BNP PARIBAS FORTIS ANNUAL REPORT 2023

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BNP PARIBAS FORTIS

The bank for a changing world

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 2023 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 2023, with comparative figures for 2022, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are followed by the audited non-consolidated financial statements 2023 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 2023 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 8.k '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 2023 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 2023 is a reproduction of the official version of the 2023 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

2023 was an eventful year for our bank. We took important steps in the implementation of our strategy focused on Growth, Accessibility and Sustainability (GAS). We prepared the bpost bank merger, which we completed with the successful migration of customer accounts in January 2024. We also achieved strong financial results, both in our banking business and in our specialised subsidiaries. Above all, BNP Paribas Fortis' teams were fully committed to helping our more than 4.7 million Belgian clients.

We operated against a backdrop of ongoing geopolitical instability. The war in Ukraine continued and new armed conflicts emerged on Europe's borders. These converging crises led to uncertain energy supplies, longer supply chains, higher commodity prices, protectionism, inflation and rapid rising interest rates, putting pressure on industrial and private activity in our home market.

BNP Paribas Fortis was able to maintain positive momentum and post good financial results. Consolidated net profit was 3,095 million euros, down 1% from 2022. Revenues increased by 9% to 10,551 million euros, mainly driven by higher interest income in Belgium and higher revenues at Arval, TEB, BGL and Leasing Solutions. Operating expenses increased by 8%, mainly due to the impact of inflation. Our consolidated cost-to-income ratio improved to 52.1%, from 52.6% last year, thanks to a positive jaws effect of 1.0%. Our CET1 capital ratio of 16.2% and liquidity ratio of 118% illustrate the solidity of the bank. Our good results and strong solvency enable us to finance our clients' projects and the Belgian economy and to invest in our strategic initiatives.

The roll-out of our strategy for 2025 is ongoing. Two of the most important steps in this journey are the integration of bpost bank into BNP Paribas Fortis and the launch of a completely new offering focusing on daily banking. With the bpost bank project, which included the migration of 3 million customer accounts on 22 January 2024 – more than 80,000 hours of preparation, the training of 2,270 bpost employees and the mobilisation of 700 employees during the merger weekend – we have laid the foundations for the most accessible retail network in Belgium. Many employees of both banks gave their best to prepare and complete the merger and welcome the more than 1 million customers and 300 employees of bpost bank.

With over-the-counter banking services in 656 post offices in central locations, expert advice in BNP Paribas Fortis branches by appointment, 16 Client Houses combining corporate and private banking services, the Fintro bancassurance network and Nickel's basic banking services – with more than 400 points of sale already in place – we are able to offer all types of customers a personalised service tailored to their needs.

In the same month as the merger, we launched our Easy Go and Easy Guide packs, which were well received. With these two modular packs, each customer can fine-tune the way they interact with the bank, the products they use and the advice they receive from our multi-disciplinary teams.

In home loans, we strengthened our franchise by merging the Krefima and Demetris credit brokers into the new BNP Paribas Fortis Credit Brokers brand. Pursuing growth by combining the best of both worlds, BNP Paribas Fortis Credit Brokers now offers our home loans through a network of more than 600 brokers.

With a year-on-year increase in digital interactions, our Easy Banking App (EBA) remains the main gateway to our products and services, complementing face-to-face appointments in our branches. Our clients are also increasingly enthusiastic about the third-party services we are integrating into our app. To further strengthen our role as a trusted financial partner, BNP Paribas Fortis is offering additional third-party services in four ecosystems – Move, Live, Pay and Work – to achieve the best customer experience, in line with our strategy. We see Euromoney's acknowledgment of BNP Paribas Fortis as 'Best Belgian Bank in Digital Solutions' in 2023 and, more importantly, the average rating of 4.6/5 that our customers give our app, as encouragement that we are on the right track in expanding our digital hub.

We care about vulnerable customers for whom the pace of digital transformation is too rapid, and we support them with coaching, helping them to make best use of our channels to meet their specific needs. We are the driving force behind DigitAll, a coalition of more than 110 companies and organisations working towards greater digital inclusion in Belgium.

In parallel with digital accessibility, we encourage social inclusion by creating growth opportunities through suitable financing. We have integrated microStart's specialised microloans into BNP Paribas Fortis' commercial offering to extend their reach and provided training in microloans to more than 600 employees. Together with Matexi, we launched HappyNest, an arrangement whereby prospective buyers rent a sustainable energy-efficient new-build home and, after a few years, have the opportunity to buy it. We granted Inclusio a 15 million euros social loan to refinance its activities in affordable rental housing, housing and care for people with disabilities and social infrastructure.

We are also playing our part in society's transition to more sustainable ways of working, living and moving around. We do this by offering more attractive rates on energy loans, providing expertise to companies through our Sustainable Business Competence Centre on greening their production methods and products, and encouraging the electrification of the Belgian vehicle fleet through the leasing and financing services provided by Arval and Leasing Solutions, among other initiatives. In 2023, almost a third of Arval's registered vehicles were electrified (almost half of these were 100% electric) and by 2026 we aim to achieve electrification across two thirds of the fleet.

Our strategy remains focused on building a sustainable bank with people and technology at its core. Everything we do is guided by these principles: our investments in IT and Artificial Intelligence to improve new products and customer satisfaction, the diversification of our distribution channels and the addition of innovative services to our app.

For years now we have assessed the effectiveness of our initiatives with the Net Promoter Score (NPS), which measures the customer experience. Results for the Private Banking and Corporate Banking client segments are very high across the board and significantly above the market average. Priority clients also give us very good scores, while the NPS results of retail clients have evolved positively, with the expertise of our employees cited as an important factor when recommending us.

Our ambition to be a financial service provider that always prioritises customer needs would not be possible without the commitment and flexibility of all our colleagues. The past few months have demanded a great deal of them, but through it all they have kept their focus on our customers. We would like to thank them for their efforts and also acknowledge the trust that our customers – both old and new – continue to place in our bank.

Max Jadot
Chairman of the Board of Directors

Michael Anseeuw
Chief Executive Officer

Economic context

In 2023, the Belgian economy suffered aftershocks from Russia's invasion of Ukraine in February 2022 and its growth continued to slow. Nevertheless, Belgium's GDP still rose by 1.5%, after growth of 3.3% the previous year. There were very welcome developments in energy prices which, after peaking in autumn 2022, fell gradually throughout 2023, leading to a fairly impressive fall in inflation. Belgium started the year with inflation running at 8%, but by December this had fallen to 1.4%. Since inflation is calculated by measuring current prices with those one year previously, this sharp fall was due to a high base for comparison. However, the decline in energy prices was real: the price of 1 megawatt hour of gas fell from 350 euros in October 2022 to less than 50 euros in December 2023, while the price of electricity dropped from 800 to 100 euros.

Despite general expectations to the contrary, Belgian GDP growth remained positive due to consumer spending, which was underpinned by household real incomes remaining firm as a result of the automatic index-linking of wages and social benefits. In many countries where such mechanisms do not exist, the spectacular surge in prices meant that household real incomes fell significantly, and this explains why Belgium was more resilient than neighbouring economies in 2023: Germany and the Netherlands saw economic growth slow much more sharply, and even ended 2023 in recession.

Belgian consumer confidence improved steadily throughout the year, helped by the rapid decline in energy prices, the certainty that real incomes would not fall, and a firm jobs market. However, strong domestic demand led to a deterioration in Belgium's trade position, with exports clearly taking a hit as high inflation inevitably caused companies to become less competitive.

The construction industry suffered from higher interest rates, as it did all around the world, and although residential real estate prices did not fall in Belgium, the number of transactions declined drastically. House price growth, which had peaked at over 8% in 2021 in very strong market conditions, slowed sharply and ended 2023 at only 1%. However, this confirms the robust nature of Belgium's residential real estate market, since higher interest rates caused prices to fall in many other countries.

The Belgian jobs market also remained relatively buoyant, although the unemployment rate rose slightly from the third quarter onwards. Confidence levels among business leaders fell during the year, probably as a result of rising interest rates and the worsening geopolitical situation in the Middle East since 7 October 2023. Jobs are harder to find than before because companies are concerned about their competitiveness and future prospects. The unemployment rate of 5.6% continues to hide the ongoing wide gap between job vacancies and jobseekers, as is the case in many countries where the pandemic has prompted people to take a different approach to working in many sectors. Staff shortages are still a reality in numerous sectors, including construction, healthcare, transport and retail.

The US economy did well in 2023 because of its energy independence. When war broke out in Ukraine, the US quickly helped wean Europe off Russian gas and has ever since been selling impressive quantities of liquefied gas at extremely high prices, making billions of dollars of profit in the process.

Unsurprisingly, the unprecedented surge in prices all around the world caused sharp increases in interest rates. The US central bank continued to raise its main official rate, from 0.25% in March 2022 to 5.5%, while in the EU, 10 rate hikes in 15 months took the ECB's deposit rate from 0% to 4%. At the same time, the main central banks continued to withdraw the liquidity they injected into the banking system following the COVID crisis, allowing them to reduce the size of their balance sheets. However, those reductions made it harder for governments to fund their deficits, forcing them to find buyers other than central banks for their bonds. This led to some tension in the US, where the public finances have deteriorated sharply due to economic support measures put in place by President Biden to soften the blow of high inflation. This is partly why US long-term interest rates continued to rise in the first half of 2023, whereas they stabilised in Europe.

2022 had brought an extraordinary surge in long-term interest rates, which caused bond markets around the world to plummet. 2023 was a much quieter year, with yields remaining stable overall in the first part of the year, before starting to fall – sometimes sharply – when lower inflation numbers started to be announced. The last few weeks of 2023 saw a real wave of euphoria in both bond and equity markets, with many investors placing bets on when the first central-bank rate cuts would happen.

The decline in long bond yields is good news in terms of managing Belgium's public finances, which still show excessive deficits and a debt/GDP ratio of over 105%.

Finally, the Belgian banking sector continued to play its role in financing the economy, although the surge in interest rates considerably slowed growth in lending. In 2023, loans outstanding rose to 253 billion euros among personal customers and to 153,3 billion euros among businesses. Although the increase was much smaller than in 2022, when lending rose by over 8%, this still represents year-on-year growth of 1.5% in loans to personal customers and 4.5% in loans to businesses, which remains reasonable given the highly uncertain economic conditions and the increase in interest rates.

Core Businesses

BNP Paribas Fortis

BNP Paribas Fortis includes an important part of the Commercial, Personal Banking & Services (CPBS) as well as the Corporate & Institutional Banking (CIB) activities of the BNP Paribas Group in Belgium. On 31 December 2023, the bank employed a total of 10,351.5 FTEs in Belgium.

Commercial & Personal Banking in Belgium

BNP Paribas Fortis' Commercial & Personal 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.

BNP Paribas Fortis is the number-one bank for retail customers in Belgium in terms of market share and it has a strong market position among professionals and small businesses. BNP Paribas Fortis is also the leading private bank in Belgium. It ranks number one in Corporate Banking, offering a full range of financial services to corporate clients, public-sector entities and local authorities. With its dedicated teams, BNP Paribas Fortis aims to fund the specific needs of its customers and make an active contribution to the development of the Belgian economy.

Since 1 January 2023, BNP Paribas Fortis has a new commercial organisation that has been redesigned to meet customer expectations more effectively:

- Retail Banking, with 2.9 million customers[1], serves individual customers, self-employed people and small businesses with a multi-disciplinary team;
- Affluent & Private Banking, with 0.37 million active clients, serves individuals with more than 85,000 euros of assets, along with self-employed people and firms in the liberal professions, through dedicated relationship managers. 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;
- Corporate Banking, with 87,000 clients, serves businesses with more complex needs through dedicated relationship managers. The Enterprises business line serves small and medium-sized businesses while Corporate Coverage handles large corporations, public-sector entities and institutional clients.

BNP Paribas Fortis serves its customers through various networks, as part of a hybrid banking strategy that combines physical branches and digital channels:

- 308 branches (including 132 independent branches) organised into four regions, handling individual customers, self-employed people and small businesses. In addition, there are 193 Fintro branches operated under franchise, and 656 sales points in bpost branches;
- 31 dedicated private banking centres including one remote centre and two Wealth Management centres;
- Specialist teams in Brussels dealing with large corporations, public-sector companies and institutional clients, along with a network of 14 Business Centres across Belgium for medium-sized companies and dedicated relationship managers in the branch network for small Corporate Banking customers;

1 *Excluding the 600,000 active customers of bpost banque and Fintro customers.*

- A digital platform comprising online banking services (Easy Banking) and the Easy Banking App (2.75 million active users in total, including Fintro). Easy Banking Business is the online banking platform for businesses and self-employed people. PaxFamilia, a secure platform offering customers tools for managing, monitoring and passing on their wealth, has 29,700 active contracts. This offering is supplemented by digital bank Hello Bank!, which has more than 537,000 customers. These digital platforms are constantly improved through active collaborations with fintechs, an example being the development of a high-performance budget management tool with TINK;
- A network of 608 ATMs (including Fintro), supplemented by 973 cash machines run by Batopin, a joint venture between BNP Paribas Fortis, KBC, ING and Belfius, each of which owns a 25% stake. Batopin is installing bank-neutral CASH points across Belgium in locations with high customer footfall.

BNP Paribas Fortis makes itself available to its customers through the Easy Banking Centre, which handles up to 60,000 customer calls per week.

The quality of the service BNP Paribas Fortis provides to its customers was acknowledged several times in 2023. The bank was named 'Best bank for digital services in Belgium' by *Euromoney*, 'Bank of the year in Belgium by *The Banker*, 'Best private bank in Belgium' by *PWM-The Banker* and 'Best bank in Belgium' by *Global Finance*.

In 2022, BNP Paribas Fortis acquired bpost's 50% stake in bpost bank, taking its total interest to 100%. bpost and BNP Paribas Fortis also signed an exclusive, seven-year commercial agreement. As part of this agreement, bpost is offering BNP Paribas Fortis services and products in its network of post offices. Since 22 January 2024, bpost bank has been integrated within BNP Paribas Fortis and bpost bank customers have joined BNP Paribas Fortis. The bpost bank brand has now disappeared from high streets and post offices and has been replaced by the BNP Paribas Fortis brand and logo.

Retail Banking

2023 was a major turning point for BNP Paribas Fortis, with the introduction of a New Commercial Organisation: this is intended to improve the service we provide to our customers by offering them new service models that better fit their needs. The New Commercial Organisation is based around three new customer segments: Retail Banking, Affluent & Private Banking and Corporate Banking. In terms of the practical implications for our customers, the new organisation is resulting in new service models and solution packs.

Greater accessibility and a proactive approach

In early 2023, we began a large-scale direct communication campaign aimed at all Retail Banking customers, explaining the changes in our services and the ways in which our branch-based multi-disciplinary teams will be better able to guide and advise them proactively for all of their banking and insurance needs. This includes making it easier to make appointments directly with experts in the areas in which customers – both individuals and businesses – need help. Internally, our teams of in-branch advisors have gradually adopted Agile principles, in order to create a more effective and flexible way of working. As regards the Easy Banking Centre, teams have been strengthened so that they can proactively suggest solutions to our customers.

We are continuing to develop new digital solutions, both on our Easy Banking Web site, the content of which has been entirely updated, and our Easy Banking App, particularly with the addition of the Easy Cashback loyalty programme.

We maintained our digital inclusion efforts by resuming in-branch digital workshops, along with our work to prevent phishing- and fraud-related risks. We developed new content and articles on our public website and carried out email communication campaigns. We also developed new ways of communicating via Facebook and Instagram.

September brought a publicity campaign about our new Easy Guide and Easy Go packs, which allow individual customers to choose which accounts and cards they want, but also how they wish to interact with the bank depending on their needs: Easy Go covers simple requirements and allows customers to interact directly with an advisor in a post office, while Easy Guide covers more complex needs, allowing customers to make appointments and get support from multi-disciplinary teams in-branch. The aim of the campaign was to guide customers through the various options as effectively as possible before the new packs came into force on 1 January 2024.

Protecting our customers, today and tomorrow

As regards insurance and pensions, we continued our efforts to help customers insure their possessions, businesses, themselves and their loved ones more effectively through a more integrated cross-selling approach, but also by providing new digital solutions that make their lives easier. As in 2022, our Car Repair days allowed customers to have small repairs done to their cars for free by our partner AG.

For business customers, we continued to integrate AG's solutions into our portfolio and carried out communication campaigns focusing on the good fit between our lending and insurance solutions, particularly in terms of helping businesses to optimise their liquidity.

Helping customers move towards a sustainable future

At a time when our economy and society are shifting rapidly towards greater sustainability, our role in supporting that move was central to our concerns more than ever in 2023. We seek to do this not only through the specific loans we grant, but most importantly by informing and helping our customers. In the mobility space, for example, we held webinars and published articles involving experts from Arval to give businesses a better understanding of tax changes.

As regards real estate, we carried out several direct communication campaigns and one paid media campaign in three high-profile waves – in February/March, June/July and October/November, across radio, TV, online, social media and digital channels – and installed in-branch displays, highlighting our financing solutions for customers wanting to make their homes more sustainable by refurbishing and insulating them. Finally, we introduced a special service for co-owner associations to help them finance projects such as those involving structural and sustainable renovation work and energy-efficiency upgrades.

Helping people start their own businesses

As a leading player in the business banking market, our role is to be a driving force in the local economy, particularly by helping young entrepreneurs set up their own businesses.

In 2022, we started a comprehensive review of the way we attract people starting their own businesses, and we stepped up those efforts in 2023. We completely repackaged our offering, which now revolves around a Starter Kit that includes various banking, insurance, pension and payment solutions, but also marketing solutions and digital tools, as part of a one-stop-shop approach. In particular, we completely revised the Starters section of our Easy Banking Web site and carried out communication campaigns aimed at promoting our ecosystem of partners and solutions. We also made it easier for people to access help and support during the early stages of setting up their business through dedicated specialists in the Easy Banking Centre's Easy Starters Team.

In addition, we continued our media strategy, investing in both the BNP Paribas Fortis and Hello bank! brands, in order to promote our solutions and approaches in an integrated way among pre-starters and starters. This involved radio, digital and social media advertising campaigns. BNP Paribas Fortis emphasised the initial support provided by its specialists in the Easy Starters Team, while Hello bank! highlighted its integrated digital solution, which allows people to start setting up their business account and request a company registration number and VAT number as part of a single digital flow.

Affluent & Private Banking

This new client segment now covers our Priority Banking, Private Banking and Wealth Management services, which are all based on close collaboration between clients and their relationship managers. The main innovation in these service models is a new approach to relationships: clients can now entrust their private and business banking needs to a single relationship manager.

New approach to relationships and stronger partnerships with our clients

With the introduction of our New Commercial Organisation, Priority Banking, Private Banking and Wealth Management clients can now have a single contact person for all of their private and business banking needs. This new approach was the subject of a radio, digital and social media campaign, aimed at establishing its market position.

In addition, we pay particular attention to the specific needs of people working in the liberal professionals, and particularly future medical doctors and specialists. From the start of their studies, we provide them with special support, working with them to build their future. We organised special events to publicise our solutions among medical students in Brussels, Ghent and Leuven.

In 2023, in highly volatile market conditions resulting from the conflicts in Ukraine and Israel/Palestine, we stepped up our efforts to provide information and insight regarding the geopolitical, economic, financial and social contexts, in order to strengthen ties with our clients still further. To do this, we continued to develop and post expert content on our exclusive My Experts platform, but also via market flashes when market events took place. We send our clients in-depth analysis from our economists once a year in the form of an Economic Outlook.

Growing our clients' wealth
To offer our clients the most effective support with their investment strategies, we regularly update our portfolio of solutions.

Accordingly, we have started to contact our clients to offer them our IRIS and Serenity solutions instead of our Investment Advice and Portfolio Advice solutions, which have been withdrawn. We now offer IRIS to our Priority clients as well. To accompany the transition, we have produced new brochures and videos to explain the changes.

Against a background of higher interest rates, we have worked with all of our clients, helping them to build and optimise their assets, depending on their profile, over the full cycle from savings to investments, and regardless of whether they are novice or experienced investors.

Protecting our clients, their families and their assets
As regards protecting our clients, we carried out new campaigns inviting customers to contact their relationship managers or insurance specialists in order to review all of their existing insurance policies and make improvements where needed.

As regards managing and protecting their assets, we continued to publicise our innovative PaxFamilia solution among customers who are not yet using it. As regards monitoring and managing client portfolios, in addition to the aforementioned market flashes, we began an overhaul of the video reports we produce regarding the performance of investment products, so that they comply with new investment directives.

Corporate Banking

With its well-developed, diversified and integrated business model and services, 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-sector entities and local authorities. Corporate Banking (CB) has an extensive and diversified clientele among large and medium-sized companies and is the market leader in these two categories.

Our Relationship Managers are central to Corporate Banking's relationship model. They can call upon a wide variety of experts in all kinds of banking solutions to provide bespoke services to their clients. Within the Corporate Banking division, the Enterprises team serves small and medium-sized companies through a network of 14 Business Centres and a presence across our Belgian branch network. Relationships with large corporates, financial institutions and public-sector entities are handled by dedicated central teams based at our head office in Brussels.

Corporate Banking provides a wide range of specialised solutions and services – both traditional and bespoke – and draws on the BNP Paribas group's international network across more than 60 countries, enabling it to continue meeting the specific financing, transaction, investment and insurance needs of its clients in Belgium and abroad.

A financial partner helping corporates navigate uncertainty
In 2023, Corporate Banking continued to play a major role in providing support to the Belgian economy. Our Transaction Banking unit was able to provide robust assistance to clients seeking to navigate supply-chain disruptions brought about by geopolitical events, while our Global Markets specialists helped clients hedge their risks with regard to interest rates, exchange rates and inflation. Our Private Equity teams, meanwhile, continued to invest in Belgian companies throughout the year, in line with our 2025 Strategy.

An organisation that adapts to achieve continuous growth
During the year, the Corporate Banking division pursued its roadmap for achieving digital transformation and improving the efficiency of its processes. CB also enhanced its service model by accelerating the rollout of digital features and remote contact channels.

Our partnerships with EMAsphere and Climact are good examples of how CB constantly adds value for its clients by broadening the scope of the solutions it offers them beyond the confines of traditional banking services.

2023 was also the year when the bank introduced its New Commercial Organisation: as a result, businesses with a dedicated relationship manager have been covered by Corporate Banking since January 2023.

A trusted partner to help businesses move towards more sustainable business models
With its Sustainable Business Competence Centre, Corporate Banking is firmly positioning itself as a Sustainable Corporate Bank. During the year, CB stepped up its efforts to help clients make the transition to more sustainable practices and business models and to invest in the transformative projects needed to address the huge challenges of climate change and biodiversity loss, with specific attention to the areas of energy transition, decarbonisation, biochemicals and the circular and regenerative economy. CB also enhanced its expertise

regarding the EU Green Deal regulatory framework and in the environmental, social and governance (ESG) field.

In 2023, for the fourth consecutive year, Corporate Banking was named 'Best Investment Bank in Belgium' by *Euromoney*.

Arval

Arval is a major player in long-term vehicle leasing and a specialist in mobility solutions. As a specialist business belonging to BNP Paribas' Commercial, Personal Banking & Services division, Arval is central to the group's integrated model and its new 'BNP Paribas Mobility' brand. Arval provides customised mobility services to business clients – from major multinationals to small and medium-sized enterprises – as well as to its partners, their employees and individual customers.

At the end of 2023, Arval had almost 8,400 staff members in the 29 countries where it operates, and was leasing around 1.7 million vehicles (an increase of 7% compared with the end of 2022) to 300,000 customers. It also had almost 20,000 worldwide users of mobility solutions that offer an alternative to private cars, such as car-sharing, mobility payment cards and bicycle rental. Arval is Europe's second-largest player in multi-brand long-term vehicle leasing, ranking number one in Poland, number two in France, Spain, Italy and Belgium, and number three in the Netherlands[2]. It also benefits from strategic partnerships through the Element-Arval Global Alliance, the world leader in this sector with a total of more than 4.4 million vehicles in 56 countries.

In 2023, Arval continued to provide its customers with innovative products tailored to their needs, particularly in terms of supporting energy transition in their vehicle fleets. To encourage the adoption of electric vehicles, Arval announced its new Arval Charging Services offering, through which both businesses and individual customers can lease an electric vehicle and charger together. Arval's aim is to lease 350,000 battery electric vehicles and 700,000 electrified vehicles in total by 2025, which will help it to achieve its target of cutting fleet CO2 emissions by 35% compared with 2020. At the end of 2023 it already leased more than 166,000 battery electric vehicles, up 85% relative to 2022.

BNP Paribas Leasing Solutions

BNP Paribas Leasing Solutions is a leading European provider of business equipment. The company helps both companies and people working in the liberal professions to develop their businesses by providing them with leasing and financing solutions, together with a range of services designed to meet their specific 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.

With 70 years of experience, BNP Paribas Leasing Solutions supports the real economy by financing purchases of all major types of business and professional equipment, including in the agricultural, medical, logistics and IT sectors. It also helps its clients make the transition to more environmentally friendly practices by financing purchases of equipment designed to make a positive impact as well as circular economy initiatives. Clients and partners rely on BNP Paribas Leasing Solutions' market expertise, knowledge of assets and advisory services to drive their growth, transformation and transition to a low-carbon circular economy.

In 2023, BNP Paribas Leasing Solutions was named 'Best Energy Transition Financing Program of the Year' by *Leasing Life*, the leading magazine reporting on the leasing profession in Europe.

BNP Paribas Leasing Solutions works directly with corporate clients, leveraging the extensive BNP Paribas network to offer tailored leasing solutions. Additionally, BNP Paribas Leasing Solutions collaborates with manufacturers and their distribution networks to provide seamless financing options for their customers.

[2] *Source: Frost & Sullivan figures from end-December 2022, taking into account the ALD/LeasePlan merger that was completed in 2023.*

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.

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, in which it holds a 48.7% stake via TEB Holding and BNP Paribas Fortis Yatırımlar Holding A.Ş. On 30 September 2023, TEB, which provides the full range of BNP Paribas Group Retail products and services in Turkey, was the country's tenth-largest deposit-taking bank in terms of market share in deposits and loans.

Retail Banking

In 2023, TEB continued to diversify and enhance its range of products and services in line with its strategy of offering customer-oriented solutions. TEB also expanded its offering through its digital channels. TEB's methods focus on people-centric design and customer journeys, and it runs advocacy programmes designed to obtain and make good use of customer insights. The meticulous monitoring of customer habits and customer acquisition channels play a key role in this. In addition to transactional and relational Net Promoter Score (NPS) studies, TEB continues to gather insights and improve the customer experience through ad-hoc research and communication with customers through all channels, with approximately 200,000 interactions recorded in 2023. 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 sixth year in a row.

At the end of 2023, TEB's digital channels were serving approximately 2.5 million active customers, with 87% of personal loans and 84% of time deposit accounts opened via the CEPTETEB Digital Banking platform. In all, 57% of CEPTETEB's users became customers through a 100%-digital remote acquisition process. CEPTETEB continued to develop its digital channel experience during the year, expanding its customer base and launching new features on CEPTETEB Mobile. Incorporating the latest technology and innovations, CEPTETEB also features a Telepati chatbot and Fon Danışmanım (My Fund Advisor), an automated, algorithm-driven portfolio builder for funds. The customer experience and benefits offered by CEPTETEB Süper, which speeds up the online shopping process and gives customers access to special discounts, were enhanced, and the number of customers logging in to CEPTETEB Süper increased by 135% in 2023 compared with 2022.

At the end of 2021, TEB launched a Currency Protected TRY Time Deposit Account, a YUVAM Account (a Turkish lira account that encourages non-residents and their companies abroad to bring their savings to Turkey by offering a central-bank guarantee against exchange-rate volatility) 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 app. By the end of 2023, TEB's market share in Currency Protected TRY Time Deposit Accounts had reached 1.58%.

Retail customers are offered Marifetli accounts, an overnight time deposit account in which interest is reinvested each day. The account offers attractive introductory interest rates and the option of earning a higher rate of interest by investing in a mutual fund. TEB's Retail Banking business also focuses on certain occupational groups such as lawyers: TEB has achieved an 18% market share among practising lawyers in Turkey with its dedicated service and package.

To raise awareness regarding sustainability and minimise the environmental impact of its banking activities, TEB carried out campaigns with various business partners around four themes in 2023: mobility, the circular economy, environment and social responsibility. With the Marifetli account, part of the income generated by the bank was transferred to organisations that carry out sustainability efforts such as 1% for the Planet.

Private Banking

TEB Private Banking continued to develop its Angel Investment Platform, which is 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 2023, TEB Private Banking won several prestigious global awards, including Euromoney's 'Turkey's Best Private Bank – International' award, World Finance's 'Best Private Bank in Turkey' award (for the fifth time) as well as International Finance's 'Most Innovative Private Bank' award (for the sixth time).

SME Banking

TEB's SME Banking approach follows the Growth, Technology and Sustainability (GTS) strategy of BNP Paribas. TEB is seeking growth by increasing its market share with a special focus on high-quality assets, collateralised and secured loans, local government banking and start-up banking. Greater automation, process optimisation and digitalisation are harnessed to create more effective and comprehensive digital tools and offerings, such as TEB's multi-award-winning mobile app CEPTETEB İŞTE, which provides fast and easy financial transactions for SME, corporate and business customers, including day-to-day banking, cash management and investment transactions. TEB SME Banking offers sustainable financing solutions to SMEs and municipalities for the financing of green projects in areas such as renewable energy, energy efficiency, the circular economy, waste management and renewal projects to reduce carbon emissions.

TEB SME Banking has used a consultant banking approach since 2005, offering SMEs exclusive tailor-made financial and non-financial products and services for the best customer experience. As well as a wide range of products including trade finance, project financing, derivatives and supplier financing, 140 SME consultants assess SMEs not only from a financial perspective but also in terms of their production methods, sales and marketing, organisational structure, management strategy and human resources.

TEB SME Banking launched its Start-up Business Banking line in 2013, the first bank in Turkey to provide dedicated services to start-ups with the aim of promoting entrepreneurship. As part of this business initiative, financial and non-financial SME products and services were redesigned specifically for technology entrepreneurs. Customer representatives in eight branches have been thoroughly trained to better understand the needs of start-up and technology companies, with particular attention to cash flow management, payment capacity, optimal loan terms, special financing options and free-of-charge banking transactions.

The TEB Start-up Business Banking line has matched hundreds of start-ups with corporates, bringing them together at demonstration events, conferences and special 'Start-up to Corporate' (S2C) events to find collaboration opportunities. TEB has also extended its matchmaking efforts to the internet and created the online platform startteb.com to inspire, connect and match technology start-ups, SMEs, innovative corporates and investors. On the platform, start-ups offer their products and services while corporates post their projects and needs, allowing each side to identify potential collaborations. The bank has also established TEB Start-up Houses, first in Ataşehir, İstanbul and then two years later in seven other large cities, together with the Turkish Exporters Assembly TİM. At TİM-TEB Start-up Houses, start-ups and technology companies have access to consulting, mentorship and networking services as well as the opportunity to meet with potential investors and customers.

Corporate Banking

TEB Corporate Banking provides services including international trade finance, structured finance, cash management, credit services and currency, interest-rate and commodity risk hedging. 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. One Business Centre in Istanbul is specifically designed to meet the requirements of multinational companies.

In a fast-moving world in which technological developments are happening all the time and customer expectations and requirements are changing rapidly, TEB Corporate Banking focused during 2023 on maintaining the highest level of product quality and overall customer experience 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.

BNP Paribas Fortis' social responsibility

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

Transition to carbon neutrality

In 2021, BNP Paribas signed up to the Net-Zero Banking Alliance, thereby making a commitment to aligning its activities with the trajectory required to become carbon-neutral by 2050.

In its second climate report, BNP Paribas set out new targets for reducing the intensity of greenhouse gas emissions arising from its lending activities in three of the highest-emitting sectors: steel, cement and aluminium. The agriculture, shipping, aviation and real estate (commercial and residential) sectors will follow in 2024.

Natural capital and biodiversity

Determined to help protect biodiversity, BNP Paribas adopts targeted policies designed to combat problems such as deforestation and takes part in coalitions such as the Taskforce for Nature-related Financial Disclosures, which has published recommendations regarding a common vocabulary to be used by companies when making disclosures on their biodiversity-related risks and opportunities. BNP Paribas has also decided to allocate 4 billion euros of funding to biodiversity protection initiatives by 2025. Also by 2025, the Group will assess all of its business customers based on biodiversity criteria. At the end of 2023, BNP Paribas formed a partnership with Naturalis, a world leader in terms of increasing our understanding of biodiversity.

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 reduces consumption of non-renewable resources and the production of waste. BNP Paribas Fortis was appointed Sustainability Coordinator alongside another bank in relation to a 400 million euros Sustainability Linked Loan (SLL) for Renewi. An SLL is a loan with no specified purpose but whose interest rate is linked to improvements in a company's ESG performance indicators. Renewi is a waste recycling company that stands out through its approach of creating value from waste, rather than burning or burying it. The interest margin on the loan depends on Renewi's achievement of objectives in terms of promoting the circular economy, reducing carbon emissions and ensuring the safety of its employees.

Inclusiveness

BNP Paribas Fortis is determined to help combat inequality of all kinds and promote the development of an inclusive society. In a world where digital technology is playing an increasingly central role, there is a risk of a growing divide between those that have the necessary skills and tools and those that do not. For this reason, in late 2020 BNP Paribas Fortis launched DigitAll, a Belgian ecosystem – bringing together social welfare organisations, public bodies and private-sector businesses – for the purpose of combating digital exclusion. In 2023, DigitAll launched a new awareness-raising campaign regarding the risk of digital exclusion, which affects a growing proportion of the Belgian population. DigitAll also came second in the inclusion and diversity category in the 2023 Trends Impact Awards.

BNP Paribas Fortis' sustainability policy has five strategic priorities:

Sustainable and responsible investing[3]

At the end of 2023, 42.3% of off-balance-sheet assets under management were invested in financial instruments bearing Febelfin's Towards Sustainability label, representing a total amount of 42.3 billion euros. 65% of all new investments in funds carried out in 2023 were in products that meet the Towards Sustainability criteria.

Impact Together – the corporate philanthropy fund linked to some of the bank's sustainable investments, under the umbrella of the King Baudouin Foundation – provided 4.2 million euros of support to 40 non-profit organisations in 2023. 1.7 million euros was allocated to strengthening the structure of organisations that address social inclusion matters. The 21 organisations selected will receive support over a period of three years. The fund also offers purely financial support to organisations with a social or environmental purpose. In 2023, 14 organisations received a total of 2 million euros of support for projects aimed at increasing the energy efficiency of their buildings or implementing a more environmentally friendly mobility plan. In addition, a total of 500,000 euros was donated to five organisations that BNP Paribas Fortis has been supporting for a long time: Natagora, Natuurpunt, micro*Start*, the Red Cross and the Belgian Foundation against Cancer.

Sustainable real estate

BNP Paribas Fortis applies the European Union's Energy Efficient Mortgage Label (EEML) label, which identifies mortgages with an environmental purpose. At end-2023, the outstanding amount of EEML mortgage loans granted by BNP Paribas Fortis and bpost bank was 6 billion euros, representing 9% of all mortgage loans granted.

In 2023, 45% (for an amount of 453 million euros) of refurbishment loans were Energy Loans, i.e. intended to finance works designed to save energy.

2023 also brought the launch of HappyNest, in partnership with property developer Matexi. HappyNest allows prospective homeowners to rent a brand-new energy-efficient home for a few years before buying it. Part of the rent paid is deducted from the purchase price.

BNP Paribas Fortis' head office at Montagne du Parc in Brussels has received the Austrian Green Planet Building Award, an Austrian quality label in the sustainable construction field.

Since 2015, electricity from renewable sources has made up 100% of the electricity used by BNP Paribas Fortis in all its central buildings, non-independent branches and regional headquarters. It has reduced its CO2 emissions per full-time-equivalent staff member by 55% since 2019. It has achieved this mainly by focusing on the energy efficiency of its buildings – which account for around 80% of its direct emissions – as well as optimising its real-estate portfolio and reducing business travel.

Sustainable transition for businesses

As at end-December 2023, the amount of ESG (Environment, Social, Governance) loans to BNP Paribas Fortis business customers[4] totalled 10.1 billion euros (including lending that meets the definition of Sustainability-Linked Loans). BNP Paribas Fortis granted 5.6 billion euros of loans supporting the sustainable transition of businesses, supporting projects in the fields of renewable energy, recycling, sustainable construction, property renovation and soft mobility. In 2023, BNP Paribas Fortis also granted 3.507 billion euros of loans to the non-market sector: hospitals, schools, universities, non-profit organisations and social enterprises.

Corporate clients are able to draw on the skills of our staff at the Sustainable Business Competence Centre (SBCC) and benefit from their support with sustainability projects. In 2023, the SBCC assisted with 67 loan requests totalling 330 million euros of sustainable financing.

3 For investments or 'investment products' taking the form of investment funds or investment-based insurance policies, BNP Paribas Fortis uses the following definitions:

- *In sustainable investments/investment products, at least 15% of assets consist of investments with environmental or social objectives.*
- *Responsible investments/investment products take into account the main negative impacts on sustainability factors but either do not pursue environmental or social objectives or have less than 15% of their assets consisting of investments with environmental or social objectives.*

For equities, bonds and structured bonds, BNP Paribas Fortis uses the following definition:

- *Sustainable investments are those where the issuing company pursues an environmental or social objective.*
- *Responsible investments are those where the issuing company takes into account the main negative impacts on sustainability factors.*

4 Clients of BNP Paribas Fortis SA/NV (including loans granted by Leasing Solutions to these clients) and the Factoring businesses. ESG Loans are part of the financial assets at amortised cost (note 5.e).

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 693 proposed transactions submitted to the Company Engagement and Compliance team for in-depth analysis during 2023, nine 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 environmentally-friendly modes of transport. In 2023, the bank entered into 1,588 agreements to fund soft modes of transport such as bicycles, electric bikes, electric scooters and hoverboards.

33% of loans granted to buy new cars were for low-emission vehicles (less than 50g of CO2 per km). At end-2023, the amount of green car and bicycle loans to BNP Paribas Fortis customers totalled 169 million euros.

BNP Paribas Fortis leasing subsidiary Arval provides operational leasing and consultancy services to business clients, to help them adopt alternative mobility solutions such as bike leasing (electric or non-electric bicycles). A total of 1,715 bicycles were delivered in 2023, taking the total number of leased bicycles to 4,073.

As at 31 December 2023, 15% of the Arval fleet in Belgium was made up of 100%-electric vehicles, which accounted for 37% of total orders. 31% of Arval-managed vehicles registered in 2023 were 100%-electric.

Meanwhile increasing numbers of BNP Paribas Fortis staff members are opting for a rechargeable hybrid or 100%-electric car. At end-2023, 46% of private staff vehicles leased from Arval were electric vehicles, either 100%-electric or rechargeable hybrids.

Social inclusiveness

Social enterprises aim to provide solutions to a specific social or environmental problem. They operate in areas such as sheltered work, the circular economy and energy efficiency. BNP Paribas Fortis supports, advises, finances and insures these social enterprises. At the end of 2023, the bank was supporting 466 such companies and the outstanding amount of its loans to them was 119 million euros.

BNP Paribas Fortis also supports financial inclusion through microStart. This micro-lender, of which the bank is a co-founder, makes small loans and provides various kinds of assistance to people 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, microStart has granted 7,185 loans worth a total of 61 million euros to micro-entrepreneurs, thus supporting 5,180 business projects and enabling the creation or continuation of over 9,800 jobs. In 2023, it granted 491 new micro-loans totalling 5.6 million euros, and microStart's expert staff also provided 1,768 micro-entrepreneurs with practical assistance, entirely free of charge. In 2023, microStart was included in the bank's commercial offering and accordingly more than 600 of its staff members received training.

The Digital Inclusion & Human Rights chair established in 2021 by the VUB (Vrije Universiteit Brussel) and BNP Paribas Fortis produced its first results: mapping the service digitalisation rates of 25 banks and making recommendations to improve the digital experience for customers.

The bank is pursuing its policy of commitment to inclusivity and diversity. Action plans implemented by the bank's various entities are paying off, as shown by the gradual or total disappearance of certain glass ceilings.

The bank's cultural inclusion plan was launched in 2023. The plan was preceded by an analysis and a survey of staff members, and resulted in a progress report regarding cultural inclusion within BNP Paribas Fortis. The first initiatives in this area have begun, such as workshops on unconscious bias and racial microaggressions.

7,830 staff members – 80% of the bank's workforce – took part in the BNP Paribas Group survey about their views on the Code of Conduct and the Diversity & Inclusion policy. 92% of them said they felt able to be themselves and felt accepted and seen. As in the previous edition of the survey in 2021, this question attracted the most positive responses, showing that inclusivity remains a very prominent value within the bank.

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 half a working day to volunteer work. In 2023, as part of the #ourjob2 campaign, staff members (of BNP Paribas Fortis and certain entities of BNP Paribas in Belgium) donated 11,078 hours of their time across 4,357 sessions, including 2,837 volunteering sessions. For each session, 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 132,661 trees have been planted since 2017. In addition, for each person taking part in the 1Millionhours2Help programme, the bank funds the restoration of one square metre of natural environment by either Natagora or Natuurpunt. The area covered by this initiative so far amounts to 10,545 m^2.

2,300 staff members took part in the bank's first-ever volunteering week in 2023.

Meanwhile the BNP Paribas Fortis Foundation Fund, under the umbrella of the King Baudouin Foundation, continued 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. To mark the programme's fifth anniversary, four regional events have been held to bring together the 50 non-profit organisations that it has supported since 2018. Since 2010, the BNP Paribas Fortis Foundation has donated more than 15 million euros to non-profits, including 844,000 euros in 2023.

Since autumn 2023, the bank's head office has been the home of Inclusion Lab, a collective space for non-profit organisations involved in educational projects for children and young people.

A new partnership has been formed with non-profit MolenGeek as part of the BNP Paribas Women in Tech programme, which supports non-profits working for gender equality in the digital sector. Through this support, MolenGeek will enable more female jobseekers to receive six months of training that will give them the digital skills they need for their professional development.

In 2023, BNP Paribas Fortis officially opened its Sustainability Academy, a training platform for its staff members. The Academy offers a broad array of training sessions on the themes of sustainability, the bank's strategy in this space and tools specific to participants' business areas. After the Sustainability Academy was launched, the first two training modules had a take-up rate of more than 90% among the bank's staff members.

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) and in a specific annual report that has been published since 2015.

BNP Paribas Fortis contributes to the BNP Paribas Group's strategic initiatives. More information is available in 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 8.b 'Business combinations and other changes of the consolidation scope' and note 8.k 'Scope of consolidation'.

BNP Paribas Fortis credit ratings at 13/02/2024

	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 13 February 2024.

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 consolidated **net income attributable to equity holders** of 3,095 million euros in 2023, compared to 3,136 million euros in 2022, down by (41) million euros or (1)%.

Please note that the comments in the present section have been written by referring to the financial statements and the respective notes. For a business oriented analysis, please refer to the Press Release of BNP Paribas Fortis available on the corporate website. The analysis in the Press Release focuses on the underlying evolution, which excludes scope changes (acquisition, sale and transfer of activities), foreign exchange impacts and certain material one-off results. By excluding these effects, the net income attributable to equity holders increased by 9% compared to 2022. In the comments in the present section, we will refer to the scope changes and foreign exchange impacts when deemed necessary.

Operating income amounted to 4,775 million euros in 2023, up by 530 million euros or 12% compared to 2022. The increase was the result of higher revenues by 911 million euros or 9%, higher costs by (429) million euros or 8% and a lower cost of risk by 48 million euros or (15%).

Non-operating items (share of earnings of equity-method entities, net gain on non-current assets and goodwill) were down by (316) million euros whereas the corporate income tax increased by (271) million euros and minority interests decreased by (15) million euros.

The comparison between 2023 and 2022 results was impacted by the following elements:

- the very high inflation affecting the Belgian, European and world economy in 2022, decreasing in 2023;
- few scope changes, including mainly (a) a 245 million euros positive impact of a badwill recognised in 2022 as a result of the change of consolidation from equity-method to full consolidation of bpost bank following the acquisition of the remaining 50%, (b) the acquisition and full consolidation of (i) Creation Financial Services and Creation Consumer Finance, as from 1st April 2023, and (ii) Terberg, acquired by Arval, as from 1st December 2022 and (c) the change of consolidation from equity-method to full consolidation of Arval Relsa and its subsidiaries after the acquisition of the residual 50% of the shares of Arval Relsa;
- foreign exchange variations, mostly the depreciation of the Turkish lira against euro (from 20.0 EUR/TRY in 2022 to 32.6 EUR/TRY in 2023);
- the restatement of the figures of 2022 (restatement impact of (25) million euros on the net income attributable to equity holders) related to the application of the IFRS 17 (insurance contracts) and IFRS 9 (financial instruments) for insurance entities effective 1 January 2023.

43% of the revenues were generated by banking activities in Belgium (mainly BNP Paribas Fortis, and other legal entities of Commercial & Personal Banking), 40% by the Specialised Businesses made of Arval, Leasing Solutions and Personal Finance (including Alpha Credit in Belgium and, since 31 March 2023, Creation Financial Services and Creation Consumer Finance in the United Kingdom), 8% by banking activities in Luxembourg (mainly BGL BNP Paribas) and 9% by banking activities in Turkey (mainly Turk Ekonomi Bankasi (TEB)).

Net interest income reached 4,757 million euros in 2023, a decrease of (109) million euros or (2%) compared to 2022. Excluding the scope changes (154 million euros) and the foreign exchange effect ((120) million euros), the net interest income decreased by (143) million euros.

In Belgium the net interest income increased, driven mainly by the Commercial and Personal Banking activites with higher credit volumes and margins on deposits that held up well, despite higher refinancing costs and the negative impact of the issuance of a one year Belgian government bond in the third quarter of 2023. In Luxembourg, the net interest income increased mainly thanks to margins on deposits. For Turkey, the net interest income decreased driven mainly by the depreciation of the Turkish lira and due to lower margins. In the Specialised Businesses, there was an overall decrease in the net interest income driven by the increasing interest expenses at Arval (while most of its revenues are posted in the 'net income from other activities'); the net interest income increased at Leasing Solutions, thanks to the growth of the financed outstandings and better margins, and at Personal Finance, thanks to the consolidation of Creation Financial Services and Creation Consumer Finance.

Net commission income amounted to 1,439 million euros in 2023, up by 18 million euros or 1% compared to 2022. Excluding the scope changes (3 million euros) and the foreign exchange effect ((22) million euros), net commission income increased by 37 million euros.

In Belgium, the net commissions slightly decreased with higher financial fees and lower banking fees. In the other segments, the net commissions increased in all segments with a stronger increase in Turkey and at Specialised Businesses driven by Personal Finance.

Net results on financial instruments at fair value through profit or loss stood at 518 million euros, up by 105 million euros compared to 2022. Excluding the scope changes (2 million euros) and the foreign exchange effect ((24) million euros), net results on financial instruments at fair value through profit or loss increased by 127 million euros.

The increase was mainly driven by Turkey, with TEB servicing clients in a context of high volatility in currency exchange rates and interest rates. The remaining increase was mostly driven by Luxembourg thanks to the positive fair-value evolution of subordinated securities issued by Cardif Lux Vie.

Net results on financial instruments at fair value through equity amounted to 20 million euros in 2023, decreasing by (20) million euros compared to 2022.

Net gain or loss on the derecognition of financial assets at amortised cost amounted to 63 million euros in December 2023 mainly linked to the sale of government bonds in Belgium and Turkey.

Net income from insurance activities totalled 68 million euros in 2023 compared to 58 million euros in 2022.

Net income from other activities totalled 3,686 million euros in 2023, increasing by 842 million euros or 30% compared to 2022.

The main contributor remained Arval that achieved a very good performance, thanks to a further robust expansion of the financed fleet (+6.9%) and the still high revenues on used car.

Operating expenses amounted to (5,121) million euros in 2023 i.e. an increase of (451) million euros or 10% compared to 2022. Excluding the scope changes ((95) million euros) and the foreign exchange effect (70 million euros), there was an increase of (426) million euros.

The staff expenses were higher, with the impact of inflation, especially in Turkey still in hyperinflation. The increase in other operating expenses was more contained and mainly attributable to the growth of the activities next to the impact of inflation. In Belgium and Luxembourg, the increase in operating expenses was partly offset by a decrease in the banking taxes.

Depreciation charges stood at (375) million euros in 2023, versus (397) million euros compared to previous year, i.e. a decrease of 22 million euros.

Cost of risk totalled (280) million euros in 2023, i.e. a decrease of 48 million euros compared to 2022. Excluding the scope changes ((71) million euros) and the foreign exchange effect (9 million euros), there was a decrease of 110 million euros.

In Belgium, there was a lower cost of risk thanks to a decrease in stage 1 and 2 provisions partly offset by an increase in provisions in stage 3. At Specialised Businesses, there was a higher cost of risk driven by an increase in provisions in stage 3, including a noticeable increase due to the consolidation of Creation Financial Services and Creation Consumer Finance in 2023, partly offset by a decrease in stage 1 and 2 provisions. In Luxembourg, the cost of risk normalised at a low level compared to a net release in all stages in 2022. In Turkey, the cost of risk was lower, with a decrease in provisions in all stages compared to a high level of provisioning in 2022.

Share of earnings of equity-method entities amounted to 311 million euros in 2023, compared to 263 million euros during the same period in 2022.

The main participations are in AG Insurance, BNP Paribas Bank Polska and BNP Paribas Asset Management. The increase was mainly attributable to higher results at AG Insurance and BNP Paribas Bank Polska. In BNP Paribas Bank Polska an extraordinary provision for litigation on mortgage loans was taken for an amount of (105) million euros.

Net gain or loss on non-current assets and **Goodwill** amounted to (63) million euros in 2023 versus 301 million euros in 2022.

The decrease mainly reflects the 245 million euros positive impact of a badwill recognised in 2022 as a result of the change of consolidation from equity-method to full consolidation of bpost bank following the acquisition of the remaining 50%. The remaining decrease was driven by Turkey and Specialised Businesses due to the application of IAS 29. 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, and the accrued income on the Turkish government bonds' portfolio indexed on inflation and held by TEB. This decrease was partly offset by the positive result in Luxembourg of a sale and lease back transaction related to a building of BGL BNP Paribas.

Corporate income tax in 2023 totalled (1,482) million euros compared to (1,211) million euros, an increase of (271) million euros. Excluding the share of earnings of equity-method entities (reported net of income taxes) and the (non taxable) badwill on bpost bank in 2022, the effective tax rate stood at 31% in 2023 compared to 28% in 2022.

Net income attributable to minority interests amounted to 447 million euros in 2023, compared to 462 million euros in 2022.

Comments on the evolution of the balance sheet

The **total balance sheet** of BNP Paribas Fortis amounted to 373.8 billion euros as at 31 December 2023, up by 23.6 billion euros or 7% compared with 350.3 billion euros at 31 December 2022.

Based on the segment information, 63% of the assets were contributed by banking activities in Belgium, 24% by the Specialised Businesses, 9% by banking activities in Luxembourg, and 4% by banking activities in Turkey.

Assets

Cash and amounts due from central banks amounted to 38.5 billion euros, decreased by (0.5) billion euros compared to 31 December 2022 due to a decrease in overnight deposits at the National Bank of Belgium.

Financial instruments at fair value through profit or loss stood at 9.4 billion euros, down by (2.9) billion euros compared to 31 December 2022. The decrease was mainly in Belgium and is driven by a decrease in 'Derivative financial instruments' mainly related to the evolution 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 decreased by (1.1) billion euros and amounted to 5.4 billion euros. The derivatives used for hedging purposes on the liability side decreased by (1.4) billion euros and amounted 8.3 billion euros.

Financial assets at fair value through equity increased by 4.9 billion euros to 10.8 billion euros following investments in government bonds, mainly in Belgium, and in Luxembourg.

Financial assets at amortised cost amounted to 250.9 billion euros, up by 9.7 billion euros compared to 31 December 2022.

'Loans and advances to customers' amounted to 219.3 billion euros, up by 2.5 billion euros. In Belgium, at BNP Paribas Fortis, the increase was mainly related to term and mortgage loans. In the other segments, there was an overall increase in Loans and advance to customers. The decrease observed in Luxembourg was driven by the term loans, while in Turkey, the decrease was linked to the depreciation of the Turkish Lira. The increase at Specialised Businesses was supported by Arval, Leasing Solutions and Personal Finance, including a noticeable increase arising from the acquisition of Creation Financial Services and Creation Consumer Finance in 2023.

'Loans and advances to credit institutions' increased by 7.9 billion euros due to an increase in Belgium of the reverse repos.

'Debt securities at amortised cost' decreased by (0.6) billion euros especially in Turkey related to reimbursements, and the foreign exchange impact of the Turkish lira.

Remeasurement adjustment on interest-rate risk hedged portfolios amounted to (0.8) billion euros compared to (0.9) billion euros at 31 December 2022.

Investments and other assets related to insurance activities amounted to 0.3 billion euros the same amount as at 31 December 2022.

Current and deferred tax assets amounted to 1.1 billion euros, down by (0.1) billion euros compared to 31 December 2022.

Accrued income and other assets stood at 13.7 billion euros as at 31 December 2023, up by 2.3 billion euros compared to 31 December 2022. The increase was mainly at Arval, and in Belgium.

Equity-method investments amounted to 2.6 billion euros, up by 0.2 billion euros.

Property, plant and equipment and Investment property amounted to 36.5 billion euros, up by 6.9 billion euros compared to 29.6 billion euros at 31 December 2022, mainly related to the growth of the financed fleet at Arval.

Intangible assets and goodwill amounted to 1.4 billion euros, up by 0.1 billion euros compared to 1.3 billion euros at 31 December 2022.

Assets held for sale and Liabilities associated with assets held for sale respectively, amounted to 4 billion euros in December 2023. They relate to the assets and liabilities of the entity BNP Paribas Factor GmbH. which is a fully owned subsidiary of BNP Paribas Fortis Factor NV. The sale of BNP Paribas Factor GmbH to the German branch of BNP Paribas SA is expected to be completed in 2024.

Liabilities and Equity

Deposits from central banks stood at 2.0 billion euros, down by (0.4) billion euros compared to 31 December 2022, with the decrease located in Belgium.

Financial instruments at fair value through profit or loss increased by 2.8 billion euros, totalling 21.3 billion euros as at 31 December 2023. The increase is mainly explained by an increase in repos partly offset by the 'interest rates and foreign exchange trading derivatives' in Belgium.

Financial liabilities at amortised cost amounted to 292,8 billion euros as at 31 December 2023, up by 15.3 billion euros compared to 31 December 2022.

'Deposits from customers' stood at 203.9 billion euros, down by (8.8) billion euros. The decrease was mainly in Belgium and was mostly attributable to a decrease in savings deposits due the issuance of the Belgian government bond . There was also a decrease in Luxembourg, explained by a decrease in the demand deposits partly mitigated by an increase in term deposits, and in Turkey, due to the depreciation of the Turkish Lira.

'Deposits from credit institutions' increased by 16.6 billion euros mainly driven by an increase in Belgium, in repos (up by 26.7 billion euros) offset by the decrease in interbank borrowings (down by (11.4) billion euros), including the partial reimbursement of the TLTRO for (15.2) billion euros. The remaining increase was mainly related to an increase in interbank borrowings at Specialised Businesses, driven by the financing of the growing activities and by the acquisition of Creation Financial Services and Creation Consumer Finance.

'Debt securities' increased by 7.5 billion euros, due to issuance of debt securities in Belgium and at Arval.

'Subordinated debt' stood at 2.2 billion euros as at 31 December 2023, down by (0.1) billion euros compared to 31 December 2022.

Remeasurement adjustment on interest-rate risk hedged portfolios amounted to (3.9) billion euros compared to (5.2) billion euros at 31 December 2022.

Current and deferred tax liabilities amounted to 1.4 billion euros as at 31 December 2023, up by 0.3 billion euros compared to 31 December 2022.

Accrued expenses and other liabilities stood at 12.3 billion euros as at 31 December 2023, up by 0.9 billion euros compared to 31 December 2022.

Liabilities related to insurance contracts amounted to 0.2 billion euros as at 31 December 2023, the same amount as at 31 December 2022.

Provisions for contingencies and charges came in at 4.3 billion euros, increased by 0.5 billion euros compared to 31 December 2022.

Shareholders' equity amounted to 25.4 billion euros as at 31 December 2023, up by 0.1 billion euros compared with 25.3 billion euros at 31 December 2022. Retained earnings increased by the net income attributable to shareholders for the year 2023 (3.1 billion euros) The dividend distributed by BNP Paribas Fortis impacted the Retained earnings by (3.0) billion euros.

Minority interests stood at 5.8 billion euros as at 31 December 2023, compared to the situation end 2022 at 5.7 billion euros.

Liquidity and solvency

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at 204 billion euros and customer loans at 219 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 2023, BNP Paribas Fortis' Basel III Common Equity Tier 1 ratio (CET1 ratio) stood at 16.2%. Total risk-weighted assets amounted to 129.0 billion euros at 31 December 2023, of which 103.1 billion euros are related to credit risk, 1.6 billion euros to market risk and 8.8 billion euros to operational risk, while counterparty risk, securitisation and equity risk worked out at 1.3 billion euros, 1.0 billion euros and 13.2 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 2023 and in the BNP Paribas Fortis 'Pillar 3 disclosure' 2023.

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 8.a 'Contingent liabilities: legal proceedings and arbitration' to the BNP Paribas Fortis consolidated Financial Statements 2023.

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 2023 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 2023 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 7 March 2024 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 2023 will be submitted to the annual General Meeting of Shareholders for information and for approval on 18 April 2024.

Brussels, 7 March 2024

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 organisation 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 7 March 2024, the Board of Directors of BNP Paribas Fortis is made up of seventeen (17) members, seven (7) of which are women.

It moreover includes eleven (11) 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 7 March 2024, 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 20 April 2023.
It will expire at the end of the 2027 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.

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 20 April 2023.
It will expire at the end of the 2027 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.

BORDENAVE Philippe
Vice-chairman of the Board of Directors and non-executive director.
Member of the Board of Directors since 20 April 2023.
The board member mandate will expire at the end of the 2027 annual general meeting of shareholders.

de CLERCK Daniel
Executive director.
Member of the Board of Directors since 12 December 2019.
The current board member mandate has been renewed on 20 April 2023.
It will expire at the end of the 2027 annual general meeting of shareholders.

DE PLOEY Wouter
Independent non-executive director.
Member of the Board of Directors since 1 December 2022.
The current board member mandate has been confirmed and renewed on 20 April 2023.
It will expire at the end of the 2026 annual general meeting of shareholders.

HARTMANN Nathalie
Non-executive director.
Member of the Board of Directors since 20 April 2023.
The board member mandate will expire at the end of the 2027 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 current board member mandate has been renewed on 20 April 2023.
It will expire at the end of the 2027 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 2023 and 31 December 2023, the composition of the Board of Directors was as follows:

JADOT, Maxime
Chairman of the Board of Directors

ANSEEUW, Michael
Executive director and chairman of the Executive Board

d'ASPREMONT LYNDEN, Antoinette
Independent non-executive director

AUBERNON, Dominique
Non-executive director

BEAUVOIS, Didier
Executive director

BOOGMANS, Dirk
Independent non-executive director

BORDENAVE, Philippe
Non-executive director since April 20, 2023 and vice-president of the Board of Directors since December 14, 2023

de CLERCK, Daniel
Executive director

DE PLOEY, Wouter
Independent non-executive director

DUTORDOIR, Sophie
Non-executive director until April 20, 2023

HARTMANN, Nathalie
Non-executive director since April 20, 2023

LECLERCQ, Anne
Independent non-executive director

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

Attendance at meetings

The Board of Directors held fourteen (14) meetings in 2023. Attendance at these meetings was as follows:

Director	Number of Meetings Attended
JADOT, Maxime	14
ANSEEUW, Michael	13
d'ASPREMONT LYNDEN, Antoinette	14
AUBERNON, Dominique	12
BEAUVOIS, Didier	14
BOOGMANS, Dirk	13
BORDENAVE, Philippe (since April 20, 2023)	8
de CLERCK, Daniel	13
DE PlOEY, Wouter	14
DUTORDOIR, Sophie (until April 20, 2023)	3
HARTMANN, Nathalie (since April 20, 2023)	9
LECLERCQ, Anne	14
MERLO, Sofia	13
VAN AKEN, Piet	14
VAN WAEYENBERGE, Titia	14
VARENE, Thierry	13
VERMEIRE, Stéphane	14
WILIKENS, Sandra	14

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 2023 and the one of the directors individually ended in February 2024.

Remuneration

Information regarding the total remuneration for the corporate year 2023, including the remunerations, benefits in kind and pension plans, of all directors, paid and payable by BNP Paribas Fortis, can be found in note 8.g '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 7 March 2024, 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 7 March 2024:

- 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 2023, of which three (3) times together with the Risk Committee (i.e. Joint Audit and Risk Committee meetings). Attendance was as follows:

Committee Member	Number of meetings attended
DE PLOEY Wouter	9
AUBERNON, Dominique	9
LECLERCQ Anne	9

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 7 March 2024:

- 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 nine (9) times in 2023, of which three (3) times together with the Audit Committee (i.e. Joint Audit and Risk Committee meetings). Attendance was as follows:

Committee Member	Number of meetings attended
LECLERCQ, Anne	9
AUBERNON, Dominique	9
VAN WAEYENBERGE, Titia	9

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 7 March 2024:

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

Attendance at meetings

The GNC met eight (8) times in 2023. Attendance was as follows:

Committee Member	Number of meetings attended
d'ASPREMONT LYNDEN, Antoinette	8
JADOT, Maxime	7
VAN WAEYENBERGE, Titia	8

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 7 March 2024:

- 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 six (6) times in 2023. Attendance was as follows:

Committee Member	Number of meetings attended
d'ASPREMONT LYNDEN, Antoinette	6
MERLO, Sofia	6
VAN WAEYENBERGE, Titia	6

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 7 March 2024:

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

Stephane VERMEIRE
Executive director, member of the Executive Committee, chief affluent and private banking

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 organisational 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 organisation 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 Analysis & Planning 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 specialised 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 standardised 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 2023, the accredited statutory auditor was Deloitte Bedrijfsrevisoren bv / Deloitte Réviseurs d'Entreprises srl, represented by Mr. Yves DEHOGNE, since the Annual General Meeting of Shareholders.

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 '2023 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 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 2023

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

Profit and loss account for the year ended 31 December 2023

In millions of euros	Note	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Interest income	3.a	15,041	8,236
Interest expense	3.a	(10,284)	(3,370)
Commission income	3.b	2,441	2,275
Commission expense	3.b	(1,002)	(854)
Net gain or loss on financial instruments at fair value through profit or loss	3.c	518	413
Net gain or loss on financial instruments at fair value through equity	3.d	20	40
Net gain or loss on the derecognition of financial assets at amortised cost		63	(2)
Net income from insurance activities		68	58
Income from other activities	3.e	16,697	13,968
Expense on other activities	3.e	(13,011)	(11,124)
Revenues		**10,551**	**9,640**
Other operating expenses	3.f	(5,121)	(4,670)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.l	(375)	(397)
Gross operating income		**5,055**	**4,573**
Cost of risk	3.g	(280)	(328)
Operating income		**4,775**	**4,245**
Share of earnings of equity-method entities	5.k	311	263
Net gain or loss on non-current assets	3.h	(62)	56
Goodwill	5.m 8.b	-	245
Pre-tax income		**5,024**	**4,809**
Corporate income tax	3.i	(1,482)	(1,211)
NET INCOME		**3,542**	**3,598**
of which net income attributable to minority interests		447	462
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**3,095**	**3,136**

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

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Net income for the period	**3,542**	**3,598**
Changes in assets and liabilities recognised directly in equity	**103**	**(106)**
Items that are or may be reclassified to profit or loss	**15**	**82**
Changes in exchange rate items	42	360
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*(64)*	*(79)*
Changes in fair value reported in net income	*9*	*(29)*
Changes in fair value of investments of insurance activities		
Changes in fair value recognised in equity	*4*	*(11)*
Changes in fair value reported in net income	-	-
Changes in fair value of hedging instruments		
Changes in fair value recognised in equity	*4*	*(122)*
Changes in fair value reported in net income	*(1)*	*(3)*
Income tax	14	63
Changes in equity-method investments	7	(97)
Items that will not be reclassified to profit or loss	**88**	**(188)**
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*17*	*46*
Debt remeasurement effect arising from BNP Paribas Fortis issuer risk	(5)	30
Remeasurement gains (losses) related to post-employment benefit plans	(60)	(240)
Income tax	19	60
Changes in equity-method investments	117	(84)
Total	**3,645**	**3,492**
Attributable to equity shareholders	3,138	2,901
Attributable to minority interests	507	591

Balance sheet at 31 December 2023

In millions of euros	Note	31 December 2023	31 December 2022 restated according to IFRS 17 and 9	1 January 2022 IAS 29, IFRS 17 and 9
Assets				
Cash and balances at central banks		38,467	39,009	61,263
Financial instruments at fair value through profit or loss		9,419	12,315	13,634
Securities	*5.a*	*1,604*	*1,376*	*1,317*
Loans and repurchase agreements	*5.a*	*1,674*	*2,558*	*4,282*
Derivative financial instruments	*5.a*	*6,141*	*8,381*	*8,035*
Derivatives used for hedging purposes	5.b	5,418	6,499	1,982
Financial assets at fair value through equity		10,802	5,877	7,871
Debt securities	*5.c*	*10,651*	*5,739*	*7,557*
Equity securities	*5.c*	*151*	*138*	*314*
Financial assets at amortised cost		250,926	241,156	213,310
Loans and advances to credit institutions	*5.e*	*19,116*	*11,220*	*7,394*
Loans and advances to customers	*5.e*	*219,303*	*216,785*	*194,102*
Debt securities	*5.e*	*12,507*	*13,151*	*11,814*
Remeasurement adjustment on interest-rate risk hedged portfolios		(804)	(907)	1,812
Investments and other assets related to insurance activities		342	286	272
Current and deferred tax assets	5.i	1,064	1,240	1,341
Accrued income and other assets	5.j	13,668	11,413	9,154
Equity-method investments	5.k	2,631	2,480	2,830
Property, plant and equipment and Investment property	5.l	36,475	29,581	26,240
Intangible assets	5.l	571	468	394
Goodwill	5.m	872	848	767
Assets held for sale	8.d	4,029	-	-
Total assets		**373,880**	**350,265**	**340,870**
Liabilities				
Deposits from central banks		1,971	2,363	426
Financial instruments at fair value through profit or loss		21,347	18,520	22,379
Securities	*5.a*	*697*	*603*	*159*
Deposits and repurchase agreements	*5.a*	*11,788*	*7,562*	*13,061*
Issued debt securities	*5.a*	*2,721*	*2,388*	*3,034*
Derivative financial instruments	*5.a*	*6,141*	*7,967*	*6,125*
Derivatives used for hedging purposes	5.b	8,271	9,692	3,215
Financial liabilities at amortised cost		292,812	277,522	270,821
Deposits from credit institutions	*5.g*	*62,845*	*46,295*	*56,610*
Deposits from customers	*5.g*	*203,931*	*212,692*	*199,037*
Debt securities	*5.h*	*23,801*	*16,252*	*12,878*
Subordinated debt	*5.h*	*2,235*	*2,283*	*2,296*
Remeasurement adjustment on interest-rate risk hedged portfolios		(3,895)	(5,216)	472
Current and deferred tax liabilities	5.i	1,362	1,083	819
Accrued expenses and other liabilities	5.j	12,251	11,373	7,990
Liabilities related to insurance contacts		246	178	154
Provisions for contingencies and charges	5.n	4,325	3,782	4,209
Liabilities associated with assets held for sale	8.d	4,011	-	-
Total liabilities		**342,701**	**319,297**	**310,485**
Equity				
Share capital, additional paid-in capital and retained earnings		*25,029*	*24,903*	*24,704*
Net income for the period attributable to shareholders		*3,095*	*3,136*	*2,593*
Total capital, retained earnings and net income for the period attributable to shareholders		28,124	28,039	27,297
Changes in assets and liabilities recognised directly in equity		(2,711)	(2,743)	(2,291)
Shareholders' equity		**25,413**	**25,296**	**25,006**
Minority interests	8.c	**5,766**	**5,672**	**5,379**
Total equity		**31,179**	**30,968**	**30,385**
Total liabilities & equity		**373,880**	**350,265**	**340,870**

Cash flow statement for the year ended 31 December 2023

In millions of euros	Note	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Pre-tax income		**5,024**	**4,809**
Non-monetary items included in pre-tax net income and other adjustments		**11,105**	**8,657**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		4,265	4,230
Impairment of goodwill and other non-current assets		(50)	45
Net addition to provisions		295	(9)
Variation of assets/liabilities related to insurance contracts		62	25
Share of earnings of equity-method entities		(311)	(263)
Net income from investing activities		(199)	(24)
Net income from financing activities		(2)	3
Other movements		7,045	4,650
Net increase in cash related to assets and liabilities generated by operating activities		**(21,387)**	**(35,717)**
Net decrease in cash related to transactions with customers and credit institutions		(4,903)	(23,734)
Net decrease in cash related to transactions involving other financial assets and liabilities		(1,368)	(1,468)
Net decrease in cash related to transactions involving non-financial assets and liabilities		(14,262)	(9,845)
Taxes paid		(854)	(670)
Net decrease in cash and equivalents generated by operating activities		**(5,258)**	**(22,251)**
Net decrease in cash related to acquisitions and disposals of consolidated entities		46	1,440
Net increase related to property, plant and equipment and intangible assets		(74)	(295)
Net decrease in cash and equivalents related to investing activities		**(28)**	**1,145**
Net increase (decrease) in cash and equivalents related to transactions with shareholders		(3,341)	(2,836)
Net decrease in cash and equivalents generated by other financing activities		6,847	2,589
Net increase in cash and equivalents related to financing activities*		**3,506**	**(247)**
Effect of movement in exchange rates on cash and equivalents		**(985)**	**(668)**
Net decrease in cash and equivalents		**(2,765)**	**(22,021)**
Balance of cash and equivalent accounts at the start of the period		**40,802**	**62,823**
Cash and amounts due from central banks		39,023	61,274
Due to central banks		(2,363)	(426)
On-demand deposits with credit institutions		5,850	3,457
On-demand loans from credit institutions	5.g	(1,702)	(1,478)
Deduction of receivables and accrued interest on cash and equivalents		(6)	(4)
Balance of cash and equivalent accounts at the end of the period		**38,037**	**40,802**
Cash and amounts due from central banks		38,484	39,023
Due to central banks		(1,971)	(2,363)
On-demand deposits with credit institutions		3,043	5,850
On-demand loans from credit institutions	5.g	(1,565)	(1,702)
Deduction of receivables and accrued interest on cash and equivalents		(14)	(6)
Cash and cash equivalent accounts classified as 'Assets held for sale'		60	-
Net decrease in cash and equivalents		**(2,765)**	**(22,021)**
Additional information:			
Interest paid		(8,844)	(3,128)
Interest received		14,639	7,596
Dividend paid/received		(3,098)	(2,482)

* *Changes in liabilities arising from financing activities other than those arising from cash flows amount to 172 million of euros, due to foreign exchange and revaluation effect, for respectively 92 million of euros and 51 million of euros.*

Statement of changes in shareholders' equity

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			
	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
Capital and retained earnings at 31 December 2021	**11,905**	**500**	**14,923**	**27,328**	**196**	**(19)**	**(255)**	**(78)**
Impact IAS 29 1st application in Türkiye	-	-	(28)	(28)	-	-	-	-
Impact of the transition to IFRS 17 (note 2)	-	-	(90)	(90)	-	-	-	-
Impact of the transition to IFRS 9 (note 2)	-	-	87	87	170	-	-	170
Capital and retained earnings at 1 January 2022	**11,905**	**500**	**14,892**	**27,297**	**366**	**(19)**	**(255)**	**92**
Other movements	-	-	(22)	(22)	-	-	-	-
Dividends	-	-	(2,589)	(2,589)	-	-	-	-
Realised gains or losses reclassified to retained earnings	-	-	*217*	217	(217)	-	-	(217)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	(97)	22	(109)	(184)
Net income for 2022	**-**	**-**	**3,136**	**3,136**	**-**	**-**	**-**	**-**
Capital and retained earnings at 31 December 2022	**11,905**	**500**	**15,634**	**28,039**	**52**	**3**	**(364)**	**(309)**
Other movements	-	-	(37)	(37)	-	-	-	-
Acquisitions	-	-	12	12	-	-	-	-
Dividends	-	-	(2,996)	(2,996)	-	-	-	-
Realised gains or losses reclassified to retained earnings	-	-	11	11	(11)	-	-	(11)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	112	(4)	(25)	83
Net income for 2023	**-**	**-**	**3,095**	**3,095**	**-**	**-**	**-**	**-**
Capital and retained earnings at 31 December 2023	**11,905**	**500**	**15,719**	**28,124**	**153**	**(1)**	**(389)**	**(237)**

In million of euros	Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss					Total Shareholders' equity	Minority interests (note 8.c)	Total consolidated equity
	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 31 December 2021	**(2,082)**	**10**	**762**	**(48)**	**(1,358)**	**25,892**	**5,305**	**31,197**
Impact IAS 29 1st application in Türkiye	123	-	-	-	123	95	75	170
Impact of the transition to IFRS 17 (note 2)	-	-	(1,449)	-	(1,449)	(1,539)	1	(1,538)
Impact of the transition to IFRS 9 (note 2)	-	-	301	-	301	558	(2)	556
Capital and retained earnings at 1 January 2022	**(1,959)**	**10**	**(386)**	**(48)**	**(2,383)**	**25,006**	**5,379**	**30,385**
Other movements	-	-	-	-	-	(22)	(73)	(95)
Dividends	-	-	-	-	-	(2,589)	(225)	(2,814)
Realised gains or losses reclassified to retained earnings	-	-	-	-	-	-	-	-
Changes in assets and liabilities recognised directly in equity	150	(110)	*(165)*	*74*	(51)	(235)	129	(106)
Net income for 2022	**-**	**-**	**-**	**-**	**-**	**3,136**	**462**	**3,598**
Capital and retained earnings at 31 December 2022	**(1,809)**	**(100)**	**(551)**	**26**	**(2,434)**	**25,296**	**5,672**	**30,968**
Other movements	-	-	-	-	-	(37)	(111)	(148)
Acquisitions	-	-	-	-	-	12	11	23
Dividends	-	-	-	-	-	(2,996)	(313)	(3,309)
Realised gains or losses reclassified to retained earnings	-	-	-	-	-	-	-	-
Changes in assets and liabilities recognised directly in equity	62	(8)	(81)	(13)	(40)	43	60	103
Net income for 2023	**-**	**-**	**-**	**-**	**-**	**3,095**	**447**	**3,542**
Capital and retained earnings at 31 December 2023	**(1,747)**	**(108)**	**(632)**	**13**	**(2,474)**	**25,413**	**5,766**	**31,179**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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.

Information on the nature and extent of risks relating to financial instruments as required by IFRS 7 'Financial Instruments: Disclosures' along with information on regulatory capital required by IAS 1 'Presentation of Financial Statements' is presented in the section 'Risk management and capital adequacy' in the Annual report. This information is an integral part of the notes to the BNP Paribas Fortis consolidated financial statements.

- Further to the Pillar II recommendations of the Organisation for Economic Cooperation and Development (OECD) in relation to the international tax reform, the European Union adopted on 14 December 2022 the 2022/2523 directive instituting a minimum corporate income tax for international groups, effective 1 January 2024.

  To clarify the directive's potential impacts, the IASB issued on 23 May 2023 a series of amendments to IAS 12 'Income Taxes', which were adopted by the European Union on 8 November 2023. In accordance with the provisions of these amendments, the Group applies the mandatory and temporary exception not to recognise deferred taxes associated with this additional taxation.

  The analysis and impact assessment of the Pillar II reform for BNP Paribas Fortis is ongoing.

The introduction of other standards, amendments and interpretations that are mandatory as from 1 January 2023, in particular the amendments to IAS 1 'Presentation of Financial Statements', IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and IAS 12 'Income Taxes', had no effect on the financial statements as at 31 December 2023.

BNP Paribas Fortis did not early adopt any of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2023 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, replaces IFRS 4 'Insurance Contracts'. It was adopted by the European Union in November 2021 and is applicable as from 1 January 2023.

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.

[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*

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[2]. 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.

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

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.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[3] 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 Financial information in hyperinflationary economies

BNP Paribas Fortis applies IAS 29 to the presentation of the accounts of its consolidated subsidiaries located in countries whose economies are in hyperinflation.

IAS 29 presents a number of quantitative and qualitative criteria to assess whether an economy is hyperinflationary, including a cumulative, three-year inflation rate approaching or exceeding 100%.

3 *Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.*

All non-monetary assets and liabilities of subsidiaries in hyperinflationary countries, including equity and each line of the income statement has been restated on the basis of changes in the Consumer Price Index (CPI). This restatement between 1 January and the closing date resulted in the recognition of a gain or loss in its net monetary situation, recognised under 'Net gain on non-current assets'. Financial statements of these subsidiaries are translated into euros at the closing rate.

In accordance with the provisions of the IFRIC's decision of March 2020 on classifying the effects of indexation and translation of accounts of subsidiaries in hyperinflationary economies, BNP Paribas Fortis has opted to present these effects (including the net book value effect at the date of the initial application of IAS 29) within changes in assets and liabilities recognised directly through equity related to exchange differences.

Since 1 January 2022, BNP Paribas Fortis has applied IAS 29 to the presentation of the accounts of its consolidated subsidiaries located in Türkiye.

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

1.f.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.f.2 Commissions and income from other activities

Commissions received with regard 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.

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.g 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.g.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.g.4).

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

1.g.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.g.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.g.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 regard 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.

The principles applied to assess the significant increase in credit risk are detailed in note 3.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. 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 3.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'.

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. If there is no significant repayment penalty, 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.g.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.g.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. Finally financial assets may be designated as at fair value through profit or loss if this 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.

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.

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.g.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.

Issued bonds redeemable or convertible into own equity that may contain a debt component and an equity component, determined upon initial recognition of the transaction. In this case, they will be qualified as compound financial instruments.

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.g.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.g.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.g.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, 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.g.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.h 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.i.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.i Leases

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

1.i.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'.

Operating leases of vehicles

The vast majority of the vehicle leasing contracts do not transfer the risks and rewards incidental to ownership and thus, are operating lease contracts. For simplification purposes and due to their non-material nature, contracts that do not fall under operating leases are not presented separately.

There is no buy-back agreement in the contracts with car manufacturers.

The operating leases are measured at cost less accumulated depreciation and impairment losses. Costs consist of the purchase price and directly attributable costs.

The leased assets are depreciated on a straight line basis over their contract period to their residual value. The depreciation policy shall reflect the entity's pattern of consumption of the future economic benefits. The residual value of the asset is the estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The valuation of the vehicle fleet takes into account the impact of the environmental context and the energy transition.

So, to calculate the amortisation of the rental fleet:

- the residual value and the useful life of the leased assets are reviewed each month;
- changes from the previous month's review are accounted prospectively as a change in accounting estimate.

Rental fleet impairment is established in accordance with the policies described in note 1.g Property, plant, equipment and intangible assets.

Revenues are mainly composed of rents charged to customers. In addition to the rental price of the vehicle (including depreciation and interest), the rents include various services that the customer can subscribe to.

The lease incomes are taken to the profit or loss account in full on a straight-line basis over the lease term. They are taken to the profit or loss account under 'Income from other activities' whereas depreciation expenses are classified under 'Expense on other activities'.

Income from other rental-related services are recorded in accordance with the five-steps principles determined by IFRS 15 'Revenue from contract with customers' for the recognition of revenue.

Since the implementation of this standard, revenues derived from maintenance and tyres services, previously recognized on a linear basis, are now recognised to the extent that the service is rendered and the related costs are incurred. Therefore, a deferred income is booked in the 'Expense on other activities'.

1.i.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.j 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.k Employee benefits

Employee benefits are classified into four 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.l 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 in the acccounts of BNP Paribas. 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.m 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.n 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.o 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.p 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 IFRS 17 and IFRS 9 first time application impacts

IFRS 17 and IFRS 9 first time application impacts on the balance sheet at 31 December 2022

In millions of euros	31 December 2022	IFRS 17 and 9 1st time application impacts	31 December 2022 restated according to IFRS 17 and 9
Assets			
Cash and balances at central banks	39,009	-	39,009
Financial instruments at fair value through profit or loss	12,315	-	12,315
Securities	*1,376*	-	*1,376*
Loans and repurchase agreements	*2,558*	-	*2,558*
Derivative financial instruments	*8,381*	-	*8,381*
Derivatives used for hedging purposes	6,499	-	6,499
Financial assets at fair value through equity	5,877	-	5,877
Debt securities	*5,739*	-	*5,739*
Equity securities	*138*	-	*138*
Financial assets at amortised cost	241,156	-	241,156
Loans and advances to credit institutions	*11,220*	-	*11,220*
Loans and advances to customers	*216,785*	-	*216,785*
Debt securities	*13,151*	-	*13,151*
Remeasurement adjustment on interest-rate risk hedged portfolios	(907)	-	(907)
Investments and other assets related to insurance activities	266	20	286
Current and deferred tax assets	1,241	(1)	1,240
Accrued income and other assets	11,467	(54)	11,413
Equity-method investments	2,572	(92)	2,480
Property, plant and equipment and Investment property	29,581	-	29,581
Intangible assets	468	-	468
Goodwill	848	-	848
Total assets	**350,392**	**(127)**	**350,265**
Liabilities			
Deposits from central banks	2,363	-	2,363
Financial instruments at fair value through profit or loss	18,520	-	18,520
Securities	*603*	-	*603*
Deposits and repurchase agreements	*7,562*	-	*7,562*
Issued debt securities	*2,388*	-	*2,388*
Derivative financial instruments	*7,967*	-	*7,967*
Derivatives used for hedging purposes	9,692	-	9,692
Financial liabilities at amortised cost	277,522	-	277,522
Deposits from credit institutions	*46,295*	-	*46,295*
Deposits from customers	*212,692*	-	*212,692*
Debt securities	*16,252*	-	*16,252*
Subordinated debt	*2,283*	-	*2,283*
Remeasurement adjustment on interest-rate risk hedged portfolios	(5,216)	-	(5,216)
Current and deferred tax liabilities	1,083	-	1,083
Accrued expenses and other liabilities	11,405	(32)	11,373
Technical reserves and other insurance liabilities	190	(190)	-
Liabilities related to insurance contracts	-	178	178
Provisions for contingencies and charges	3,782	-	3,782
Total liabilities	**319,341**	**(44)**	**319,297**
Equity			
Share capital, additional paid-in capital and retained earnings	*24,898*	*5*	*24,903*
Net income for the period attributable to shareholders	*3,161*	*(25)*	*3,136*
Total capital, retained earnings and net income for the period attributable to shareholders	28,059	(20)	28,039
Changes in assets and liabilities recognised directly in equity	(2,673)	(70)	(2,743)
Shareholders' equity	**25,386**	**(90)**	**25,296**
Minority interests	**5,665**	**7**	**5,672**
Total equity	**31,051**	**(83)**	**30,968**
Total liabilities & equity	**350,392**	**(127)**	**350,265**

Since 1 January 2023, the BNP Paribas Fortis Group's insurance entities applied IFRS 17 'Insurance Contracts' issued in May 2017 and amended in June 2020, adopted by the European Union in November 2021, with a transition date of 1 January 2022 for the opening balance sheet requirements of the comparative period required by the standard.

As the BNP Paribas Fortis Group deferred the application of IFRS 9 'Financial Instruments', for insurance entities until the entry into force of IFRS 17, it applies this standard from 1 January 2023.

In addition, the entry into force of IFRS 17 brings into effect various amendments to other standards, including IAS 1 for presentation, IAS 16 and IAS 40 for valuation and presentation of real estate assets, IAS 28 for exemptions from the equity method and IAS 32 and IFRS 9 for own equity instruments and other securities issued by the BNP Paribas Fortis Group.

The main effect of these changes in the balance sheet of 31stDecember 2022 is in Shareholder's Equity amounting to (0.09) billion euros. The impact is mainly related to a non-controlled entity consolidated via equity method.

3 Notes to the profit and loss account for the year ended 31 December 2023

3.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.

In millions of euros	Year to 31 Dec. 2023			Year to 31 Dec. 2022 restated according to IFRS 17 and 9		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	**12,412**	**(6,921)**	**5,491**	**7,185**	**(2,141)**	**5,044**
Deposits, loans and borrowings	10,249	(4,944)	5,305	5,945	(1,866)	4,079
Repurchase agreements	604	(1,167)	(563)	57	(36)	21
Finance leases	1,342	(101)	1,241	1,073	(93)	980
Debt securities	217	-	217	110	-	110
Issued debt securities and subordinated debts	-	(709)	(709)	-	(146)	(146)
Financial instruments at fair value through equity	**275**	**-**	**275**	**71**	**-**	**71**
Financial instruments at fair value through profit or loss (Trading securities excluded)	**10**	**(80)**	**(70)**	**4**	**(35)**	**(31)**
Cash flow hedge instruments	**273**	**(299)**	**(26)**	**221**	**(227)**	**(6)**
Interest rate portfolio hedge instruments	**2,071**	**(2,969)**	**(898)**	**755**	**(957)**	**(202)**
Lease liabilities	**-**	**(15)**	**(15)**	**-**	**(10)**	**(10)**
Net interest income/expense	**15,041**	**(10,284)**	**4,757**	**8,236**	**(3,370)**	**4,866**

Interest income on individually impaired loans amounted to 47 million euros in the year ending 31 December 2023, compared with 31 million euros in the year ending 31 December 2022.

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 5.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 2.55% (1.64% until 31 December 2022 and 2.75% for year 2023).

This floating interest rate is considered as a market rate since 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.

3.b Commission income and expense

	Year to 31 Dec. 2023			Year to 31 Dec. 2022 restated according to IFRS 17 and 9		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Customer transactions	138	(62)	76	135	(82)	53
Securities and derivatives transactions	1,098	(332)	766	1,040	(267)	773
Financing and guarantee commitments	191	(26)	165	181	(27)	154
Asset management and other services	659	(11)	648	643	(26)	617
Others	355	(571)	(216)	276	(452)	(176)
Net Commission income/expense	**2,441**	**(1,002)**	**1,439**	**2,275**	**(854)**	**1,421**
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	*460*	*(7)*	*453*	*431*	*(4)*	*427*
Of which commission income and expense on financial instruments not measured at fair value through profit or loss	*373*	*(92)*	*281*	*370*	*(131)*	*239*

3.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 3.a).

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Trading Book	**570**	**(46)**
Interest rate and credit instruments	86	(35)
Equity financial instruments	106	(286)
Foreign exchange financial instruments	512	288
Loans and repurchase agreements	(134)	(13)
Other financial instruments	-	-
Financial instruments designated as at fair value through profit or loss	**(144)**	**371**
Other financial instruments at fair value through profit and loss	**90**	**80**
Impact of hedge accounting	**2**	**8**
Fair value hedging derivatives	383	(1,533)
Hedged items in fair value hedge	(381)	1,541
Net gain or loss on financial instruments at fair value through profit or loss	**518**	**413**

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 2023 and 2022 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 2023 profit and loss account were not material, whether the hedged item ceased to exist or not.

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

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Net gain on debt instruments (1)	**14**	**19**
Dividend income on equity instruments	6	21
Net gain or loss on financial instruments at fair value through equity	**20**	**40**

(1) Interest income from debt instruments is included in 'Net interest income' (Note 3.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 3.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 (3) million euros for the year ended 31 December 2023 compared with 28 million euros for the year ended 31 December 2022.

3.e Net income from other activities

In millions of euros	Year to 31 Dec. 2023			Year to 31 Dec. 2022 restated according to IFRS 17 and 9		
	Income	Expense	Net	Income	Expense	Net
Net income from investment property	39	(8)	31	35	(9)	26
Net income from assets held under operating leases	15,684	(12,046)	3,638	13,040	(10,287)	2,753
Other net income	974	(957)	17	893	(828)	65
Total net income from other activities	**16,697**	**(13,011)**	**3,686**	**13,968**	**(11,124)**	**2,844**

The amount in Net income from assets held under operating leases are almost fully linked to the vehicle lease activity. The amount includes the lease contract revenues (minus the depreciations), the lease service margin (maintenance and repair, insurance, ...) and the result of the cars sold and revaluation.

3.f Other operating expenses

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Salary and employee benefit expenses (note 7.a)	(2,895)	(2,588)
External services and other operating expenses	(1,740)	(1,565)
Taxes and contributions (1)	(486)	(517)
Other operating expenses	**(5,121)**	**(4,670)**

(1) Contributions to European resolution funds, including exceptional contributions, amount to (92) million euros in 2023 ((127) million euros in 2022)

3.g Cost of risk

The BNP Paribas Fortis general model for impairment described in note 1.g.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 payment incident during the last 12 months, potentially regularized, 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). Since 31 December 2023, performing corporate clients placed under credit watch are systematically downgraded to stage 2.

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 4 macroeconomic scenarios by geographic area covering a wide range of potential future economic conditions:

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

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. As a matter of fact, 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 expected losses.

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 three 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 weight of the favourable scenario is at least 10% and at most 40%.
- the total weight of adverse scenarios fluctuates symmetrically with the favourable also within a range of 10% to 40%; with a severe component representing 20% of this weight with a minimum weight of 5%.

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

Macroeconomic scenarios:

The four 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 severely adverse scenario, which is an aggravated version of the adverse scenario;
- 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.

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 involves projecting the impact of higher interest rates on customers' financial ratios, notably considering their level of indebtedness. Credit ratings and associated probabilities of default are revalued based on these simulated financial ratios. This approach is also used to anticipate the effect of lower prices of commercial properties.

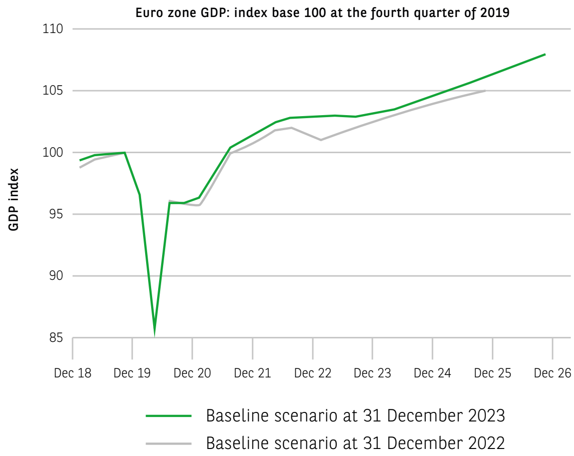
Baseline scenario

Global activity decelerated in 2023, in a context of tight financial conditions and still high inflation. Global GDP is expected to grow by 2.8% on annual average (compared with 3.3% in 2022), mainly reflecting weaker developments among European economies. In the eurozone, activity growth is expected to have decelerated to 0.5% in 2023 (while, as of 30 June 2023, it was expected to reach 0.7%), reflecting much less dynamic domestic demand (both in terms of consumption and investment). The US economy has proved more resilient than initially anticipated and is assumed to grow by 2.3% in 2023 (while, as of 30 June 2023, it was expected to grow by only 0.9%). In 2024, economic conditions are expected to be sluggish among advanced economies, with growth rates slightly below 1% in both the eurozone and the US.

While inflation has receded at a quite rapid pace in the course of 2023, it has remained significantly above central bank targets in many countries. This high inflation environment has pushed central banks to implement the most pronounced monetary tightening in recent decades.

The main central banks (European Central Bank, US Federal Reserve) may have completed their monetary policy tightening cycle by the end of 2023. They are expected to keep their monetary stance broadly unchanged for a few months. Both short-term and long-term interest rates have reached levels not seen since the years 2000 and are expected to remain relatively high for some time. Tight financial conditions should thus continue to weigh on activity in 2024.

The graph below presents a comparison of eurozone GDP projections used in the baseline scenario for the calculation of ECLs on 31 December 2023 and 31 December 2022.



Macroeconomic variables, baseline scenario at 31 December 2023

Annual averages	2023	2024	2025	2026
GDP growth rate				
Eurozone	0.5%	0.8%	1.6%	1.7%
France	0.9%	0.8%	1.5%	1.6%
Italy	0.7%	0.8%	1.2%	1.3%
Belgium	1.1%	0.9%	1.5%	1.6%
United States	2.3%	0.7%	2.0%	2.1%
Unemployment rate				
Eurozone	6.6%	6.8%	6.6%	6.2%
France	7.3%	7.6%	7.3%	6.7%
Italy	7.6%	7.7%	7.6%	7.4%
Belgium	5.6%	5.9%	5.8%	5.5%
United States	3.7%	4.4%	4.2%	3.6%
Inflation rate				
Eurozone	5.6%	2.8%	2.1%	2.2%
France	5.8%	2.6%	2.2%	2.2%
Italy	6.2%	2.9%	2.3%	2.3%
Belgium	2.4%	3.2%	1.6%	2.1%
United States	4.2%	2.6%	2.1%	2.1%
10-year sovereign bond yields				
Germany	2.51%	2.58%	2.50%	2.50%
France	3.06%	3.13%	3.05%	3.05%
Italy	4.33%	4.58%	4.50%	4.50%
Belgium	3.15%	3.22%	3.14%	3.14%
United States	4.04%	4.19%	4.00%	4.00%

Adverse and severely adverse scenarios

The adverse and severely adverse scenarios are based on the assumption that certain downside risks will materialise, resulting in much less favourable economic paths than in the baseline scenario.

The following main risks are identified:

- Geopolitical risks and globalisation developments. Geopolitical risks have increased significantly in recent years, contributing to a fracturing of the global economy. Geopolitical tensions can weigh on the global economy through various channels, including shocks on commodity prices, financial markets, business confidence, supply chains and trade. Such developments are susceptible to lead simultaneously to higher inflation developments and weaker activity, complicating the task of central banks. The growing use of international sanctions also increases the possible magnitude of consequences of such events.
- A greater impact of tight monetary conditions. The marked tightening of monetary policy in response to high inflation over past quarters has led to much higher short-term and long-term interest rates than in previous years. This has already weighed on activity, notably through weaker developments in most interest rate sensitive sectors, in particular the real estate sector. These negative consequences could extend further given the usual delays between the increase in rates and its effect on the economy. In a more unfavourable economic context, tighter financial conditions, combined with weaker activity developments could lead to weaker trends (than assumed in the baseline scenario) regarding credit, investment, residential and commercial real estate prices, and lead to higher default rates.

- More fragile public finances. The fact that debt-to-GDP ratios are high increases risks related to public finances in an environment of high interest rates and weak growth. These combined developments could give birth in some countries to market tensions (widening sovereign bond spreads) and affect activity through several channels (higher interest rates, reduced government spending, higher taxes).

The adverse and severe scenarios assume the materialisation of these identified latent risks from the first quarter of 2024.

While downside risks are shared by the adverse and the severely adverse scenarios, the impacts are assumed to be markedly higher in the severely adverse scenario, due to both more pronounced direct shocks (e.g. higher commodity prices) and the development of a negative spiral between key driving factors (e.g. activity, public debt, bond yields, equity markets).

Among the considered countries, GDP levels in the adverse scenario stand between 7.8% and 11.1% lower than in the baseline scenario at the end of the shock period. In particular, this deviation reaches 9% on average in both the Eurozone and the United States.

In the severe scenario, GDP levels stand between 11.6% and 16.2% lower than in the baseline scenario at the end of the shock period. This deviation reaches 13.2% in both the Eurozone and the United States.

Scenario weighting and cost of risk sensitivity:

At 31 December 2023, the weight of the favourable scenario considered by the Bank was 34,5%, , 10,5% for the adverse scenario and 5% for the severe scenario. At 31 December 2022, the weight of the favourable scenario was 34% and 16% for the adverse scenario (the severe scenario was introduced in the first half 2023).

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 the weighting of the adverse and favourable scenario at 100% (and the baseline scenario weighted at 0%):

- an increase in ECL of 29%, or 173.62 million euros according a weighting at 100% of the adverse scenario (29% as at 31 December 2022);
- a decrease in ECL of (15)%, or (90.69) million euros according to a weighting at 100% of the favourable scenario ((9)% as at 31 December 2022).

Post-model adjustments:

Post-model adjustments are made when system limitations are identified in a particular context, for instance, in the case of insufficient statistical data to reflect the specific situation in the models. Post-model adjustments are also considered to take into account, where applicable, the consequences of climatic events on expected credit losses.

Cost of credit risk for the period

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Net allowances to impairment	(265)	(311)
Recoveries on loans and receivables previously written off	25	28
Losses on irrecoverable loans	(40)	(45)
Total cost of risk for the period	**(280)**	**(328)**

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

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Cash and balances at central banks	(8)	(4)
Financial instruments at fair value through profit or loss	2	(3)
Financial assets at fair value through equity	4	15
Financial assets at amortised cost	(326)	(316)
of which loans and receivables	*(325)*	*(312)*
of which debt securities	*(1)*	*(4)*
Other assets	(3)	(7)
Financing and guarantee commitments and other items	51	(13)
Total cost of risk for the period	**(280)**	**(328)**
Cost of risk on unimpaired assets and commitments	39	(156)
of which Stage 1	*24*	*(115)*
of which Stage 2	*15*	*(41)*
Cost of risk on impaired assets and commitments - Stage 3	(319)	(172)

Credit risk impairment

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

In millions of euros	31 December 2022 restated according to IFRS 17 and 9	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2023
Assets impairment					
Amounts due from central banks	15	8	-	(6)	17
Financial instruments at fair value through profit or loss	8	(1)	-	(1)	6
Financial assets at fair value through equity	19	(4)	-	(1)	14
Financial assets at amortised cost	3,067	318	(343)	190	3,232
of which loans and receivables	*3,060*	*317*	*(343)*	*192*	*3,226*
of which debt securities	*7*	*1*	-	*(2)*	*6*
Other assets	9	2	(1)	1	11
Total impairment of financial assets	**3,118**	**323**	**(344)**	**183**	**3,280**
of which Stage 1	*356*	*(10)*	-	*29*	*375*
of which Stage 2	*477*	*7*	-	*14*	*498*
of which Stage 3	*2,285*	*326*	*(344)*	*140*	*2,407*
Provisions recognised as liabilities					
Provisions for commitments	242	(54)	-	7	195
Other provisions	29	(4)	-	10	35
Total provisions recognised for credit commitments	**271**	**(58)**	**-**	**17**	**230**
of which Stage 1	*66*	*(17)*	-	*4*	*53*
of which Stage 2	*85*	*(27)*	-	*5*	*63*
of which Stage 3	*120*	*(14)*	-	*8*	*114*
Total impairment and provisions	**3,389**	**265**	**(344)**	**200**	**3,510**

Change in impairment by accounting category and asset type during the previous 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 restated according to IFRS 17 and 9
Assets impairment					
Amounts due from central banks	12	5	-	(2)	15
Financial instruments at fair value through profit or loss	10	2	-	(4)	8
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 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 Year to 31 Dec. 2022 restated according to IFRS 17 and 9	338	462	2,267	3,067
Net allowances to impairment	(16)	11	323	318
Financial assets purchased or originated during the period	147	72	1	220
Financial assets derecognised during the period (1)	(56)	(41)	(155)	(252)
Transfer to Stage 2	(50)	304	(45)	209
Transfer to Stage 3	(4)	(88)	378	286
Transfer to Stage 1	26	(130)	(15)	(119)
Other allowances/reversals without stage transfer (2)	(79)	(106)	159	(26)
Impairment provisions used	-	-	(343)	(343)
Effect of exchange rate movements and other items	34	14	143	191
At 31 December 2023	356	487	2,390	3,233

(1) Including disposals

(2) Including amortisation

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 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

3.h Net gain on non-current assets

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Net gain on investments in consolidated undertakings	-	7
Net gain on tangible and intangible assets	191	18
Result from monetary position	(253)	31
Net gain on non-current assets	**(62)**	**56**

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 (-545 million euros) and on accrued income from the Turkish government bonds portfolio indexed to inflation and held by Turk Ekonomi Bankasi AS (+291 million euros), reclassified from interest margin) in 2023 (respectively -400 million euros, +431million euros in 2022)

3.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. 2023		Year to 31 Dec. 2022 restated according to IFRS 17 and 9	
	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)]	**(1,178)**	**25.00%**	**(1,074)**	**25.00%**
Impact of differently taxed foreign profits	(41)	0.9%	13	(0.3%)
Impact of dividends and disposals taxed at reduced rate	14	(0.3%)	17	(0.4%)
Impact of the hyperinflation in Turkey	(157)	3.3%	(137)	3.2%
Other items	(120)	2.5%	(30)	0.7%
Corporate income tax expense	**(1,482)**	**31.40%**	**(1,211)**	**28.20%**
of which				
Current tax expense for the year to 31 December	*(864)*		*(853)*	
Deferred tax expense for the year to 31 December (Note 5.i)	*(618)*		*(358)*	

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

4 Segment information

4.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.

Retail Banking serves personal and self-employed customers, helped by a multidisciplinary team; Affluent & Private Banking serves personal and self-employed customers with more than 85,000 euros of assets, who each have a dedicated relationship manager. BNP Paribas Fortis has a very strong presence in the local market, through a network of 308 branches, plus other channels such as ATMs and online banking facilities, including mobile banking. In its retail banking activities, BNP Paribas Fortis operates under three complementary brands: the main brand BNP Paribas Fortis, plus Fintro 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 business clients with a dedicated relationship manager (Enterprises for small and medium-sized businesses; Corporate Coverage for large corporations, public-sector entities and institutional clients). 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. It 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 64 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its 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.

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 29 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.

Personal Finance comprises Alpha Credit, a wholly-owned subsidiary of BNP Paribas Fortis and the leading provider of consumer credits in Belgium and the Grand Duchy of Luxembourg, as well as Creation Consumer Finance and Creation Financial Services in the United Kingdom. They market 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).

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.

4.b Information by operating segment

Income and expense by operating segment

In millions of euros	Year to 31 Dec. 2023						Year to 31 Dec. 2022 restated according to IFRS 17 and 9					
	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	4,456	878	981	4,236	-	10,551	4,337	697	910	3,692	4	9,640
Operating expense	(2,920)	(435)	(511)	(1,627)	(3)	(5,496)	(2,798)	(396)	(433)	(1,436)	(4)	(5,067)
Cost of risk	(10)	(9)	4	(265)	-	(280)	(95)	20	(71)	(176)	(6)	(328)
Operating Income	**1,526**	**434**	**474**	**2,344**	**(3)**	**4,775**	**1,444**	**321**	**406**	**2,080**	**(6)**	**4,245**
Non-operating items	4	182	(232)	(9)	304	249	264	3	(18)	73	242	564
Pre-tax income	**1,530**	**616**	**242**	**2,335**	**301**	**5,024**	**1,708**	**324**	**388**	**2,153**	**236**	**4,809**

Assets and liabilities by operating segment

In millions of euros	31 December 2023						31 December 2022 restated according to IFRS 17 and 9					
	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	**236,267**	**32,759**	**13,948**	**88,151**	**2,755**	**373,880**	**226,806**	**31,222**	**14,960**	**74,755**	**2,522**	**350,265**
of which investments in associates and Joint ventures	738	97	5	53	1,738	2,631	731	96	5	98	1,550	2,480
Liabilities	**221,029**	**26,310**	**12,670**	**81,694**	**998**	**342,701**	**210,796**	**25,156**	**13,549**	**68,840**	**956**	**319,297**

Within the operating segment 'Specialised businesses', 50% of the assets at 31 December 2023 are linked to the vehicle lease activity (operational lease), while 34% is linked to the financial lease of professional equipment (compared to respectively 49% and 40% at 31 December 2022).

4.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 2023, 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. 2023 (*)	Revenues	Pre-tax income	Current tax	Deferred tax	Corporate income tax	FTE (**) as at 31 Dec. 2023	Nature of activities
Belgium	**4,735**	**1,651**	**(294)**	**(169)**	**(463)**	**11,983**	
of which: BNP Paribas Fortis NV/SA (Including Bass & Esmée Master Issuer NV)	*3,929*	*1,246*	*(195)*	*(171)*	*(366)*	*10,352*	*Credit institution*
Turkey	**1,037**	**287**	**(184)**	**(101)**	**(285)**	**9,034**	
of which: Türk Ekonomi Bankası AS	*777*	*177*	*(155)*	*(62)*	*(217)*	*8,274*	*Credit institution*
Luxembourg	**901**	**627**	**(81)**	**(64)**	**(144)**	**2,058**	
of which: BGL BNP Paribas	*869*	*612*	*(95)*	*(47)*	*(142)*	*1,967*	*Credit institution*
France	**938**	**390**	**(22)**	**(86)**	**(108)**	**3,545**	
of which: Arval Service Lease	*407*	*144*	*3*	*(49)*	*(46)*	*2,002*	*Leasing firm*
Germany	**322**	**191**	**(50)**	**(23)**	**(72)**	**512**	
Poland	**91**	**52**	**(14)**	**(2)**	**(16)**	**582**	
United Kingdom	**670**	**329**	**(44)**	**(39)**	**(82)**	**1,536**	
Spain	**457**	**334**	**(36)**	**(47)**	**(83)**	**894**	
The Netherlands	**185**	**87**	**(16)**	**(7)**	**(23)**	**619**	
Italy	**651**	**423**	**(84)**	**(54)**	**(138)**	**1,171**	
Other	**564**	**342**	**(39)**	**(26)**	**(68)**	**2,388**	
Total	**10,551**	**4,713**	**(864)**	**(618)**	**(1,482)**	**34,322**	

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

(**) Full-time equivalents (FTE) at 31 December 2023 in fully consolidated entities under exclusive control

5 Notes to the balance sheet at 31 December 2023

5.a Financial instruments 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.

In millions of euros	31 December 2023				31 December 2022 restated according to IFRS 17 and 9			
	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	535	-	1,069	1,604	388	-	988	1,376
Loans and repurchase agreements	1,597	-	77	1,674	2,502	-	56	2,558
Financial assets at fair value through profit or loss	**2,132**	**-**	**1,146**	**3,278**	**2,890**	**-**	**1,044**	**3,934**
Securities	697	-	-	697	603	-	-	603
Deposits and repurchase agreements	11,654	134	-	11,788	7,415	147	-	7,562
Issued debt securities (note 5.h)	-	2,721	-	2,721	-	2,388	-	2,388
Of which subordinated debt	-	*735*	-	*735*	-	*675*	-	*675*
Of which non subordinated debt	-	*1,986*	-	*1,986*	-	*1,713*	-	*1,713*
Financial liabilities at fair value through profit or loss	**12,351**	**2,855**	**-**	**15,206**	**8,018**	**2,535**	**-**	**10,553**

Detail of these assets and liabilities is provided in note 5.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 2023 was 3,067 million euros (2,900 million euros at 31 December 2022).

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 2023		31 December 2022 restated according to IFRS 17 and 9	
In millions of euros	Positive market value	Negative market value	Positive market value	Negative market value
Interest rate derivatives	4,552	4,762	5,718	5,783
Foreign exchange derivatives	1,176	1,310	2,172	2,102
Credit derivatives	-	23	-	-
Equity derivatives	413	46	491	82
Other derivatives	-	-	-	-
Derivative financial instruments	**6,141**	**6,141**	**8,381**	**7,967**

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.

	31 December 2023				31 December 2022 restated according to IFRS 17 and 9			
In millions of euros	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	49,214	55,294	195,269	299,777	35,546	57,541	221,567	314,654
Foreign exchange derivatives	-	-	102,795	102,795	207	-	109,637	109,844
Credit derivatives	-	-	250	250	-	-	9	9
Equity derivatives	69	-	763	832	186	-	1,196	1,382
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments	**49,283**	**55,294**	**299,077**	**403,654**	**35,939**	**57,541**	**332,409**	**425,889**

5.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 2023			31 December 2022 restated according to IFRS 17 and 9		
	Notional amounts	Positive fair value	Negative fair value	Notional amounts	Positive fair value	Negative fair value
Fair value hedges	**205,835**	**5,198**	**8,070**	**193,607**	**6,324**	**9,438**
Interest rate derivatives	205,589	5,194	8,049	193,321	6,317	9,424
Foreign exchange derivatives	246	4	21	286	7	14
Cash flow hedges	**22,282**	**220**	**201**	**15,369**	**175**	**254**
Interest rate derivatives	5,004	44	96	2,639	47	123
Foreign exchange derivatives	17,278	176	105	12,730	128	131
Other derivatives	-	-	-	-	-	-
Net foreign investment hedges	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange derivatives	-	-	-	-	-	-
Derivatives used for hedging purposes	**228,117**	**5,418**	**8,271**	**208,976**	**6,499**	**9,692**

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 2023:

31 December 2023 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	**33,755**	**579**	**1,291**	**(758)**	**15,787**	**651**	**17,925**	**(65)**
Interest rate derivatives hedging the interest rate risk related to	**33,509**	**575**	**1,270**	**(756)**	**15,747**	**653**	**17,715**	**(61)**
Loans and receivables	*1,886*	*19*	*152*	*(128)*	*1,876*	*129*	*-*	*-*
Securities	*13,904*	*498*	*1,001*	*(568)*	*13,871*	*524*	*-*	*-*
Deposits	*11,695*	*4*	*8*	*(3)*	*-*	*-*	*11,892*	*(3)*
Debt securities	*6,024*	*54*	*109*	*(57)*	*-*	*-*	*5,823*	*(58)*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**246**	**4**	**21**	**(2)**	**40**	**(2)**	**210**	**(4)**
Loans and receivables	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Securities	*38*	*2*	*20*	*2*	*40*	*(2)*	*-*	*-*
Deposits	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Debt securities	*208*	*2*	*1*	*(4)*	*-*	*-*	*210*	*(4)*
Interest-rate risk hedged portfolios	**172,080**	**4,619**	**6,779**	**(1,862)**	**29,273**	**(1,943)**	**38,864**	**(3,807)**
Interest rate derivatives hedging the interest rate risk related to (1)	**172,080**	**4,619**	**6,779**	**(1,862)**	**29,273**	**(1,943)**	**38,864**	**(3,807)**
Loans and receivables	*48,427*	*2,450*	*318*	*1,939*	*29,273*	*(1,943)*	*-*	*-*
Deposits	*123,653*	*2,169*	*6,461*	*(3,801)*	*-*	*-*	*38,864*	*(3,807)*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and receivables	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Deposits	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total fair value hedge	**205,835**	**5,198**	**8,070**	**(2,620)**	**45,060**	**(1,292)**	**56,789**	**(3,872)**

(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 9,080 million euros for derivatives hedging loans and receivables and 78,864 million euros for derivatives hedging deposits. In addition, this section contains for a total notional amount of 15.950 million euros forward swaps which are per 31 December 2023 not yet covering loans or deposits. Both impacts should be subtracted from the notional amount of the hedging instruments to obtain the currently hedged part of our loans and 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 2022:

31 December 2022 restated according to IFRS 17 and 9 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)*	-	-
Securities	-	-	-	-	-	-	-	-
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 44,260 million euros for derivatives hedging loans and receivables and 43,460 million euros 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 1,139 million euros assets as at 31 December 2023, and to (88) million euros in liabilities, for hedges of portfolios of financial instruments. At 31 December 2022, these amounts were 1,395 million euros in assets and 10 million euros 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 105 million euros in assets at 31 December 2023. At 31 December 2022, this amount was 111 million euros 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 22,282 million euros as at 31 December 2023. Changes in assets and liabilities recognised directly in equity amount to (50) million euros. At 31 December 2022, the notional amount of cash flow hedge derivatives was 15,369 million euros and the changes in assets and liabilities recognised directly in equity amount was (35) million euros.

The table below present the notional amounts of hedging derivatives by maturity at 31 December 2023 and at 31 December 2022:

31 December 2023 *In millions of euros*	**Maturity date**		
	Less than 1 year	**Between 1 to 5 years**	**Over 5 years**
Fair value hedges	**56,856**	**91,486**	**57,493**
Interest rate derivatives	56,809	91,287	57,493
Foreign exchange derivatives	47	199	-
Cash flow hedges	**16,970**	**4,762**	**550**
Interest rate derivatives	1,833	2,621	550
Foreign exchange derivatives	15,137	2,141	-
Other derivatives	-	-	-
Net foreign investments hedges	**-**	**-**	**-**
Foreign exchange derivatives	-	-	-

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	-	-	-

5.c Financial assets at fair value through equity

In millions of euros	31 December 2023		31 December 2022 restated according to IFRS 17 and 9	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	**10,651**	**(120)**	**5,739**	**(70)**
Governments	2,716	(50)	1,029	(3)
Other public administrations	4,245	(24)	2,390	(20)
Credit institutions	3,020	(22)	1,653	(18)
Other	670	(24)	667	(29)
Equity securities	**151**	**108**	**138**	**91**
Total financial assets at fair value through equity	**10,802**	**(12)**	**5,877**	**21**

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 2023, the bank did not sell any of these investments and no unrealised gains or losses were transferred to 'retained earnings'.

5.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 (1) million euros as at 31 December 2023, compared with an increase in value of (6) million euros as at 31 December 2022, i.e. a 5 million euros 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.g.9), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

Fair values of derivatives 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 2023											
	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	**499**	**37**	**-**	**536**	**159**	**51**	**858**	**1,068**	**10,298**	**446**	**58**	**10,802**
Governments	383	-	-	383	-	-	-	-	2,612	34	48	2,694
Asset Backed Securities	-	-	-	-	-	51	-	51	-	325	-	325
Other debt securities	39	37	-	76	-	(5)	140	135	7,545	87	-	7,632
Equities and other equity securities	77	-	-	77	159	5	718	882	141	-	10	151
Loans and repurchase agreements	**-**	**1,499**	**97**	**1,596**	**-**	**5**	**73**	**78**	**-**	**-**	**-**	**-**
Loans	-	-	-	-	-	5	73	78	-	-	-	-
Repurchase agreements	-	1,499	97	1,596	-	-	-	-	-	-	-	-
Financial assets at fair value	**499**	**1,536**	**97**	**2,132**	**159**	**56**	**931**	**1,146**	**10,298**	**446**	**58**	**10,802**
Securities	**697**	**-**	**-**	**697**	**-**	**-**	**-**	**-**				
Governments	626	-	-	626	-	-	-	-				
Other debt securities	71	-	-	71	-	-	-	-				
Equities and other equity securities	-	-	-	-	-	-	-	-				
Borrowings and repurchase agreements	**-**	**11,654**	**-**	**11,654**	**-**	**134**	**-**	**134**				
Borrowings	-	13	-	13	-	134	-	134				
Repurchase agreements	-	11,641	-	11,641	-	-	-	-				
Issued debt securities (Note 4.h)	**-**	**-**	**-**	**-**	**-**	**2,114**	**607**	**2,721**				
Subordinated debt (Note 4.h)	-	-	-	-	-	735	-	735				
Non subordinated debt (Note 4.h)	-	-	-	-	-	1,379	607	1,986				
Financial liabilities at fair value	**697**	**11,654**	**-**	**12,351**	**-**	**2,248**	**607**	**2,855**				

In millions of euros	31 December 2022 restated according to IFRS 17 and 9											
	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 2023							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	379	4,014	159	4,552	438	4,200	124	4,762
Foreign exchange derivatives	-	1,176	-	1,176	-	1,303	7	1,310
Credit derivatives	-	-	-	-	-	23	-	23
Equity derivatives	-	413	-	413	-	46	-	46
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments not used for hedging purposes	**379**	**5,603**	**159**	**6,141**	**438**	**5,572**	**131**	**6,141**
Derivative financial instruments used for hedging purposes	**-**	**5,418**	**-**	**5,418**	**-**	**8,271**	**-**	**8,271**

In millions of euros	31 December 2022 restated according to IFRS 17 and 9							
	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**

Transfers between levels may occur when an instrument fulfils 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 2023, 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 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 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 for which model uncertainty is not significant 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 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) when there is material valuation uncertainty. When 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 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 when there is material valuation uncertainty. 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. and justifies classifying these transactions in Level 3.

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 those 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					
Repurchase agreements	97	-	Long-term repo and reverse-repo agreements	Proxy techniques, based amongst others on the funding basis of a benchmark bond pool, that is actively traded and representative of the repo underlying	Long-term repo spread on private bonds (High Yield, High Grade) and on ABSs	0 bp to 152 bp	30 bp [(a)]
Interest rate derivatives	159	124	Hybrid Forex / Interest rates derivatives	Hybrid Forex interest rate option pricing model	Correlation between FX rate and interest rates. Main currency pairs are EUR/JPY, USD/JPY, AUD/JPY	-16% to 52%	8% [(a)]
			Hybrid inflation rates / Interest rates derivatives	Hybrid inflation interest rate option pricing model	Correlation between interest rates and inflation rates mainly in Europe	10% to 32%	29%
			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	1.3% to 11.7%	[(b)]
					Volatility of the year on year inflation rate	0.5% to 2.8%	
			Forward volatility products such as volatility swaps, mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.5% to 1.0%	[(b)]
			Balance-guaranteed fixed rate, basis or cross currency swaps, predominantly on European collateral pools	Prepayment modeling Discounted cash flows	Constant prepayment rates	0% to 18%	2% [(a)]

(a) Weights based on relevant risk axis at portfolio level

(b) 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 2022 and 31 December 2023:

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 2022 restated according to IFRS 17 and 9	**261**	**774**	**10**	**1,045**	**117**	**677**	**794**
Purchases	-	125	28	**153**	-	-	**-**
Issues	-	-	-	**-**	-	17	**17**
Sales	-	(55)	(2)	**(57)**	-	-	**-**
Settlements (1)	2	21	-	**23**	5	(70)	**(65)**
Transfers to Level 3	-	-	-	**-**	-	-	**-**
Transfers from Level 3	-	-	-	**-**	-	(44)	**(44)**
Gains or (losses) recognised in profit or loss with respect to transactions expired or terminated during the period	-	68	30	**98**	-	-	**-**
Gains or (losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	*(7)*	-	-	**(7)**	9	27	**36**
Changes in fair value of assets and liabilities recognised directly in equity	-	-	-	**-**	-	-	**-**
- Items related to exchange rate movements	-	(2)	(1)	**(3)**	-	-	**-**
- Changes in assets and liabilities recognised in equity	-	-	(7)	**(7)**	-	-	**-**
At 31 December 2023	**256**	**931**	**58**	**1,245**	**131**	**607**	**738**

(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.

	31 December 2023		31 December 2022 restated according to IFRS 17 and 9	
In millions of euros	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	+/-7	+/-0	+/-6	+/-0
Loans and repurchase agreements	+/-0		+/-2	
Derivative financial instruments	+/-2		+/-6	
Interest rate and foreign exchange derivatives	*+/-6*		*+/-6*	
Credit derivatives	*+/-6*		*+/-0*	
Equity derivatives	*+/-0*		*+/-0*	
Other derivatives	*+/-0*		*+/-0*	
Sensitivity of Level 3 financial instruments	**+/-16**	**+/-0**	**+/-15**	**+/-0**

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 1 million euros.

5.e Financial assets at amortised cost

Detail of loans and advances by nature

In millions of euros	31 December 2023			31 December 2022 restated according to IFRS 17 and 9		
	Gross value	Impairment (note 3.g)	Carrying amount	Gross value	Impairment (note 3.g)	Carrying amount
Loans and advances to credit institutions	**19,173**	**(57)**	**19,116**	**11,288**	**(68)**	**11,220**
On demand accounts	2,999	(1)	2,998	5,794	-	5,794
Loans [(1)]	3,226	(56)	3,170	2,629	(68)	2,561
Repurchase agreements	12,948	-	12,948	2,865	-	2,865
Loans and advances to customers	**222,472**	**(3,169)**	**219,303**	**219,777**	**(2,992)**	**216,785**
On demand accounts	4,589	(592)	3,997	4,224	(540)	3,684
Loans to customers	194,883	(2,038)	192,845	194,351	(1,954)	192,397
Finance leases	23,000	(539)	22,461	21,202	(498)	20,704
Repurchase agreements	-	-	-	-	-	-
Total loans and advances at amortised cost	**241,645**	**(3,226)**	**238,419**	**231,065**	**(3,060)**	**228,005**

(1) Loans and advances to credit institutions include term deposits made with central banks, which amounted to 1 million euros as at 31 December 2023 (65 million euros as at 31 December 2022)

Detail of debt securities by type of issuer

In millions of euros	31 December 2023			31 December 2022 restated according to IFRS 17 and 9		
	Gross value	Impairment (note 3.g)	Carrying amount	Gross value	Impairment (note 3.g)	Carrying amount
Governments	9,229	(5)	9,224	9,351	(6)	9,345
Other public administrations	2,070	-	2,070	2,212	-	2,212
Credit institutions	774	-	774	1,117	-	1,117
Other	440	(1)	439	478	(1)	477
Total debt securities at amortised cost	**12,513**	**(6)**	**12,507**	**13,158**	**(7)**	**13,151**

Detail of financial assets at amortised cost by stage

In millions of euros	31 December 2023			331 December 2022 restated according to IFRS 17 and 9		
	Gross value	Impairment (note 3.g)	Carrying amount	Gross value	Impairment (note 3.g)	Carrying amount
Loans and advances to credit institutions	**19,173**	**(57)**	**19,116**	**11,288**	**(68)**	**11,220**
Stage 1	18,985	(1)	18,984	11,177	(2)	11,175
Stage 2	121	(1)	120	42	(1)	41
Stage 3	67	(55)	12	69	(65)	4
Loans and advances to customers	**222,472**	**(3,169)**	**219,303**	**219,777**	**(2,992)**	**216,785**
Stage 1	197,548	(349)	197,199	193,193	(330)	192,863
Stage 2	20,235	(485)	19,750	22,317	(461)	21,856
Stage 3	4,689	(2,335)	2,354	4,267	(2,201)	2,066
Debt securities	**12,513**	**(6)**	**12,507**	**13,158**	**(7)**	**13,151**
Stage 1	12,492	(5)	12,487	13,155	(7)	13,148
Stage 2	21	(1)	20	3	-	3
Stage 3	-	-	-	-	-	-
Total financial assets at amortised cost	**254,158**	**(3,232)**	**250,926**	**244,223**	**(3,067)**	**241,156**

Contractual maturities of finance leases

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Gross investment	**25,198**	**22,541**
Receivable within 1 year	7,578	7,215
Receivable after 1 year but within 5 years	15,243	13,956
Receivable beyond 5 years	2,377	1,370
UNEARNED INTEREST INCOME	(2,198)	(1,339)
Net investment before impairment	**23,000**	**21,202**
Receivable within 1 year	6,679	6,648
Receivable after 1 year but within 5 years	14,087	13,285
Receivable beyond 5 years	2,234	1,269
IMPAIRMENT PROVISIONS	(539)	(498)
Net investment after impairment	**22,461**	**20,704**

5.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.

In millions of euros	31 December 2023			
	Stage 3 assets			Collateral received
	Gross value	Impairment	Net	
Loans and advances to credit institutions (note 5.e)	67	(55)	12	-
Loans and advances to customers (note 5.e)	4,689	(2,335)	2,354	1,813
Debt securities at amortised cost (note 5.e)	-	-	-	-
Total amortised cost impaired assets (Stage 3)	**4,756**	**(2,390)**	**2,366**	**1,813**
Financing commitments given	194	(20)	174	75
Guarantee commitments given	138	(60)	78	53
Total off-balance sheet impaired commitments (Stage 3)	**332**	**(80)**	**252**	**128**

In millions of euros	31 December 2022 restated according to IFRS 17 and 9			
	Stage 3 assets			Collateral received
	Gross value	Impairment	Net	
Loans and advances to credit institutions (note 5.e)	69	(65)	4	-
Loans and advances to customers (note 5.e)	4,267	(2,201)	2,066	1,589
Debt securities at amortised cost (note 5.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**

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 2023	31 December 2022 restated according to IFRS 17 and 9
Opening balance	**4,336**	**4,365**
Transfer to Stage 3	1,653	1,089
Transfer to Stage 1 or Stage 2	(518)	(336)
Amounts Written offs	(359)	(293)
Other changes	(356)	(489)
Closing balance	**4,756**	**4,336**

5.g Financial liabilities at amortised cost due to credit institutions and customers

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Deposits from credit institutions	**62,845**	**46,295**
On demand accounts	1,565	1,702
Interbank borrowings (1)	32,636	43,021
Repurchase agreements	28,644	1,572
Deposits from customers	**203,931**	**212,692**
On demand deposits	78,779	94,358
Savings accounts	81,310	88,837
Term accounts and short-term notes	43,181	29,443
Repurchase agreements	661	54

(1) Interbank borrowings from credit institutions include term borrowings from central banks, including 2,5 billion euros of TLTRO III at 31 December 2023 (17,8 billion euros at 31 December 2022)

5.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 and subordinated debt at fair value through profit and loss

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Debt securities	1,986	1,713
Subordinated debt	735	675
Total debt securities and subordinated debt at fair value through profit or loss	**2,721**	**2,388**

Debt securities measured at amortised cost

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Negotiable certificates of deposit and other debt securities	10,331	9,950
Bond issues	13,470	6,302
Total debt securities at amortised cost	**23,801**	**16,252**

Subordinated debt measured at amortised cost

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Redeemable subordinated debt	2,235	2,283
Undated subordinated debt	-	-
Total subordinated debt measured at amortised cost	**2,235**	**2,283**

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 239.40 euros. However, as of 19 December 2014, the CASHES will be automatically exchanged into Ageas shares if their price is equal to or higher than 359.10 euros 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 831.5 million euros as of 31 December 2023 and 31 December 2022 respectively.

5.i Current and deferred taxes

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Current taxes	217	121
Deferred taxes	847	1,119
Current and deferred tax assets	**1,064**	**1,240**
Current taxes	278	301
Deferred taxes	1,084	782
Current and deferred tax liabilities	**1,362**	**1,083**

Changes in deferred tax by nature over the period

In millions of euros	31 December 2022 restated according to IFRS 17 and 9	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 2023
Financial instruments	18	(91)	14	1	36	(22)
Provisions for employee benefit obligations	120	(12)	-	18	(10)	116
Unrealised finance lease reserve	(212)	(49)	-	-	(29)	(290)
Credit risk impairment	534	12	-	-	(11)	535
Tax loss carryforwards	422	(135)	-	-	3	290
Other items	(545)	(343)	-	-	22	(866)
Net deferred taxes	**337**	**(618)**	**14**	**19**	**11**	**(237)**
Deferred tax assets	1,119					847
Deferred tax liabilities	782					1,084

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 131 million euros, which will normally be recovered totally next year (unlimited carryforward period).

Unrecognised deferred tax assets totaled 214 million euros as at 31 December 2023 (of which 192 million euros of tax loss carryforwards) compared with 192 million euros as at 31 December 2022 (of which 166 million euros of tax loss carryforwards),

5.j Accrued income/expense and other assets/ liabilities

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Guarantee deposits and bank guarantees paid	4,898	4,437
Collection accounts	126	74
Accrued income and prepaid expenses	1,276	1,147
Other debtors and miscellaneous assets	7,368	5,755
Total accrued income and other assets	**13,668**	**11,413**
Guarantee deposits received	731	2,262
Collection accounts	621	567
Accrued expense and deferred income	2,302	2,158
Lease liabilities	309	291
Other creditors and miscellaneous liabilities	8,288	6,095
Total accrued expense and other liabilities	**12,251**	**11,373**

Other debtors and miscellaneous assets refer to mainly assets of the employee benefit plans, transitory accounts, inventory of cars and other prepaid and accrued income

Other creditors and miscellaneous liabilities mainly include transitory accounts and other accruals and deferred charges (amounts to be paid to suppliers, employees, lease liabilities, ...)

5.k Equity-method investments

Cumulated financial information of associates and joint ventures is presented in the following table:

	Year to 31 Dec. 2023			31 December 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9			31 December 2022 restated according to IFRS 17 and 9
In millions of euros	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	3	(5)	(2)	106	3	121	124	95
Associates (1)	308	129	437	2,525	260	(302)	(42)	2,385
Total equity-method entities	**311**	**124**	**435**	**2,631**	**263**	**(181)**	**82**	**2,480**

(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 8.h '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:

			31 December 2023		31 December 2022 restated according to IFRS 17 and 9	
In millions of euros	Country of registration	Activity	Interest %	Equity-method investments	Interest %	Equity-method investments
Associates						
AG Insurance	Belgium	Insurance	25%	607	25%	634
BNP Paribas Asset Management	France	Asset management	30.9%	915	30.9%	854
BNPP Bank Polska	Poland	Retail banking	24.0%	705	24.0%	572

AG Insurance

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Total net income	674	484
Changes in assets and liabilities recognised directly in equity	343	(903)

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Total assets	71,594	73,688
Total liabilities	69,519	71,816
Net assets of the equity associate	**2,075**	**1,872**

BNP Paribas Asset Management

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Total net income	138	240
Changes in assets and liabilities recognised directly in equity	200	(9)

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Total assets	3,291	2,934
Total liabilities	2,235	2,201
Net assets of the equity associate	**1,056**	**733**

BNPP Bank Polska SA

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Total net income	211	76
Changes in assets and liabilities recognised directly in equity	127	(115)

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Total assets	35,911	31,116
Total liabilities	33,055	28,800
Net assets of the equity associate	**2,856**	**2,316**

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 2023, 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 2023		
In millions of euros	BNP Paribas Asset Management	BNP Paribas Bank Polska SA	AG Insurance
Cost of capital			
Adverse change (+10 basis points)	(14)	(13)	(35)
Positive change (-10 basis points)	15	14	36
Cost/income ratio			
Adverse change (+1%)	(21)	(21)	-
Positive change (-1%)	21	21	-
Cost of risk			
Adverse change (+5%)	-	(6)	-
Positive change (-5%)	-	6	-
Long-term growth rate			
Adverse change (-50 basis points)	(47)	(29)	(133)
Positive change (+50 basis points)	53	32	156

5.l Property, plant, equipment and intangible assets used in operations, investment property

	31 December 2023			31 December 2022 restated according to IFRS 17 and 9		
In millions of euros	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
Investment property	**217**	**(106)**	**111**	**260**	**(128)**	**132**
Land and buildings	2,558	(1,398)	1,160	2,812	(1,529)	1,283
Equipment, furniture and fixtures	634	(449)	185	707	(519)	188
Plant and equipment leased as lessor under operating leases	45,242	(10,586)	34,656	38,360	(10,680)	27,680
Other property, plant and equipment	534	(171)	363	481	(183)	298
Property, plant and equipment	**48,968**	**(12,604)**	**36,364**	**42,360**	**(12,911)**	**29,449**
of which right of use	**729**	**(417)**	**312**	**722**	**(419)**	**303**
Purchased software	323	(235)	88	307	(235)	72
Internally-developed software	1,346	(898)	448	1,127	(753)	374
Other intangible assets	113	(78)	35	95	(73)	22
Intangible assets	**1,782**	**(1,211)**	**571**	**1,529**	**(1,061)**	**468**

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 2023 is 263 million euros, compared with 244 million euros for the year ended 31 December 2022.

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 2023	31 December 2022 restated according toIFRS 17 and 9
Future minimum lease payments receivable under non-cancellable leases	**10,708**	**8,205**
Payments receivable within 1 year	4,568	3,609
Payments receivable after 1 year but within 5 years	6,097	4,570
Payments receivable beyond 5 years	43	26

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 2023 was (374) million euros, compared with (398) million euros for the year ending 31 December 2022.

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 2023 for 1 million euros, compared with a net charge to impairment provisions of (1) million euros for the year ended 31 December 2022.

5.m Goodwill

In millions of euros	31 December 2023	31 December 2022 restated according toIFRS 17 and 9
Carrying amount at start of period	**848**	**767**
Acquisitions	22	96
Divestments	-	(4)
Impairment recognised during the period	-	-
Exchange rate adjustments	2	(13)
Other movements	-	2
Carrying amount at end of period	**872**	**848**
Gross value	1,004	986
Accumulated impairment recognised at the end of period	(132)	(138)

Goodwill by cash-generating units is as follows:

	Carrying amount		Impairment recognised during the period		Acquisitions of the period	
In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Alpha Credit	22	22	-	-	-	-
Axepta BNP Paribas Benelux	28	28	-	-	-	-
Factoring	6	6	-	-	-	-
BNP Paribas Leasing Solutions	145	146	-	-	-	-
Wealth Management Luxemburg	38	38	-	-	-	-
Arval	633	608	-	-	22	96
Total goodwill	**872**	**848**	**-**	**-**	**22**	**96**

BNP Paribas Fortis activities are divided into cash-generating units, 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 cash-generating units, such as acquisitions, disposals and major reorganisations.

The cash-generating units to which goodwill is allocated are:

- **Alpha Credit** is the leading provider of consumer credits in Belgium and the Grand Duchy of Luxembourg. Alpha Credit 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. In 2023, Alpha Credit acquired two legal entities incorporated in the United Kingdom, namely Creation Financial Services and Creation

Consumer Finance. The cash-generating unit includes Alpha Credit and its subsidiaries;

- **Axepta BNP Paribas Benelux** 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 cash-generating unit 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 cash-generating unit. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each cash-generating unit based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the cash-generating unit belongs, with a minimum of 7% and except for Axepta BNP Paribas Benelux, 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 2023, an impairment test was performed for each of the following five cash-generating units: Alpha Credit, BNP Paribas Leasing Solutions, Arval, Wealth Management Luxembourg and Axepta BNP Paribas Benelux. 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 2023				
	Alpha Credit	BNP Paribas Leasing Solutions	Arval	Wealth Management Luxembourg	Axepta BNP Paribas Benelux
Cost of capital					
Adverse change (+10 basis points)	(19)	(65)	(188)	(8)	(1)
Positive change (-10 basis points)	20	67	194	9	1
Cost/income ratio					
Adverse change (+1%)	(40)	(86)	(206)	(15)	(2)
Positive change (-1%)	40	86	206	15	2
Cost of risk					
Adverse change (+5%)	(71)	(44)	(33)	-	-
Positive change (-5%)	71	44	33	-	-
Long-term growth rate					
Adverse change (-50 basis points)	(39)	(271)	(547)	(25)	(3)
Positive change (+50 basis points)	44	366	629	29	4

5.n Provisions for contingencies and charges

In millions of euros	31 December 2022 restated according to IFRS 17 and 9	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	31 December 2023
Provisions for employee benefits	3,009	151	(253)	157	(27)	3,037
of which post-employment benefits (Note 7.b)	*2,721*	*106*	*(189)*	*164*	*(25)*	*2,777*
of which post-employment healthcare benefits (Note 7.b)	*62*	*3*	*(2)*	*(7)*	-	*56*
of which provision for other long-term benefits (Note 7.c)	*71*	*18*	*(20)*	-	*(1)*	*68*
of which provision for voluntary departure, early retirement plans, and headcount adaptation plan (Note 7.d)	*139*	*16*	*(35)*	-	-	*120*
of which provision for share-based payment	*16*	*8*	*(7)*	-	*(1)*	*16*
Provisions for home savings accounts and plans	-	-	-	-	-	-
Provisions for credit commitments	283	-	-	-	(37)	246
Provisions for litigation	35	29	(25)	-	(1)	38
Other provisions for contingencies and charges	455	133	(94)	-	510	1,004
Total provisions for contingencies and charges	**3,782**	**313**	**(372)**	**157**	**445**	**4,325**

As of 31 December 2023, reserves related to the uncertainty on the residual value of Arval's vehicles previously recognised as a decrease in assets were included in 'Other provisions for contingencies and charges'.

5.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 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 2023 *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	**15,959**	**(1,122)**	**14,837**	**(10,870)**	**(346)**	**3,621**
Securities	*1,604*	*-*	*1,604*	*-*	*-*	*1,604*
Loans and repurchase agreements	*2,796*	*(1,122)*	*1,674*	*(1,591)*	*(74)*	*9*
Derivative financial instruments (including derivatives used for hedging purposes)	*11,559*	*-*	*11,559*	*(9,279)*	*(272)*	*2,008*
Financial assets at amortised cost	**251,327**	**(401)**	**250,926**	**(12,305)**	**(570)**	**238,051**
of which repurchase agreements	*13,348*	*(400)*	*12,948*	*(12,305)*	*(570)*	*73*
Accrued income and other assets	**13,668**	**-**	**13,668**	**-**	**(1,390)**	**12,278**
of which guarantee deposits paid	*4,898*	*-*	*4,898*	*-*	*(1,390)*	*3,508*
Other assets not subject to offsetting	**94,449**	**-**	**94,449**	**-**	**-**	**94,449**
Total assets	**375,403**	**(1,523)**	**373,880**	**(23,175)**	**(2,306)**	**348,399**

31 December 2023 *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	**30,740**	**(1,122)**	**29,618**	**(13,265)**	**(8,162)**	**8,191**
Securities	*697*	*-*	*697*	*-*	*-*	*697*
Deposits and repurchase agreements	*12,910*	*(1,122)*	*11,788*	*(3,986)*	*(7,651)*	*151*
Issued debt securities	*2,721*	*-*	*2,721*	*-*	*-*	*2,721*
Derivative financial instruments (including derivatives used for hedging purposes)	*14,412*	*-*	*14,412*	*(9,279)*	*(511)*	*4,622*
Financial liabilities at amortised cost	**267,177**	**(401)**	**266,776**	**(9,909)**	**(19,020)**	**237,847**
of which repurchase agreements	*29,705*	*(400)*	*29,305*	*(9,909)*	*(19,020)*	*376*
Accrued expense and other liabilities	**12,251**	**-**	**12,251**	**-**	**(296)**	**11,955**
of which guarantee deposits received	*731*	*-*	*731*	*-*	*(296)*	*435*
Other liabilities not subject to offsetting	**34,056**	**-**	**34,056**	**-**	**-**	**34,056**
Total liabilities	**344,224**	**(1,523)**	**342,701**	**(23,175)**	**(27,478)**	**292,049**

31 December 2022 *restated according to IFRS 17 and 9* *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	**11,413**	**-**	**11,413**	**-**	**(896)**	**10,517**
of which guarantee deposits paid	*4,437*	*-*	*4,437*	*-*	*(896)*	*3,541*
Other assets not subject to offsetting	**78,882**	**-**	**78,882**	**-**	**-**	**78,882**
Total assets	**351,413**	**(1,148)**	**350,265**	**(12,305)**	**(3,794)**	**334,166**

31 December 2022 restated according to IFRS 17 and 9 *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	**258,987**	**-**	**258,987**	**(324)**	**(1,026)**	**257,637**
of which repurchase agreements	*1,626*	-	*1,626*	*(324)*	*(1,026)*	*276*
Accrued expense and other liabilities	**11,373**	**-**	**11,373**	**-**	**(793)**	**10,580**
of which guarantee deposits received	*2,262*	-	*2,262*	-	*(793)*	*1,469*
Other liabilities not subject to offsetting	**20,725**	**-**	**20,725**	**-**	**-**	**20,725**
Total liabilities	**320,445**	**(1,148)**	**319,297**	**(12,305)**	**(7,203)**	**299,789**

5.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

In millions of euros	31 December 2023		31 December 2022 restated according to IFRS 17 and 9	
	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	2,449	-	2,777	-
Financial assets at fair value through equity	-	-	-	-
Repurchase agreements				
Financial instruments at fair value through profit or loss	406	406	176	176
Financial assets at amortised cost	6,922	6,929	4,159	4,159
Financial assets at fair value through equity	3,936	3,966	202	202
Total	**13,713**	**11,301**	**7,356**	**4,537**

Securitisation transactions partially refinanced by external investors, whose recourse is limited to the transferred assets

In millions of euros	31 December 2023				
	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	31,865	1,487	29,197	1,464	27,733
Financial assets at fair value through equity	-	-	-	-	-
Total	**31,865**	**1,487**	**29,197**	**1,464**	**27,733**

In millions of euros	31 December 2022 restated according to IFRS 17 and 9				
	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**

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.

6 Financing and guarantee commitments

6.a Financing commitments given or received

Contractual value of financing commitments given and received by BNP Paribas Fortis:

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Financing commitments given		
- to credit institutions	289	231
- to customers	59,240	52,726
Confirmed financing commitments	*46,948*	*41,107*
Other commitments given to customers	*12,292*	*11,619*
Total financing commitments given	**59,529**	**52,957**
of which Stage 1	*55,396*	*48,328*
of which Stage 2	*3,939*	*4,521*
of which Stage 3	*194*	*108*
Financing commitments received		
- from credit institutions	11,299	6,537
- from customers	231	199
Total financing commitments received	**11,530**	**6,736**

6.b Guarantee commitments given by signature

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Guarantee commitments given		
- to credit institutions	2,419	2,488
- to customers	15,384	15,685
Property guarantees	-	-
Sureties provided to tax and other authorities, other sureties	*11,978*	*12,334*
Other guarantees	*3,406*	*3,351*
Total guarantee commitments given	**17,803**	**18,173**
of which Stage 1	*15,572*	*15,647*
of which Stage 2	*2,093*	*2,327*
of which Stage 3	*138*	*199*

Irrevocable Payment Commitment (IPC)

BNP Paribas Fortis' annual contribution to the European Union's Single Resolution Fund may be partly in the form of an Irrevocable Payment Commitment (IPC) guaranteed by a cash deposit of the same amount. Where the resolution of an institution involves the fund, the fund may call all or part of the IPC received.

The Irrevocable Payment Commitment is qualified as contingent liabilities. A provision is established if the probability of a commitment call by the fund exceeds 50%. Since this probability is estimated to be below this threshold, no provision was recognised by BNP Paribas Fortis at 31 December 2023.

These commitments amounted to 120 million euros at 31 December 2023 (compared with 93 million euros at 31 December 2022).

Cash provided as collateral is remunerated and recognised as a financial asset at amortised cost.

6.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 2023	31 December 2022 restated according to IFRS 17 and 9
Securities to be delivered	235	409
Securities to be received	284	460

6.d Other guarantee commitments

Financial instruments given as collateral

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
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	13,628	24,301
Used as collateral with central banks	*3,191*	*18,303*
Available for refinancing transactions	*10,437*	*5,998*
Securities sold under repurchase agreements	42,294	10,212
Other financial assets pledged as collateral for transactions with credit institutions, financial customers	21,169	20,437

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 42,366 million euros at 31 December 2023 (10,288 million euros for the year ending 31 December 2022).

Financial instruments received as collateral

In millions of euros	31 December 2023	31 December 2022 restated according to IFRS 17 and 9
Financial instruments received as collateral (excluding repurchase agreements)	5,929	6,364
of which instruments that BNP Paribas Fortis is authorised to sell and reuse as collateral	*240*	*1,028*
Securities received under repurchase agreements	16,280	6,341

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 8,728 million euros at 31 December 2023 (compared with 3,865 million euros for the year ending 31 December 2022). Financial instruments given or received as collateral are mainly measured at fair value.

7 Salaries and employee benefits

7.a Salary and employee benefit expenses

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Fixed and variable remuneration, incentive bonuses and profit-sharing	(2,224)	(1,970)
Employee benefit expense	(655)	(603)
Payroll taxes	(16)	(15)
Total salary and employee benefit expenses	**(2,895)**	**(2,588)**

7.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 2023 was 133 million euros, compared with 99 million euros for the year ended 31 December 2022.

The breakdown by major contributors is determined as follows

Contribution amount *In millions of euros*	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Belgium	3	3
France	55	40
Eurozone (except Belgium and France)	27	24
United Kingdom	7	5
Turkey	39	26
Other	2	1
TOTAL	**133**	**99**

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 91% at 31 December 2023 (88% at 31 December 2022) 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 94% (90% at end 2022) 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 2023, 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 2023 stood at 109% (213% at 31 December 2022).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros, at 31 December 2023	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 reimbursement 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	2,748	-	2,748	(71)	(2,502)	-	175	(2,502)	-	(2,502)	2,677
United Kingdom	144	-	144	(158)	-	-	(14)	(14)	(14)	-	-
Turkey	235	43	278	(258)	-	22	42	-	-	-	42
Others	145	35	180	(126)	(1)	-	53	(5)	(4)	(1)	58
TOTAL	**3,272**	**78**	**3,350**	**(613)**	**(2,503)**	**22**	**256**	**(2,521)**	**(18)**	**(2,503)**	**2,777**

In millions of euros, at 31 December 2022 restated according to IFRS 17 and 9	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 reimbursement 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**

(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. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Present value of defined-benefit obligation at start of period	**3,172**	**3,715**
Current service cost	109	121
Interest cost	111	35
Past service costs	6	-
Settlements	-	-
Actuarial (gains)/losses on change in demographic assumptions	(2)	1
Actuarial (gains)/losses on change in financial assumptions	37	(719)
Actuarial (gains)/losses on experience gaps	310	343
Actual employee contributions	11	10
Benefits paid directly by the employer	(50)	(45)
Benefits paid from assets/reimbursement rights	(241)	(256)
Exchange rate (gains)/losses on the obligation	(115)	(60)
(Gains)/losses on the obligation related to changes in the consolidation scope	2	27
Others	-	-
Present value of defined-benefit obligation at end of period	**3,350**	**3,172**

Change in the fair value of plan assets and reimbursement rights

	Plan assets		Reimbursement rights	
In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Fair value of assets at start of period	**655**	**754**	**2,396**	**2,931**
Expected return on assets	30	34	84	13
Settlements	-	(9)	-	-
Actuarial (gains)/losses on assets	45	(30)	99	(548)
Actual employee contributions	1	-	10	10
Employer contributions	21	16	131	198
Benefits paid from assets	(22)	(25)	(219)	(231)
Exchange rate (gains)/losses on assets	(130)	(86)	-	-
Gains/(losses) on assets related to changes in the consolidation scope	13	1	2	23
Other	-	-	-	-
Fair value of assets at end of period	**613**	**655**	**2,503**	**2,396**

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Administration fees	**1**	**1**
Service costs	**115**	**130**
Current service cost	109	121
Past service cost	6	-
Settlements	-	9
Net financial expense	**9**	**5**
Interest cost	111	35
Interest income on plan assets	(31)	(35)
Interest income on reimbursement rights	(84)	(13)
Return on Asset Limitation	13	18
Total recognised in 'Salary and employee benefit expense'	**125**	**136**

Other items recognised directly in equity

In millions of euros	Year to 31 Dec. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
Other items recognised directly in equity	**(80)**	**(271)**
Actuarial (losses)/gains on plan assets or reimbursement rights	144	(578)
Actuarial (losses)/gains of demographic assumptions on the present value of obligations	2	(1)
Actuarial (losses)/gains of financial assumptions on the present value of obligations	(37)	719
Experience (losses)/gains on obligations	(310)	(343)
Variation of the effect of asset limitation	121	(68)

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 2023		31 December 2022 restated according to IFRS 17 and 9	
	Discount rate	Compensation increase rate (1)	Discount rate	Compensation increase rate (1)
Eurozone	3.00% - 3.60%	2.40% - 4.07%	1.90% - 3.80%	2.30% - 5.00%
United Kingdom	4.40% - 4.50%	3.40%	4.70%	3.30%
Turkey	23.13%	18.77%	11.00%	8.50%

(1) Including price increases (inflation)

In the Eurozone, the observed weighted average discount rates are as follows: 3.16% at 31 December 2023, and 3.54% at 31 December 2022.

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 2023		31 December 2022 restated according to IFRS 17 and 9	
	Discount rate -100bp	Discount rate +100bp	Discount rate -100bp	Discount rate +100bp
Eurozone	254	(187)	228	(196)
United Kingdom	18	(15)	24	(19)
Turkey	11	(9)	13	(10)

The inflation assumptions used to calculate BNP Paribas Fortis' 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: 2.36% on 31 December 2023 compared to 2.57% on 31 December 2022;
- on the sterling zone: 3.00% on 31 December 2023 compared to 3.10% on 31 December 2022;
- on the Turkish lira zone: 17.77% on 31 December 2023 compared to 7.48% 31 December 2022.

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. 2023	Year to 31 Dec. 2022 restated according to IFRS 17 and 9
	Inflation rate +100bp	Inflation rate +100bp
Eurozone	141	156
United Kingdom	8	11
Turkey	11	12

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. 2023	31 December 2022 restated according to IFRS 17 and 9
	Range of value (existence of several plans in the same country)	Range of value (existence of several plans in the same country)
Belgium	(0.18%) - 13.21%	(18.80%) - 6.30%
United Kingdom	(10.50%) - (8.40%)	(33.90%) - (31.80%)
Turkey	44.92%	40.80%

(1) Range of value, reflecting the existence of several plans in the same country.

Breakdown of plan assets

In %	31 December 2023						31 December 2022 restated according to IFRS 17 and 9					
	Shares	Govern-mental bonds	Non-Govern-mental bonds	Real-estate	Deposit account	Others	Shares	Govern-mental bonds	Non-Govern-mental bonds	Real-estate	Deposit account	Others
Belgium	8%	47%	19%	1%	2%	23%	8%	49%	20%	1%	0%	22%
United Kingdom	10%	76%	12%	0%	1%	1%	8%	77%	10%	0%	3%	2%
Turkey	0%	68%	0%	6%	21%	5%	8%	56%	14%	2%	2%	18%
Others	6%	31%	20%	5%	1%	37%	7%	29%	19%	5%	1%	39%
BNP Paribas Fortis	**7%**	**50%**	**17%**	**2%**	**4%**	**20%**	**7%**	**51%**	**18%**	**2%**	**3%**	**19%**

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 100 million euros.

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 56 million euros at 31 December 2023, compared to 62 million euros at 31 December 2022, implying a decrease of 6 million euros during the year 2023.

The expense for post-employment healthcare benefits amounts to 3 million euros for the year at 31 December 2023, against 2 million euros for the year at 31 December 2022.

Other items related to post-employment healthcare and directly accounted for in equity amount to 7 million euros for 31 December 2023, against (29) million euros at 31 December 2022.

7.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 68 million euros at 31 December 2023 (71 million euros at 31 December 2022).

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 2023	31 December 2022 restated according to IFRS 17 and 9
Net provisions for other long-term benefits	**68**	**71**
Asset recognised in the balance sheet under 'Other long-term benefits'	-	-
Obligation recognised in the balance sheet under 'Other long-term benefits'	68	71

7.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 2023	31 December 2022 restated according to IFRS 17 and 9
Provision for voluntary departure and early retirement plans, and headcount adaptation plans	120	139

8 Additional information

8.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, three funds, for which ABN AMRO Bank (Luxembourg) S.A. acted as custodian, issued BGL BNP Paribas with a court summons. At this stage, no provision has been set aside with respect to these cases, 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.

8.b Business combinations and loss of control or significant influence

Operations realised in 2023

Creation Financial Services Limited and Creation Consumer Finance Ltd (Personal Finance activity in the UK)

Acquisition by Alpha Credit of 100% of the shares of Creation Financial Services Limited (Personal Finance activity in the UK) from BNPP Personal Finance.

This operation increased the Bank's balance sheet by 3.5 billion euros at acquisition date, in particular 3.3 billion euros in financial assets at amortised cost.

TEB Finansman AS

Purchase of 100% of the shares of TEB Finansman AS by TEB AS from TEB Holding (14.24%) and BNPP Personal Finance (85.58%).

This operation increased the Bank's balance sheet by 0.2 billion euros at acquisition date, in particular in financial assets at amortised cost.

Arval Relsa

Acquisition of the residual 50% of the shares of Arval Relsa and its subsidiaries Rentaequipos Leasing SA, Commercializadora de Vehiculos SA, Rentaequipos Leasing Peru SA and Arval Relsa Colombia by Arval Service Lease SA.

BNP Paribas Fortis took exclusive control of Arval Relsa and its subsidiaries and fully consolidated them from the first quarter of 2023.

The Bank's balance sheet increased by 0.5 billion euros at acquisition date, in particular in tangible assets by 0.3 billion euros and in financial assets at amortised cost by 0.1 billion euros.

The goodwill related to this operation was 25.9 million euros.

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 12 billion euros at acquisition date, in particular 11 billion euros in financial assets at amortised cost and led to the recognition of a badwill of 245 million euros 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 1 billion euros at acquisition date, in particular in tangible assets.

The goodwill related to this operation was 96 million euros.

8.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 31 December 2021	**6,224**	**52**	**(971)**	**5,305**
Impact IAS 29 1st application in Türkiye	(24)	-	99	75
Impact of the transition to IFRS 17 (note 2)	(16)	-	17	1
Impact of the transition to IFRS 9 (note 2)	24	-	(26)	(2)
Capital and retained earnings at 1 January 2022	**6,208**	**52**	**(881)**	**5,379**
Other movements	(72)	(1)	-	(73)
Dividends	(225)	-	-	(225)
Changes in assets and liabilities recognised directly in equity	-	(4)	133	129
NET INCOME FOR 2022	462	-	-	462
Capital and retained earnings at 31 December 2022	**6,373**	**47**	**(748)**	**5,672**
Other movements	(111)	-	-	(111)
Acquisitions	11	-	-	11
Dividends	(313)	-	-	(313)
Changes in assets and liabilities recognised directly in equity	-	4	56	60
NET INCOME FOR 2023	447	-	-	447
Capital and retained earnings at 31 December 2023	**6,407**	**51**	**(692)**	**5,766**

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 2023	Year to 31 Dec. 2023						
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	63,241	1,839	727	796	50%	438	487	282
Other minority interests						9	20	31
TOTAL						**447**	**507**	**313**

	31 December 2022 restated according to IFRS 17 and 9	Year to 31 Dec. 2022 restated according to IFRS 17 and 9						
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	61,851	1,661	542	368	50%	353	268	204
Other minority interests						109	322	21
TOTAL						**462**	**591**	**225**

Internal restructuring that led to a change in minority shareholders' interest in the equity of subsidiaries

No significant internal restructuring operation occurred during 2023, nor during 2022.

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 214 million euros at 31 December 2023, compared with 135 million euros at 31 December 2022.

8.d Discontinued activities

The assets and liabilities classified as held-for-sale at 31 December 2023 relate to the sale by BNP Paribas Fortis Factor NV of its fully consolidated entity BNP Paribas Factor GmbH to the German branch of BNP Paribas SA. This sale has been approved by the Executive Committee of BNP Paribas Fortis but has not yet been executed pending legal constraints. The legal transfer should be completed in 2024.

BNP Paribas Factor GmbH qualifies as a disposal group as defined in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The assets and liabilities included in the subsidiary are reclassified and presented in separate line respectively in 'Assets classified as held for sale' and 'Liabilities classified as held for sale' in the consolidated balance sheet. In accordance with IFRS 5, comparative information is not adjusted in the consolidated balance sheet.

A disposal group shall be measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell is lower than the carrying amount, the expected loss is recognised under 'Net gain or loss on non-current assets'. For this specific disposal group, the fair value is lower than the carrying amount, which means that an expected loss of 7 million euros is recognised in the consolidated financial statements as at 31 December 2023.

As required by IFRS 5 related to groups of assets and liabilities held for sale, BNP Paribas Fortis' consolidated financial statements are adapted to BNP Paribas Fortis Factor NV is present separately since December 2023:

- the assets are reclassified on a separate line of the balance sheet 'Assets held for sale';
- the liabilities are also reclassified in a separate line 'Liabilities associated with assets held for sale';
- in cash and cash equivalents is isolated in the cash flow statement.

In millions of euros	31 December 2023	31 December 2022
ASSETS		
Financial assets at amortised cost	4,025	-
Accrued income and other assets	2	-
Property, plant and equipment	2	-
TOTAL ASSETS	**4,029**	-
LIABILITIES		
Financial liabilities at amortised cost	**3,971**	-
Current and deferred tax liabilities	**26**	-
Accrued expenses and other liabilities	**14**	-
TOTAL LIABILITIES	**4,011**	-

8.e 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 2023 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 2023 and 2022 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 5.p and 6.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'.

8.f 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 2023			
	Securitisation	Funds	Others	Total
ASSETS				
Financial instruments at fair value through profit and loss	-	-	-	-
Derivatives used for hedging purposes	-	57	-	57
Financial assets at fair value through equity	-	-	-	-
Financial assets at amortised cost	-	-	7	8
Other assets	-	-	-	-
TOTAL ASSETS	**-**	**57**	**7**	**65**
LIABILITIES				
Financial instruments at fair value through profit and loss	-	-	14	14
Derivatives used for hedging purposes	-	-	-	-
Financial liabilities at amortised cost	89	-	243	332
Other liabilities	2	-	-	2
TOTAL LIABILITIES	**91**	**-**	**257**	**348**
FUNDED EXPOSURE	-	57	7	65
UNFUNDED EXPOSURE	-	-	39	39
Financing commitments	-	-	39	39
Guarantee commitments and derivatives	-	-	-	-
MAXIMUM EXPOSURE TO LOSS	**-**	**57**	**46**	**104**
SIZE OF STRUCTURED ENTITIES [1]	**88**	**18**	**605**	**711**

Interests on BNP Paribas Fortis balance sheet *In millions of euros*	31 December 2022 restated according to IFRS 17 and 9			
	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**

(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 2023 the bank's investments were very limited and in December 2022 the bank didn t perform any investments.
- investments in securitisation vehicles: the investments in securitisation vehicles amounted to 0,4 billion euros as at 31 December 2023 (0,5 billion euros as at 31 December 2022). 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 2023 and 2022.

8.g 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 2023.

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 20 April 2023, during which the increase of the Board remuneration to a total of maximum 1.75 million euros 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	400,000	(gross)
Annual fixed salary Board Members	EUR	25,000	(gross)
Attendance fee Chairman Board of Directors	EUR	4,400	(gross)
Attendance fee Members Board of Directors	EUR	2,200	(gross)
Attendance fee Chairman Board Committees	EUR	4,800	(gross)
Attendance fee Members Board Committees	EUR	2,400	(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 2023 to members of the Board of Directors.

In euros		Fixed fees	Attendance fees board*	Total 2023
Maxime JADOT	Chairman	400,000	112,800	512,800
Michael ANSEEUW	Executive director	25,000	26,400	51,400
Didier BEAUVOIS	Executive director	25,000	26,400	51,400
Dirk BOOGMANS	Non-executive director	25,000	60,000	85,000
Antoinette d'ASPREMONT LYNDEN	Non-executive and independent director	25,000	105,600	130,600
Daniel de CLERCK	Executive director	25,000	24,200	49,200
Sophie DUTORDOIR (until GSM 20 April 2023)	Non-executive director	6,250	6,600	12,850
Wouter DE PLOEY	Non-executive and independent director	25,000	64,800	89,800
Anne LECLERCQ	Non-executive and independent director	25,000	76,800	101,800
Piet VAN AKEN	Executive director	25,000	26,400	51,400
Titia VAN WAEYENBERGE	Non-executive and independent director	25,000	74,400	99,400
Stéphane VERMEIRE	Executive director	25,000	26,400	51,400
Sandra WILIKENS	Executive director	25,000	26,400	51,400
		681,250	**657,200**	**1,338,450**

** This column includes the Board fees for all sub committees of the Board of Directors*

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 submitted to the Chief Executive Officer ("CEO"). Compliance and risk elements are added to this assessment. The CEO subsequently decides on the scoring.

The individual performance aims at attaining personal objectives and managerial performance as assessed by the Board of Directors.

Team performance based on 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 2023, including benefits in kind and director's fees.

In euros	2023		2022	
	Chief Executive Officer	Other Members of the Executive Board	Chief Executive Officer	Other Members of the Executive Board
Remuneration				
Fixed	750,000	2,094,000	998,513	2,453,250
Cash part of variable	168,128	499,000	261,800	674,800
Deferred part of variable	133,192	341,000	252,700	365,200
Multi-annual variable compensation (1)	119,000	308,000	140,000	357,000
Director's fees (2)	51,400	339,016	111,016	358,266
Benefits in Kind (3)	4,188	16,804	3,314	21,866
Pension, life insurance and orphan's pension (4)	201,097	330,313	317,857	325,516
Total	**1,427,005**	**3,928,133**	**2,085,200**	**4,555,898**

(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') 2017, 2018, 2019, 2020, 2021, 2022 and 2023

'**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 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 2022 the Vesting Period started 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%.

For the allocation in respect with the performance year 2023 the Vesting Period starts on 1 January 2024 and ends on 1 January 2029. There is a retention period of 12 months between 1 January 2029 and 31December 2029. 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 4.77%.

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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 2023 no termination benefits were paid to members of the Executive Board.

Relations with key management personnel

At 31 December 2023, total outstanding loans and guarantees granted to the members of the Board of Directors and their close family members, amounted to 2.6 million euros. These loans and guarantees constitute normal transactions, carried out at normal market and/or client conditions.

8.h 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 8.k '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 2023			31 December 2022 restated according to IFRS 17 and 9		
	Entities of the BNP Paribas Group	Joint ventures	Associates (1)	Entities of the BNP Paribas Group	Joint ventures	Associates (1)
ASSETS						
Demand accounts	2,153	-	40	4,890	-	49
Loans	15,339	59	221	4,517	68	669
Securities	38	-	140	51	-	140
Other assets	1,269	-	113	316	-	62
Total assets	**18,799**	**59**	**514**	**9,774**	**68**	**920**
LIABILITIES						
Demand accounts	705	101	545	720	115	229
Other borrowings	44,764	-	590	25,920	-	811
Other liabilities	688	-	23	736	-	26
Total liabilities	**46,157**	**101**	**1,158**	**27,376**	**115**	**1,066**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS						
Financing commitments given	49	19	55	31	24	61
Guarantee commitments given	5,857	7	60	5,611	64	65
Total	**5,906**	**26**	**115**	**5,642**	**88**	**126**

(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. 2023			Year to 31 Dec. 2022 restated according to IFRS 17 and 9		
	Entities of the BNP Paribas Group	Joint ventures	Associates (1)	Entities of the BNP Paribas Group	Joint ventures	Associates (1)
Interest income	1,702	6	19	371	6	7
Interest expense	(2,626)	(3)	(30)	(711)	-	(7)
Commission income	135	-	578	163	-	599
Commission expense	(124)	-	(23)	(135)	-	(17)
Services provided	88	-	46	77	-	43
Services received	(387)	-	(79)	(290)	-	(80)
Lease income	44	-	14	42	-	10
Total	**(1,168)**	**3**	**525**	**(483)**	**6**	**555**

(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.

8.i 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 2023	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	-	38,467	-	-	-	-	-	38,467
Financial instruments at fair value through profit or loss	7,752	-	1,101	126	326	83	31	9,419
Derivatives used for hedging purposes	5,418	-	-	-	-	-	-	5,418
Remeasurement adjustment on interest-rate risk hedged portfolios	(804)	-	-	-	-	-	-	(804)
Financial assets at fair value through equity	149	35	225	20	146	2,486	7,741	10,802
Financial assets at amortised cost	-	7,791	11,402	14,733	30,281	96,317	85,790	246,314
Financial assets by maturity	**12,515**	**46,293**	**12,728**	**14,879**	**30,753**	**98,886**	**93,562**	**309,616**
Deposits from central banks	-	1,971	-	-	-	-	-	1,971
Financial instruments at fair value through profit or loss	6,835	-	10,630	527	767	2,491	97	21,347
Derivatives used for hedging purposes	8,271	-	-	-	-	-	-	8,271
Remeasurement adjustment on interest-rate risk hedged portfolios	(3,895)	-	-	-	-	-	-	(3,895)
Financial liabilities at amortised cost	-	160,733	26,046	32,555	34,918	15,185	960	270,397
Financial liabilities by maturity*	**11,211**	**162,704**	**36,676**	**33,082**	**35,685**	**17,676**	**1,057**	**298,091**

**The disclosure does not contain information with regard to Arval where the external funding of this activity amounts to 22.4 billion euros, 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 2022 restated according to IFRS 17 and 9	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 15.7 billion euros, for which the biggest part arrives at maturity within 1 to 5 years, the remaining funding being within 1 year.*

8.j 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 2023. 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 2023 *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)	-	21,712	189,027	210,739	215,958
Debt securities at amortised cost (note 5.e)	10,940	694	86	11,720	12,507
FINANCIAL LIABILITIES					
Deposits from credit institutions and customers	-	266,966	-	266,966	266,776
Debt securities (note 5.h)	-	23,889	-	23,889	23,801
Subordinated debt (note 5.h)	-	2,235	-	2,235	2,235

31 December 2022 *restated according to IFRS 17 and 9* *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 5.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 5.h)	-	16,170	-	16,170	16,252
Subordinated debt (note 5.h)	-	2,284	-	2,284	2,283

(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.g.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.

8.k Scope of consolidation

Name	Country	31 December 2023 Method	Voting (%)	Interest (%)	Ref.	31 December 2022 Method	Voting (%)	Interest (%)	Ref.
Consolidating company									
BNP Paribas Fortis	Belgium								
Belgium									
AG Insurance	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	
Alpha Credit 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
Batopin	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	
Belgian Mobile ID	Belgium	Equity	12.2%	12.2%		Equity	12.2%	12.2%	
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%	
bpost bank	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	V1 D2
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%	
Demetris NV	Belgium	Full	99.9%	99.9%		Full	99.9%	99.9%	E1
Eos Aremas Belgium S.A./N.V.	Belgium	Equity	49.9%	49.9%		Equity	49.9%	49.9%	

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 2023 Method	Voting (%)	Interest (%)	Ref.	31 December 2022 Method	Voting (%)	Interest (%)	Ref.
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%	
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%		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				S4	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%	

(a) At 31 December 2023 and 31 December 2022, 14 Private Equity investment entities.

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

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- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

		31 December 2023				31 December 2022			
Name	**Country**	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 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 Hellas Car Rental SA	Greece	Full 2	100.0%	99.9%		Full 2	100.0%	99.9%	
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	Full 2	100.0%	99.9%	V1	Equity	50.0%	49.9%	
Arval Relsa Colombia SAS	Colombia	Full 2	100.0%	99.9%	V1	Equity	50.0%	49.9%	
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%	

New entries (E) in the scope of consolidation

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- **E2** Incorporation
- **E3** Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

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- **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 2023				31 December 2022			
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 Paribas 3 Step IT (Spain Branch)	Spain	Full	100.0%	12.8%	E2				
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 (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%	
BNP Paribas Leasing Solutions Ltd.	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	

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 2023 Method		Voting (%)	Interest (%)	Ref.	31 December 2022 Method		Voting (%)	Interest (%)	Ref.
BNP Paribas Leasing Solutions A.S	Denmark	Full		100.0%	25.0%		Full		100.0%	25.0%	
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		24.0%	24.0%	V3	Equity		24.1%	24.1%	
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 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%	
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					S3	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%	
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%	
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%	
Comercializadora de Vehiculos SA	Chile	Full	2	100.0%	99.9%	V1	Equity		50.0%	49.9%	

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

		31 December 2023					31 December 2022				
Name	Country	Method		Voting (%)	Interest (%)	Ref.	Method		Voting (%)	Interest (%)	Ref.
Creation Consumer Finance Ltd	United Kingdom	Full		100.0%	99.9%	E3					
Creation Financial Services Ltd	United Kingdom	Full		100.0%	99.9%	E3					
FCT Pulse France 2022	France	Full	2	100.0%	99.9%		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					S3	Full		100.0%	25.0%	
Fortis Lease Iberia SA	Spain					S1	Full		100.0%	41.0%	
Fortis Lease Portugal	Portugal					S1	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					S4	Full	2	100.0%	99.9%	E3
Public Location Longue Durée	France	Full	2	100.0%	99.9%		Full	2	100.0%	99.9%	
Rentaequipos Leasing SA	Chile	Full	2	100.0%	99.9%	V1	Equity		50.0%	49.9%	
Rentaequipos Leasing Peru SA	Peru	Full	2	100.0%	99.9%	V1	Equity		50.0%	49.9%	
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%	
TEB ARF Teknoloji Anonim Sirketi	Turkey	Full		100.0%	48.7%		Full		100.0%	48.7%	
TEB Faktoring A.S.	Turkey	Full		100.0%	48.7%		Full		100.0%	48.7%	
TEB Finansman AS	Turkey	Full		100.0%	48.7%	E3					
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%	

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- **(s)** Structured entities

Name	Country	31 December 2023				31 December 2022			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
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			S4	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
Pixel 2021	France	Full				Full			

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8.l Fees paid to the statutory auditors

As of fiscal year 2023, all audit tasks are now performed by Deloitte as the bank's sole auditor.

The table below shows the fees paid to the auditors (Deloitte, PwC, Mazars and others) of all consolidated entities.

Excluding tax, in thousands of euros	Year to 31 Dec. 2023							
	Deloitte		PwC		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit engagement	**4,959**	**84%**	**876**	**80%**	**3,024**	**94%**	**8,859**	**87%**
- BNP Paribas Fortis	*1,276*	*22%*	*161*	*15%*	*12*	*0%*	*1,449*	*14%*
- Consolidated subsidiaries	*3,683*	*62%*	*715*	*65%*	*3,012*	*94%*	*7,410*	*73%*
Services other than those required for the statutory audit engagement	**959**	**16%**	**216**	**20%**	**199**	**6%**	**1,374**	**13%**
- BNP Paribas Fortis	*160*	*3%*	*53*	*5%*	*65*	*2%*	*278*	*2%*
- Consolidated subsidiaries	*799*	*13%*	*163*	*15%*	*134*	*4%*	*1,096*	*11%*
TOTAL	**5,918**	**100%**	**1,092**	**100%**	**3,223**	**100%**	**10,233**	**100%**

Excluding tax, in thousands of euros	Year to 31 Dec. 2022							
	Deloitte		PwC		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit engagement	**2,504**	**83%**	**1,921**	**73%**	**2,695**	**95%**	**7,120**	**84%**
- BNP Paribas Fortis	*-*	*0%*	*1,344*	*51%*	*12*	*0%*	*1,356*	*16%*
- Consolidated subsidiaries	*2,504*	*83%*	*577*	*22%*	*2,683*	*95%*	*5,764*	*68%*
Services other than those required for the statutory audit engagement	**514**	**17%**	**723**	**27%**	**152**	**5%**	**1,389**	**16%**
- BNP Paribas Fortis	*14*	*0%*	*396*	*15%*	*-*	*0%*	*410*	*5%*
- Consolidated subsidiaries	*500*	*17%*	*327*	*12%*	*152*	*5%*	*979*	*11%*
TOTAL	**3,018**	**100%**	**2,644**	**100%**	**2,847**	**100%**	**8,509**	**100%**

For the year 2023, the total fees paid to Deloitte, Statutory Auditor of BNP Paribas Fortis, and its networks amounts to 5,918,000 euros.

This amount includes the fees for the audit services of the certification of BNP Paribas Fortis Consolidated and Non-consolidated financial statements and the non-audits fees.

For the Statutory Auditors who certify the other entities in the Consolidated Financial Statements of BNP Paribas Fortis, the fees amount to 4,315,000 euros.

In 2023, the increase in Deloitte's fees and the decrease in PwC's fees related to the certification of the financial statements is explained by the transfer of the PwC's mandate for the certification of the financial statements of BNP Paribas Fortis to Deloitte after the General Stakeholders Meeting of April 2023.

In 2023, the increase in Deloitte's and other Statutory Auditors fees for the certification of the financial statements for the consolidated entities is mainly due to the entry of new entities into the scope of consolidation.

8.m Events after the reporting period

In January 2024, bpost bank was integrated within BNP Paribas Fortis following a legal merger between both entities.

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 2023.

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 2023.

1 Risk Management Organisation

The key principle of the risk governance is the double walled defence/control. The primary responsibility for risk within BNP Paribas Fortis lies within the territory and more particularly within the businesses, which are responsible for the approval, monitoring and management of the risks arising from their activities, according to the relevant risk policies, processes, procedures and limits (first line of defence/control) and in line with the bank's risk appetite.

The RISK function ("RISK") is independent from the businesses and performs the second line of defence/control within BNP Paribas Fortis[1]. RISK contributes, as a second pair of eyes, to ensure that the risks taken by the bank are compliant and compatible with its policies.

It is responsible for ensuring that the risks taken by the businesses fit the bank's risk tolerance and that they are properly quantified, managed and communicated to the internal and external stakeholders.

On a regular basis, RISK interacts with the other internal control functions (Compliance, Audit and Legal) to coordinate their actions.

Competences and activities:

RISK establishes the risk governance framework, adopts an integrated approach and promotes risk awareness. RISK adopts a holistic risk approach and has a specific focus on credit risk, counterparty risk, operational risk, market risk, interest rate risk and foreign exchange risk in the banking book, funding and liquidity risk, Amongst others, it supervises the credit policy, the risk monitoring policy, the portfolio management, the credit reporting and the credit control.

The RISK function is also in charge of the second line of defence for environmental and social risks as well as for associated governance risks and ensures these matters are embedded in the risk governance of the bank.

In the BNP Paribas Fortis Credit Risk Governance Framework, delegations for credit decisions on behalf of BNP Paribas Fortis have been given by the Executive Board to the chairperson of the Executive Board and to the business Heads, subject to the involvement of a RISK representative. The business Heads will further delegate to Business delegation holders via "Delegation letters". The RISK function will appoint its RISK representatives.

In that respect, a credit decision generally requires the agreement of one relevant Business delegation holder and a representative of RISK with the necessary authority level (4-eyes principles), as set out in the Delegation Letters.

The involvement of RISK in a specific file can however be replaced by defining policies, scores and rating models and overall risk appetite for a client. In full digital decisions, the framework / decision algorithm replaces involvement of both business and RISK.

The Enforcement Process is triggered in all cases where, due to the delegation framework and agreed routing, a BNP Paribas credit committee (held in Paris or elsewhere), not being a joint BNP Paribas/BNP Paribas Fortis Credit Committee, issues a recommendation for transactions to be ultimately decided and booked or to be booked in BNP Paribas Fortis. For the Credit Proposals granted by BNP Paribas Fortis Belgium, it is recommended that the relevant ExBo member is the primary sign-off for Businesses under his responsibility. The Chief Risk Officer has a veto right.

Furthermore, RISK monitors, from an operational risk perspective, all commercial and support functions within BNP Paribas Fortis. Besides this, RISK defines and assesses the existence and the effectiveness of the permanent control framework, in liaison with other functions exercising second level controls. In this perspective, a number of committees have been set up, as follows:

- **Internal Control Committee(s) ("ICC")**: The terms of reference of the BNP Paribas Fortis ICC are set out in the 'Terms of reference of the Internal Control Committee'. The key task of the ICC is providing a clear and comprehensive view of the main operational risks, reviewing and validating the operational risk framework and permanent control framework, and deciding upon any operational risk subjects raised. The conclusions of the ICC serve as a basis for the management control statement of BNP Paribas Fortis towards the NBB, in accordance with the NBB Circular Letter 2011_9 of 20 December 2011. In order to be able to fulfil its role and objective, the ICC has a decision making power within its scope. ICC's also exist at the level of the businesses and BNP Paribas Group functions and at the level of the major entities in the governance perimeter.

[1] *Articles 35, 37 and 38 of the Banking Law*

- **Transaction Approval Committees ("TAC"):** the role and process requirements of the TAC are set out in the TAC/NAC Policy, Exceptional transactions are non-recurring, outstanding, often composite or structured transactions, which are not covered by the bank's risk policies or cannot fit in a longstanding and accepted practice, because of significantly unusual or complex features and, hence, cannot be handled through the approval framework. Such transactions must be reviewed and approved through a validation process before they are concluded. The TAC is the decision-making forum in which the business or function approves execution of the transaction or activity considering the opinion of Compliance, RISK, Legal and the relevant functions.
- **New Activity Committee ("NAC"):** The role and process requirements of the NAC are likewise set out in the TAC/NAC Policy. A new activity is one that cannot be instigated, monitored or administered within the bank's existing written guidelines, policies, procedures or systems and hence, does not fit in the approval framework. A new activity, a generic term standing also for new products or services, must be validated through a formal validation process before being launched. The NAC is the decision-making forum in which the business or function approves execution of the transaction or activity considering the opinion of Compliance, RISK, Legal, Finance and the relevant functions.
- **Fraud Risk Steering Committee:** The Fraud Risk Steering Committee retains an overview of all preventive and remedial measures regarding fraud, monitors the evolution of the fraud incidents (numbers and losses) and the underlying causes, and where necessary ensures remediation actions are taken and arbitrates on priority setting.

Organisation:

Supervisory Level

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

- 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 Banking Law and are listed herewith: (i) risk tolerance, (ii) price setting and (iii) remuneration policy.

Executive Level

Specific delegations of authority have been given by the Executive Board to a number of management committees specifically composed for the handling of risk management. The main risk committees at the executive management level are as follows:

- **Central Credit Committee: ("CCC"):** The CCC is the highest Credit Committee and is the representative entity of the bank's ExBo on credit and counterparty matters, and more specifically: on credit and counterparty risk exposures originated by all Businesses within the bounds of granted delegations, approved Credit Policies and within the lending limit of the bank: ensuring that the quality of the commitments made correspond to an "acceptable" risk level for the bank, coherent between Businesses and ultimately within its rating, stated risk appetite and risk-reward objectives;
- **Financial Markets Risk Committee: ("FMRC"):** defines and enforces the market and counterparty credit risk strategy, policies, methods and limits of, but not restricted to, Global Markets but excluding ALM/Treasury;
- **Bank Asset and Liability Committee ("ALCo"):** manages the liquidity position of the bank and the interest rate risk and foreign exchange risk in the banking Book;
- **Risk Policy Committee: ("RPC"):** provides for the details of the risk strategy and the bank's risk policy and defines and enforces investment and credit policies, methods and thresholds at business/ portfolio/ steering center level; and
- **Committee on Impairments and Provisions ("CIP")** (together with the Finance department): consolidates provisions and impairments.
- **ISSC:** Information Security Steering Committee steers the implementation of a proper Information Security Management System and enables sound risk decision making to ensure that the organization's Information Assets are adequately protected against information security threats.

Chief Risk Officer ("CRO"). The RISK function is headed by the Chief Risk Officer. The CRO is appointed by the Board of Directors upon recommendation by the Governance and Nomination Committee and subject to prior approval by the relevant supervisor. S/he is in principle appointed for the duration of his/her term as member of the Executive Board and Board of Directors.

Being responsible for an independent control function, the CRO can abide from his/her function only upon prior approval by the Board of Directors and upon prior notification to the relevant supervisor[1]. The CRO functionally reports to the CEO.

The CRO heads the various RISK functions:

- **BNP Paribas Fortis RISK BRB:** RISK Belgian Retail Banking, part of RISK Commercial Public Banking & Services, is responsible for the management of credit risks arising from all Business Lines within the perimeter of BNP Paribas Fortis (Retail, Affluent and Private Banking Belgium, Corporate Banking excl. CIB).
- **BNP Paribas Fortis RISK CIB:** RISK Corporate & Institutional Banking, part of RISK CIB, is tasked to provide full transparency and a dynamic analysis of market & counterparty risks to all BNP Paribas Fortis businesses excluding ALM/Treasury and is responsible for the management of credit risks on Financial Institutions, on Sovereigns and on Corporates belonging to BNP Paribas Fortis CIB.
- **BNP Paribas Fortis RISK ORM:** RISK Operational Risk Management defines in consultation with the other Functions exercising second level controls the framework of operational risk and permanent control to be applied by the first and second lines of defence. Furthermore, RISK ORM acts as second line of defence on the operational risks domains defined in the Organisational Framework and Governance Framework for Operational Risk Management and Permanent Control.
- **BNP Paribas Fortis RISK ERA:** 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.
- **BNP Paribas Fortis RISK Function COO:** the RISK Function Chief Operating Office is responsible for Operational Permanent Control (ensuring first-line control of the RISK function), the management of IT-accesses and of the continuity of the RISK activities (managed by the Business Security and Continuity Office), the RISK Operating Office (coordinating the non-core support functions), projects related to change management and communication.
- **BNP Paribas Fortis DPO:** the Data Protection Office is responsible for monitoring compliance with personal data privacy and protection regulatory requirements.
- **BNP Paribas Fortis 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.
- **Tribe Risk & Credits:** is responsible for products, processes, IT assets and Data related to credit and risk management. The Tribe Risk & Credits is not part of the integrated RISK function.

Oversight responsibilities:

Outside Belgium, alongside the existing local and global reporting lines, the CROs of companies that remain within the BNP Paribas Fortis Governance Perimeter inform the CRO of BNP Paribas Fortis in order to ensure compliance with internal and external rules.

[1] *Article 61 of the Banking Law.*

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 credit risk (CCR) is the translation of the credit risk embedded in the financial transactions, investments and/or settlement between counterparties. Those transactions include bilateral contracts such as over-the-counter (OTC) derivative contracts as well as contracts settled through clearing houses. The amount of this risk may vary over time in line with changing market parameters which then impacts the replacement value of the relevant 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.

Market risk

Market risk is the risk of incurring a loss of value due to adverse changes in market prices or parameters, whether quoted in the market 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 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.

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 encompassing the interest rate and foreign exchange risks stemming from banking intermediation activities.

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). New amendments to the CRD and CRR are expected to be adopted in 2024 (CRD VI and CRR3) with a first application date as of 1st January 2025.

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 at consolidated level is calculated 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 2023
	Basel III
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	11,905
Retained earnings	12,473
Accumulated other comprehensive income (and other reserves)	(2,692)
Minority interests (amount allowed in consolidated CET 1)	1,760
Independently reviewed interim profits net of any foreseeable charge or dividend	-
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**23,445**
Common Equity Tier 1 (CET1): regulatory adjustments	**(2,498)**
COMMON EQUITY TIER 1 (CET1) CAPITAL	**20,947**
Additional Tier 1 (AT1) capital: instruments	**768**
Additional Tier 1 (AT1) capital: regulatory adjustments	**-**
ADDITIONAL TIER 1 (AT1) CAPITAL	**768**
TIER 1 CAPITAL (T1 = CET1 + AT1)	**21,715**
Tier 2 (T2) capital: instruments and provisions	**1,269**
Tier 2 (T2) capital: regulatory adjustments	**(283)**
TIER 2 (T2) CAPITAL	**986**
TOTAL CAPITAL (TC = T1 + T2)	**22,701**

The table below shows the key capital indicators:

In millions of euros	31 December 2023	31 December 2022
Common equity Tier 1 Capital (CET1)	20,947	21,084
Tier 1 Capital	21,715	21,820
Total Capital	22,701	22,816
Risk weighted commitments		
Credit risk	103,065	100,365
Securitisation	969	671
Counterparty Risk	1,372	1,059
Equity Risk	13,203	11,149
Market risk	1,579	1,396
Operational risk	8,785	7,880
TOTAL RISK WEIGHTED COMMITMENTS	**128,972**	**122,520**
CET 1 ratio	16.24	17.21%
Tier 1 ratio	16.84%	17.81%
Total capital ratio	17.60%	18.62%

The table below shows the leverage ratio :

In millions of euros	31 December 2023	31 December 2022
ON-BALANCE EXPOSURE (EXCL. REPO & DERIVATIVES)	320,310	311,453
REPO'S AND DERIVATIVES	19,884	10,616
Repurchase agreements and securities lending/borrowing	15,494	5,684
Replacement cost of derivatives transactions	2,785	3,471
Add-on for potential future risk derivatives	1,933	2,463
Cash variation margins	(327)	(1,002)
OFF-BALANCE EXPOSURE (ADJUSTED FOR CONVERSION TO CREDIT EQUIVALENT. ART.429 CRR)	24,474	26,369
TOTAL EXPOSURE	**364,668**	**348,438**
REGULATORY ADJUSTMENTS	(2,498)	(2,309)
TIER 1 CAPITAL	21,715	21,820
LEVERAGE RATIO	6.00%	6.30%

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 2023			31 December 2022		
	IRBA	Standardised Approach	Total	IRBA	Standardised Approach	Total
Central governments and central banks	51,291	8,021	59,312	47,386	7,528	54,914
Corporates	131,333	22,147	153,480	131,313	22,275	153,588
Institutions **	12,913	5,888	18,801	12,903	5,141	18,044
Retail	93,971	46,742	140,713	95,696	36,331	132,027
Securitisation positions	4,022	491	4,513	1,940	650	2,590
Other non-credit-obligation assets ***	-	4,975	4,975	-	4,808	4,808
TOTAL EXPOSURE	**293,530**	**88,264**	**381,794**	**289,238**	**76,733**	**365,971**

* *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 2023.

Breakdown of credit risk[1] by Basel III Asset Class and by corporate industry at 31 December 2023

In millions of euros	31 December 2023		31 December 2022	
	Exposure	%	Exposure	%
Agriculture, Food, Tobacco	13,693	4%	13,626	4%
Financial services	54,752	14%	53,677	15%
Chemicals excluding Pharmaceuticals	4,111	1%	4,114	1%
Construction	11,513	3%	12,265	3%
Retailers	6,605	2%	6,447	2%
Equipment excluding IT	6,705	2%	6,404	2%
Real estate	31,994	8%	30,037	8%
Metals & Mining	5,687	1%	6,699	2%
Wholesale & Trading	11,967	3%	14,197	4%
Business services	40,346	11%	40,461	11%
Transportation & Logistics	10,155	3%	9,976	3%
Utilities (electricity, gas, water, etc.)	11,122	3%	11,965	3%
Retail	103,872	28%	93,134	25%
Sovereign & public sector	22,837	6%	21,020	6%
Other	41,924	11%	39,359	11%
TOTAL	**377,283**	**100%**	**363,381**	**100%**

Geographical breakdown of credit risk[1] at 31 December 2023 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 2023.

1 *Credit risk exposure excludes DTA's risk weighted at 250%, default fund contributions to CCPs and securitisation positions*

In millions of euros	31 December 2023					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**52,436**	**137,806**	**16,737**	**138,360**	**345,340**	**92%**
Belgium	*34,018*	*73,066*	*9,663*	*95,938*	*212,684*	*56%*
Netherlands	*5*	*4,820*	*1,431*	*3,412*	*9,667*	*3%*
Luxembourg	*14,759*	*12,658*	*226*	*9,699*	*37,343*	*10%*
France	*503*	*13,938*	*2,801*	*4,987*	*22,228*	*6%*
Other European countries	*3,151*	*33,323*	*2,617*	*24,325*	*63,417*	*17%*
North America	**1,058**	**3,691**	**195**	**199**	**5,143**	**1%**
Asia & Pacific	**54**	**1,213**	**289**	**115**	**1,672**	**0%**
Rest of the World	**5,763**	**10,771**	**1,581**	**7,013**	**25,128**	**7%**
TOTAL	**59,312**	**153,480**	**18,802**	**145,689**	**377,283**	**100%**

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%**

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.

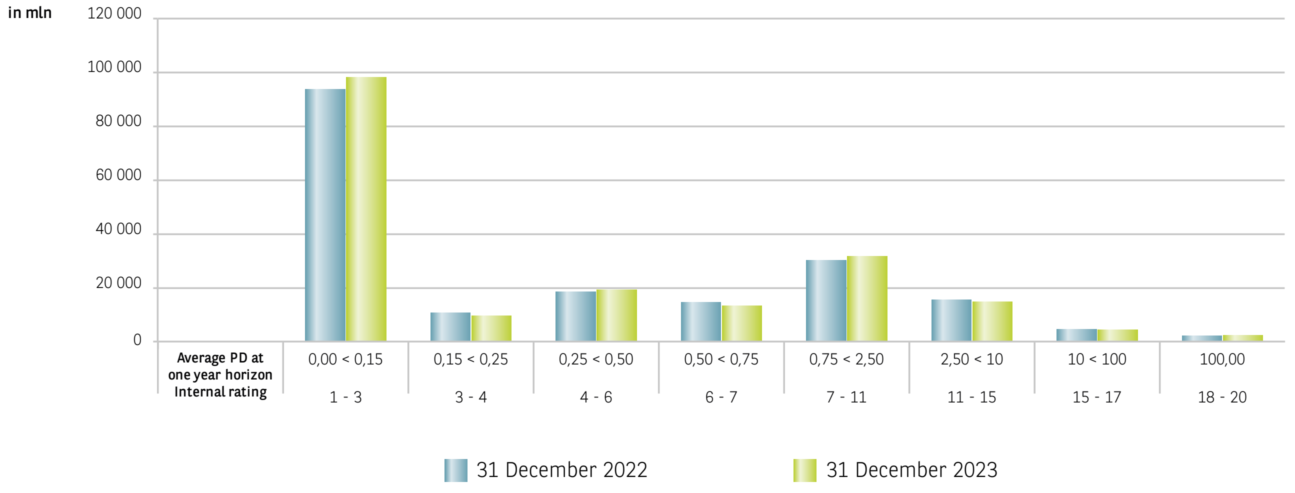
Internal rating system

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.

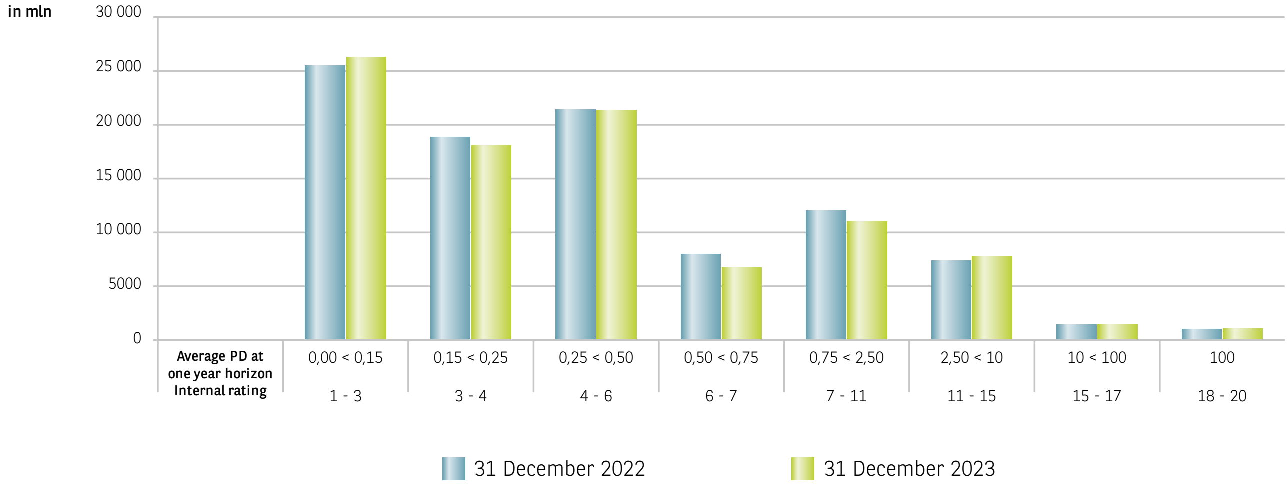
Each of the credit risk parameters is back-tested annually to check the system's performance for each of the bank's business segments. Back-testing consists of comparing estimated and actual results for each parameter.

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.

Those transactions include bilateral contracts such as over-the-counter (OTC) derivative contracts as well as contracts settled through clearing houses. The amount of this risk may vary over time in line with changing market parameters which then impacts the replacement value of the relevant 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 fixed-income trading books, credit instruments are valued on the basis of bond yields and credit spreads, which represent market parameters in the same way as interest rates or foreign exchange rates. The credit risk arising on the issuer of the debt instrument is therefore a component of market risk known as 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.

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 2023	31 December 2022	31 December 2023	31 December 2022
INTERNAL MODEL	752	756	60	60
VAR	154	329	12	26
Stressed VAR	518	360	41	29
Incremental Risk Charge (IRC)	81	67	6	5
Comprehensive Risk Measure (CRM)	-	-	-	-
STANDARDISED APPROACH	827	640	66	51
TRADING BOOK SECURITISATION POSITIONS	-	-	-	-
MARKET RISK	**1,579**	**1,396**	**126**	**111**

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 and raw materials risk for the banking book.

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 part of market-making activities.

Within Risk, three departments are responsible for monitoring market risk:

- RISK Markets & Financial Institutions (MFI) covers the market risk activities of Global Markets;
- RISK ALMT covers the ALM Treasury activities;
- RISK EM covers international retail market activities outside the eurozone.

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 hand.

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 2023	31 December 2022
Eurozone		
Belgium	8,188	6,119
Italy	624	599
Spain	542	522
Luxembourg	380	335
Austria	265	-
France	75	147
Finland	25	64
Cyprus	2	-
Germany	1	-
The Netherlands	-	10
Total eurozone	**10,102**	**7,796**
Other countries in European Economic Area (EEA)	**-**	
Czech Republic	38	37
Others	1	1
Total other EEA	**39**	**38**
Other countries	**-**	**-**
Turkey	1,750	2,438
Others	36	31
Total other countries	**1,786**	**2,469**
TOTAL	**11,927**	**10,303**

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 reputational 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; Group policies prevail over local policies as far as these Group policies are 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 shareholders' meeting of BNP Paribas Fortis SA/NV for the year ended 31 December 2023 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of BNP Paribas Fortis SA/NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 20 April 2023, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2025. We have audited the consolidated financial statements of BNP Paribas Fortis SA/NV for the first time during the financial year referred to in this report.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the profit and loss account for the year ended 31 December 2023, the statement of net income and change in assets and liabilities recognised directly in equity, the balance sheet at 31 December 2023, the consolidated cash flow statement for the year then ended, the consolidated statement of changes in shareholder's equity between 1 January 2022 and 31 December 2023 and, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 373.880 million EUR and the consolidated profit and loss account shows a profit for the year then ended of 3.542 million EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2023 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters

Impairment allowances for loans and advances

Key audit matters

BNP Paribas Fortis SA/NV's consolidated accounts show loans and advances for an amount of 238.419 million EUR at year-end 2023. 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 (280 million EUR), the significant impact of the judgments applied on the carrying amount of loans and advances and the increased uncertainty linked to the current macroeconomic environment, auditing the process described above is considered a Key Audit Matter.

We refer to Notes 5.e and 3.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 matters

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 next column:

- 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 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;
- 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;
- 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 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 and of goodwill embedded in investments consolidated by applying the equitymethod

Key audit matters

The Company's 31 December 2023 consolidated accounts show a 'Goodwill' caption amounting to 872 million EUR, and an 'Equity-method investments' caption of 2.631 million EUR. These intangible and financial assets 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.

We identified these intangible and financial assets and the embedded goodwill included in the equitymethod 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 5.m 'Goodwill', the Note 5.k 'Equity-method investments' and the Note 8.c 'Minority Interests'.

How our audit addressed the key audit matters

We focused our audit effort on (i) the valuation models used 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 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;
- 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;
- Finally, we assessed the completeness and accuracy of the disclosures and assessed the compli-ance of the disclosures with the requirements of the IFRS as adopted by the European Union.

Key audit matters	How our audit addressed the key audit matters
Estimation uncertainty with respect to the valuation of financial instruments accounted for at fair value The current economic conditions impact the fair value measurements of financial instruments. 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 af 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 5.d 'Measurement of the fair value of financial instruments' and 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.	• 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.
General IT Controls The reliability and security of IT systems plays a key role in the preparation of BNP Paribas Fortis SA's consolidated financial statements. We deemed the assessment of the general IT controls of the infrastructures and applications that contribute to the preparation of accounting and financial information to be a key audit matter. In particular, a system for controlling access rights to IT systems and authorisation levels based on employee profiles represents a key control for limiting the risk of inappropriate changes to application settings or underlying data.	For the main systems used to prepare accounting and financial information, assisted by our IT specialists, our work consisted primarily in: • obtaining an understanding of the systems, processes and controls which underpin accounting and financial data; • assessing the general IT controls (application and data access management, application changes/ developments management and IT operations management) on key systems (in particular accounting, consolidation and automatic reconciliation applications); • examining the control for the authorisation of manual accounting entries; • performing additional audit procedures, where appropriate; • taking into account the cybersecurity risk related to the crisis in Ukraine and the widespread use of remote working.
Valuation of the residual value of of vehicles given for lease The residual values of the vehicles making up the group's fleet are defined at the start of the leasing contracts. At each closing date, they are reviewed in order to obtain an estimate close to the estimated resale value of the vehicle. The methods for determining these residual values are common to all group entities. These estimates are based on a statistical model based on historical used vehicle sales data while taking into account the specific context of the different geographic areas. In an environment still marked by significant uncertainty linked to the macro-economic context and to the technological changes in the automobile market, the group has observed a reduction in vehicle delivery times as well as a decrease in resale values. In the same way, the automobile market is gradually transforming towards the electrification of vehicles driven by changes in regulations which are moving. These changes led management to make estimate adjustments intended to maintain the consistency of the data included in the models and has constituted provisions for uncertainties. The residual value estimated during the fleet revaluation process may be different from the initial residual value, which may lead to an adjustment of the depreciation of the vehicles over the remaining duration of the contract. We considered that the revaluation of residual values is a key point of the audit due to the fact that it is based on the estimation of the resale values of the vehicles recorded on the balance sheet, that it is based on a statistical model and that it incorporates assumptions based on the judgment of management.	We appreciated the relevance of the group's internal control system which governs the estimates contributing to the determination of residual values and in particular its adaptation to the evolving context. We reviewed the system which led to adjusting the models according to market developments. On a sample of the fleet, we reviewed the controls relating to the revaluation of residual values while integrating the new hypotheses and parameters which served as the basis for the model. With the help of our experts, we examined the relevance of the statistical model implemented as well as the main parameters. Our work also consisted, by sampling, to: • Reperform the consistency of data from revaluation models through a data analysis approach; • Compare the correspondence between the accounting information and that from the fleet management system; • Check that the estimates used are based on documented methods that comply with the principles described in the appendix.

Other matters

The consolidated financial statements for the previous financial year were audited by another statutory auditor who has issued an unqualified opinion.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for 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 other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory 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 ISA 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 financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 an 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 use of the going concern basis of accounting by the board of directors 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 financial statements 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 financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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, amongst 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 we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any 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 financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects the director's report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies andassociations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, i.e.:

- The Statement of the Board of Directors
- The Risk Management and Capital Adequacy chapter; and
- The other information chapter

are free of material misstatements, either by information that is incorrectly stated or otherwise misleading.

In the context of the procedures performed, we are not aware of such a material misstatement.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Single European Electronic Format (ESEF)

In accordance with the draft standard on the audit of the compliance of the financial statements with the Single European Electronic Format ("ESEF"), we have also performed the audit of the compliance of the ESEF format and of the tagging with the technical regulatory standards as defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 ("Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format ("digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient and appropriate evidence to conclude that the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements as stipulated by the Delegated Regulation.

Based on our work, in our opinion, the format and the tagging of information in the official languages version of the digital consolidated financial statements included in the annual financial report of BNP Paribas Fortis SA/NV as of 31 December 2023 are, in all material respects, prepared in accordance with the ESEF requirements as stipulated by the Delegated Regulation.

Other statements

This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 25 March 2024

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL

Represented by Yves Dehogne

BNP PARIBAS FORTIS ANNUAL REPORT 2023 (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 2023 amounted to 255.5 billion euros, up by 16.3 billion euros or 7% compared with 31 December 2022. As at 31 December 2023, 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) increased by 11.7 billion euros and stood at 43.5 billion euros. This increase is mainly linked to an increased reverse repos activity.

Amounts receivable from customers (Heading IV) stood almost stable at 142.1 billion euros as at 31 December 2023.

In Belgium, the amount of term loans increased by 2.1 billion euros, spread over different type of loans such as investment loans and funding given to subsidiaries. The mortgage loans remained stable at 36.2 billion euros.

Bonds and other fixed-income securities (Heading V) stood at 47.1 billion euros as at 31 December 2023, up by 4 billion euros.

The amount of 47.1 billion euros consists mostly of bonds issued by public bodies (11.7 billion euros, up by 3.6 billion euros compared with 2022 mainly following additional investments in Belgian and EU issued bonds), by 'Special Purpose Vehicles' (31.3 billion euros, stable compared to last year) and by other issuers (4.1 billion euros, slightly more than last year).

Financial fixed assets (Heading VII) amounted to 8.9 billion euros as at 31 December 2023, in line with the situation at the end of 2022.

Formation expenses and intangible fixed assets (Heading VIII) amount to 7 million euros as at 31 December 2023.

Tangible fixed assets (Heading IX) amounted to 1.0 billion euros as at 31 December 2023, in line with the situation at the end of 2022.

Other assets (Heading XI) stayed stable at 1.7 billion euros as at 31 December 2023.

Deferred charges and accrued income (Heading XII) stood at 11.1 billion euros as at 31 December 2023, down by 0.1 billion euros compared to 31 December 2022 mainly following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the decrease of the interest rates, 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 53.4 billion euros as at 31 December 2023, up by 16.5 billion euros compared with 31 December 2022. Part of the evolution (decrease of (15.3) billion euros) was attributable to the partial reimbursement of the TLTRO III ('Targeted Longer-Term Refinancing Operations') of the ECB. The repos activity increased by 30.6 billion euros.

Amounts payable to clients (Heading II) stood at 148.4 billion euros as at 31 December 2023, down by (6.1) billion euros compared to 31 December 2022.

Saving accounts decreased by (4.9) billion euros due the issuance of the Belgian government bond. Current accounts decreased by (14.5) billion euros, compensated by an increase of 13.1 billion euros in the Terms deposits in the context of increasing interest rates.

Debts evidenced by certificates (Heading III) amounted to 14.9 billion euros as at 31 December 2023, representing an increase of 4.2 billion euros.

Other liabilities (Heading IV) stood at 7.4 billion euros, up by 1.2 billion euros compared with 31 December 2022.

Accrued charges and deferred income (Heading V) stood at 10.2 billion euros, up by 1.3 billion euros compared with 31 December 2022, following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the decrease of the interest rates, 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) remained stable at 3.4 billion euros as at 31 December 2023.

Shareholders' equity (Headings IX, X, XI, XII and XIII) stood at 17.0 billion euros as at 31 December 2023, down by (0.3) billion euros compared with 31 December 2022.

Comments on the evolution of the income statement

BNP Paribas Fortis realized a **net profit** of the year of 2,584 million euros, compared to 2,207 million euros in 2022.

The interest margin (Headings I and II) amounted to 2,644 million euros in 2023, up by 67 million euros compared to 2022, driven by margins on deposits that held up well, despite higher refinancing costs and the negative impact of the issuance of a one year Belgian government bond in the third quarter of 2023.

income from variable-yield securities (Heading III) amounted to 1,201 million euros in 2023, up by 259 million euros compared to 2022, mainly due to an increase in dividends received from enterprises linked by participating interests.

Commissions (Headings IV and V) amounted to 1,074 million euros in 2023, up by 28 million euros compared to 2022. This is mainly due to an increase in financial fees.

Profit on financial operations (Heading VI) amounted to 180 million euros, down by (107) million euros compared to previous year, mainly due to interest rate foreign exchange transactions.

General administrative expenses (Heading VII) came to (2,518) million euros, an increase of (60) million euros compared to 2022.

In Belgium, staff expenses decreased with 31 million euros, as the increase of salaries and wages due to inflation was more than offset by the decrease of pension expenses.

Other administrative expenses increased by (91) million euros compared to previous year. This evolution is mainly attributable to the growth of the activities next to the impact of inflation, partially offset by a decrease in the banking taxes.

Depreciation and amounts written off on formation expenses, intangible and tangible fixed assets (Heading VIII) amounted to (49) million euros compared to (76) million euros in 2022.

Amounts written off on the amounts receivable and the investment portfolio (Headings IX and X) totalled (12) million euros, compared to (7) million euros in 2022.

Provisions for risks and charges (Headings XI and XII) showed a net dotation of (12) million euros in 2023 against a net release of 35 million euros in 2022.

The fund for general banking risks (Heading XIII) showed a release of 459 million euros in 2023 due to the change in accounting policy for the Fund. The Fund will cover the expected credit losses on the credit portfolio and bonds that are not considered credit impaired or doubtful.

Other operating income (Heading XIV) amounted to 179 million euros in 2023, up by 23 million euros compared to previous year.

Other operating charges (Heading XV) amounted to (388) million euros in 2023, up by 55 million euros compared to 2022. This is mainly attributable to the growth of the activities next to the impact of inflation.

Extraordinary income (Heading XVII) came to 40 million euros in 2023, down by (127) million euros compared to 2022. The evolution was mainly driven by the gains on disposal of an important financial fixed asset and adjustments to write downs last year.

Extraordinary charges (Heading XVIII) came to (29) million euros in 2023, a decrease by 9 million euros compared to 2022.

Income taxes (Heading XX) amounted to (185) million euros in 2023, an increase by (95) million euros compared to 2022, following the increase of the tax base.

Proposed appropriation of the result for the accounting period

Profit for the year for appropriation	EUR	2,583.7	million
Profit brought forward from the previous year	EUR	3,730.7	million
Profit to be appropriated	EUR	6,314.4	million
Profit to be carried forward	EUR	3,465.9	million
Dividend	EUR	2,831.6	million
Other allocations*	EUR	16.9	million

* *This amount represents the profit bonus of 2.5% 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 2023, 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 5.01 euros per share, or 2,831.6 million euros.

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 2023 no transaction required the application of this 'Procedure'.

BNP PARIBAS FORTIS FINANCIAL STATEMENTS 2023 (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**	**1,235,303**	**1,276,969**
II.	**Government securities eligible for refinancing with the central bank**	**10200**	**-**	**-**
III.	**Amounts receivable from credit institutions**	**10300**	**42,302,964**	**30,622,737**
	A. At sight	*10310*	*22,357,348*	*23,906,248*
	B. Other amounts receivable (at fixed term or period of notice)	*10320*	*19,945,616*	*6,716,489*
IV.	**Amounts receivable from customers**	**10400**	**142,090,886**	**141,191,612**
V.	**Bonds and other fixed-income securities**	**10500**	**47,118,873**	**43,153,106**
	A. Issued by public bodies	*10510*	*11,687,511*	*8,106,034*
	B. Issued by other borrowers	*10520*	*35,431,362*	*35,047,072*
VI.	**Shares and other variable-yield securities**	**10600**	**51,557**	**53,001**
VII.	**Financial fixed assets**	**10700**	**8,958,311**	**9,237,306**
	A. Participating interests in affiliated enterprises	*10710*	*5,665,280*	*5,804,165*
	B. Participating interests in other enterprises linked by participating interests	*10720*	*2,576,983*	*2,575,022*
	C. Other shares held as financial fixed assets	*10730*	*158,453*	*168,266*
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	*10740*	*557,595*	*689,853*
VIII.	**Formation expenses and intangible fixed assets**	**10800**	**5,576**	**6,524**
IX.	**Tangible fixed assets**	**10900**	**919,259**	**964,979**
X.	**Own shares**	**11000**	**-**	**-**
XI.	**Other assets**	**11100**	**1,741,918**	**1,486,036**
XII.	**Deferred charges and accrued income**	**11200**	**11,072,656**	**11,207,994**
TOTAL ASSETS		19900	255,497,303	239,200,263

In thousands of euros		Codes	Current period	Previous period
LIABILITIES				
BORROWINGS		**201/208**	**238,488,476**	**221,926,638**
I.	**Amounts owed to credit institutions**	**20100**	**53,398,403**	**36,859,243**
	A. At sight	*20110*	*873,068*	*2,607,247*
	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*	*52,525,335*	*34,251,996*
II.	**Amounts payable to clients**	**20200**	**148,407,754**	**154,603,824**
	A. Savings deposits	*20210*	*61,834,454*	*66,693,682*
	B. Other debts	*20220*	*86,573,300*	*87,910,142*
	1. At sight	*20221*	*61,411,797*	*76,007,470*
	2. At fixed term or period of notice	*20222*	*25,161,503*	*11,902,672*
	3. As a result of the rediscounting of trade bills	*20223*	*-*	*-*
III.	**Debts evidenced by certificates**	**20300**	**14,939,355**	**10,780,648**
	A. Debt securities and other fixed-income securities in circulation	*20310*	*10,766,266*	*6,344,618*
	B. Other	*20320*	*4,173,089*	*4,436,030*
IV.	**Other amounts payable**	**20400**	**7,439,045**	**6,189,429**
V.	**Accrued charges and deferred income**	**20500**	**10,240,402**	**8,937,382**
VI.	**Provisions and deferred taxes**	**20600**	**219,415**	**222,931**
	A. Provisions for risks and charges	*20610*	*219,415*	*222,931*
	1. Pensions and similar obligations	*20611*		
	2. Fiscal charges	*20612*		*-*
	3. Other risks and charges	*20613*	*219,415*	*222,931*
	B. Deferred taxes	*20620*	*-*	*-*
VII.	**Fund for general banking risks**	**20700**	**412,602**	**871,681**
VIII.	**Subordinated liabilities**	**20800**	**3,431,500**	**3,461,500**
SHAREHOLDERS' EQUITY		**209/213**	**17,008,827**	**17,273,625**
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**	**3,465,931**	**3,730,729**
TOTAL LIABILITIES		29900	255,497,303	239,200,263

INCOME STATEMENT (presentation in vertical form)

In thousands of euros			Codes	Current period	Previous period
I.	**Interest receivable and similar income**		**40100**	**6,504,795**	**3,528,322**
	A. Of which: from fixed-income securities		*40110*	*820,703*	*444,821*
II.	**Interest payable and similar charges**		**40200**	**3,860,927**	**951,747**
III.	**Income from variable-yield securities**		**40300**	**1,200,569**	**942,040**
	A. From shares and other variable-yield securities		*40310*	*2,458*	*9,287*
	B. From participating interests in affiliated enterprises		*40320*	*972,610*	*632,674*
	C. From participating interests in other enterprises linked by participating interests		*40330*	*225,104*	*299,941*
	D. From other shares held as financial fixed assets		*40340*	*397*	*138*
IV.	**Commissions receivable**		**40400**	**1,535,349**	**1,524,125**
	A. Brokerage and related commissions		*40410*	*559,836*	*556,165*
	B. Management, consultancy and conservation commissions		*40420*	*401,531*	*353,507*
	C. Other commissions received		*40430*	*573,982*	*614,453*
V.	**Commissions paid**		**40500**	**461,417**	**478,079**
VI.	**Profit (loss) on financial transactions**	(+)/(-)	**40600**	**179,618**	**286,568**
	A. On trading of securities and other financial instruments		*40610*	*174,054*	*402,796*
	B. On disposal of investment securities		*40620*	*5,564*	*(116,228)*
VII.	**General administrative expenses**		**40700**	**2,517,629**	**2,457,463**
	A. Remuneration, social security costs and pensions		*40710*	*1,262,981*	*1,293,471*
	B. Other administrative expenses		*40720*	*1,254,648*	*1,163,992*
VIII.	**Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets.**		**40800**	**49,053**	**75,912**
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**	**20,387**	**15,496**
X.	**Decrease in write-downs on the investment portfolio of bonds, shares and other fixed-income or variable-yield securities.**	(+)/(-)	**41000**	**(8,197)**	**(8,997)**
XI.	**Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet captions.**	(+)/(-)	**41100**	**(27,623)**	**(48,622)**
XII.	**Provisions for risks and charges other than those included in the off-balance sheet captions.**		**41200**	**39,691**	**14,114**
XIII.	**Transfer from (Appropriation to) the fund for general banking risks.**	(+)/(-)	**41300**	**459,079**	-
XIV.	**Other operating income**		**41400**	**178,970**	**155,751**
XV.	**Other operating charges**		**41500**	**387,886**	**332,669**
XVI.	**Profits (losses) on ordinary activities before taxes.**	(+)/(-)	**41600**	**2,757,210**	**2,168,945**

In thousands of euros			Codes	Current period	Previous period
XVII.	**Extraordinary income**		**41700**	**40,172**	**166,820**
	A. Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets		*41710*	*1,449*	*353*
	B. Adjustments to write-downs on financial fixed assets		*41720*	*29,421*	*99,206*
	C. Adjustments to provisions for extraordinary risks and charges		*41730*	*-*	*-*
	D. Capital gains on disposal of fixed assets		*41740*	*9,302*	*67,097*
	E. Other extraordinary income		*41750*	*-*	*164*
XVIII.	**Extraordinary charges**		**41800**	**29,031**	**38,299**
	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*	*10,704*	*27,157*
	C. Provisions for extraordinary risks and charges	*(+)/(-)*	*41830*	*-*	*-*
	D. Capital losses on disposal of fixed assets		*41840*	*13,466*	*8,802*
	E. Other extraordinary charges		*41850*	*4,861*	*2,340*
XIX.	**Profits (Losses) for the period before taxes**	**(+/-)**	**41910**	**2,768,351**	**2,297,466**
XIXbis.	**A. Transfer to deferred taxes**		**41921**	**-**	**-**
	B. Transfer from deferred taxes		**41922**	**-**	**-**
XX.	**Income taxes**	**(+)/(-)**	**42000**	**184,660**	**90,366**
	A. Income taxes		*42010*	*199,311*	*95,289*
	B. Adjustment of income taxes and write-back of tax provisions		*42020*	*14,651*	*4,923*
XXI.	**Profits (Losses) for the period**	**(+)/(-)**	**42100**	**2,583,691**	**2,207,100**
XXII.	**Transfer to (or from) untaxed reserves**	**(+)/(-)**	**42200**	**-**	**-**
XXIII.	**Profit (Losses) for the period available for appropriation**	**(+)/(-)**	**42300**	**2,583,691**	**2,207,100**

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 2023

The monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions of Euronext Brussels (Euronext Expert Market) in 2023 were as follows (in euros):

Month	Low	High
January	32.2	35.2
February	36.0	38.6
March	38.6	45.0
April	NA	NA
May	42.2	44.0
June	40.2	42.0
July	40.2	40.2
August	40.2	40.2
September	40.4	41.2
October	42.0	42.0
November	41.6	42.0
December	41.6	41.6

External functions held by directors and effective leaders on the 31st of December 2023 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
Max JADOT (Chairman of the Board of Directors)		
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)		
Ethiasco SRL/BV	Holding company (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)	-
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)	-
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)	-

Name, Surname (Post) Company	Business Activity (Post)	Listed
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)	-
Sandra WILIKENS **(Executive director)**		
Vanbreda Risk & Benefits SA/NV	Insurance broker (Non-executive director)	-

BNP PARIBAS FORTIS SA/NV

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www.bnpparibasfortis.com

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The bank for a changing world