BNP Paribas Fortis SA/NV

Financial Report

First half 2015

Introduction

This Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2015 includes the Interim Report of the Board of Directors, the Statement of the Board of Directors, the composition of the Board, the Consolidated Interim Financial Statements and the notes to the Consolidated Interim Financial Statements for the first half-year of 2015.

The BNP Paribas Fortis Consolidated Interim Financial Statements for the first half-year of 2015, including the 2014 comparative figures, have been prepared at 30 June 2015 in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. It includes condensed financial statements (balance sheet, profit and loss account, statement of net income and changes in fair value of assets and liabilities recognised directly in equity, statement of changes in shareholders' equity, minority interests and statement of cash flows) and selected explanatory notes. The BNP Paribas Fortis Consolidated Interim Financial Statements should be read in conjunction with the audited BNP Paribas Fortis Consolidated Financial Statements 2014, which are available on http://www.bnpparibasfortis.com.

As an issuer of listed debt instruments and in accordance with the EU Transparency Directive, BNP Paribas Fortis SA/NV is subject to obligations regarding periodic financial reporting, including half-yearly interim financial statements and an intermediate report by the Board of Directors.

All amounts in the tables of the Consolidated Interim Financial Statements are denominated in millions of euros, unless stated otherwise. Because figures have been rounded off, small differences with previously reported figures may occur. 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 Interim Financial Statements to the BNP Paribas Fortis SA/NV consolidated situation unless stated otherwise.

All information in the Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2015 relates to the BNP Paribas Fortis statutory 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.

The Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2015 is available on the website: www.bnpparibasfortis.com

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Report of the Board of Directors

This section provides a summary of the evolutions in the first half-year of 2015 and elaborates on the following key developments:

- Economic context
- Results of the first half-year of 2015 and the balance sheet as at 30 June 2015
- Status of liquidity and solvency
- Principal risks and uncertainties

Economic context

In Belgium, growth reached respectively 1% and 1.3% on a year-on-year basis in the first two quarters of 2015, in line with Eurozone growth. Private consumption and, to a lesser extent, business investments are currently the main drivers behind the Belgian recovery. Exports and imports have been moving in tandem and are therefore not contributing much to the increase in economic activity. It is however worth noting that the current account balance has continued to improve, with the deficit situation of 2013 now transformed into a growing surplus of more than 2% of GDP.

The positive evolution of private consumption is reflected in improving consumer confidence indicators, while business investment is expected to be boosted by the significant increase in capacity utilisation rates since mid-2013, which lie now slightly above 80%, a sufficiently high level to trigger a pick-up in production if and when demand increases further. Belgian business confidence improved in the first months of 2015, following a whole year of status quo in 2014. Today business confidence stands at its highest level since July 2011, before the meltdown triggered by the first round of turmoil due to the Greek debt crisis. Consequently, the economic recovery is expected to gain further ground, with growth forecast to reach 1.5% this year and 1.7% in 2016.

This year as well as the past year was also characterised by unexpected and violent swings in the price of oil. Between mid-2014 and January 2015, the value of a barrel of oil fell more than 50%, to a low of USD 46, before re-gaining more than 40% in the spring, and then falling back again towards the summer. This sharp drop in value had a significant negative impact on price evolution in most countries, which has led to worries about deflation. During the spring of this year, investors were wondering whether Europe was heading for a Japanese scenario, i.e. struggling for years to get out of a spiral of recession, deflation and negative interest rates.

In Belgium, the inflation rate has slowed continuously since 2012, entering negative territory around mid-2014, even before the drop in oil prices. In the first months of 2015, the inflation rate was dragged down further, to -0.5% on a year-on-year basis, by declining energy prices. The same occurred in most eurozone countries, re-awakening deflation concerns.

The magnitude of the drop in inflation and the lack of any real economic recovery led the European Central Bank (ECB) to take further action from mid-2014 onwards, and some of the measures taken added to deflation worries. From September 2014 onwards the ECB decided to apply negative rates to bank deposits, in an attempt to get the credit engine back on track and revive the ailing interbank market. This decision did not go unnoticed as this was the first instance of negative rates in the history of the eurozone. Since then, the ECB has taken additional measures, all intended to fight deflation and get the European economy back on its feet.

In addition to its decision to apply negative rates to bank deposits, the ECB decided to launch an extensive asset purchase programme. Following months of discussion, it was agreed that the ECB would buy EUR 60bn worth of eurozone government paper every month, during a period of 20 months, with a view to coaxing the inflation rate back up to 2%. The quantitative easing programme is also keeping a firm ceiling on euro debt yields and most governments have benefited from this cheaper financing which has allowed them to further reduce their budget deficits.

In Belgium, interest payments on public debt fell below 3% of GDP, while the primary budget came back into surplus. As a result, the budget deficit narrowed to 2.6% of GDP, down from over 4% in 2012 and 3% in 2013. However, public debt continued to rise, ending 2014 at 106.6% of GDP. Eurostat data for the first quarter of 2015 reveal that the public debt seems to have risen quite sharply, to 111%, but this needs to be confirmed, because quarterly data tend to be volatile. The major explanation for the increase lies anyway with guarantees granted by the government, in the context of the financial crisis, which were later re-qualified by Eurostat as debt, and by the impact of the Greek debt rescheduling.

Meanwhile public debt remains the major challenge for the Belgian economy, since most forecasters expect it to stay above 100% until at least 2020. The government has embarked on a long-awaited reform of the Belgian pension system, with a view to gradually extending the age of retirement to 67 by 2030, and is also working on an overhaul of the tax system. This should mean lower tax on labour and higher taxes on consumption and pollution. These reforms are seen as a major step in maintaining control over public finances in the longer term.

Spring 2015 was characterised by renewed uncertainties about the financial situation in Greece. As a result, the markets again saw a flight to quality, triggering a further drop in safe-haven bond yields and strong appetite for equities, not only in Europe but also the USA and Japan. Over the first seven months of the year, the Bel-20 gained 14%.

Nevertheless, markets remained nervous, with some investors finally deciding to take their profits on some bond markets, creating a sudden and quite violent increase in long-term rates. The Belgian market was also affected, which led 10-year yields to rise from less than 0.5% to 1.2% in the course of a few weeks in May. Calm returned afterwards, as the latest economic data did not point to any significant reason to fear an end to the low-rate policy conducted by the ECB. The announcement of a settlement of the Greek crisis on 13 July, though yet to be confirmed by facts, helped to maintain the calm.

The low growth and interest rate environment remains quite challenging for the banking sector, even though credits granted to households have seen progression, growing 10% in 2014 and up 15% over the first 5 months of 2015. The bulk of these credits is related to real estate purchases, as the housing market remains firm, with prices still rising.

The business sector remains affected by the low level of activity and the uncertain future. As a result, credits granted to non-financial corporations have continued to decline from mid-2014 onwards. Some improvement is visible, however, now that business confidence is on the upswing.

Bank deposits, which had been growing slowly in 2013, started to pick up again around mid-2014, despite steadily decreasing interest rates, and are currently up by more than 6% on a year-on-year basis, essentially as a result of the appetite for cash and short-term deposits among households. This is a significant trend change compared to the previously prevailing trend.

Comments on the evolution of the results

BNP Paribas Fortis realised a net income attributable to equity holders of EUR 811 million in the first half of 2015 compared to EUR 567 million in the first half of 2014.

BNP Paribas Fortis delivered a robust performance during the first half of 2015, mainly supported by a resilient business activity in a still challenging economic, financial and regulatory environment although marked by a context of gradual return to growth in Europe.

Operating income amounted to EUR 1,156 million, an increase of EUR 185 million, i.e. 19%, on 2014, thanks to higher revenues and a strict cost control. Commercial revenues were supported by higher net interest income (driven by higher volumes of loans and deposits) and higher net commission income. Financial revenues were affected by less capital gains realised on the sale of government bonds in 2015. Total expenses were positively impacted by overall strict cost control through 'Simple & Efficient' programmes in most geographies, despite higher Belgian banking taxes and selected investments in growth. The cost of risk was slightly higher than last year but remained at a relatively low level.

The comparison between the 2015 and 2014 results is impacted by the restatement of the 2014 figures for the first-time application of IFRIC 21 'Levies'. This Interpretation implies the recognition of expenses related to some levies as from the first day of the financial year. IFRIC 21 'Levies' is applicable for all banking taxes and also for some other taxes. The figures of the first half of 2014, used as comparative, are restated to reflect the application of IFRIC 21 'Levies' and show the full impact of the banking taxes and levies at 1st January 2014 instead of spread out over the year.

From a geographical point of view, based on the segment reporting of the BNP Paribas Fortis entities, 57% of the revenues were generated in Belgium, 9% in Luxembourg and 34% in other countries.

Net interest income reached EUR 2,764 million in the first half of 2015, an increase of EUR 343 million or 14% compared to the same period in 2014. The increase was supported by a strong commercial performance in Belgium, Turkey, and to a lesser extent in Leasing and Personal Finance, partly compensated by lower net interest income in Luxembourg. The improved result in Belgium was mainly due to higher interest income on loans (mainly on mortgage loans thanks to margin and volume effects), lower interest costs on debt securities issued and on deposits (mainly on savings accounts thanks to re-pricing in 2015 and in spite of an increase in volume) and higher prepayment fees due to the boost in credit refinancing triggered by the continuously low interest rates in 2015. This was partly counterbalanced by lower interest income on the bond portfolio, linked to the low interest rate environment. Interest revenues in Turkey, at Leasing and Personal Finance benefited from strong production growth. The lower net interest income in Luxembourg resulted from lower interest income on loans (due to lower margin impact more than offsetting the volume increase).

Net commission income amounted to EUR 860 million in the first half of 2015, up EUR 55 million or 7% compared to the same period in 2014. The increase in net commission income was mainly located in Belgium and Turkey, partly counterbalanced by lower commission income in the foreign (CIB) branches and in Luxembourg. Commission income in Belgium was positively impacted by higher asset management fees and selling securities fees. Higher commission income in Turkey mainly arose from higher credit cards business and higher commissions on cash loans. Commission income at foreign (CIB) branches was affected by the transfer of the German branch (EUR – 17 million) to BNP Paribas in December 2014. The decrease in net commission income in Luxembourg was driven by lower commissions on stock exchange orders and a decline in retrocession fees from BNP Paribas related to capital market activities.

Net results on financial instruments at fair value through profit or loss stood at EUR 85 million, down by EUR (16) million compared to the first half of 2014. The decrease was mainly driven by the remeasurement of currency positions in Turkey for EUR (66) million partly compensated by the change in fair value revaluation of own debt for EUR 20 million in the first half of 2015 (resulting from the widening of the credit spread) and the positive evolution of the Funding Valuation Adjustment (FVA) of EUR 31 million in the first half of 2015 compared to the same period last year.

Net results on available-for-sale financial assets amounted to EUR 31 million for the first six months of 2015, a decrease of EUR (72) million versus 2014. This decline is mainly located in Belgium, where limited capital gains were realised on the sale of government bonds in 2015, compared to a net gain of EUR 57 million on the sale of Belgian bonds in the first half of 2014. This decrease was emphasised by lower capital gains in Luxembourg as 2014 was positively impacted by the sale of a participation in Cetrel and the sale of French government bonds (EUR 14 million). This was partly offset by a release of provision in the Leasing entities in the first half of 2015.

Net income from other activities totalled EUR (11) million in the first half of 2015 compared to EUR 22 million in the same period of 2014. The decrease was mainly due to lower other income in Belgium and lower income on investment property and in other leasing activities.

Salary and employee benefit expenses amounted to EUR (1,237) million in the first half of 2015, i.e. a decline of EUR 32 million, or (3%), compared to the first half of 2014. Staff expenses were significantly lower, mainly in Belgium (fewer FTEs and lower bonuses), in the (CIB) foreign branches and in Luxembourg. This was partly compensated by higher staff expenses in Turkey, Personal Finance and in Leasing reflecting the impact of their respective business development.

Other operating expenses amounted to EUR (1,018) million in the first half of 2015, EUR (71) million or 7% higher than in the same period of 2014. The cost evolution in Belgium was negatively impacted by higher banking taxes (EUR (268) million in 2015 compared to EUR (227) million in 2014), mainly due to the anticipated introduction of the contribution to the Single Resolution Fund (SRF). Cost increase in Turkey was mainly due to the continued development of activity in line with the growth ambitions in that country. Lower costs at the (CIB) foreign branches were linked to the transfer of the German branch and to a stricter cost control policy at Leasing and in Luxembourg.

Depreciation charges stood at EUR (109) million in the first half of 2015, EUR (4) million higher compared to the same period last year.

Cost of risk totalled EUR (209) million in the first half of 2015, compared to EUR (160) million in the same period in 2014. Overall, cost of risk was slightly higher in Belgium impacted by net releases of collective provisions last year. The cost of risk was also higher in Turkey (in line with the increased activity) and in Luxembourg (also driven by net releases of collective provisions in the first half of 2014), partly offset by releases in the (CIB) branch of Spain in the first half of 2015.

Share of earnings of equity-method entities amounted to EUR 91 million in the first half of 2015, compared to EUR 79 million in the first half of 2014. The share of earnings in Leasing associates increased by EUR 14 million, mainly due to good performances in Italy, Portugal and The Netherlands. The contributions of BNP Paribas Investment Partners, EUR (2) million lower, and of AG insurance, down by EUR (3) million, remained nearly stable, although the first half of 2014, in both cases, was impacted by positive exceptional items.

Net gain on non-current assets came in at EUR 134 million in the first half of 2015 versus EUR 2 million in the first half of 2014. The result in 2015 was mainly driven by the dilution capital gain from realised on the merger in Poland between BGZ and BNP Paribas Polska (EUR 82 million) and by the capital gain on the sale of the participation in Cronos for EUR 68 million, partly offset by the write-off of some intangible assets related to IT projects for EUR (13) million.

Corporate income tax in the first half of 2015 totalled EUR (341) million with an effective tax rate of 25%, an increase of EUR (49) million compared to the same period in 2014. Excluding the share of earnings of equity-method entities (that is reported net of income taxes) and the net results on non-current assets (mainly composed of tax-exempted elements), the effective tax rate stood at 29%, compared to 30% for the first half of 2014.

Net income attributable to minority interests amounted to EUR 229 million in the first half of 2015, EUR 36 million higher than in the first half of 2014, mainly driven by the higher net income in Turkey and at Leasing and partly offset by a lower net income in Luxembourg.

Net income attributable to equity holders totalled EUR 811 million in the first half of 2015, compared to EUR 567 million in the first half of 2014.

Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis grew by EUR 5 billion or 2% to EUR 280 billion at the end of June 2015 compared with EUR 275 billion at the end of 2014.

The 2014 figures were restated in accordance with IFRIC 21 interpretation, which triggered, as at 31 December 2014, an increase of EUR 3 million in the shareholders' equity, balanced by EUR 4 million decrease in accrued expenses and EUR 1 million decrease in deferred tax assets.

The major scope change during the first half of 2015 relates to the merger of BNP Paribas Bank Polska with BGŻ bank (completed on 30 April 2015). BNP Paribas Fortis holds 28.35% in the merged bank, operating under the name Bank BGŻ BNP Paribas S.A.. This operation in the second quarter of 2015 gave rise to a decrease of EUR 5.3 billion (Assets classified as held for sale) on the consolidated balance sheet. After the merger, Bank BGŻ BNP Paribas S.A. is consolidated by equity method and contributed EUR 0.4 billion to the consolidated balance sheet as at 30 June 2015.

Compared with the end of 2014, at 30 June 2015, both customer loans (mortgage loans in Belgium, term loans in Belgium and Turkey) and deposits (in Belgium and in Luxemburg) showed strong increases. Debt securities increased as a result of new issuance of commercial paper in Belgium and in the US. Net investments in government bonds decreased while a slight increase can be observed in net investments in bonds issued by German administrations and by financial institutions in the Eurozone.

A significant increase in reverse repurchase activities in Belgium both in trading positions and in transactions with customers took place, together with an increase in the positions of repurchase activities, however to a lesser extent.

Cash that was placed as overnight deposit at the end of 2014 with the Central bank of Belgium has been used to fund reverse repurchase activities during the course of 2015. In the meantime cash deposits from some central banks (Russia and Poland) have increased.

The fair value of the derivative instruments on both assets and liabilities side have decreased, as well as the level of collateral relating to the margin calls on the derivatives instruments, these evolutions were mainly driven by an increase in interest rates as from the second quarter of 2015.

On a geographical breakdown, based on the location of the BNP Paribas Fortis companies, 66% of the assets are located in Belgium, 9% in Luxembourg and 25% in other countries.

Assets

Cash and amounts due from central banks decreased by EUR 2.6 billion or - 24% to EUR 8.2 billion as at 30 June 2015, down from EUR 10.8 billion as at 31 December 2014. The overnight deposit of EUR 3.5 billion placed at the Central Bank of Belgium at the end of 2014 has been used to fund the reverse repurchase activities in 2015. The monetary reserves placed at the central banks increased both in Belgium and in Luxembourg by 0.8 billion and 0.2 billion respectively, offset by a decrease of EUR 0.1 billion at BNP Paribas Fortis branch in the Netherlands.

Financial assets at fair value through profit or loss increased by EUR 2.1 billion or 11%, standing at EUR 21.8 billion compared with EUR 19.7 billion at the end of last year. This increase is mainly attributable to higher trading activities in reverse repurchase transactions (EUR 2.5 billion) as well as in bond and equity securities portfolios (EUR 1.9 billion), counterbalanced by a negative change (EUR – 2.2 billion) in the fair value of derivative instruments (mainly interest rate derivatives), driven by an increase in interest rates as from the second quarter of 2015.

Available-for-sale financial assets amounted to EUR 32.6 billion as at 30 June 2015, remaining stable compared with EUR 32.7 billion as at 31 December 2014. Net investment in government bonds decreased by EUR 0.7 billion (mainly in Belgian OLOs EUR – 0.4 billion and Turkish government bonds EUR – 0.2 billions) due to sales and reimbursements. The net investment in other bonds increased by EUR 0.6 billion, mainly relating to bonds issued by German administrations and by financial institutions in the Eurozone.

Loans and receivables due from credit institutions stood at EUR 15.5 billion as at 30 June 2015, EUR 1.3 billion or 9% higher than EUR 14.2 billion at the end of last year. Higher nostro accounts in Belgium and BNP Paribas Fortis branch in the Netherlands contributed each EUR 0.6 billion to this increase.

Loans and receivables due from customers increased by EUR 12.8 billion or 8% to reach EUR 179.7 billion as at 30 June 2015 compared with EUR 166.9 billion at the end of 2014. Significant increase in reverse repurchase activities contributed EUR 7.3 billion. Loans to customers grew by 5.6 billion, largely driven by a strong increase in customer loans in Belgium (EUR 4.1 billion) mainly in mortgage and term loans. Furthermore, TEB Bank's business continued to expand with its term loans increasing by EUR 0.9 billion. Mortgage loans in Luxemburg increased slightly by EUR 0.2 billion while term loans increased by EUR 0.3 billion in BNP Paribas Fortis branch in the Netherlands. The increase in loans to customers was offset by EUR 0.6 billion decrease in securities classified as loans and receivables, mainly due to reimbursements in the structured credit portfolio and the sale of Portuguese government bonds. Finance leases increased by EUR 0.4 billion primarily in Italy.

Accrued income and other assets decreased by EUR 2.4 billion or - 21% standing at EUR 9.2 billion at 30 June 2015 compared with EUR 11.6 billion last year. Cash collateral decreased by EUR 1.4 billion mainly attributable to lower margin calls on derivative transactions with BNP Paribas Group, mainly resulting from the increase of interest rate in the second quarter of 2015. Other assets decreased by EUR 0.9 billion.

Equity-method investments amounted to EUR 4.4 billion at 30 June 2015, increased by EUR 0.5 billion or 10% versus the end of 2014. This is linked with the entry into the consolidation scope of the merged Bank BGŻ BNP Paribas SA during the second quarter of 2015. Bank BGŻ BNP Paribas SA is consolidated by equity method. Its contribution to the consolidated balance sheet as at 30 June 2015 amounted to EUR 0.4 billion. Furthermore, the sale of Cronos entity in the first quarter of 2015 gave rise to a decrease in equity-method investments of EUR 0.1 billion.

Assets classified as held for sale stood at EUR 5.3 billion at the end of 2014. This was related to the classification as 'held for sale' of the assets and liabilities of BNP Paribas Bank Polska pursuant to the planned merger between BNP Paribas Bank Polska and BGŻ Bank. The merger was completed on 30 April 2015.

Liabilities and equity

Due to central banks and post office banks amounted to EUR 2.5 billion, up by EUR 2.2 billion compared with the end of last year. This increase results from deposits by the Central bank of Russia (EUR 1.7 billion) and the Central bank of Poland (EUR 0.4 billion).

Financial liabilities at fair value through profit or loss increased by EUR 0.6 billion or 2% reaching at EUR 27.6 billion at 30 June 2015 compared with EUR 27 billion last year. Trading activities in both repurchase transactions and securities portfolios increased by EUR 2.2 billion and EUR 0.5 billion respectively while the fair value of derivatives instruments decreased by EUR 1.7 billion owing to interest rate increases as from the second quarter of 2015. In addition, liabilities held at fair value decreased by EUR 0.5 billion due to reimbursements.

Due to credit institutions stood at EUR 16.7 billion as at 30 June 2015, EUR 1.2 billion or 8% higher compared with EUR 15.5 billion at the end of 2014. The increase is mainly related to higher demand deposits and interbank borrowings of EUR 1.4 billion primarily in BNP Paribas Fortis linked with deposit placed by the Central bank of Russia (EUR 1.2 billion) and in Turkey (EUR 0.4 billion), offset by a slight decrease of the repurchase activities of EUR 0.2 billion.

Due to customers grew by EUR 5.6 billion or 3% to stand at EUR 173.4 billion as at 30 June 2015, compared with EUR 167.8 billion last year, thanks to strong growth of customer deposits (current and saving accounts) of EUR 4.3 billion mainly in Belgium (EUR 3.4 billion), Luxemburg (EUR 1.3 billion) and Turkey (EUR 0.6 billion). In addition, customer deposits in BNP Paribas Fortis branches in New York and in the Netherlands decreased by EUR 1.5 billion offset by slight increases observed in the branches in Spain and in Austria (EUR 0.4 billion). Repurchase agreement activities increased by EUR 1.3 billion in Belgium.

Debt securities increased by EUR 1.8 billion or 15% reaching EUR 13.9 billion as at 30 June 2015, compared with EUR 12.1 billion at the end of 2014. The increase is to a large extent driven by new issuances of commercial paper in Belgium for EUR 1.8 billion and in the US branch for EUR 2.0 billion offset by a decrease of EUR 1.0 billion resulting from reimbursements.

Accrued expenses and other liabilities decreased slightly by EUR 0.3 billion or -4% amounting to EUR 7.1 billion as at 30 June 2015 compared with EUR 7.4 billion last year, mainly explained by lower balances on the margin call accounts (cash collateral on derivatives).

Provisions for contingencies and charges came in at EUR 4.1 billion, down by EUR 0.2 billion compared with EUR 4.3 billion at the end of 2014, thanks to lower provisions for employee benefits as a consequence of an increase of the discount rate.

Subordinated debt remained nearly unchanged, amounting to EUR 4.2 billion with a small decrease of EUR 0.1 billion or – 3% compared with EUR 4.3 billion last year, due to the reimbursements of redeemable subordinated debt.

Liabilities classified as held for sale amounted to EUR 4.7 billion at the end of 2014. This item referred to the classification as 'held for sale' of the assets and liabilities of BNP Paribas Bank Polska linked with the planned merger between BNP Paribas Bank Polska and BGŻ Bank. The merger was completed on 30 April 2015.

Shareholders' equity amounted to EUR 19.9 billion as at 30 June 2015, down by EUR 0.4 billion compared with EUR 20.3 billion at the end of last year. Net income for the first half of 2015 contributed to EUR 0.8 billion offset by the dividend payment of EUR 1.2 billion. Changes in assets and liabilities directly recognised in equity increased by EUR 36 million, thanks to unrealised gains of EUR 95 million concerning employee benefits as a result of an increase in discount rate, offset by lower foreign translation difference of EUR (68) million induced by the depreciation of the Turkish lira against EURO in the course of 2015.

Minority interests stood at EUR 5.1 billion as at 30 June 2015, nearly at the same level as last year. The net income of the first half of 2015 amounted to EUR 0.2 billion offset by the payment of dividend (EUR 0.1 billion). Further to the merger between BNP Paribas Bank Polska and BGŻ bank in 2015, the de-recognition of the assets and liabilities of BNP Paribas Bank Polska gave rise to a decrease of EUR 71 million in the minority interests, representing the 15% stake held by the minority shareholders of BNP Paribas Bank Polska.

Liquidity and solvency

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at EUR 171 billion and customer loans at EUR 167 billion at 30 June 2015.

Customer deposits consist of the 'due to customers' figure excluding 'repurchase agreements'. Customer loans are loans and receivables due from customers excluding 'securities classified as loans and receivables' and 'reverse repurchase agreements'.

BNP Paribas Fortis' solvency stood well above the minimum regulatory requirements. At 30 June 2015, BNP Paribas Fortis' phased-in Basel III Common Equity Tier 1 ratio (CET1 ratio, taking into account the CRD4 rules with application of the current transitional provisions) stood at 14.2 %. Total risk-weighted assets amounted to EUR 127.8 billion at 30 June 2015, of which EUR 105.1 billion are related to credit risk, EUR 2.6 billion to market risk and EUR 8.3 billion to operational risk, while counterparty risk, securitisation and equity risk worked out at EUR 2.7 billion, EUR 3.5 billion and EUR 5.6 billion respectively.

This section was not reviewed by the External auditors.

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 Note 4 'Risk management and capital adequacy' of the BNP Paribas Fortis Consolidated Financial Statements 2014.

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 and following the restructuring of BNP Paribas Fortis and BNP Paribas Fortis Group in late September/early October 2008, as further described in Note 6.a 'Contingent liabilities: legal proceedings and arbitration' of the BNP Paribas Fortis Consolidated Interim Financial Statements 2015.

Events after the reporting period are further described in note 6.g 'Events after the reporting period' of the BNP Paribas Fortis Interim Financial Statements for the first half year of 2015.

Statement of the Board of Directors

In accordance with article 13 of the Royal Decree of 14 November 2007, we confirm that, to the best of our knowledge, as at 30 June 2015:

(a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position of BNP Paribas Fortis and the undertakings included in the consolidation as of 30 June 2015 and of the result and cash-flows of the period then ended.

(b) the interim management report 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.

(c) The Board of Directors reviewed the BNP Paribas Fortis consolidated interim financial statements on 28 August 2015 and authorised their issue.

Brussels, 28 August 2015
The Board of Directors of BNP Paribas Fortis SA/NV

Composition of the Board of Directors

On 30 June 2015, the composition of the Board of Directors is as follows:

DAEMS Herman
Chairman of the Board of Directors; non-Executive Director; member of the Board of Directors since 14 May 2009. Board member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

JADOT Maxime
Executive Director; Chairman of the Executive Board since 1 March 2011; member of the Board of Directors by co-optation since 13 January 2011.
Board member mandate was renewed on 23 April 2015 and expires at the 2019 Ordinary Annual General Meeting of Shareholders.

DIERCKX Filip
Executive Director; Vice Chairman of the Executive Board; member of the Board of Directors since 28 October 1998. Board member mandate renewed on 18 April 2013, expires at the 2017 Ordinary Annual General Meeting of Shareholders.

MENNICKEN Thomas
Executive Director; member of the Board of Directors and the Executive Board since 14 May 2009
Board member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

VANDEKERCKHOVE Peter
Executive Director; member of the Board of Directors and the Executive Board since 21 April 2011.
Board member mandate was renewed on 23 April 2015 and expires at the 2019 Ordinary Annual General Meeting of Shareholders.

BEAUVOIS Didier
Executive Director; member of the Board of Directors (by co-optation) and the Executive Board since 12 June 2014 following the resignation of Dominique REMY on 8 May 2014. Board member mandate was confirmed and renewed on 23 April 2015 and expires at the 2019 Ordinary Annual General Meeting of Shareholders.

BONNAFÉ Jean-Laurent
Non-Executive Director; member of the Board of Directors since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

BOOGMANS Dirk
Independent non-Executive Director; member of the Board of Directors since 1 October 2009.
Board member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

d'ASPREMONT LYNDEN Antoinette
Independent non-Executive Director; member of the Board of Directors since 19 April 2012
Board member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

DECRAENE Stefaan
Non-Executive Director; member of the Board of Directors since 18 April 2013. Board member mandate expires at the 2017 Ordinary Annual General Meeting of Shareholders.

DUTORDOIR Sophie
Independent non-Executive Director; member of the Board of Directors by co-optation since 30 November 2010.
Board member mandate was renewed on 23 April 2015 and expires at the 2019 Ordinary Annual General Meeting of Shareholders.

PAPIASSE Alain
Non-Executive Director; member of the Board of Directors since 14 May 2009.
Board member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

VARÈNE Thierry
Non-Executive Director; member of the Board of Directors since 14 May 2009.
Board member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

The BNP Paribas Fortis Board of Directors, which is responsible for setting general policy and supervising the activities of the Executive Board, is currently composed of thirteen directors, of whom eight are non-Executive Directors (three of these appointed as independent Directors in compliance with the criteria laid down in article 526ter of the Companies Code) and five are Executive Directors.

College of accredited Statutory Auditors:

- PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises sccrl, represented by Mr Damien WALGRAVE
- Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises SC sfd SCRL, represented by Mr Yves DEHOGNE and Bernard DE MEULEMEESTER.

BNP Paribas Fortis Consolidated Interim Financial Statements

Prepared in accordance with
IAS 34 'Interim Financial Reporting'
as adopted by the European Union

Profit and loss account for the first half of 2015

In millions of euros	Notes	First half 2015	Restated First half 2014 [1]
Interest income	3.a	4,769	4,215
Interest expense	3.a	(2,005)	(1,794)
Commission income	3.b	1,266	1,195
Commission expense	3.b	(406)	(390)
Net gain/loss on financial instruments at fair value through profit or loss	3.c	85	101
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	3.d	31	103
Income from other activities	3.e	191	217
Expense on other activities	3.e	(202)	(195)
REVENUES		**3,729**	**3,452**
Salary and employee benefit expense		(1,237)	(1,269)
Other operating expenses		(1,018)	(947)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(109)	(105)
GROSS OPERATING INCOME		**1,365**	**1,131**
Cost of risk	3.f	(209)	(160)
OPERATING INCOME		**1,156**	**971**
Share of earnings of equity-method entities		91	79
Net gain on non-current assets		134	2
Goodwill	5.i	-	-
PRE-TAX INCOME		**1,381**	**1,052**
Corporate income tax	3.g	(341)	(292)
NET INCOME BEFORE DISCONTINUED OPERATIONS		**1,040**	**760**
Net result of discontinued operations			
NET INCOME		**1,040**	**760**
Net income attributable to minority interests		229	193
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**811**	**567**

(1) *Figures restated according to IFRIC 21 interpretation (see Notes 1.a and 2.)*

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

In millions of euros	First half 2015	Restated First half 2014 [1]
Net income for the period	**1,040**	**760**
Changes in assets and liabilities recognised directly in equity	**56**	**487**
Items that are or may be reclassified to profit or loss	**(48)**	**590**
Items related to exchange rate movements	(62)	50
of which deferred tax	8	4
Changes in fair value of available-for-sale financial assets, including those reclassified as loans and receivables	(38)	235
of which deferred tax	29	(106)
Changes in fair value of available-for-sale assets reported in net income, including those reclassified as loans and receivables	(10)	(21)
of which deferred tax	4	4
Changes in fair value of hedging instruments designated as cash flow hedges	14	47
of which deferred tax	4	(32)
Changes in fair value of hedging instruments designated as cash flow hedges reported in net income	1	5
of which deferred tax	-	(1)
Items related to equity-method investments	47	274
of which deferred tax	-	(130)
Items that will not be reclassified to profit or loss	**104**	**(103)**
Remeasurement gains (losses) related to post-employment benefit plans	98	(93)
of which deferred tax	(43)	40
Items related to equity-method investments	6	(10)
of which deferred tax	(3)	5
TOTAL	**1,096**	**1,247**
- Attributable to equity shareholders	847	1,006
- Attributable to minority interests	249	241

[1] *Figures restated according to IFRIC 21 interpretation (see Notes 1.a and 2.)*

Balance sheet at 30 June 2015

In millions of euros	Note	30 June 2015	Restated 31 December 2014 [1]
ASSETS			
Cash and amounts due from central banks		8,191	10,758
Financial instruments at fair value through profit or loss	5.a	21,831	19,688
Derivatives used for hedging purposes		1,797	1,948
Available-for-sale financial assets	5.b	32,568	32,663
Loans and receivables due from credit institutions	5.d	15,488	14,207
Loans and receivables due from customers	5.e	179,672	166,851
Remeasurement adjustment on interest-rate risk hedged portfolios		1,150	1,445
Held-to-maturity financial assets		601	1,141
Current and deferred tax assets	5.g	2,885	3,161
Accrued income and other assets	5.h	9,210	11,585
Equity-method investments		4,353	3,948
Investment property		137	147
Property, plant and equipment		1,863	1,889
Intangible assets		177	173
Goodwill	5.i	319	328
Assets classified as held for sale		-	5,274
TOTAL ASSETS		**280,242**	**275,206**
LIABILITIES			
Due to central banks		2,519	337
Financial instruments at fair value through profit or loss	5.a	27,615	27,047
Derivatives used for hedging purposes		4,102	4,380
Due to credit institutions	5.d	16,653	15,472
Due to customers	5.e	173,401	167,800
Debt securities	5.f	13,850	12,063
Remeasurement adjustment on interest-rate risk hedged portfolios		970	1,250
Current and deferred tax liabilities	5.g	686	676
Accrued expenses and other liabilities	5.h	7,120	7,437
Provisions for contingencies and charges	5.j	4,123	4,281
Subordinated debt	5.f	4,218	4,333
Liabilities classified as held for sale		-	4,735
TOTAL LIABILITIES		**255,257**	**249,811**
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*9,605*	*9,605*
Retained earnings		*8,626*	*8,518*
Net income for the period attributable to shareholders		*811*	*1,246*
Total capital, retained earnings and net income for the period attributable to shareholders		19,042	19,369
Change in assets and liabilities recognised directly in equity		827	886
Shareholders' equity		**19,869**	**20,255**
Retained earnings and net income for the period attributable to minority interests		4,931	4,966
Changes in assets and liabilities recognised directly in equity		185	174
Total minority interests		**5,116**	**5,140**
TOTAL CONSOLIDATED EQUITY		**24,985**	**25,395**
TOTAL LIABILITIES AND EQUITY		**280,242**	**275,206**

(1) *Figures restated according to IFRIC 21 interpretation (see Notes 1.a and 2.)*

Cash flow statement for the first half of 2015

In millions of euros	Notes	First half 2015	Restated First half 2014[1]
Pre-tax income		**1,381**	**1,052**
Non-monetary items included in pre-tax net income and other adjustments		**1,375**	**(691)**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		143	142
Impairment of goodwill and other non-current assets		(7)	(4)
Net addition to provisions		180	(54)
Share of earnings of associates		(91)	(79)
Net expense (income) from investing activities		(98)	271
Net expense from financing activities		-	-
Other movements		1,248	(967)
Decrease in cash related to assets and liabilities generated by operating activities		**(3,453)**	**(1,047)**
Increase in cash related to transactions with credit institutions		826	1,384
Decrease in cash related to transactions with customers		(3,954)	(1,118)
Decrease in cash related to transactions involving other financial assets and liabilities		(267)	(1,133)
Decrease in cash related to transactions involving non-financial assets and liabilities		(7)	(14)
Taxes paid		(51)	(166)
DECREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		**(697)**	**(686)**
DECREASE IN CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES		**(117)**	**(70)**
Net increase (decrease) in cash related to acquisitions and disposals of consolidated entities		113	(25)
Decrease related to property, plant and equipment and intangible assets		(120)	(143)
DECREASE IN CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES		**(7)**	**(168)**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES		**(232)**	**7**
Decrease in cash and equivalents related to transactions with shareholders		(1,297)	(437)
Decrease in cash and equivalents generated by other financing activities		(1,505)	(336)
DECREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		**(2,802)**	**(773)**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES		**-**	**(7)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS		**(16)**	**62**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**2**	**1**
Additional information:			
Interest paid		*(2,247)*	*(2,013)*
Interest received		*4,707*	*4,369*
Dividend paid/received		*(1,267)*	*(589)*
Balance of cash and equivalent accounts at the start of the period		**11,519**	**10,527**
Cash and amounts due from central banks		10,758	10,030
Due to central banks		(337)	(136)
On-demand deposits with credit institutions	5.d	2,254	2,616
On-demand loans from credit institutions	5.d	(1,156)	(1,983)
Deduction of receivables and accrued interest on cash and equivalents			
Balance of cash and equivalent accounts at the end of the period		**7,997**	**8,893**
Cash and amounts due from central banks		8,191	9,036
Due to central banks		(2,519)	(1,116)
On-demand deposits with credit institutions	5.d	3,631	2,855
On-demand loans from credit institutions	5.d	(1,306)	(1,882)
Deduction of receivables and accrued interest on cash and equivalents			
DECREASE IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**(3,522)**	**(1,634)**
Balance of cash and equivalent accounts of discontinued activities at the start of the period		347	-
Balance of cash and equivalent accounts of discontinued activities at the end of the period		-	-
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**(347)**	**-**

[1] *Figures restated according to IFRIC 21 interpretation (see Notes 1.a and 2.)*

Statement of changes in shareholders' equity between 1 January 2014 and 30 June 2015

	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity				
In millions of euros	**Share capital**	**Non-distributed reserves**	**Total**	**Exchange rate**	**Financial assets available for sale and reclassified as Loans and Receivables**	**Derivatives used for hedging purposes**	**Total**	**Total Shareholders' Equity**
Capital and retained earnings at 31 December 2013[(1)]	**9,605**	**8,775**	**18,380**	**(335)**	**502**	**116**	**283**	**18,663**
Other movements		29	29					29
Dividends		(387)	(387)					(387)
Changes in assets and liabilities recognised directly in equity		(95)	(95)	26	451	57	534	439
Net income for the first half year of 2014		**567**	**567**					**567**
Capital and retained earnings at 30 June 2014[(1)]	**9,605**	**8,889**	**18,494**	**(309)**	**953**	**173**	**817**	**19,311**
Other movements		191	191					191
Dividends			-					-
Changes in assets and liabilities recognised directly in equity		5	5	(146)	199	16	69	74
Net income for the second half year of 2014		**679**	**679**					**679**
Capital and retained earnings at 31 December 2014[(1)]	**9,605**	**9,764**	**19,369**	**(455)**	**1,152**	**189**	**886**	**20,255**
Other movements		14	14					14
Dividends		(1,247)	(1,247)					(1,247)
Changes in assets and liabilities recognised directly in equity		95	95	(69)	10		(59)	36
Net income for the first half of 2015		**811**	**811**					**811**
Capital and retained earnings at 30 June 2015[(1)]	**9,605**	**9,437**	**19,042**	**(524)**	**1,162**	**189**	**827**	**19,869**

(1) *Figures restated according to IFRIC 21 interpretation (see Notes 1.a and 2.)*

Changes in assets and liabilities recognised directly in equity presented in the column 'Non-distributed reserves' are related to the re-measurement of the net defined benefit liability (asset) which is not recycled to the profit and loss account. Further information can be found in Note 1.h.4 'Post-employment benefits' in the accounting policies section.

EUR 191 million in the line 'Other movements' in 2014 included a correction related to the put option granted to the minority shareholders of TEB holding A.S., resulting in an increase of EUR 108 million in shareholders' equity and a decrease of an equal amount in minority interests.

Minority interests between 1 January 2014 and 30 June 2015

In millions of euros	Capital and retained earnings	Exchange rates, Financial assets available for sale and reclassified as loans and receivables, Derivatives used for hedging purposes	Total minority interests
Capital and retained earnings at 31 December 2013[1]	**4,955**	**(147)**	**4,808**
Other movements	26		26
Dividends	(176)		(176)
Changes in assets and liabilities recognised directly in equity	(8)	56	48
Net income for the first half year of 2014	**193**		**193**
Capital and retained earnings at 30 June 2014[1]	**4,990**	**(91)**	**4,899**
Other movements	(200)		(200)
Dividends	(51)		(51)
Changes in assets and liabilities recognised directly in equity	3	265	268
Net income for the second half year of 2014	**224**		**224**
Capital and retained earnings at 31 December 2014[1]	**4,966**	**174**	**5,140**
Other movements	(142)		(142)
Dividends	(131)		(131)
Changes in assets and liabilities recognised directly in equity	9	11	20
Net income for the first half of 2015	**229**		**229**
Capital and retained earnings at 30 June 2015[1]	**4,931**	**185**	**5,116**

(1) *Figures restated according to IFRIC 21 interpretation (see Notes 1.a and 2.)*

Changes in assets and liabilities recognised directly in equity presented under 'Capital and retained earnings' are related to the re-measurement of the net defined benefit liabilities (assets) which are not recycled to the profit and loss account. Further information can be found in Note 1.h.4 'Post-employment benefits' in the accounting policies section.

EUR (200) million in the line 'Other movements' in 2014 included a correction related to the put option granted to the minority shareholders of TEB holding A.S., resulting in a decrease of EUR (108) million in minority interests and an increase of an equal amount in shareholders' equity.

Notes to the Consolidated Interim Financial Statements

Prepared in accordance with
IAS 34 'Interim Financial Reporting'
as adopted by the European Union

1 Summary of significant accounting policies applied by BNP Paribas Fortis

1.a 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, and certain recent texts have not yet undergone the approval process.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

As of 1 January 2015, BNP Paribas Fortis has applied the IFRIC 21 "Levies" interpretation. As this interpretation has a retrospective effect, the comparative financial statements as at 1 January, 30 June and 31 December 2014 have been restated as presented in note 2.

The introduction of other standards, which are mandatory as of 1 January 2015, has no effect on the condensed consolidated interim financial statements at 30 June 2015.

BNP Paribas Fortis did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union, whose application in 2015 is optional.

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:

- Belgium
- Luxembourg
- Other

Operating segments are components of BNP Paribas Fortis:

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

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

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

BNP Paribas Fortis and the legal entities that are part of the 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) *The full set of standards adopted for use in the European Union can be found on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.*

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. The consolidation of an entity is regarded as immaterial if its contribution to the consolidated financial statements is below the following three thresholds: EUR 15 million of consolidated revenues, EUR 10 million of consolidated net income before tax, EUR 500 million of total consolidated assets. 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

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 directly or indirectly holds the majority of voting rights and if there are no other agreements altering the power of these voting rights.

Structured entities are defined as entities that are not governed by voting rights, such as 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 shall be 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.

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, BNP Paribas Fortis accounts for its share of the assets, liabilities, revenues and expenses in accordance with the applicable IFRSs.

Enterprises over which BNP Paribas Fortis exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise without exercising control. Significant influence is presumed to exist when BNP Paribas Fortis holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and BNP Paribas Fortis effectively exercises significant influence. This applies to companies developed in partnership with other groups, where BNP Paribas Fortis participates in strategic decisions of the enterprise through representation on the Board of Directors or equivalent governing body, 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 on associates is also included under "Investments in equity-method entities".

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 a legal or constructive obligation to do so, or has made payments on behalf of this entity.

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 market 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.

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

1.c.3 Consolidation procedures

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

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 available-for-sale assets are maintained in the consolidated financial statements.

Translation of financial statements 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.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising from the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under "Exchange rates" for the portion attributable to shareholders, 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 euro zone, 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 translation adjustment at the date of liquidation or sale, determined according to the step method, is recognised in the profit and loss account.

Should the interest percentage held change without any modification in the nature of the investment, the translation adjustment is reallocated between the portion attributable to shareholders and that attributable to minority interests, if the enterprise is fully consolidated. For enterprises consolidated under the equity method, the portion related to the interest sold is recognised in the profit and loss account.

1.c.4 Business combinations 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 is 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), have 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 divided all its activities into cash-generating units [2], representing the reporting entities or groups of reporting entities of BNP Paribas Fortis. This split is consistent with the organisational structure and management methods of BNP Paribas Fortis, and reflects the independence of each reporting entity or group of reporting entities 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.

(2) *As defined by IAS 36*

Testing cash-generating units for impairment

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

Recoverable amount of a cash-generating unit

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

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

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by the Executive Committee, 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 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.

BNP Paribas Fortis has opted to apply the scope exemption for business combinations under common control, as set out in IFRS 3, also to the acquisition of an interest in an associate in a transaction under common control. As such, BNP Paribas Fortis will measure the value of its share in the net assets of the interest in an associate, acquired in a transaction under common control, based on the predecessor carrying amounts as determined and reported by the transferring entity in the Consolidated Financial Statements of BNP Paribas at the date of the transfer.

1.d Financial assets and financial liabilities

1.d.1 Loans and receivables

Loans and receivables include credit provided by BNP Paribas Fortis, the share of BNP Paribas Fortis in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as "Available-for-sale financial assets" and measured using the methods applicable to this category.

Loans and receivables are initially measured at fair value or equivalent, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments when the probability of drawdown is low, or when there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

1.d.2 Securities

Categories of securities

Securities held by BNP Paribas Fortis are classified into one of four categories.

Financial assets at fair value through profit or loss

Apart from derivative instruments, financial assets at fair value through profit or loss are composed of:

- financial assets held for trading purposes
- financial assets that BNP Paribas Fortis has designated, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.d.10.

Securities in this category are measured at fair value at the balance sheet date. Transaction costs are directly posted in the profit and loss account. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

Income earned on fixed-income securities classified into this category is shown under "Interest income" in the profit and loss account.

Fair value incorporates an assessment of the counterparty risk on these securities.

Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as "Loans and receivables" if they do not meet the criteria to be classified as "Financial assets at fair value through profit or loss". These securities are measured and recognised as described in section 1.d.1.

Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that BNP Paribas Fortis has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as "fair value through profit or loss" or "held-to-maturity" or "loans and receivables".

Assets included in the available-for-sale category are initially recorded at fair value, plus transaction costs where material. At the balance sheet date, they are remeasured at fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity. Upon disposal, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line "Net gain/loss on available-for-sale financial assets". The same applies in the event of impairment.

Income recognised using the effective interest method for fixed-income available-for-sale securities is recorded under "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised under "Net gain/loss on available-for-sale financial assets" when BNP Paribas Fortis' right to receive payment is established.

Repurchase agreements and securities lending/borrowing

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

Securities temporarily acquired under reverse repurchase agreements are not recognised in BNP Paribas Fortis' balance sheet. The corresponding receivable is recognised under "Loans and receivables" except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under "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".

Date of recognition for securities transactions

Securities classified as at fair value through profit or loss, held-to-maturity or available-for-sale financial assets are recognised at the trade date.

Regardless of their classification (at fair value through profit or loss, loans and receivables or debt), temporary sales of securities as well as sales of borrowed securities are initially recognised at the settlement date. For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognized between the trade date and the settlement date when the transactions are recognised, respectively, as "Loans and receivables" and "Liabilities". When reverse repurchase agreements and repurchase agreements are recognised, respectively, as "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", the repurchase commitment is recognised as a derivative financial instrument.

Securities transactions are carried on the balance sheet until BNP Paribas Fortis' rights to receive the related cash flows expire, or until BNP Paribas Fortis has substantially transferred all the risks and rewards related to ownership of the securities.

1.d.3 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 Group entity at the closing rate. Translation 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 if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified under "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified under "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

1.d.4 Impairment and restructuring of financial assets

Doubtful assets

Doubtful assets are defined as assets where the Bank considers that there is a risk that the debtors will be unable to honour all or part of their commitments.

Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future

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

cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by BNP Paribas Fortis, with the probability of drawdown taken into account in any assessment of financing commitments.

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

- the existence of accounts that are more than three months past due (six months past due for real estate loans and loans to local authorities);
- knowledge or indications that the borrower meets significant financial difficulty, 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 experiencing financial difficulty (see section "Restructuring of assets classified as "Loans and receivables").

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in the profit and loss account under "Cost of risk". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the theoretical income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the profit and loss account.

Impairment losses on loans and receivables are usually recorded in a separate provision account which reduces the amount for which the loan or receivable was recorded in assets upon initial recognition. Provisions relating to off-balance sheet financial instruments, financing and guarantee commitments or disputes are recognised in liabilities. Impaired receivables are written off in whole or in part and the corresponding provision is reversed for the amount of the loss when all other means available to the Bank for recovering the receivables or guarantees have failed, or when all or part of the receivables have been waived.

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables BNP Paribas Fortis to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are recognised in the profit and loss account under "Cost of risk".

Based on the experienced judgement of the Bank's divisions or Risk Management, BNP Paribas Fortis may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis and is based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts BNP Paribas Fortis to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

Apart from the identification criteria, BNP Paribas Fortis has determined three indications of impairment, one being a significant decline in price, defined as a fall of more than 50% of the acquisition price, another being a prolonged decline over two consecutive years and the final one being a decline on average of at least 30% over an observation period of one year. BNP Paribas Fortis believes that a period of two years is what is necessary for a moderate decline in price below the purchase cost to be considered as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but which represents a lasting phenomenon justifying an impairment.

A similar method is applied for variable-income securities not quoted in an active market. Any impairment is then determined based on the model value.

In the case of fixed-income securities, impairment is assessed based on the same criteria applied to individually impaired loans and receivables. For securities quoted in an active market, impairment is determined based on the quoted price. For all the others, it is determined based on model value.

Impairment losses taken against variable-income securities are recognised as a component of Revenues on the line "Net gain/loss on available-for-sale financial assets", and may not be reversed through the profit and loss account until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

Impairment losses taken against fixed-income securities are recognised under "Cost of risk", and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Restructuring of assets classified as "Loans and receivables"

The restructuring of an asset classified in loans and receivables is considered to be a troubled debt restructuring when the Bank, for economic or legal reasons related to the borrower's financial difficulties, agrees to a modification of terms of the original transaction that it would not otherwise consider, resulting in the borrower's contractual obligation to the Bank, measured at present value, being reduced compared with the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate.

The decrease in the asset value is recognised in the profit and loss account under "Cost of risk".

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt (see note 1.d.14) and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in profit or loss under "Cost of risk".

1.d.5 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near term, out of "Financial assets at fair value through profit or loss" and into:
  - "Loans and receivables" if the asset meets the definition for this category and BNP Paribas Fortis has the intention and ability to hold the asset for the foreseeable future or until maturity; or
  - other categories only under rare circumstances when justified and provided that the reclassified assets meet the conditions applicable to the host portfolio.
- out of "Available-for-sale financial assets" and into:
  - "Loans and receivables" with the same conditions as set out above for "Financial assets at fair value through profit or loss";
  - "Held-to-maturity financial assets", for assets that have a maturity, or "Financial assets at cost", for unlisted variable-income assets.

Financial assets are reclassified at fair value, or at the value calculated by a model, on the reclassification date. Any derivatives embedded in the reclassified financial assets are recognised separately and changes in fair value are recognised through profit or loss.

After reclassification, assets are recognised according to the provisions applied to the host portfolio. The transfer price on the reclassification date is deemed to be the initial cost of the asset for the purpose of determining any impairment.

In the event of reclassification from "available-for-sale financial assets"' to another category, gains or losses previously recognised through equity are amortised to profit or loss over the residual life of the instrument using the effective interest method.

Any upward revisions to the estimated recoverable amounts are recognised through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the financial asset's carrying amount.

1.d.6 Issues of debt securities

Financial instruments issued by BNP Paribas Fortis are qualified as debt instruments if, in issuing the instruments, BNP Paribas Fortis 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.

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

Bonds redeemable for or convertible into BNP Paribas Fortis' equity instruments are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

1.d.7 Own equity instruments and own equity instrument derivatives

The term "own equity instruments" refers to shares issued by the parent company (BNP Paribas SA) 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 BNP Paribas Fortis shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially 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.

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 depending on whether they are settled 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 must recognise the debt at its present value with an offsetting entry in equity.

1.d.8 Derivative instruments and hedge accounting

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in "Financial assets at fair value through profit or loss" when their fair value is positive, and in "Financial liabilities at fair value through profit or loss" when their fair value is negative. Realised and unrealised gains and losses are recognised in the profit and loss account on the line "Net gain/loss on financial instruments at fair value through profit or loss".

Derivatives and hedge accounting

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 underlyings;

- 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 underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings 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, "Unrealised or deferred gains or losses". 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 currency derivatives or any other non-derivative financial instrument.

Embedded derivatives

Derivatives embedded in hybrid financial instruments are separated from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss, and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

1.d.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 maximize the use of observable inputs and minimize 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 generally 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 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, 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.d.10 Financial assets and liabilities designated as at fair value through profit or loss (fair value option)

Financial assets or financial liabilities may be designated on initial recognition as at fair value through profit or loss, in the following cases:

- hybrid financial instruments containing one or more embedded derivatives which otherwise would have been separated and accounted for separately;
- where 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 arise if they were to be classified in separate categories;
- when a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, in accordance with a documented risk management and investment strategy.

1.d.11 Income and expenses arising from financial assets and financial liabilities

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation 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.

The method used by BNP Paribas Fortis to recognise service-related commission income and expenses depends on the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under "Commission income and expense". Commission payable or receivable for recurring services is recognised over the term of the service, also under "Commission income and expense".

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Revenues.

1.d.12 Cost of risk

Cost of risk includes movements in provisions for impairment of fixed-income securities and loans and receivables due from customers and credit institutions, movements in provisions for financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off. This caption also includes impairment losses recorded with respect to default risk incurred on counterparties for over-the-counter financial instruments, as well as expenses relating to fraud and to disputes inherent to the financing business.

1.d.13 Derecognition of financial assets and financial liabilities

BNP Paribas Fortis derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when BNP Paribas Fortis transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, BNP Paribas Fortis retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

BNP Paribas Fortis derecognises all or part of a financial liability when the liability is extinguished in full or in part.

1.d.14 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 traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the balance sheet.

1.e 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.

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.

Investment property comprises property assets held to generate rental income and capital gains.

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 only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

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".

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.f Leases

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

1.f.1 Lessor accounting

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.

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

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 the lease term. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight-line basis over the lease term. Lease payments and depreciation expenses are taken to the profit and loss account under "Income from other activities" and "Expense on other activities".

1.f.2 Lessee accounting

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

Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. The lease obligation is accounted for at amortised cost.

Operating leases

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight-line basis over the lease term.

1.g Non-current assets held for sale and discontinued operations

Where BNP Paribas Fortis decides to sell non-current assets 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 "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

Once classified in this category, non-current assets and groups 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.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

1.h Employee benefits

Employee benefits are classified in one of 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.

1.h.1 Short-term benefits

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

1.h.2 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.

1.h.3 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..

1.h.4 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 entities 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 other comprehensive income 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.i 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.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the share-based payment granted to the employee.

BNP Paribas Fortis grants employees stock subscription option plans and deferred share-based or share price-linked cash-settled compensation plans, and also offers them the possibility to purchase specially-issued BNP Paribas shares at a discount, on condition that they retain the shares for a specified period.

1.i.1 Stock option and share award plans

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

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

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

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

1.i.2 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.i.3 Share subscriptions or purchases offered to employees under the company savings plan

Share subscriptions or purchases offered to employees under the company savings plan at lower-than-market rates over a specified period do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of five years. This restriction is taken into account when measuring the benefit to the employees, which is reduced accordingly. Therefore, the benefit equals the difference, at the date the plan is announced to employees, between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee, multiplied by the number of shares acquired.

The cost of the mandatory five-year holding period is equivalent to the cost of a strategy involving the forward sale of shares subscribed at the time of the capital increase reserved for employees and the cash purchase of an equivalent number of BNP Paribas shares on the market, financed by a loan repaid at the end of a five-year period out of the proceeds from the forward sale transaction. The interest rate on the loan is the rate that would be applied to a five-year general purpose loan taken out by an individual with an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

1.j Provisions recorded under liabilities

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

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.k Current and deferred taxes

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.

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.

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.l 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 cash flows related to investment property, held-to-maturity financial assets and 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.m 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:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in active markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- whether a market is active or inactive for the purposes of using a valuation technique;
- impairment losses on variable-income financial assets classified as "Available-for-sale";
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and more generally of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges.

This is also the case for assumptions applied to assess the sensitivity of each type of market risk and the sensitivity of valuations to non-observable parameters.

2 Retrospective impact of the IFRIC 21 interpretation

As of 1 January 2015, BNP Paribas Fortis has applied the IFRIC 21 “Levies” interpretation in the consolidated financial statements. As this interpretation has a retrospective effect, the comparative financial statements as at 1 January, 30 June and 31 December 2014 have been restated.

The IFRIC 21 interpretation provides guidance on the timing for recognising levies that are accounted for in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. These levies are mainly classified as other operating expenses in the profit and loss account. Income taxes and equivalent taxes that are within the scope of IAS 12 “Income Taxes” are excluded from the scope of this interpretation. The obligating event that gives rise to the recognition of a levy which is within the scope of IFRIC 21 is the activity that triggers the payment of the levy, as identified by the legislation. Thus, some levies which were previously recognised progressively over the fiscal year (such as Financial Stability Contributions, Deposit Guarantee Schemes, Subscription tax and the “Contribution Sociale de Solidarité” in France), have to be accounted for as at 1 January in their entirety. The European Single Resolution fund is applied as from 1 January 2015 and has no retrospective impact for the year 2014.

Balance sheet

As regards the balance sheet as at 1 January 2014, applying IFRIC 21 triggers an increase of EUR 3 million in the shareholders’ equity, reflecting the de-recognition of the “Contribution Sociale de Solidarité”, which was previously recognised as an expense in 2013, while it was payable in 2014. This increase in shareholders’ equity is balanced by the EUR 4 million decrease in accrued expenses and the EUR 1 million decrease in deferred tax assets.

The following table presents impacts on the balance sheet as at 31 December 2014 according to the IFRIC 21 interpretation.

In millions of euros	31 December 2014 As published	31 December 2014 Restated IFRIC 21	IFRIC 21 adjustments
ASSETS	-		
Total impact on assets	**275,206**	**275,206**	
LIABILITIES			
Current and deferred tax liabilities	675	676	1
Accrued expenses and other liabilities	7,441	7,437	(4)
Total impact on liabilities	**249,814**	**249,811**	**(3)**
CONSOLIDATED EQUITY			
Retained earnings	*8,517*	*8,518*	*1*
Total capital, retained earnings and net income for the period attributable to shareholders	19,368	19,369	1
Shareholders' equity	**20,254**	**20,255**	**1**
Retained earnings and net income for the period attributable to minority interests	4,964	4,966	2
Total impact on minority interests	**5,138**	**5,140**	**2**
Total impact on consolidated equity	**25,392**	**25,395**	**3**
Total impact on liabilities and equity	**275,206**	**275,206**	

Profit and loss account

As regards the profit and loss account for the first half of 2014, the application of IFRIC 21 led to a EUR 128 million rise in other operating expenses, as well as an increase of EUR 42 million in the associated deferred tax gains.

The following table shows impacts on profit and loss account for the first half of 2014 according to the IFRIC 21 interpretation.

In millions of euros	First half 2014 as published	First half 2014 restated IFRIC 21	IFRIC 21 adjustments
Commission expense	(389)	(390)	(1)
REVENUES	**3,453**	**3,452**	**(1)**
Other operating expense	(819)	(947)	(128)
GROSS OPERATING INCOME	**1,260**	**1,131**	**(129)**
OPERATING INCOME	**1,100**	**971**	**(129)**
Share of earnings of associates	81	79	(2)
PRE-TAX INCOME	**1,183**	**1,052**	**(131)**
Corporate income tax	(334)	(292)	42
NET INCOME BEFORE DISCONTINUED OPERATIONS	**849**	**760**	**(89)**
NET INCOME	**849**	**760**	**(89)**
Net income attributable to minority interests	195	193	(2)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS	**654**	**567**	**(87)**

3 Notes to the profit and loss account for the first half year of 2015

3.a Net interest income

BNP Paribas Fortis includes under 'Interest income' and 'Interest expense' all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of a derivative instrument. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under 'Net gain/loss on financial instruments at fair value through profit or loss'. Net interest income also includes the upfront refinancing fees on mortgage loans in Belgium.

Interest income and expenses on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. In like manner, 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 millions of euros	First half 2015			First half 2014		
	Income	Expense	Net	Income	Expense	Net
Customer items	**3,424**	**(832)**	**2,592**	**3,274**	**(1,002)**	**2,272**
Deposits, loans and borrowings	3,082	(821)	2,261	2,934	(993)	1,941
Repurchase agreements	(3)	2	(1)	6	(1)	5
Finance leases	345	(13)	332	334	(8)	326
Interbank items	**152**	**(179)**	**(27)**	**180**	**(213)**	**(33)**
Deposits, loans and borrowings	136	(149)	(13)	177	(180)	(3)
Repurchase agreements	16	(30)	(14)	3	(33)	(30)
Debt securities issued	**-**	**(154)**	**(154)**	**-**	**(223)**	**(223)**
Cash flow hedge instruments	**207**	**(176)**	**31**	**131**	**(111)**	**20**
Interest rate portfolio hedge instruments	**657**	**(558)**	**99**	**238**	**(138)**	**100**
Trading Book	**45**	**(106)**	**(61)**	**55**	**(107)**	**(52)**
Fixed-income securities	9	-	9	11	-	11
Repurchase agreements	7	(1)	6	11	(13)	(2)
Loans / Borrowings	29	(35)	(6)	33	(30)	3
Debt securities	-	(70)	(70)	-	(64)	(64)
Available-for-sale financial assets	**264**	**-**	**264**	**308**	**-**	**308**
Held-to-maturity financial assets	**20**	**-**	**20**	**29**	**-**	**29**
Total interest income / (expense)	**4,769**	**(2,005)**	**2,764**	**4,215**	**(1,794)**	**2,421**

3.b Commission income and expense

Commission income and expense on financial instruments not measured at fair value through profit or loss amounted to EUR 221 million and EUR (44) million respectively during the first half of 2015, compared with income of EUR 253 million and expenses of EUR (51) million during the first half of 2014.

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

Net gain/loss on financial instruments at fair value through profit or loss includes all profit and loss items relating to financial instruments managed in the Trading Book and financial instruments (including dividends) that BNP Paribas Fortis has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in 'Net interest income' (Note 3.a).

In millions of euros	First half 2015	First half 2014
Trading Book	**59**	**61**
Interest rate and credit instruments	(36)	(69)
Equity financial instruments	124	91
Foreign exchange financial instruments	(32)	36
Other derivatives	2	1
Repurchase agreements	1	2
Financial instruments designated at fair value through profit or loss	**1**	**30**
Impact of hedge accounting	**25**	**10**
Hedging instruments	372	(300)
Items covered by fair value hedges	(347)	310
Total	**85**	**101**

Net gains on the Trading Book in 2015 and 2014 include a non-material amount relating to the ineffective portion of cash flow hedges.

3.d Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value

In millions of euros	First half 2015	First half 2014
Loans and receivables, fixed-income securities [(1)]	**28**	**102**
Equities and other variable-income securities	**3**	**1**
Dividend income	14	14
Additions to impairment provisions	(19)	(20)
Net disposal gains	8	7
Total	**31**	**103**

(1) *Interest income from fixed-income financial instruments is reported in 'Net interest income' (Note 3.a), and impairment losses relating to potential issuer defaults are included in 'Cost of risk' (Note 3.f).*

Upon sale of the available-for-sale securities, or where there is objective evidence of impairment, the unrealised gains or losses on these securities, recognised in other comprehensive income, are reclassified from equity to profit and loss. For the first half of 2015, this amounted to a gain of EUR 19 million, compared to a gain of EUR 27 million for the first half of 2014.

3.e Net income from other activities

	First half 2015			First half 2014		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Net income from investment property	18	(9)	9	17	(6)	11
Net income from assets held under operating leases	65	(47)	18	68	(50)	18
Other net income and expense	108	(146)	(38)	132	(139)	(7)
Total net income from other activities	**191**	**(202)**	**(11)**	**217**	**(195)**	**22**

3.f Cost of risk

Cost of risk represents the net amount of impairment losses recognised in respect of credit risks inherent in the banking intermediation activities, plus any increase in credit risk on over-the-counter derivatives with doubtful counterparties.

Cost of risk for the period

In millions of euros	First half 2015	First half 2014
Net allowances to impairment	(224)	(178)
Recoveries on loans and receivables previously written off	22	22
Irrecoverable loans and receivables not covered by impairment provisions	(7)	(4)
Total cost of risk for the period	**(209)**	**(160)**

Cost of risk for the period by asset type

In millions of euros	First half 2015	First half 2014
Loans and receivables due from credit institutions	(12)	8
Loans and receivables due from customers	(187)	(195)
Available-for-sale financial assets	-	-
Held-to-maturity financial assets	-	-
Financial instruments of trading activities	(5)	18
Other assets	-	3
Off-balance sheet commitments and other items	(5)	6
Total cost of risk for the period	**(209)**	**(160)**

3.g Corporate income tax

In millions of euros	First half 2015	Restated First half 2014
Net current tax expense	*(142)*	*(163)*
Net deferred tax expense	*(199)*	*(129)*
Corporate income tax expense	**(341)**	**(292)**

4 Segment information

4.a Operating segments

BNP Paribas Fortis in Belgium

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

In Retail & Private Banking (RPB), BNP Paribas Fortis has a solid footprint, serving 3.6 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through an extensive network of 797 branches, plus other channels such as ATMs, online banking facilities (including mobile banking) and phone banking. In its Retail banking activities, BNP Paribas Fortis operates under four complementary brands: the main brand BNP Paribas Fortis, plus Fintro, bpost bank/banque and Hello bank!, a 100% digital mobile banking service. In the insurance sector, BNP Paribas Fortis works in close cooperation with the Belgian market leader, AG Insurance.

Corporate & Public Bank, Belgium (CPBB) provides a comprehensive range of local and international financial services to Belgian enterprises, public entities and local authorities. The offering includes domestic banking products, specialist financial skills, and securities, insurance and real estate services. Skills include specialist trade services, cash management, factoring and leasing, plus M&A and capital markets activities. A central team of corporate bankers, relationship managers and skills officers ensures that BNP Paribas Fortis stays close to the market. This team, combined with the European network of business centres managed within Corporate & Institutional Banking, enables the Bank to offer unified commercial services to its Belgian clients locally and abroad.

Corporate & Institutional Banking (CIB) offers its clients (in Belgium and throughout Europe) full access to BNP Paribas CIB's product portfolio. CIB consists of five Business Lines: Capital Markets, Specialised Finance, Corporate Finance, Private Equity, and Transaction Banking Europe.

BNP Paribas Fortis 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.

BNP Paribas Fortis in other countries

The operating segment 'Other' covers all activities carried out by BNP Paribas Fortis outside Belgium and Luxembourg. This segment mainly comprises Türk Ekonomi Bankasi (TEB), Bank BGŻ BNP Paribas in Poland, BNP Paribas Leasing Solutions, BNP Paribas Investment Partners and the foreign branches of BNP Paribas Fortis.

BNP Paribas Fortis operates in Turkey via Türk Ekonomi Bankasi (TEB), in which it has a 48.72% 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.

In Poland, Bank BGŻ BNP Paribas S.A. is for 28.35% owned by BNP Paribas Fortis SA/NV. This is the result of the legal merger of BNP Paribas Bank Polska (in which BNP Paribas Fortis held 85% interest) with BGŻ S.A. (held by BNP Paribas by 88.98%) on 30 April 2015. Bank BGŻ BNP Paribas S.A. offers savings and investment products and a wide range of loans to its individual customers, while businesses (micro enterprises, SMEs and corporations) are provided with solutions for financing operations on the Polish and international market. The Bank specialises in financing agriculture, food economy and regional infrastructure. Bank BGŻ BNP Paribas S.A. has a wide network of own branches, both in large urban agglomerations and in smaller towns.

4.b Information by operating segment

Income and expense by operating segment

In millions of euros	First half 2015				Restated First half 2014			
	Belgium	Luxembourg	Other	Total	Belgium	Luxembourg	Other	Total
Revenues	**2,112**	**350**	**1,267**	**3,729**	**1,956**	**368**	**1,128**	**3,452**
Operating expense	(1,511)	(177)	(676)	(2,364)	(1,495)	(187)	(639)	(2,321)
Cost of risk	(68)	(4)	(137)	(209)	(54)	15	(121)	(160)
Operating Income	**533**	**169**	**454**	**1,156**	**407**	**196**	**368**	**971**
Non-operating items	71	-	154	225	(68)	-	149	81
Pre-tax income	**604**	**169**	**608**	**1,381**	**339**	**196**	**517**	**1,052**

Assets and liabilities by operating segment

In millions of euros	30 June 2015				31 December 2014			
	Belgium	Luxembourg	Other	Total	Belgium	Luxembourg	Other	Total
Assets	**186,817**	**24,060**	**69,365**	**280,242**	**179,673**	**22,971**	**72,562**	**275,206**
of which goodwill on acquisitions during the period	-	-	-	-	-	-	-	-
of which investments in associates and Joint ventures	1,164	89	3,100	4,353	1,140	89	2,719	3,948
Liabilities	**175,863**	**19,289**	**60,105**	**255,257**	**167,986**	**18,153**	**63,672**	**249,811**

The total assets of the TEB entities amounted to EUR 24,690 million at 30 June 2015.

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 30 June 2015, which are prepared in accordance with IFRSs 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	Revenues	Pre-tax income	Current tax	Deferred tax	Corporate income tax	FTEs	Nature of activities
Belgium	**2,187**	**713**	**(4)**	**(189)**	**(193)**	**15,124**	
of which: BNP Paribas Fortis NV/SA (Including Bass Master Issuer NV)	*1,984*	*496*	*9*	*(159)*	*(150)*	*14,566*	*Credit institution*
Turkey	**641**	**210**	**(39)**	**(3)**	**(42)**	**10,501**	
of which: Türk Ekonomi Bankası AS	*625*	*200*	*(39)*	*(2)*	*(41)*	*10,016*	*Credit institution*
Luxembourg	**359**	**194**	**(50)**	**7**	**(43)**	**2,372**	
of which: BGL BNP Paribas	*339*	*161*	*(48)*	*7*	*(41)*	*2,326*	*Credit institution*
France	**144**	**74**	**(41)**	**10**	**(31)**	**1,218**	
of which: BNP Paribas Lease Group BPLG	*89*	*37*	*(34)*	*13*	*(21)*	*1,185*	*Leasing firm*
Germany	**99**	**43**	**(9)**	**(4)**	**(13)**	**657**	
of which: Von Essen GMBH & CO. KG Bankgesellschaft	*54*	*24*	*(2)*	*(2)*	*(4)*	*332*	*Credit institution*
Poland	**68**	**(19)**	**(4)**	**9**	**5**	**6**	
of which: BNP Paribas Bank Polska S.A.(until 30 April 2015)	*66*	*(21)*	*(4)*	*9*	*5*	*-*	*Credit institution*
United Kingdom	**67**	**42**	**(9)**	**-**	**(9)**	**401**	
Spain	**45**	**31**	**20**	**(29)**	**(9)**	**261**	
The Netherlands	**35**	**6**	**(1)**	**1**	**-**	**265**	
Kosovo	**18**	**7**	**-**	**-**	**-**	**601**	
Other	**66**	**80**	**(5)**	**(1)**	**(6)**	**216**	
Total	**3,729**	**1,381**	**(142)**	**(199)**	**(341)**	**31,622**	

5 Notes to the balance sheet at 30 June 2015

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

Financial assets and liabilities at fair value through profit and loss

Financial assets and financial liabilities at fair value through profit or loss consist of held-for-trading transactions - including derivatives - and certain assets and liabilities designated by BNP Paribas Fortis as at fair value through profit or loss at the time of acquisition or issuance.

	30 June 2015		31 December 2014	
In millions of euros	**Trading Book**	**Instruments designated as at fair value through profit or loss**	**Trading Book**	**Instruments designated as at fair value through profit or loss**
Securities portfolio	4,028	527	2,145	529
Loans and repurchase agreements	8,228	1,488	5,777	1,509
Financial assets at fair value through profit or loss	**12,256**	**2,015**	**7,922**	**2,038**
Securities portfolio	2,932		2,382	
Borrowings and repurchase agreements	13,196	318	10,967	351
Debt securities (Note 5.f)		4,055		4,415
Subordinated debt (Note 5.f)		1,397		1,484
Financial liabilities at fair value through profit or loss	**16,128**	**5,770**	**13,349**	**6,250**

Detail of these assets and liabilities is provided in note 5.c.

Derivative financial instruments held for Trading

The majority of derivative financial instruments held for trading are related to transactions initiated for position management purposes. BNP Paribas Fortis actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as interest rate swaps and structured transactions with exotic pay-offs. The net position is in all cases subject to limits.

Trading Book derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which BNP Paribas Fortis has not documented a hedging relationship and as a consequence are classified as assets or liabilities held at fair value through profit or loss. These derivatives do not qualify for hedge accounting under IFRS. The positive or negative fair value of derivative instruments classified in the Trading Book represents the replacement value of these instruments. This value may fluctuate significantly in response to changes in market parameters such as interest rates or exchange rates.

	30 June 2015		31 December 2014	
In millions of euros	**Positive market value**	**Negative market value**	**Positive market value**	**Negative market value**
Interest rate derivative	5,466	4,192	7,736	5,921
Foreign exchange derivatives	1,370	1,412	1,415	1,429
Credit derivatives	19	17	30	26
Equity derivatives	704	96	546	72
Other derivatives	1		1	-
Derivative financial instruments	**7,560**	**5,717**	**9,728**	**7,448**

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.

	30 June 2015			31 December 2014		
In millions of euros	**Organised markets (1)**	**Over-the-counter**	**Total**	**Organised markets (1)**	**Over-the-counter**	**Total**
Interest rate derivatives	165,696	1,180,531	1,346,227	245,226	337,407	582,633
Foreign exchange derivatives	-	108,531	108,531	-	74,808	74,808
Equity derivatives	178	3,015	3,193	62	1,807	1,869
Credit derivatives		1,220	1,220	-	1,485	1,485
Other derivatives		3	3	-	9	9
Derivatives financial instruments			**1,459,174**			**660,804**

(1) *Financial instruments negotiated on organised markets are mainly traded with clearing houses*

5.b Available-for-sale financial assets

In millions of euros	30 June 2015 Net	30 June 2015 of which provisions for impairments recognised in the profit and loss account	30 June 2015 of which changes in value recognised directly in equity	31 December 2014 Net	31 December 2014 of which provisions for impairments recognised in the profit and loss account	31 December 2014 of which changes in value recognised directly in equity
Fixed-income securities	**31,961**	**(28)**	**558**	**32,067**	**(28)**	**723**
Treasury bills and Government bonds	23,075		346	23,793		467
Other fixed-income securities	8,886	(28)	212	8,274	(28)	256
Variable-income securities	**607**	**(512)**	**192**	**596**	**(493)**	**150**
Listed securities	42		20	33		12
Unlisted securities	565	(512)	172	563	(493)	138
Total available-for-sale financial assets	**32,568**	**(540)**	**750**	**32,663**	**(521)**	**873**

Changes in value recognised directly in equity are as follows:.

In millions of euros	30 June 2015 Fixed-income securities	30 June 2015 Equities and other variable-income securities	30 June 2015 Total	31 December 2014 Fixed-income securities	31 December 2014 Equities and other variable-income securities	31 December 2014 Total
Changes in value of non-hedged securities recognised in 'Available-for-sale financial assets'	**558**	**192**	**750**	**723**	**150**	**873**
Deferred tax linked to these changes in value	(61)	(12)	(73)	(100)	(5)	(105)
BNP Paribas Fortis' share of changes in value of available-for-sale securities owned by associates, after deferred tax and insurance policyholders' surplus reserve	803	118	921	801	86	887
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(355)		(355)	(398)		(398)
Other variations	(1)	1	-		1	1
Changes in value of assets taken directly to equity under the heading 'Financial assets available for sale and reclassified as loans and receivables'	**944**	**299**	**1,243**	**1,026**	**232**	**1,258**
Attributable to equity shareholders	872	290	1,162	928	224	1,152
Attributable to minority interests	72	9	81	98	8	106

5.c Measurement of the fair value of financial instruments

Valuation process

BNP Paribas Fortis follows the basic 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 its business decisions and risk management strategies.

Economic value is composed of mid-market value and additional 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.

Additional valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that might be incurred in the event of an exit transaction in the principal market. 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 collateralised derivative instruments, they include an explicit adjustment to the interbank interest rate (Funding Valuation Adjustment – FVA).

Fair value generally equals the economic value, subject to limited additional adjustments, such as own credit adjustments, which are specifically required by IFRS standards.

The main additional valuation adjustments are presented in the section below.

Additional valuation adjustments

Additional valuation adjustments used 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 for bearing 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, 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 creditworthiness of the counterparty is not reflected. It is intended to account for the possibility that the counterparty may default and that BNP Paribas Fortis may then 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 observation of CVA remains judgemental due to i) the 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 based 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 evolution, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes.

Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment - DVA): OCA and DVA are adjustments reflecting the effect of creditworthiness 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 Bank' own creditworthiness is inferred from the market-based observation of the relevant bond issuance levels.

Thus, the carrying value of debt securities and subordinated debt designated as at fair value though profit or loss had increased by EUR 61 million as at 30 June 2015, compared with an increase in value of EUR 63 million as at 31 December 2014, i.e. a EUR 2 million variation recognised in 'net gain/ loss on financial instruments at fair value through profit or loss' (Note 3.c).

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.d.10), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

The disaggregation of assets and liabilities into risk classes is meant to provide further insight into the nature of the instruments.

For derivatives, fair values are broken down by dominant risk factor, namely interest rate, foreign exchange, credit and equity risks. Derivatives used for hedging purposes are mainly interest rate derivatives.

In millions of euros	30 June 2015											
	Trading Book				Instruments designated as at fair value through profit or loss				Available-for-sale financial assets			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities portfolio	**3,922**	**106**	**-**	**4,028**	**160**	**97**	**270**	**527**	**24,371**	**7,635**	**562**	**32,568**
Treasury bills and government bonds	2,377	3		2,380				-	19,635	3,440		23,075
Asset Backed Securities	-	-	-	-	-	-	-	-	-	-	-	-
CDOs / CLOs				-				-				-
Other Asset Backed Securities				-				-				-
Other fixed-income securities	734	103	-	837	-	-	-	-	4,693	4,193	-	8,886
Equities and other variable-income securities	811	-	-	811	160	97	270	527	43	2	562	607
Loans and repurchase agreements	**-**	**8,030**	**198**	**8,228**	**-**	**1,488**	**-**	**1,488**				
Loans				-		1,488		1,488				
Repurchase agreements		8,030	198	8,228				-				
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,922**	**8,136**	**198**	**12,256**	**160**	**1,585**	**270**	**2,015**	**24,371**	**7,635**	**562**	**32,568**
Securities portfolio	**2,911**	**21**	**-**	**2,932**	**-**	**-**	**-**	**-**				
Treasury bills and government bonds	2,894			2,894				-				
Other fixed-income securities	17	6		23				-				
Equities and other variable-income securities		15		15				-				
Borrowings and repurchase agreements	**-**	**12,888**	**308**	**13,196**	**-**	**318**	**-**	**318**				
Borrowings				-		318		318				
Repurchase agreements		12,888	308	13,196				-				
Debt securities (Note 5.f)	**-**	**-**	**-**	**-**	**-**	**3,414**	**641**	**4,055**				
Subordinated debt (Note 5.f)	**-**	**-**	**-**	**-**	**-**	**1,387**	**10**	**1,397**				
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,911**	**12,909**	**308**	**16,128**	**-**	**5,119**	**651**	**5,770**				

In millions of euros	31 December 2014											
	Trading Book				Instruments designated as at fair value through profit or loss				Available-for-sale financial assets			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities portfolio	**2,035**	**110**	**-**	**2,145**	**137**	**87**	**305**	**529**	**24,389**	**7,713**	**561**	**32,663**
Treasury bills and government bonds	799	3		802				-	20,056	3,737		23,793
Asset Backed Securities	-	-	-	-	-	-	-	-	-	-	-	-
CDOs / CLOs				-				-				-
Other Asset Backed Securities				-				-				-
Other fixed-income securities	1,126	107		1,233				-	4,300	3,974		8,274
Equities and other variable-income securities	110			110	137	87	305	529	33	2	561	596
Loans and repurchase agreements	**-**	**5,572**	**205**	**5,777**	**-**	**1,509**	**-**	**1,509**				
Loans		4		4		1,509		1,509				
Repurchase agreements		5,568	205	5,773				-				
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,035**	**5,682**	**205**	**7,922**	**137**	**1,596**	**305**	**2,038**	**24,389**	**7,713**	**561**	**32,663**
Securities portfolio	**2,377**	**5**	**-**	**2,382**	**-**	**-**	**-**	**-**				
Treasury bills and government bonds	2,362			2,362				-				
Other fixed-income securities	15	4		19				-				
Equities and other variable-income securities		1		1				-				
Borrowings and repurchase agreements	**-**	**10,411**	**556**	**10,967**	**-**	**351**	**-**	**351**				
Borrowings				-		351		351				
Repurchase agreements		10,411	556	10,967				-				
Debt securities (Note 5.f)	**-**	**-**	**-**	**-**	**-**	**3,551**	**864**	**4,415**				
Subordinated debt (Note 5.f)	**-**	**-**	**-**	**-**	**-**	**1,474**	**10**	**1,484**				
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,377**	**10,416**	**556**	**13,349**	**-**	**5,376**	**874**	**6,250**				

In millions of euros	30 June 2015							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives		5,277	189	5,466		4,052	140	4,192
Foreign exchange derivatives		1,370		1,370		1,412		1,412
Credit derivatives		15	4	19		10	7	17
Equity derivatives		704		704		96		96
Other derivatives		1		1				-
Derivative financial instruments not used for hedging purposes	**-**	**7,367**	**193**	**7,560**	**-**	**5,570**	**147**	**5,717**
Derivative financial instruments used for hedging purposes	**-**	**1,797**		**1,797**	**-**	**4,102**	**-**	**4,102**

In millions of euros	31 December 2014							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives		7,716	20	7,736		5,906	15	5,921
Foreign exchange derivatives		1,415		1,415		1,429		1,429
Credit derivatives		30		30		20	6	26
Equity derivatives		546		546		72		72
Other derivatives		1		1				-
Derivative financial instruments not used for hedging purposes	**-**	**9,708**	**20**	**9,728**	**-**	**7,427**	**21**	**7,448**
Derivative financial instruments used for hedging purposes	**-**	**1,948**		**1,948**	**-**	**4,380**	**-**	**4,380**

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 end of the reporting period.

During the first half of 2015, 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 at each level in the hierarchy. It describes notably instruments classified at Level 3 and the associated valuation methodologies. For main Trading Book instruments and derivatives classified at Level 3, further quantitative information is provided about the inputs used to derive fair value.

Level 1:

This level encompasses all derivatives and securities that are listed on exchanges or quoted continuously in other active markets.

Level 1 includes notably equity securities and liquid bonds, short selling of these instruments, derivative instruments traded on organised markets (futures, options, etc) and participations in funds, for which the net asset value is calculated on a daily basis.

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, participations in funds and short-term securities such as certificates of deposit. They are classified at Level 2 mainly 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 inter alia consensus pricing services with a reasonable number of contributors that are active market makers and indicative runs from active brokers and/or dealers. Other sources such as the primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

Repurchase agreements are classified predominantly at Level 2; and the classification is primarily based on the observability and liquidity of the repo market for each type of collateral.

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: the Level 2 derivatives are composed of the following instruments:

- Vanilla instruments such as interest rates swaps, caps/floors and swaptions, credit default swaps, foreign exchange (FX) forwards and options
- Structured derivatives such as exotic FX and interest rate options

Derivatives are classified in the Level 2 category 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 by trading Level 1 or Level 2 instruments

- Fair value is derived from more complex or proprietary valuation techniques but is directly evidenced through regularly back-testing using external market-based data.

Determining 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 the 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 axes 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, such that the classification by level remains consistent with the valuation adjustment policy.

Level 3:

This level comprises unlisted securities, repurchase agreements and interest rate derivatives.

Unlisted private equities are classified as Level 3.

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.

Repurchase agreements: mainly long-term or structured repurchase agreements. 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 the available data such as the implied basis of a relevant benchmark bond pool, recent long-term repo trade data and price enquiry data. Valuation adjustments applicable to these exposures are commensurate with the degree of uncertainty inherent in the modelling choices and amount of data available.

Interest rate derivatives are classified at Level 3 when the exposure is beyond the observation zone for rate curves or volatility surfaces, or relates to less liquid markets such as emerging interest rates markets. The valuation technique is standard, and uses external market information and extrapolation techniques. Valuation adjustments for liquidity are taken for main yield and spread positions and specialised by currency and index.

- Vanilla derivatives (such as interest rate swaps and currency rate swaps) are subject to additional valuation adjustments linked to uncertainty on liquidity, specialised by the nature of underlying and liquidity bands.

- Complex derivatives classified at Level 3 comprise inflation derivatives and volatility swaps.

  Volatility swaps involve material model risk, as it is difficult to infer volatility information from the market-traded instruments. The valuation adjustment framework is calibrated to the uncertainty inherent in the product, and to the range of uncertainty from the existing external consensus data.

  Inflation derivatives classified at 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 the annual inflation 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, the products are classified as Level 3 due to the lack of liquidity and some uncertainties inherent in the calibration.

  These complex derivatives are subject to specific additional valuation adjustment so as to cover uncertainties linked to liquidity, parameters and model risk.

For the products discussed above, the following table provides the range of values of main unobservable inputs. The ranges displayed correspond to a variety of different underlyings 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.

Risk classes	Balance Sheet valuation		Main product types composing the Level 3 stock within the risk class	Valuation technique used for the product types considered in question	Main unobservable inputs for the product types considered in question	Range of unobservable input across Level 3 population considered in question	Weighted average
	Asset	Liability					
Repurchase agreements	198	308	Long-term repo and reverse-repo agreements	Proxy techniques, based inter alia 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-85 bp	47 bp (a)
Interest rate derivatives	189	140	Floors and caps on inflation rate or on the cumulative inflation (such as redemption floors), predominantly on European inflation	Inflation pricing model	Volatility of cumulative inflation	0.9% - 11%	(b)
					Volatility of the year on year inflation rate	0.4 % - 1.8 %	
			Forward volatility products such as volatility swaps, mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.4 % - 0.7%	(b)
Credit Derivatives	4	7	Single name Credit Default Swaps (other than CDS on ABSs and loans indices)	Stripping, extrapolation and interpolation	Credit default spreads beyond observation limit (10 years)	38 bp to 132 bp	104 bp (c)
					Illiquid credit default spread curves (across main tenors)	12 bp to 896 bp	193 bp (c)

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

(b) *No weighting since no explicit sensitivity is attributed to these inputs*

(c) *Weighting is not based on risks, but on alternative methodology in relation with the Level 3 instruments (PV or notional)*

Table of movements in level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 1 January 2014 and 30 June 2015:

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	Available-for-sale financial assets	TOTAL	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	TOTAL
At 31 December 2013	**822**	**436**	**533**	**1,791**	**388**	**196**	**584**
Purchases			49	49			-
Issues				-		344	344
Sales		(54)	(7)	(61)			-
Settlements	(10)		12	2	408	(32)	376
Transfers to level 3				-		480	480
Transfers from level 3	(678)			(678)	(184)	(112)	(296)
Gains or (losses) recognised in income for matured or disrupted operations in the period	91		(44)	47		(2)	(2)
Gains or (losses) recognised in income for instruments outstanding at the end of the period		(77)		(77)	(35)		(35)
- Exchange rate movements			1	1			-
- Changes in assets and liabilities recognised in equity			17	17			-
At 31 December 2014	**225**	**305**	**561**	**1,091**	**577**	**874**	**1,451**
Purchases			1	1			-
Issues				-		15	15
Sales				-			-
Settlements	43		(11)	32	(170)	(13)	(183)
Transfers to level 3	192			192	(68)	4	(64)
Transfers from level 3	(25)			(25)		(244)	(244)
Gains or (losses) recognised in income for matured or disrupted operations in the period			(19)	(19)	229	15	244
Gains or (losses) recognised in income for instruments outstanding at the end of the period	(44)	(35)		(79)	(113)		(113)
- Exchange rate movements				-			-
- Changes in assets and liabilities recognised in equity			30	30			-
At 30 June 2015	**391**	**270**	**562**	**1,223**	**455**	**651**	**1,106**

Transfers out of Level 3 of derivatives at fair value include mainly the lengthening of the observability tenor of certain yield curves, 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 end of the reporting period.

The Level 3 financial instruments may be hedged by other Level 1 and Level 2 instruments, the gains and losses on 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 in the judgements 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 are predominantly derived from the portfolio sensitivities which 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 the sensitivities, BNP Paribas Fortis either re-valued the financial instruments using reasonably possible inputs, or applied assumptions based on the additional valuation adjustment policy.

For derivative exposures, the sensitivity measurement is based on the additional credit valuation (CVA), the explicit funding valuation adjustment (FVA) and the parameter and model uncertainty additional adjustments related to Level 3.

Regarding the additional credit valuation (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 additional adjustments, two scenarios were considered: a favourable scenario where all or portion of the additional valuation adjustment is not considered by market participants, and an unfavourable scenario where market participants would require as much as twice the additional valuation adjustments considered by BNP Paribas for entering into a transaction.

In millions of euros	30 June 2015		31 December 2014	
	Potential impact on income	Potential impact on equity	Potential impact on income	Potential impact on equity
Treasury bills and government bonds				
Asset Backed Securities				
CDOs / CLOs				
Other Asset Backed Securities				
Other fixed-income securities				
Equities and other variable-income securities	+/-3	+/-6	+/-3	+/-5
Loans				
Repurchase agreements	+/-1		+/-4	
Derivative financial instruments	+/-121		+/-134	
Interest rate derivatives	*+/-121*		*+/-134*	
Credit derivatives	*+/-0*		*+/-0*	
Equity derivatives				
Other derivatives				
Sensitivity of Level 3 financial instruments	**+/-125**	**+/-6**	**+/-140**	**+/-5**

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') only concerns the scope of market activities eligible for Level 3.

The day one profit is calculated after setting aside additional valuation adjustments for uncertainties as described previously and released to profit and loss over the expected period for which the inputs will be unobservable.

The unamortised amount is included under 'Financial instruments at fair value through profit or loss' as a reduction in the fair value of the relevant complex transactions.

The deferred margin not taken to the profit and loss account but contained in the price of the derivatives sold to clients and measured using internal models based on non-observable parameters ('day-one profit') is less than EUR 1 million.

5.d Interbank and money-market items

Loans and receivables due from credit institutions

In millions of euros	30 June 2015	31 December 2014
On demand accounts	3,633	2,255
Loans[1]	11,493	11,856
Repurchase agreements	501	229
Total loans and receivables due from credit institutions, before impairment	**15,627**	**14,340**
of which doubtful loans	*200*	*202*
Impairment of loans and receivables due from credit institutions (Note 3.f)	**(139)**	**(133)**
specific impairment	(123)	(120)
collective provisions	(16)	(13)
Total loans and receivables due from credit institutions, net of impairment	**15,488**	**14,207**

[1] *Loans and receivables due from credit institutions include term deposits made with central banks, which amounted to EUR 350 million as at 30 June 2015 (EUR 319 million as at 31 December 2014).*

Due to credit institutions

In millions of euros	30 June 2015	31 December 2014
On demand accounts	1,306	1,156
Borrowings	13,805	12,553
Repurchase agreements	1,542	1,763
Total due to credit institutions	**16,653**	**15,472**

5.e Customer items

Loans and receivables due from customers

In millions of euros	30 June 2015	31 December 2014
On demand accounts	10,731	10,682
Loans to customers	152,930	147,892
Repurchase agreements	7,372	30
Finance leases	11,671	11,316
Total loans and receivables due from customers, before impairment	**182,704**	**169,920**
of which doubtful loans	*5,607*	*5,916*
Impairment of loans and receivables due from customers (Note 3.f)	**(3,032)**	**(3,069)**
specific impairment	(2,424)	(2,491)
collective provisions	(608)	(578)
Total loans and receivables due from customers, net of impairment	**179,672**	**166,851**

Due to customers

In millions of euros	30 June 2015	31 December 2014
On demand deposits	71,483	72,909
Term accounts and short-term notes	37,512	31,921
Regulated savings accounts	62,193	62,017
Repurchase agreements	2,213	953
Total due to customers	**173,401**	**167,800**

5.f Debt securities and subordinated debt

This note covers all debt securities and subordinated debt measured at amortised cost and designated as at fair value through profit or loss.

Debt securities measured at amortised cost:

In millions of euros	30 June 2015	31 December 2014
Negotiable certificates of deposit and other debt securities	13,668	11,712
Bond issues	182	351
Total debt securities	**13,850**	**12,063**

Debt securities and subordinated debt at fair value through profit and loss

In millions of euros	30 June 2015	Amount accepted Tier 1	Amount accepted Tier 2	31 December 2014
Debt securities	4,055	-	-	4,415
Subordinated debt	1,397	241	304	1,484

Subordinated debt measured at amortised cost

In millions of euros	30 June 2015	Amount accepted Tier 1	Amount accepted Tier 2	31 December 2014
Redeemable subordinated debt	4,083	-	1,975	4,203
Undated subordinated debt	135	-	129	130
Total subordinated debt at amortised cost	**4,218**			**4,333**

The perpetual subordinated debt recognised at fair value through profit or loss mainly consists of Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) issued by BNP Paribas Fortis (previously Fortis Banque) in December 2007.

The CASHES are perpetual securities but may be exchanged for Ageas (previously Fortis SA/NV) shares at the holder's sole discretion at a price of EUR 239.40. However, as of 19 December 2014, the CASHES will be automatically exchanged into Ageas shares if their price is equal to or higher than EUR 359.10 for twenty consecutive trading days. The principal amount will never be redeemed in cash. The rights of the CASHES holders are limited to the Ageas shares held by BNP Paribas Fortis and pledged to them.

Ageas and BNP Paribas Fortis have entered into a Relative Performance Note (RPN) contract, the value of which varies contractually so as to offset the impact on BNP Paribas Fortis of the relative difference between changes in the value of the CASHES and changes in the value of the Ageas shares.

On 7 May 2015, BNP Paribas and Ageas reached a new agreement which allows BNP Paribas to purchase outstanding CASHES under the condition that these are converted into Ageas shares, leading to a proportionate settlement of the RPN. The agreement between Ageas and BNP Paribas will expire by year-end 2016.

5.g Current and deferred taxes

In millions of euros	30 June 2015	Restated 31 December 2014
Current taxes	84	127
Deferred taxes	2,801	3,034
Current and deferred tax assets	**2,885**	**3,161**
Current taxes	158	119
Deferred taxes	528	557
Current and deferred tax liabilities	**686**	**676**

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

In millions of euros	30 June 2015	Restated 31 December 2014
Guarantee deposits and bank guarantees paid	3,901	5,261
Settlement accounts related to securities transactions	137	470
Collection accounts	23	33
Accrued income and prepaid expenses	438	249
Other debtors and miscellaneous assets	4,711	5,572
Total accrued income and other assets	**9,210**	**11,585**
Guarantee deposits received	1,202	1,788
Settlement accounts related to securities transactions	159	450
Collection accounts	96	61
Accrued expense and deferred income	1,123	1,072
Other creditors and miscellaneous liabilities	4,540	4,066
Total accrued expense and other liabilities	**7,120**	**7,437**

5.i Goodwill

In millions of euros	30 June 2015	31 December 2014
Carrying amount at start of period	**328**	**319**
Acquisitions		
Divestments		
Impairment recognised during the period		
Exchange rates adjustments	(9)	9
Other movements		
Carrying amount at end of period	**319**	**328**
Gross value	670	679
Accumulated impairment recognised at the end of period	(351)	(351)

Goodwill by cash-generating unit at 30 June 2015 is as follows:

In millions of euros	Carrying amount	
	30 June 2015	31 December 2014
BNP Paribas Fortis in Belgium	**28**	**28**
Alpha Crédit	*22*	*22*
Fortis Commercial Finance	*6*	*6*
BNP Paribas Fortis in Luxembourg	**137**	**136**
SADE		
Leasing (BPLS)	*137*	*136*
BNP Paribas Fortis in other countries	**154**	**164**
TEB Group	*154*	*164*
Total	**319**	**328**

5.j Provisions for contingencies and charges

Provisions for contingencies and charges by type

In millions of euros	31 December 2014	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	30 June 2015
Provisions for employee benefits	3,827	(4)	(12)	(119)	(4)	3,688
Provisions for home savings accounts and plans	-	-	-	-	-	-
Provisions for credit commitments (Note 3.f)	131	3	(44)	-	-	90
Provisions for litigation	207	7	(10)	-	(1)	203
Other provisions for contingencies and charges	116	29	(3)	-	-	142
Total provisions for contingencies and charges	**4,281**	**35**	**(69)**	**(119)**	**(5)**	**4,123**

5.k Offsetting of financial assets and liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information, required by IFRS 7 'Financial Instruments: Disclosures' is intended to ensure 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 'Financial Instruments: Presentation' 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, the BNP Paribas Fortis has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amounts offset derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

The 'Impacts of Master Netting Agreements (MNAs) and similar agreements' relate to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria set by IAS 32. This is the case with transactions for which offsetting can only be performed in case of default, insolvency or the 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'.

In millions of euros, at 30 June 2015	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						
Trading securities	4,028	-	4,028	-	-	4,028
Loans	-	-	-	-	-	-
Repurchase agreements	11,190	(2,962)	8,228	(3,162)	(4,852)	214
Instruments designated as at fair value through profit or loss	2,015	-	2,015	-	-	2,015
Derivative financial instruments (including derivatives used for hedging purposes)	9,372	(15)	9,357	(3,929)	(1,299)	4,129
Loans and receivables due from customers and credit institutions	197,391	(2,231)	195,160	(3,025)	(4,643)	187,492
of which repurchase agreements	*9,531*	*(1,658)*	*7,873*	*(3,025)*	*(4,643)*	*205*
Accrued income and other assets	9,210	-	9,210	-	(3,595)	5,615
of which guarantee deposits paid	*3,901*	-	*3,901*	-	*(3,595)*	*306*
Other assets not subject to offsetting	52,244	-	52,244	-	-	52,244
TOTAL ASSETS	**285,450**	**(5,208)**	**280,242**	**(10,116)**	**(14,389)**	**255,737**

In millions of euros, at 30 June 2015	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
Liabilities						
Financial instruments at fair value through profit or loss						
Trading securities	2,932	-	2,932	-	-	2,932
Borrowings	-	-	-	-	-	-
Repurchase agreements	16,158	(2,962)	13,196	(4,816)	(8,052)	328
Instruments designated as at fair value through profit or loss	5,770	-	5,770	-	-	5,770
Derivative financial instruments (including derivatives used for hedging purposes)	9,834	(15)	9,819	(3,929)	(3,506)	2,384
Due to customers and to credit institutions	192,285	(2,231)	190,054	(1,371)	(2,291)	186,392
of which repurchase agreements	*5,412*	*(1,657)*	*3,755*	*(1,371)*	*(2,291)*	*93*
Accrued expense and other liabilities	7,120	-	7,120	-	(1,141)	5,979
of which guarantee deposits received	*1,202*	-	*1,202*	-	*(1,141)*	*61*
Other liabilities not subject to offsetting	26,366	-	26,366	-	-	26,366
TOTAL LIABILITIES	**260,465**	**(5,208)**	**255,257**	**(10,116)**	**(14,990)**	**230,151**

In millions of euros, at 31 December 2014	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						
Trading securities	2,145	-	2,145	-	-	2,145
Loans	4	-	4	-	-	4
Repurchase agreements	6,220	(447)	5,773	(3,646)	(1,990)	137
Instruments designated as at fair value through profit or loss	2,038	-	2,038	-	-	2,038
Derivative financial instruments (including derivatives used for hedging purposes)	11,691	(15)	11,676	(5,402)	(1,884)	4,390
Loans and receivables due from customers and credit institutions	181,630	(572)	181,058	(164)	(89)	180,805
of which repurchase agreements	*259*	-	*259*	*(164)*	*(89)*	*6*
Accrued income and other assets	11,585	-	11,585	-	(4,605)	6,980
of which guarantee deposits paid	*5,261*	-	*5,261*	-	*(4,605)*	*656*
Other assets not subject to offsetting	60,927	-	60,927	-	-	60,927
TOTAL ASSETS	**276,240**	**(1,034)**	**275,206**	**(9,212)**	**(8,568)**	**257,426**

In millions of euros, at Restated 31 December 2014	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
Liabilities						
Financial instruments at fair value through profit or loss						
Trading securities	2,382	-	2,382	-	-	2,382
Borrowings	-	-	-	-	-	-
Repurchase agreements	11,414	(447)	10,967	(3,054)	(7,198)	715
Instruments designated as at fair value through profit or loss	6,250	-	6,250	-	-	6,250
Derivative financial instruments (including derivatives used for hedging purposes)	11,843	(15)	11,828	(5,402)	(4,602)	1,824
Due to customers and to credit institutions	183,844	(572)	183,272	(756)	(1,783)	180,733
of which repurchase agreements	*2,716*	-	*2,716*	*(756)*	*(1,783)*	*177*
Accrued expense and other liabilities	7,437	-	7,437	-	(1,694)	5,743
of which guarantee deposits received	*1,788*	-	*1,788*	-	*(1,694)*	*94*
Other liabilities not subject to offsetting	27,675	-	27,675	-	-	27,675
TOTAL LIABILITIES	**250,845**	**(1,034)**	**249,811**	**(9,212)**	**(15,277)**	**225,322**

6 Additional information

6.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.

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Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis N.V.' and currently 'Ageas SA/NV', hereafter 'Ageas') in late September and early October 2008, a number of groups representing shareholders, and other parties, initiated, or threatened to initiate, legal action against various entities of the former Fortis Group and/or certain members of their Board of Directors and management.

If these claims and legal proceedings were to be successful, they could eventually result in monetary consequences for BNP Paribas Fortis. Such impact remains unquantifiable at this stage.

These legal actions include inter alia the following:

MCS Noteholders claim against Ageas, BNP Paribas Fortis and others

Certain holders of Mandatory Convertible Securities (hereafter 'MCS') filed two actions against the co-issuers of the MCS, including BNP Paribas Fortis, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, firstly claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and, secondly, claiming damages. On 23 March 2012 the Commercial Court of Brussels dismissed both actions. Certain holders then filed an appeal in June 2012 claiming damages for a provisional amount of EUR 350 million and the appointment of an expert. BNP Paribas Fortis will continue to contest this case vigorously as it considers that these claims have no merit.

Claims before the Dutch courts

These legal actions relate to a rights issue by Fortis at the time of the acquisition of ABN Amro and the role of BNP Paribas Fortis as underwriter.

In September 2007, BNP Paribas Fortis acted together with Merrill Lynch and other banks as underwriter of the rights issue by Fortis SA/NV and Fortis N.V. (now Ageas SA/NV) in the amount of EUR 13.4 billion. The purpose of this rights issue was to partly finance Fortis's participation in its acquisition of ABN Amro Bank N.V.

BNP Paribas Fortis received on 3 February 2011 a writ of summons from the Dutch association of shareholders 'VEB NCVB'. This association alleges that BNP Paribas Fortis, Ageas, Merrill Lynch and others are jointly and severally liable in connection with the alleged shortcomings of the prospectus. VEB NCVB is seeking declaratory relief that the statements and alleged omissions in the prospectus were misleading to all who purchased Fortis shares between 24 September 2007 and 3 October 2008 and that as a consequence BNP Paribas Fortis is jointly, with other banks and officers, liable for the damages sustained by those shareholders. On 7 July 2011 BNP Paribas Fortis received a writ of summons from a Dutch foundation named 'Stichting Investor Claims against Fortis'. This action addresses the same subject matter and is largely based on the same allegations. Ageas and Merrill Lynch are co-defendants.

As these are Dutch legal proceedings relating to a declaration sought by an association, no actual claim for damages can be made at this stage. However, these proceedings may potentially lead to future individual damage claims.

On 20 August 2012, BNP Paribas Fortis (and eight other defendants) received a writ of summons from the foundation 'Stichting Investor Claims against Fortis' and other investors, seeking to have the defendants declared jointly and severally liable for the payment of damages arising inter alia, in so far as BNP Paribas Fortis is concerned, from the communication of allegedly incorrect or incomplete information to the market during the period from the acquisition of ABN Amro until 17 October 2008.

Claims before the Belgian Courts

Retail and institutional investors in Fortis shares started legal actions before the courts of Brussels in order to obtain damages from BNP Paribas Fortis and Merrill Lynch in their role as overall coordinator of the rights issue of Fortis in September 2007, as described above. The claimants allege that the banks breached their duty as financial advisors, including with respect to the information to be provided to investors in the prospectus issued by Fortis.

The examining magistrate of the Court of First Instance in Brussels in charge since 2008 of examining the case relating to events which occurred within the Fortis Group in 2007 and 2008 passed his file to the Public Prosecutor in October 2012. In November 2012 seven individuals were indicted by the examining magistrate and in February 2013 the Public Prosecutor requested the court to order a trial. As additional investigative measures have been ordered, the hearing before the court has been postponed sine die.

Other litigation and investigations in relation to the restructuring of the Fortis Group

This includes, inter alia, an inquiry into the management and course of events at Fortis ordered by the Dutch 'Ondernemingskamer' (Entreprise Chamber) whose report was filed in June 2010. After the filing of the report, the Court decided in April 2012 that improper management had occurred in 2007 and 2008 at Fortis NV (today Ageas SA/NV). The Bank is not a party to this case.

This also includes the judgement rendered by the Court of Appeal of Amsterdam on 29 July 2014 ruling that Fortis (today Ageas) is liable for having made misleading statements and having communicated in a misleading way in the period between 29 September and 1 October 2008. The Bank is not a party to this case.

★ ★ ★

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.

6.b Other related parties

Other related parties of the BNP Paribas Fortis comprise BNP Paribas and all its subsidiaries which have 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 the 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 the BNP Paribas Fortis is provided in note 6.h "Scope of consolidation". Transactions and outstanding balances between fully-consolidated entities of BNP Paribas Fortis are eliminated.

Related parties balance sheet items:

In millions of euros	30 June 2015			Restated 31 December 2014		
	Entities of the BNP Paribas Group	Joint ventures	Associates	Entities of the BNP Paribas Group	Joint ventures	Associates
ASSETS						
Loans, advances and securities						
Demand accounts	*2,564*	*1*	*74*	*1,384*	*-*	*39*
Loans	*9,166*	*-*	*1,810*	*9,517*	*-*	*1,270*
Securities	*271*	*-*	*-*	*243*	*-*	*35*
Non-trading securities held in the portfolio	7	-	-	7	-	86
Other assets	2,528	3	84	3,207	2	76
Total	**14,536**	**4**	**1,968**	**14,358**	**2**	**1,506**
LIABILITIES						
Deposits						
Demand accounts	*1,003*	*180*	*295*	*459*	*125*	*256*
Other borrowings	*7,641*	*41*	*2,515*	*8,846*	*36*	*2,399*
Debt securities	1,370	-	9	1,371	(1)	9
Other liabilities	177	-	674	273	-	21
Total	**10,191**	**221**	**3,493**	**10,949**	**160**	**2,685**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS						
Financing commitments given	1,933	2,437	1,723	916	3,019	1,757
Guarantee commitments given	6,814	-	177	6,934	-	143
Total	**8,747**	**2,437**	**1,900**	**7,850**	**3,019**	**1,900**

BNP Paribas Fortis also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.) and financial instruments (equities, bonds, etc.).

Related-party profit and loss items:

In millions of euros	Year to 30 Jun. 2015			Restated First half of 2014		
	Entities of the BNP Paribas Group	Joint ventures	Associates	Entities of the BNP Paribas Group	Joint ventures	Associates
Interest income	467	-	10	197	-	11
Interest expense	(407)	-	(12)	(182)	-	(15)
Commission income	81	2	252	79	1	227
Commission expense	(36)	-	(2)	(40)	-	(2)
Services provided	1	1	-	-	1	-
Services received	-	-	-	-	-	-
Lease income	1	-	1	1	-	1
Total	**107**	**3**	**249**	**55**	**2**	**222**

BNP Paribas Fortis entities managing certain post-employment benefit plans offered to BNP Paribas Fortis' employees

In Belgium, BNP Paribas Fortis funds a number of pension schemes managed by AG Insurance in which the BNP Paribas Fortis has a 25% equity interest.

6.c Minority interests

Main minority interests

The main minority interests are represented by non-BNP Paribas Fortis shareholders who hold 50% of the BGL BNP Paribas group in Luxembourg. The assessment of the material nature of minority interests is based on the contribution of the relevant subsidiaries to the BNP Paribas Fortis' balance sheet (before elimination of intra-group balances and transactions) and to the BNP Paribas Fortis' profit and loss account.

In millions of euros	30 June 2015	First half 2015						
	Total assets before elimination of intra-group transactions	Revenues	Net income	Net income and changes in assets and liabilities recognised directly in equity	Minority shareholders' 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
BGL BNP Paribas Group	42,984	688	232	235	50%	144	157	130
Other minority interests						85	92	1
Total						**229**	**249**	**131**

In millions of euros	31 December 2014	First half 2014						
	Total assets before elimination of intra-group transactions	Revenues	Net income	Net income and changes in assets and liabilities recognised directly in equity	Minority shareholders' 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
BGL BNP Paribas Group	41,328	674	213	307	50%	126	176	176
Other minority interests						67	65	-
Total						**193**	**241**	**176**

TEB bank: squeeze-out

As a result of the squeeze-out process, by 30 June 2015, 3.97% of the shares in Türk Ekonomi Bankası A.Ş. (TEB Bank) have been transferred from the minority shareholders to one of the 'Controlling shareholders' - BNP Paribas Fortis Yatırımlar Holding A.Ş.

6.d Structured credit instruments

BNP Paribas Fortis holds structured credit instruments (SCIs) as part of its investment portfolio. SCIs are securities created by repackaging cash flows from financial products. They encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised loan obligations (CLOs). The exposure to structured credit instruments is categorised in the Consolidated Financial Statements as investments reclassified as loans and receivables and financial assets at fair value through profit or loss. In 2012, the remaining structured credit instruments classified as available-for-sale were sold.

The net exposure to global structured credit instruments as at 30 June 2015 amounted to EUR 4,289 million, compared to EUR 4,891 million as at 31 December 2014.

6.e Exposure to sovereign risk

As part of liquidity management, BNP Paribas Fortis and BNP Paribas seek to maximise the assets available for refinancing so that they can meet unexpected liquidity needs. In particular, this strategy is predicated on holding securities eligible as collateral for refinancing from central banks and includes a substantial proportion of highly rated debt securities issued by governments representing a low level of risk. As part of its ALM and structural interest-rate risk management policy, BNP Paribas Fortis also holds a portfolio of assets that includes sovereign debt instruments, with interest-rate characteristics which contribute to its hedging strategies.

BNP Paribas Fortis' euro sovereign bond portfolio is shown in the table below:

Banking Book In millions of euros	30 June 2015	31 December 2014
Eurozone		
Belgium	13,388	13,673
Netherlands	3,741	3,759
Italy	1,191	1,246
France	1,012	1,028
Austria	942	947
Spain	660	692
Finland	199	195
Luxembourg	188	189
Germany	115	144
Countries receiving support		
Portugal	406	419
Ireland	135	134
Total eurozone	**21,977**	**22,426**

6.f 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 30 June 2015. 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 in question the overall valuation of BNP Paribas Fortis.

	30 June 2015		31 December 2014	
In millions of euros	**Carrying value**	**Estimated fair value**	**Carrying value**	**Estimated fair value**
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	15,488	15,488	14,207	14,219
Loans and receivables due from customers [1]	168,356	173,647	155,904	159,737
Held-to-maturity financial assets	601	646	1,141	1,192
FINANCIAL LIABILITIES				
Due to credit institutions	16,653	16,653	15,472	15,472
Due to customers	173,401	174,125	167,800	168,549
Debt securities	13,850	14,066	12,063	12,276
Subordinated debt	4,218	4,392	4,333	4,352

(1) *Excluding Finance Lease*

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 held-to-maturity financial assets, 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.d.9). In the case of loans, liabilities and held-to-maturity financial assets 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.

In millions of euros	Note	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Loans and receivables due from credit institutions	5.d	-	15,488	-	15,488
Loans and receivables due from customers [1]	5.e	620	18,849	154,178	173,647
Held-to-maturity financial assets		475	171	-	646
FINANCIAL LIABILITIES					
Due to credit institutions	5.d	-	16,653	-	16,653
Due to customers	5.e	-	174,125	-	174,125
Debt securities	5.f	-	14,066	-	14,066
Subordinated debt	5.f	-	4,392	-	4,392

(1) Excluding finance leases

6.g Events after the reporting period

There have been no material events since the balance sheet date that would require adjustments to the Consolidated Interim Financial Statements as at 30 June 2015.

6.h Scope of consolidation

Merger between BNP Paribas Bank Polska and Bank BGŻ

On 30 April 2015 the legal merger of BNP Paribas Bank Polska (in which BNP Paribas Fortis held 85% interest) with BGŻ S.A. (held by BNP Paribas by 88.98%) was finalised. After the merger, BNP Paribas Fortis holds 28.35% in the merged bank operating under the name BANK BGŻ BNP Paribas S.A.

The merger was executed through a transfer of all assets, equity and liabilities of BNP Paribas Bank Polska to BGŻ. BGŻ increased its share capital through the issuance of the series I shares that were delivered by BGŻ to the existing shareholders of BNP Paribas Bank Polska (merger by take-over). On 30 April 2015 the share capital of BGŻ was increased by PLN 28,099,554 (Merger shares) from PLN 56,138,764 up to PLN 84,238,318 and is divided into 84,238,318 registered and bearer shares with a nominal value of PLN 1 each.

Under the term of exchange, for every six shares of BNP Paribas Bank Polska, the shareholders of BNP Paribas Bank Polska receive five Merger Shares of BGŻ (the "Share Exchange Ratio").

At the moment of the merger BNP Paribas Fortis lost control in BNP Paribas Bank Polska (from 85% to 28.35%), this leads to the de-recognition of the assets and liabilities of BNP Paribas Bank Polska. The difference between 85% of the Net Asset Value (NAV) of BNP Paribas Bank Polska and the fair value of the consideration received (80.47 PLN/BGŻ share) at the date of the merger, amounted to EUR 82.2 million, which was recognised in the line 'Net gain on non-current assets' (GNAI) in the consolidated profit and loss account of BNP Paribas Fortis.

BNP Paribas Fortis accounts for the acquisition of the merged bank - BGŻ BNP Paribas S.A. by applying the 'Predecessor basis of accounting method', meaning the net assets of BGŻ BNP Paribas S.A. were measured at the predecessor carrying amounts at the date of merger as the transaction is under common control. The difference between the fair value of BGŻ shares and 28.35% of the NAV of the merged bank BGŻ BNP Paribas at the date of the merger resulted in a goodwill of EUR 51.2 million which is presented in the line 'Equity-method investments' in the consolidated balance sheet of BNP Paribas Fortis.

As a result of the merger, BGŻ BNP Paribas S.A. is consolidated by equity method by BNP Paribas Fortis.

		30 June 2015				31 December 2014			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Consolidating company									
BNP Paribas Fortis	Belgium								
Belgium									
Ace Equipment Leasing	Belgium	Full	100%	25%		Full	100%	25%	
Ace Leasing	Belgium								S4
Ag Insurance	Belgium	Equity	25%	25%		Equity	25%	25%	
Alpha Card S.C.R.L.	Belgium	Equity	49,99%	49,99%		Equity	49,99%	49,99%	
Alpha Crédit S.A.	Belgium	Full	99,99%	99,99%		Full	99,99%	99,99%	
Belgian Mobile Wallet	Belgium	Equity	33,18%	33,18%		Equity	33,18%	33,18%	V2
Bnp Paribas Fortis Factor Nv SA	Belgium	Full	99,99%	99,99%		Full	99,99%	99,99%	
Bnp Paribas Lease Group (Belgique)	Belgium	Full	99,99%	24,99%		Full	99,99%	24,99%	
Bpost Banque - Bpost Bank	Belgium	Equity 2	50%	50%		Equity 2	50%	50%	
Demetris N.V.	Belgium	Equity 1	99,99%	99,99%		Equity 1	99,99%	99,99%	
Eos Aremas Belgium S.A./N.V.	Belgium	Equity	49,97%	49,97%		Equity	49,97%	49,97%	
Es-Finance	Belgium	Full	100%	100%		Full	100%	100%	
Fortis Lease Belgium	Belgium	Full	100%	25%		Full	100%	25%	
Fortis Lease Car & Truck	Belgium								S4
Fortis Private Equity Belgium N.V.	Belgium	Full	99,99%	99,99%		Full	99,99%	99,99%	
Fortis Private Equity Expansion Belgium N.V.	Belgium	Full	100%	99,99%		Full	100%	99,99%	
Fortis Private Equity Management N.V.	Belgium	Equity 1	100%	100%		Equity 1	100%	100%	E1
Fortis Private Equity Venture Belgium S.A.	Belgium								S4
Fscholen	Belgium	Equity 2	50%	50%		Equity 2	50%	50%	E1
Immobilière Sauvenière S.A.	Belgium	Equity 1	99,99%	99,99%		Equity 1	99,99%	99,99%	
Nissan Finance Belgium N.V.	Belgium								S4
Belgium - Special Purpose Entities									
Bass Master Issuer Nv	Belgium	Full				Full			
Esmée Master Issuer	Belgium	Full				Full			
Luxembourg									
Bgl Bnp Paribas	Luxembourg	Full	50%	50%		Full	50%	50%	
Bgl Bnp Paribas Factor S.A.	Luxembourg	Full	100%	50%		Full	100%	50%	
Bnp Paribas Fortis Funding S.A.	Luxembourg	Full	99,99%	99,99%		Full	99,99%	99,99%	
Bnp Paribas Lease Group Luxembourg S.A.	Luxembourg	Full	99,99%	49,99%		Full	99,99%	49,99%	
Bnp Paribas Leasing Solutions	Luxembourg	Full	50%	25%		Full	50%	25%	
Cardif Lux Vie	Luxembourg	Equity	33,33%	16,67%		Equity	33,33%	16,67%	
Cofhylux S.A.	Luxembourg	Full	100%	50%		Full	100%	50%	
Plagefin S.A.	Luxembourg	Full	100%	50%		Full	100%	50%	

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)

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 (see note 1.c.1)

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

1 Controlled but non material entities consolidated under the equity method as associates (see note 1.c.1)

2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation

Equity - Equity Method

Name	Country	30 June 2015 Method	Voting (%)	Interest (%)	Ref.	31 December 2014 Method	Voting (%)	Interest (%)	Ref.
Luxembourg									
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg								S4
Luxembourg - Special Purpose Entities									
Alleray S.A.R.L.	Luxembourg	Full				Full			E1
Societe Immobiliere De Monterey S.A.	Luxembourg	Full				Full			
Societe Immobiliere Du Royal Building S.A.	Luxembourg	Full				Full			
Rest of the world									
Agrilease B.V.	Netherlands								S3
Albury Asset Rentals Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
All In One Vermietung Gmbh	Austria	Equity 1	100%	25%		Equity 1	100%	25%	
All In One Vermietungsgesellschaft Fur Telekommunikationsanlagen Mbh	Germany	Equity 1	100%	25%		Equity 1	100%	25%	
Alpha Murcia Holding B.V.	Netherlands	Equity 1	100%	100%		Equity 1	100%	100%	
Aprolis Finance	France	Full	50,99%	12,75%		Full	50,99%	12,75%	
Arius	France	Full	100%	25%		Full	100%	25%	
Artegy	France	Full	100%	25%		Full	100%	25%	
Artegy Limited	United Kingdom	Equity 1	100%	25%		Equity 1	100%	25%	D1
Bank BGZ Bnp Paribas SA	Poland	Equity	28,35%	28,35%	E3				
Bnp Paribas Bank Polska S.A.	Poland				S4	Full	85%	85%	V3
Bnp Paribas Commercial Finance Limited	United Kingdom	Full	100%	100%		Full	100%	100%	
Bnp Paribas Factor Deutschland B.V.	Netherlands	Full	100%	100%		Full	100%	100%	
Bnp Paribas Factor Gmbh	Germany	Full	100%	100%		Full	100%	100%	
Bnp Paribas Factoring Coverage Europe Holding N.V.	Netherlands	Full	100%	100%		Full	100%	100%	
Bnp Paribas Finansal Kiralama A.S.	Turkey	Full	99,99%	26,06%	V1	Full	99,99%	25,94%	V1
BNP Paribas fortis (Austria branch)	Austria	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Czech Republic branch)	Czech republic	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Germany branch)	Germany	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Netherlands branch)	Netherlands	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Norway branch)	Norway	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Romania branch)	Romania	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Spain branch)	Spain	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Sweden branch)	Sweden	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (U.S.A branch)	United States	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (UK branch)	United Kingdom				S1	Full	100%	100%	
BNP Paribas Fortis (Denmark branch)	Denmark	Full	100%	100%		Full	100%	100%	

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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation

Equity - Equity Method

		30 June 2015				31 December 2014			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Rest of the world									
Bnp Paribas Fortis Yatirimlar Holding Anonim Sirketi	Turkey	Full	100%	100%		Full	100%	100%	
Bnp Paribas Investment Partners	France	Equity	33,33%	30,85%		Equity	33,33%	30,85%	
Bnp Paribas Lease Group (Rentals) Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
Bnp Paribas Lease Group Bplg	France	Full	100%	25%		Full	100%	25%	
Bnp Paribas Lease Group Ifn S.A.	Romania	Equity 1	99,94%	24,99%		Equity 1	99,94%	24,99%	
Bnp Paribas Lease Group Kft.	Hungary	Equity 1	100%	25%		Equity 1	100%	25%	
Bnp Paribas Lease Group Leasing Solutions S.P.A.	Italy	Equity	26,17%	6,54%		Equity	26,17%	6,54%	
Bnp Paribas Lease Group Lizing Rt	Hungary	Equity 1	100%	25%		Equity 1	100%	25%	
Bnp Paribas Lease Group Plc	United Kingdom	Full	100%	25%		Full	100%	25%	
Bnp Paribas Lease Group Sp.Z.O.O	Poland	Equity 1	100%	25%		Equity 1	100%	25%	
Bnp Paribas Leasing Solutions Immobilier Suisse	Switzerland				S4	Equity 1	100%	25%	
Bnp Paribas Leasing Solutions Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
Bnp Paribas Leasing Solutions N.V.	Netherlands	Full	100%	25%		Full	100%	25%	
Bnp Paribas Leasing Solutions Suisse Sa	Switzerland	Equity 1	100%	25%		Equity 1	100%	25%	
Bnpp Factor A/S	Denmark	Equity 1	100%	100%	E1				
Claas Financial Services	France	Full	60,10%	15,03%		Full	60,10%	15,03%	
Claas Financial Services Inc	United States	Full	100%	15,03%		Full	100%	15,03%	
Claas Financial Services Ltd	United Kingdom	Full	51%	12,75%		Full	51%	12,75%	
Cnh Industrial Capital Europe Gmbh	Austria	Full	100%	12,52%		Full	100%	12,52%	
Cnh Industrial Capital Europe	France	Full	50,09%	12,52%		Full	50,09%	12,52%	
Cnh Industrial Capital Europe Bv	Netherlands	Full	100%	12,52%		Full	100%	12,52%	
Cnh Industrial Capital Europe Ltd	United Kingdom	Full	100%	12,52%		Full	100%	12,52%	
Commercial Vehicle Finance Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
Cronos Holding Company Limited	Bermuda				S3	Equity	30,11%	30%	
Dominet S.A.	Poland								S1
Fb Transportation Capital Llc	United States	Full	100%	100%		Full	100%	100%	
Fortis Funding Llc	United States	Full	100%	100%		Full	100%	100%	
Fortis Lease	France	Full	99,99%	24,99%		Full	99,99%	24,99%	
Fortis Lease Deutschland Gmbh	Germany	Equity 1	100%	25%		Equity 1	100%	25%	
Fortis Lease Iberia Sa	Spain	Equity 1	100%	41,04%		Equity 1	100%	41,04%	
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	Equity 1	100%	25%		Equity 1	100%	25%	
Fortis Lease Polska Sp.Z.O.O.	Poland								S3
Fortis Lease Portugal	Portugal	Equity 1	100%	25%		Equity 1	100%	25%	
Fortis Lease Romania Ifn Sa	Romania	Equity 1	100%	25%		Equity 1	100%	25%	
Fortis Lease Uk Ltd	United Kingdom	Equity 1	100%	25%		Equity 1	100%	25%	D1
Fortis Vastgoedlease B.V.	Netherlands	Equity 1	100%	25%		Equity 1	100%	25%	D1

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Removals (S) from the scope of consolidation

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S3 Entities removed from the scope because < qualifying thresholds (see note 1.c.1)

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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

1 Controlled but non material entities consolidated under the equity method as associates (see note 1.c.1)

2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation

Equity - Equity Method

Name	Country	30 June 2015 Method		Voting (%)	Interest (%)	Ref.	31 December 2014 Method		Voting (%)	Interest (%)	Ref.
Rest of the world											
Heffiq Heftruck Verhuur B.V. before (Barloworld Heftruck Verhuur B.V.)	Netherlands										S3
Hfgl Limited	United Kingdom	Full		100%	25%		Full		100%	25%	
Humberclyde Commercial Investments Limited	United Kingdom	Full		100%	25%		Full		100%	25%	
Humberclyde Commercial Investments N°1 Limited	United Kingdom	Full		100%	25%		Full		100%	25%	
Inkasso Kodat Gmbh & Co. Kg	Germany	Equity	1	100%	100%		Equity	1	100%	100%	
Jcb Finance	France	Full		100%	12,52%		Full		100%	12,52%	
Jcb Finance Holdings Ltd	United Kingdom	Full		50,09%	12,52%		Full		50,09%	12,52%	
Kronenburg Vastgoed N.V.	Netherlands	Full		100%	48,72%	V1	Full		100%	45,76%	V1
Manitou Finance Limited	United Kingdom	Full		51,01%	12,75%		Full		51,01%	12,75%	
Mff	France	Full		51%	12,75%		Full		51%	12,75%	
RD Portofoliu SRL	Romania	Equity	1	100%	25%	E2					
Same Deutz Fahr Finance	France	Full		100%	25%		Full		100%	25%	
Same Deutz Fahr Finance Limited	United Kingdom	Full		100%	25%		Full		100%	25%	
Société Alsacienne De Développement Et D'Expansion	France	Full		100%	50%		Full		100%	50%	
Srei Equipment Finance Limited	India	Equity	2	50%	12,50%		Equity	2	50%	12,50%	
Stichting Effecten Dienstverlening	Netherlands	Full		100%	48,72%	V1	Full		100%	45,76%	V1
Teb Arval Arac Filo Kiralama A.S.	Turkey	Equity		25%	25%		Equity		25%	25%	
Teb Faktoring A.S.	Turkey	Full		99,99%	48,72%	V1	Full		99,99%	45,76%	V1
Teb Holding A.S.	Turkey	Full		50%	50%		Full		50%	50%	
Teb Portfoy Yonetimi A.S.	Turkey	Full		79,63%	39,11%	V1	Full		79,63%	37,49%	V1
Teb Sh A	Kosovo	Full		100%	50%		Full		100%	50%	
Teb Yatirim Menkul Degerler A.S.	Turkey	Full		99,99%	48,72%	V1	Full		99,99%	45,76%	V1
The Economy Bank Nv	Netherlands	Full		100%	48,72%	V1	Full		100%	45,76%	V1
TKB BNP Paribas Investment Partners Holding BV	Netherlands					S2	Equity		16,67%	15,43%	
Turk Ekonomi Bankasi A.S.	Turkey	Full		76,22%	48,72%	V1	Full		73,26%	45,76%	V1
Von Essen Gmbh & Co. Kg Bankgesellschaft	Germany	Full		100%	100%		Full		100%	100%	
Rest of the world - Special Purpose Entities											
Astir B.V.	Netherlands										S3
Scaldis Capital Limited	Jersey	Full					Full				
Scaldis Capital Llc	United States	Full				S1	Full				
Scaldis Capital Ltd	Ireland	Full					Full				
Tcg Fund I, L.P.	Cayman Islands	Full					Full				

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)

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 (see note 1.c.1)

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

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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation

Equity - Equity Method

Report of the accredited statutory auditors

Introduction

We have reviewed the accompanying Consolidated Interim Financial statements. The Consolidated Interim Financial statements comprise the profit and loss account for the first half of 2015, the statement of net income and changes in fair value of assets and liabilities recognized directly in equity, the Balance sheet at 30 June 2015, the Statement of changes in shareholders' equity between 1 January 2014 and 30 June 2015, the Minority interests between 1 January 2014 and 30 June 2015, the Statement of cash flow for the first half year 2015 and the notes 1 to 6.
The board of directors is responsible for the preparation and presentation of these Consolidated Interim Financial Statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on the Consolidated Interim Financial Statements, based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ('ISRE') 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing ('ISA') and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Interim Financial Statements of BNP Paribas Fortis SA/ NV have not been prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Emphasis of Matter regarding certain pending legal proceedings

Without further qualifying our conclusion, we draw the attention to the fact that, as described in note 6.a to the Consolidated Interim Financial Statements, and as a result of 2008 events having impacted the Fortis group, a number of claimants have initiated legal actions against the former Fortis group, including BNP Paribas Fortis SA/NV and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for BNP Paribas Fortis SA/ NV and its directors cannot presently be determined, and therefore no provisions have been recorded in the Consolidated Interim Financial Statements.

Brussels, 28 August 2015

The Joint Statutory Auditors

PwC Reviseurs d'Entreprises sccrl/ Bedrijfsrevisoren bcvba
Represented by
Damien Walgrave
Reviseur d'Entreprises / Bedrijfsrevisor

Deloitte Reviseurs d'Entreprises sc sous forme d'une scrl/ Bedrijfsrevisoren bv ovv cvba
Represented by

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