risk (without an increase in the asset's credit risk) are also consistent with this business model when they are infrequent or insignificant in value.

Cash flow criterion

The cash flow criterion is satisfied if the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely repayments of principal and interest on the principal amount outstanding.

The criterion is not met in the event of a contractual characteristic that exposes the holder to risks or to the volatility of contractual cash flows that are inconsistent with those of a non-structured or 'basic lending' arrangement. It is also not satisfied in the event of leverage that increases the variability of the contractual cash flows.

Interest consists of consideration for the time value of money, for the credit risk, and for the remuneration of other risks (e.g. liquidity risk), costs (e.g. administration fees), and a profit margin consistent with that of a basic lending arrangement. The existence of negative interest does not call into question the cash flow criterion.

The time value of money is the component of interest - usually referred to as the 'rate' component - which provides consideration for only the passage of time. The relationship between the interest rate and the passage of time must not be modified by specific characteristics that could call into question the respect of the cash flow criterion.

Thus, when the variable interest rate of the financial asset is periodically reset at a frequency that does not match the duration for which the interest rate is established, the time value of money may be considered as modified and, depending on the significance of that modification, the cash flow criterion may not be met. Some financial assets held by BNP Paribas Fortis present a mismatch between the interest rate reset frequency and the maturity of the index, or interest rates indexed to an average of benchmark rate. BNP Paribas Fortis has developed a consistent methodology for analysing this alteration of the time value of money.

Regulated rates meet the cash flow criterion when they provide a consideration that is broadly consistent with the passage of time and does not expose to risks or volatility in the contractual cash flows that would be inconsistent with those of a basic lending arrangement.

Some contractual clauses may change the timing or the amount of cash flows. Early redemption options do not call into question the cash flow criterion if the prepayment amount substantially represents the principal amount outstanding and the interest thereon, which may include reasonable compensation for the early termination of the contract. For example, as regards loans to retail customers, the compensation limited to six months of interest or 3% of the capital outstanding is considered reasonable. Actuarial penalties, corresponding to the discounted value of the difference between the residual contractual cash flows of the loan, and their reinvestment in a loan to a similar counterparty or in the interbank market for a similar residual maturity are also considered as reasonable, even when the compensation can be positive or negative (i.e. 'symmetric' compensation). An option that permits the issuer or the holder of a financial instrument to change the interest rate from floating to fixed rate does not breach the cash flow criterion if the fixed rate is determined at origination, or if it represents the time value of money for the residual maturity of the instrument at the date of exercise of the option. Clauses included in financing granted to encourage the sustainable development of companies which adjust the interest margin depending on the achievement of environmental, social or governance (ESG) objectives do not call into question the cash flow criterion when such an adjustment is considered to be minimal. Structured instruments indexed to ESG market indices do not meet the cash flow criterion.

In the particular case of financial assets contractually linked to payments received on a portfolio of underlying assets and which include a priority order for payment of cash flows between investors ('tranches'), thereby creating concentrations of credit risk, a specific analysis is carried out. The contractual characteristics of the tranche and those of the underlying financial instrument portfolios must meet the cash flow criterion and the credit risk exposure of the tranche must be equal to or lower than the exposure to credit risk of the underlying pool of financial instruments.

Certain loans may be 'non-recourse', either contractually, or in substance when they are granted to a special purpose entity. That is in particular the case of numerous project financing or asset financing loans. The cash flow criterion is met as long as these loans do not represent a direct exposure on the assets acting as collateral. In practice, the sole fact that the financial asset explicitly gives rise to cash flows that are consistent with payments of principal and interest is not sufficient to conclude that the instrument meets the cash flow criterion. In that case, the particular underlying assets to which there is limited recourse shall be analysed using the 'look-through' approach. If those assets do not themselves meet the cash flow criterion, the existing credit enhancement is assessed. The following aspects are considered: structuring and sizing of the transaction, own funds level of the structure, expected source of repayment, price volatility of the underlying assets. This analysis is applied to 'non-recourse' loans granted by BNP Paribas Fortis.

The 'financial assets at amortised cost' category includes, in particular, loans granted by BNP Paribas Fortis, as well as, reverse repurchase agreements and securities held by BNP Paribas Fortis ALM Treasury in order to collect contractual flows and meeting the cash flow criterion.

Recognition

On initial recognition, financial assets are recognised at fair value, including transaction costs directly attributable to the transaction as well as commissions related to the origination of the loans.

They are subsequently measured at amortised cost, including accrued interest and net of repayments of principal and interest during the past period. These financial assets are also subject from their initial recognition, to the measurement of a loss allowance for expected credit losses (note 1.f.4).

Interest is calculated using the effective interest method determined at inception of the contract.

1.f.2 Financial assets at fair value through shareholders' equity

Debt instruments

Debt instruments are classified at fair value through shareholders' equity if the following two criteria are met:

- business model criterion: financial assets are held in a business model whose objective is achieved by both holding the financial assets in order to collect contractual cash flows and selling the financial assets ('collect and sale'). The latter is not incidental but is an integral part of the business model;
- cash flow criterion: the principles are identical to those applicable to financial assets at amortised cost.

The securities held by BNP Paribas Fortis ALM Treasury in order to collect contractual flows or to be sold and meeting the cash flow criterion are in particular classified in this category.

On initial recognition, financial assets are recognised at their fair value, including transaction costs directly attributable to the transaction. They are subsequently measured at fair value and changes in fair value are recognised, under a specific line of shareholders' equity entitled 'Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss'. These financial assets are also subject to the measurement of a loss allowance for expected credit losses on the same approach as for debt instruments at amortised cost. The counterparty of the related impact in 'Cost of risk' is recognised in the same specific line of shareholders' equity. On disposal, changes in fair value previously recognised in shareholders' equity are reclassified to profit or loss.

In addition, interest is recognised in the income statement using the effective interest method determined at the inception of the contract.

Equity instruments

Investments in equity instruments such as shares are classified on option, and on a case by case basis, at fair value through shareholders' equity (under a specific line). On disposal of the shares, changes in fair value previously recognised in equity are not recognised in profit or loss. Only dividends, if they represent remuneration for the investment and not repayment of capital, are recognised in profit or loss. These instruments are not subject to impairment.

Investments in mutual funds puttable to the issuer do not meet the definition of equity instruments. They do not meet the cash flow criterion either, and thus are recognised at fair value through profit or loss.

1.f.3 Financing and guarantee commitments

Financing and financial guarantee commitments that are not recognised at fair value through profit or loss are presented in the note relating to Financing and guarantee commitments. They are subject to the measurement of a loss allowance for expected credit losses. These loss allowances are presented under 'provisions for contingencies and charges'.

1.f.4 Impairment of financial assets measured at amortised cost and debt instruments measured at fair value through shareholders' equity

The impairment model for credit risk is based on expected losses.

This model applies to loans and debt instruments measured at amortised cost or at fair value through equity, to loan commitments and financial guarantee contracts that are not recognised at fair value, as well as to lease receivables, trade receivables and contract assets.

General model

BNP Paribas Fortis identifies three stages that each correspond to a specific status with regards to the evolution of counterparty credit risk since the initial recognition of the asset.

- 12-month expected credit losses ('Stage 1'): If at the reporting date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is impaired at an amount equal to 12-month expected credit losses (resulting from the risk of default within the next 12 months).
- Lifetime expected credit losses for non-impaired assets ('Stage 2'): The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk of the financial instrument has increased significantly since initial recognition, but the financial asset is not considered credit impaired or doubtful.
- Lifetime expected credit losses for credit-impaired or doubtful financial assets ('Stage 3'): the loss allowance is also measured for an amount equal to the lifetime expected credit losses.

This general model is applied to all instruments within the scope of IFRS 9 impairment, except for purchased or originated credit-impaired financial assets and instruments for which a simplified model is used (see below).

The IFRS 9 expected credit loss approach is symmetrical, i.e. if lifetime expected credit losses have been recognised in a previous reporting period, and if it is assessed in the current reporting period that there is no longer any significant increase in credit risk since initial recognition, the loss allowance reverts to a 12-months expected credit loss.

As regards interest income, under 'stages' 1 and 2, it is calculated on the gross carrying amount. Under Stage 3, interest income is calculated on the amortised cost (i.e. the gross carrying amount adjusted for the loss allowance).

Definition of default

The definition of default is aligned with the Basel regulatory default definition, with a rebuttable presumption that the default occurs no later than 90 days past-due. This definition takes into account the EBA guidelines of 28 September 2016, notably those regarding the thresholds applicable for the counting of past-due and probation periods.

The definition of default is used consistently for assessing the increase in credit risk and measuring expected credit losses.

Credit-impaired or doubtful financial assets

Definition

A financial asset is considered credit-impaired or doubtful and classified in Stage 3 when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

At an individual level, objective evidence that a financial asset is credit-impaired includes observable data regarding the following events:

- the existence of accounts that are more than 90 days past due;

- knowledge or indications that the borrower is experiencing significant financial difficulties, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions with respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been in financial difficulty (see section 'Restructuring of financial assets for financial difficulties').

Specific cases of purchased or originated credit-impaired assets

In some cases, financial assets are credit-impaired at initial recognition.

For these assets, no loss allowance is recorded on initial recognition. The effective interest rate is calculated taking into account the lifetime expected credit losses in the initial estimated cash flows. Any change in lifetime expected credit losses since initial recognition, positive or negative, is recognised as a loss allowance adjustment in profit or loss.

Simplified model

The simplified approach consists in accounting for a loss allowance corresponding to lifetime expected credit losses since initial recognition, and at each reporting date.

BNP Paribas Fortis applies this model to trade receivables with a maturity shorter than 12 months.

Significant increase in credit risk

A significant increase in credit risk may be assessed on an individual basis or on a collective basis (by grouping financial instruments according to common credit risk characteristics), taking into account all reasonable and supportable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition.

Assessment of deterioration is based on the comparison of the probabilities of default derived from the ratings on the date of initial recognition with those existing at the reporting date.

There is also, according to the standard, a rebuttable presumption that the credit risk of an instrument has significantly increased since initial recognition when the contractual payments are more than 30 days past due.

In the consumer credit specialist business, a significant increase in credit risk is also considered when a past due event has occurred within the last 12 months, even if it has since been regularised.

In the context of the health crisis, the granting of moratoria that meet the criteria defined in the EBA guidelines published on 2 April 2020, and amended on 2 December 2020, has not been considered, in isolation, as an indicator of a significant increase in credit risk leading to an automatic transfer to Stage 2. The granting of "private" moratoria that meet equivalent criteria to those defined in the EBA guidelines has followed the same treatment. Moratoria do not trigger the counting of past-due days as long as the new payment schedule is respected.

The principles applied to assess the significant increase in credit risk were modified in 2022 and are detailed in note 2.g 'Cost of risk'.

Measurement of expected credit losses

Expected credit losses are defined as an estimate of credit losses (i.e. the present value of all cash shortfalls) weighted by the probability of occurrence of these losses over the expected life of the financial instruments. They are measured on an individual basis, for all exposures.

In practice, for exposures classified in Stage 1 and Stage 2, expected credit losses are measured as the product of the probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), discounted at the effective interest rate of the exposure (EIR). They result from the risk of default within the next 12 months (Stage 1), or from the risk of default over the maturity of the facility (Stage 2). In the consumer credit specialist business, because of the specificity of credit exposures, the methodology used is based on the probability of transition to term forfeiture, and on discounted loss rates after term forfeiture. These parameters are measured on a statistical basis for homogeneous populations.

For exposures classified in Stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument. Cash shortfalls represent the difference between the cash flows that are due in accordance with the contract, and the cash flows that are expected to be received. Where appropriate, the estimate of expected cash flows takes into account a cash flow scenario arising from the sale of the defaulted loans or groups of loans. The proceeds from the sale are recorded net of costs to sell.

The methodology developed is based on existing concepts and methods (in particular the Basel framework) on exposures for which capital requirement for credit risk is measured according to the IRBA methodology. This method is also applied to portfolios for which capital requirement for credit risk is measured according to the standardised approach. Besides, the Basel framework has been adjusted in order to be compliant with IFRS 9 requirements, in particular the use of forward-looking information.

Maturity

All contractual terms of the financial instrument are taken into account, including prepayment, extension and similar options. In the rare cases where the expected life of the financial instrument cannot be estimated reliably, the residual contractual term is used.

The standard specifies that the maximum period to consider when measuring expected credit losses is the maximum contractual period. However, for revolving credit cards and overdrafts, in accordance with the exception provided by IFRS 9 for these products, the maturity considered for measuring expected credit losses is the period over which the entity is exposed to credit risk, which may extend beyond the contractual maturity (notice period). For revolving credits and overdrafts to non-retail counterparties, the contractual maturity can be used, for example if the next review date is the contractual maturity as they are individually managed.

Probabilities of Default (PD)

Probability of Default is an estimate of the likelihood of default over a given time horizon.

The determination of the PD is based on the internal rating system of BNP Paribas Fortis. Environmental, social and governance (ESG) risks are taken into account in credit and rating policies.

The measurement of expected credit losses requires the estimation of both 1 year probabilities of default and lifetime probabilities of default:

- 1-year PDs are derived from long-term average regulatory 'through the cycle' PDs to reflect the current situation ('point in time' or 'PIT');
- lifetime PDs are determined based on the rating migration matrices reflecting the expected changes in the rating of the exposure until maturity, and the associated probabilities of default.

Loss Given Default (LGD)

Loss Given Default is the difference between contractual cash flows and expected cash flows, discounted using the effective interest rate (or an approximation thereof) at the default date. LGD is expressed as a percentage of the Exposure At Default (EAD).

The estimate of expected cash flows takes into account cash flows resulting from the sale of collateral held or other credit enhancements if they are part of the contractual terms and are not accounted for separately by the entity (for example, a mortgage associated with a residential loan), net of the costs of obtaining and selling the collateral.

For guaranteed loans, the guarantee is considered as integral to the loan agreement if it is embedded in the contractual clauses of the loan, or if it was granted concomitantly to the loan, and if the expected reimbursement amount can be attached to a loan in particular (i.e. absence of pooling effect by means of a tranching mechanism, or the existence of a global cap for a whole portfolio). In such case, the guarantee is taken into account when measuring the expected credit losses. Otherwise, it is accounted for as a separate reimbursement asset.

The LGD used for IFRS 9 purposes is derived from the Basel LGD parameters. It is adjusted for downturn and conservatism margins (in particular regulatory margins), except for margins for model uncertainties.

Exposure At Default (EAD)

Exposure At Default (EAD) of an instrument is the anticipated outstanding amount owed by the obligor at the time of default. It is determined by the expected payment profile taking into account, depending on the product type: the contractual repayment schedule, expected early repayments and expected future drawings for revolving facilities.

Forward looking information

The amount of expected credit losses is measured on the basis of probability-weighted scenarios, in view of past events, current conditions and reasonable and supportable economic forecasts.

The principles applied to take into account forward looking information when measuring expected credit losses are detailed in note 2.g 'Cost of risk'.

Write-offs

A write-off consists in reducing the gross carrying amount of a financial asset when there are no longer reasonable expectations of recovering that financial asset in its entirety or a portion thereof, or when it has been fully or partially forgiven. The write-off is recorded when all other means available to the Bank for recovering the receivables or guarantees have failed, and also generally depends on the context specific to each jurisdiction.

If the amount of loss on write-off is greater than the accumulated loss allowance, the difference is recognised as an additional impairment loss in 'Cost of risk'. For any recovery once the financial asset (or part thereof) is no longer recognised on the balance-sheet, the amount received is recorded as a gain in 'Cost of risk'.

Recoveries through the repossession of the collateral

When a loan is secured by a financial or a non-financial asset serving as a guarantee and the counterparty is in default, BNP Paribas Fortis may decide to exercise the guarantee and, depending on the jurisdiction, it may then become owner of the asset. In such a situation, the loan is written-off against the asset received as collateral.

Once ownership of the asset is effective, it is recognised at fair value and classified according to the intent of use.

Restructuring of financial assets for financial difficulties

A restructuring due to the borrower's financial difficulties is defined as a change in the terms and conditions of the initial transaction that BNP Paribas Fortis is considering only for economic or legal reasons related to the borrower's financial difficulties.

For restructurings not resulting in derecognition of the financial asset, the restructured asset's gross carrying amount is reduced to the discounted amount, using the original effective interest rate of the asset, of the new expected future flows. The change in the gross carrying amount of the asset is recorded in the income statement in 'Cost of risk'.

The existence of a significant increase in credit risk for the financial instrument is then assessed by comparing the risk of default after the restructuring (under the revised contractual terms) and the risk of default at the initial recognition date (under the original contractual terms). In order to demonstrate that the criteria for recognising lifetime expected credit losses are no longer met, good payment behaviour will have to be observed over a certain period of time.

When the restructuring consists of a partial or total exchange against other substantially different assets (for example, the exchange of a debt instrument against an equity instrument), it results in the extinction of the original asset and the recognition of the assets remitted in exchange, measured at their fair value at the date of exchange. The difference in value is recorded in the income statement in 'Cost of risk'.

As a reminder, in response to the health crisis, several moratoria have been granted to clients. These moratoria mostly consisted in payment suspension of a few months, with additional interest that may or not continue to accrue during the suspension period. Accordingly, the modification was generally considered as not substantial. The associated discount (linked to the absence of interest accruing, or interest accruing at a rate that was lower than the EIR of the loan) was therefore recognised in NBI, subject to meeting certain criteria[1]. In such cases, the moratorium was considered as not being granted in response to the borrower's financial difficulties, but in response to a temporary liquidity crisis and the credit risk was not considered to have significantly increased.

Modifications to financial assets that are not due to a borrower's financial difficulties, or granted in the context of a moratorium (i.e. commercial renegotiations) are generally analysed as the early repayment of the former loan, which is then derecognised, followed by the set-up of a new loan at market conditions. They consist in resetting the interest rate of the loan at market conditions, with the client being in a position to change lender and not encountering any financial difficulties.

Probation periods

BNP Paribas Fortis applies observation periods to assess the possible return to a better stage. Accordingly, a 3-month probation period is observed for the transition from Stage 3 to Stage 2 which is extended to 12 months in the event of restructuring due to financial difficulties.

For the transition from Stage 2 to Stage 1, a probation period of two years is observed for loans that have been restructured due to financial difficulties.

1.f.5 Cost of risk

'Cost of risk' includes the following items of profit or loss:

- impairment gains and losses resulting from the accounting of loss allowances for 12-month expected credit losses and lifetime expected credit losses ('Stage 1' and 'Stage 2') relating to debt instruments measured at amortised cost or at fair value through shareholders' equity, loan commitments and financial guarantee contracts that are not recognised at fair value as well as lease receivables, contract assets and trade receivables;
- impairment gains and losses resulting from the accounting of loss allowances relating to financial assets (including those at fair value through profit or loss) for which there is objective evidence of impairment ('Stage 3'), write-offs on irrecoverable loans and amounts recovered on loans written-off.

It also includes expenses relating to fraud and to disputes inherent to the financing activity.

1.f.6 Financial instruments at fair value through profit or loss

Trading portfolio and other financial assets measured at fair value through profit or loss

The trading portfolio includes instruments held for trading (trading transactions), including derivatives.

Other financial assets measured at fair value through profit or loss include debt instruments that do not meet the 'collect' or 'collect and sale' business model criterion or that do not meet the cash flow criterion, as well as equity instruments for which the fair value through shareholders' equity option has not been retained.

All those financial instruments are measured at fair value at initial recognition, with transaction costs directly posted in profit or loss. At the reporting date, they are measured at fair value, with changes presented in 'Net gain/loss on financial instruments at fair value through profit or loss'. Income, dividends and realised gains and losses on disposal related to held-for-trading transactions are accounted for in the same profit or loss account

1 Moratoria qualified as 'COVID-19 General moratorium Measure' (i.e. meeting the criteria defined in EBA Guidelines published on 2 April 2020) or similar measures that do not lead to a transfer in Stage 3.

Financial liabilities designated as at fair value through profit or loss

Financial liabilities are recognised under option in this category in the two following situations:

- for hybrid financial instruments containing one or more embedded derivatives which otherwise would have been separated and accounted for separately. An embedded derivative is such that its economic characteristics and risks are not closely related to those of the host contract;
- when using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would otherwise arise if they were to be classified in separate categories.

Changes in fair value due to the own credit risk are recognised under a specific heading of shareholders' equity.

1.f.7 Financial liabilities and equity instruments

A financial instrument issued or its various components are classified as a financial liability or equity instrument, in accordance with the economic substance of the legal contract.

Financial instruments issued by BNP Paribas Fortis are qualified as debt instruments if the entity in the Group of BNP Paribas Fortis issuing the instruments has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if BNP Paribas Fortis is required to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to BNP Paribas Fortis, or to deliver a variable number of BNP Paribas Fortis' own equity instruments.

Equity instruments result from contracts evidencing a residual interest in an entity's assets after deducting all of its liabilities.

Debt securities and subordinated debt

Debt securities and subordinated debt are measured at amortised cost unless they are recognised at fair value through profit or loss.

Debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Bonds redeemable or convertible into own equity are hybrid instruments that may contain a debt component and an equity component, determined upon initial recognition of the transaction.

Equity instruments

The term 'own equity instruments' refers to shares issued by BNP Paribas Fortis and by its fully consolidated subsidiaries. External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

Own equity instruments held by BNP Paribas Fortis, also known as treasury shares, are deducted from consolidated shareholders' equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

When BNP Paribas Fortis acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas Fortis, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to shareholders of BNP Paribas Fortis. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas Fortis shareholders. Until these options have been exercised, the portion of net income attributable to minority interests is allocated to minority interests in the profit and loss account. A decrease in BNP Paribas Fortis' interest in a fully consolidated subsidiary is recognised in BNP Paribas Fortis' accounts as a change in shareholders' equity.

Financial instruments issued by BNP Paribas Fortis and classified as equity instruments (e.g. Undated Super Subordinated Notes) are presented in the balance sheet in 'Capital and retained earnings'.

Distributions from a financial instrument classified as an equity instrument are recognised directly as a deduction from equity. Similarly, the transaction costs of an instrument classified as equity are recognised as a deduction from shareholders' equity.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued;
- as derivatives if they are settled in cash or by choice by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

If the contract includes an obligation, whether contingent or not, for the Bank to repurchase its own shares, the Bank recognises the debt at its present value with an offsetting entry in shareholders' equity.

1.f.8 Hedge accounting

BNP Paribas Fortis retained the option provided by the standard to maintain the hedge accounting requirements of IAS 39 until the future standard on macro-hedging is entered into force. Furthermore, IFRS 9 does not explicitly address the fair value hedge of the interest rate risk on a portfolio of financial assets or liabilities. The provisions in IAS 39 for these portfolio hedges, as adopted by the European Union, continue to apply.

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed rate loans).

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

At the inception of the hedge, BNP Paribas Fortis prepares formal documentation which details the hedging relationship, identifying the instrument, or portion of the instrument, or portion of risk that is being hedged, the hedging strategy and the type of risk hedged, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, BNP Paribas Fortis assesses, in consistency with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether the ratio of actual changes in the fair value or cash flows of the hedging instrument to those in the hedged item is within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under IAS 39 as adopted by the European Union, which excludes certain provisions on portfolio hedging, interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

- the risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits);
- the instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlying;
- the hedging instruments used consist exclusively of 'plain vanilla' swaps;
- prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlying. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlying specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value recognised in profit or loss in 'Net gain/loss on financial instruments at fair value through profit or loss', symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under 'Remeasurement adjustment on interest rate risk hedged portfolios' in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is measured at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, 'Changes in fair value recognised directly in equity'. The amounts taken to shareholders' equity over the life of the hedge are transferred to the profit and loss account under 'Net interest income' as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the category to which they belong.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders' equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under 'Net gain/loss on financial instruments at fair value through profit or loss'.

Hedges of net foreign currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. Hedging instruments may be foreign exchange derivatives or any other non-derivative financial instrument.

1.f.9 Determination of fair 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 in the principal market or most advantageous market, at the measurement date.

BNP Paribas Fortis determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They maximise the use of observable inputs and minimise the use of unobservable inputs. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the exit price.

The unit of measurement is the individual financial asset or financial liability but a portfolio-based measurement can be elected, subject to certain conditions. Accordingly, BNP Paribas Fortis retains this portfolio-based measurement exception to determine the fair value when some group of financial assets and financial liabilities and other contracts within the scope of the standard relating to financial instruments with substantially similar and offsetting market risks or credit risks are managed on the basis of a net exposure, in accordance with the documented risk management strategy.

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy:

- Level 1: fair values are determined using directly quoted prices in active markets for identical assets and liabilities. Characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices;
- Level 2: fair values are determined based on valuation techniques for which significant inputs are observable market data, either directly or indirectly. These techniques are regularly calibrated and the inputs are corroborated with information from active markets;
- Level 3: fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to illiquidity of the instrument and significant model risk. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgment.

The level in the fair value hierarchy within which the asset or liability is categorised in its entirety is based upon the lowest level input that is significant to the entire fair value.

For financial instruments disclosed in Level 3 of the fair value hierarchy and marginally some instruments disclosed in Level 2, a difference between the transaction price and the fair value may arise at initial recognition. This 'Day One Profit' is deferred and released to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

1.f.10 Derecognition of financial assets and financial liabilities

Derecognition of financial assets

BNP Paribas Fortis derecognises all or part of a financial asset when the contractual rights to the cash flows of the asset expire or when BNP Paribas Fortis transfers the asset – either on the basis of a transfer of the contractual rights to its cash flows or by retaining the contractual rights to receive the cash flows of the asset while assuming an obligation to pay the cash flows of the asset under an eligible pass-through arrangement – as well as substantially all the risks and rewards of the asset.

Where BNP Paribas Fortis has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and has not in practice retained control of the financial asset, BNP Paribas Fortis derecognises the financial asset and then records separately, if necessary, an asset or liability representing the rights and obligations created or held as part of the transfer of the asset. If BNP Paribas Fortis has retained control of the financial asset, it maintains it on its balance sheet to the extent of its continuing involvement in that asset.

Upon the derecognition of a financial asset in its entirety, a gain or loss on disposal is recognised in the profit and loss account for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, adjusted where appropriate for any unrealised gain or loss previously recognised directly in equity.

If all these conditions are not met, BNP Paribas Fortis retains the asset in its balance sheet and recognises a liability for the obligations arising on the transfer of the asset.

Derecognition of financial liabilities

BNP Paribas Fortis derecognises all or part of a financial liability when the liability is extinguished in full or in part, i.e. when the obligation specified in the contract is extinguished, cancelled or expired. A financial liability may also be derecognised in the event of a substantial change in its contractual terms or if exchanged with the lender for an instrument with substantially different contractual terms.

Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recognised in the BNP Paribas Fortis balance sheet in the category of securities to which they belong. The corresponding liability is recognised at amortised cost under the appropriate 'Financial liabilities at amortised cost' category on the balance sheet, except in the case of repurchase agreements contracted for trading purposes, for which the corresponding liability is recognised in 'Financial liabilities at fair value through profit or loss'.

Securities temporarily acquired under reverse repurchase agreements are not recognised in the BNP Paribas Fortis balance sheet. The corresponding receivable is recognised at amortised cost under the appropriate 'Financial assets at amortised cost' category in the balance sheet, except in the case of reverse repurchase agreements contracted for trading purposes, for which the corresponding receivable is recognised in 'Financial assets at fair value through profit or loss'.

Securities lending transactions do not result in derecognition of the lent securities, and securities borrowing transactions do not result in recognition of the borrowed securities on the balance sheet. In cases where the borrowed securities are subsequently sold by BNP Paribas Fortis, the obligation to deliver the borrowed securities on maturity is recognised on the balance sheet under 'financial liabilities at fair value through profit or loss'.

1.f.11 Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, BNP Paribas Fortis has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives that meet the two criteria set out in the accounting standard are offset in the balance sheet.

1.g Property, plant, equipment and intangible assets

Property, plant and equipment and intangible assets shown in the consolidated balance sheet are composed of assets used in operations and investment property. Rights-of-use related to leased assets (see note 1.h.2) are presented by the lessee within fixed assets in the same category as similar assets held.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by BNP Paribas Fortis as lessor under operating leases.

Property that was previously used in operations and that is withdrawn from use with the intention to redevelop for future sale is transferred from 'Property, plant and equipment' to 'Other assets' at its carrying amount. Property under development is measured in accordance with IAS 2 'Inventories' at the lower of cost and net realisable value, which is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. A write-down of these inventories to net realisable value is recognised in profit and loss as 'Expense on other activities' in the period the write-down occurs.

Investment property comprises property assets held to generate rental income and capital gains and is recognised at cost.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally by BNP Paribas Fortis that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by BNP Paribas Fortis as the lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under 'Depreciation, amortisation and impairment of property, plant and equipment and intangible assets'.

Where an asset consists of a number of components which may require replacement at regular intervals, or which have different uses or generate economic benefits at different rates, each component is recognised separately and depreciated using a method appropriate to that component. BNP Paribas Fortis has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Software maintenance costs are expensed as incurred. However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in 'Depreciation, amortisation and impairment of property, plant and equipment and intangible assets'.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in 'Net gain on non-current assets'.

When property under development is sold, its carrying amount is recognised in the profit and loss account 'Expense on other activities' in the period in which the related revenue is recognised in profit and loss as 'Income from other activities'.

Gains and losses on disposals of investment property are recognised in the profit and loss account in 'Income from other activities' or 'Expense on other activities'.

1.h Leases

BNP Paribas Fortis' companies may either be the lessee or the lessor in a lease agreement.

1.h.1 BNP Paribas Fortis as lessor

Leases contracted by BNP Paribas Fortis as lessor are categorised as either finance leases or operating leases.

Finance leases

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is taken to the profit and loss account under 'Interest income'. The lease payments are spread over the lease term, and are allocated to reduction of the principal and to interest, such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

Impairments of lease receivables are determined using the same principles as applied to financial assets measured at amortised cost.

Operating leases

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor's balance sheet and depreciated on a straight-line basis over its useful life. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight-line basis over the lease term. Lease payments and depreciation expenses are taken to the profit and loss account under 'Income from other activities' and 'Expense on other activities'.

1.h.2 BNP Paribas Fortis as lessee

Lease contracts concluded by BNP Paribas Fortis, with the exception of contracts whose term is shorter than or equal to 12 months and low-value contracts, are recognised in the balance-sheet in the form of a right of use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right-of-use assets are amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the lease period. Dismantling costs corresponding to specific and significant fittings and fixtures are included in the initial right-of-use estimation, in counterparty of a provision liability.

The key hypothesis used by BNP Paribas Fortis for the measurement of rights of use and lease liabilities are the following:

- The lease term corresponds to the non-cancellable period of the contract, together with periods covered by an extension option if BNP Paribas Fortis is reasonably certain to exercise this option. In Belgium, the standard commercial lease contract is the so-called 'three, six, nine' contract for which the maximum period of use is nine years, with a first non-cancellable period of three years followed by two optional extension periods of three years each; hence, depending on the assessment, the lease term can be of three, six or nine years. When investments like fittings or fixtures are performed under the contract, the lease term is aligned with their useful lives. For tacitly renewable contracts, with or without an enforceable period, related right of use and lease liabilities are recognised based on an estimate of the reasonably foreseeable economic life of the contracts, minimal occupation period included.
- The discount rate used to measure the right of use and the lease liability is assessed for each contract as the interest rate implicit in the lease, if that rate can be readily determined, or more generally based on the incremental borrowing rate of the lessee at the date of signature. The incremental borrowing rate is determined considering the average term (duration) of the contract;
- When the contract is modified, a new assessment of the lease liability is made taking into account the new residual term of the contract, and therefore a new assessment of the right of use and the lease liability is established.

1.i Assets held for sale and discontinued operations

Where BNP Paribas Fortis decides to sell assets or a group of assets and liabilities and it is highly probable that the sale will occur within 12 months, these assets are shown separately in the balance sheet, on the line 'Assets held for sale'. Any liabilities associated with these assets are also shown separately in the balance sheet, on the line 'Liabilities associated with assets held for sale'. When BNP Paribas Fortis is committed to a sale plan involving loss of control of a subsidiary and the sale is highly probable within 12 months, all the assets and liabilities of that subsidiary are classified as held for sale.

Once classified in this category, assets and the group of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a cash generating unit, it is categorised as a 'discontinued operation'. Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resell.

In this case gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line 'Net income from discontinued activities'. This line includes after tax profits or losses of discontinued operations, after tax gain or loss arising from remeasurement at fair value less costs to sell, and after tax gain or loss on disposal of the operation.

1.j Employee benefits

Employee benefits are classified in one of four following categories:

- short-term benefits, such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits.

Short-term benefits

BNP Paribas Fortis recognises an expense when it has used services rendered by employees in exchange for employee benefits.

Long-term benefits

These are benefits, other than short-term benefits, post-employment benefits and termination benefits. This relates, in particular, to compensation deferred for more than 12 months and not linked to the BNP Paribas share price, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that the revaluation items are recognised in the profit and loss account and not in equity.

Termination benefits

Termination benefits are employee benefits payable in exchange for the termination of an employee's contract as a result of either a decision by BNP Paribas Fortis to terminate a contract of employment before the legal retirement age, or a decision by an employee to accept voluntary redundancy in exchange for these benefits. Termination benefits due more than 12 months after the balance sheet date are discounted.

Post-employment benefits

In accordance with IFRS, BNP Paribas Fortis draws a distinction between defined-contribution plans and defined-benefit plans.

Defined-contribution plans do not give rise to an obligation for BNP Paribas Fortis and do not require a provision. The amount of the employer's contributions payable during the period is recognised as an expense.

Only defined-benefit schemes give rise to an obligation for BNP Paribas Fortis. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether BNP Paribas Fortis has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take demographic and financial assumptions into account.

The net liability recognised with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets.

The present value of the defined-benefit obligation is measured on the basis of the actuarial assumptions applied by BNP Paribas Fortis, using the projected unit credit method. This method takes into account various parameters, specific to each country or entity of BNP Paribas Fortis, such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate.

When the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for BNP Paribas Fortis in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The annual expense recognised in the profit and loss account under 'Salaries and employee benefits', with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability (asset), the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability (asset) are recognised in shareholders' equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

1.k Share-based payments

Share-based payment transactions are payments based on shares issued by BNP Paribas, whether the transaction is settled in the form of equity or cash of which the amount is based on trends in the value of BNP Paribas shares.

Stock option and share award plans

The expense related to stock option and share award plans is recognised over the vesting period, if the benefit is conditional upon the grantee's continued employment.

Stock options and share award expenses are recorded under salary and employee benefits expenses, with a corresponding adjustment to shareholders' equity. They are calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.

In the absence of any market for these instruments, financial valuation models are used that take into account any performance conditions related to the BNP Paribas share price. The total expense of a plan is determined by multiplying the unit value per option or share awarded by the estimated number of options or shares awarded vested at the end of the vesting period, taking into account the conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave BNP Paribas Fortis and those relating to performance conditions that are not linked to the price value of BNP Paribas shares.

Share price-linked cash-settled deferred compensation plans

The expense related to these plans is recognised in the year during which the employee rendered the corresponding services.

If the payment of share-based variable compensation is explicitly subject to the employee's continued presence at the vesting date, the services are presumed to have been rendered during the vesting period and the corresponding compensation expense is recognised on a pro rata basis over that period. The expense is recognised under salary and employee benefits expenses with a corresponding liability in the balance sheet. It is revised to take into account any non-fulfilment of the continued presence or performance conditions and the change in BNP Paribas share price.

If there is no continued presence condition, the expense is not deferred, but recognised immediately with a corresponding liability in the balance sheet. This is then revised on each reporting date until settlement to take into account any performance conditions and the change in the BNP Paribas share price.

1.l Provisions recorded under liabilities

Provisions recorded under liabilities (other than those relating to financial instruments and employee benefits) mainly relate to restructuring, claims and litigation, fines and penalties.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

1.m Current and deferred tax

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which BNP Paribas Fortis operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of BNP Paribas Fortis, where BNP Paribas Fortis is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within the same tax group, they fall under the jurisdiction of a single tax authority, and there is a legal right to offset.

As regards the assessment of uncertainty over income tax treatments, BNP Paribas Fortis adopts the following approach:

- BNP Paribas Fortis assesses whether it is probable that a taxation authority will accept an uncertain tax treatment;
- any uncertainty shall be reflected when determining the taxable profit (loss) by considering either the most likely amount (having the higher probability of occurrence), or the expected value (sum of the probability-weighted amounts).

Current and deferred taxes are recognised as tax income or expenses in the profit and loss account, except for those relating to a transaction or an event directly recognised in shareholders' equity, which are also recognised in shareholders' equity. This concerns in particular the tax effect of coupons paid on financial instruments issued by BNP Paribas Fortis and qualified as equity instruments, such as Undated Super Subordinated Notes.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under 'Corporate income tax'.

1.n Cash flow statement

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks, and the net balance of interbank demand loans and deposits.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the BNP Paribas Fortis' operations, including those relating to negotiable certificates of deposit.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to bonds and subordinated debt, and debt securities (excluding negotiable certificates of deposit).

1.o Use of estimates in the preparation of the financial statements

Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements.

This requires the managers in question to exercise their judgement and to make use of information available at the date of the preparation of the financial statements when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates, mainly according to market conditions. This may have a material effect on the financial statements.

This applies in particular to:

- the analysis of the cash flow criterion for specific financial assets;
- the measurement of expected credit losses. This applies in particular to the assessment of significant increase in credit risk, the models and assumptions used to measure expected credit losses, the determination of the different economic scenarios and their weighting;

- the analysis of renegotiated loans, in order to assess whether they should be maintained on the balance-sheet or derecognised;
- the assessment of an active market, and the use of internally-developed models for the measurement of the fair value of financial instruments not quoted in an active market classified in 'Financial assets at fair value through equity' or in 'Financial instruments at fair value through profit or loss', whether as assets or liabilities, and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- the assumptions applied to assess the sensitivity to each type of market risk of the market value of financial instruments and the sensitivity of these valuations to the main unobservable inputs as disclosed in the notes to the financial statements;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- the impairment tests performed on goodwill and intangible assets;
- the impairment testing of investments in equity-method entities;
- the estimation of residual asset values under simple lease agreements. These values are used as a basis for the determination of depreciation as well as any impairment, notably in relation to the effect of environmental considerations on the evaluation of future prices of second-hand vehicles;
- the deferred tax assets;
- the measurement of uncertainty over income tax treatments and other provisions for contingencies and charges (including the provisions for employee benefits). In particular, while investigations and litigations are ongoing, it is difficult to foresee their outcome and potential impact. Provision estimation is established by taking into account all available information at the date of the preparation of the financial statements, in particular the nature of the dispute, the underlying facts, the ongoing legal proceedings and court decisions, including those related to similar cases. BNP Paribas Fortis may also use the opinion of experts and independent legal advisers to exercise its judgement.

2 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

2.a Net interest income

BNP Paribas Fortis includes in 'interest income' and 'interest expense' all income and expense calculated using the effective interest method (interest, fees and transaction costs) from financial instruments measured at amortised cost and financial instruments measured at fair value through equity.

These items also include the interest income and expense of non-trading financial instruments, the characteristics of which do not allow for recognition at amortised cost or at fair value through equity, as well as of financial instruments that the Bank has designated as at fair value through profit or loss. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under 'Net gain on financial instruments at fair value through profit or loss'.

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. Similarly, interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions.

In the case of a negative interest rates related to loans and receivables or deposits from customers and credit institutions, they are accounted for in interest expense or interest income respectively.

	Year to 31 Dec. 2022			Year to 31 Dec. 2021		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Financial instruments at amortised cost	**7,185**	**(2,141)**	**5,044**	**6,251**	**(1,735)**	**4,516**
Deposits, loans and borrowings	5,945	(1,866)	4,079	4,976	(1,499)	3,477
Repurchase agreements	57	(36)	21	63	(36)	27
Finance leases	1,073	(93)	980	981	(86)	895
Debt securities	110	-	110	231	-	231
Issued debt securities and subordinated debts	-	(146)	(146)	-	(114)	(114)
Financial instruments at fair value through equity	**71**	**-**	**71**	**93**	**-**	**93**
Debt securities	71	-	71	93	-	93
Financial instruments at fair value through profit or loss (Trading securities excluded)	**4**	**(35)**	**(31)**	**8**	**(30)**	**(22)**
Cash flow hedge instruments	**221**	**(227)**	**(6)**	**175**	**(174)**	**1**
Interest rate portfolio hedge instruments	**755**	**(957)**	**(202)**	**490**	**(374)**	**116**
Lease liabilities	**-**	**(10)**	**(10)**	**-**	**(10)**	**(10)**
Net interest income/expense	**8,236**	**(3,370)**	**4,866**	**7,017**	**(2,323)**	**4,694**

Interest income on individually impaired loans amounted to EUR 31 million in the year ending 31 December 2022, compared with EUR 31 million in the year ending 31 December 2021.

BNP Paribas Fortis subscribed to the TLTRO III (targeted longer-term refinancing operations) programme, as modified by the Governing Council of the European Central Bank in March 2020, in December 2020 and in October 2022 (see note 4.g). BNP Paribas Fortis achieved the lending performance thresholds that enabled it to benefit from favourable interest rate conditions applicable for each of the reference period, namely

- over the two special interest periods (i.e. from June 2020 to June 2022): the average deposit facility rate ("DFR") -50 basis points, or -1%;
- over the next period (i.e. from June 2022 to November 2022): the average of the DFR between the TLTRO III initial date of subscription and 22 November 2022, i.e. for the main draws, -0.36% for the June 2020 tranche and -0.29% for the March 2021 tranche;
- over the last period (since 23 November 2022): the average of the DFR between 23 November 2022 and the redemption date. The average effective interest rate for the latter period was 1.64% at 31 December 2022

This floating interest rate is considered as a market rate as it is applicable to all financial institutions meeting the lending criteria defined by the European Central Bank. The effective interest rate of these financial liabilities is determined for each reference period, its two components (reference rate and margin) being adjustable; it corresponds to the nominal interest rate. The addition of the last interest period in October 2022 is part of the European Central Bank's monetary policy and is therefore not considered a contractual amendment according to IFRS 9 but a revision of the market rate.

2.b Commission income and expense

	Year to 31 Dec. 2022			Year to 31 Dec. 2021		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Customer transactions	135	(82)	53	107	(83)	24
Securities and derivatives transactions	1,040	(278)	762	930	(227)	703
Financing and guarantee commitments	181	(27)	154	160	(18)	142
Asset management and other services	643	(26)	617	750	(45)	705
Others	276	(452)	(176)	252	(431)	(179)
Net Commission income/expense	**2,275**	**(865)**	**1,410**	**2,199**	**(804)**	**1,395**
Of which net commission income related to trust and similar activities through which BNP Paribas Fortis holds or invests assets on behalf of clients, trusts, pension and personal risk funds or other institutions	*431*	*(4)*	*427*	*472*	*(2)*	*470*
Of which commission income and expense on financial instruments not measured at fair value through profit or loss	*370*	*(131)*	*239*	*390*	*(144)*	*246*

2.c Net gain on financial instruments at fair value through profit or loss

Net gain on financial instruments measured at fair value through profit or loss includes all profit and loss items relating to financial instruments managed in the trading book, non-trading equity instruments that BNP Paribas Fortis did not choose to measure at fair value through equity, financial instruments that the Bank has designated as at fair value through profit or loss, as well as debt instruments whose cash flows are not solely repayments of principal and interest on the principal or whose business model is not to collect cash flows nor to collect cash flows and sell the assets.

These income items include dividends on these instruments and exclude interest income and expense from financial instruments designated as at fair value through profit or loss and instruments whose cash flows are not only repayments of principal and interest on the principal or whose business model is not to collect cash flows nor to collect cash flows and sell the assets, which are presented in 'interest income' (note 2.a).

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Trading Book	**(46)**	**162**
Interest rate and credit instruments	(35)	3
Equity financial instruments	(286)	136
Foreign exchange financial instruments	288	(19)
Loans and repurchase agreements	(13)	42
Other financial instruments	-	-
Financial instruments designated as at fair value through profit or loss	**371**	**(103)**
Other financial instruments at fair value through profit and loss	**80**	**143**
Debt instruments	(24)	15
Equity instruments	104	128
Impact of hedge accounting	**8**	**(6)**
Fair value hedging derivatives	(1,533)	338
Hedged items in fair value hedge	1,541	(344)
Net gain or loss on financial instruments at fair value through profit or loss	**413**	**196**

Gains and losses on financial instruments designated as at fair value through profit or loss are mainly related to instruments whose changes in value may be compensated by changes in the value of economic hedging trading book instruments.

Net gains on the trading book in 2022 and 2021 include a non-material amount related to the ineffective portion of cash flow hedges.

Potential sources of ineffectiveness can be the differences between hedging instruments and hedged items, notably generated by mismatches in the terms of hedged and hedging instruments, such as the frequency and timing of interest rates resetting, the frequency of payment and the discounting factors, or when hedging derivatives have a non-zero fair value at inception date of the hedging relationship. Credit valuation adjustments applied to hedging derivatives are also sources of ineffectiveness.

Cumulated changes in fair value related to discontinued cash flow hedge relationships, previously recognised in equity and included in the 2022 profit and loss account were not material, whether the hedged item ceased to exist or not.

2.d Net gain on financial instruments at fair value through equity

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Net gain on debt instruments [1]	19	16
Dividend income on equity instruments	21	21
Net gain or loss on financial instruments at fair value through equity	**40**	**37**

(1) Interest income from debt instruments is included in 'Net interest income' (Note 2.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 2.g)

Unrealised gains and losses on debt securities previously recorded under 'Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss' and included in the pre-tax income, amount to a net gain of EUR 28 million for the year ended 31 December 2022 compared with EUR 5 million for the year ended 31 December 2021.

2.e Net income from other activities

	Year to 31 Dec. 2022			Year to 31 Dec. 2021		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Net income from investment property	35	(9)	26	86	(15)	71
Net income from assets held under operating leases	13,040	(10,287)	2,753	12,326	(10,461)	1,865
Other net income	893	(828)	65	996	(924)	72
Total net income from other activities	**13,968**	**(11,124)**	**2,844**	**13,408**	**(11,400)**	**2,008**

2.f Other operating expenses

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
External services and other operating expenses	(1,567)	(1,400)
Taxes and contributions [1]	(517)	(414)
Other operating expenses	**(2,084)**	**(1,814)**

(1) Contributions to European resolution funds, including exceptional contributions, amount to EUR (127) million in 2022 (EUR (89) million in 2021)

2.g Cost of risk

The BNP Paribas Fortis general model for impairment described in note 1.f.4 used by the bank relies on the following two steps:

- assessing whether there has been a significant increase in credit risk since initial recognition, and
- measuring impairment allowance as either 12-month expected credit losses or lifetime expected credit loss (i.e. loss expected at maturity).

Both steps rely on forward looking information.

Significant increase in credit risk

At 31 December 2022, BNP Paribas revised its criteria for assessing the significant increase in credit risk in line with the recommendations issued by the European Banking Authority and the European Central Bank.

Previously, except for the consumer credit specialist business, the credit risk deterioration was mainly evaluated based on changes in the internal credit rating, an indicator of the average 1-year probability of default through the cycle. In order to fully consider forward looking information, the new criteria use the probability of default to maturity, which is derived from the internal rating, incorporating the expected consequences of changes in macroeconomic scenarios, as the main indicator.

Under these new criteria, credit risk is assumed to have significantly increased, and the asset is classified in stage 2, if the probability of default to maturity of the instrument has increased at least threefold since its origination. This relative variation criterion is supplemented by an absolute variation criterion of the default probability of 400 basis points.

Furthermore, for all portfolios (except for the consumer credit specialist business):

- the facility is assumed to be in stage 1 when its 1-year "Point in Time" probability of default (PiT PD) is below 0.3% at the reporting date, since changes in probability of default due to credit downgrades in this zone are not material, and therefore not considered "significant";
- when the 1-year PiT PD is greater than 20% at the reporting date, given the Group's credit issuance practices, the deterioration is considered significant, and the facility is classified in stage 2 (as long as the facility is not credit-impaired).

In the consumer credit specialist business, the existence of a potentially regularised payment incident during the last 12 months is considered to be an indication of significant increase in credit risk and the facility is therefore classified in stage 2.

The table below shows a comparison between the previous and the new criteria for assessing the significant increase in credit risk:

		Stage 1 presumption	Deterioration from origination leading to transfer to Stage 2	Stage 2 presumption
Previous criteria	**Retail**	One year probability of default* < 0.25%	$\frac{\text{One year probabilityof default}}{\text{One year probability of default at origination}} > 4$ or Rating downgrade ≥ 6 notches	One year probability of default > 10%
	Small and Medium Entreprises	Rating ≤ 4-	Rating downgrade ≥ 6 notches	Rating ≥ 9+
	Large Corporates		Rating downgrade ≥ 3 notches	
New criteria		One year PiT probability of default** < 0.3%	$\frac{\text{Lifetime PiT probability of default}}{\text{Lifetime PiT probability of default at origination}} > 3$ or Variation of lifetime PiT probability of default sinds origination > 400 bps	One year PiT probability of default > 20%

** Probability of default through the cycle.*

*** Point in Time (PiT) probability of default including forward looking.*

Credit risk is assumed to have increased significantly since initial recognition and the asset is classified in stage 2, in the event of late payment of more than 30 days or restructuring due to financial difficulties (as long as the facility is not credit-impaired).

The total loan and off balance sheet commitments towards Russian and Ukrainian counterparties are very limited and represent a non-significant part of the activities of BNP Paribas Fortis. In the first half of 2022, the internal ratings of the Russian counterparties (including the sovereign rating) were systematically downgraded to take into account recent events, thus leading to the transfer of their outstandings to stage 2. However, given the limited level of exposure to this country, this deterioration had no significant effect on the cost of risk for the period.

Forward Looking Information

The Bank considers forward-looking information both when assessing significant increase in credit risk and when measuring Expected Credit Losses (ECL).

Regarding the measurement of expected credit losses, the Bank has chosen to use 3 macroeconomic scenarios by geographic area covering a wide range of potential future economic conditions:

- a baseline scenario, consistent with the scenario used for budgeting,
- an adverse scenario, corresponding to the scenario used quarterly in BNP Paribas Group stress tests,
- a favourable scenario, capturing situations where the economy performs better than anticipated.

The link between the macroeconomic scenarios and the ECL measurement is mainly achieved through a modelling of the probabilities of default and deformation of migration matrices based on internal rating (or risk parameter). The probabilities of default determined according to these scenarios are used to measure expected credit losses in each of these scenarios.

The Group's setup is broken down by sector to take into account the heterogeneity of sectoral dynamics when assessing the probability of default for corporates.

Forward-looking information is also considered when determining the significant deterioration in credit risk, since the probabilities of default used as the basis for this assessment include forward-looking multi-scenario information in the same way as for the calculation of the ECL.

The weight to be attributed to the expected credit losses calculated in each of the scenarios is defined as 50% for the baseline scenario and:

- the weight of the two alternative scenarios is defined according to the position in the credit cycle. In this approach, the adverse scenario carries more weight in situations at the upper end of the cycle than those at the lower end of the cycle, in anticipation of a potential downturn in the economy.
- the minimum weight of each the alternative scenarios is 10% and therefore the maximum weight is 40%.

When appropriate, the ECL measurement can take into account asset sale scenarios.

Macroeconomic scenarios:

The three macroeconomic scenarios are defined over a three-year projection horizon. They correspond to:

- a baseline scenario which describes the most likely path of the economy over the projection horizon. This scenario is updated on a quarterly basis and is prepared by the Group Economic Research department in collaboration with various experts within the Group, including those of BNP Paribas Fortis. Projections are designed for each key market of the Bank) using key macroeconomic variables (Gross Domestic Product - GDP - and its components, unemployment rate, consumer prices, interest rates, foreign exchange rates, oil prices, real estate prices, etc.) which are key drivers for modeling risk parameters used in the stress test process;
- an adverse scenario, which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path than in the baseline scenario. The GDP shock is applied with varying magnitudes, but simultaneously, to the economies under consideration. Generally, these assumptions are broadly consistent with those proposed by the regulators. The calibration of shocks on other variables (e.g. unemployment, consumer prices, interest rates, etc.) is based on models and expert judgment;

- a favourable scenario, which reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a more favourable economic path. The favourable shock on GDP is deducted from the adverse shock on GDP in such a way that the probabilities of the two shocks are equal on average over the cycle. Other variables (e.g. unemployment, inflation, interest rates, etc.) are defined in the same way as in the adverse scenario.

  Since June 2021, the favourable shocks applied have been substantially reduced, as any stronger path than in the baseline scenario could be limited by supply side constraints.

The link between the macroeconomic scenarios and the measurement of the ECL is complemented by an approach allowing to take into account anticipation aspects not captured by the models in the generic approach. This is particularly the case when unprecedented events in the historical chronicle taken into account to build the models occur or are anticipated, or when the nature or amplitude of change in macroeconomic parameter calls into question past correlations. Thus, the situation of high inflation and the current and projected increase in interest rates correspond to aspects not observed in the reference history. In this context, the Group has developed an approach to take into account the future economic outlook when assessing the financial strength of counterparties. This approach consists in simulating the impact of rate hikes on their financial ratios and the effect on their ratings.

In addition, post-model adjustments are considered to take into account, where applicable, the consequences of climatic events on expected credit losses.

Baseline scenario

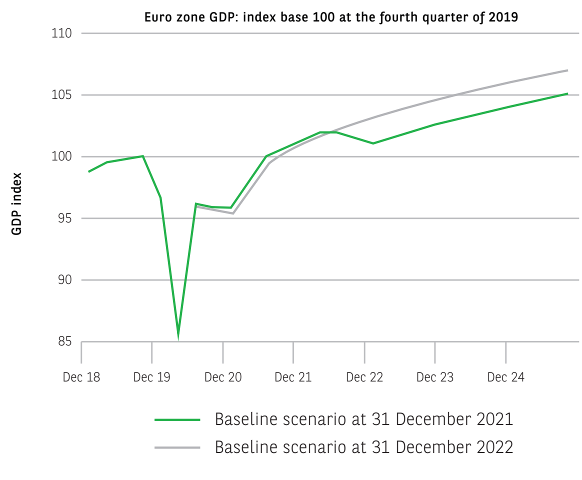
Several major developments have contributed to a more marked deterioration than anticipated (after a rebound year in 2021), in both Europe and the United States. Beyond the humanitarian aspects, the consequences of the invasion of Ukraine have had a number of adverse economic effects, the first of which is to contribute to raising inflation to very high levels due to severe disruptions in energy and food markets. European countries have been particularly affected from this point of view. In response to expected inflation levels, central banks have carried out the most severe monetary tightening in decades, leading to a sharp tightening of financial conditions, which in turn penalise activity. Finally, the health crisis has continued to strongly disrupt activity in some countries, particularly in Asia, where there is less vaccine protection or stricter measures to contain the health crisis.

Faced with these combined energy and monetary shocks, activity is expected to contract in a number of economies (including the eurozone and the United States) in late 2022 and early 2023, leading to substantial downward revisions to growth projections for 2023. Activity is expected to stagnate in both the eurozone and the United States in 2023 (while, at 30 June 2022, GDP was expected to grow by around 1.5% in both regions). Activity growth is generally expected to rebound in 2024 and 2025.

After reaching very high levels in late 2022, inflation is expected to moderate in the course of 2023, mainly due to lower energy inflation and to the consequences of the slowdown in activity (e.g. higher unemployment, more limited supply chain disruptions). However, on an annual average, inflation will remain very high in 2023 in many countries, significantly exceeding central bank targets in most cases (notably in Europe and in the United States). Inflation is expected to come down to more usual levels in 2024 and 2025.

In this context, major central banks have so far prioritised the fight against inflation by tightening monetary policy. By the end of 2022, both short-term and long-term interest rates were at much higher levels than those observed in the past ten years, even though the central banks have not yet completed their tightening cycle. Key interest rates are expected to peak in 2023, before moderating in 2024 and 2025 (when the central banks are expected to lower policy rates in line with more moderate inflation).

The graph below presents a comparison of eurozone GDP projections used in the baseline scenario for the calculation of ECLs at 31 December 2021 and 2022.



Macroeconomic variables, baseline scenario at 31 December 2022

Annual averages	2022	2023	2024	2025
GDP growth rate				
Eurozone	3.2%	0.1%	1.6%	1.3%
France	2.5%	0.1%	1.4%	1.2%
Italy	3.7%	-0.2%	1.1%	0.9%
Belgium	2.3%	0.0%	1.5%	1.2%
United States	1.7%	0.0%	1.7%	1.6%
Unemployment rate				
Eurozone	6.8%	7.5%	7.6%	7.3%
France	7.5%	8.0%	8.1%	7.9%
Italy	8.1%	8.6%	8.4%	8.3%
Belgium	5.8%	6.4%	6.3%	6.1%
United States	3.7%	4.7%	4.6%	4.5%
Inflation rate				
Eurozone	8.5%	6.3%	2.4%	2.0%
France	6.0%	5.4%	2.5%	2.0%
Italy	8.7%	7.3%	2.1%	1.7%
Belgium	10.6%	7.5%	2.7%	2.2%
United States	8.1%	3.9%	2.3%	2.2%
10-year sovereign bond yields				
Germany	1.22%	2.64%	2.19%	2.00%
France	1.76%	3.19%	2.74%	2.55%
Italy	3.18%	4.94%	4.49%	4.30%
Belgium	1.76%	3.24%	2.79%	2.60%
United States	3.02%	4.24%	3.44%	3.25%

Adverse Scenario

The adverse scenario is based on the assumption that certain downside risks will materialise, resulting in a much less favourable economic path than in the baseline scenario.

The following risks are identified:

- A dominant risk, the invasion of Ukraine and its implications (especially higher inflation): the impacts mentioned in the baseline scenario could worsen due to additional negative developments. In particular, the adverse scenario assumes a more pronounced shock on commodity prices, further fueling inflation and leading to more severe disruptions in activity. Higher inflation would have a direct negative effect on consumption and production. In addition, governments of the most exposed economies could take rationing measures targeting the most energy-intensive sectors (with potential indirect consequences for other sectors). Activity can also be negatively affected by other channels (e.g. supply chain disruptions, trade, financial stress, uncertainty and confidence effects).
- The remaining risk related to the health crisis: although the link between health challenges and economic disruptions has eased markedly in many economies, particularly thanks to vaccination, health crisis-related challenges remain a significant risk, at least in some countries.
- Less favourable public finances: public debt-to-GDP ratios are high and central banks are tightening their monetary policy, leading to a rise in bond yields that could generate tensions in some countries due to the widening of spreads between sovereign bonds.

- China's economy-related risks: additional difficulties in China (e.g. sanitary measures, real estate) could affect global markets and activity in other countries through trade and supply-chain channels.
- Geopolitical risks: geopolitical tensions can weigh on the global economy through shocks to commodity prices, financial markets and business confidence. Beyond the invasion of Ukraine, other regions are also worth to be monitored (Asia and the Middle East).
- Developments in trade and globalisation: the invasion of Ukraine creates additional obstacles to trade and globalisation, adding to already negative developments of recent years (trade disagreements between the United States and China, willingness of some western governments to become more self-sufficient in certain strategic areas).

The adverse scenario assumes the materialisation of these identified latent risks from the first quarter of 2023.

The risks related to the invasion of Ukraine are taken into account in the adverse scenario through some specificities. First, an additional activity shock is applied to the different economies, depending on their perceived exposure to this situation. This shock reflects the countries' dependence on Russian gas as well as their vulnerability to other transmission channels (exports, dependence on the supply chain, weight of food and energy in inflation, investment links, political ties with Russia). Second, inflation is higher in the adverse scenario than in the baseline scenario in the first year of the projection horizon, in order to materialise the specific effects of this crisis in this area (reflecting more upward pressure on commodity prices and supply chain disruptions).

Among the countries considered, GDP levels in the adverse scenario stand between 5,8% and 12,2% lower than in the baseline scenario at the end of the shock period (three years). In particular, this deviation reaches 10,2% on average in the eurozone and 5,8% in the United States.

Scenario weighting and cost of risk sensitivity:

At 31 December 2022, the weight of the adverse scenario is 16% and 34% for the favourable scenario. At 31 December 2021, the weight of the adverse scenario was on equivalent to that of the favourable scenario.

The sensitivity of the amount of expected credit losses for all financial assets at amortised cost or at fair value through equity and credit commitments is assessed by comparing the estimated expected credit losses resulting from the weighting of the above scenarios with the estimated expected loss resulting from each of the two alternative scenarios weighted at 100% (and the baseline scenario weighted at 0%):

- an increase in ECL of 29%, or EUR 190.24 million according to the adverse scenario (20% as at 31 December 2021);
- a decrease in ECL of (9)%, or EUR (60.06) million according to the favorable scenario ((12)% as at 31 December 2021).

Adaptation of the ECL assessment process to factor in the specific nature of the health crisis:

Macroeconomic scenarios provisioning the models:

The measurement of the impact of macroeconomic scenarios on expected credit losses was adjusted to reflect the specificities of the current health crisis. Given the exceptional nature of the shock linked to the temporary lockdown measures and strong support provided by governments and central banks, macroeconomic parameters for each country or geographic area included in the pre-existing models (calibrated on past crises) were adapted in order to extract information on the medium-term impacts on macroeconomic environment and thus minimise excessive short-term volatility.

In 2020, the medium-term perspective adopted for the baseline scenario reduced the loss of income for the eurozone by an amount much lower than that of governments and European Central Bank support measures. Conversely, it moderated in the favourable impacts of the economic rebounds observed in 2021. This adaptation ended in 2021.

Post-model adjustments:

Conservative adjustments were also taken into account when the models used were based on indicators that show unusual levels in the context of the health crisis and the support programmes, such as the increase in deposits and the decrease in past due events for retail customers and entrepreneurs.

Cost of credit risk for the period

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Net allowances to impairment	(311)	(353)
Recoveries on loans and receivables previously written off	28	23
Losses on irrecoverable loans	(45)	(29)
Total cost of risk for the period	**(328)**	**(359)**

Cost of risk for the period by accounting category and asset type

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Cash and balances at central banks	(4)	(6)
Financial instruments at fair value through profit or loss	(3)	7
Financial assets at fair value through equity	15	(6)
Financial assets at amortised cost	(316)	(346)
of which loans and receivables	*(312)*	*(343)*
of which debt securities	*(4)*	*(3)*
Other assets	(7)	6
Financing and guarantee commitments and other items	(13)	(14)
Total cost of risk for the period	**(328)**	**(359)**
Cost of risk on unimpaired assets and commitments	(156)	(79)
of which Stage 1	*(115)*	*22*
of which Stage 2	*(41)*	*(101)*
Cost of risk on impaired assets and commitments - Stage 3	(172)	(280)

Credit risk impairment

Change in impairment by accounting category and asset type during the period

In millions of euros	31 December 2021	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2022
Assets impairment					
Amounts due from central banks	12	5	-	(2)	15
Financial instruments at fair value through profit or loss	10	2	-	(4)	8
Impairment of financial assets at fair value through equity	32	(15)	-	2	19
Financial assets at amortised cost	3,048	307	(258)	(30)	3.067
of which loans and receivables	*3,044*	*303*	*(258)*	*(29)*	*3.060*
of which debt securities	*4*	*4*	-	*(1)*	*7*
Other assets	10	-	(1)	-	9
Total impairment of financial assets	**3,112**	**299**	**(259)**	**(34)**	**3,118**
of which Stage 1	*268*	*91*	-	*(3)*	*356*
of which Stage 2	*483*	*24*	-	*(30)*	*477*
of which Stage 3	*2,361*	*184*	*(259)*	*(1)*	*2,285*
Provisions recognised as liabilities					
Provisions for commitments	230	11	-	1	242
Other provisions	29	1	-	(1)	29
Total provisions recognised for credit commitments	**259**	**12**	**-**	**-**	**271**
of which Stage 1	*44*	*22*	-	-	*66*
of which Stage 2	*66*	*19*	-	-	*85*
of which Stage 3	*149*	*(29)*	-	-	*120*
Total impairment and provisions	**3,371**	**311**	**(259)**	**(34)**	**3,389**

Change in impairment by accounting category and asset type during the previous period

In millions of euros	1 January 2021	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2021
Assets impairment					
Amounts due from central banks	10	7	-	(5)	12
Financial instruments at fair value through profit or loss	19	(3)	-	(6)	10
Impairment of financial assets at fair value through equity	24	7	-	1	32
Financial assets at amortised cost	3,124	342	(245)	(173)	3,048
of which loans and receivables	*3,121*	*339*	*(245)*	*(171)*	*3,044*
of which debt securities	*3*	*3*	-	*(2)*	*4*
Other assets	19	(9)	(1)	-	10
Total impairment of financial assets	**3,196**	**344**	**(246)**	**(183)**	**3,112**
of which Stage 1	*315*	*(15)*	-	*(32)*	*268*
of which Stage 2	*449*	*85*	-	*(51)*	*483*
of which Stage 3	*2,432*	*274*	*(246)*	*(100)*	*2,361*
Provisions recognised as liabilities					
Provisions for commitments	217	15	-	(2)	230
Other provisions	19	(6)	-	16	29
Total provisions recognised for credit commitments	**236**	**9**	**-**	**14**	**259**
of which Stage 1	*55*	*(10)*	-	*(1)*	*44*
of which Stage 2	*51*	*15*	-	-	*66*
of which Stage 3	*130*	*4*	-	*15*	*149*
Total impairment and provisions	**3,432**	**353**	**(246)**	**(169)**	**3,371**

Change in impairment of amortised cost financial assets during the period

In millions of euros	Impairment on assets subject to 12-month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on doubtful assets (Stage 3)	Total
At 31 December 2021	**253**	**455**	**2,340**	**3,048**
Net allowances to impairment	**86**	**39**	**182**	**307**
Financial assets purchased or originated during the period	114	95	-	209
Financial assets derecognised during the period [1]	(42)	(63)	(205)	(310)
Transfer to Stage 2	(34)	196	(46)	116
Transfer to Stage 3	(3)	(24)	238	211
Transfer to Stage 1	33	(192)	(6)	(165)
Other allowances/reversals without stage transfer [2]	18	27	201	246
Impairment provisions used	**-**	**-**	**(258)**	**(258)**
Effect of exchange rate movements and other items	**(1)**	**(32)**	**3**	**(30)**
At 31 December 2022	**338**	**462**	**2,267**	**3,067**

(1) *Including disposals*

(2) *Including amortisation*

In 2022, the increase in financial assets subject to impairment relates mainly to outstandings classified in Stage 1. Thus, the gross value of loans and advances to customers classified in Stage 1 increased by EUR 25 billion compared to 31 December 2021 (see note 4.e Financial assets at amortised cost). This change includes transfers of outstandings from Stage 2 to Stage 1 for a net amount of EUR 6 billion as a result of the change in the criteria used to assess the significant increase in credit risk. This transfer mainly concerns the least risky outstandings among those previously classified in Stage 2. The impact of this transfer on the amount of expected credit losses is a net reversal of provision of EUR 47 million.

Excluding the effect of this change in estimate, outstandings in Stage 2 increased by EUR 4 billion during the year ended 31 December 2022.

These combined effects led to net additions to impairment in Stages 1 and 2 in 2022. The provisioning rate for loans and advances to customers classified in Stage 2 increased to 2.1% at 31 December 2022, compared with 1.8% at 31 December 2021.

Change in impairment of amortised cost financial assets during the previous period

In millions of euros	Impairment on assets subject to 12-month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on doubtful assets (Stage 3)	Total
At 31 December 2020	**301**	**430**	**2,392**	**3,123**
Net allowances to impairment	**(22)**	**79**	**285**	**342**
Financial assets purchased or originated during the period	114	116	-	230
Financial assets derecognised during the period [1]	(54)	(77)	(357)	(488)
Transfer to Stage 2	(27)	229	(57)	145
Transfer to Stage 3	(3)	(50)	279	226
Transfer to Stage 1	20	(134)	(9)	(123)
Other allowances/reversals without stage transfer [2]	(72)	(5)	429	352
Impairment provisions used	**-**	**-**	**(245)**	**(245)**
Effect of exchange rate movements and other items	**(26)**	**(54)**	**(92)**	**(172)**
At 31 December 2021	**253**	**455**	**2,340**	**3,048**

(1) *Including disposals*

(2) *Including amortisation*

2.h Net gain on non-current assets

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Net gain on investments in consolidated undertakings	7	1
Net gain on tangible and intangible assets	18	13
Result from monetary position	31	-
Net gain on non-current assets	**56**	**14**

According to IAS 29 in connection with the hyperinflation situation of the economy in Turkey, the line 'Results from monetary positions' mainly includes the effect of the evolution of the consumer price index in Turkey on the valuation of non-monetary assets and liabilities (- EUR 400 million) and on accrued income from the Turkish government bonds portfolio indexed to inflation and held by Turk Ekonomi Bankasi AS (+ EUR 431 million, reclassified from interest margin).

2.i Corporate income tax

Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Belgium	Year to 31 Dec. 2022		Year to 31 Dec. 2021	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Corporate income tax expense on pre-tax income at standard tax rate [(1)]	**(1,074)**	**25.00%**	**(873)**	**25.00%**
Impact of differently taxed foreign profits	13	(0.3%)	5	(0.1%)
Impact of dividends and disposals taxed at reduced rate	17	(0.4%)	15	(0.4%)
Other items	(166)	3.9%	101	(2.9%)
Corporate income tax expense	**(1,210)**	**28.16%**	**(752)**	**21.54%**
of which				
Current tax expense for the year to 31 December	*(853)*		*(526)*	
Deferred tax expense for the year to 31 December (Note 4.i)	*(357)*		*(226)*	

(1) *Restated for the share of profits in equity-method entities and goodwill impairment*

3 SEGMENT INFORMATION

3.a Operating segments

Banking activities in Belgium

In Belgium, BNP Paribas Fortis offers a comprehensive package of financial services to private individuals, the self-employed, members of the professions and SMEs. The bank also provides high net worth individuals, corporations and public and financial institutions with customised solutions, for which it is able to draw on the know-how and international network of the mother company, BNP Paribas.

In Retail & Private Banking (RPB), BNP Paribas Fortis has a solid footprint, serving individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through a network of 342 branches, plus other channels such as ATMs and online banking facilities, including mobile banking. In its Retail banking activities, BNP Paribas Fortis operates under four complementary brands: the main brand BNP Paribas Fortis, plus Fintro, bpost bank/banque and Hello bank!, a 100% digital mobile banking service. In the insurance sector, BNP Paribas Fortis works in close cooperation with the Belgian market leader, AG Insurance.

Corporate Banking (CB) serves a wide range of clients, including small and medium-sized companies, Belgian and European corporates, financial institutions, institutional investors, public entities and local authorities. CB has a strong client base among large and medium-sized companies and is the market leader in these two categories, as well as a strong challenger in the public sector.

Providing a wide range of both traditional and bespoke specialised solutions and services, and drawing on the international network of the BNP Paribas Group in 65 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients.

From 1 January 2023, BNP Paribas Fortis has a new commercial organisation based around three customer segments:

- Retail Banking for personal and self-employed customers, served by a multidisciplinary team;
- Affluent & Private Banking for personal and self-employed customers with more than 85,000 euros of assets, who each have a dedicated relationship manager;
- Corporate Banking for business clients with a dedicated relationship manager. The Enterprises business line serves small and medium-sized businesses while Corporate Coverage handles large corporations, public-sector entities and institutional clients.

Banking activities in Luxembourg

BGL BNP Paribas ranks among the leading banks operating in the Luxembourg financial marketplace. It has made a significant contribution to the country's emergence as a major international financial centre and is deeply rooted in Luxembourg's economic, cultural, sporting and social life.

As a partner with a longstanding commitment to the national economy, BGL BNP Paribas offers a wide range of products both for individuals and for professional and institutional clients. Ranked as the number one bank for corporates and the number two bank for resident individuals in the Grand Duchy of Luxembourg, BGL BNP Paribas is also the leader in bancassurance, providing combined offerings of insurance and banking services.

Banking activities in Turkey

BNP Paribas Fortis operates in Turkey via Türk Ekonomi Bankasi (TEB), in which it has a 48.7% stake. Retail Banking products and services consist of debit and credit cards, personal loans, and investment and insurance products distributed through the TEB branch network and via internet and phone banking. Corporate banking services include international trade finance, asset and cash management, credit services, currency hedging, interest and commodity risk, plus factoring and leasing. Through its commercial and SME banking departments, the bank offers an array of banking services to small and medium-sized enterprises.

Specialised businesses

The operating segment 'Specialised businesses' comprises Arval, BNP Paribas Leasing Solutions and Personal Finance (AlphaCredit).

Fully owned by BNP Paribas Fortis, Arval specialises in full service vehicle leasing. Arval offers its customers – large international corporates, SMEs and professionals – tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Expert advice and service quality, which are the foundations of Arval's customer promise, are delivered in 30 countries.

BNP Paribas Leasing Solutions is a European leader in leasing for corporate and small business clients. It specialises in rental and finance solutions, ranging from professional equipment leasing to fleet outsourcing.

AlphaCredit – a wholly-owned subsidiary of BNP Paribas Fortis – is the leading provider of consumer credits in Belgium and the Grand Duchy of Luxembourg. AlphaCrédit markets all types of instalment loans (personal loans, car loans, motorbike loans, kitchen loans, etc.), as well as payment cards with a permanent cash reserve (revolving credit). The company offers its services to both private individuals and professionals.

Other

This segment mainly comprises BNP Paribas Asset Management, AG Insurance, BNP Paribas Bank Polska, Cardif Lux Vie and the foreign branches of BNP Paribas Fortis.

3.b Information by operating segment

Income and expense by operating segment

In millions of euros	Year to 31 Dec. 2022						Year to 31 Dec. 2021					
	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Specialised businesses	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Specialised businesses	Other	Total
Revenues	4,337	697	910	3,694	4	9,642	4,204	681	633	2,889	5	8,412
Operating expense	(2,798)	(396)	(433)	(1,441)	(4)	(5,072)	(2,505)	(380)	(364)	(1,326)	(2)	(4,577)
Cost of risk	(95)	20	(71)	(176)	(6)	(328)	(120)	(2)	(66)	(156)	(15)	(359)
Operating Income	**1,444**	**321**	**406**	**2,077**	**(6)**	**4,242**	**1,579**	**299**	**203**	**1,407**	**(12)**	**3,476**
Non-operating items	264	3	(18)	73	271	593	20	-	1	10	306	337
Pre-tax income	**1,708**	**324**	**388**	**2,150**	**265**	**4,835**	**1,599**	**299**	**204**	**1,417**	**294**	**3,813**

Assets and liabilities by operating segment

In millions of euros	31 December 2022						31 December 2021					
	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Specialised businesses	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Specialised businesses	Other	Total
Assets	**226,806**	**31,222**	**14,960**	**74,790**	**2,614**	**350,392**	**226,250**	**32,735**	**13,731**	**65,729**	**3,203**	**341,648**
of which investments in associates and Joint ventures	*731*	*96*	*5*	*98*	*1,642*	*2,572*	*841*	*97*	*3*	*91*	*2,777*	*3,809*
Liabilities	**210,796**	**25,156**	**13,549**	**68,884**	**956**	**319,341**	**209,725**	**26,695**	**12,865**	**60,762**	**404**	**310,451**

3.c Country-by-country reporting

The country-by-country reporting has been prepared to comply with the requirements set out in Article 89 of the European Union Capital Requirements Directive IV. The information is presented using the same basis as the Consolidated Financial Statements of BNP Paribas Fortis for the period ending 31 December 2022, which are prepared in accordance with IFRS as adopted by the European Union. The country information relates to the country of incorporation or residence of branches and subsidiaries.

In millions of euros, Year to 31 Dec. 2022 (*)	Revenues	Pre-tax income	Current tax	Deferred tax	Corporate income tax	FTE (**) as at 31 Dec. 2022	Nature of activities
Belgium	**4,617**	**1,853**	**(168)**	**(218)**	**(386)**	**12,059**	
of which: BNP Paribas Fortis SA/NV (Including Bass & Esmée Master Issuer NV)	*3,943*	*1,579*	*(91)*	*(236)*	*(327)*	*10,400*	*Credit institution*
Turkey	**962**	**503**	**(319)**	**36**	**(284)**	**9,399**	
of which: Türk Ekonomi Bankası AS	*788*	*354*	*(298)*	*75*	*(223)*	*8,666*	*Credit institution*
Luxembourg	**732**	**348**	**(73)**	**8**	**(65)**	**2,100**	
of which: BGL BNP Paribas	*688*	*315*	*(81)*	*11*	*(70)*	*2,012*	*Credit institution*
France	**939**	**404**	**(18)**	**(96)**	**(114)**	**3,489**	
of which: Arval Service Lease	*478*	*216*	*(8)*	*(56)*	*(64)*	*1,928*	*Leasing firm*
Germany	**278**	**156**	**(26)**	**(19)**	**(45)**	**790**	
Poland	**82**	**46**	**(4)**	**(5)**	**(9)**	**577**	
United Kingdom	**501**	**324**	**(48)**	**(14)**	**(62)**	**1,222**	
Spain	**338**	**225**	**(28)**	**(30)**	**(58)**	**988**	
The Netherlands	**140**	**77**	**(20)**	**1**	**(20)**	**615**	
Italy	**637**	**406**	**(109)**	**(15)**	**(123)**	**1,133**	
Other	**416**	**201**	**(40)**	**(5)**	**(44)**	**2,159**	
Total	**9,642**	**4,543**	**(853)**	**(357)**	**(1,210)**	**34,531**	

(*) The financial data correspond to the contribution to consolidated income of fully consolidated entities under exclusive control

(**) Full-time equivalents (FTE) at 31 December 2022 in fully consolidated entities under exclusive control

4 NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2022

4.a Financial assets, financial liabilities and derivatives at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss consist of held-for-trading transactions - including derivatives -, of certain liabilities designated by the Bank as at fair value through profit or loss at the time of issuance and of non-trading instruments whose characteristics prevent their accounting at amortised cost or at fair value through equity.

	31 December 2022				31 December 2021			
In millions of euros	**Trading Book**	**Financial instruments designated as at fair value through profit or loss**	**Other financial assets at fair value through profit or loss**	**Total**	**Trading Book**	**Financial instruments designated as at fair value through profit or loss**	**Other financial assets at fair value through profit or loss**	**Total**
Securities	388	-	988	1,376	372	-	945	1,317
Loans and repurchase agreements	2,502	-	56	2,558	4,213	2	67	4,282
Financial assets at fair value through profit or loss	**2,890**	**-**	**1,044**	**3,934**	**4,585**	**2**	**1,012**	**5,599**
Securities	603	-	-	603	159	-	-	159
Deposits and repurchase agreements	7,415	147	-	7,562	12,900	160	-	13,060
Issued debt securities (note 4.h)	-	2,388	-	2,388	-	3,028	-	3,028
Of which subordinated debt	-	*675*	-	*675*	-	*931*	-	*931*
Of which non subordinated debt	-	*1,713*	-	*1,713*	-	*2,097*	-	*2,097*
Financial liabilities at fair value through profit or loss	**8,018**	**2,535**	**-**	**10,553**	**13,059**	**3,188**	**-**	**16,247**

Detail of these assets and liabilities is provided in note 4.d.

Financial liabilities designated as at fair value through profit or loss

Financial liabilities designated as at fair value through profit or loss mainly consist of issued debt securities, originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issued debt securities contain significant embedded derivatives, whose changes in value may be compensated by changes in the value of economic hedging derivatives.

The redemption value of debt issued and designated as at fair value through profit or loss at 31 December 2022 was EUR 2,900 million (EUR 3,153 million at 31 December 2021).

Other financial assets measured at fair value through profit or loss

Other financial assets at fair value through profit or loss are financial assets not held for trading:

- Debt instruments that do not meet the criteria defined by IFRS 9 to be classified as financial instruments at 'fair value through equity' or at 'amortised cost':
  - their business model is not to 'collect contractual cash flows' nor 'collect contractual cash flows and sell the instruments'; and/or
  - their cash flows are not solely repayments of principal and interest on the principal amount outstanding;
- Equity instruments that the Bank did not choose to classify as at 'fair value through equity'.

Derivative financial instruments

The majority of derivative financial instruments held for trading are related to transactions initiated for trading purposes. They may result from market-making or arbitrage activities. BNP Paribas Fortis actively trades in derivatives. Transactions include trades in 'ordinary' instruments such as interest rate swaps, and structured transactions with complex risk profiles tailored to meet the needs of its customers. The net position is in all cases subject to limits.

Some derivative instruments are also contracted to hedge financial assets or financial liabilities for which the Bank has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS.

	31 December 2022		31 December 2021	
In millions of euros	**Positive market value**	**Negative market value**	**Positive market value**	**Negative market value**
Interest rate derivatives	5,718	5,783	5,736	4,595
Foreign exchange derivatives	2,172	2,102	1,522	1,468
Credit derivatives	-	-	-	2
Equity derivatives	491	82	777	60
Other derivatives	-	-	-	-
Derivative financial instruments	**8,381**	**7,967**	**8,035**	**6,125**

The table below shows the total notional amount of trading derivatives. The notional amounts of derivative instruments are merely an indication of the volume of BNP Paribas Fortis' activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

In millions of euros	31 December 2022				31 December 2021			
	Exchange- traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total	Exchange- traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total
Interest rate derivatives	35,546	57,541	221,567	314,654	84,115	27,387	333,860	445,362
Foreign exchange derivatives	207	-	109,637	109,844	49	9	121,333	121,391
Credit derivatives	-	-	9	9	-	-	17	17
Equity derivatives	186	-	1,196	1,382	1,223	-	1,404	2,627
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments	**35,939**	**57,541**	**332,409**	**425,889**	**85,387**	**27,396**	**456,614**	**569,397**

4.b Derivatives used for hedging purposes

The table below shows the notional amounts and the fair value of derivatives used for hedging purposes.

In millions of euros	31 December 2022			31 December 2021		
	Notional amounts	Positive fair value	Negative fair value	Notional amounts	Positive fair value	Negative fair value
Fair value hedges	**193,607**	**6,324**	**9,438**	**129,750**	**1,779**	**3,094**
Interest rate derivatives	193,321	6,317	9,424	129,343	1,772	3,088
Foreign exchange derivatives	286	7	14	407	7	6
Cash flow hedges	**15,369**	**175**	**254**	**15,909**	**188**	**121**
Interest rate derivatives	2,639	47	123	3,831	35	15
Foreign exchange derivatives	12,730	128	131	12,078	153	106
Other derivatives	-	-	-	-	-	-
Net foreign investment hedges	**-**	**-**	**-**	**200**	**15**	**-**
Foreign exchange derivatives	-	-	-	200	15	-
Derivatives used for hedging purposes	**208,976**	**6,499**	**9,692**	**145,859**	**1,982**	**3,215**

Interest rate risk and foreign exchange risk management strategies are described in chapter 'Risk Management and Capital Adequacy' of the annual report.

The table below shows the detail of the identified fair value hedge relationships and portfolios of financial instruments that are continuing at 31 December 2022:

31 December 2022 In millions of euros	Hedging instruments				Hedged instruments			
	Notional amounts	Positive fair value	Negative fair value	Cumulated change in fair value used as the basis for recognising ineffectiveness	Carrying amount - asset	Cumulated amount of fair value hedge adjustments - assets	Carrying amount - liabilities	Cumulated amount of fair value hedge adjustments - liabilities
Fair value hedges of identified instruments	**11,639**	**682**	**839**	**(79)**	**8,458**	**(149)**	**3,062**	**(174)**
Interest rate derivatives hedging the interest rate risk related to	**11,353**	**675**	**825**	**(76)**	**8,417**	**(145)**	**2,812**	**(167)**
Loans and receivables	*810*	*24*	*155*	*(121)*	*792*	*121*	-	-
Securities	*7,565*	*645*	*501*	*212*	*7,625*	*(266)*	-	-
Deposits	-	-	-	-	-	-	-	-
Debt securities	*2,978*	*6*	*169*	*(167)*	-	-	*2,812*	*(167)*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**286**	**7**	**14**	**(3)**	**41**	**(4)**	**250**	**(7)**
Loans and receivables	-	-	-	-	-	-	-	-
Securities	*39*	*4*	*2*	*4*	*41*	*(4)*	-	-
Deposits	-	-	-	-	-	-	-	-
Debt securities	*247*	*3*	*12*	*(7)*	-	-	*250*	*(7)*
Interest-rate risk hedged portfolios	**181,968**	**5,642**	**8,599**	**(2,921)**	**20,387**	**(2,301)**	**52,371**	**(5,226)**
Interest rate derivatives hedging the interest rate risk related to (1)	**181,968**	**5,642**	**8,599**	**(2,921)**	**20,387**	**(2,301)**	**52,371**	**(5,226)**
Loans and receivables	*83,963*	*2,986*	*795*	*2,300*	*20,387*	*(2,301)*	-	-
Deposits	*98,005*	*2,656*	*7,804*	*(5,221)*	-	-	*52,371*	*(5,226)*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and receivables	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Total fair value hedge	**193,607**	**6,324**	**9,438**	**(3,000)**	**28,845**	**(2,450)**	**55,433**	**(5,400)**

(1) Are included in this section the notional amounts of hedging derivatives and of swaps that reverse the interest rate positions, thus reducing the hedge relationship, when the hedged item still exists, for respectively EUR 44,260 million for derivatives hedging loans and receivables and EUR 43,460 million for derivatives hedging deposits.

The table below shows the detail of the identified fair value hedge relationships and portfolios of financial instruments that are continuing at 31 December 2021:

31 December 2021 In millions of euros	Hedging instruments				Hedged instruments			
	Notional amounts	Positive fair value	Negative fair value	Cumulated change in fair value used as the basis for recognising ineffectiveness	Carrying amount - asset	Cumulated amount of fair value hedge adjustments - assets	Carrying amount - liabilities	Cumulated amount of fair value hedge adjustments - liabilities
Fair value hedges of identified instruments	**11,711**	**269**	**1,940**	**(1,648)**	**9,492**	**1,529**	**2,395**	**56**
Interest rate derivatives hedging the interest rate risk related to	**11,304**	**263**	**1,934**	**(1,649)**	**9,453**	**1,532**	**2,023**	**58**
Loans and receivables	*876*	*15*	*273*	*(244)*	*856*	*244*	-	-
Securities	*8,449*	*178*	*1,660*	*(1,463)*	*8,597*	*1,288*	-	-
Deposits	*33*	*1*	-	-	-	-	*34*	-
Debt securities	*1,946*	*69*	*1*	*58*	-	-	*1,989*	*58*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**407**	**6**	**6**	**1**	**39**	**(3)**	**372**	**(2)**
Loans and receivables	-	-	-	-	-	-	-	-
Securities	*39*	*3*	*1*	*3*	*39*	*(3)*	-	-
Deposits	*22*	-	-	-	-	-	*23*	-
Debt securities	*346*	*3*	*5*	*(2)*	-	-	*349*	*(2)*
Interest-rate risk hedged portfolios	**118,039**	**1,510**	**1,154**	**149**	**29,385**	**309**	**57,943**	**458**
Interest rate derivatives hedging the interest rate risk related to (1)	**118,039**	**1,510**	**1,154**	**149**	**29,385**	**309**	**57,943**	**458**
Loans and receivables	*47,581*	*385*	*806*	*(309)*	*29,385*	*309*	-	-
Securities	-	-	-	-	-	-	-	-
Deposits	*70,458*	*1,125*	*348*	*458*	-	-	*57,943*	*458*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and receivables	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Total fair value hedge	**129,750**	**1,779**	**3,094**	**(1,499)**	**38,877**	**1,838**	**60,338**	**514**

(1) Are included in this section the notional amounts of hedging derivatives and of swaps that reverse the interest rate positions, thus reducing the hedge relationship, when the hedged item still exists, for EUR 8,350 million for derivatives hedging deposits.

An asset or a liability or set of assets and liabilities, can be hedged over several periods of time with different derivative financial instruments. Besides, some hedges are achieved by the combination of two derivative instruments (for example, to exchange the variable rate index of the first instrument from Euribor to Eonia). In this case, the notional amounts add up and their total amount is higher than the hedged amount. The first situation is observed more particularly for interest rate risk hedged portfolios and the second for hedges of issued debt securities.

As regards discontinued fair value hedge relationships where the derivative contract was terminated, the cumulated amount of revaluation to be amortised over the residual life of the hedged items amounts to EUR 1,395 million assets as at 31 December 2022, and to EUR 10 million in liabilities, for hedges of portfolios of financial instruments. At 31 December 2021, these amounts were EUR 1,503 million in assets and EUR 14 million in liabilities.

Regarding hedges of identified instruments, the cumulated amount of revaluation remaining to be amortised over the residual life of the hedged instruments amount to EUR 111 million in assets at 31 December 2022. At 31 December 2021, this amount was EUR 117 million in assets.

The change in assets is mainly due to a modification in hedging strategy which entailed the replacement of derivatives hedging portfolios of loans and receivables in order to modify the floating rate fixing frequency of the swaps. Both the terminated swaps and the new hedging swaps have the same notional. The maturity of the related hedged items spreads out until 2040.

The notional amount of cash flow hedge derivatives is EUR 15,369 million as at 31 December 2022. Changes in assets and liabilities recognised directly in equity amount to EUR (35) million. At 31 December 2021, the notional amount of cash flow hedge derivatives was EUR 15,909 million and the changes in assets and liabilities recognised directly in equity amount was EUR 18 million.

Notional amounts of hedge instruments by maturity date at 31 December 2022 and at 31 December 2021 are detailed as follows:

31 December 2022 In millions of euros	Maturity date		
	Less than 1 year	Between 1 to 5 years	Over 5 years
Fair value hedges	**56,237**	**77,456**	**59,914**
Interest rate derivatives	56,194	77,213	59,914
Foreign exchange derivatives	43	243	-
Cash flow hedges	**11,024**	**3,645**	**700**
Interest rate derivatives	170	1,769	700
Foreign exchange derivatives	10,854	1,876	-
Other derivatives	-	-	-
Net foreign investments hedges	**-**	**-**	**-**
Foreign exchange derivatives	-	-	-

31 December 2021 In millions of euros	Maturity date		
	Less than 1 year	Between 1 to 5 years	Over 5 years
Fair value hedges	**20,797**	**52,801**	**56,152**
Interest rate derivatives	20,581	52,610	56,152
Foreign exchange derivatives	216	191	-
Cash flow hedges	**12,212**	**3,197**	**500**
Interest rate derivatives	1,627	1,704	500
Foreign exchange derivatives	10,585	1,493	-
Other derivatives	-	-	-
Net foreign investments hedges	**100**	**100**	**-**
Foreign exchange derivatives	100	100	-

4.c Financial assets at fair value through equity

In millions of euros	31 December 2022		31 December 2021	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	**5,739**	**(70)**	**7,547**	**25**
Governments	1,029	(3)	2,791	21
Other public administrations	2,390	(20)	2,408	22
Credit institutions	1,653	(18)	1,641	4
Other	667	(29)	707	(22)
Equity securities	**138**	**91**	**314**	**256**
Total financial assets at fair value through equity	**5,877**	**21**	**7,861**	**281**

The option to recognise certain equity instruments at fair value through equity was retained in particular for shares held through strategic partnerships and shares that the Bank is required to hold in order to carry out certain activities.

During 2022, the Bank did not sell any of these investments and no unrealised gains or losses were transferred to 'retained earnings'.

4.d Measurement of the fair value of financial instruments

Valuation process

BNP Paribas Fortis has retained the fundamental principle that it should have a unique and integrated processing chain for producing and controlling the valuations of financial instruments that are used for the purpose of daily risk management and financial reporting. All these processes are based on a common economic valuation which is a core component of business decisions and risk management strategies.

Economic value is composed of mid-market value, to which add valuation adjustments.

Mid-market value is derived from external data or valuation techniques that maximise the use of observable and market-based data. Mid-market value is a theoretical additive value which does not take account of i) the direction of the transaction or its impact on the existing risks in the portfolio, ii) the nature of the counterparties, and iii) the aversion of a market participant to particular risks inherent in the instrument, the market in which it is traded, or the risk management strategy.

Valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that could be incurred in case of an exit transaction in the principal market. Fair value generally equals the economic value, subject to limited adjustments, such as own credit adjustments, which are specifically required by IFRS standards.

The main valuation adjustments are presented in the section below.

Valuation adjustments

Valuation adjustments retained by BNP Paribas Fortis for determining fair values are as follows:

Bid/offer adjustments: the bid/offer range reflects the additional exit cost for a price taker and symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price. BNP Paribas Fortis assumes that the best estimate of an exit price is the bid or offer price, unless there is evidence that another point in the bid/offer range would provide a more representative exit price.

Input uncertainty adjustments: when the observation of prices or data inputs required by valuation techniques is difficult or irregular, an uncertainty exists on the exit price. There are several ways to gauge the degree of uncertainty on the exit price such as measuring the dispersion of the available price indications or estimating the possible ranges of the inputs to a valuation technique.

Model uncertainty adjustments: these relate to situations where valuation uncertainty is due to the valuation technique used, even though observable inputs might be available. This situation arises when the risks inherent in the instruments are different from those available in the observable data, and therefore the valuation technique involves assumptions that cannot be easily corroborated.

Credit valuation adjustment (CVA): the CVA adjustment applies to valuations and market quotations whereby the credit worthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that BNP Paribas Fortis may not receive the full fair value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be an inter-dealer market. However, the determination of CVA remains judgemental due to i) the possible absence or lack of price discovery in the inter-dealer market, ii) the influence of the regulatory landscape relating to counterparty risk on the market participants' pricing behaviour and iii) the absence of a dominant business model for managing counterparty risk.

The CVA model is grounded on the same exposures as those used for regulatory purposes. The model attempts to estimate the cost of an optimal risk management strategy based on i) implicit incentives and constraints inherent in the regulations in force and their evolutions, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes.

Funding valuation adjustment (FVA): when valuation techniques are used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the existence and terms of any collateral agreement. In particular, for non- or imperfectly collateralized derivative instruments, they include an explicit adjustment to the interbank interest rate.

Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment - DVA): OCA and DVA are adjustments reflecting the effect of credit worthiness of BNP Paribas Fortis, on respectively the value of debt securities designated as at fair value through profit or loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels. The DVA adjustment is determined after taking into account the Funding Valuation Adjustment (FVA).

As a result, the carrying value of issued debt securities designated as at fair value through profit or loss is increased by EUR (6) million as at 31 December 2022, compared with an increase in value of EUR 24 million as at 31 December 2021, i.e. a EUR (30) million variation recognised directly in equity that will not be reclassified to profit and loss.

Instrument classes and classification within the fair value hierarchy for assets and liabilities measured at fair value

As explained in the summary of significant accounting policies (note 1.f.9), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

The disaggregation of assets and liabilities into risk classes is meant to provide further insight into the nature of the instruments:

- Securitised exposures are further broken down by collateral type;
- For derivatives, fair values are broken down by dominant risk factor, namely interest rate, foreign exchange, credit and equity. Derivatives used for hedging purposes are mainly interest rate derivatives.

In millions of euros	31 December 2022											
	Trading Book				Instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	**358**	**30**	**-**	**388**	**166**	**99**	**723**	**988**	**5,307**	**560**	**10**	**5,877**
Governments	102	-	-	102	-	-	-	-	980	11	-	991
Asset Backed Securities	-	-	-	-	-	71	-	71	-	394	-	394
Other debt securities	150	30	-	180	-	24	140	164	4,199	155	-	4,354
Equities and other equity securities	106	-	-	106	166	4	583	753	128	-	10	138
Loans and repurchase agreements	**-**	**2,403**	**99**	**2,502**	**-**	**5**	**51**	**56**	**-**	**-**	**-**	**-**
Loans	-	-	-	-	-	5	51	56	-	-	-	-
Repurchase agreements	-	2,403	99	2,502	-	-	-	-	-	-	-	-
Financial assets at fair value	**358**	**2,433**	**99**	**2,890**	**166**	**104**	**774**	**1,044**	**5,307**	**560**	**10**	**5,877**
Securities	**603**	**-**	**-**	**603**	**-**	**-**	**-**	**-**				
Governments	603	-	-	603	-	-	-	-				
Other debt securities	-	-	-	-	-	-	-	-				
Equities and other equity securities	-	-	-	-	-	-	-	-				
Borrowings and repurchase agreements	**-**	**7,415**	**-**	**7,415**	**-**	**147**	**-**	**147**				
Borrowings	-	13	-	13	-	147	-	147				
Repurchase agreements	-	7,402	-	7,402	-	-	-	-				
Issued debt securities (Note 4.h)	**-**	**-**	**-**	**-**	**-**	**1,711**	**677**	**2,388**				
Subordinated debt (Note 4.h)	-	-	-	-	-	675	-	675				
Non subordinated debt (Note 4.h)	-	-	-	-	-	1,036	677	1,713				
Financial liabilities at fair value	**603**	**7,415**	**-**	**8,018**	**-**	**1,858**	**677**	**2,535**				

In millions of euros	31 December 2021											
	Trading Book				Instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	**320**	**46**	**5**	**371**	**195**	**164**	**587**	**946**	**6,826**	**838**	**197**	**7,861**
Governments	113	-	-	**113**	-	-	-	**-**	2,658	87	-	**2,745**
Asset Backed Securities	-	-	-	**-**	-	120	-	**120**	-	528	-	**528**
Other debt securities	165	46	5	**216**	-	41	97	**138**	4,051	223	-	**4,274**
Equities and other equity securities	42	-	-	**42**	195	3	490	**688**	117	-	197	**314**
Loans and repurchase agreements	**-**	**3,961**	**253**	**4,214**	**-**	**11**	**57**	**68**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	11	57	**68**	-	-	-	**-**
Repurchase agreements	-	3,961	253	**4,214**	-	-	-	**-**	-	-	-	**-**
Financial assets at fair value	**320**	**4,007**	**258**	**4,585**	**195**	**175**	**644**	**1,014**	**6,826**	**838**	**197**	**7,861**
Securities	**159**	**-**	**-**	**159**	**-**	**-**	**-**	**-**				
Governments	159	-	-	**159**	-	-	-	-				
Other debt securities	-	-	-	**-**	-	-	-	-				
Equities and other equity securities	-	-	-	**-**	-	-	-	-				
Borrowings and repurchase agreements	**-**	**12,799**	**101**	**12,900**	**-**	**160**	**-**	**160**				
Borrowings	-	14	-	**14**	-	160	-	**160**				
Repurchase agreements	-	12,785	101	**12,886**	-	-	-	**-**				
Issued debt securities (Note 4.h)	**-**	**-**	**-**	**-**	**-**	**2,030**	**998**	**3,028**				
Subordinated debt (Note 4.h)	-	-	-	**-**	-	931	-	**931**				
Non subordinated debt (Note 4.h)	-	-	-	**-**	-	1,099	998	**2,097**				
Financial liabilities at fair value	**159**	**12,799**	**101**	**13,059**	**-**	**2,190**	**998**	**3,188**				

In millions of euros	31 December 2022							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	1	5,556	161	5,718	162	5,512	109	5,783
Foreign exchange derivatives	-	2,171	1	2,172	-	2,094	8	2,102
Credit derivatives	-	-	-	-	-	-	-	-
Equity derivatives	-	491	-	491	-	82	-	82
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments not used for hedging purposes	**1**	**8,218**	**162**	**8,381**	**162**	**7,688**	**117**	**7,967**
Derivative financial instruments used for hedging purposes	**-**	**6,499**	**-**	**6,499**	**-**	**9,692**	**-**	**9,692**

In millions of euros	31 December 2021							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	-	5,693	43	**5,736**	-	4,535	60	**4,595**
Foreign exchange derivatives	-	1,517	5	**1,522**	-	1,458	10	**1,468**
Credit derivatives	-	-	-	**-**	-	2	-	**2**
Equity derivatives	-	777	-	**777**	-	60	-	**60**
Other derivatives	-	-	-	**-**	-	-	-	**-**
Derivative financial instruments not used for hedging purposes	**-**	**7,987**	**48**	**8,035**	**-**	**6,055**	**70**	**6,125**
Derivative financial instruments used for hedging purposes	**-**	**1,982**	**-**	**1,982**	**-**	**3,215**	**-**	**3,215**

Transfers between levels may occur when an instrument fulfills the criteria defined, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. The timing of recognising transfers is determined at the beginning of the reporting period.

During 2022, transfers between Level 1 and Level 2 were not significant.

Description of main instruments in each level

The following section provides a description of the instruments in each level in the hierarchy. It describes notably instruments classified in Level 3 and the associated valuation methodologies.

For main trading book instruments and derivatives classified in Level 3, further quantitative information is provided about the inputs used to derive fair value.

Level 1

This level encompasses all derivatives and securities that are listed on exchanges or quoted continuously in other active markets.

Level 1 includes notably equity securities and liquid bonds, short selling of these instruments, derivative instruments traded on organised markets (futures, options...). It includes shares of funds and UCITS, for which the net asset value is calculated on a daily basis, as well as debt representative of shares of consolidated funds held by third parties.

Level 2

The Level 2 stock of securities is composed of securities which are less liquid than the Level 1 bonds. They are predominantly government bonds, corporate debt securities, mortgage backed securities, fund shares and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices. This comprises amongst other, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers. Other sources such as primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

Repurchase agreements are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral and the maturity of the repo transaction.

Debts issued designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

Derivatives classified in Level 2 comprise mainly the following instruments:

- Vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/commodities forwards and options;
- Structured derivatives such as exotic FX options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.

The above derivatives are classified in Level 2 when there is a documented stream of evidence supporting one of the following:

- Fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;
- Fair value is derived from other standard techniques such as replication or discounted cash flows that are calibrated to observable prices, that bear limited model risk and enable an effective offset of the risks of the instrument through trading Level 1 or Level 2 instruments;
- Fair value is derived from more sophisticated or proprietary valuation techniques but is directly evidenced through regular back-testing using external market-based data.

Determining of whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axis within an 'observability zone' whose limits are determined by i) a predetermined list of product categories and ii) the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

Level 3

Level 3 securities of the trading book mainly comprise units of funds and unlisted equity shares measured at fair value through profit or loss or through equity.

Unlisted private equities are systematically classified as Level 3, with the exception of UCITS with a daily net asset value which are classified in the Level 1 of the fair value hierarchy. The valuation of the unlisted level 3 private equity funds is based on the most recent available GP NAV report.

Shares and other unlisted variable income securities in Level 3 are valued using one of the following methods: a share of revalued net book value, multiples of comparable companies, future cash flows method, multi-criteria approach.

Repurchase agreements: mainly long-term or structured repurchase agreements on corporate bonds and ABSs: The valuation of these transactions requires proprietary methodologies given the bespoke nature of the transactions and the lack of activity and price discovery in the long-term repo market. The curves used in the valuation are corroborated using available data such as the implied basis of the relevant benchmark bond pool, recent long-term repo trade data and price enquiry data. Valuation adjustments applicable to these exposures are commensurate with the degree of uncertainty inherent in the modelling choices and amount of data available.

Debts issued designated as at fair value through profit or loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

Derivatives

Vanilla derivatives are classified in Level 3 when the exposure is beyond the observation zone for rate curves or volatility surfaces, or relates to less liquid markets such as tranches on old credit index series or emerging markets interest rates markets. The main instruments are:

- **Interest rate derivatives:** exposures mainly comprise swap products in less liquid currencies. Classification is driven by the lower liquidity of some maturities, while observation capabilities through consensus may be available. The valuation technique is standard, and uses external market information and extrapolation techniques;
- **Credit derivatives (CDS):** exposures mainly comprise CDSs beyond the maximum observable maturity and, to a much lesser extent, CDSs on illiquid or distressed names and CDSs on loan indices. Classification is driven by the lack of liquidity while observation capabilities may be available notably through consensus. Level 3 exposures also comprise CDS and Total Return Swaps (TRS) positions on securitised assets. These are priced along the same modelling techniques as the underlying bonds, taking into consideration the funding basis and specific risk premium;
- **Equity derivatives:** exposures essentially comprise long dated forward or volatility products or exposures where there is a limited market for optional products. The marking of the forward curves and volatility surfaces beyond the maximum observable maturity relies on extrapolation techniques. However, when there is no market for model input, volatility or forward is generally determined on the basis of proxy or historical analysis. Similarly, long-term transactions on equity baskets are also classified in Level 3, based on the absence of equity correlation observability on long maturities.

These vanilla derivatives are subject to valuation adjustments linked to uncertainty on liquidity, specialised by nature of underlying and liquidity bands.

Structured derivatives classified in Level 3 predominantly comprise structured derivatives of which hybrid products (FX/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some stock basket optional products and some interest rate optional instruments. The main exposures are described below, with insight into the related valuation techniques and on the source of uncertainty:

- **Structured interest rate options** are classified in Level 3 when they involve currencies where there is not sufficient observation or when they include a quanto feature where the pay-off is measured with a forex forward fixed rate (except for the main currencies). Long term structured derivatives are also classified in Level 3;
- **Hybrid FX/Interest rate products** essentially comprise a specific product family known as Power Reverse Dual Currency (PRDC). The valuation of PRDCs requires sophisticated modelling of joint behaviour of FX and interest rate, and is notably sensitive to the unobservable FX/ interest rate correlations, such products are classified as level 3. PRDCs valuations are corroborated with recent trade data and consensus data;
- **Securitisation swaps** mainly comprise fixed rate swaps, cross currency or basis swaps whose notional is indexed to the prepayment behaviour of some underlying portfolio. The estimation of the maturity profile of securitisation swaps is corroborated by statistical estimates using external historical data;
- **Forward volatility options** are generally products whose pay-off is indexed to the future variability of a rate index such as volatility swaps. These products involve material model risk as it is difficult to infer forward volatility information from the market-traded instruments. The valuation adjustment framework is calibrated to the uncertainty inherent in the product, and to the range of uncertainty from the existing external consensus data;

- **Inflation derivatives** classified in Level 3 mainly comprise swap products on inflation indices that are not associated with a liquid indexed bond market, optional products on inflation indices (such as caps and floors) and other forms of inflation indices involving optionality on the inflation indices or on the inflation annual rate. Valuation techniques used for inflation derivatives are predominantly standard market models. Proxy techniques are used for a few limited exposures. Although the valuations are corroborated through monthly consensus data, these products are classified as Level 3 due to their lack of liquidity and some uncertainties inherent in the calibration;
- The valuation of **bespoke CDOs** requires correlation of default events. This information is inferred from the active index tranche market through a proprietary projection technique and involves proprietary extrapolation and interpolation techniques. Multi-geography CDOs further require an additional correlation assumption. Finally, the bespoke CDO model also involves proprietary assumptions and parameters related to the dynamic of the recovery factor. CDO modelling, is calibrated on the observable index tranche markets, and is regularly back-tested against consensus data on standardised pools. The uncertainty arises from the model risk associated with the projection and geography mixing technique, and the uncertainty of associated parameters, together with the recovery modelling;
- **N to Default baskets** are other forms of credit correlation products, modelled through standard copula techniques. The main inputs required are the pair-wise correlations between the basket components which can be observed in the consensus and the transactions. Linear baskets are considered observable;
- **Equity and equity-hybrid correlation products** are instruments whose pay-off is dependent on the joint behaviour of a basket of equities/indices leading to a sensitivity of the fair value measurement to the correlation amongst the basket components. Hybrid versions of these instruments involve baskets that mix equity and non-equity underlyings such as commodity indices or foreign exchange rates. Only a subset of the Equity/index correlation matrix is regularly observable and traded, while most cross-asset correlations are not active. Therefore, classification in Level 3 depends on the composition of the basket, the maturity, and the hybrid nature of the product. The correlation input is derived from a proprietary model combining historical estimators, and other adjustment factors, that are corroborated by reference to recent trades or external data. The correlation matrix is essentially available from consensus services, and when a correlation between two underlying instruments is not available, it might be obtained from extrapolation or proxy techniques.

These structured derivatives are subject to specific valuation adjustments to cover uncertainties linked to liquidity, parameters and model risk.

Valuation adjustments (CVA, DVA and FVA)

The valuation adjustment for counterparty credit risk (CVA), own-credit risk for derivatives (DVA) and the explicit funding valuation adjustment (FVA) are deemed to be unobservable components of the valuation framework and therefore classified in Level 3. This does not impact, in general cases, the classification of individual transactions into the fair value hierarchy. However, a specific process allows to identify individual deals for which the marginal contribution of these adjustments and related uncertainty is significant. Are particularly concerned some insufficiently collateralized vanilla interest rate instruments with very long residual maturity.

The table below provides the range of values of main unobservable inputs for the valuation of Level 3 financial instruments. The ranges displayed correspond to a variety of different underlying instruments and are meaningful only in the context of the valuation technique implemented by BNP Paribas Fortis. The weighted averages, where relevant and available, are based on fair values, nominal amounts or sensitivities.

The main unobservable parameters used for the valuation of debt issued in Level 3 are equivalent to these of their economic hedge derivative. Information on those derivatives, displayed in the following table, is also applicable to these debts.

Risk classes	Balance Sheet valuation (In millions of euros)		Main product types composing the Level 3 stock within the risk class	Valuation technique used for the product types considered	Main unobservable inputs for the product types considered	Range of unobservable input across Level 3 population considered	Weighted average
	Asset	Liability					
Interest rate derivatives	161	109	Floors and caps on inflation rate or on the cumulative inflation (such as redemption floors), predominantly on European and Belgian inflation	Inflation pricing model	Volatility of cumulative inflation	1.0% to 11.7%	(a)
					Volatility of the year on year inflation rate	0.4% to 3.3%	
			Forward volatility products such as volatility swaps, mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.6% to 1.2%	(a)

(a) *No weighting since no explicit sensitivity is attributed to these inputs*

Table of movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 31 December 2021 and 31 December 2022:

In millions of euros	Financial assets				Financial liabilities		
	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss not held for trading	Financial assets at fair value through equity	Total	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss not held for trading	Total
At 31 December 2021	**306**	**644**	**197**	**1,147**	**171**	**998**	**1,169**
Purchases	-	143	-	**143**	-	-	**-**
Issues	-	-	-	**-**	-	18	**18**
Sales	-	(47)	(180)	**(227)**	-	-	**-**
Settlements [1]	(123)	14	-	**(109)**	(87)	(226)	**(313)**
Transfers to Level 3	74	-	-	**74**	96	-	**96**
Transfers from Level 3	(5)	(5)	-	**(10)**	-	-	**-**
Gains or (losses) recognised in profit or loss with respect to transactions expired or terminated during the period	(7)	26	-	**19**	-	(113)	**(113)**
Gains or (losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	*16*	-	-	**16**	(63)	-	**(63)**
Changes in fair value of assets and liabilities recognised directly in equity	-	-	-	**-**	-	-	**-**
- Items related to exchange rate movements	-	(1)	(3)	**(4)**	-	-	**-**
- Changes in assets and liabilities recognised in equity	-	-	(4)	**(4)**	-	-	**-**
At 31 December 2022	**261**	**774**	**10**	**1,045**	**117**	**677**	**794**

(1) *For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives. For the liabilities, includes principal redemptions, interest payments as well as cash inflows and outflows relating to derivatives the fair value of which is negative*

Transfers out of Level 3 of derivatives at fair value include mainly the update of the observability tenor of certain yield curves, and of market parameters related to repurchase agreements and credit transactions but also the effect of derivatives becoming only or mainly sensitive to observable inputs due to the shortening of their lifetime.

Transfers into Level 3 of instruments at fair value reflect the effect of the regular update of the observability zones.

Transfers have been reflected as if they had taken place at the beginning of the reporting period.

The Level 3 financial instruments may be hedged by other Level 1 and Level 2 instruments, the gains and losses of which are not shown in this table. Consequently, the gains and losses shown in this table are not representative of the gains and losses arising from management of the net risk on all these instruments.

Sensitivity of fair value to reasonably possible changes in Level 3 assumptions

The following table summarises those financial assets and financial liabilities classified as Level 3 for which alternative assumptions in one or more of the unobservable inputs would change fair value significantly.

The amounts disclosed are intended to illustrate the range of possible uncertainty inherent to the judgement applied when estimating Level 3 parameters, or when selecting valuation techniques. These amounts reflect valuation uncertainties that prevail at the measurement date, and even though such uncertainties predominantly derive from the portfolio sensitivities that prevailed at that measurement date, they are not predictive or indicative of future movements in fair value, nor do they represent the effect of market stress on the portfolio value.

In estimating sensitivities, BNP Paribas Fortis either remeasured the financial instruments using reasonably possible inputs, or applied assumptions based on the valuation adjustment policy.

For the sake of simplicity, the sensitivity on cash instruments that are not relating to securitised instruments was based on a uniform 1% shift in the price. More specific shifts were however calibrated for each class of the Level 3 securitised exposures, based on the possible ranges of the unobservable inputs.

For derivative exposures, the sensitivity measurement is based on the credit valuation adjustment (CVA), the explicit funding valuation adjustment (FVA) and the parameter and model uncertainty adjustments related to Level 3.

Regarding the credit valuation adjustment (CVA) and the explicit funding valuation adjustment (FVA), the uncertainty was calibrated based on prudent valuation adjustments described in the technical standard 'Prudent Valuation' published by the European Banking Authority. For other valuation adjustments, two scenarios were considered: a favourable scenario where all or portion of the valuation adjustment is not considered by market participants, and an unfavourable scenario where market participants would require twice the amount of valuation adjustments considered by BNP Paribas Fortis for entering into a transaction.

In millions of euros	31 December 2022		31 December 2021	
	Potential impact on income	Potential impact on equity	Potential impact on income	Potential impact on equity
Fixed-income securities	+/-1	+/-0	+/-1	+/-0
Equities and other equity securities	+/-6	+/-0	+/-5	+/-2
Loans and repurchase agreements	+/-2		+/-3	
Derivative financial instruments	+/-6		+/-11	
Interest rate and foreign exchange derivatives	*+/-6*		*+/-11*	
Credit derivatives	*+/-0*		*+/-0*	
Equity derivatives	*+/-0*		*+/-0*	
Other derivatives	*+/-0*		*+/-0*	
Sensitivity of Level 3 financial instruments	**+/-15**	**+/-0**	**+/-20**	**+/-2**

Deferred margin on financial instruments measured using techniques developed internally and based on inputs partly unobservable in active markets

Deferred margin on financial instruments ('Day One Profit') primarily concerns the scope of financial instruments eligible for Level 3 and to a lesser extent some financial instruments eligible for Level 2 where valuation adjustments for uncertainties regarding parameters or models are important compared to the initial margin.

The day one profit is calculated after setting aside valuation adjustments for uncertainties as described previously and released to profit or loss over the expected period for which the inputs will be unobservable.

The deferred margin not taken to the profit and loss account but contained in the price of the derivatives sold to clients and measured using internal models based on non-observable parameters ('Day one profit') is less than EUR 1 million.

4.e Financial assets at amortised cost

Detail of loans and advances by nature

	31 December 2022			31 December 2021		
In millions of euros	**Gross value**	**Impairment (note 2.g)**	**Carrying amount**	**Gross value**	**Impairment (note 2.g)**	**Carrying amount**
Loans and advances to credit institutions	**11,288**	**(68)**	**11,220**	**7,458**	**(64)**	**7,394**
On demand accounts	5,794	-	5,794	3,417	(1)	3,416
Loans [(1)]	2,629	(68)	2,561	3,070	(63)	3,007
Repurchase agreements	2,865	-	2,865	971	-	971
Loans and advances to customers	**219,777**	**(2,992)**	**216,785**	**197,082**	**(2,980)**	**194,102**
On demand accounts	4,224	(540)	3,684	4,094	(500)	3,594
Loans to customers	194,351	(1,954)	192,397	172,538	(1,985)	170,553
Finance leases	21,202	(498)	20,704	20,450	(495)	19,955
Repurchase agreements	-	-	-	-	-	-
Total loans and advances at amortised cost	**231,065**	**(3,060)**	**228,005**	**204,540**	**(3,044)**	**201,496**

(1) Loans and advances to credit institutions include term deposits made with central banks, which amounted to EUR 65 million as at 31 December 2022 (EUR 62 million as at 31 December 2021)

Detail of debt securities by type of issuer

In millions of euros	31 December 2022			31 December 2021		
	Gross value	Impairment (note 2.g)	Carrying amount	Gross value	Impairment (note 2.g)	Carrying amount
Governments	9,351	(6)	9,345	8,210	(4)	8,206
Other public administrations	2,212	-	2,212	1,919	-	1,919
Credit institutions	1,117	-	1,117	1,149	-	1,149
Other	478	(1)	477	438	-	438
Total debt securities at amortised cost	**13,158**	**(7)**	**13,151**	**11,716**	**(4)**	**11,712**

Detail of financial assets at amortised cost by stage

In millions of euros	31 December 2022			31 December 2021		
	Gross value	Impairment (note 2.g)	Carrying amount	Gross value	Impairment (note 2.g)	Carrying amount
Loans and advances to credit institutions	**11,288**	**(68)**	**11,220**	**7,458**	**(64)**	**7,394**
Stage 1	11,177	(2)	11,175	7,293	(1)	7,292
Stage 2	42	(1)	41	100	(1)	99
Stage 3	69	(65)	4	65	(62)	3
Loans and advances to customers	**219,777**	**(2,992)**	**216,785**	**197,082**	**(2,980)**	**194,102**
Stage 1	193,193	(330)	192,863	168,002	(248)	167,754
Stage 2	22,317	(461)	21,856	24,780	(454)	24,326
Stage 3	4,267	(2,201)	2,066	4,300	(2,278)	2,022
Debt securities	**13,158**	**(7)**	**13,151**	**11,716**	**(4)**	**11,712**
Stage 1	13,155	(7)	13,148	11,712	(4)	11,708
Stage 2	3	-	3	4	-	4
Stage 3	-	-	-	-	-	-
Total financial assets at amortised cost	**244,223**	**(3,067)**	**241,156**	**216,256**	**(3,048)**	**213,208**

Exposures subject to legislative and non legislative moratoria

In millions of euros	31 December 2022														
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount - Inflows to non performing exposures
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	**8,499**	**8,135**	230	882	**363**	190	150	**(133)**	**(32)**	(8)	(20)	**(101)**	(45)	(36)	**24**
Of which Households	**3,039**	**2,982**	7	183	**57**	10	16	**(7)**	**(3)**	-	(2)	**(4)**	-	(1)	**7**
of which collateralised by residential immovable property	**2,979**	**2,925**	7	173	**53**	9	15	**(6)**	**(2)**	-	(1)	**(3)**	-	(1)	**7**
Of which Non-financial corporations	**5,264**	**4,964**	218	657	**300**	176	133	**(123)**	**(28)**	(7)	(18)	**(95)**	(44)	(35)	**15**
of which small and Medium-sized Enterprises	**2,455**	**2,331**	145	372	**124**	45	33	**(71)**	**(17)**	(5)	(12)	**(55)**	(16)	(9)	**10**
of which collateralised by commercial immovable property	**2,973**	**2,839**	97	310	**134**	88	114	**(36)**	**(7)**	(2)	(4)	**(29)**	(20)	(24)	**3**

In response to the sanitary crisis, several moratoria have been granted to clients. Those moratoria mostly consist in payment suspension of a few months. Most of the moratoria were expired at 31 December 2021.

Breakdown of exposures subject to legislative and non legislative moratoria(*) by residual maturity of moratoria

In millions of euros	31 December 2022								
	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	106,516	8,509							
Loans and advances subject to moratorium (granted)	106,333	8,499	583	8,499	-	-	-	-	-
of which: Households		3,039	265	3,039	-	-	-	-	-
of which: Collateralised by residential immovable property		2,979	229	2,979	-	-	-	-	-
of which: Non-financial corporations		5,264	318	5,264	-	-	-	-	-
of which: Small and Medium-sized Enterprises		2,455	292	2,455	-	-	-	-	-
of which: Collateralised by commercial immovable property		2,973	19	2,973	-	-	-	-	-

(*) Moratoria qualified as 'COVID-19 General moratorium Measure' meeting the criteria defined in EBA Guidelines published on 2 April 2020, and amended 2 December 2020

Loans and advances subject to public guarantee schemes

In millions of euros	31 December 2022			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**111**	**6**	88	9
of which: Households	**3**			
of which: Collateralised by residential immovable property	**1**			
of which: Non-financial corporations	**107**	**6**	84	8
of which: Small and Medium-sized Enterprises	**68**			5
of which: Collateralised by commercial immovable property	**23**			2

At 31 December 2022, the amount of loans subject to public guarantee schemes granted by BNP Paribas Fortis stands at EUR 0.1 billion, mainly in Belgium and Luxembourg.

In Belgium, most of the moratoria were granted in the framework of the Febelfin charters. In line with the EBA guidelines, moratoria granted under a general scheme are not classified automatically as exposures with forbearance measures, with the exception of moratoria having a total payment deferral period of more than 9 months.

Contractual maturities of finance leases

In millions of euros	31 December 2022	31 December 2021
Gross investment	**22,541**	**21,749**
Receivable within 1 year	7,215	6,869
Receivable after 1 year but within 5 years	13,956	13,561
Receivable beyond 5 years	1,370	1,319
Unearned interest income	**(1,339)**	**(1,299)**
Net investment before impairment	**21,202**	**20,450**
Receivable within 1 year	6,648	6,330
Receivable after 1 year but within 5 years	13,285	12,903
Receivable beyond 5 years	1,269	1,217
Impairment provisions	**(498)**	**(495)**
Net investment after impairment	**20,704**	**19,955**

4.f Impaired financial assets (Stage 3)

The following tables present the carrying amounts of impaired financial assets carried at amortised cost and of impaired financing and guarantee commitments, as well as related collateral and other guarantees.

The amounts shown for collateral and other guarantees correspond to the lower of the value of the collateral or other guarantee and the value of the secured assets.

	31 December 2022			
	Stage 3 assets			
In millions of euros	Gross value	Impairment	Net	Collateral received
Loans and advances to credit institutions (note 4.e)	69	(65)	4	-
Loans and advances to customers (note 4.e)	4,267	(2,201)	2,066	1,589
Debt securities at amortised cost (note 4.e)	-	-	-	-
Total amortised cost impaired assets (Stage 3)	**4,336**	**(2,266)**	**2,070**	**1,589**
Financing commitments given	108	(25)	83	29
Guarantee commitments given	199	(66)	133	71
Total off-balance sheet impaired commitments (Stage 3)	**307**	**(91)**	**216**	**100**

	31 December 2021			
	Stage 3 assets			
In millions of euros	Gross value	Impairment	Net	Collateral received
Loans and advances to credit institutions (note 4.e)	65	(62)	3	-
Loans and advances to customers (note 4.e)	4,300	(2,278)	2,022	1,548
Debt securities at amortised cost (note 4.e)	-	-	-	-
Total amortised cost impaired assets (Stage 3)	**4,365**	**(2,340)**	**2,025**	**1,548**
Financing commitments given	159	(30)	129	46
Guarantee commitments given	250	(90)	160	89
Total off-balance sheet impaired commitments (Stage 3)	**409**	**(120)**	**289**	**135**

The table below shows information regarding the variations of the gross outstandings in Stage 3:

Gross value Impaired financial assets (Stage 3) In millions of euros	31 December 2022	31 December 2021
Opening balance	**4,365**	**5,111**
Transfer to Stage 3	1,089	1,313
Transfer to Stage 1 or Stage 2	(336)	(598)
Amounts Written offs	(293)	(269)
Other changes	(489)	(1,192)
Closing balance	**4,336**	**4,365**

4.g Financial liabilities at amortised cost due to credit institutions and customers

In millions of euros	31 December 2022	31 December 2021
Deposits from credit institutions	**46,295**	**56,610**
On demand accounts	1,702	1,478
Interbank borrowings [(1)]	43,021	51,100
Repurchase agreements	1,572	4,032
Deposits from customers	**212,692**	**199,037**
On demand deposits	94,358	97,120
Savings accounts	88,837	84,934
Term accounts and short-term notes	29,443	16,983
Repurchase agreements	54	-

(1) Interbank borrowings from credit institutions include term borrowings from central banks, including EUR 17.8 billion of TLTRO III at 31 December 2022 (EUR 27.8 billion at 31 December 2021).

4.h Debt securities and subordinated debt

This note covers all debt securities and subordinated debt measured at amortised cost and designated as at fair value through profit or loss.

Debt securities measured at amortised cost

In millions of euros	31 December 2022	31 December 2021
Negotiable certificates of deposit and other debt securities	9,950	9,342
Bond issues	6,302	3,536
Total debt securities at amortised cost	**16,252**	**12,878**

Debt securities and subordinated debt at fair value through profit and loss

In millions of euros	31 December 2022	31 December 2021
Debt securities	1,713	2,097
Subordinated debt	675	931
Total debt securities and subordinated debt at fair value through profit or loss	**2,388**	**3,028**

Subordinated debt measured at amortised cost

In millions of euros	31 December 2022	31 December 2021
Redeemable subordinated debt	2,283	2,296
Undated subordinated debt	-	-
Total subordinated debt measured at amortised cost	**2,283**	**2,296**

The subordinated debt designated at fair value through profit or loss mainly consists of Convertible And Subordinated Hybrid Equity linked Securities (CASHES) issued by BNP Paribas Fortis (previously Fortis Banque) in December 2007.

The CASHES are perpetual securities but may be exchanged for Ageas (previously Fortis SA/NV) shares at the holder's sole discretion at a price of EUR 239.40. However, as of 19 December 2014, the CASHES will be automatically exchanged into Ageas shares if their price is equal to or higher than EUR 359.10 for twenty consecutive trading days. The principal amount will never be redeemed in cash. The rights of the CASHES holders are limited to the Ageas shares held by BNP Paribas Fortis and pledged to them.

Ageas and BNP Paribas Fortis have entered into a Relative Performance Note (RPN) contract, the value of which varies contractually so as to offset the impact on BNP Paribas Fortis of the relative difference between changes in the value of the CASHES and changes in the value of the Ageas shares.

Since the 1st of January 2022, the subordinated liability is no longer eligible to prudential own funds.

The outstanding nominal amount of the CASHES is EUR 831.5 million as of 31 December 2022. At 31 December 2021, this amount was EUR 947.75 million.

4.i Current and deferred taxes

In millions of euros	31 December 2022	31 December 2021
Current taxes	121	94
Deferred taxes	1,120	1,248
Current and deferred tax assets	**1,241**	**1,342**
Current taxes	301	138
Deferred taxes	782	630
Current and deferred tax liabilities	**1,083**	**768**

Changes in deferred tax by nature over the period

In millions of euros	31 December 2021	Changes recognised through profit or loss	Changes recognised through equity that may be reclassified to profit or loss	Changes recognised through equity that will not be reclassified to profit or loss	Changes in the consolidation scope, in exchange rate movements and other items	31 December 2022
Financial instruments	(87)	49	64	(8)	1	19
Provisions for employee benefit obligations	101	(28)	-	69	(22)	120
Unrealised finance lease reserve	(165)	(43)	-	-	(4)	(212)
Credit risk impairment	510	28	-	-	(4)	534
Tax loss carryforwards	625	(205)	-	-	2	422
Other items	(366)	(158)	-	-	(21)	(545)
Net deferred taxes	**618**	**(357)**	**64**	**61**	**(48)**	**338**
Deferred tax assets	1,248					1,120
Deferred tax liabilities	630					782

In order to determine the amount of the tax loss carryforwards recognised as assets, BNP Paribas Fortis conducts every year a specific review for each relevant entity, based on the applicable tax regime – notably incorporating any time limit rules – and a realistic projection of their future revenues and charges in line with their business plan.

Deferred tax assets recognised on tax loss carryforwards are mainly related to BNP Paribas Fortis SA for EUR 254 million, with a 3-year expected recovery period (unlimited carryforward period).

Unrecognised deferred tax assets totalled EUR 192 million as at 31 December 2022 (of which EUR 166 million of tax loss carryforwards) compared with EUR 180 million as at 31 December 2021 (of which EUR 165 million of tax loss carryforwards).

4.j Accrued income/expense and other assets/liabilities

In millions of euros	31 December 2022	31 December 2021
Guarantee deposits and bank guarantees paid	4,437	2,478
Collection accounts	74	53
Accrued income and prepaid expenses	1,188	971
Other debtors and miscellaneous assets	5,768	5,686
Total accrued income and other assets	**11,467**	**9,188**
Guarantee deposits received	2,262	840
Collection accounts	567	438
Accrued expense and deferred income	2,191	1,880
Lease liabilities	291	287
Other creditors and miscellaneous liabilities	6,094	4,567
Total accrued expense and other liabilities	**11,405**	**8,012**

4.k Equity-method investments

Cumulated financial information of associates and joint ventures is presented in the following table:

In millions of euros	Year to 31 Dec. 2022			31 December 2022	Year to 31 Dec. 2021			31 December 2021
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Equity-method investments	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Equity-method investments
Joint ventures	13	119	132	134	15	30	45	115
Associates [(1)]	279	(1,216)	(937)	2,438	307	(34)	273	3,694
Total equity-method entities	**292**	**(1,097)**	**(805)**	**2,572**	**322**	**(4)**	**318**	**3,809**

(1) Including controlled but non material entities consolidated under the equity method

Financing and guarantee commitments given by BNP Paribas Fortis to joint ventures and associates are listed in the Note 7.g 'Other related parties'.

The carrying amount of the BNP Paribas Fortis' investment in the main joint ventures and associates is presented in the following table:

In millions of euros	Country of registration	Activity	31 December 2022		31 December 2021	
			Interest %	Equity-method investments	Interest %	Equity-method investments
Joint ventures						
bpost bank [(1)]	Belgium	Retail banking	100%	-	50%	111
Associates						
AG Insurance	Belgium	Insurance	25%	744	25%	1,851
BNP Paribas Asset Management	France	Asset management	30.9%	854	30.9%	960
BNPP Bank Polska	Poland	Retail banking	24.1%	572	24.1%	597

(1) On 3 January 2022, BNP Paribas Fortis took exclusive control of bpost bank.

AG Insurance

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Total net income	592	586
Changes in assets and liabilities recognised directly in equity	(4,458)	59

In millions of euros	31 December 2022	31 December 2021
Total assets	73,688	82,056
Total liabilities	71,091	75,028
Net assets of the equity associate	**2,597**	**7,028**

BNP Paribas Asset Management

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Total net income	240	135
Changes in assets and liabilities recognised directly in equity	(9)	(28)

In millions of euros	31 December 2022	31 December 2021
Total assets	2,934	3,175
Total liabilities	2,201	2,112
Net assets of the equity associate	**733**	**1,063**

BNPP Bank Polska SA

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Total net income	76	43
Changes in assets and liabilities recognised directly in equity	(115)	(190)

In millions of euros	31 December 2022	31 December 2021
Total assets	31,116	27,472
Total liabilities	28,800	25,072
Net assets of the equity associate	**2,316**	**2,400**

Impairment testing on investments in equity associates

IFRS-rules require to assess at the end of each reporting period whether there is any objective evidence that (the value of) an investment in an equity-method entity should be tested for impairment or not. Upon testing, if the recoverable amount of this investment (being the highest of its fair market value and its value in use) is lower than its book value, the book value is reduced to its recoverable amount by recording an impairment.

The DCF approach (discounted cash flows) is used to determine the value-in-use.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the five-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The key parameters which are sensitive to the assumptions made are the cost of capital, the cost/income ratio, the cost of risk and the growth rate to perpetuity.

Cost of capital is determined on the basis of a risk-free rate, an observed market risk premium weighted by a risk factor based on comparables specific to each investment. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each investment based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the investment belongs, with a minimum of 7% and 0% for AG Insurance for which the DDM (discounted dividend model) is used to determine the value-in-use.

The growth rate to perpetuity used is 2% for mature economies in Europe.

At 31 December 2022, impairment tests were performed on the investments held by BNP Paribas Fortis, in BNP Paribas Asset Management, in BNP Paribas Bank Polska and in AG Insurance. None of these tests demonstrated the need to record an impairment on the investments.

The table below shows the sensitivity of the estimated value of the investments to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio in terminal value, a 5% change of the cost of risk in terminal value and a 50-basis point change in the growth rate to perpetuity. There would be no need to depreciate any investment when using any of the unfavourable variations in the table.

	31 December 2022		
In millions of euros	**BNP Paribas Asset Management**	**BNP Paribas Bank Polska SA**	**AG Insurance**
Cost of capital			
Adverse change (+10 basis points)	(15)	(8)	(28)
Positive change (-10 basis points)	15	8	28
Cost/income ratio			
Adverse change (+1%)	(21)	(15)	-
Positive change (-1%)	21	15	-
Cost of risk			
Adverse change (+5%)	-	(5)	-
Positive change (-5%)	-	5	-
Long-term growth rate			
Adverse change (-50 basis points)	(47)	(13)	(100)
Positive change (+50 basis points)	53	14	115

4.l Property, plant, equipment and intangible assets used in operations, investment property

	31 December 2022			31 December 2021		
In millions of euros	**Gross value**	**Accumulated depreciation, amortisation and impairment**	**Carrying amount**	**Gross value**	**Accumulated depreciation, amortisation and impairment**	**Carrying amount**
Investment property	**260**	**(128)**	**132**	**291**	**(136)**	**155**
Land and buildings	2,812	(1,529)	1,283	3,043	(1,702)	1,341
Equipment, furniture and fixtures	707	(519)	188	708	(528)	180
Plant and equipment leased as lessor under operating leases	38,360	(10,680)	27,680	33,588	(9,317)	24,271
Other property, plant and equipment	481	(183)	298	378	(181)	197
Property, plant and equipment	**42,360**	**(12,911)**	**29,449**	**37,717**	**(11,728)**	**25,989**
of which right of use	**722**	**(419)**	**303**	**793**	**(523)**	**270**
Purchased software	307	(235)	72	230	(185)	45
Internally-developed software	1,127	(753)	374	926	(607)	319
Other intangible assets	95	(73)	22	53	(27)	26
Intangible assets	**1,529**	**(1,061)**	**468**	**1,209**	**(819)**	**390**

Investment property

Land and buildings leased by the Bank as lessor under operating leases are recorded in ‘Investment property’.

The estimated fair value of investment property accounted for at amortised cost at 31 December 2022 is EUR 244 million, compared with EUR 268 million for the year ended 31 December 2021.

Operating leases

Operating leases and investment property transactions are in certain cases subject to agreements providing for the following future minimum payments

In millions of euros	31 December 2022	31 December 2021
Future minimum lease payments receivable under non-cancellable leases	**8,205**	**7,762**
Payments receivable within 1 year	3,609	3,369
Payments receivable after 1 year but within 5 years	4,570	4,341
Payments receivable beyond 5 years	26	52

Future minimum lease payments receivable under non-cancellable leases are payments that the lessee is required to make during the lease term.

Intangible assets

Other intangible assets include leasehold rights, goodwill and trademarks acquired by the BNP Paris Fortis.

Depreciation, amortisation and impairment

The total depreciation, amortisation and impairment of property, plant and equipment and intangible assets for the year ending 31 December 2022 was EUR (398) million, compared with EUR (361) million for the year ending 31 December 2021.

The above mentioned amounts include a net reversal to impairment provisions taken into account to the profit and loss account in the year ending 31 December 2022 for EUR (1) million, compared with a net charge to impairment provisions of EUR 3 million for the year ended 31 December 2021.

4.m Goodwill

In millions of euros	31 December 2022	31 December 2021
Carrying amount at start of period	**767**	**722**
Acquisitions	96	31
Divestments	(4)	-
Impairment recognised during the period	-	-
Exchange rate adjustments	(13)	13
Other movements	2	1
Carrying amount at end of period	**848**	**767**
Gross value	986	919
Accumulated impairment recognised at the end of period	(138)	(152)

Goodwill by homogeneous group of businesses is as follows:

In millions of euros	Carrying amount		Impairment recognised during the period		Acquisitions of the period	
	31 December 2022	31 December 2021	Year to 31 Dec. 2022	Year to 31 Dec. 2021	Year to 31 Dec. 2022	Year to 31 Dec. 2021
AlphaCredit	22	22	-	-	-	-
Axepta	28	31	-	-	-	31
Factoring	6	6	-	-	-	-
BNP Paribas Leasing Solutions	146	148	-	-	-	-
Wealth Management Luxemburg	38	38	-	-	-	-
Arval	608	522	-	-	96	-
Total goodwill	**848**	**767**	**-**	**-**	**96**	**31**

BNP Paribas Fortis activities are divided into homogeneous group of businesses, representing reporting entities or groups of reporting entities of BNP Paribas Fortis. The breakdown is consistent with BNP Paribas Fortis' organisational structure and management methods, and reflects the independence of the reporting entities in terms of results and management approach. This is reviewed on a regular basis in order to take into account events likely to affect the composition of homogeneous group of businesses, such as acquisitions, disposals and major reorganisations.

The homogeneous group of businesses to which goodwill is allocated are:

- **AlphaCredit** is the leading provider of consumer credits in Belgium and the Grand Duchy of Luxembourg. AlphaCredit markets all types of instalment loans (personal loans, car loans, motorbike loans, kitchen loans, etc.), as well as payment cards with a permanent cash reserve (revolving credit). The company offers its services to both private individuals and professionals;
- **Axepta BNP Paribas Belgium** is the end-to-end partner of small and large companies for accepting electronic payments. It offers acquiring services as well as payment terminals and is mainly active in Belgium and Luxembourg;
- **Factoring** is a homogeneous group of businesses regrouping all the factoring subsidiaries of the Bank. It is mainly active in Belgium, Germany, UK and the Netherlands. It is the market leader in Belgium;
- **BNP Paribas Leasing Solutions** is a European leader in leasing for corporate and small business clients. It specialises in rental and finance solutions, ranging from professional equipment leasing to fleet outsourcing;
- **Wealth Management Luxembourg**: ABN AMRO Wealth Management Luxembourg was acquired by BGL BNP Paribas on September 3 2018 and subsequently integrated into its Wealth Management business unit. The Wealth Management business line targets an international client base, in particular business owners and families, assisting them with their specific needs through tailored asset and financial management solutions, in addition to a suite of high-quality services: investment advice; discretionary management; wealth planning and organisation; asset diversification and financing;
- **Arval** specialises in full service vehicle leasing. Arval offers its customers – large international corporates, SMEs and professionals – tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management.

Impairment tests

According to IFRS-rules, goodwill should be tested for impairment at least on an annual basis or upon occurrence of a triggering event by comparing the carrying amount of the entity with the recoverable amount. The recoverable amount corresponds to the highest of fair market value of an entity and its value in use. The DCF approach (discounted cash flows) is used to determine the value-in-use. If the recoverable amount is lower than the carrying amount (or book value), an impairment loss is recognised for the difference.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the five-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The key parameters which are sensitive to the assumptions made are the cost of capital, the cost/income ratio, the cost of risk and the growth rate to perpetuity.

Cost of capital is determined on the basis of a risk-free rate, an observed market risk premium weighted by a risk factor based on comparables specific to each homogeneous group of businesses. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each homogeneous group of businesses based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 7% and except for Axepta, which is a Payment Institution under PSD2 (Payment Services Directive 2), with a capital requirement that is a function of the payment transactions.

The growth rate to perpetuity used is 2% for mature economies in Europe.

At year-end 2022, an impairment test was performed for each of the following five homogeneous groups of businesses: AlphaCredit, BNP Paribas Leasing Solutions, Arval, Wealth Management Luxembourg and Axepta. None of these tests demonstrated the need to record an impairment.

The goodwill recognised on Factoring is considered as non-material and is therefore not tested for impairment.

Sensitivities

The table below shows the sensitivity of the goodwill valuations to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio in terminal value, a 5% change of the cost of risk in terminal value and a 50-basis point change in the growth rate to perpetuity. There would be no need to depreciate any goodwill when using any of the unfavourable variations in the table.

In millions of euros	31 December 2022				
	AlphaCredit	BNP Paribas Leasing Solutions	Arval	Wealth Management Luxembourg	Axepta
Cost of capital					
Adverse change (+10 basis points)	(9)	(74)	(183)	(10)	(1)
Positive change (-10 basis points)	9	76	188	10	1
Cost/income ratio					
Adverse change (+1%)	(13)	(90)	(185)	(15)	(2)
Positive change (-1%)	13	90	185	15	2
Cost of risk					
Adverse change (+5%)	(14)	(42)	(35)	-	-
Positive change (-5%)	14	42	35	-	-
Long-term growth rate					
Adverse change (-50 basis points)	(18)	(185)	(543)	(30)	(3)
Positive change (+50 basis points)	20	216	624	35	4

4.n Provisions for contingencies and charges

In millions of euros	31 December 2021	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	31 December 2022
Provisions for employee benefits	3,500	157	(331)	(322)	5	3,009
of which post-employment benefits (Note 6.b)	*3,133*	*129*	*(255)*	*(293)*	*7*	*2,721*
of which post-employment healthcare benefits (Note 6.b)	*91*	*2*	*(2)*	*(29)*	*-*	*62*
of which provision for other long-term benefits (Note 6.c)	*74*	*17*	*(19)*	*-*	*(1)*	*71*
of which provision for voluntary departure, early retirement plans, and headcount adaptation plan (Note 6.d)	*189*	*1*	*(50)*	*-*	*(1)*	*139*
of which provision for share-based payment	*13*	*8*	*(5)*	*-*	*-*	*16*
Provisions for home savings accounts and plans	-	-	-	-	-	-
Provisions for credit commitments	272	-	-	-	11	283
Provisions for litigation	58	(5)	(16)	-	(2)	35
Other provisions for contingencies and charges	379	131	(65)	-	10	455
Total provisions for contingencies and charges	**4,209**	**283**	**(412)**	**(322)**	**24**	**3,782**

4.o Offsetting of financial assets and liabilities

The following tables present the amounts of financial assets and liabilities before and after offsetting. This information, required by IFRS 7 aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

'Amounts set off on the balance sheet' have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when and only when, BNP Paribas Fortis has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amounts offset derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

The 'Impacts of Master Netting Agreements and similar agreements' are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

'Financial instruments given or received as collateral' include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

Regarding Master Netting Agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in 'Accrued income or expenses' and 'Other assets or liabilities'.

31 December 2022 In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Assets						
Financial instruments at fair value through profit or loss	19,962	(1,148)	18,814	(11,337)	(1,767)	5,710
Securities	*1,376*	*-*	*1,376*	*-*	*-*	*1,376*
Loans and repurchase agreements	*3,706*	*(1,148)*	*2,558*	*(865)*	*(1,010)*	*683*
Derivative financial instruments (including derivatives used for hedging purposes)	*14,880*	*-*	*14,880*	*(10,472)*	*(757)*	*3,651*
Financial assets at amortised cost	241,156	-	241,156	(968)	(1,131)	239,057
of which repurchase agreements	*2,865*	*-*	*2,865*	*(968)*	*(1,131)*	*766*
Accrued income and other assets	11,467	-	11,467	-	(896)	10,571
of which guarantee deposits paid	*4,437*	*-*	*4,437*	*-*	*(896)*	*3,541*
Other assets not subject to offsetting	78,955	-	78,955	-	-	78,955
Total assets	351,540	(1,148)	350,392	(12,305)	(3,794)	334,293

31 December 2022 In millions of euros	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Liabilities						
Financial instruments at fair value through profit or loss	29,360	(1,148)	28,212	(11,981)	(5,384)	10,847
Securities	*603*	*-*	*603*	*-*	*-*	*603*
Deposits and repurchase agreements	*8,710*	*(1,148)*	*7,562*	*(1,509)*	*(4,773)*	*1,280*
Issued debt securities	*2,388*	*-*	*2,388*	*-*	*-*	*2,388*
Derivative financial instruments (including derivatives used for hedging purposes)	*17,659*	*-*	*17,659*	*(10,472)*	*(611)*	*6,576*
Financial liabilities at amortised cost	258,986	-	258,986	(324)	(1,026)	257,636
of which repurchase agreements	*1,626*	*-*	*1,626*	*(324)*	*(1,026)*	*276*
Accrued expense and other liabilities	11,405	-	11,405	-	(793)	10,612
of which guarantee deposits received	*2,262*	*-*	*2,262*	*-*	*(793)*	*1,469*
Other liabilities not subject to offsetting	20,738	-	20,738	-	-	20,738
Total liabilities	320,489	(1,148)	319,341	(12,305)	(7,203)	299,833

31 December 2021 In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Assets						
Financial instruments at fair value through profit or loss	**17,391**	**(1,775)**	**15,616**	**(7,662)**	**(2,392)**	**5,562**
Securities	*1,317*	*-*	*1,317*	*-*	*-*	*1,317*
Loans and repurchase agreements	*6,057*	*(1,775)*	*4,282*	*(1,933)*	*(2,074)*	*275*
Derivative financial instruments (including derivatives used for hedging purposes)	*10,017*	*-*	*10,017*	*(5,729)*	*(318)*	*3,970*
Financial assets at amortised cost	**213,208**	**-**	**213,208**	**(438)**	**(470)**	**212,300**
of which repurchase agreements	*971*	*-*	*971*	*(438)*	*(470)*	*63*
Accrued income and other assets	**9,188**	**-**	**9,188**	**-**	**(1,392)**	**7,796**
of which guarantee deposits paid	*2,477*	*-*	*2,477*	*-*	*(1,392)*	*1,085*
Other assets not subject to offsetting	**103,636**	**-**	**103,636**	**-**	**-**	**103,636**
Total assets	**343,423**	**(1,775)**	**341,648**	**(8,100)**	**(4,254)**	**329,294**

31 December 2021 In millions of euros	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Liabilities						
Financial instruments at fair value through profit or loss	**27,362**	**(1,775)**	**25,587**	**(7,541)**	**(11,793)**	**6,253**
Securities	*159*	*-*	*159*	*-*	*-*	*159*
Deposits and repurchase agreements	*14,835*	*(1,775)*	*13,060*	*(1,812)*	*(10,495)*	*753*
Issued debt securities	*3,028*	*-*	*3,028*	*-*	*-*	*3,028*
Derivative financial instruments (including derivatives used for hedging purposes)	*9,340*	*-*	*9,340*	*(5,729)*	*(1,298)*	*2,313*
Financial liabilities at amortised cost	**255,647**	**-**	**255,647**	**(559)**	**(3,240)**	**251,848**
of which repurchase agreements	*4,032*	*-*	*4,032*	*(559)*	*(3,240)*	*233*
Accrued expense and other liabilities	**8,012**	**-**	**8,012**	**-**	**(213)**	**7,799**
of which guarantee deposits received	*840*	*-*	*840*	*-*	*(213)*	*627*
Other liabilities not subject to offsetting	**21,205**	**-**	**21,205**	**-**	**-**	**21,205**
Total liabilities	**312,226**	**(1,775)**	**310,451**	**(8,100)**	**(15,246)**	**287,105**

4.p Transfers of financial assets

BNP Paribas Fortis enters into transactions in which it transfers financial assets held on the balance sheet and as a result may either be eligible to derecognise the transferred asset in its entirely or must continue to recognise the transferred asset to the extent of any continuing involvement. More information is included in Note 1. 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

Financial assets that have been transferred but not derecognised by BNP Paribas Fortis are mainly composed of securities sold temporarily under repurchase agreements or securities lending transactions, as well as securitised assets. The liabilities associated to securities sold under repurchase agreements consist of debts recognised under the 'Repurchase agreements' heading. The liabilities associated to securitised assets consist of the securitisation notes purchased by third parties.

Securities lending, repurchase agreements and other transactions

	31 December 2022		31 December 2021	
In millions of euros	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Securities lending operations				
Financial instruments at fair value through profit or loss	42	-	-	-
Financial assets at amortised cost	2,777	-	3,316	-
Financial assets at fair value through equity	-	-	97	-
Repurchase agreements				
Financial instruments at fair value through profit or loss	176	176	71	71
Financial assets at amortised cost	4,159	4,159	6,280	6,280
Financial assets at fair value through equity	202	202	1,622	1,622
Total	**7,356**	**4,537**	**11,386**	**7,973**

Securitisation transactions partially refinanced by external investors, whose recourse is limited to the transferred assets

	31 December 2022				
In millions of euros	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Fair value of transferred assets**	**Fair value of associated liabilities**	**Net position**
Securitisation					
Financial instruments at fair value through profit or loss	-	-	-	-	-
Financial assets at amortised cost	31,969	1,655	29,305	1,615	27,690
Financial assets at fair value through equity	-	-	-	-	-
Total	**31,969**	**1,655**	**29,305**	**1,615**	**27,690**

	31 December 2021				
In millions of euros	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Fair value of transferred assets**	**Fair value of associated liabilities**	**Net position**
Securitisation					
Financial instruments at fair value through profit or loss	-	-	-	-	-
Financial assets at amortised cost	31,862	1,655	32,864	1,639	31,225
Financial assets at fair value through equity	-	-	-	-	-
Total	**31,862**	**1,655**	**32,864**	**1,639**	**31,225**

There have been no significant transfers leading to partial or full derecognition of the financial assets where the Bank has a continuing involvement in them.

5 COMMITMENTS GIVEN OR RECEIVED

5.a Financing commitments given or received

Contractual value of financing commitments given and received by BNP Paribas Fortis:

In millions of euros	31 December 2022	31 December 2021
Financing commitments given		
- to credit institutions	231	193
- to customers	52,726	51,727
Confirmed financing commitments	*41,107*	*40,275*
Other commitments given to customers	*11,619*	*11,452*
Total financing commitments given	**52,957**	**51,920**
of which Stage 1	*48,328*	*45,947*
of which Stage 2	*4,521*	*5,814*
of which Stage 3	*108*	*159*
Financing commitments received		
- from credit institutions	6,537	3,053
- from customers	199	209
Total financing commitments received	**6,736**	**3,262**

5.b Guarantee commitments given by signature

In millions of euros	31 December 2022	31 December 2021
Guarantee commitments given		
- to credit institutions	2,488	2,665
- to customers	15,685	15,795
Property guarantees	-	-
Sureties provided to tax and other authorities, other sureties	*12,334*	*12,648*
Other guarantees	*3,351*	*3,147*
Total guarantee commitments given	**18,173**	**18,460**
of which Stage 1	*15,647*	*15,912*
of which Stage 2	*2,327*	*2,298*
of which Stage 3	*199*	*250*

5.c Securities commitments

In connexion with the settlement date accounting for securities, commitments representing securities to be delivered or securities to be received are the following:

In millions of euros	31 December 2022	31 December 2021
Securities to be delivered	409	209
Securities to be received	460	181

5.d Other guarantee commitments

Financial instruments given as collateral

In millions of euros	31 December 2022	31 December 2021
Financial instruments (negotiable securities and private receivables) lodged with central banks and eligible for use at any time as collateral for refinancing transactions after haircut	24,301	30,107
Used as collateral with central banks	*18,303*	*28,138*
Available for refinancing transactions	*5,998*	*1,969*
Securities sold under repurchase agreements	10,212	18,874
Other financial assets pledged as collateral for transactions with credit institutions, financial customers	20,437	22,038

The fair value of the financial instruments given as collateral or transferred under repurchase agreements by BNP Paribas Fortis that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 10,288 million at 31 December 2022 (EUR 18,886 million for the year ending 31 December 2021).

Financial instruments received as collateral

In millions of euros	31 December 2022	31 December 2021
Financial instruments received as collateral (excluding repurchase agreements)	6,364	9,416
of which instruments that BNP Paribas Fortis is authorised to sell and reuse as collateral	*1,028*	*962*
Securities received under repurchase agreements	6,341	6,872

The fair value of financial instruments received as collateral or under repurchase agreements that BNP Paribas Fortis effectively sold or reused as collateral amounted to EUR 3,865.0 million at 31 December 2022 (compared with EUR 5,664.0 million for the year ending 31 December 2021).

Financial instruments given or received as collateral are mainly measured at fair value.

6 SALARIES AND EMPLOYEE BENEFITS

6.a Salary and employee benefit expenses

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Fixed and variable remuneration, incentive bonuses and profit-sharing	(1,973)	(1,806)
Employee benefit expense	(604)	(583)
Payroll taxes	(14)	(13)
Total salary and employee benefit expenses	**(2,591)**	**(2,402)**

6.b Post-employment benefits

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to pay a fixed amount, stated as a percentage of the beneficiary's annual salary, for example, to an external entity handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of contributions from employees and to bear the cost of benefits itself or to guarantee the final amount subject to future events, it is described as a defined-benefit plan. The same applies if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and/or from future changes in the benefits.

Defined-contribution pension plans of BNP Paribas Fortis entities

BNP Paribas Fortis has implemented since several years a wide campaign of converting defined-benefit plans into defined-contribution plans.

Since defined-benefit plans have been closed to new employees in most countries, they are offered the benefit of joining defined contribution pensions plans.

The amount paid into defined-contribution post-employment plans for the year ended 31 December 2022 was EUR 99 million, compared with EUR 91 million for the year ended 31 December 2021.

The breakdown by major contributors is determined as follows

Contribution amount In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Belgium	3	2
France	40	38
Eurozone (except Belgium and France)	24	22
United Kingdom	5	4
Turkey	26	24
Other	1	1
TOTAL	**99**	**91**

Defined-benefit pension plans of BNP Paribas Fortis entities

In Belgium, BNP Paribas Fortis funds a defined benefit plan, based on final salary and number of years of service for its management and employees who joined the bank before its pension plans were harmonised on 1 January 2002. Actuarial liabilities under this scheme are pre-funded at 88% at 31 December 2022 (93% at 31 December 2021) through AG Insurance, in which BNP Paribas Fortis owns a 25% equity interest.

BNP Paribas Fortis senior managers are covered by a top-up pension plan paying a lump sum based on the number of years of service and final salary. This plan is pre-funded at 90% (100% at end 2021) through AXA Belgium and AG Insurance. Since 1 January 2015 this plan is closed for new senior managers. Those are offered a new defined-contribution scheme, which also applies to senior managers already in service at that date who chose to join this new scheme.

In addition, the law requires employers to guarantee a minimum return on assets accumulated under defined-contribution schemes. As a result of this obligation, these plans are accounting wise classified as defined-benefit schemes.

At the end of 2015, a new law introduced new modalities for the calculation of this guaranteed minimum return.

As a consequence, BNP Paribas Fortis measures its Belgian defined-contribution pension schemes according to the 'Projected Unit Credit Method' since 2016. But, as BNP Paribas Fortis considers that none of these defined-contribution pension schemes have the so-called 'back-end loaded' features as defined under IAS19, BNP Paribas Fortis attributes benefit to period of service under the plan's benefit formula. It is indeed not considered that employee service in later years lead to materially higher level of benefit than in earlier years.

Plan assets and reimbursement rights, under insurance policies under which the insurer guarantees some or all of the benefits payable under the plan, are measured as the present value of the related obligation due by the insurance companies (art.113 IAS19R) as from the end of 2017, except for pension schemes covered by a segregated fund. In the latter case, the fair value of the plan assets/reimbursement rights is equal to the market value of the segregated investments available to cover the obligation.

In Turkey, the pension plan replaces the national pension scheme (these obligations should in the future be transferred to the Turkish State and are measured based on the terms of the transfer) and offers guarantees exceeding the minimal legal requirements. At the end of 2022, obligations under this plan are fully funded by financial assets held with an external foundation; these financial assets exceed the related obligations, but since it is not refundable, this surplus is not recognised as an asset by BNP Paribas Fortis. The funding rate for the scheme as at 31 December 2022 stood at 213% (178% at 31 December 2021).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros, at 31 December 2022	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Fair value of reimburse- ment rights [1]	Effect of asset ceiling	Net obligation	of which asset recognised in the balance sheet for defined-benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbursement rights	of which obligation recognised in the balance sheet for defined-benefit plans
Belgium	2,664	-	2,664	(50)	(2,394)	-	220	(2,394)	-	(2,394)	2,614
United Kingdom	135	-	135	(177)	-	-	(42)	(42)	(42)	-	-
Turkey	139	63	202	(295)	-	157	64	-	-	-	64
Others	142	29	171	(133)	(2)	-	36	(7)	(5)	(2)	43
TOTAL	**3,080**	**92**	**3,172**	**(655)**	**(2,396)**	**157**	**278**	**(2,443)**	**(47)**	**(2,396)**	**2,721**

In millions of euros, at 31 December 2021	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Fair value of reimburse- ment rights [1]	Effect of asset ceiling	Net obligation	of which asset recognised in the balance sheet for defined-benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbursement rights	of which obligation recognised in the balance sheet for defined-benefit plans
Belgium	3,095	-	3,095	(66)	(2,930)	-	99	(2,930)	-	(2,930)	3,029
United Kingdom	221	-	221	(288)	-	-	(67)	(67)	(67)	-	-
Turkey	134	32	166	(238)	-	104	32	-	-	-	32
Others	187	46	233	(162)	(1)	-	70	(2)	(1)	(1)	72
TOTAL	**3,637**	**78**	**3,715**	**(754)**	**(2,931)**	**104**	**134**	**(2,999)**	**(68)**	**(2,931)**	**3,133**

(1) The reimbursement rights are principally found on the balance sheet of the BNP Paribas Fortis' insurance subsidiaries and associated companies - notably AG Insurance with respect to BNP Paribas Fortis' defined-benefit plan - to hedge their commitments to other BNP Paribas Fortis' entities that were transferred to them to cover the post-employment benefits of certain employee categories

Changes in the present value of the defined benefit obligation

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Present value of defined-benefit obligation at start of period	**3,715**	**3,807**
Current service cost	121	126
Interest cost	35	18
Past service costs	-	-
Settlements	-	1
Actuarial (gains)/losses on change in demographic assumptions	1	(3)
Actuarial (gains)/losses on change in financial assumptions	(719)	(73)
Actuarial (gains)/losses on experience gaps	343	148
Actual employee contributions	10	10
Benefits paid directly by the employer	(45)	(32)
Benefits paid from assets/reimbursement rights	(256)	(219)
Exchange rate (gains)/losses on the obligation	(60)	(84)
(Gains)/losses on the obligation related to changes in the consolidation scope	27	20
Others	-	(4)
Present value of defined-benefit obligation at end of period	**3,172**	**3,715**

Change in the fair value of plan assets and reimbursement rights

	Plan assets		Reimbursement rights	
In millions of euros	**Year to 31 Dec. 2022**	**Year to 31 Dec. 2021**	**Year to 31 Dec. 2022**	**Year to 31 Dec. 2021**
Fair value of assets at start of period	**754**	**805**	**2,931**	**3,049**
Expected return on assets	34	34	13	2
Settlements	(9)	-	-	-
Actuarial (gains)/losses on assets	(30)	41	(548)	(29)
Actual employee contributions	-	-	10	10
Employer contributions	16	17	198	98
Benefits paid from assets	(25)	(20)	(231)	(199)
Exchange rate (gains)/losses on assets	(86)	(134)	-	-
Gains/(losses) on assets related to changes in the consolidation scope	1	11	23	-
Other	-	-	-	-
Fair value of assets at end of period	**655**	**754**	**2,396**	**2,931**

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Administration fees	**1**	**1**
Service costs	**130**	**127**
Current service cost	121	126
Past service cost	-	-
Settlements	9	1
Net financial expense	**5**	**3**
Interest cost	35	18
Interest income on plan assets	(35)	(35)
Interest income on reimbursement rights	(13)	(2)
Return on Asset Limitation	18	22
Total recognised in 'Salary and employee benefit expense'	**136**	**131**

Other items recognised directly in equity

In millions of euros	Year to 31 Dec. 2022	Year to 31 Dec. 2021
Other items recognised directly in equity	**(271)**	**(24)**
Actuarial (losses)/gains on plan assets or reimbursement rights	(578)	12
Actuarial (losses)/gains of demographic assumptions on the present value of obligations	(1)	3
Actuarial (losses)/gains of financial assumptions on the present value of obligations	719	73
Experience (losses)/gains on obligations	(343)	(148)
Variation of the effect of asset limitation	(68)	36

Main actuarial assumptions used to calculate obligations

In the Eurozone and United Kingdom, BNP Paribas Fortis discounts its obligations using the yields of high quality corporate bonds, with a term consistent with the duration of the obligations.

The ranges of rates used are as follows:

In %	31 December 2022		31 December 2021	
	Discount rate	Compensation increase rate (1)	Discount rate	Compensation increase rate (1)
Eurozone	1.90% - 3.80%	2.30% - 5.00%	0.00% - 1.10%	1.90% - 3.60%
United Kingdom	4.70%	3.30%	1.90%	3.50%
Turkey	11.00%	8.50%	20.00%	17.00%

(1) *Including price increases (inflation)*

In the Eurozone, the observed weighted average discount rates are as follows : 3.54% at 31 December 2022, and 0.45% at 31 December 2021.

The impact of a 100bp change in discount rates on the present value of post-employment benefit obligations is as follows:

Change in the present value of obligations In millions of euros	31 December 2022		31 December 2021	
	Discount rate -100bp	Discount rate +100bp	Discount rate -100bp	Discount rate +100bp
Eurozone	228	(196)	366	(298)
United Kingdom	24	(19)	49	(38)
Turkey	13	(10)	15	(12)

The inflation assumptions used to calculate BNP Paribas Fortis's liabilities are determined locally by currency zone, with the exception of the euro zone for which the assumption is determined centrally.

The average inflation rates weighted by the value of the liabilities are as follows:

- on the euro zone: 2.57% on 31 December 2022 compared to 1.74% on 31 December 2021;
- on the sterling zone: 3.10% on 31 December 2022 compared to 2.90% on 31 December 2021;
- on the Turkish lira zone: 7.48% on 31 December 2022 compared to 16.03% on 31 December 2021.

The effect of a 100 bp increase of inflation rates on the value of the post-employment benefit obligation is as follows:

Change in the present value of obligations In millions of euro	Year to 31 Dec. 2022	Year to 31 Dec. 2021
	Inflation rate +100bp	Inflation rate +100bp
Eurozone	156	203
United Kingdom	11	23
Turkey	12	18

The effects of changes in inflation and discount rates presented above are not cumulative.

Actual rate of return on plan assets and reimbursement rights over the period

In % (1)	Year to 31 Dec. 2022	Year to 31 Dec. 2021
	Range of value (existence of several plans in the same country)	**Range of value** (existence of several plans in the same country)
Belgium	(18.80%) - 6.30%	(5.65%) - 9.00%
United Kingdom	(33.90%) - 31.80%	6.60% - 7.50%
Turkey	40.80%	20.60%

(1) *Range of value, reflecting the existence of several plans in the same country.*

Breakdown of plan assets

In %	31 December 2022						31 December 2021					
	Shares	Governmental bonds	Non-Governmental bonds	Real-estate	Deposit account	Others	Shares	Governmental bonds	Non-Governmental bonds	Real-estate	Deposit account	Others
Belgium	8%	49%	20%	1%	0%	22%	7%	55%	15%	1%	0%	22%
United Kingdom	8%	77%	10%	0%	3%	2%	9%	75%	12%	0%	2%	2%
Turkey	8%	56%	14%	2%	2%	18%	0%	0%	0%	3%	94%	3%
Others	7%	29%	19%	5%	1%	39%	7%	31%	16%	2%	2%	42%
BNP Paribas Fortis	**7%**	**51%**	**18%**	**2%**	**3%**	**19%**	**7%**	**52%**	**14%**	**1%**	**6%**	**20%**

BNP Paribas Fortis introduced an asset management governance for assets backing defined-benefit pension plan commitments, the main objectives of which are the management and control of the risks in terms of investment.

It sets out investment principles, in particular, by defining an investment strategy for plan assets, based on financial objectives and financial risk management, to specify the way in which plan assets have to be managed, via financial management servicing contracts.

The investment strategy is based on an assets and liabilities management analysis that should be realised at least every three years for plans with assets in excess of EUR 100 million.

Post-employment healthcare benefits

In Belgium, BNP Paribas Fortis has a healthcare plan for retired employees. This plan is closed to new entrants.

The present value of obligations relating to post-employment healthcare benefits stood at EUR 62 million at 31 December 2022, compared to EUR 91 million at 31 December 2021, implying a decrease of EUR 29 million during the year 2022.

The expense for post-employment healthcare benefits amounts to EUR 2 million for the year at 31 December 2022, against EUR 2 million for the year at 31 December 2021.

Other items related to post-employment healthcare and directly accounted for in equity amount to EUR (29) million for 31 December 2022, against EUR (6) million at 31 December 2021.

6.c Other long-term benefits

BNP Paribas Fortis offers its employees various long-term benefits, mainly long-service awards, the ability to save up paid annual leave in time savings accounts, and certain guarantees protecting them in the event they become incapacitated.

The net provision amounted to EUR 71 million at 31 December 2022 (EUR 74 million at 31 December 2021).

As part of the BNP Paribas Fortis variable compensation policy, annual deferred compensation plans are set up for certain high-performing employees or pursuant to special regulatory frameworks.

Under these plans, payment is deferred over time and is subject to the performance achieved by the business lines, divisions and BNP Paribas Fortis.

In millions of euros	31 December 2022	31 December 2021
Net provisions for other long-term benefits	**71**	**74**
Asset recognised in the balance sheet under 'Other long-term benefits'	-	-
Obligation recognised in the balance sheet under 'Other long-term benefits'	71	74

6.d Termination benefits

BNP Paribas Fortis has implemented a number of voluntary redundancy plans and headcount adaptation plans for employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for as soon as a bilateral agreement or a bilateral agreement proposal for a particular plan is made. Besides, BNP Paribas Fortis recognises costs related to redundancy plans in a restructuring context as soon as bank formalises a detailed plan which has been notified to the interested parties.

In millions of euros	31 December 2022	31 December 2021
Provision for voluntary departure and early retirement plans, and headcount adaptation plans	139	189

7 ADDITIONAL INFORMATION

7.a Contingent liabilities: legal proceedings and arbitration

BNP Paribas Fortis (and its consolidated subsidiaries) is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in a number of foreign jurisdictions, arising in the ordinary course of its banking business, including inter alia in connection with its activities as lender, employer, investor and taxpayer.

BNP Paribas Fortis makes provisions for such matters when, in the opinion of its management and after consulting its legal advisors, it is probable that a payment will have to be made by BNP Paribas Fortis and when the amount can be reasonably estimated.

With respect to certain other claims and legal proceedings against BNP Paribas Fortis (and its consolidated subsidiaries) of which management is aware (and for which, according to the principles outlined above, no provision has been made), the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, such proceedings are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the BNP Paribas Fortis Consolidated Financial Statements.

Like many other companies in the banking, investment, mutual funds and brokerage sectors, BNP Paribas Fortis (and its consolidated subsidiaries) has received or may receive requests for information from supervisory, governmental or self-regulatory agencies. BNP Paribas Fortis responds to such requests, cooperates with the relevant regulators and other parties and helps to address any issues they might raise.

After the acquisition and merger of ABN AMRO Bank (Luxembourg) S.A. in H2 2018, BNP Paribas Fortis' subsidiary BGL BNP Paribas S.A. integrated ABN AMRO Bank (Luxembourg) S.A.'s custodian operations. In the context of these operations, a fund, for which ABN AMRO Bank (Luxembourg) S.A. acted as custodian between 19 April 2012 and 31 March 2015, issued BGL BNP Paribas with a court summons. At this stage, no provision has been set aside with respect to this case, but BGL BNP Paribas has decided to protect its interests by exercising the liability guarantee agreed as part of the acquisition. Moreover, BGL BNP Paribas has decided to wind up these operations and has terminated custodian agreements together with the associated banking relationships. As per 31 December 2021, two legal cases have been brought against BGL BNP Paribas following these measures.

7.b Business combinations and other changes of the consolidation scope

Operations realised in 2022

bpost bank SA/NV

On 3 of January 2022, BNP Paribas Fortis purchased the residual 50% stake in bpost bank.

The bank took therefore exclusive control of this entity and fully consolidated it from the first quarter of 2022.

Consequently, this operation increased the bank's balance sheet by EUR 12 billion at acquisition date, in particular EUR 11 billion in financial assets at amortised cost and led to the recognition of a badwill of EUR 245 million in the profit and loss account.

Terberg Leasing Group BV

On 30 November 2022, Arval Service Lease purchased 100% of Terberg Leasing Group BV, a full-service vehicle leasing entity active mainly in the Netherlands and with a limited presence in Belgium.

BNP Paribas Fortis took exclusive control of these entities and fully consolidated them from the last quarter of 2022.

The bank's balance sheet increased by EUR 1 billion at acquisition date, in particular in tangible assets.

The goodwill related to this operation was EUR 96 million.

Operations realised in 2021

Axepta BNPP Benelux SA/NV

Axepta BNP Paribas Benelux NV/SA, a wholly owned subsidiary of BNP Paribas Fortis, and Worldline have signed an agreement under which Axepta BNP Paribas Benelux acquired part of Ingenico's in-store business in Belgium and Worldline's business in Luxembourg. The agreement relates to Worldline's / Ingenico's merchant acquiring (card payment processing) business and terminals in Belgium and Luxembourg.

In a rapidly changing payment services industry, the acquisition of these activities meets Axepta BNP Paribas Benelux' aim of increasing its presence in merchant acquiring in Belgium and Luxembourg – two of its domestic markets – and of freshening up the sector by offering innovative, high-performance and competitive services to public- and private-sector companies, retailers and independent professionals.

This transaction closed at the fourth quarter 2021 following approval by the European Commission and National Bank of Belgium and generated a goodwill of EUR 31 million in the Balance sheet.

7.c Minority interests

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss	Minority interests
Capital and retained earnings at 1 January 2021	**6,024**	**45**	**(744)**	**5,325**
Other movements	23			23
Dividends	(291)			(291)
Changes in assets and liabilities recognised directly in equity		7	(227)	(220)
Net income for 2021	**468**			**468**
Capital and retained earnings at 31 December 2021	**6,224**	**52**	**(971)**	**5,305**
IAS 29 impact	(24)		99	75
Capital and retained earnings at 1 January 2022	**6,200**	**52**	**(872)**	**5,380**
Other movements	(71)			(71)
Dividends	(225)			(225)
Changes in assets and liabilities recognised directly in equity		(5)	122	117
Net income for 2022	**464**			**464**
Capital and retained earnings at 31 December 2022	**6,368**	**47**	**(750)**	**5,665**

Main minority interests

The assessment of the material nature of minority interests is based on the contribution of the subsidiaries to the BNP Paribas Fortis' balance sheet (before elimination of intra-group transactions) and to the BNP Paribas Fortis' result.

	31 December 2022	Year to 31 Dec. 2022						
In millions of euros	**Total assets before elimination of intra-group transactions**	**Revenues**	**Net income**	**Net income and changes in assets and liabilities recognised directly in equity**	**Interest (%)**	**Net income attributable to minority interests**	**Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests**	**Dividends paid to minority shareholders**
Contribution of the entities belonging to the BGL BNP Paribas Group	61,834	1,661	544	353	50%	355	260	204
Other minority interests						109	321	21
TOTAL						**464**	**581**	**225**

	31 December 2021	Year to 31 Dec. 2021						
In millions of euros	**Total assets before elimination of intra-group transactions**	**Revenues**	**Net income**	**Net income and changes in assets and liabilities recognised directly in equity**	**Interest (%)**	**Net income attributable to minority interests**	**Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests**	**Dividends paid to minority shareholders**
Contribution of the entities belonging to the BGL BNP Paribas Group	62,032	1,606	559	513	50%	369	346	284
Other minority interests						99	(98)	7
TOTAL						**468**	**248**	**291**

Internal restructuring that led to a change in minority shareholders' interest in the equity of subsidiaries

No significant internal restructuring operation occurred during 2022, nor during 2021.

Commitments to repurchase minority shareholders' interests

In connection with the acquisition of certain entities, BNP Paribas Fortis granted minority shareholders put options on their holdings.

The total value of these commitments, which are recorded as a reduction in shareholders' equity, amounts to EUR 135.0 million at 31 December 2022, compared with EUR 103.0 million at 31 December 2021.

7.d Significant restrictions in subsidiaries, associates and joint ventures

Significant restrictions relating to the ability of entities to transfer cash to BNP Paribas Fortis

The ability of entities to pay dividends or to repay loans and advances depends, inter alia, on local regulatory requirements for capitalisation and legal reserves, as well as the entities' financial and operating performance. During 2022, no BNP Paribas Fortis Group entities were subject to significant restrictions other than those related to regulatory requirements.

Significant restrictions relating to BNP Paribas Fortis' ability to use the assets lodged in consolidated structured entities

Access to the assets of consolidated structured entities in which third-party investors (other than BNP Paribas Group entities) have invested is limited in as much as these entities' assets are reserved for the holders of units or securities. At the end of 31 December 2022 and 2021 respectively, the involved assets were immaterial.

Significant restrictions relating to BNP Paribas Fortis' ability to use assets pledged as collateral or under repurchase agreements

The financial instruments pledged by BNP Paribas Fortis as collateral or under repurchase agreements are reported in Note 4.p and 5.d.

Significant restrictions relating to liquidity reserves

Significant restrictions related to liquidity reserves correspond to the mandatory deposits placed with central banks presented in Chapter 'Risk management and capital adequacy - Liquidity and refinancing risk'.

7.e Structured entities

BNP Paribas Fortis considers that it has sponsored a structured entity when it has been involved in its design.

BNP Paribas Fortis is engaged in transactions with sponsored structured entities primarily through its activities of securitisation of financial assets as either the originator or the sponsor, fund management and specialised asset financing.

In addition, BNP Paribas Fortis is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds or securitisation vehicles.

The method for assessing control of structured entities is detailed in Note 1.c.2 'Consolidation methods'.

Consolidated structured entities

The main category of consolidated structured entities is:

Proprietary securitisation: proprietary securitisation positions originated and held by BNP Paribas Fortis.

Unconsolidated structured entities

BNP Paribas Fortis has entered into relations with unconsolidated structured entities in the course of its business activities in order to meet the needs of its customers.

Information relating to interests in sponsored structured entities

The main categories of unconsolidated sponsored structured entities are as follows:

Securitisation: BNP Paribas Fortis structures securitisation vehicles for the purposes of offering customers financing solutions for their assets, either directly or through consolidated ABCP conduits. Each vehicle finances the purchase of customers' assets (receivables, bonds, etc.) primarily by issuing bonds backed by these assets, whose redemption is linked to their performance.

Funds: BNP Paribas Fortis structures and manages funds in order to offer investment opportunities to its customers. Dedicated or public funds are offered to institutional and individual customers, and are distributed and commercially monitored by BNP Paribas Fortis. The BNP Paribas Fortis entities responsible for managing these funds may receive management fees and performance commission. Moreover, BNP Paribas Fortis may hold units in these funds.

Asset financing: BNP Paribas Fortis finances structured entities that acquire assets (ships, export finance etc.) intended for lease, and the lease payments received by the structured entity are used to repay the financing, which is guaranteed by the asset held by the structured entity.

Other: On behalf of its customers, BNP Paribas Fortis may also structure entities which invest in assets or are involved in debt restructuring.

An interest in an unconsolidated structured entity is a contractual or non-contractual link that exposes BNP Paribas Fortis to variable returns from the performance of the entity.

BNP Paribas Fortis' assets and liabilities relating to the interests held in sponsored structured entities are as follows:

Interests on BNP Paribas Fortis balance sheet In millions of euros	31 December 2022			
	Securitisation	Funds	Others	Total
ASSETS				
Financial instruments at fair value through profit and loss	-	-	-	-
Derivatives used for hedging purposes	-	-	-	-
Financial assets at fair value through equity	-	-	-	-
Financial assets at amortised cost	-	-	8	8
Other assets	-	-	-	-
TOTAL ASSETS	-	-	8	8
LIABILITIES				
Financial instruments at fair value through profit and loss	13	-	-	13
Derivatives used for hedging purposes	-	-	-	-
Financial liabilities at amortised cost	495	1	6	502
Other liabilities	4	-	-	4
TOTAL LIABILITIES	512	1	6	519
Funded exposure	-	-	8	8
Unfunded exposure	-	-	39	39
Financing commitments	-	-	39	39
Guarantee commitments and derivatives	-	-	-	-
MAXIMUM EXPOSURE TO LOSS	-	-	47	47
SIZE OF STRUCTURED ENTITIES [(1)]	188	94	552	834

Interests on BNP Paribas Fortis balance sheet In millions of euros	31 December 2021			
	Securitisation	Funds	Others	Total
ASSETS				
Financial instruments at fair value through profit and loss	-	-	-	-
Derivatives used for hedging purposes	-	-	-	-
Financial assets at fair value through equity	-	-	-	-
Financial assets at amortised cost	-	-	9	9
Other assets	-	93	-	93
TOTAL ASSETS	**-**	**93**	**9**	**102**
LIABILITIES				
Financial instruments at fair value through profit and loss	14	-	-	14
Derivatives used for hedging purposes	-	-	-	-
Financial liabilities at amortised cost	631	3	22	656
Other liabilities	5	-	-	5
TOTAL LIABILITIES	**650**	**3**	**22**	**675**
Funded exposure	**-**	**93**	**9**	**102**
Unfunded exposure	**-**	**-**	**39**	**39**
Financing commitments	-	-	39	39
Guarantee commitments and derivatives	-	-	-	-
MAXIMUM EXPOSURE TO LOSS	**-**	**93**	**48**	**141**
SIZE OF STRUCTURED ENTITIES (1)	**267**	**152**	**462**	**881**

(1) The size of sponsored structured entities equals the total assets of the structured entity for securitisation vehicles, the net asset value for funds (excluding management mandates) and the structured entity's total assets or the amount of BNP Paribas Fortis commitment for asset financing and other structures

The BNP Paribas Fortis' maximum exposure to losses on sponsored structured entities is the carrying amount of the assets, excluding, for financial assets at fair value through equity, changes in value taken directly to equity, as well as the nominal amount of the financing commitments and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

Information relating to interests in non-sponsored structured entities

The main interests held by BNP Paribas Fortis when it acts solely as an investor in non-sponsored structured entities are detailed below:

- units in other funds not managed by BNP Paribas Fortis: as part of its trading business, BNP Paribas Fortis invests in structured entities without any involvement in either managing or structuring these entities (investments in mutual funds, securities funds or alternative funds), particularly as economic hedge for structured products sold to customers. BNP Paribas Fortis also invests in minority holdings in support of companies as part of its venture capital business. In 31 December 2022 the bank didn't perform any investments and in December 2021 they were very limited.
- investments in securitisation vehicles: the investments in securitisation vehicles amounted to EUR 0,5 billion as at 31 December 2022 (EUR 0,6 billion as at 31 December 2021). Furthermore, BNP Paribas Fortis also has positions on SPVs that are sponsored by BNP Paribas Group, but not sponsored by BNP Paribas Fortis, these investments were immaterial at 31 December 2022 and 2021.

7.f Compensation and benefits awarded to BNP Paribas Fortis' corporate officers

The remuneration policy for the Board of Directors and Executive Board did not change significantly during 2022.

Remuneration of the Members of the Board of Directors

Remuneration policy with regard to the Members of the Board of Directors

The members of the Board of Directors receive a remuneration based on the principles set out below, as approved by the Ordinary General Shareholders' Meeting of 21 April 2022, during which the increase of the Board remuneration to a total of maximum EUR 1.35 million per annum was confirmed.

Since January 1st 2018, mandates held by employees of the BNP Paribas Group in a subsidiary of the BNP Paribas Group (whether in France or abroad), are exercised without remuneration.

This rule does not impact the independent non-executive directors of BNP Paribas Fortis SA/NV. The non-executive directors that are BNP Paribas SA employees do not receive any remuneration for their mandates held within BNP Paribas Fortis SA/NV. The executive directors of BNP Paribas Fortis SA/NV, are not entitled to receive any remuneration for their mandates held within subsidiaries of BNP Paribas Group, with the obvious exception for their executive mandate held within BNP Paribas Fortis SA/NV itself. Moreover, there is an exception for the mandates held within BGL BNP Paribas SA.

Annual fixed salary Chairman Board of Directors	EUR	50,000	(gross)
Annual fixed salary Board Members	EUR	25,000	(gross)
Attendance fee Chairman Board of Directors	EUR	4,000	(gross)
Attendance fee Members Board of Directors	EUR	2,000	(gross)
Attendance fee Chairman Board Committees	EUR	4,400	(gross)
Attendance fee Members Board Committees	EUR	2,200	(gross)

The non-executive members of the Board of Directors do not receive any variable pay, pension plan or insurances, nor any other benefits[1].

[1] *With the exception of the Chairman of the Board of Directors, who receives the use of a company car and mobile phone.*

Remuneration for the year

The table below shows the gross Board remuneration paid in 2022 to members of the Board of Directors.

In euros		Fixed fees	Attendance fees board*	Total 2022
Herman DAEMS	Chairman	50,000	157,600	207,600
Michael ANSEEUW	Executive director	25,000	24,000	49,000
Didier BEAUVOIS	Executive director	25,000	22,000	47,000
Dirk BOOGMANS	Non-executive director **	25,000	140,400	165,400
Antoinette d'ASPREMONT LYNDEN	Non-executive and independent director	25,000	138,200	163,200
Daniel de CLERCK	Executive director	25,000	26,000	51,000
Sophie DUTORDOIR	Non-executive director ***	25,000	118,600	143,600
Wouter DE PLOEY (as from 1 December 2022)	Non-executive and independent director	6,250	2,000	8,250
Maxime JADOT	Executive director	25,000	26,000	51,000
Anne LECLERCQ (as from 21 April 2022)	Non-executive and independent director	18,750	66,600	85,350
Piet VAN AKEN	Executive director	25,000	26,000	51,000
Titia VAN WAEYENBERGE	Non-executive and independent director	25,000	98,600	123,600
Stéphane VERMEIRE	Executive director	25,000	24,000	49,000
Sandra WILIKENS (as from 21 April 2022)	Executive director	18,750	16,000	34,750
		343,750	**886,000**	**1,229,750**

** This column includes the Board fees for all sub committees of the Board of Directors*

*** Dirk Boogmans qualified as independent director up until 21 April 2022.*

**** Sophie Dutordoir qualified as independent director up until 30 November 2022*

Remuneration of the members of the Executive Board

Remuneration policy regarding the members of the Executive Board

The members of the Executive Board have a self-employed status and receive a Board remuneration based on the same principles as non-executive members of the Board of Directors. In addition, they are rewarded for their function in the Executive Board through the following components: (i) fixed monthly remuneration; (ii) variable annual remuneration based on the achievement of clear performance criteria and risk monitoring linked to collective and individual performance criteria (as mentioned below); (iii) a company insurance plan (pension plan, hospital plan, life insurance and disability benefits); (iv) benefits in kind (the use of a company car, mobile phone, tablet and internet); and (v) the opportunity to obtain share-based long-term incentive payments. Their remuneration is subject to strict regulation under the European Capital Requirements Directive IV ('CRD IV') and the Belgian Banking Law.

The remuneration structure and the policy on the levels of remuneration are determined by the Board of Directors, upon a recommendation of the Remuneration Committee with reference to common practices and market benchmarking for determining appropriate executive management compensation, and with guidance from specialised consultancy firms. The governance relating to this remuneration followed the same principles and processes as last year and it is expected to continue to do so in the coming years.

Performance criteria used to determine variable remuneration

The entire process described hereunder is audited by the Inspection Générale, which is BNP Paribas Fortis' internal audit department.

Individual performance

A self-assessment is prepared by each Executive Board member, which is then challenged by the Chief Executive Officer, who decides on the scoring in close discussion with the Chairman of the Board of Directors. An overall assessment is also made by the Risk and Compliance departments.

The individual performance aims at attaining personal objectives and managerial performance as assessed by the Board of Directors.

Team performance based on Bank Key Performance Indicators (KPIs)

Collective performance is based on Key Performance Indicators (KPIs), designed to show that the Executive Board is acting as one team. Every year, BNP Paribas Fortis draws up a strategic plan, from which are derived indicators enabling the Executive Board to measure and assess BNP Paribas Fortis' collective performance. The performance criteria measured for each business are: financial results, cost management, risk management/compliance, long term developments, Corporate Social Responsibility, and people management. On a yearly basis, the Executive Board receives a score for its overall collective performance.

The appraisal period during which performance is assessed is January to December of each year. The methods used to assess the performance against targets are both qualitative (customer satisfaction, sound risk governance, Global People Survey results, Team motivation barometer, people management, etc.) and quantitative (net operating profit, gross income, evolution cost of risk, increase in market share, etc.).

Future performance applied to the deferred part of the variable remuneration

The variable part of the remuneration is subject to the deferral principle, whereby the deferred part is conditional on the future performance of BNP Paribas Fortis and on sound risk management

Remuneration for the year

The table below shows the gross remuneration paid or payable to the members of the Executive Board for the year 2022, including benefits in kind and director's fees

In euros	2022		2021	
	Chief Executive Officer	**Other Members of the Executive Board**	**Chief Executive Officer**	**Other Members of the Executive Board**
Remuneration				
Fixed	998,513	2,453,250	998,513	2,169,500
Cash part of variable	261,800	674,800	261,800	532,880
Deferred part of variable	252,700	365,200	252,700	365,120
Multi-annual variable compensation (1)	140,000	357,000	140,000	335,700
Director's fees (2)	111,016	358,266	111,016	328,516
Benefits in Kind (3)	3,314	21,866	3,565	23,978
Pension, life insurance and orphan's pension (4)	317,857	325,516	298,184	276,787
Total	**2,085,200**	**4,555,898**	**2,065,778**	**4,032,481**

(1) In order to fully comply with CRD IV applicable to the credit institutions, the multi-annual variable compensation indicated is the amount related to the performance of the year under review and not the amount allocated during the year under review. As from 2016, in order to comply with the European Banking Authority ("EBA") Guidelines of 21 December 2016, the multi-annual variable compensation is disclosed, taking into account the fair value determined at the time the compensation was granted

(2) In order to comply with article 3:6 of the Code on Companies and associations, the board fees received in the controlled perimeter are included

(3) The members of the Executive Board each have a company car and a mobile phone

(4) For defined contribution plan and defined benefit plan: sum of contributions by BNP Paribas Fortis

Information on multi-annual variable compensation

Contingent Sustainable and International Scheme ('CSIS') 2016, 2017, 2018, 2019, 2020, 2021 and 2022

'CSIS' is designed to compensate Material Risk Takers, identified as key employees of BNP Paribas Group, for their performance on terms that are compliant with EU rules, provided that they act in the long-term interests of the BNP Paribas Group. The scheme is intended to support the effective alignment of compensation with prudent risk-taking behavior. In compliance with CRD IV, the CSIS provides for the award of instruments that can be fully written down to adequately reflect the credit quality of the BNP Paribas Group as a going concern.

To this end, payments under the CSIS will be cancelled if, whenever during the Plan duration the BNP Paribas Group's CET1 ratio falls below 7% or if the BNP Paribas Group enters into a resolution procedure.

In addition, in order to reflect the BNP Paribas Group ambition to grow while acting with environmental, economic and social responsibility, the BNP Paribas Group has also decided:

- to make:
  - 85% of the CSIS Award subject to a condition based on the operating performance of the BNP Paribas Group ('Group Performance Indicator – GPI');
  - 15% of the CSIS Award subject to a condition based on the Corporate Social Responsibility ('CSR') performance, as it is considered essential that the BNP Paribas Group acts at all levels, and in a significant way, to promote greater environmental, economic and social responsibility; and
- to condition any payment under the scheme to the BNP Paribas Group Pre-Tax Income being positive.

The CSIS Award is a cash amount denominated in local currency (the 'Notional Instrument Amount') bearing an interest rate (the 'Interest Amount').

For 2016 the Vesting Period started on 1 January 2017 and ends on 1 January 2022. There was a retention period of 6 months between 1 January 2022 and 30 June 2022. Given the Group Operational and Corporate Social Responsibility performance between 2016 and 2021, the amount paid on 30 June 2022 was 80,3% of the awarded amount (notional instrument amount). The maximum amount under the scheme is paid if the Group Operating performance of 50% is achieved and the CSR criteria are fulfilled. The Group Operating performance achieved was equal to 13,3%. The CSR criteria were fulfilled.

For 2017 the Vesting Period started on 1 January 2018 and ends on 1 January 2023. There is a retention period of 6 months between 1 January 2023 and 30 June 2023. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2023 to 30 June 2023. The annual interest rate is equal to 1.25%.

For 2018 the Vesting Period started on 1 January 2019 and ends on 1 January 2024. There is a retention period of 6 months between 1 January 2024 and 30 June 2024. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2024 to 30 June 2024. The annual interest rate is equal to 2.09%.

For 2019 the Vesting Period started on 1 January 2020 and ends on 1 January 2025. There is a retention period of 6 months between 1 January 2025 and 30 June 2025. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2025 to 30 June 2025. The annual interest rate is equal to 1.1%.

For 2020 the Vesting Period started on 1 January 2021 and ends on 1 January 2026. There is a retention period of 6 months between 1 January 2026 and 30 June 2026. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2026 to 30 June 2026. The annual interest rate is equal to 0.8%.

For 2021 the Vesting Period started on 1 January 2022 and ends on 1 January 2027. There is a retention period of 6 months between 1 January 2027 and 30 June 2027. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2027 to 30 June 2027. The annual interest rate is equal to 1.28%.

For the allocation in respect with the performance year 2022 the Vesting Period starts on 1 January 2023 and ends on 1 January 2028. There is a retention period of 6 months between 1 January 2028 and 30 June 2028. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2028 to 30 June 2028. The annual interest rate is equal to 2.9%.

Growth Technology Sustainability scheme (GTS)

The Growth, Technology, Sustainability (« GTS ») scheme is designed to have selected key employees of the Group associated with BNP Paribas' 2025 strategic plan. This scheme was exceptionally awarded in 2022 and is intended to retain and motivate the Beneficiaries by aligning their interests with the Group's objectives in terms of average annual operational performance over the duration of the strategic plan GTS 2025.

The Award will be paid on June 30th 2026, subject to the respect of personal conditions and of the following performance conditions:

- The payment will be linked to the average annual evolution of the Gross operating income (GOI), excluding SRF (contribution to the Single Resolution Fund) of the BNP Paribas Group over the duration of the strategic plan, i.e. between 2021 and 2025, with the application of a grid from 0% to 100% of the allocated amount.
- The Award will not be paid, and any rights to it will lapse if the BNP Paribas Group Pre-Tax Income for the financial year 2025 is negative.

Information on severance pay

In 2022 no termination benefits were paid to members of the Executive Board.

Relations with key management personnel

At 31 December 2022, total outstanding loans and guarantees granted to the members of the Board of Directors and their close family members, amounted to EUR 4.1 million. These loans and guarantees constitute normal transactions, carried out at normal market and/or client conditions.

7.g Other related parties

Other related parties of the BNP Paribas Fortis comprise:

- BNP Paribas (and all its subsidiaries) which has control over BNP Paribas Fortis;
- consolidated companies of BNP Paribas Fortis (including entities consolidated under the equity method);
- and entities managing post-employment benefit plans offered to BNP Paribas Fortis' employees.

Transactions between BNP Paribas Fortis and related parties are carried out on an arm's length basis.

Relations between consolidated companies

A list of companies consolidated by BNP Paribas Fortis is provided in note 7.j 'Scope of consolidation'. Transactions and outstanding balances between fully-consolidated entities of BNP Paribas Fortis are eliminated.

Tables below show transactions carried out with entities consolidated under the equity method and entities of the BNP Paribas Group.

Outstanding balances of related party transactions

In millions of euros	31 December 2022			31 December 2021		
	Entities of the BNP Paribas Group	Joint ventures	Associates (1)	Entities of the BNP Paribas Group	Joint ventures	Associates (1)
ASSETS						
Demand accounts	4,890	-	49	2,366	-	44
Loans	4,517	68	669	3,544	112	190
Securities	51	-	140	100	-	97
Other assets	316	-	62	210	-	121
Total assets	**9,774**	**68**	**920**	**6,220**	**112**	**452**
LIABILITIES						
Demand accounts	720	115	229	605	122	368
Other borrowings	25,920	-	811	24,854	20	1,039
Other liabilities	736	-	26	308	-	18
Total liabilities	**27,376**	**115**	**1,066**	**25,767**	**142**	**1,425**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS						
Financing commitments given	31	24	61	22	23	70
Guarantee commitments given	5,611	64	65	5,877	1,468	87
Total	**5,642**	**88**	**126**	**5,899**	**1,491**	**157**

(1) Including controlled but non material entities consolidated under the equity method

BNP Paribas Fortis also carries out trading transactions with related parties involving derivatives (swaps, options and forwards,...) and financial instruments (equities, bonds,....).

Related-party profit and loss items

In millions of euros	Year to 31 Dec. 2022			Year to 31 Dec. 2021		
	Entities of the BNP Paribas Group	Joint ventures	Associates (1)	Entities of the BNP Paribas Group	Joint ventures	Associates (1)
Interest income	371	6	7	315	7	5
Interest expense	(711)	-	(7)	(612)	(3)	(3)
Commission income	163	-	599	140	3	604
Commission expense	(135)	-	(17)	(101)	-	(14)
Services provided	77	-	43	74	-	37
Services received	(290)	-	(80)	(187)	-	(67)
Lease income	42	-	10	41	-	11
Total	**(483)**	**6**	**555**	**(330)**	**7**	**573**

(1) Including controlled but non material entities consolidated under the equity method

BNP Paribas Fortis entities managing certain post-employment benefit plans offered to employees

BNP Paribas Fortis funds a number of pension schemes managed by AG Insurance in which BNP Paribas Fortis has a 25% equity interest.

7.h Financial instruments by maturity

The table below gives a breakdown of balance sheet items by contractual maturity for single-maturity contracts, and by cash flows for assets with a repayment date. The source of the data in this table is identical to that used to prepare the regulatory liquidity reporting (such as the Liquidity Coverage Ratio or the Net Stable Funding Ratio).

Financial liabilities are mainly classified under the heading 'on demand' given the importance of sight deposits and savings deposits, while financial assets are mostly classified under the heading 'more than one year', as a result of the long maturities of term loans and mortgage loans.

The maturities of the 'trading portfolio' transactions reported under financial assets and liabilities measured at fair value through profit or loss are regarded as 'undetermined' insofar as these instruments are intended to be sold or redeemed before their contractual maturity dates.

The maturities of derivative hedging instruments and the remeasurement adjustment on interest-rate risk hedged portfolios are also deemed to be 'undetermined'.

In millions of euros at 31 December 2022	**Not determined**	**Overnight or demand**	**Up to 1 month (excl. overnight)**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**TOTAL**
Cash and balances at central banks	-	39,009	-	-	-	-	-	39,009
Financial instruments at fair value through profit or loss	8,358	-	1,899	464	1,231	352	11	12,315
Derivatives used for hedging purposes	6,499	-	-	-	-	-	-	6,499
Remeasurement adjustment on interest-rate risk hedged portfolios	(907)	-	-	-	-	-	-	(907)
Financial assets at fair value through equity	133	-	186	133	137	1,887	3,401	5,877
Financial assets at amortised cost	-	7,606	11,382	16,015	31,568	85,193	84,082	235,846
Financial assets by maturity	**14,083**	**46,615**	**13,467**	**16,612**	**32,936**	**87,432**	**87,494**	**298,639**
Deposits from central banks	-	2,363	-	-	-	-	-	2,363
Financial instruments at fair value through profit or loss	7,187	-	7,387	485	1,165	1,239	1,057	18,520
Derivatives used for hedging purposes	9,692	-	-	-	-	-	-	9,692
Remeasurement adjustment on interest-rate risk hedged portfolios	(5,216)	-	-	-	-	-	-	(5,216)
Financial liabilities at amortised cost	-	184,710	18,763	14,014	29,419	12,433	2,479	261,818
Financial liabilities by maturity*	**11,663**	**187,073**	**26,150**	**14,499**	**30,584**	**13,672**	**3,536**	**287,177**

**The disclosure does not contain information with regard to Arval where the external funding of this activity amounts to EUR 15.7 billion, for which the biggest part arrives at maturity within 1 to 5 years, the remaining funding being within 1 year.*

In millions of euros at 31 December 2021	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and balances at central banks	-	61,263	-	-	-	-	-	61,263
Financial instruments at fair value through profit or loss	7,610	1	3,162	425	1,807	618	11	13,634
Derivatives used for hedging purposes	1,982	-	-	-	-	-	-	1,982
Remeasurement adjustment on interest-rate risk hedged portfolios	1,812	-	-	-	-	-	-	1,812
Financial assets at fair value through equity	310	-	192	341	668	2,815	3,535	7,861
Financial assets at amortised cost	-	7,126	8,082	13,450	27,741	80,755	73,702	210,856
Financial assets by maturity	**11,714**	**68,390**	**11,436**	**14,216**	**30,216**	**84,188**	**77,248**	**297,408**
Deposits from central banks	-	426	-	-	-	-	-	426
Financial instruments at fair value through profit or loss	4,526	-	11,824	489	2,451	1,458	1,625	22,373
Derivatives used for hedging purposes	3,215	-	-	-	-	-	-	3,215
Remeasurement adjustment on interest-rate risk hedged portfolios	472	-	-	-	-	-	-	472
Financial liabilities at amortised cost	-	183,894	9,992	14,866	11,107	39,093	2,302	261,254
Financial liabilities by maturity*	**8,213**	**184,320**	**21,816**	**15,355**	**13,558**	**40,551**	**3,927**	**287,740**

* *The disclosure does not contain information with regard to Arval where the external funding of this activity amounts to EUR 9.6 billion, for which the biggest part arrives at maturity within 1 to 5 years, the remaining funding being within 1 year.*

7.i Fair value of financial instruments carried at amortised cost

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- these fair values are an estimate of the value of the relevant instruments as of 31 December 2022. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas Fortis as a going concern;
- most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments;
- estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful;

- the fair values shown below do not include the fair values of finance lease transactions, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of BNP Paribas Fortis.

31 December 2022 In millions of euros	Estimated fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and advances to credit institutions and customers [1]	-	14,835	184,127	198,962	207,301
Debt securities at amortised cost (note 4.e)	11,878	637	1	12,516	13,151
FINANCIAL LIABILITIES					
Deposits from credit institutions and customers	-	259,194	-	259,194	258,987
Debt securities (note 4.h)	-	16,170	-	16,170	16,252
Subordinated debt (note 4.h)	-	2,284	-	2,284	2,283

31 December 2021 In millions of euros	Estimated fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and advances to credit institutions and customers [1]	-	14,961	169,931	184,892	181,541
Debt securities at amortised cost (note 4.e)	10,733	866	175	11,774	11,712
FINANCIAL LIABILITIES					
Deposits from credit institutions and customers	-	255,854	-	255,854	255,647
Debt securities (note 4.h)	-	12,746	-	12,746	12,878
Subordinated debt (note 4.h)	-	2,298	-	2,298	2,296

(1) Finance leases excluded

The valuation techniques and assumptions used by BNP Paribas Fortis ensure that the fair value of financial assets and liabilities carried at amortised cost is measured on a consistent basis throughout the bank. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and debt securities at amortised cost, or specific valuation models for other financial instruments as described in note 1. 'Summary of significant accounting policies applied by BNP Paribas Fortis'. The description of the fair value hierarchy levels is also presented in the accounting principles (note 1.f.9). In the case of loans, liabilities and debt securities at amortised cost that have an initial maturity of less than one year (including demand deposits) or of most regulated savings products, fair value equates to the carrying amount. These instruments have been classified in Level 2, except for loans to customers which are classified in Level 3.

7.j Scope of consolidation

Name	Country	31 December 2022 Method	31 December 2022 Voting (%)	31 December 2022 Interest (%)	31 December 2022 Ref.	31 December 2021 Method	31 December 2021 Voting (%)	31 December 2021 Interest (%)	Ref.
Consolidating company									
BNP Paribas Fortis	Belgium								
Belgium									
AG Insurance	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	
Alpha Crédit SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Belgium NV SA	Belgium	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
Axepta BNPP Benelux	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Bancontact Payconiq Company	Belgium	Equity	22.5%	22.5%		Equity	22.5%	22.5%	
Banking Funding Company SA	Belgium				S1	Equity	33.5%	33.5%	
Batopin	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	E1
Belgian Mobile ID	Belgium	Equity	12.2%	12.2%		Equity	12.2%	12.2%	V3
BNP Paribas 3 Step IT (Belgium Branch)	Belgium	Full	100.0%	12.8%		Full	100.0%	12.8%	
BNP Paribas Fortis Factor NV SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Belgium NV	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Expansion	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Management	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Lease Group Belgium	Belgium	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Fortis Film Finance	Belgium	Full	99.9%	99.9%		Full	99.9%	99.9%	V4
bpost bank	Belgium	Full	100.0%	100.0%	V1 D2	Equity 1	50.0%	50.0%	
CNH Industrial Capital Europe Belgium Branch	Belgium	Full	100.0%	12.5%		Full	100.0%	12.5%	
Credissimo	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Credissimo Hainaut SA	Belgium	Full	99.7%	99.7%		Full	99.7%	99.7%	
Crédit pour Habitations Sociales	Belgium	Full	81.7%	81.7%		Full	81.7%	81.7%	

New entries (E) in the scope of consolidation

- **E1** Passing qualifying thresholds
- **E2** Incorporation
- **E3** Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

- **S1** Cessation of activity (including dissolution, liquidation)
- **S2** Disposal, loss of control or loss of significant influence
- **S3** Entities removed from the scope because < qualifying thresholds
- **S4** Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

- **V1** Additional purchase
- **V2** Partial disposal
- **V3** Dilution
- **V4** Increase in %

Miscellaneous

- **D1** Consolidation method change not related to fluctuation in voting or ownership interest
- **D2** bpost bank was consolidated under equity method in BNP Paribas Fortis until 31 December 2021. Following the additional purchase of interest by BNP Paribas Fortis, bpost bank was fully consolidated.

Prudential scope of consolidation

- **1** Jointly controlled entities under proportional consolidation for prudential purposes.
- **2** Entities consolidated under the equity method in the prudential scope.
- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

		31 December 2022					31 December 2021				
Name	Country	Method		Voting (%)	Interest (%)	Ref.	Method		Voting (%)	Interest (%)	Ref.
Demetris NV	Belgium	Full		99.9%	99.9%	E1					
Eos Aremas Belgium S.A./N.V.	Belgium	Equity		49.9%	49.9%		Equity		49.9%	49.9%	
Es-Finance	Belgium	Full		100.0%	99.9%		Full		100.0%	99.9%	
Fortis Lease Belgium	Belgium	Full		100.0%	25.0%		Full		100.0%	25.0%	
FScholen	Belgium	Equity	1	50.0%	50.0%		Equity	1	50.0%	50.0%	
Immobilière Sauvenière S.A.	Belgium	Full		100.0%	99.9%		Full		100.0%	99.9%	
Private Equity Investments (a)	BE/FR/LU	FV					FV				
Isabel SA NV	Belgium	Equity		25.3%	25.3%		Equity		25.3%	25.3%	
Locadif	Belgium	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Microstart	Belgium	Full		42.3%	76.8%		Full		42.3%	76.8%	V3
Sowo Invest SA NV	Belgium	Full		87.5%	87.5%		Full		87.5%	87.5%	
Terberg Leasing Justlease Belgium BV	Belgium	Full	2	99.9%	100.0%	E3					
Belgium - Special Purpose Entities											
Bass Master Issuer NV	Belgium	Full					Full				
Esmée Master Issuer	Belgium	Full					Full				
FL Zeebrugge	Belgium	Full					Full				
Belgium - Structured Entities											
Epimede	Belgium	Equity					Equity				
Luxembourg											
Arval Luxembourg SA	Luxembourg	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
BGL BNP Paribas	Luxembourg	Full		50.0%	50.0%		Full		50.0%	50.0%	
BNP Paribas Fortis Funding S.A.	Luxembourg	Full		100.0%	99.9%		Full		100.0%	99.9%	
BNP Paribas Lease Group Luxembourg S.A.	Luxembourg	Full		100.0%	50.0%		Full		100.0%	50.0%	
BNP Paribas Leasing Solutions	Luxembourg	Full		50.0%	25.0%		Full		50.0%	25.0%	
Cardif Lux Vie	Luxembourg	Equity		33.3%	16.7%		Equity		33.3%	16.7%	
Cofhylux S.A.	Luxembourg	Full		100.0%	50.0%		Full		100.0%	50.0%	
Luxhub SA	Luxembourg	Equity		28.0%	14.0%		Equity		28.0%	14.0%	
Visalux	Luxembourg	Equity		25.3%	12.6%		Equity		25.3%	12.6%	V3

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Removals (S) from the scope of consolidation

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- **V1** Additional purchase
- **V2** Partial disposal
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Prudential scope of consolidation

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- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

Name	Country	31 December 2022					31 December 2021					
		Method		Voting (%)	Interest (%)	Ref.	Method		Voting (%)	Interest (%)	Ref.
Rest of the world											
Aprolis Finance	France	Full		51.0%	12.8%		Full		51.0%	12.8%	
Artegy	France	Full		100.0%	25.0%		Full		100.0%	25.0%	
Artel	France	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval AB	Sweden	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval AS	Denmark	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval AS Norway	Norway	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Austria GmbH	Austria	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Benelux BV	The Netherlands					S4	Full	2	100.0%	99.9%	
Arval Brasil LTDA	Brazil	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval BV	The Netherlands	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval CZ SRO	Czech Republic	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Deutschland GmbH	Germany	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Fleet Services	France	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Fuhrparkmanagement GmbH	Austria										S4
Arval Hellas Car Rental SA	Greece	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval India Private Ltd	India										S3
Arval LLC	Russia	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Magyarorszag KFT	Hungary	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Maroc SA	Morocco	Full	2	66.7%	66.7%		Full	2	66.7%	66.7%	
Arval Oy	Finland	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Relsa SPA	Chile	Equity		50.0%	50.0%		Equity		50.0%	50.0%	
Arval Schweiz AG	Switzerland	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Service Lease	France	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Service Lease Aluger Operational Automoveis SA	Portugal	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Service Lease Italia SPA	Italy	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Service Lease Polska SP ZOO	Poland	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Service Lease Romania SRL	Romania	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Service Lease SA	Spain	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Slovakia SRO	Slovakia	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval Trading	France	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Arval UK Group Ltd	United Kingdom	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	

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Prudential scope of consolidation

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Miscellaneous

- **D1** Consolidation method change not related to fluctuation in voting or ownership interest
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		31 December 2022				31 December 2021			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Arval UK Leasing Services Ltd	United Kingdom	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
Arval UK Ltd	United Kingdom	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
Bantas Nakit AS	Turkey	Equity 1	33.3%	16.7%		Equity 1	33.3%	16.7%	
BGL BNP Paribas S.A. (Germany Branch)	Germany	Full	100.0%	50.0%		Full	100.0%	50.0%	
BNL Leasing SPA	Italy	Equity	26.2%	6.5%		Equity	26.2%	6.5%	
BNP Paribas 3 STEP IT	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
BNP Paribas 3 Step IT (Germany Branch)	Germany	Full	100.0%	12.8%		Full	100.0%	12.8%	
BNP Paribas 3 Step IT (Italy Branch)	Italy	Full	100.0%	12.8%		Full	100.0%	12.8%	
BNP Paribas 3 Step IT (Netherlands Branch)	The Netherlands	Full	100.0%	12.8%		Full	100.0%	12.8%	
BNP Paribas3 Step It (United Kingdom Branch)	United Kingdom	Full	100.0%	12.8%		Full	100.0%	12.8%	
BNP Paribas Commercial Finance Limited	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Factor AS	Denmark	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Factor Gmbh	Germany	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Finansal Kiralama A.S.	Turkey	Full	100.0%	26.1%		Full	100.0%	26.1%	
BNP Paribas Fortis (Spain branch)	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Fortis (U.S.A branch)	United States	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Fortis Yatirimlar Holding AS	Turkey	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Lease Group	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions IFN S.A.	Romania	Full	99.9%	24.9%		Full	99.9%	24.9%	
BNP Paribas Lease Group Leasing Solutions S.P.A.	Italy	Equity	26.2%	6.5%		Equity	26.2%	6.5%	
BNP Paribas Lease Group Milan Branch	Italy	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group PLC	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Rentals Limited	United Kingdom								S1
BNP Paribas Lease Group (Germany Branch)	Germany	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Sa (Portugal Branch)	Portugal	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Sa (Spain Branch)	Spain	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Sp. Z.O.O	Poland	Full	100.0%	25.0%		Full	100.0%	25.0%	

New entries (E) in the scope of consolidation

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Removals (S) from the scope of consolidation

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Variance (V) in voting or ownership interest

- **V1** Additional purchase
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- **V3** Dilution
- **V4** Increase in %

Miscellaneous

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Prudential scope of consolidation

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- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

		31 December 2022				31 December 2021			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
BNP Paribas Leasing Solutions Ltd.	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions A.S	Denmark	Full	100.0%	25.0%	E1				
BNP Paribas Leasing Solutions N.V.	The Netherlands	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Asset Management Holding	France	Equity	33.3%	30.9%		Equity	33.3%	30.9%	
BNPP Bank Polska SA	Poland	Equity	24.1%	24.1%		Equity	24.1%	24.1%	
BNPP Factor AB	Sweden								S1
BNPP Factor NV	The Netherlands								S1
BNPP Factoring Support	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fleet Holdings Ltd	United Kingdom	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
BNPP Lease Group GmbH & Co KG	Austria								S4
BNPP Leasing Solution AS	Norway	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Leasing Solutions AB	Sweden	Full	100.0%	25.0%		Full	100.0%	25.0%	E1
BNPP Leasing Solutions GmbH (Ex - All In One Vermietung GmbH)	Austria	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Rental Solutions Ltd	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Rental Solutions SPA	Italy	Full	100.0%	25.0%		Full	100.0%	25.0%	
Claas Financial Services	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
Claas Financial Services (Germany Branch)	Germany	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services (Italy Branch)	Italy	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services Ltd	United Kingdom	Full	51.0%	12.8%		Full	51.0%	12.8%	
Claas Financial Services (Poland Branch).	Poland	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services (Spain Branch)	Spain	Full	100.0%	12.8%		Full	100.0%	12.8%	
Cent ASL	France	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	E2
CNH Industrial Capital Europe Gmbh	Austria	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe	France	Full	50.1%	12.5%		Full	50.1%	12.5%	
CNH Industrial Capital Europe BV	The Netherlands	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe (Italy Branch)	Italy	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Ltd	United Kingdom	Full	100.0%	12.5%		Full	100.0%	12.5%	

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		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
CNH Industrial Capital Europe (Poland Branch)	Poland	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe (Germany Branch)	Germany	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe (Spain Branch)	Spain	Full	100.0%	12.5%		Full	100.0%	12.5%	
Cofiparc	France	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
FCT Pulse France 2022	France	Full 2	100.0%	99.9%	E2				
Fortis Lease	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Deutschland Gmbh	Germany	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Iberia SA	Spain	Full	100.0%	41.0%		Full	100.0%	41.0%	
Fortis Lease Portugal	Portugal	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Uk Ltd	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Vastgoedlease B.V.	The Netherlands	Full	100.0%	25.0%		Full	100.0%	25.0%	
Greenval Insurance DAC	Ireland	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
Heffiq Heftruck Verhuur BV	The Netherlands	Full	50.1%	12.5%		Full	50.1%	12.5%	
JCB Finance	France	Full	100.0%	12.5%		Full	100.0%	12.5%	
JCB Finance Holdings Ltd	United Kingdom	Full	50.1%	12.5%		Full	50.1%	12.5%	
JCB Finance (Italy Branch)	Italy	Full	100.0%	12.5%		Full	100.0%	12.5%	
JCB Finance (Germany Branch)	Germany	Full	100.0%	12.5%		Full	100.0%	12.5%	
Louveo	France	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
Manitou Finance Ltd.	United Kingdom	Full	51.0%	12.8%		Full	51.0%	12.8%	
MGF	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
MGF (Germany Branch)	Germany	Full	100.0%	12.8%		Full	100.0%	12.8%	
MGF (Italy Branch)	Italy	Full	100.0%	12.8%		Full	100.0%	12.8%	
Personal Car Lease BV	The Netherlands	Full 2	100.0%	99.9%	E3				
Public Location Longue Durée	France	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
RD Leasing IFN SA	Romania								S4
Same Deutz Fahr Finance	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
TEB Arval Arac Filo Kiralama A.S.	Turkey	Full 2	100.0%	74.9%		Full 2	100.0%	74.9%	

New entries (E) in the scope of consolidation

- **E1** Passing qualifying thresholds
- **E2** Incorporation
- **E3** Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

- **S1** Cessation of activity (including dissolution, liquidation)
- **S2** Disposal, loss of control or loss of significant influence
- **S3** Entities removed from the scope because < qualifying thresholds
- **S4** Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

- **V1** Additional purchase
- **V2** Partial disposal
- **V3** Dilution
- **V4** Increase in %

Miscellaneous

- **D1** Consolidation method change not related to fluctuation in voting or ownership interest
- **D2** bpost bank was consolidated under equity method in BNP Paribas Fortis until 31 December 2021. Following the additional purchase of interest by BNP Paribas Fortis, bpost bank was fully consolidated.

Prudential scope of consolidation

- **1** Jointly controlled entities under proportional consolidation for prudential purposes.
- **2** Entities consolidated under the equity method in the prudential scope.
- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

Name	Country	31 December 2022				31 December 2021			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
TEB ARF Teknoloji Anonim Sirketi	Turkey	Full	100.0%	48.7%			100.0%	48.7%	E2
TEB Faktoring A.S.	Turkey	Full	100.0%	48.7%		Full	100.0%	48.7%	
TEB Holding A.S.	Turkey	Full	50.0%	49.9%		Full	50.0%	49.9%	
TEB Sh A	Serbia	Full	100.0%	49.9%		Full	100.0%	49.9%	
TEB Yatirim Menkul Degerler A.S.	Turkey	Full	100.0%	48.7%		Full	100.0%	48.7%	
Terberg Business Lease Group BV	The Netherlands	Full 2	100.0%	99.9%	E3				
Turk Ekonomi Bankasi A.S.	Turkey	Full	76.2%	48.7%		Full	76.2%	48.7%	
Rest of the world - Special Purpose Entities									
Folea Grundstucksverwaltungs und Vermietungs Gmbh & Co	Germany				S1	Full			
Pixel 2021	France	Full				Full			E2

(a) At 31 December 2022, 14 Private Equity investment entities versus 11 entities at 31 December 2021

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
S2 Disposal, loss of control or loss of significant influence
S3 Entities removed from the scope because < qualifying thresholds
S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

V1 Additional purchase
V2 Partial disposal
V3 Dilution
V4 Increase in %

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.
2 Entities consolidated under the equity method in the prudential scope.
Full Full consolidation
Equity Equity Method
FV Investment in associates measured at Fair Value through P&L
(s) Structured entities

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest
D2 bpost bank was consolidated under equity method in BNP Paribas Fortis until 31 December 2021. Following the additional purchase of interest by BNP Paribas Fortis, bpost bank was fully consolidated.

7.k Fees paid to the statutory auditors

As of fiscal year 2018, all audit tasks are now performed by PWC as the bank's sole auditor.

The table below shows the fees paid to the auditors (PwC, Deloitte, Mazars and others) of all consolidated entities.

Excluding tax, in thousands of euros	Year to 31 Dec. 2022						Year to 31 Dec. 2021					
	PwC		Others		Total		PwC		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Audit												
Statutory audit engagement	**1,921**	**73%**	**5,199**	**89%**	**7,120**	**84%**	**1,869**	**75%**	**5,650**	**93%**	**7,519**	**88%**
- BNP Paribas Fortis	*1,344*	*51%*	*12*	*0%*	*1,356*	*16%*	*1,296*	*52%*	*-*	*0%*	*1,296*	*15%*
- Consolidated subsidiaries	*577*	*22%*	*5,187*	*89%*	*5,764*	*68%*	*573*	*23%*	*5,650*	*93%*	*6,223*	*73%*
Services other than those required for the statutory audit engagement	**723**	**27%**	**666**	**11%**	**1,389**	**16%**	**628**	**25%**	**401**	**7%**	**1,029**	**12%**
- BNP Paribas Fortis	*396*	*15%*	*14*	*0%*	*410*	*4%*	*310*	*12%*	*14*	*0%*	*324*	*4%*
- Consolidated subsidiaries	*327*	*12%*	*652*	*11%*	*979*	*12%*	*318*	*13%*	*387*	*7%*	*705*	*8%*
TOTAL	**2,644**	**100%**	**5,865**	**100%**	**8,509**	**100%**	**2,497**	**100%**	**6,051**	**100%**	**8,548**	**100%**

The fees paid to the various networks of the Statutory Auditors other than the one certifying the Consolidated and Non-Consolidated Financial Statements of BNP Paribas Fortis, shown in the table above, amount to EUR 5,865,000 for the year 2022.

In 2022, the increase of EUR 52,000 in PwC's fees related to the certification of the financial statements is explained by:

- the impact of high inflation in 2022 on audit fees related to the certification of the financial statements of BNP Paribas Fortis and its consolidated entities.

In 2022, we note a decrease of EUR 463,000 in the Mazars and Deloitte fees related to the certification of the financial statements for the consolidated entities.

This variation is mainly due to the significant decrease in the global fees of BGL BNPP impacted by a reform of the Luxembourg regulator:

- the consolidated work for the Leasing business line performed by Mazars and paid for by BGL BNPP have been discontinued in 2022, only the statutory part performed by Deloitte has been maintained;
- the additional work (other than the statutory audit) imposed by the regulator and performed by Deloitte is now considered as other reviews and services.

This decrease is partly compensated by the increase in audit fees linked to inflation in 2022 and the inclusion of Mazars' audit fees for bpost bank included for the first time in 2022.

In 2022, the increase of EUR 95,000 in PwC fees for services other than the certification of the financial statements is mainly due to:

- a service to assist the National Bank of Belgium in the context of an inspection

In 2022, the increase of EUR 265,000 in Mazars and Deloitte fees for services other than the certification of the financial statements is explained by:

- the reform imposed by the Luxembourg regulator for which work other than the certification of financial statements and imposed by the regulator on BGL BNPP's auditors is henceforth to be considered as other reviews and services.

7.1 Events after the reporting period

Since the closing at 31 December 2022, in February 2023, the Southern parts of Turkey have been strongly affected by one of the worst earthquakes in recent history. The impact on the Turkish economy is still unclear, but BNP Paribas Fortis monitors the situation closely together with its Turkish subsidiaries that keep accompanying in particular its clients during this difficult period.

RISK MANAGEMENT AND CAPITAL ADEQUACY

INTRODUCTION

The information presented in this chapter reflects the risks carried by BNP Paribas Fortis. It provides a description of BNP Paribas Fortis' risk management organisation and a quantitative and qualitative overview of BNP Paribas Fortis' risk exposure at year-end 2022.

BNP Paribas Fortis' risk measures are presented according to the Basel III principles under the prudential scope of consolidation. These risks, calculated using methods approved by the Belgian banking supervisor, i.e. the National Bank of Belgium (NBB) and the European banking supervisor, i.e. the European Central Bank (ECB), are measured and managed as consistently as possible with the BNP Paribas Group Risk methodologies. A more detailed picture of BNP Paribas Fortis' risk management and risk exposure according to Pillar 3 requirements is provided in the 'Pillar 3 disclosure'.

Further details on the BNP Paribas Group's approach to the measuring and managing of risks resulting from banking activities can be found in the Registration Document and the BNP Paribas Annual Financial Report 2022.

1 RISK MANAGEMENT ORGANISATION

1.a Mission and organisation

Risk management is key in the banking business. At BNP Paribas Group and BNP Paribas Fortis, operating methods and procedures throughout the organisation are geared towards addressing risks effectively. The entire process is supervised primarily by the Risk department, which is responsible for measuring and controlling risks at BNP Paribas Group and BNP Paribas Fortis level. Risk is independent from the Core Business divisions, Business Lines and territories and reports directly to BNP Paribas Group and BNP Paribas Fortis Executive Management.

The guiding principles of the mission and organisation of BNP Paribas Fortis' Risk department are aligned:

- with the mission of BNP Paribas Risk namely to:
  - advise the Bank's management on risk appetite and policy;
  - provide a 'second pair of eyes' so that risks taken by the Bank are aligned with its policies and are compatible with its profitability and solvency objectives;
  - report to and alert Bank management, Core Business division heads and the special committee of the Board of Directors on the status of the risks to which the Bank is exposed;
  - ensure compliance with banking regulations in the risk area, in liaison with other relevant group functions.
- and with its organisational principles:
  - a single integrated Risk entity, which is responsible for risk aspects across all businesses;
  - independent from business-line management;
  - organised with local and global reporting lines (matrix principle).

The BNP Paribas Fortis Risk department was integrated into BNP Paribas Risk function in November 2009. The Chief Risk Officer (CRO) of BNP Paribas Fortis is a Member of the Executive Board and also has a reporting line to the BNP Paribas Group Head of Risk Domestic Markets. The CRO has no hierarchical link to the heads of businesses or of countries. This structure is designed to:

- ensure objective risk control;
- ensure that swift, objective and complete information is provided in the event of increased risk;
- maintain a single set of high-quality risk management standards throughout the Bank;
- ensure that the Bank's risk professionals implement and further develop methods and procedures of the highest quality in line with its international competitors' best practices.

The CRO heads the various Risk functions:

- Risk Enterprise Risk Architecture is responsible for the regulatory affairs, risk analytics and modelling, risk strategic analysis, reporting and provisioning, risk ALM – treasury and liquidity;
- Risk CIB is tasked to provide full transparency and a dynamic analysis of market & counterparty risks to all BNP Paribas Fortis businesses and is responsible for the management of credit risks on Financial Institutions, on Sovereigns and on Corporates belonging to BNP Paribas Fortis CIB;
- Risk Belgian Retail Banking is responsible for the management of credit risks arising from all Business Lines within the perimeter of BNP Paribas Fortis (Retail & Private Banking Belgium, Corporate Banking excl.CIB);
- Risk Function COO is responsible for operational permanent control (ensuring second-line control of the Risk function and of business continuity), the Risk Operating Office (coordinating the non-core support functions) and communication;
- Tribe Risk & Credits is responsible for products, processes, IT assets and data related to credit and risk management;
- RISK IRC (RISK Independent Review & Control) is responsible for model risk management and the independent review of models in the area of 1) credit risk, 2) market- and counterparty risk and 3) operational risk;
- Risk ORM (Operational Risk Management) BNP Paribas Fortis Belgium provides reasonable assurance of the existence and the efficient functioning of an operational permanent control framework within BNP Paribas Fortis in Belgium that meets the supervisory requirements of BNP Paribas Fortis as well as those of BNP Paribas Group;
- Risk DPO (Data Protection Officer) is responsible for monitoring compliancy with regulatory requirements in the context of personal data privacy and protection.

Outside Belgium, alongside the existing local and global reporting lines, the CROs of companies that remain within the BNP Paribas Fortis perimeter report to the CRO of BNP Paribas Fortis in order to ensure compliance with internal and external rules.

The key principle of the Bank's overall risk governance (covering all risk types including credit, market, counterparty, liquidity risk, operational risk, etc.) is the double-walled defence, as stated in the BNP Paribas Fortis Risk Policy that is reviewed by the Executive Board and the Audit, Risk & Compliance Committee.

The primary responsibility for risk lies with the businesses (first line of defense), which are responsible for the approval, monitoring and management of the risks arising from their activities.

The Risk function provides a 'second pair of eyes', helping to ensure that the risks taken by the Bank are compliant and compatible with its policies; it represents the second line of defense in accordance with the mission stated above, contributing strongly to joint decision making with the businesses and increasing the emphasis on risk monitoring and controls.

1.b BNP Paribas Fortis Risk committees

- Risk Committee (RC): in accordance with article 27 of the Belgian Banking Law, BNP Paribas Fortis is required to set up a separate risk committee to assist the board of directors with risk related matters. Prior to the entering into force of the Belgian Banking Law, the risk committee was part of the ARCC. The risk committee shall, upon request of the board of directors, assist (and make recommendations to) the board of directors in all risk related matters. In addition, several special competences of the risk committee are set forth in article 29 of the Belgian Banking Law and are listed herewith: (i) risk tolerance, (ii) price setting and (iii) remuneration policy.
- Central Credit Committee: the highest Credit Committee of BNP Paribas Fortis, which acts in line with the authority of the delegations held by its members (CEO and Heads of Business Lines, together with the CRO and other senior Risk representatives); it ensures that customer-level credit decisions are taken within the desired credit risk profile, the formulated credit policies and the Bank's legal lending limits.
- Capital Markets Risk Committee: defines and enforces the Risk strategy, policies, methods and thresholds for capital markets, including investment portfolios, at activity and transaction levels.
- Risk Policy Committee: defines the risk profile at portfolio level, approves policies, reviews exposures and examines risks in the light of market conditions, business strategy and profitability, and enforces risk decisions.
- Bank Asset and Liability Committee: manages the liquidity position of the Bank and the interest rate risk and foreign exchange risk in the Banking Book.
- Internal Control Committee (ICC): focuses on the management of the operational permanent control framework and the management of operational risks and risks of non-compliance. The ICC allows operational entities and control functions signaling and debating about the most significant operational risks, and risks of non-compliance, and weaknesses in the permanent control framework.
- Provision Committee makes final decisions on consolidated provisions and impairments.
- Exceptional Transactions Committee: validates and approves exceptional transactions.
- New Activity Committee: validates and approves new activities and products, including any significant changes in current activities.

2 RISK MEASUREMENT AND CATEGORIES

2.a Risk measurement

Risk measurement is a crucial step in the risk management process.

To assess and measure risks, BNP Paribas Fortis uses several qualitative and/or quantitative methodologies. These range from regular reporting on matters such as concentration and quantitative and qualitative portfolio overviews to more sophisticated quantitative risk models for estimating internal risk parameters. The latter include probability of default, loss given default, exposure at default and expected loss (for credit risk) and Value at Risk (for market risk).

The development and review of these models, and their validation, are subject to Bank-wide standards in order to ensure adequacy and consistency.

The monitoring of the observed risk parameters, stress tests and model-based expectations are then compared to a framework of limits and risk guidelines.

Ultimately, all these risk measurements, together with stress tests, are then consolidated in Risk dashboards, which provide a general overview for senior management. These summary documents are intended to provide a basis for well-founded decisions and are subject to on-going improvements.

2.b Risk taxonomy

The risk categories reported below evolve in line with methodological developments at BNP Paribas and regulatory requirements.

Credit and counterparty risk

Credit risk is the risk of incurring a loss on financial assets (existing or potential due to commitments given) resulting from a change in the credit quality of the Bank's debtors, which may ultimately result in default. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio.

Counterparty risk is the credit risk embedded in payments or transactions between counterparties. Those transactions typically include bilateral contracts such as over-the-counter (OTC) derivative contracts, which expose the Bank to the risk of counterparty default. The amount of this risk may vary over time in line with changing market parameters, which in turn impacts the replacement value of the relevant transactions or portfolio.

Market risk

Market risk is the risk of incurring a loss of value (or a loss of interest income in the case of interest rate risk due to banking intermediation activities) due to adverse changes in market prices or parameters (rates), whether quoted in the market or not.

Quoted market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-quoted parameters are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk relating to banking activities encompasses the risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand.

Operational risk

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the 'cause-event-effect' chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to: floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses fraud, human resources risks, legal risks, non-compliance risks, tax risks, information system risks, conduct risks (risks related to the provision of inappropriate financial services), risks relating to failures in operating processes, including loan procedures or model risks, as well as any potential financial implications resulting from the management of reputational risk.

Compliance and reputational risk

Compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the significant financial loss that a Bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities, including instructions given by an executive body, particularly in the application of guidelines issued by a supervisory body.

By definition, compliance risk is a sub-category of operational risk. However, as certain implications of compliance risk involve more than a purely financial loss and may actually damage the institution's reputation, the Bank treats compliance risk separately.

Reputational risk is the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, regulators and any other stakeholder whose trust is an essential condition for the corporation to carry out its day-to-day operations.

Reputational risk is primarily contingent on all the other risks borne by the Bank.

Asset-liability management risk

Asset-liability management risk is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. Asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil its obligations at an acceptable price in a given place and currency.

Environmental risk

Environmental risks and, more particularly, those associated with climate change are a financial risk for the Bank. They may affect it, either directly on its own operations, or indirectly via its financing and investment activities.

There are two main types of risks related to climate change: (i) transition risks, which result from changes in the behaviour of economic and financial actors in response to the implementation of energy policies or technological changes; (ii) physical risks, which result from the direct impact of climate change on people and property through extreme weather events or long-term risks such as rising water levels or increasing temperatures. In addition, liability risks may arise from both categories of risk. They correspond to the damages that a legal entity would have to pay if it were found to be responsible for global warming.

3 CAPITAL ADEQUACY

Framework

As a credit institution, BNP Paribas Fortis is subject to regulatory supervision.

The Belgian Banking Act of 25 April 2014 on the status and the supervision of credit institutions aligns the Belgian legislation in accordance with the EU regulatory framework. The Capital Requirements Directive is the legal framework for the supervision of credit institutions in all Member States of the European Union and is the basis of the Single Supervisory Mechanism (SSM), composed of the European Central Bank (ECB) and the national competent authorities, such as the National Bank of Belgium (NBB). The Capital Requirements Regulation (CRR) was published under reference number 575/2013 on June 26th 2013 in the Official Journal of the European Union and is in force as of June 27th 2013, while the supervised entities within its scope are subject to it as of January 1st 2014. The CRD and CRR have been amended by the European parliament and council on May 20th 2019 (CRD V and CRR2).

As such BNP Paribas Fortis is supervised, at consolidated and statutory level, by the ECB and the NBB. BNP Paribas Fortis' subsidiaries may also be subject to regulation by various supervisory authorities in the countries where these subsidiaries operate.

Regulators require banks to hold a minimum level of qualifying capital under the 1st Pillar of the Basel III framework.

Since January 1st 2014, BNP Paribas Fortis has been computing its qualifying capital and its risk-weighted assets under the CRR/CRD IV.

The NBB (previously the CBFA, which was the former Belgian supervisor) has granted to BNP Paribas Fortis its approval for using the advanced approaches for calculating the risk-weighted assets under the Basel regulations: Advanced Internal Ratings Based Approach for credit and market risk and Advanced Measurement Approach for operational risk.

Some subsidiaries of BNP Paribas Fortis have not received such approval and therefore use the Standardised Approach for calculating risk-weighted assets.

Breakdown of regulatory capital

Qualifying capital for regulatory purpose is calculated at consolidated level based on IFRS accounting standards, taking into account prudential filters and deductions imposed by the regulator, as described in the CRR/CRD IV and transposed into the Belgian Banking Law published in April 2014.

The table below details the composition of the regulatory capital of BNP Paribas Fortis:

In millions of euros	31 December 2022 Basel III
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	11,905
Retained earnings	12,491
Accumulated other comprehensive income (and other reserves)	(2,654)
Funds for general banking risk	-
Minority interests (amount allowed in consolidated CET 1)	1,651
Independently reviewed interim profits net of any foreseeable charge or dividend	-
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**23,393**
Common Equity Tier 1 (CET1): regulatory adjustments	**(2,309)**
COMMON EQUITY TIER 1 (CET1) CAPITAL	**21,084**
Additional Tier 1 (AT1) capital: instruments	**736**
Additional Tier 1 (AT1) capital: regulatory adjustments	**-**
ADDITIONAL TIER 1 (AT1) CAPITAL	**736**
TIER 1 CAPITAL (T1 = CET1 + AT1)	**21,820**
Tier 2 (T2) capital: instruments and provisions	**1,279**
Tier 2 (T2) capital: regulatory adjustments	**(283)**
TIER 2 (T2) CAPITAL	**996**
TOTAL CAPITAL (TC = T1 + T2)	**22,816**

The table below shows the key capital indicators:

In millions of euros	31 December 2022	31 December 2021
Common equity Tier 1 Capital (CET1)	21,084	21,704
Tier 1 Capital	21,820	22,660
Total Capital	22,816	23,734
Risk weighted commitments		
Credit risk	100,365	95,451
Securitisation	671	1,248
Counterparty Risk	1,059	1,689
Equity Risk	11,149	12,800
Market risk	1,396	1,168
Operational risk	7,880	8,528
TOTAL RISK WEIGHTED COMMITMENTS	**122,520**	**120,884**
CET 1 ratio	17.2%	18.0%
Tier 1 ratio	17.8%	18.7%
Total capital ratio	18.6%	19.6%

The table below shows the leverage ratio :

In millions of euros	31 December 2022	31 December 2021
On-Balance Exposure (Excl. repo & derivatives)	**311,453**	**320,395**
Repo's and derivatives	**10,616**	**11,658**
Repurchase agreements and securities lending/borrowing	5,684	10,417
Replacement cost of derivatives transactions	3,471	2,367
Add-on for potential future risk derivatives	2,463	1,791
Cash variation margins	(1,002)	(2,917)
Off-Balance Exposure (adjusted for conversion to credit equivalent. art.429 CRR)	**26,369**	**26,580**
TOTAL EXPOSURE	**348,438**	**358,633**
Regulatory adjustments	**(2,309)**	**(2,499)**
Tier 1 capital	**21,820**	**22,660**
Leverage Ratio	**6.30%**	**6.36%**

4 CREDIT AND COUNTERPARTY CREDIT RISK

4.a Credit risk

Exposure to Credit Risk

The following table shows all BNP Paribas Fortis' financial assets, including fixed-income securities, which are exposed to credit risk. Credit risk exposure does not include collateral and other security taken by the Bank in its lending business or purchases of credit protection.

Exposure to credit risk* by Basel asset class

In millions of euros	31 December 2022			31 December 2021		
	IRBA	Standardised Approach	Total	IRBA	Standardised Approach	Total
Central governments and central banks	47,386	7,528	54,914	72,477	6,752	79,229
Corporates	131,313	22,275	153,588	124,630	16,400	141,030
Institutions **	12,903	5,141	18,044	13,589	5,414	19,003
Retail	95,696	36,331	132,027	92,840	30,188	123,028
Securitisation positions	1,940	650	2,590	4,492	841	5,333
Other non-credit-obligation assets ***	-	4,808	4,808	548	4,035	4,583
TOTAL EXPOSURE	**289,238**	**76,733**	**365,971**	**308,576**	**63,630**	**372,206**

* *Exposure to credit risk excludes DTA's risk weighted at 250% and default fund contributions to CCPs*

** *Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities*

*** *Other non-credit-obligation assets include tangible assets, accrued income and residual values*

The table above shows the entire prudential scope based on the asset classes defined in accordance with Article VI.2 of the CBFA Regulation of 17 October 2006 on capital requirements for credit institutions and investment firms.

Diversification of exposure to credit risk

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to BNP Paribas Fortis' credit risk strategy of maintaining granular, liquid and diversified portfolios.

In order to identify potential linkages between exposures to single counterparties, BNP Paribas Fortis applies the concept of 'Total Group Authorisation'. This implies that groups of connected counterparties are deemed to be a 'Business Group' for the management of credit risk exposure.

To manage the diversity of credit risk, BNP Paribas Fortis' credit risk management policy seeks to spread credit risk across different sectors and countries. The table below shows the industry concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2022.

Breakdown of credit risk* by Basel III Asset Class and by corporate industry at 31 December 2022

In millions of euros	31 December 2022		31 December 2021	
	Exposure	%	Exposure	%
Agriculture, Food, Tobacco	13,626	4%	13,284	4%
Financial services	53,677	15%	77,914	21%
Chemicals excluding Pharmaceuticals	4,114	1%	2,920	1%
Construction	12,265	3%	10,574	3%
Retailers	6,447	2%	5,202	1%
Equipment excluding IT	6,404	2%	5,108	1%
Real estate	30,037	8%	28,193	8%
Metals & Mining	6,699	2%	6,520	2%
Wholesale & Trading	14,197	4%	11,761	3%
Business services	40,461	11%	38,294	10%
Transportation & Logistics	9,976	3%	9,610	3%
Utilities (electricity, gas, water, etc.)	11,965	3%	10,980	3%
Retail	93,134	26%	91,018	25%
Sovereign & public sector	21,020	6%	20,512	6%
Other	39,359	11%	34,984	10%
TOTAL	**363,381**	**100%**	**366,874**	**100%**

** Credit risk exposure excludes DTA's risk weighted at 250%, default fund contributions to CCPs and securitisation positions*

Geographical breakdown of credit risk* at 31 December 2022 by counterparty's country of location

Country concentration risk is the sum of all exposures to obligors in the country concerned. The table below shows the geographical concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2022.

In millions of euros	31 December 2022					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**48,671**	**136,210**	**15,625**	**129,366**	**329,872**	**92%**
Belgium	*33,094*	*70,495*	*8,564*	*97,262*	*209,415*	*58%*
Netherlands	*15*	*4,715*	*1,163*	*3,347*	*9,240*	*3%*
Luxembourg	*11,688*	*13,394*	*291*	*9,982*	*35,355*	*10%*
France	*1,031*	*13,690*	*3,786*	*5,201*	*23,708*	*7%*
Other European countries	*2,843*	*33,916*	*1,821*	*13,574*	*52,154*	*14%*
North America	**835**	**3,723**	**537**	**221**	**5,316**	**1%**
Asia & Pacific	**78**	**1,305**	**288**	**106**	**1,777**	**0%**
Rest of the World	**5,330**	**12,349**	**1,595**	**7,142**	**26,416**	**7%**
TOTAL	**54,914**	**153,587**	**18,045**	**136,835**	**363,381**	**100%**

In millions of euros	31 December 2021					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**74,332**	**126,029**	**16,460**	**120,834**	**337,655**	**92%**
Belgium	*55,241*	*66,928*	*8,548*	*90,557*	*221,274*	*60%*
Netherlands	*226*	*5,226*	*1,215*	*2,326*	*8,993*	*2%*
Luxembourg	*14,528*	*11,382*	*428*	*9,794*	*36,132*	*10%*
France	*961*	*9,666*	*4,328*	*5,163*	*20,118*	*5%*
Other European countries	*3,376*	*32,827*	*1,941*	*12,994*	*51,138*	*14%*
North America	**152**	**3,542**	**548**	**94**	**4,336**	**1%**
Asia & Pacific	**106**	**988**	**329**	**76**	**1,499**	**0%**
Rest of the World	**4,639**	**10,471**	**1,667**	**6,607**	**23,384**	**6%**
TOTAL	**79,229**	**141,030**	**19,004**	**127,611**	**366,874**	**100%**

** Credit risk exposure excludes DTA's risk weighted at 250%, default fund contributions to CCPs and securitisation positions*

General credit policy

BNP Paribas Fortis' lending activities are governed by the Global Credit Policy, which applies to all BNP Paribas Group entities. It is approved by the BNP Paribas Group Risk Committee, chaired by the Chief Executive Officer and endorsed by the BNP Paribas Fortis Executive Board, chaired by the Chief Executive Officer. The policy is underpinned by core principles relating to compliance with the BNP Paribas Group's ethical standards, compliance policies, clear definition of responsibilities (Business and Risk), and the existence and implementation of procedures and requirements for a thorough analysis of risks. It is cascaded in the form of specific policies tailored to types of businesses or counterparties. The framework for the governance of credit risks within the Bank is further detailed in a specific, transversal approach which is built upon key credit routing principles, rules governing the granting of delegations of authority and the role of the Central Credit Committee, which is the highest-level credit committee at the Bank. It also reiterates and reinforces the key principle that the Risk function is independent from the Businesses.

BNP Paribas Fortis' lending activities are also governed by Sector Policies. The Bank, makes great efforts to finance projects that score well in the field of environmental care. BNP Paribas Fortis has currently 9 sector policies in place setting out the guidelines for its financing and investment activities in sectors facing major social and environmental challenges.

The Bank's strategy and commitment in this regard is fully in line with that of the BNP Paribas Group. More information thereon can be found in part 7 of the Universal Registration Document of BNP Paribas.

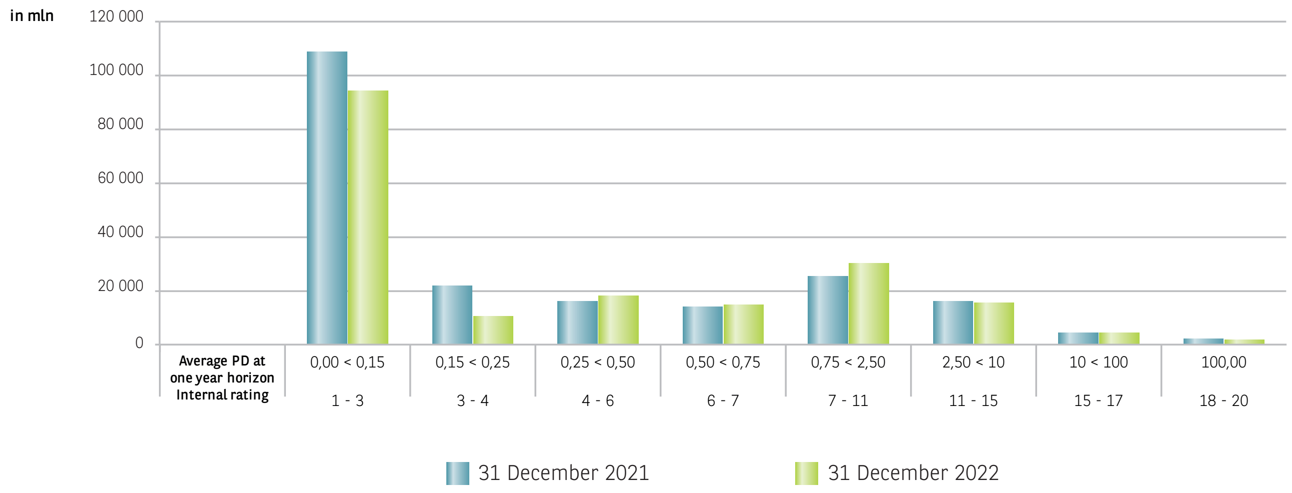
Internal rating system

The Bank has a comprehensive internal rating system for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented. For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating; loss given default, which depends on the structure of the transaction; and the credit conversion factor (CCF), which estimates the portion of off-balance sheet exposure at risk.

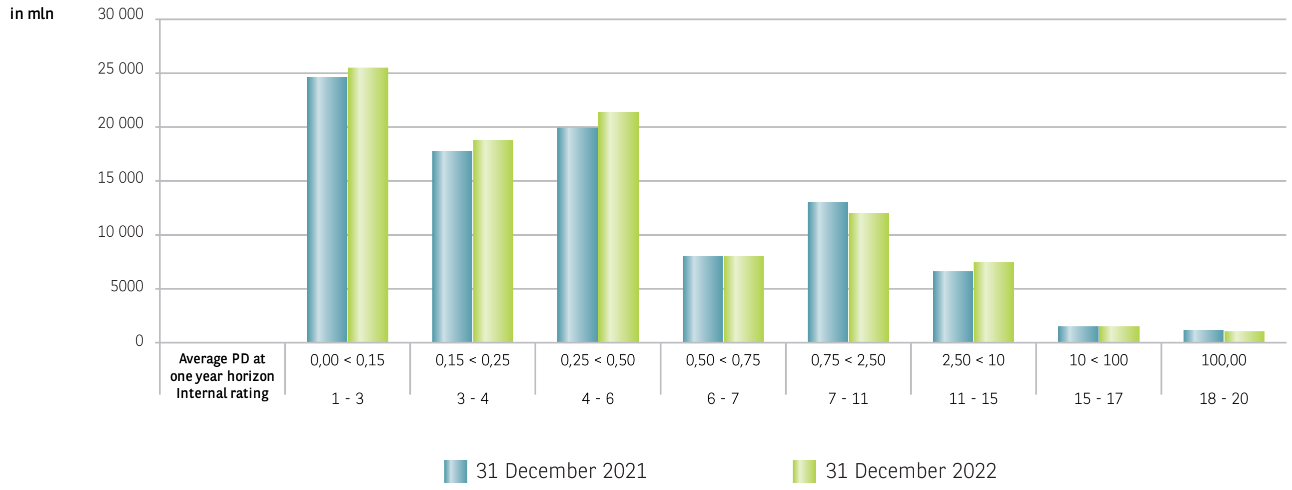
Each of the credit risk parameters is back-tested annually to check the system's performance for each of the Bank's business segments. Back-testing consists of comparing estimated and actual results for each parameter.

There are twenty counterparty ratings. Seventeen cover performing clients with credit assessments ranging from 'excellent' to 'very concerning', and three relate to clients classified as in default, as per the definition published by the banking regulator.

Breakdown of IRBA exposure by internal rating – Sovereign, Financial Institutions and Corporate



Breakdown of IRBA exposure by internal rating – retail activities



4.b Counterparty credit risk

Counterparty credit risk (CCR) is the translation of the credit risk embedded in the financial transactions, investments and/or settlement between counterparties. The transactions encompass bilateral contracts - i.e. over-the-counter (OTC) – and cleared contracts through a clearing house. The amount at risk changes over the contract's lifetime together with the risk factors that impact the potential future value of the transactions.

Counterparty credit risk lies in the fact that a counterparty may default on its obligations to pay the Bank the full present value of a transaction or portfolio for which the Bank is a net receiver. Counterparty credit risk is linked to the replacement cost of a derivative or portfolio in the event of the counterparty default. Hence, it can be seen as a market risk in case of default or a contingent risk.

5 MARKET RISK

Market risk is the risk of incurring a loss of value due to adverse moves in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

In the bond portfolios, the credit instruments are valued on the basis of the interest rates and the credit spreads, which are considered as market parameters like interest rates and foreign exchange risk. The risk on the issuer of the instruments is also a market risk, called issuer risk.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or securities may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk related to banking activities encompasses the risk of loss on equity holdings as well as the interest rate and foreign exchange risks stemming from banking intermediation activities.

Market risk is split into two parts:

- market risk linked to trading activities and corresponding to trading instruments and derivative contracts;
- market risk linked to banking activities covering the interest rate and foreign exchange risks originating from the bank's intermediation activities.

5.a Capital requirement and risk weighted assets for market risk

Market Risk Capital Requirement

In millions of euros	RWAs			Capital requirements		
	31 December 2022	31 December 2021	Variation	31 December 2022	31 December 2021	Variation
Internal model	**756**	**879**	**(123)**	**60**	**71**	**(11)**
VAR	329	134	195	26	11	15
Stressed VAR	360	600	(240)	29	48	(19)
Incremental Risk Charge (IRC)	67	145	(78)	5	12	(7)
Comprehensive Risk Measure (CRM)	-	-	-	-	-	-
Standardised approach	**640**	**289**	**351**	**51**	**23**	**28**
Trading book securitisation positions	**-**	**-**	**-**	**-**	**-**	**-**
MARKET RISK	1,396	1,168	228	111	94	17

The market risk calculated using the standardised approach covers the market risk of some entities of the Bank that are not covered by internal models. The standardised approach is used to calculate foreign exchange risk for the banking book (See section 5.c Market risk related to banking activities).

5.b Market risk related to trading activities

Market risk arises from trading activities carried out by the Corporate and Institutional Banking business and encompasses different risk factors:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates;
- Equity risk arises from changes in the market prices and volatility of equity shares and/or equity indices;
- Commodity risk arises from changes in the market prices and volatility of commodities and/or commodity indices;
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer;
- Option products carry by nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

The trading activities of BNP Paribas Fortis and its subsidiaries are justified by the economic relations with the direct customers of the business lines, or indirectly as market-maker.

Within Risk, three departments are responsible for monitoring market risk:

- Risk Global Markets (Risk GM) covers the market risk activities of Global Markets;
- Risk Enterprise Risk Architecture (Risk ERA - ALMT) covers the ALM Treasury activities;
- Risk International Retail Banking (Risk IRB) covers international retail market activities.

This mission consists of defining, measuring and analysing risk factors and sensitivities, as well as measuring and controlling Value at Risk (VaR), the global indicator of potential losses. Risk ensures that all business activities comply with the limits approved by the various committees and approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters in association with the Valuation and Risk Control Department.

5.c Market risk relating to banking activities

Market risk relating to banking activities encompasses the risk of loss on equity positions on the one hand, and the interest rate and currency risks stemming from banking intermediation activities and investments on the other.

5.c.1 Equity risk

Equity interests held by the Bank outside the Trading Book refers to securities which convey a residual, subordinated claim on the assets or income of the issuer or have a similar economic substance.

5.c.2 Currency risk

Currency risk relates to all transactions whether part of the Trading Book or not.

Except for BNP Paribas Fortis Belgium's currency exposure, which is calculated using the BNP Paribas Fortis internal model approved by the banking supervisor, exposure to currency risk is determined under the Standardised approach, using the option provided by the banking regulator to limit the scope to operational currency risk.

5.c.3 Interest rate risk

5.c.3.1 Organisation of Interest rate risk management

The Board of directors assigns responsibility to the Chief Executive Officer for management of interest rate risk in the banking book; the Chief Executive Officer delegates the management responsibility to the Bank Asset and Liability Management Committee (ALCo).

The permanent members of the Bank ALCo are the Chief Executive Officer (Chairperson), the Executive Board members heading up core businesses, the Chief Risk Officer, the Chief Financial Officer (alternate Chairperson), the Head of ALM Treasury, the Head of BNP Paribas ALM Treasury Domestic Markets Steering and the Head of the Bank ALM Treasury Steering; other ALCo members belong to ALM Treasury, Risk or Finance. The Bank ALCo which meets on a monthly basis is responsible for defining the interest rate risk profile of the Bank's Banking Book and for defining and tracking interest rate risk monitoring indicators and assigning limits.

ALM Treasury is in charge of the operational implementation of decisions related to the management of the interest rate risk of the Banking Book.

The Risk function participates in the ALCo and oversees the implementation by ALM Treasury of the relevant decisions made by this committee. It also provides second-line control by reviewing the models & risk indicators, monitoring the level of risk indicators and ensuring compliance with the limits assigned.

The Banking Book includes all interest bearing assets and liabilities of all the Business Lines of BNP Paribas Fortis (including the ALM Treasury own investment and hedging transactions) with the exception of authorised trading activities (being client hedging and market making).

Transactions initiated by each BNP Paribas Fortis Business Line are systematically transferred to ALM Treasury by internal analytical contracts booked in the management accounts or by loans and borrowings.

The Bank's strategy for managing interest rate risk is mainly based on closely monitoring the sensitivity of the Bank's interest earnings to changes in interest rates, factoring in all interest rate risks (repricing or gap risk, basis risk and optional risk); the objective is to ensure the stability and regularity of the total net interest margin. This management process requires an accurate assessment of the risks incurred so that the Bank can determine and implement the most optimal hedging strategies.

Interest rate risk is mitigated using a range of different instruments, the most important of which are derivatives - primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile, which is mainly due to long-term fixed-rate assets and liabilities. Options are used to reduce non-linear risk, which is mainly caused by embedded options sold to clients, e.g. prepayment options on mortgages, floors on deposits.

5.c.3.2 Management and Hedging of Interest rate Risk

The hedging strategies for interest rate risk in the Banking Book are defined and implemented by currency.

The hedges can comprise swaps and options and are typically accounted for as fair value or cash flow hedges. They may also take the form of HQLA (High Quality Liquid Asset) securities which are accounted for in 'Hold to Collect and Sell'.

6 SOVEREIGN RISKS

Sovereign risk is the risk of a State defaulting on its debt, i.e. a temporary or prolonged interruption of debt servicing (interest and/or principal). The Bank is thus exposed to credit, counterparty or market risk according to the accounting category of the financial asset issued by the Sovereign State.

Exposure to sovereign debt mainly consists of bonds.

The Bank holds sovereign bonds as part of its liquidity management process. Liquidity management is based amongst others on holding bonds which are eligible as collateral for refinancing by central banks; a substantial share of this 'liquidity buffer' consists of highly rated debt securities issued by governments, supra-national authorities and agencies, representing a low level of risk. A part of this same portfolio has interest rate characteristics that contribute to the banking book interest rate risk hedging strategies.

BNP Paribas Fortis' sovereign bond portfolio is shown in the table below. Figures in this table are now reported under the prudential scope whereas in previous years' disclosures, they were reported under the accounting scope.

Banking Book In millions of euros	31 December 2022	31 December 2021
Eurozone		
Belgium	6,119	7,674
Italy	599	831
Spain	522	706
Luxembourg	335	281
France	147	143
Finland	64	66
The Netherlands	10	223
Austria	-	26
Germany	-	36
Total eurozone	**7,796**	**9,986**
Other countries in European Economic Area (EEA)		
Czech Republic	37	48
Others	1	1
Total other EEA	**38**	**49**
Other countries		
Turkey	2,438	1,771
Others	31	35
Total other countries	**2,469**	**1,806**
TOTAL	**10,303**	**11,841**

7 OPERATIONAL RISK

Risk management framework

Regulatory framework

In line with the BNP Paribas Group framework, BNP Paribas Fortis has implemented an all-embracing, single, operational Risk Management framework for the entire Bank, which complies with the Basel III criteria laid down in the Advanced Measurement Approach ('AMA'). This approach supports the organisation by offering better management of risk through heightened operational risk awareness. It ensures effective measurement and monitoring of the operational risk profile.

Key players and governance

An appropriate risk management structure has been created around a model with three levels of defense, which places the primary responsibility for operational risk management and mitigation with the Businesses. Within BNP Paribas Fortis, the main control functions providing the second line of defence are Compliance, Legal and RISK. Their role is to ensure that the operational Risk Management framework is properly embedded, that the operational risks that are identified, assessed, measured and managed reflect the true risk profile and that the resulting levels of own funds are adequate. The third line of defense is provided by the General Inspection (internal audit) department, which provides assurance that risk structures and policies are being properly implemented.

The main governance bodies for the areas of Operational Risk & Internal Control are the Internal Control Committees (ICC's).

The Internal Control Committee (ICC) is the backbone of the operational risk management & permanent control frameworks. It aims at:

- providing a clear and comprehensive consolidated view to the management with respect to the entity's situation in terms of operational risk and risk of non-compliance;
- raising alerts and escalating when necessary on weaknesses in the framework to the executive management;
- materialising the involvement of the executive management in these topics – among others by constituting a forum for analysis and decision.

The ICC gathers the key stakeholders from the three lines of defence to discuss and agree on the main topics pertaining to operational risks, including operational and organisational aspects.

8 COMPLIANCE AND REPUTATION RISK

Compliance mission

The overall mission of the Compliance department is to provide reasonable assurance of the consistency and effectiveness of the compliance of BNP Paribas Fortis' activities and to safeguard the Bank's reputation through binding advices, oversight and independent controls.

The Compliance department's role, as a second line of defense, is to supervise the effective management of compliance risk. This involves policy-setting, providing advice, performing controls, providing assurance that the Bank is complying with rules and regulations and raising the awareness of colleagues of the need to follow key compliance principles:

- financial security: customer due diligence, anti-money laundering, combating the financing of terrorism, financial sanctions/embargoes and disclosure to financial intelligence units ; fiscal deontology, prevention of external corruption and bribery;
- customer protection: compliance of the Bank's organisation and processes with the customer protection regulatory obligations regarding invest, lending, insurance and daily banking services;
- employee integrity: covers codes of conduct, gifts policy, conflicts of interest, anti-bribery and anti-corruption (internal), whistleblowing policy and a personal transactions policy;
- market integrity: market abuse, banking laws, conflicts of interest.

The Compliance department sets policies and gives binding advice in these areas. The advice from Compliance may be escalated to a higher level until consensus is found, so as to ensure appropriate issue resolution.

Compliance organisational setup

The Compliance function is organised as an independent, integrated and decentralised function.

Compliance has direct, independent access to the Board's Risk Committee, Audit Committee and Remediation Monitoring Committee and is a permanent invitee to these Committees. The Chief Compliance Officer is a member of the Bank's Executive Committee.

Basic principles

The management of compliance risks is based on the following fundamental principles:

- individual responsibility: compliance is everyone's responsibility, not solely the responsibility of the Compliance department;
- exhaustive and comprehensive approach: the scope of compliance extends to all banking activities. In this respect, the Compliance department has unrestricted access to all required information;
- independence: compliance staff exercise their mission in a context which guarantees their independence of thought and action;
- Primacy of Group policies over local policies as far as is consistent with national law.

9 LIQUIDITY RISK

Liquidity risk is the risk of the Bank being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term.

This risk may stem from the reduction in funding sources, draw down of funding commitments, a reduction in the liquidity of certain assets, or an increase in cash or collateral margin calls. It may be related to the bank itself (reputation risk) or to external factors (risks in some markets).

The Bank's liquidity risk is managed under a global liquidity policy approved by the Board of Directors. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Bank's liquidity position is assessed on the basis of internal standards and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the Bank's liquidity risk management policy are to secure a balanced financing structure for the development of the BNP Paribas Fortis business activities, and to ensure it is sufficiently robust to cope with crisis situations.

The liquidity risk management framework relies on:

- management indicators:
  - by volume, to ensure that businesses or activities comply with their liquidity targets set in line with the Bank's financing capacity;
  - by price, based on internal liquidity pricing;
- the definition of monitoring indicators which enable assessment of the Bank's liquidity position under normal conditions and in crisis situations, the efficiency of actions undertaken and compliance with regulatory ratios;
- the implementation of liquidity risk management strategies based on diversification of funding sources with maturities in line with needs, and the constitution of liquidity reserves.

The Bank's liquidity policy defines the management principles that apply across all BNP Paribas Fortis entities and businesses and across all time horizons.

Governance

As for all risks, the Chief Executive Officer is granted authority by the Board of Directors to manage the Bank's liquidity risk. The Chief Executive Officer delegates this responsibility to the Asset & Liability Committee (ALCo).

The Risk Committee reports quarterly to the Board of Directors on liquidity policy principles and the Bank's liquidity position.

The Asset & Liability Committee is responsible for:

- defining the Bank's liquidity risk profile;
- monitoring compliance with regulatory liquidity ratios;
- deciding and monitoring management indicators and calibrating the quantitative thresholds set for the Bank's businesses;
- deciding and monitoring the liquidity risk indicators and associating quantitative thresholds to them where necessary;
- deciding and overseeing implementation of liquidity risk management strategies, including monitoring of business lines, in normal and stressed conditions.

In particular, the Asset & Liability Committee is informed about funding programmes and programmes to build up liquidity reserves, simulations in crisis conditions (stress test), and about all events that may arise in crisis situations. The Liquidity Crisis Committee, a subset of the Asset & liability Committee, is tasked with defining the management approach in periods of crisis (emergency plan).

The Asset & Liability Committee meets every month.

Across the Bank, ALM Treasury is responsible for the operational implementation of the Asset & Liability Committee liquidity management decisions. The Asset & Liability Committees in entities or groups of entities are responsible for local implementation of the strategy decided by the Bank's Asset & Liability Committee to manage the Bank's liquidity risk.

ALM Treasury is responsible for managing liquidity for the entire Bank across all maturities. In particular, it is responsible for funding and short-term issuance (certificates of deposit, commercial paper, etc.), for senior and subordinated debt issuance (MTNs, bonds, medium/long- term deposits, covered bonds, etc.), (retained) loan securitisation and (retained) covered bond programmes for the Bank. ALM Treasury is tasked with providing internal financing to the Bank's core businesses, operational entities and business lines, and investing their surplus cash. It is also responsible for building up and managing liquidity reserves, which comprise assets that can be easily sold in the event of a liquidity squeeze.

The Risk function participates in the Asset & Liability Committee and the local ALCo's and oversees implementation by ALM Treasury of the relevant decisions made by these committees. It provides second-line control by reviewing the models and risk indicators (including liquidity stress tests), monitoring risk indicators and ensuring compliance with the limits assigned.

The Finance function is responsible for producing the standardised regulatory liquidity indicators, as well as the internal monitoring indicators. Finance oversees the consistency of the internal monitoring indicators defined by the Bank's ALM Committee. The Finance function takes part in the Asset & Liability Committee and the local ALCo's.

REPORT OF THE ACCREDITED STATUTORY AUDITOR

Statutory auditor's report to the general shareholders' meeting of BNP Paribas Fortis SA/NV on the consolidated accounts for the year ended 31 december 2022

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of BNP Paribas Fortis SA/NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 23 April 2020, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the Group's consolidated accounts for 24 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the profit and loss account for the year ended 31 December 2022, the statement of net income and change in assets and liabilities recognised directly in equity, the balance sheet at 31 December 2022, the cash flow statement for the year ended 31 December 2022, the statement of changes in shareholders' equity between 1 January 2021 and 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 350.392 '000.000' and a consolidated profit for the year of EUR 3.625 '000.000'.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowances for loans and advances

Description of the Key Audit Matter:

BNP Paribas Fortis SA/NV's consolidated accounts show loans and advances for an amount of EUR 228.005 '000.000' at year-end 2022. IFRS 9 imposes an expected loss model of provisioning and requires credit exposures to be classified according to three stages. Impairment allowances are posted on all loans and receivables to address an expected loss event that has an impact on the estimated future cash flows of these loans and receivables.

For defaulted loans, the identification and determination of the recoverable amount are part of an estimation process which includes, among others, assessing the existence of a default event and of the financial position of the counterparty, estimating the expected future cash flows and assessing the value of collateral received.

The determination of the impairment allowances involves judgement in determining assumptions, methodology, modelling techniques and parameters.

Due to the substantial amount of loans and advances recognized in the balance sheet, of the cost of risk recognized in the income statement (EUR 328 '000.000'), the significant impact of the judgments applied on the carrying amount of loans and advances and the increased uncertainty inherent to the Russian invasion of Ukraine and the current macroeconomic environment, auditing the process described above is considered a Key Audit Matter.

We refer to Notes 4.e and 2.g to the consolidated accounts. In addition, the Board of Directors has described the process for managing credit risks and for reviewing impairment losses in more detail in its directors' report on the consolidated accounts and in the credit risk section in the risk management and capital adequacy disclosures.

How our audit addressed the Key Audit Matter:

Based on our risk assessment, we have examined the impairment losses and challenged the methodology applied as well as the assumptions made by management as described in the preceding paragraph:

- We have evaluated the governance process of assessing the stage of credit risk (as defined by IFRS 9) and downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models for determining the loan losses. We have not identified significant weaknesses impacting the overall effectiveness of the related control environment;
- We have tested the design, implementation and operating effectiveness of the key controls over the models and manual processes for identification of impairment events or significant changes in credit risk, collateral valuation, estimates of recovery on default and determination of the impairment. We have not identified significant weaknesses on their adequacy and operating effectively;

- Together with our experts, and based on our risk assessment, we have audited the underlying models including the model approval and validation process. We have challenged, the methodologies applied by using our industry knowledge and experience, focusing on potential changes since the implementation of IFRS 9 and found those to be in line with our expectations;
- We have assessed the appropriateness of impairments on loans on an individual basis: we verified that a periodic review of the counterparties under surveillance was carried out by the Company and assessed, on the basis of samples, the assumptions and data used by management to estimate the impairments.
- Finally, we assessed the completeness and accuracy of the disclosures and determined whether the disclosures are in compliance with the requirements of the IFRS as adopted by the European Union.

Valuation of goodwill, of goodwill embedded in investments consolidated by applying the equity-method and of options to minority shareholders of consolidated entities

Description of the Key Audit Matter:

The Company's 31 December 2022 consolidated accounts show a 'Goodwill' caption amounting to EUR 848 '000.000', and an 'Equity-method investments' caption of EUR 2.572 '000.000'. The consolidated accounts moreover contain the fair value of written put options to minority shareholders of consolidated entities, under caption 'Minority interests', for an amount of EUR 135 '000.000'. These intangible and financial assets and the embedded goodwill included in the equity-method consolidated investments have arisen as a result of the acquisitions of some of BNP Paribas Fortis SA/NV's (direct and indirect) subsidiaries in the current and previous accounting periods. The IFRS standards prescribe that goodwill is subject to an annual impairment assessment, and that written options be valued at the intrinsic value of the financial instrument.

We identified these intangible and financial assets and the embedded goodwill included in the equity-method consolidated investments as a Key Audit Matter due to the significance of the balance and because the impairment assessment requires significant judgement of management with regards to the valuation methodology applied and the underlying assumptions used, mainly those relating to the ability to generate future free cash flows, and to the discount factor applied to these cash flows, taking into account the appropriate risk factors.

We refer to the consolidated accounts, including the Note 4.m 'Goodwill', the Note 4.k 'Equity-method investments' and the Note 7.c 'Minority Interests'.

How our audit addressed the Key Audit Matter:

We focused our audit effort on (i) the valuation models used by the Company for the valuation of the underlying business, (ii) the appropriateness of the discount rates and terminal growth rates used in the models and (iii) the future cash flow forecasts:

- Together with our valuation experts, we have assessed the appropriateness of the valuation methods used by management and discussed the underlying hypotheses to the use of these models with management. We found the models used to be appropriate, in the circumstances;
- We have evaluated the governance process over the future cash flow forecasts used for the valuations, i.e. the development and approval of the financial plan and management's annual comparison of previous forecasts to actual performance. We found that management had followed their process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge. We discussed with management the impact of regulatory and business evolutions which have the potential to significantly affect the future cash flows of these entities on which goodwill had been recognized, and found that these had been considered in drawing up the future cash flows;
- Based on our risk assessment, together with our valuation experts, we challenged the main management's assumptions in their forecasts such as the long-term growth rates and the discount rates.We challenged management on the adequacy of their sensitivity calculations. We found the assumptions to be consistent and in line with our expectations;
- Finally, we assessed the completeness and accuracy of the disclosures and assessed the compliance of the disclosures with the requirements of the IFRS as adopted by the European Union.

Estimation uncertainty with respect to the valuation of financial instruments accounted for at fair value

Description of the Key Audit Matter:

The current economic conditions impact the fair value measurements of financial instruments. In addition, the Russian invasion of Ukraine brought additional uncertainty and volatility to the financial markets. Valuation techniques and models used for certain financial instruments are inherently subjective and involve various assumptions regarding pricing. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Furthermore, market value adjustments (reserves) are recognized on all positions measured at fair value with fair value changes reported in the income statement or in equity.

The IFRS require the use of fair value for the determination of the carrying amount of many assets and liabilities, and generally require the disclosure of the fair value of those items not valued at fair value.

As the use of different assumptions could produce different estimates of fair value and considering the significance of fair values in the determination of the carrying amount of certain balance sheet captions and of the result, we consider this a Key Audit Matter.

Please refer to Notes 4.d 'Measurement of the fair value of financial instruments' and 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

How our audit addressed the key audit matter:

We obtained an understanding of the internal control framework related to the valuation of financial instruments, including price testing, model validation and value adjustments (value allowances) methodologies. On a cyclical basis, we tested the design and operating effectiveness of those controls we assessed to be key for our audit:

We assessed and challenged the appropriateness of the model validation methodology with the assistance of our valuation experts and we performed a recalculation of the fair valuation on a sample basis. This includes the assessment of market data, inputs and key assumptions as critical factors used in the fair value models, based on our experience and market practice.

Finally, we assessed the completeness and accuracy of the disclosures relating to the fair values of these financial instruments to determine compliance with the disclosure requirements of the IFRS as adopted by the European Union.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

- The Statement of the Board of Directors;
- The Risk Management and Capital Adequacy chapter; and
- The other information chapter.

are materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter "ESEF"), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter "digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work we have performed, we believe that the format of and marking of information in the official version of the digital consolidated financial statements included in the annual financial report of the Group per 31 December 2022 comply in all material respects with the ESEF requirements under the Delegated Regulation.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Diegem, 27 March 2023

The statutory auditor

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV

Represented by

Jeroen Bockaert
Réviseur d'Entreprises / Bedrijfsrevisor

BNP PARIBAS FORTIS ANNUAL REPORT 2022 (NON-CONSOLIDATED)

REPORT OF THE BOARD OF DIRECTORS

In conformity with Article 3:32 of the Belgian companies' and associations' Code and to avoid repetition, BNP Paribas Fortis has combined the non-consolidated report and the consolidated report of the Board of Directors. The consolidated report of the Board of Directors can be found at the beginning of this annual report.

Comments on the evolution of the balance sheet

The **total balance sheet** as at 31 December 2022 amounted to 239.2 billion euros, down by (13.6) billion euros or 5 % compared with 31 December 2021. As at 31 December 2022, the yield on assets was 1%. BNP Paribas Fortis has 2 foreign branches, located in New York and Madrid.

Assets

Cash in hand, balances with central banks and giro offices (Heading I) and **Amounts receivable from credit institutions (Heading III)** decreased by (24.2) billion euros and stood at 31.9 billion euros. The overall lower position at the National Bank of Belgium is, among others, linked to the partial reimbursement of the TLTRO III (Targeted Longer-Term Refinancing Operations)

Amounts receivable from customers (Heading IV) stood at 141.2 billion euros as at 31 December 2022, up by 11.8 billion euros compared to 31 December 2021.

In Belgium, the amount of term loans increased by 8.3 billion euros, spread over different type of loans such as investment loans to companies and funding given to subsidiaries. The mortgage loans continued to increase by 2.1 billion euros.

The term loans in the foreign branches of BNP Paribas Fortis stayed stable at 0.3 billion euros and are only related to the activity in the BNP Paribas Fortis' branch in New York.

Bonds and other fixed-income securities (Heading V) stood at 43.2 billion euros as at 31 December 2022, down by (1.8) billion euros compared with 45.0 billion euros as at 31 December 2021.

The amount of 43.2 billion euros consists mostly of bonds issued by public bodies (8.1 billion euros, down by (1.9) billion euros compared with 2021 mainly following reimbursements), by 'Special Purpose Vehicles' (31.3 billion euros, the same amount as last year) and by other issuers (3.7 billion euros, the same amount as last year).

Financial fixed assets (Heading VII) amounted to 9.2 billion euros as at 31 December 2022, in line with the situation at the end of 2021.

Formation expenses and intangible fixed assets (Heading VIII) amounted to 7 million euros as at 31 December 2022, down by (22) million euros compared with 2021.

Tangible fixed assets (Heading IX) amounted to 1.0 billion euros as at 31 December 2022, in line with the situation at the end of 2021.

Other assets (Heading XI) amounted to 1.5 billion euros as at 31 December 2022, in line with the situation at the end of 2021.

Deferred charges and accrued income (Heading XII) stood at 11.2 billion euros as at 31 December 2022, up by 0.7 billion euros compared with 10.5 billion euros as at 31 December 2021 mainly following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the increase of the interest rate curve, which impacted in a symmetrical way both the fair value of the trading derivative financial instruments on the asset and liability side.

Liabilities and Equity

Amounts owed to credit institutions (Heading I) totalled 36.9 billion euros as at 31 December 2022, down by (15.6) billion euros compared with 31 December 2021. Part of the evolution (decrease of (10) billion euros) was attributable to the partial reimbursement of the TLTRO III ('Targeted Longer-Term Refinancing Operations') of the ECB.

Amounts payable to clients (Heading II) stood at 154.6 billion euros as at 31 December 2022, down by (0.1) billion euros compared with 154.7 billion euros as at 31 December 2021.

In Belgium, saving accounts and current accounts decreased respectively by (3.3) billion euros and by (0.6) billion euros. Term deposits increased by 4.1 billion euros. The evolution is mainly due to the increase of the interest rates in the term accounts.

Debts evidenced by certificates (Heading III) amounted to 10.8 billion euros as at 31 December 2022, representing an increase by 0.3 billion euros.

Other liabilities (Heading IV) stood at 6.2 billion euros, up by 0.7 billion euros compared with 31 December 2021.

Accrued charges and deferred income (Heading V) stood at 8.9 billion euros, up by 2.1 billion euros compared with 31 December 2021, following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the increase of the interest rate curve, which impacted in a symmetrical way both the fair value of the trading derivative financial instruments on the asset and liability side.

Subordinated liabilities (Heading VIII) amounted to 3.5 billion euros as at 31 December 2022, a decrease of (0.1) billion euros compared to the situation at the end of 2021.

Shareholders' equity (Headings IX, X, XI, XII and XIII) stood at 17.3 billion euros as at 31 December 2022, down by (0.8) billion euros compared with 31 December 2021.

Comments on the evolution of the income statement

BNP Paribas Fortis realised a **net profit of the year** of 2,207 million euros, compared to 2,002 million euros in 2021.

The **interest margin (Headings I and II)** amounted to 2,577 million euros in 2022, down by (89) million euros compared to 2021, essentially in Belgium. The net interest income decreased despite the normalisation of interest rates and the growth of customer loans and deposits.

Income from variable-yield securities (Heading III) amounted to 942 million euros in 2022, up by 147 million euros compared to 2021, mainly due to an increase in dividends received from enterprises linked by participating interests.

Commissions (Headings IV and V) amounted to 1,046 million euros in 2022, down by (17) million euros compared to 2021. In Belgium there was a slightly decrease of the net commissions in a context of an uncertain economic environment.

Profit on financial operations (Heading VI) amounted to 287 million euros, up by 169 million euros compared to previous year, mainly due to trading of interest rate operations.

General administrative expenses (Heading VII) came to (2,457) million euros, an increase of (323) million euros compared to 2021.

In Belgium, there were more staff expenses ((167) million euros), with an increase mainly attributable to the impact of inflation, only partially mitigated by the decrease of the FTEs.

Other administrative expenses increased by (156) million euros compared to previous year. The evolution was mainly due to the increase of the banking taxes and temporary staff.

Depreciation and amounts written off on formation expenses, intangible and tangible fixed assets (Heading VIII) amounted to (76) million euros compared to (72) million euros in 2021.

Amounts written off on the amounts receivable and the investment portfolio (Headings IX and X) totalled (7) million euros, compared to (145) million euros in 2021, i.e. a decrease of 138 million euros mainly due to less write-offs on loans (specific dossiers) in 2022.

Provisions for risks and charges (Headings XI and XII) showed a net dotation of 35 million euros in 2022 against a net release of (35) million euros in 2021.

Other operating income (Heading XIV) amounted to 156 million euros in 2022, up by 2 million euros compared to previous year.

Other operating charges (Heading XV) amounted to (333) million euros in 2022, down by 46 million euros compared to 2021.

Extraordinary income (Heading XVII) came to 167 million euros in 2022, down by (33) million euros compared to 2021. The evolution was mainly driven by the gains on disposal of an important financial fixed asset last year.

Extraordinary charges (Heading XVIII) came to (38) million euros in 2022, an increase by 101 million euros compared to 2021 due to the write-downs on financial fixed assets of last year.

Income taxes (Heading XX) amounted to (90) million euros in 2022, an increase by (5) million euros compared to 2021.

PROPOSED APPROPRIATION OF THE RESULT FOR THE ACCOUNTING PERIOD

Profit for the year for appropriation	EUR	2,207.1	million
Profit brought forward from the previous year	EUR	4,534.0	million
Profit to be appropriated	EUR	6,741.1	million
Profit to be carried forward	EUR	3,730.7	million
Dividend	EUR	2,995.5	million
Other allocations*	EUR	14.9	million

* *This amount represents the profit bonus of 2.35% which is calculated on the individual annual remuneration of the employees of BNP Paribas Fortis NV/SA in accordance with the Law of May 22nd 2001 (Law concerning the employees participation in the capital of companies and on the set up of a profit bonus for the employees).*

In accordance with the aforementioned appropriation of the result for the financial year 2022, the Board of Directors of BNP Paribas Fortis SA/NV will request the approval of the General Meeting of Shareholders to distribute an ordinary gross dividend of EUR 5.30 per share, or EUR 2,995.5 million.

INFORMATION REGARDING RELATED PARTY TRANSACTIONS

Board of Directors' Procedure

Background

Article 7:97 of the Code on companies and associations imposes a specific procedure for listed companies in the context of transactions between related parties. Even if this provision does not apply to BNP Paribas Fortis, its Board of Directors, upon advice of the GNC and in line with its internal governance principles, adopted on 15 December 2011 a 'Board of Directors' Procedure for intra-group transactions' (the 'Procedure') that is inspired on, but not identical to article 7:97 of the Code on companies and associations.

In the course of 2022, one intra-group transaction, further described as the 'Rider' transaction, required the application of this 'Procedure'. The Board of Directors decided, during its meeting of July 20, 2022, to establish a Special Board Committee ('SBC'), composed of:

- Dirk Boogmans (non-executive director and chaiman of the SBC)
- Antoinette d'Aspremont Lynden (independent non-executive director)
- Sophie Dutordoir (independent non-executive director)
- Anne Leclercq (independent non-executive director)
- Titia Van Waeyenberge (independent non-executive director)
- Herman Daems (non-executive director and chairman of the Board of Directors)

As the Rider transaction has been considered in scope of the Procedure, the Board of Directors invited the SBC to render a written reasoned opinion (the 'Opinion') with regard to the transaction.

The Procedure provides *inter alia* (i) that the SBC is assisted by an independent financial advisor and any person it deems necessary, and (ii) that BNP Paribas Fortis' statutory auditor issues, prior to the Board of Directors' meeting taking the relevant decision, an opinion on the accuracy of the (financial) data in the Opinion of the SBC.

Scope of the Opinion

In accordance with the Procedure, any decision of the Board of Directors that concerns (i) transactions between BNP Paribas Fortis and an affiliated company thereof, with the exception of its subsidiaries; as well as (ii) transactions between a subsidiary of BNP Paribas Fortis and an affiliated company of such subsidiary, but which is not a subsidiary of BNP Paribas Fortis, must, prior to any such decision, be submitted to the application of the Procedure and entail the SBC to render a written reasoned Opinion in which it:

(i) describes the nature of the transaction;

(ii) gives an assessment of the economic benefit or disadvantage of the transaction for the company and for its shareholders;

(iii) describes the financial consequences of the transaction for the company; and

(iv) assesses whether or not the decision or transaction is such that it may cause a disadvantage to the company that, in the light of the company's strategy, is manifestly abusive (*"kennelijk onrechtmatig"/"manifestement abusif"*). If the SBC is of the opinion that the decision or transaction is not manifestly abusive, but could still be detrimental to BNP Paribas Fortis, the SBC must clarify which benefits BNP Paribas Fortis derives from the decision or transaction that compensate for such disadvantage.

Composition of the SBC

In respect of each decision falling within the scope of the Procedure, an SBC must be established, composed of minimum three (3) non-executive directors who do not represent the majority shareholder. The majority of the members of the SBC must be independent directors (within the meaning of Banking Law). In order to meet this requirement, the SBC established for the Rider transaction, was composed of the directors mentioned *supra*.

The members of the SBC all confirm that they are non-executive directors who do not represent the majority shareholder. Antoinette d'Aspremont Lynden, Sophie Dutordoir, Anne Leclercq, and Titia Van Waeyenberge confirm that they are independent directors within the meaning of the Code of Companies and Associations.

Independent financial and legal advisors designated by the SBC in accordance with the Procedure

In accordance with the Procedure, the SBC will be assisted by an independent financial advisor, and any other person it deems necessary.

For the Rider transaction, the SBC appointed Ernst & Young Advisory SAS, incorporated under the laws of France having its registered office at 1-2 *Place des Saisons, 924000 Courbevoie at Paris-La Défense* and registered with the R.C.S. Nanterre under the number 348.006.446 ('EY') as independent financial advisor to assist the SBC in its review of the financial terms of the Transaction. Moreover, the SBC appointed Eubelius CVBA, with registered office at 99 *Louizalaan*, 1050 Brussels (Belgium) and registered with the Crossroads Bank for Enterprises under the number 0460.946.968 as independent legal advisor to assist the SBC in the performance of its task and the provision of its Opinion.

Basis for the Opinion – Activities of the SBC

The SBC's Opinion has been prepared, *inter alia*, on the basis of the information provided by the management of BNP Paribas Fortis, BNP Paribas Personal Finance S.A., incorporated under the laws of France having its registered office at 1 Boulevard Haussmann, 75009 Paris (France) and registered with the R.C.S. PARIS under number 542.097.902 ('BNPP PF'), and EY.

With regard to this Rider transaction, the SBC has met on several occasions and has on a regular basis consulted and exchanged information and views with the respective management teams of BNP Paribas Fortis and BNPP PF, the independent experts, and the statutory auditor, including during the five (5) meetings in the course of 2022.

Transaction

Background and rationale

The Rider transaction consists of the acquisition by Alpha Credit, a fully-owned subsidiary of BNP Paribas Fortis SA, of Creation Financial Services Limited ('CFSL') from BNPP PF, a fully-owned subsidiary of BNP Paribas SA. Through this Rider transaction, Alpha Credit would also indirectly acquire all shares in Creation Consumer Finance Limited ('CCFL', and together with CFSL defined as 'Creation'), which is a fully-owned subsidiary of CFSL.

Creation provides consumer finance products and services in the United Kingdom in a broad and diversified business model with over 45 years of experience in the UK market. Headquartered in Birmingham (UK), it has 2.1 million active customers and 654 FTEs.

Creation consists of two legal entities: CFSL, a 100% subsidiary of BNPP PF, incorporated in England; and CCFL, a 100% subsidiary of CFSL, incorporated in Northern Ireland. CFSL and CCFL are both authorised and regulated by the Financial Conduct Authority ('FCA') to provide credit within the UK market and are registered as consumer credit firm with insurance mediation. In addition, CFSL has a payment services authorisation.

Description

The management of BNP Paribas Fortis has proposed to acquire Creation. The legal structure of the Rider transaction entails the acquisition of all of the shares in CFSL.

Valuation

The valuation of the Rider transaction has been analysed by and discussed with EY, acting as independent financial advisor and assisting the SBC with its assessment of the Rider transaction.

EY has considered the Dividend Discount Model ('DDM') as the primary methodology for the valuation of Creation. According to EY, the DDM allows to run sensitivity analyses based on the cost of equity and the long-term growth rate, as well as regulatory and business parameters. EY used other methods as a reference only, to corroborate the results obtained with the DDM approach. The DDM method is based on discounting net income post contributions for capital obligation at a specific cost of equity.

EY has concluded that the proposed valuation of a price over estimated (consolidated) book value ('P/BV') of 0.85x is overall well corroborated by the different methodologies considered.

PwC Bedrijfsrevisoren BV has acted as statutory auditor of BNP Paribas Fortis and has issued, prior to the Board of Directors' meeting taking the relevant decision, a report on the accuracy of the financial data contained in the Opinion of the SBC.

Decision-making

On November 17, 2022, the Board of Directors of BNP Paribas Fortis decided to approve the proposed Rider transaction.

Opinion of the SBC – Financial consequences

"The valuation proposed by the management of the Company for the acquisition of the shares in CFSL on the basis of a revised business plan for Creation as per 31 December 2022 endorsed by the management of the Company is within the valuation range determined by EY, based on and subject to the terms set out in the EY Valuation Report, as at the date of said report.

Therefore, the SBC is of the view that the financial terms and conditions of the proposed Transaction are fair."

Opinion of the SBC – Conclusion

"The SBC is of the opinion that the proposed Transaction is compatible with the corporate interest of the Company, taking into account the rationale of the proposed Transaction and the potential benefits that may be derived from it.

Based on the considerations and assumptions mentioned above, in particular in relation to the transaction documents that are currently being negotiated, and after having reviewed the financial and possible legal terms and conditions of the proposed Transaction with the independent experts, EY and Eubelius, the SBC has come to the conclusion that the proposed Transaction will not cause a prejudice to the Company that is abusive given the strategy of the Company. The SBC also believes that the proposed Transaction is unlikely to result in adverse consequences that would not be compensated for by benefits for the Company."

BNP PARIBAS FORTIS FINANCIAL STATEMENTS 2022 (NON-CONSOLIDATED)

BALANCE SHEET AFTER APPROPRIATION

In thousands of euros		Codes	Current period	Previous period
ASSETS				
I.	Cash in hand, balances with central banks and giro offices	10100	1,276,969	44,103,571
II.	Government securities eligible for refinancing with the central bank	10200	-	-
III.	Amounts receivable from credit institutions	10300	30,622,737	12,025,353
	A. At sight	*10310*	*23,906,248*	*2,267,932*
	B. Other amounts receivable (at fixed term or period of notice)	*10320*	*6,716,489*	*9,757,421*
IV.	Amounts receivable from customers	10400	141,191,612	129,352,410
V.	Bonds and other fixed-income securities	10500	43,153,106	44,987,681
	A. Issued by public bodies	*10510*	*8,106,034*	*10,001,348*
	B. Issued by other borrowers	*10520*	*35,047,072*	*34,986,333*
VI.	Shares and other variable-yield securities	10600	53,001	55,601
VII.	Financial fixed assets	10700	9,237,306	9,323,932
	A. Participating interests in affiliated enterprises	*10710*	*5,804,165*	*5,715,528*
	B. Participating interests in other enterprises linked by participating interests	*10720*	*2,575,022*	*2,576,254*
	C. Other shares held as financial fixed assets	*10730*	*168,266*	*376,506*
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	*10740*	*689,853*	*655,644*
VIII.	Formation expenses and intangible fixed assets	10800	6,524	28,618
IX.	Tangible fixed assets	10900	964,978	1,053,744
X.	Own shares	11000	-	-
XI.	Other assets	11100	1,486,036	1,363,842
XII.	Deferred charges and accrued income	11200	11,207,994	10,527,406
TOTAL ASSETS		19900	239,200,263	252,822,158

In thousands of euros	Codes	Current period	Previous period
LIABILITIES			
BORROWINGS	**201/208**	**221,926,638**	**234,745,228**
I. Amounts owed to credit institutions	**20100**	**36,859,243**	**52,463,048**
A. At sight	*20110*	*2,607,247*	*959,416*
B. Amounts owed as a result of the rediscounting of trade bills	*20120*	-	-
C. Other debts with agreed maturity dates or periods of notice	*20130*	*34,251,996*	*51,503,632*
II. Amounts payable to clients	**20200**	**154,603,824**	**154,696,063**
A. Savings deposits	*20210*	*66,693,682*	*70,007,559*
B. Other debts	*20220*	*87,910,142*	*84,688,504*
1. At sight	*20221*	*76,007,470*	*76,792,884*
2. At fixed term or period of notice	*20222*	*11,902,672*	*7,895,620*
3. As a result of the rediscounting of trade bills	*20223*	-	-
III. Debts evidenced by certificates	**20300**	**10,780,648**	**10,489,246**
A. Debt securities and other fixed-income securities in circulation	*20310*	*6,344,618*	*7,269,930*
B. Other	*20320*	*4,436,030*	*3,219,316*
IV. Other amounts payable	**20400**	**6,189,429**	**5,507,422**
V. Accrued charges and deferred income	**20500**	**8,937,382**	**6,841,939**
VI. Provisions and deferred taxes	**20600**	**222,931**	**298,079**
A. Provisions for risks and charges	*20610*	*222,931*	*298,079*
1. Pensions and similar obligations	*20611*	-	
2. Fiscal charges	*20612*	-	*494*
3. Other risks and charges	*20613*	*222,931*	*297,585*
B. Deferred taxes	*20620*	-	-
VII. Fund for general banking risks	**20700**	**871,681**	**871,681**
VIII. Subordinated liabilities	**20800**	**3,461,500**	**3,577,750**
SHAREHOLDERS' EQUITY	**209/213**	**17,273,625**	**18,076,930**
IX. CAPITAL	**20900**	**10,964,768**	**10,964,768**
A. Subscribed capital	*20910*	*10,964,768*	*10,964,768*
B. Uncalled capital (-)	*20920*	-	-
X. Share premium account	**21000**	**940,582**	**940,582**
XI. Revaluation surpluses	**21100**	**-**	**-**
XII. Reserves	**21200**	**1,637,546**	**1,637,546**
A. Statutory reserve	*21210*	*1,096,477*	*1,096,477*
B. Reserves not available for distribution	*21220*	*36,988*	*36,988*
1. In respect of own shares held	*21221*	-	-
2. Other	*21222*	*36,988*	*36,988*
C. Untaxed reserves	*21230*	*150,790*	*150,790*
D. Reserves available for distribution	*21240*	*353,291*	*353,291*
XIII. Profits (losses (-)) brought forward (+)/(-)	**21300**	**3,730,729**	**4,534,034**
TOTAL LIABILITIES	**29900**	**239,200,263**	**252,822,158**

INCOME STATEMENT (presentation in vertical form)

In thousands of euros			Codes	Current period	Previous period
I.	**Interest receivable and similar income**		**40100**	**3,528,322**	**3,362,054**
	A. Of which: from fixed-income securities		*40110*	*444,821*	*421,881*
II.	**Interest payable and similar charges**		**40200**	**951,747**	**696,823**
III.	**Income from variable-yield securities**		**40300**	**942,040**	**794,697**
	A. From shares and other variable-yield securities		*40310*	*9,287*	*6,568*
	B. From participating interests in affiliated enterprises		*40320*	*632,674*	*546,120*
	C. From participating interests in other enterprises linked by participating interests		*40330*	*299,941*	*222,747*
	D. From other shares held as financial fixed assets		*40340*	*138*	*19,262*
IV.	**Commissions receivable**		**40400**	**1,524,125**	**1,539,234**
	A. Brokerage and related commissions		*40410*	*556,165*	*535,878*
	B. Management, consultancy and conservation commissions		*40420*	*353,507*	*360,382*
	C. Other commissions received		*40430*	*614,453*	*642,974*
V.	**Commissions paid**		**40500**	**478,079**	**476,392**
VI.	**Profit (loss) on financial transactions**	(+)/(-)	**40600**	**286,568**	**117,191**
	A. On trading of securities and other financial instruments		*40610*	*402,796*	*138,113*
	B. On disposal of investment securities		*40620*	*(116,228)*	*(20,922)*
VII.	**General administrative expenses**		**40700**	**2,457,463**	**2,135,008**
	A. Remuneration, social security costs and pensions		*40710*	*1,293,471*	*1,126,611*
	B. Other administrative expenses		*40720*	*1,163,992*	*1,008,397*
VIII.	**Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets.**		**40800**	**75,912**	**72,488**
IX.	**Decrease in write downs on receivables and in provisions for off-balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a credit risk'.**	(+)/(-)	**40900**	**15,496**	**185,721**
X.	**Decrease in write-downs on the investment portfolio of bonds, shares and other fixed-income or variable-yield securities.**	(+)/(-)	**41000**	**(8,997)**	**(40,789)**
XI.	**Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet captions.**	(+)/(-)	**41100**	**(48,622)**	**(30,530)**
XII.	**Provisions for risks and charges other than those included in the off-balance sheet captions.**		**41200**	**14,114**	**65,522**
XIII.	**Transfer from (Appropriation to) the fund for general banking risks.**	(+)/(-)	**41300**	**-**	**-**
XIV.	**Other operating income**		**41400**	**155,751**	**153,639**
XV.	**Other operating charges**		**41500**	**332,669**	**379,072**
XVI.	**Profits (losses) on ordinary activities before taxes.**	(+)/(-)	**41600**	**2,168,945**	**2,027,108**

In thousands of euros			Codes	Current period	Previous period
XVII.	Extraordinary income		41700	166,820	199,924
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets		*41710*	*353*	*1,167*
	B. Adjustments to write-downs on financial fixed assets		*41720*	*99,206*	*43,985*
	C. Adjustments to provisions for extraordinary risks and charges		*41730*	*-*	*-*
	D. Capital gains on disposal of fixed assets		*41740*	*67,097*	*154,758*
	E. Other extraordinary income		*41750*	*164*	*14*
XVIII.	Extraordinary charges		41800	38,299	139,520
	A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets		*41810*	*-*	*-*
	B. Write-downs on financial fixed assets		*41820*	*27,157*	*132,607*
	C. Provisions for extraordinary risks and charges	*(+)/(-)*	*41830*	*-*	*-*
	D. Capital losses on disposal of fixed assets		*41840*	*8,802*	*5,354*
	E. Other extraordinary charges		*41850*	*2,340*	*1,559*
XIX.	Profits (Losses) for the period before taxes	(+/-)	41910	2,297,466	2,087,512
XIXbis.	A. Transfer to deferred taxes		41921	-	-
	B. Transfer from deferred taxes		41922	-	-
XX.	Income taxes	(+)/(-)	42000	90,366	85,662
	A. Income taxes		*42010*	*95,289*	*118,529*
	B. Adjustment of income taxes and write-back of tax provisions		*42020*	*4,923*	*32,866*
XXI.	Profits (Losses) for the period	(+)/(-)	42100	2,207,100	2,001,849
XXII.	Transfer to (or from) untaxed reserves	(+)/(-)	42200	-	-
XXIII.	Profit (Losses) for the period available for appropriation	(+)/(-)	42300	2,207,100	2,001,849

XVIII. STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

In thousands of euros	Codes	Current period	Previous period
A. Capital statement			
1. Shareholders equity			
a. Subscribed capital			
at the end of the previous financial year	20910P	xxxxxxxxxxxxxx	10,964,768
at the end of the financial year	(20910)	10,964,768	

	Codes	Amounts	Number of shares
Changes during the financial year			
b. Structure of the capital			
Categories of shares			
Common		10,964,768	565,194,208
Registered shares	51801	xxxxxxxxxxxxxx	565,021,566
Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	172,642

	Codes	Uncalled capital	Called but unpaid capital
2. Capital not paid up			
a. Uncalled capital	(20920)	-	xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	-
c. Shareholders still owing capital payment			

	Codes	Current period
3. Own shares		
a. Held by the reporting institution itself		
* Amount of capital held	51804	-
* Corresponding number of shares	51805	-
b. Held by its subsidiaries		
* Amount of capital held	51806	-
* Corresponding number of shares	51807	-
4. Share issuance commitments		
a. Following the exercise of conversion rights		
* Amount of convertible loans outstanding	51808	-
* Amount of capital to be subscribed	51809	-
* Maximum corresponding number of shares to be issued	51810	-
b. Following the exercise of subscription rights		
* Number of subscription rights outstanding	51811	-
* Amount of capital to be subscribed	51812	-
* Maximum corresponding number of shares to be issued	51813	-
5. Authorized capital not issued	**51814**	**10,964,768**
6. Shares not representing capital		
a. Repartition		
* Number of parts	51815	-
* Number of votes	51816	-
b. Breakdown by shareholder		
* Number of parts held by the reporting institution itself	51817	-
* Number of parts held by its subsidiaries	51818	-

B. Shareholders structure of the institution at year end according to the notifications received by the institution

- Pursuant to article 7:225 and article 7:83 of the companies and associations Code;
- Pursuant to article 14, paragraph 4, of the law of 2 May 2007 on the disclosure of major shareholdings or pursuant to article 5 of the Royal Decree of 21 August 2008 on the rules for certain multilateral trading facilities
After verification, BNP Paribas Fortis did not receive any notifications

OTHER INFORMATION

Monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions in 2022

The monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions of Euronext Brussels (Euronext Expert Market) in 2022 were as follows (in EUR):

Month	Low	High
January	24.4	25.2
February	26.0	29.4
March	29.4	32.2
April	33.6	33.6
May	36.6	36.6
June	29.0	29.0
July	NA	NA
August	29.0	29.4
September	30.2	32.2
October	30.2	30.2
November	30.4	30.8
December	30.4	30.4

External functions held by directors and effective leaders on the 31st of December 2022 that are subject to a disclosure requirement

Pursuant to the Regulation of the National Bank of Belgium of 9 November 2021 on the exercise of external functions by managers and heads of independent control functions of regulated companies (*'Reglement van de Nationale Bank van België van 9 november 2021 met betrekking tot de uitoefening van externe functies door leiders en verantwoordelijken van de onafhankelijke controlefuncties van gereglementeerde ondernemingen' / 'Règlement de la Banque Nationale de Belgique du 9 novembre 2021 concernant l'exercice de fonctions extérieures par les dirigeants et responsables d'une fonction de contrôle indépendante d'entreprises réglementées')* (the 'Regulation'), the Board of Directors of BNP Paribas Fortis has adopted its 'Internal rules governing the exercise of external functions by effective leaders of BNP Paribas Fortis ('Internal Rules').

This Regulation, as well as the Internal Rules, stipulate a.o. that certain external functions held by the directors and effective leaders must be disclosed in the annual report.

The effective leaders of BNP Paribas Fortis are set forth in a list submitted to the Belgian National Bank, which is kept up to date in accordance with the applicable regulations. This list includes the members of the Executive Board of BNP Paribas Fortis, the CFO and the heads of its foreign branches.

According to the Regulation and the Internal Rules, the external functions subject to disclosure are the executive or non-executive directorships and the functions involving taking part in the management or running of a company, exercised by a board member or effective leader of BNP Paribas Fortis in a commercial company or in a company with a commercial legal form, in an undertaking with another Belgian or foreign legal form or in a Belgian or foreign public institution with an industrial, commercial or financial activity, apart from those exercised within the BNP Paribas group.

Name, Surname (Post) Company	Business Activity (Post)	Listed
Herman DAEMS **(Chairman of the Board of Directors until December 31, 2022)**		
Domo Investment Group SA/NV	Holding company (Chairman of the Board of Directors)	-
Unibreda SA/NV	Holding company (Chairman of Board of Directors - independent director)	-
Max JADOT **(Chairman of the Executive Board until December 31, 2022)**		
Baltisse SA/NV	Investment Company (Non-executive director)	-
Dominique AUBERNON **(Non-executive director)**		
Sicovam Holding SA	Holding company (Non-executive director)	-
Dirk BOOGMANS **(Non-executive director)**		
Smile Invest SA/NV	Investment Company (Member of the Investment Committee)	-
Smile Invest Management Company SA/NV	Investment Company (Non-executive director)	-
Newton Biocapital I SA/NV	Investment Fund (Non-executive director and chairman of the Audit Committee)	-
Newton Biocapital II SA/NV	Investment Fund (Non-executive director and chairman of the Audit Committee)	-
Vinçotte International SA/NV	Inspection, control and certification services (Non-executive director)	-
Vinçotte Academy SA/NV	Inspection, control and certification services (Non-executive director)	-
Vinçotte SA/NV	Inspection, control and certification services (Non-executive director)	-
Antoinette d'ASPREMONT LYNDEN **(Independent director)**		
Groupe Bruxelles Lambert SA/NV	Holding Company (Non-executive director and chairwoman of the Audit Committee)	Euronext Brussels
Wouter DE PLOEY **(Independent director)**		
Unibreda SA/NV	Holding company (Non-executive director)	-
Vanbreda Risk & Benefits SA/NV	Insurance broker (Non-executive director and member of the Remuneration Committee)	-

Name, Surname (Post) Company	Business Activity (Post)	Listed
Sophie DUTORDOIR (Non-executive director)		
Nationale Maatschappij der Belgische Spoorwegen SA/NV	Railway (CEO and executive director)	-
Wetenschapspark Leuven Noord	Railway (Non-executive director)	-
HR Rail SA/NV	Railway (Non-executive director)	-
Haffner Energy SA	Renewable energy (Independent director)	Euronext Paris
Arvesta SA/NV	Agriculture and horticulture (Non-executive director)	-
Anne LECLERCQ (Independent director)		
WDP SA/NV	Logistics (Independent director, member of the Audit Committee and Remuneration and Nomination Committee)	Euronext Brussels
Fluxys Belgium SA/NV	Energy infrastructure (Independent director, member of the Audit and Risk Committee and Corporate Governance Committee)	-
Titia VAN WAEYENBERGE (Independent director)		
De Eik SA/NV	Investment company (Chairwoman of the Board of Directors and member of the Nomination and Remuneration Committee)	-
Paratodos SA/NV	Agribusiness (CEO and executive director)	-
Estancia Montania SA	Agribusiness (Non-executive director)	-
Ganadera El Roble SA	Agribusiness (Non-executive director)	-
Pikyry SA	Agribusiness (Non-executive director)	-
Industria San Cosme SA	Agribusiness (Non-executive director)	-
Indufin Capital partners Sicar	Investment company (Non-executive director)	-
Tattersal Leasing SA	Leasing company (Non-executive director)	-
Indufin Investment fund SA/NV	Investment fund (Chairwoman of the Board of Directors)	-

Name, Surname (Post) Company	Business Activity (Post)	Listed
Sandra WILIKENS **(Executive director)**		
Vanbreda Risk & Benefits SA/NV	Insurance broker (Non-executive director)	-

BNP PARIBAS FORTIS SA/NV

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BNP PARIBAS FORTIS

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