BNP PARIBAS FORTIS SA/NV

ANNUAL REPORT 2019

BNP PARIBAS FORTIS

The bank
for a changing
world

INTRODUCTION

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

The BNP Paribas Fortis annual report 2019 contains both the audited consolidated and non-consolidated financial statements, preceded by the report of the Board of Directors, the statement of the Board of Directors and a section on corporate governance including the composition of the Board of Directors. The audited BNP Paribas Fortis consolidated financial statements 2019, with comparative figures for 2018, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are followed by the audited non-consolidated financial statements 2019 of BNP Paribas Fortis, prepared on the basis of the rules laid down in the Belgian royal decree of 23 September 1992 on the annual accounts of credit institutions.

The BNP Paribas Fortis annual report 2019 is available in English, French and Dutch. The English version is the original one while the other versions are unofficial translations. Every effort has been made to ensure that the language versions correspond to one another. If one difference should exist, the English version would take precedence.

It is considered that the information included in the note 8.j 'Scope of consolidation', together with the information included in the report of the Board of Directors and in the corporate governance statement, complies with the requested information in article 168, §3 of the Belgian act of 25 April 2014 on the legal status and supervision of credit institutions.

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

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

All information contained in the BNP Paribas Fortis annual report 2019 relates to the BNP Paribas Fortis statutory consolidated and non-consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: www.bnpparibas.com.

The BNP Paribas Fortis annual report 2019 is available on the website: www.bnpparibasfortis.com.

CONTENTS

BNP PARIBAS FORTIS CONSOLIDATED ANNUAL REPORT 2019

REPORT OF THE BOARD OF DIRECTORS

A word from the Chairman and the CEO

BNP Paribas Fortis posted good results in 2019, achieving a net profit of EUR 2.2 billion on a consolidated basis. We were able to compensate for the persistent downward pressure exerted by the low interest rates in Belgium thanks to larger volumes, higher commission income and a rise in revenue at BGL BNP Paribas, Arval, Personal Finance and Leasing Solutions. Our Belgium Retail Banking division continued with undiminished vigour to finance the plans and projects of our individual and business clients, which saw our loan portfolio expand by 4.4% to reach EUR 110.8 billion. Total deposits in Belgium rose by 5.1%, ending the year at EUR 131.1 billion.

The Bank's cost of risk rose in the course of the year, remaining however at a still low level of 22 basis points. We were able to maintain our strong liquidity and solvency ratios. At operating level, we managed to limit the rise in costs to 2% due to, among other factors, efficiency measures, including the ongoing rationalisation of our branch network in Belgium.

Our current investments for the future are based on five strategic pillars defined in 2019. These will guide us in our interactions with all our clients as we strive to serve and support them, and will act as a catalyst for positive growth as sustainability and digital will be the new normal.

1. Root sustainability in our DNA

We are making a positive impact on society, and are further reducing our environmental footprint.

The introduction of the new Sustainability label by Belgian banking sector federation Febelfin represented a next step towards being able to offer customers a 100% sustainable investment solution. End 2019 the Bank offered clients a choice of 83 funds carrying the Febelfin label, and had EUR 19.37 billion worth of assets under management in the Sustainable category. With a 35% market share in Belgium, BNP Paribas Fortis has reinforced its leadership position as a sustainable bank.

In order to increase its positive impact, BNP Paribas Fortis is not only working as a traditional bank delivering financial services to its clients, but also offering relevant business advisory services. For instance, companies wishing to develop and finance infrastructure for generating sustainable energy or to adapt their existing installations so as to improve efficiency have since 2009 been able to call on the expertise and support of our Sustainable Business Competence Centre (formerly Green Desk) or take advantage of our special workshops – our Sustainable Business Ateliers – on the subject.

2. Maximise digitalisation and efficiency

We are making intensive efforts to be a technologically progressive, digital and efficient financial services provider.

Central to this is the digitalisation of the services provided to, and interactions with, our customers. This brings improvements in terms of speed, convenience, functionality and opportunities for integration with services from other companies. By maximising efficiency, we remain in a position to invest, pursue selective growth and develop new sources of income.

Among our digital solutions, the Easy Banking app has been confirmed as the most popular touchpoint for our customers alongside our Easy Banking web. In the space of one year, the number of app sessions increased by 25%, to reach 419 million.

The app's popularity is providing a clear stimulus for direct sales of our products and services, which now account for 46% of total sales to our customers across all categories. We have reached the same level for direct sales to corporates and entrepreneurs for three key products: instant credit, bank guarantees and straight loans.

3. Make life easier

We make life easier for our customers on a day-to-day basis by maximising ease of use and offering the widest choice of banking products.

BNP Paribas Fortis is the market leader with a 27% market share for payments in Belgium, and we offer a very wide spectrum of payment options, including Apple Pay, Google Pay, Garmin Pay, Fitbit Pay, Bancontact and Payconiq. In this respect we fulfil one of our central tasks as a bank by 'showing customers the ropes' as regards the new digital methods and assisting them with their digital development.

We also make banking more convenient for our business clients, with services such as ICE^3 (Instant Credit Experience for Enterprises & Entrepreneurs) and Easy2Cash, a new solution for entrepreneurs and small or medium-sized companies that combines three traditional factoring tasks: receivables financing, credit risk cover and a comprehensive service for invoice management and collection. The entire process, from signing up to the financing of the receivables, is 100% digitalised.

The launch of PaxFamilia, our flexible, comprehensive and secure wealth management platform, clearly illustrates how digitalisation delivers efficiency and convenience to our clients across the board. This online platform provides our clients with a centralised, detailed and structured overview of their assets.

Meanwhile, in order to make life easier for our customers, we also invest in strategic partnerships, such as our recently-signed partnership with Touring and AG, which is designed to enable and promote the development of innovative mobility solutions, and also our investment in Optimile.

4. Enable people to grow

In order to help our customers carry out their projects, we invest continuously in the development and well-being of our employees. We make social solidarity and inclusiveness a high priority.

In 2019 the Bank provided close to 60,000 person-days of training, and allocated some 3.4% of total staff costs to various training programmes. Over half of all staff now make use of teleworking opportunities in order to achieve a better work-life balance and reduce the amount of time spent commuting. The latest Collective Labour Agreement signed with the staff representatives was one of the most significant achievements of 2019. With this CLA, BNP Paribas Fortis commits to providing job security to its employees.

Meanwhile, we are also taking part in 1MillionHours2Help, an ambitious new programme which aims to unite BNP Paribas staff around the target of achieving a total of a million volunteer hours worldwide by end 2020. This represents the equivalent of slightly more than half a day of paid volunteer work per employee per year.

5. Accelerate selective growth

We seek selective growth in products and niches so as to address the real needs of our customers.

With a view to reinforcing our role in the bancassurance field, in June 2019 we set up within our organisation specific expertise resources for Insurance, to be available across all the various businesses so as to meet the full range of customer needs in this field.

We also see full service vehicle leasing as an area where we can make a difference for our clients. Arval Belgium is on a growth trajectory, with a 15% increase in the number of leased vehicles in 2019, to 75,000.

The aim of our Private Equity arm is to provide capital for companies and support their growth. We make a financial contribution in the form of capital or mezzanine finance, and seek to work hand-in-hand with companies in the long term, helping them to implement their strategies and business plans. Among notable investments in 2019, we expanded our portfolio by acquiring a minority interest in JAC, a world-leading manufacturer of bread slicers.

Guided by our five strategic pillars, we aim to transform the Bank through an ambitious, dynamic programme, based on best-in-class products, accelerated digitalisation of our services, our leadership in sustainable finance, our strong societal engagement, and our highly-skilled staff. Together we commit to a better society, as a trusted financial partner at all stages of our clients' lives.

We'd like to thank all our employees for the good results they have helped to achieve and our customers for the trust and confidence which they continue to place in us.

Max Jadot
Chief Executive Officer

Herman Daems
Chairman of the Board of Directors

Economic context

Given the trade tensions between the United States and China and the Brexit imbroglio, 2019 saw a slowdown in economic activity across the world, together with a general worsening of the main confidence indicators. Growth slipped from over 3.6% in 2018 to under 3% for the year. Meanwhile inflation remained very modest everywhere and wages hardly rose at all, surprisingly and somewhat paradoxically even in countries enjoying full employment.

This was notably the case in the United States and Germany, in spite of earlier expectations to the contrary. However, the USA managed to maintain a better growth rate than Europe, largely due to a reversal in monetary policy from July onwards. The Federal Reserve cut its benchmark rate by 25 basis points three times within a few months, providing a boost to the US economy, which had been seriously impacted by the upheavals of the trade war. The industrial sectors appear to have been worst affected, with industrial output ending 2019 in negative territory ((0.9)% in December). In parallel, severe tensions appeared on the money markets, with sometimes spectacular (occasionally up to more than 10%) spikes in overnight interest rates, especially at the due date for tax payments by US taxpayers. These tensions undoubtedly prompted the Fed to conclude that it had gone too far in the process of normalising its balance sheet since 2015. The US central bank therefore decided to undertake a massive injection of liquidity into the financial system within the space of a few days. Consequently, it ended 2019 with a balance sheet around USD 118 billion larger than at the start of the year.

In Europe, Germany was particularly affected by the combination of US-China trade tensions and the process of the UK's withdrawal from the European Union, coming close to a recession in the second half of the year. Economic growth in the leading economy in the euro zone is highly dependent on foreign trade partners, with exports accounting for 46% of GDP, compared with a mere 12% in the USA and China. Germany was also struck by the full force of the global environmental furore in 2019, which forced the country to completely reinvent its automobile industry, a key sector. Hence, Germany's growth slipped from 1.5% in 2018 to 0.6% for 2019. Except for Italy, all other euro zone countries have managed to achieve higher growth during the year than Germany, which teetered on the edge of recession in the third quarter.

However, the extent of the slowdown in Germany had one positive consequence, namely that the government decided to draw on its colossal financial reserves to invest in the country's ageing infrastructure and plan its transition to a more environmentally-friendly economy. This move comes not a moment too soon, as Germany remains one of the worst performers in terms of CO_2 emissions. Its orthodox budgetary approach in recent years has enabled the government to build up a nest egg of over EUR 160 billion, and part of this will now be channelled into modernising the country and, most probably, thus avoiding Europe's leading economy falling into recession in 2020, to the relief of all its neighbours.

Meanwhile, Belgium often experiences economic cycles that are somewhat less marked than the neighbouring countries, due to the automatic stabilisers provided by the unemployment system and the automatic indexation of wages. Consequently, Belgium managed to maintain a growth rate close to 1.4% in 2019, considerably higher than Germany, though lower than southern European countries such as Spain and Portugal. These two countries continued to benefit throughout the year 2019 from the positive results of the drastic restructuring measures which they were forced to undertake in the wake of the financial rout of 2011. This is once again an example of how structural measures – though often unpopular – take time to bear fruit, but frequently prove to be an effective way of boosting growth in the longer term.

Belgium traditionally maintains a higher rate of inflation than its neighbours, mainly because the government often chooses to raise indirect taxes in order to balance the budget. This tendency was repeated in 2019, as inflation stood at 1.5%, versus an average rate of 1.2% for the euro zone. Nevertheless, inflation fell in Belgium during the past year, as it did practically everywhere, under the impact of the slowdown in economic activity. Price rises in 2019 were well below the 2.3% rate that still prevailed in 2018.

The Belgian banking sector continued to play its role in financing economic activity, as total lending rose in 2019. Total outstanding loans to individual borrowers have remained buoyant over the last few years reaching a record high of over EUR 197 billion last year. Meanwhile lending to businesses has taken longer to regain pace following the financial crisis, but total outstanding loans to companies has been rising once again over the last two years, reaching EUR 125 billion in 2019. However, this resurgence appears to have slightly run out of steam over time as the rate of growth in lending to business, which was verging on 15% in early 2018, has gradually slipped back to 2.5%. By contrast, the rise in lending to individual borrowers has kept up a constant momentum, showing an annual increase of around 5%. These loans are predominantly used for the purpose of real estate purchases, which largely accounts for the buoyancy and consistency of the trend.

Real estate remained a dynamic area in 2019, with further price increases in the residential property sector, which saw an average price rise of 3.5% over the first three quarters. The market is progressing well and, if we compare price developments with wage increases among individual borrowers, we may safely draw the conclusion that once again this year our property market is much more stable than in the neighbouring countries. This undoubtedly explains the attraction of real estate investments for Belgian citizens, who continue to live up to their traditional reputation for having 'a brick in their stomach'. However, this situation also accounts for the concerns expressed by the National Bank of Belgium, which decided to tighten the criteria for granting loans to individual borrowers who wish to invest in real estate over and above their own dwelling.

Incomes in Belgium rose in 2019, largely thanks to a slight increase in salaries, but also due to a tax shift. However, the general slowdown in the global economy and the dark clouds arising from trade tensions and the imminent Brexit have prompted Belgians to place more of their money in savings accounts. At year-end, such accounts held a total of over EUR 470 billion, which accounts for almost a third of Belgians' total financial assets, excluding real estate. This behaviour is striking, given that interest rates on bank deposits have been falling steadily for a number of year and currently stand at just 0.11%, well below the rate of inflation.

One cannot speak about the economic environment in 2019 without highlighting the remarkable performance of the world's stock markets. Of course, the monetary situation has remained highly favourable, with abundant liquidity everywhere and rock-bottom interest rates. Available liquidity has to be channelled somewhere and it seems clear that the collapse of interest rates has prompted many investors to opt for equities rather than the bond markets. Many companies also decided to buy back their own shares in 2019, a strategy which corporates began to adopt a few years ago and which has, so far, proved profitable.

Core Businesses

BNP Paribas Fortis

BNP Paribas Fortis covers both the Retail Banking and Corporate & Institutional Banking activities of the BNP Paribas Group in Belgium. On 31 December 2019, the Bank employed a total of 11,689 FTEs in Belgium.

Retail Belgium

BNP Paribas Fortis Retail banking activities comprise banking services to a range of client types, including individual customers, self-employed people and those in the liberal professions, small and medium-sized companies, local businesses, corporate clients and non-profit organisations. Retail Belgium provides its services via two networks, which operated in 2019 under a segmented business approach: Retail & Private Banking Belgium and Corporate Banking Belgium.

Retail & Private Banking Belgium

BNP Paribas Fortis is the market leader in Retail & Private Banking (RPB) in Belgium, serving 3.5 million clients and with strong positions in all banking products. Retail customers are served through its integrated networks via a hybrid distribution model in which clients choose between the branch network and the digital channels:

- the network comprises 590 branches (of which 267 are independent branches) and 18 Bank for Entrepreneurs Centres. They are supplemented by 270 branches under the Fintro brand and 658 sales points under a 50–50 joint venture with bpost bank. The 590 branches are organised in 41 branch groups spread over 9 regions;
- RPB's digital platform manages a network of 2,734 ATMs, banking services via internet through Easy Banking, and Mobile banking (together 2,1 million active users);
- the Easy Banking contact centre processes more than 40,000 customer calls per week.

The offer is completed by the Hello Bank! digital bank, which serves more than 506,000 clients.

A long-term partnership with AG Insurance further reinforces the distribution power of the Retail network and builds on RPB's long experience in the bancassurance field.

With 32 Private Banking Centres and one Private Banking Centre by James (Private Banking Centre with remote services through digital channels), BNP Paribas Fortis is a major player in the Belgian private banking market. Clients with a minimum of EUR 250,000 worth of investable assets are eligible for private banking services. Meanwhile BNP Paribas Fortis' Wealth Management arm targets clients with potential assets worth over EUR 5 million. These clients are provided with a specific service model and are mainly served from two Wealth Management Centres.

In 2019, in a world of accelerating change, Retail & Private Banking (RPB) continued its process of transformation towards a hybrid service model designed to provide the very best of both worlds – the use of digital tools on the one hand and expert assistance on the other.

At end-2019, more than 43% of the sales made by Retail & Private Banking had come through direct channels, reflecting a change in behaviour among our customers that is ongoing year after year. In order to keep up with this change, RPB adjusted the number of branches in operation, and the jobs performed by branch and Easy Banking Centre staff have been harmonised so as to promote smoother collaboration between the Bank's different experts in the service of the customer. On the digital front, work began on revamping the basis of the mobile Easy Banking App (EBA).

In 2019, the number of customers using the Easy Banking App (1.55 million active users) overtook the number of those using the Easy Banking Web site for the first time. Given this situation, the planned in-depth reworking of the mobile app will enable BNP Paribas Fortis to deliver an optimal customer experience, while also making it easier to roll out new functionality going forward. In parallel, the scope for digital interaction via the Easy Banking Web site has also been broadened. The complementary development of these two digital channels will enable us to provide the 2.1 million customers who already use our digital solutions with tools that will make life easier for them on a daily basis, while ensuring optimal security.

With a view to reinforcing its role in the 'bancassurance' field, in June 2019 Retail & Private Banking set up within its organisation a specific expertise resource for Insurance, to be available across all the various businesses so as to meet the full range of customer needs in this domain. This Insurance resource applies not only to personal and property cover but also to insurance against financial losses. For this purpose, in addition to the existing partnership with AG Insurance, in which BNP Paribas Fortis holds a 25% stake, the Bank signed a partnership agreement with the mobility services specialist Touring. This three-way partnership is intended to enable new solutions to be provided to customers as of 2020.

Meanwhile the Bank continued during the past year to make a considerable investment in training staff in various fields. More than 5,870 Retail & Private Banking staff completed the Tomorrowbank and Proud Digital Bankers programmes designed to update their knowledge of digital tools and understanding of digital behaviour, and 865 staff followed the course run by the Bank for Entrepreneurs Academy. In all, a total of 30,000 person-days of training were completed by Retail & Private Banking personnel in 2019.

Promoting digital inclusion among our customers…

Throughout the year, Retail & Private Banking undertook numerous initiatives to help customers make good use of digital solutions. Some 1,800 local Digital Workshops were run for individual Retail, Private Banking or Wealth Management clients, and direct communication campaigns carried out via post, email or social networks. These included the Easy Banking App Summer campaign (with almost 730,000 clients contacted) and also a permanent campaign highlighting the functionality provided by the EBA mobile app. The EBA introduced new 'account aggregation' functionality in February 2019, which has transformed the app it into a multi-banking application. This secure new functionality enables customers to check the transaction history and balance of all the accounts they hold with BNP Paribas Fortis and other financial institutions. This innovation came about thanks to a partnership with Swedish fintech firm Tink under the terms of the European Union's second Payment Services Directive (PSD2).

The administrative processing of customers' loan requests has also been improved by the use of digital tools, as illustrated by the Easy Housing solution, which speeds up decisions on the granting of mortgages. This is also a clear illustration of the way digital facilities efficiently complement personal assistance provided by the Bank's expert staff.

Business clients have also benefited from specific assistance in the process of digitalising their businesses, provided through the Bank's partnership with Google. Nine events held in May 2019 as part of the Digital Month initiative gave clients a chance to assess the state of their digital advancement and learn more about the opportunities provided by online commerce.

2019 also saw the launch of new digital tools for Private Banking and Wealth Management clients. The new Pax Familia platform enables such clients to manage all aspects of their assets, with simulation tools designed to foresee the consequences of any given transactions, plus a specific succession planning tool. In addition, use of a digital safe allows them to store in a secure manner all important documents such as notarised deeds, sales contracts, details of philanthropic donations, etc.

Clients may also sign up to the Serenity platform to obtain investment advice and services. The platform enables them to steer the composition of their investment portfolio from among various different asset classes on offer, with the emphasis on socially responsible investment.

…while also enhancing overall customer assistance

Following the introduction of the Priority Banking Exclusive service for Priority Banking customers in 2018, Bank for Entrepreneurs clients have now become the latest customer group who are able to take a comprehensive approach to their banking and insurance needs, via the new Advice Pro service. A 'first' on the Belgian market, Advice Pro offers entrepreneur clients proactive overall support, together with a targeted package of solutions and services, in return for a fully transparent fixed quarterly charge. Depending on their specific needs, they may opt for a branch-based Bank for Entrepreneurs Advisor or for one working at the Easy Banking Centre if they prefer not to go into the branch. This approach is intended to allow them to concentrate on developing their business while being able to call on expert assistance and the right partner for their financing, insurance, pension or mobility needs.

In addition, those of our entrepreneur clients who are new business founders can benefit from a special offer that includes a Starter Pack plus tailored support from a Business Starter Advisor during the first 12 months of existence of the new company.

A complete range of payment solutions

Payment solutions are still one the most basic needs of our customers. BNP Paribas Fortis has therefore continued to expand the range of solutions on offer. Following the launch of Apple Pay in 2018, the Bank has made available further innovative payment solutions by partnering with Fitbit and Garmin, makers of connected watches.

Meanwhile, BNP Paribas Fortis has also been pursuing the development of more traditional payment methods. The Bank now offers Private Banking and Wealth Management clients the Mastercard World Platinum card and the World Elite card. These cards more closely meet the needs of modern customers as they include various extra advantages in terms of travel insurance, online shopping, access to airport lounge facilities, and so on.

In this way, the Bank is determined to offer a comprehensive range of payment solutions for merchants and customers.

Facilitating access to banking services

While endeavouring to optimise the combination of physical, remote and digital distribution channels, Retail & Private Banking launched in September 2019 a far-reaching communication campaign focusing on the customer's practical relations with the Bank. In a world that is changing ever more rapidly, the aim of the campaign – which reached out to all customers – was to reassure customers about the continued accessibility of the various services that the Bank provides at branches, remotely via the Easy Banking Centre, or through the Easy Banking App and Easy Banking Web digital solutions.

Towards more sustainable banking

BNP Paribas Fortis is very keen to offer its customers the means to make choices, when deciding on their private plans or work projects, that will help to promote sustainability.

A new step was taken towards a 100%-sustainable investment offering with the launch in November 2019 of the Sustainability label conferred by Belgian banking federation Febelfin. With 83 of the investment products offered to customers now carrying this label, BNP Paribas Fortis – which has EUR 19.37 billion worth of assets under management in the sustainable investment category, a 35% market share in this field in Belgium – has underlined its leadership position as a 'sustainable' bank.

Meanwhile, 'green' loans in the mortgage lending and car loan segments have been proving extremely popular, partly due to the active promotional efforts made by the Bank in addition to the attractive interest rates on offer.

The Bank for Entrepreneurs also provides targeted assistance, through a specialised unit that draws on the knowhow of the Corporate Banking division's Sustainable Business Competence Centre, to business owners who wish to make their activities more sustainable.

Twofold recognition for the Bank's expertise

In 2019, for the third year running, BNP Paribas Fortis won the prestigious Bank of the Year – Belgium award conferred by the Financial Times Group publication The Banker. In parallel, the BNP Paribas Fortis Private Banking & Wealth Management division was named 'Best Private Bank in Belgium 2019'. This double recognition underlines the Bank's determination to continually reinvent itself so as to provide all its customers with the very best knowhow and service.

Corporate Banking

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

Providing a wide range of both traditional and bespoke specialised solutions and services, and drawing on the international network of the BNP Paribas Group across more than 70 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients, in Belgium and abroad.

Corporate Banking continued its strenuous efforts during 2019 to be the preferred bank for corporates in Belgium by providing them with convenient access to unique banking solutions using innovative digital tools.

Meanwhile the Corporate Banking division continued to forge ahead in line with its digital transformation and process efficiency roadmap. The division enhanced its servicing model by expanding its client- and data-driven digital channels and launching a number of new initiatives, with a focus on digital lending and the client onboarding process

Following the launch of the Sustainable Business Competence Centre (SBCC) in 2018, Corporate Banking increased its efforts to assist clients in making the transition to a more sustainable economy. Initiatives in this field came under four main headings: Decarbonisation, Human Capital, the Circular Economy and Smart Cities. In the course of 2019, CB embarked on a range of solutions intended to promote a low-carbon economy, support investment in education and health and help develop smart infrastructure in Belgian cities.

Arval

Arval is a BNP Paribas Fortis subsidiary which specialises in vehicle leasing and mobility. Arval provides corporate clients – ranging from large international corporates to small and medium-sized enterprises – and their employees, plus also individual customers, with customised solutions designed to optimise mobility. Arval offers services associated with vehicle leasing, including financing, insurance, maintenance, tyre changes, complementary mobility services such as car-sharing, bike-sharing, ride-sharing, etc., and digital tools for fleet managers and drivers to assist them in their daily usage of their vehicle. The company has also launched a SMaRT (Sustainable Mobility and Responsibility Targets) approach designed to help clients implement a strategy for making the transition towards the use of lower-carbon energy.

At end-2019, Arval had permanent establishments in 29 countries, employing more than 7,000 staff, with 1,298,404 leased vehicles. The company is a leader in Europe. It has also entered into a number of strategic partnerships through the Element-Arval Global Alliance, which is the world leader in this sector with around three million leased vehicles in 50 countries.

As a committed promoter of innovation in the mobility sector, Arval is also a member of the MaaS (Mobility-as-a-Service) Alliance. The MaaS Alliance is a public-private partnership whose aim is to lay the foundations for a common approach to mobility as a service, i.e. the integration of various forms of transport services into a single mobility service accessible on demand.

BGL BNP Paribas SA

The **BGL BNP Paribas Retail & Corporate Banking** business line provides – variously through Retail Banking, Corporate Banking and Private Banking Luxembourg – a broad range of financial products and services, including current accounts, savings products and insurance products, plus specialised services for professional people and companies, such as leasing.

The commercial network is made up of: 41 branches; an expertise centre dedicated to investing; another specialising in mortgage loans; several Private Banking sites across the country serving high-net-worth residents of the Grand Duchy; five business centres providing services exclusively to professional clients; and a business centre dedicated to the liberal professions. The business line also has one of the country's most extensive ATM networks.

BNP Paribas Lease Group Luxembourg SA, a 100% subsidiary of BGL BNP Paribas, operating under the BNP Paribas Leasing Solutions brand, is the local market leader for financial leasing, providing attractive solutions to business customers for the financing of plant and equipment.

As the European leader in asset finance, operating in most European countries, **BNP Paribas Leasing Solutions** supports the growth of its clients and industrial partners by offering rental and finance solutions for their professional equipment. A key player in the usage economy, BNP Paribas Leasing Solutions provides businesses with the flexibility they need to remain competitive and grow in a sustainable manner.

Arval offers vehicle operating lease services to individual and corporate clients, specialising in providing optimal solutions for managing company car fleets.

BNP Paribas Wealth Management provides tailored asset management and wealth management solutions, including high-end specialist services such as investment counselling, discretionary wealth management mandates, wealth organisation and succession planning, finance and daily banking services, plus also asset diversification advice.

BNP Paribas Asset Management offers a full range of financial management services to institutional clients and distributors throughout the world.

Cardif Lux Vie, a major player in Luxembourg life insurance, successfully combines local know-how and international expertise so as to meet the specific needs of its individual, ultra high-net-worth and professional clients. Strongly committed to its customers, partners and employees, the company provides high-quality solutions and services that contribute to sustainable and responsible growth.

BNP Paribas Real Estate draws on the expertise of six real estate business lines – Property Management, Valuation, Consulting, Transactions, Property Development and Investment Management – in order to provide clients with tailored solutions.

Corporate & Institutional Banking

Corporate and Institutional Banking Luxembourg (CIB) provides products and services to corporate and institutional clients.

CIB Luxembourg comprises three activities:

- Financing Solutions, recognised as a partner of choice in Luxembourg for the financing of tangible assets;
- Prime Solutions & Financing, which specialises in collateralised investment solutions for institutional clients;
- Correspondent Banking, which offers banking solutions for institutional clients.

Alongside these activities, the Financial Institutions Coverage department supports the business lines in their client relations and promotes the products and services offered by the BNP Paribas Group.

BNP Paribas Securities Services has set itself the aim of being the premier long-term asset servicing provider of choice for leading financial institutions in a fast changing world. In Luxembourg, BNP Paribas Securities Services delivers simplicity in a world of complexity as a multi-asset servicing specialist in Clearing & Custody, Corporate Trust, International Fund Services and Market & Financing Services.

Türk Ekonomi Bankası A.Ş. (TEB)

BNP Paribas Fortis operates in Turkey through TEB, in which it holds a 48.7% stake via TEB Holding and BNP Paribas Fortis Yatırımlar Holding A.Ş.

On 30 September 2019, TEB, which provides the full range of BNP Paribas Group Retail products and services in Turkey, stood 10th in the country's deposit bank rankings in terms of market share of deposits and loans.

TEB Retail and Private Banking is steadily attracting greater numbers of customers through both branches and online channels with its diversified product range, quality of service and banking experience. Its goal is to be the primary bank for all its customers, pursuing a digital transformation strategy geared to improving customer experience and service channels. The customer experience is central to all activities: use is made of human-centric design and customer journey methodologies; and customer insights are taken into account through advocacy programmes.

The CEPTETEB Digital Banking Platform, launched in March 2015, which offers both financial and non-financial services to customers, is currently serving 925,000 customers and managing deposits totalling TL 7 billion. Also, by the end of 2019, CEPTETEB online platforms serve 1.6 million online active customers. CEPTETEB continued to develop its digital channel experience during 2019, expanding its customer base and launching new features on the CEPTETEB Mobile Application and the TEB FX platform. Incorporating the most modern technology and innovations, CEPTETEB has also launched a new chatbot platform, called TELEPATİ, and Fon Danışmanım ('My Fund Advisor'), an automated, algorithm-driven portfolio builder for funds.

TEB also offers exclusive tailor-made products and services to small and medium-sized enterprises, agribusinesses and startups, based on a 'consultant bank' approach. This means that TEB not only acts as a traditional bank providing financial services, but also offers appropriate business advisory services (mostly through the Start-Up Banking business line). These services comprise information dissemination tools, business management training, consultancy services, advice on how to grow business by employing transformative technologies, bringing companies into contact with technology suppliers, plus also the organisation of networking events.

In 2019 TEB restructured its SME segmentation after carefully considering the needs of various different clients, and added new export finance and cash management products and services.

In addition, TEB launched a new mobile app, CEPTETEB İŞTE, which is currently the only application in Turkey specifically designed for and targeted at companies. It includes a detailed financial dashboard, a financial calendar, point-of-sale overviews and cheque management, all designed to speed up SMEs' daily financial management.

Corporate Banking services include international trade finance, structured finance, cash management, credit services and hedging of currency, interest-rate and commodity risk.

Corporate Social Responsibility

BNP Paribas Fortis takes its responsibility towards society very seriously and has taken a formal decision to make sustainability an integral part of all its activities.

BNP Paribas Fortis demonstrates a clear commitment to the wider society not only through its corporate philanthropy programmes and social solidarity work but also in its policies on financing and investment, where the Bank makes strenuous efforts to reduce the negative impact and increase the positive impact of its activities.

Social solidarity

The Bank and its staff are currently providing financial support totalling EUR 4.1 million to a number of social solidarity projects, mainly through BNP Paribas Fortis Foundation, the Venture Philanthropy Fund supported by the BNP Paribas Fortis Private Banking arm, and the Rescue & Recover Fund run by the BNP Paribas Group. In addition, a large number of staff take part in social solidarity activities or provide their skills on a voluntary basis to help various non-profit organisations achieve their mission. The Bank is also active in supporting microfinance, mainly through the micro*Start* organisation.

BNP Paribas Fortis Foundation

The Bank Foundation has since 2010 been supporting educational projects aimed at underprivileged youngsters. The Foundation recently decided to review the workings of its main support programme, with a view to improving its impact. Accordingly, a new call for projects was launched in 2019 in conjunction with the King Baudouin Foundation. Going forward, every year BNP Paribas Fortis Foundation will now be supporting 10 non-profit organisations, each of which will receive EUR 50,000 spread over two years. In addition to the financial support provided, each of the 10 recipient organisations will also enjoy priority listing for volunteer work: Bank staff who wish to contribute some of their time and skills to a good cause will be encouraged to work with them.

For the fourth consecutive year, BNP Paribas Fortis Foundation ran, in collaboration with the non-profit organisation 'Goods to Give', an initiative entitled 'Back to School with a Smile'. Donations from Bank staff, supplemented by contributions from BNP Paribas Fortis Foundation, enabled a total of 60,000 school-related items to be distributed to children from deprived backgrounds by some 400 Belgian charity organisations.

BNP Paribas Fortis also continued to support the efforts made by the non-profit 'Be Face' to combat social exclusion in Brussels. Accordingly, a number of Bank staff volunteered on mentoring programmes designed to help marginalised people to get back into the world of work, while staff from the branches helped to set up a programme to train staff from the Public Centre for Social Welfare in the use of modern digital banking tools.

Venture Philanthropy Fund

Established 10 years ago on the initiative of the King Baudouin Foundation, the Venture Philanthropy Fund enjoys the support of BNP Paribas Fortis Private Banking.

Every year since 2015, the Bank has transferred part of the BNPPF Private SRI fund management fees to the King Baudouin Foundation's Venture Philanthropy Fund. This has enabled support totalling over EUR 5.5 million to be provided to 73 social work projects in Belgium, including EUR 1.5 million for 26 new initiatives in 2019. Bank clients are invited to vote for their favourite non-profit organisation. In 2019, they chose 'Twerk', a chocolate-maker that employs autistic persons, and 'Take Off', which works to combat isolation among sick children living in the Wallonia-Brussels Federation area.

#ourjob2

For the third consecutive year, the CSR department ran the #ourjob2 CSR campaign, encouraging Bank staff to make a practical contribution to society or the environment, or to take part in activities designed to raise awareness of social responsibility. The year 2019 saw a new initiative called 'Happy Green Days', involving six days of activities in the various regions of Belgium, relating to sustainable development, enabling participation alongside work colleagues, in family groups, or with friends. A total of 3,506 people took part.

The #ourjob2 campaign garnered 14,195 participations in 2019. Over 11,778 hours of volunteer work were carried out on behalf of charities, non-profits or social enterprises, and various fund-raising drives were organised. The money donated, together with the matched funds provided by the Foundation, enabled a total of EUR 82,990 to be transferred to such organisations. Every time a person takes part in an #ourjob2 campaign event, the Bank arranges, through the WeForest organisation, for a tree to be planted as part of a reforestation project in Zambia. Since 2017, 88,514 trees have been planted thanks to the #ourjob2 campaign and other initiatives taken by the Bank.

Microfinance

Set up in 2011 by ADIE (Association pour le droit à l'initiative économique), a France-based non-profit organisation whose mission is to enable people to create their own employment, in conjunction with BNP Paribas Fortis and the European Investment Fund, micro*Start* is the largest professional micro-lending institution in Belgium. BNP Paribas Fortis is its main shareholder.

Since it was established, micro*Start* has provided more than 5,000 loans totalling close to EUR 40 million to help micro-entrepreneurs in this country to set up a business. Some 4,000 companies have thus been set up, creating or ensuring the continued existence of 6,400 jobs in Belgium. The survival rate of the businesses backed by micro*Start* – 75% after two years – is well above the national average of 62% for companies across the board.

Meanwhile, in 2019, micro*Start* introduced a programme called 'Business without Borders', whose purpose is to help refugees to launch a business of their own as a way of entering the employment market. BNP Paribas Fortis Foundation has undertaken to provide assistance worth EUR 100,000 per year to the programme through to 2021. As part of this initiative, micro*Start* intends to assist a total of 280 new refugees and aims to obtain the funds to provide 165 new micro-loans over the next three years.

In addition to this initiative, BNP Paribas Fortis will be helping micro*Start* to carry out its plans for 2020-2022 by participating in loans and assistance provided to some 3,000 extra micro-entrepreneurs during this period. The assistance will mainly be delivered by Bank staff, around fifty of whom offer their skills on a volunteer basis to small business founders every year.

Academic chairs

Financing university chairs is also an integral element of BNP Paribas Fortis CSR policy and part of the Bank's engagement with the wider society. By supporting academic chairs, the Bank brings together scientific research, teaching institutes and businesses, creating partnerships that are able to build bridges between the business world and the academic world in order to promote useful developments for the economy in Belgium's major cities. BNP Paribas Fortis currently supports six university chairs, including the Entrepreneurship chair at the Free University of Brussels (VUB) and the Finance and Ethics chair at Antwerp University.

Reducing the negative impact of our activities

The Bank is making strenuous efforts to reduce, or prevent, any negative impact – not only by reducing its own environmental footprint but also by adhering to strict rules regarding its financing and investment activities.

In 2019 the BNP Paribas Group made a strong commitment in the lending field by signing up, alongside 30 other banks that were already signatories of the United Nations Organisation's Principles for Responsible Banking, to a Collective Commitment to Climate Action. In so doing, the Group has made a commitment to help finance a low-carbon economy by aligning its loan portfolios with the aims set out in the 2015 Paris Agreement – i.e. to keep the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C.

Sector policies and duty of vigilance

The Group is determined to support the economy in an ethical manner and has therefore drawn up a set of sector-related policies laying down strict rules for the financing of and investment in sensitive industrial sectors. Accordingly, the Bank will not invest in or finance any companies that do not fulfil certain conditions regarding human rights and the environment. However, before declining to do business with such companies, the Bank's first step is always to engage in dialogue with them and encourage them to change their current practices.

The CSR department has created an online training module on the Bank's sector policies, which is mandatory for all staff. To date, 95% of BNP Paribas Fortis staff have completed this training programme.

In late 2017, the BNP Paribas Group announced that it was ceasing all financing for companies involved in the tobacco business. The Group also signed up to the Tobacco-Free Finance Pledge, entailing a commitment to exclude tobacco-related assets from all its investment funds. In 2019, BNP Paribas Fortis went a step further by signing the Charter for a Smoke-Free Generation, an initiative by the Belgian Alliance for a Smoke-Free Society. All Charter signatories commit to work together to create the first smoke-free generation for several centuries.

The BNP Paribas Group has also decided to cease all financing for the coal-fired power generation sector by 2030 in European Union member countries and from 2040 across the rest of the world.

In 2019, out of 397 transactions submitted to the Bank's special Compliance team, 50 were rejected because they did not comply with our sector policies.

In order to comply with the new law imposing a Duty of Vigilance, BNP Paribas Fortis will ensure that all the sector policies are effectively implemented by all its various business lines by end-2020, and monitoring mechanisms put in place. The Bank already requires its suppliers to sign a charter of good conduct. Moreover, since 1 October 2019, the general terms and conditions set out in all commercial documents – such as those for opening an account and taking out a loan – make specific reference to our Corporate Social Responsibility.

Reducing our own environmental footprint

The Bank has reduced its own CO_2 emissions by 31% and its paper consumption by 55% since 2012. Company cars provided to staff are increasingly environmentally friendly: electric cars or plug-in hybrids which emit far less CO_2 out on the road than their petrol or diesel-engine equivalents. In addition, a range of options designed to make the daily commute to and from work more sustainable, such as third-party payment for public transport, and bicycle hire, are made available to staff through the Bank's Cafeteria plan.

The project for our new headquarters on Montagne du Parc in Brussels, which is currently under construction, has received an initial Building Research Establishment Environmental Assessment Method (BREEAM) certificate. This intermediate (Design stage) certificate was awarded with a rating of 'Excellent'. The final (As-Built stage) certificate will be awarded once the work is completed.

Increasing the positive impact of our activities

BNP Paribas Fortis is endeavouring to increase the positive impact of its activities. Accordingly, the Bank aims to significantly increase the proportion of loans granted to projects that are in line with the United Nations' Sustainable Development Goals, and is meanwhile assisting corporate customers in making the transition to a more sustainable business model, entering into innovative partnerships and financing arrangements geared to sustainability, and also supporting social enterprises.

BNP Paribas Fortis firmly believes that when people of different genders and backgrounds work together, this makes for a more creative, attractive and successful company; the Bank therefore pursues a proactive policy of promoting diversity and inclusiveness.

SDG-related finance

BNP Paribas Fortis is keen to significantly increase the percentage of loans granted to projects that are in line with the United Nations Sustainable Development Goals. These include projects relating to the environment (such as for renewable energy or recycling), in the non-commercial sector (hospitals, schools and universities), plus also loans to social entrepreneurs. In 2019, the Bank's lending in these categories totalled EUR 10.02 billion, up 16% compared to 2018.

The Bank's lending in the renewable energy field last year amounted to EUR 3.04 billion, up by 40% compared with 2018, while 'green' mortgages totalled EUR 3.6 billion, up by 8% on the 2018 figure.

Helping our corporate clients make the transition to sustainability

The Bank's Sustainable Business Competence Centre (SBCC), which was set up as long ago as 2009, provides company clients with expertise and assistance to enable them to design and finance renewable energy generation infrastructure or improve the energy efficiency of their existing installations. Now the SBCC team has widened the scope of its activities to include expertise in the clean tech, life sciences, and information and communication technologies (ICT) fields. The team's goal is to help corporate customers to shift to a sustainable business model that will, for instance, help to solve the pressing climate challenges. In 2019, the SBCC followed up 160 credit applications, involving a total of EUR 848 million worth of sustainable financing.

One of these projects is the Biométhane du Bois d'Arnelle (BBA) scheme, which will produce and inject biogas directly into the Fluxys natural gas distribution grid. The scheme will produce gas equivalent to the annual consumption of some 3,500 households. This output will require input of 60,000 tons of material, including manure, slurry and agri-food industry waste.

During 2019, the SBCC carried out a major awareness-raising effort among Bank staff, customers and other stakeholders through lectures highlighting solutions to help meet the climate challenge and a series of workshops entitled Sustainable Business Ateliers. These workshops were run in different regions of Belgium, enabling clients to exchange experiences relating to the energy transition and other forms of transition, with input from experts in the field and representatives from the academic world. These workshops help participants to integrate into the local ecosystem and often result in the forging of a real partnership with the Bank.

Partnerships and financing arrangements geared to sustainability

BNP Paribas Fortis signed a partnership agreement with BlueChem, the first-ever startup incubator in Belgium dedicated to sustainable chemicals. BlueChem aims to help startups to scale up their innovations in the field of sustainable chemicals to industrial levels. The Bank is contributing its expertise in the life sciences sector and also making its extended network available to BlueChem participants.

Belgian building materials specialist Etex Group applied for a Sustainability Linked Loan of EUR 600 million to be provided by BNP Paribas Fortis in a consortium with nine other banks, whereby the cost of the company's credit line will depend on its attainment of sustainability targets. Every year independent environmental, social and governance (ESG) ratings agency Sustainalytics will issue an ESG risk rating for Etex and the interest rate on the credit line will be reduced if the next rating improves but will rise if the company's ESG performance is judged to be weaker. Etex has set itself the goals of lowering its consumption of water, energy and raw materials and also reducing its greenhouse gas emissions and waste output. In the longer term the Group aims to reduce its landfill waste to zero.

Walloon public water management company SPGE signed up with BNP Paribas Fortis for its very first 'green' loan in the amount of EUR 20 million. The loan is intended to finance projects designed to improve the management of waste water, reduce CO_2 emissions and install photovoltaic panels on most of its treatment plants. If SPGE achieves its targets – to be verified by an independent body – the Bank will grant more favourable terms for the outstanding loan.

Social Entrepreneurship

A social enterprise is a company that aims to make a profit while also having a positive impact on society. Such companies operate in fields such as work organisation adapted to suit people with a specific disability, the circular economy, energy efficiency and decarbonisation.

As at end-2019, the Sustainable Business & Social Enterprises team at BNP Paribas Fortis Retail Banking was working with 445 social entrepreneurs and had a total of EUR 95 million in loans out to social enterprises. The Bank's policy regarding lending to this type of company has been updated, with the launch of a specific product entitled Sustainable Impact Loan, which carries a preferential interest rate. Projects financed in 2019 include a civic wind farm developed by the Eole-lien Cooperative in the Temploux area in Belgium.

Social enterprises are not only able to draw on the advanced knowhow of this special team, but also come into contact with a broad range of players in the sustainable business ecosystem at events organised by the Bank.

In this regard, the Bank is providing support to Belgium Impact, a new social entrepreneurship platform that was launched on the initiative of Belgium's Royal Palace in partnership with various universities and other stakeholders. The main purpose of the platform is to provide inspiration to others by highlighting the work of entrepreneurs who have come up with innovative and sustainable solutions to society's needs.

In 2019 BNP Paribas Fortis also entered into a partnership with The Circular Hub, an organisation whose mission is to assist companies setting up, or preparing to set up, in the circular economy. Under the Circular Kickstart programme, 10 circular economy innovators will receive coaching from experts for a period of eight months. The Bank is supporting this initiative not only in terms of financing but also by sharing expertise.

BNP Paribas Fortis has for more than five years participated in the 'Rural Impulse Fund II'. 2019 was the latest complete financial year for this fund, which supports farmers and rural businesses in several regions of the world by providing efficient, socially responsible financial services geared to the customers' needs.

Socially Responsible Investment (SRI)

Diversity and inclusiveness are priority issues for BNP Paribas Fortis, as indeed they are across the entire BNP Paribas BNP Paribas Fortis remains the leader on the Belgian market for SRI, with EUR 19.37 billion worth of assets under management[1]. Our Retail Banking arm has a 34.7% market share, while the Private Banking division currently holds a 43.1% share. More than 180,000 of the Bank's customers today have at least one SRI product in their portfolio.

Every year, the London-based magazine *Euromoney* carries out a survey in order to rank all the various Private Banking institutions. BNP Paribas Fortis made considerable progress last year in moving up from fifth to second place in the overall rankings and winning the gold award in no fewer than 10 specific categories, including Philanthropic Advice and ESG/Social Impact Investing.

Diversity and Inclusiveness

BNP Paribas Fortis is firmly convinced that teams made up of people with diverse backgrounds and profiles are stronger and perform better. The Bank therefore undertakes positive action to promote diversity and inclusiveness.

The Bank's 2019 Diversity Week saw the launch of an internal campaign designed to help prevent prejudices and unconscious bias. Attention was focused on attitudes to women, the over-50s, persons living with a disability, and part-time staff.

During the year, BNP Paribas Fortis also signed the Belgian charter promoting Gender Balance in Finance, thus committing itself to continue working towards a better male-female balance across the Bank.

In addition, the Diversity & Inclusion team set up processes to better manage the employment of people living with a disability or undergoing a gender transition. Progress was especially made with monitoring mechanisms to ensure non-discrimination both at the recruitment stage and during the person's career path. The year 2019 also saw the third update of the Bank's Respect campaign, calling on all colleagues to react to any cases of unacceptable behaviour.

Changes in the scope of consolidation

Information on the changes in the scope of consolidation is provided in note 8.b 'Business combinations and other changes of the consolidation scope' and note 8.j 'Scope of consolidation'.

BNP Paribas Fortis credit ratings at 29/02/2020

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

The table above shows the main BNP Paribas Fortis credit ratings and outlook on 29 February 2020. Each of these ratings reflects the view of the rating agency specifically at the moment when the rating was issued; any explanation of the significance of a given rating is to be obtained from the rating agency which issued it.

1 Up due to a) the alignment of flagship funds that were not previously SRI funds with the new Febelfin standard, b) new net entries into the SRI funds, and c) growth in the market.

Forward-looking Statements

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

Comments on the evolution of the results

BNP Paribas Fortis realised a net income attributable to equity holders of EUR 2,212 million in 2019, compared to EUR 1,932 million in 2018, up by EUR 280 million or 15%.

Please note that the comments in the present section have been written by referring to the financial statements and the respective notes. For a business oriented analysis, please refer to the Press Release of BNP Paribas Fortis available on the corporate website. This analysis focuses on the underlying evolution, which excludes scope changes (acquisition, sale and transfer of activities), foreign exchange impacts and one-off results. By excluding these effects, BNP Paribas Fortis showed an increasing underlying net income attributable to equity holders by 8%.

Operating income amounted to EUR 2,828 million in 2019, higher by EUR 17 million or 1% compared to EUR 2,811 million in 2018. The increase was the result of a slight decrease of the revenues for EUR (17) million or (0.2)%, lower costs of EUR 93 million or 2% and higher cost of risk for EUR (59) million.

Non-operating items (share of earnings of equity-method entities, net gain on non-current assets and goodwill) were up by EUR 193 million whereas the corporate income tax decreased by EUR 63 million impacted by exceptional items in both years.

The comparison between the 2019 and 2018 results was impacted by the following elements:

- the replacement of IAS 17 by IFRS 16 'Leases' as from 1 January 2019 that requests to the lessee to recognize all the leases in balance sheet, in the form of a right-of-use on the leased asset against a financial liability for the rent and other payments to be made over the leasing period. This accounting change did not prevent to compare both periods, as only some captions of the profit and loss account were impacted. The rental expenses previously accounted for on a linear basis in operating expenses have been replaced by additional interest expenses in interest margin in relation with lease liabilities and by additional amortizing expenses in relation with rights-of-use;
- few material scope changes of which the sale of Von Essen Bank to the BNP Paribas German Branch in January 2019 and the transfer of assets and liabilities of the BNP Paribas Fortis Madrid Branch to BNP Paribas Madrid Branch in October 2018;
- foreign exchange variations, and more particularly the continuous depreciation of the Turkish lira against euro (from 5.69 EUR/TRY on average in 2018 to 6.36 EUR/TRY on average in 2019).

Based on the segment information, 51% of the revenues were generated by banking activities in Belgium, 27% by other domestic markets, 12% by banking activities in Turkey, 8% by banking activities in Luxembourg and 2% by segment Other.

Net interest income reached EUR 4,792 million in 2019, decreasing by EUR (82) million or (2)% compared to 2018. Excluding the scope changes (EUR (129) million) and the foreign exchange effect in Turkey (EUR (102) million), net interest income would have increased by EUR 149 million mainly at BGL BNP Paribas, Personal Finance and Leasing Solutions.

In Belgium, the net interest income suffered from the persistently low interest rate environment. This was mainly demonstrated by less interest income on customer loans due to lower margins and lower indemnities on mortgage loans refinancing and despite an increase in volume (mainly term loans and mortgage loans). Income on fixed-income securities decreased as well due to redemption and sale of securities with high yields. Finally, this was partly offset by lower interest expenses related to clients' deposits.

In Luxembourg, the net interest income increase due to a dynamic volume growth of term and mortgage loans.

In Turkey, net interest income increased despite the depreciation of the Turkish lira. In local currency, net interest income increased by 20% mainly thanks to an increase of the average interest rate on the loan portfolio.

It must also be noticed that IFRS 16 impacted the net interest income for EUR (16) million.

Net commission income amounted to EUR 1,278 million in 2019, down by EUR (79) million or (6)% compared to 2018. Excluding the scope changes (EUR (51) million) and the foreign exchange effect in Turkey (EUR (26) million), net commission decreased by EUR (2) million. Lower fees received in Belgium were partially compensated by an increase in business activity in Turkey.

Net results on financial instruments at fair value through profit or loss stood at EUR 202 million, up by EUR 8 million compared to 2018, a slight increase despite the lower results in Turkey, in a context of volatile market conditions.

Net results on financial instruments at fair value through equity amounted to EUR 116 million in 2019, increasing by EUR 31 million compared to previous year. The 2019 result was marked by higher capital gains than in 2018 on the disposal of fixed-income securities mainly in Belgium.

Net income from other activities amounted to EUR 1,653 million in 2019, increasing by EUR 106 million (or 7%) compared to 2018.

This increase is mainly supported by the increase of revenues from Arval, in line with the growth of the financed fleet (+9%).

Salary and employee benefit expenses amounted to EUR (2,567) million in 2019, i.e. a slight decrease of EUR 1 million compared to previous year. However, excluding the scope changes (EUR 35 million) and the foreign exchange effect of the Turkish lira (EUR 31 million), there was a net increase of EUR (65) million.

This increase is explained by higher staff expenses in Luxembourg due to the integration of FTEs from BNPP Wealth Management Luxembourg (ex-ABN AMRO Luxembourg) in 2018 and by higher staff expenses in Arval in line with the growth of activity.

In Belgium, there were less staff expenses mainly due to lower FTEs in line with the transformation of BNP Paribas Fortis organisational model.

Other operating expenses amounted to EUR (1,818) millions in 2019, a decrease of EUR 174 million compared to 2018. Excluding the scope changes (EUR 40 million) and the foreign exchange impact of the Turkish lira (EUR 21 million), other operating expenses decreased by EUR 113 million.

It must also be noticed that rental expenses that are not anymore booked in this aggregate since the implementation of IFRS 16, explaining the decrease for EUR 101 million.

In Belgium, the decrease was mostly driven by lower marketing expenses, lower IT costs and consultant fees while banking taxes and levies increased slightly from EUR (290) million in 2018 to EUR (298) million in 2019.

Depreciation charges stood at EUR (369) million in 2019, versus EUR (287) million compared to previous year, i.e. an increase of EUR (82) million. This is explained mainly by the depreciation of Right of Use tangible assets (IFRS 16) for EUR (76) million.

Cost of risk amounted to EUR (454) million in 2019, i.e. an increase of EUR (59) million compared to 2018. Excluding the scope changes (EUR 42 million) and the foreign exchange impact of the Turkish lira (EUR 17 million), there was a net increase of EUR (118) million.

In Belgium, despite higher net dotations in Stages 2 and 3, the level of cost of risk remains at a low level.

Outside Belgium, the cost of risk was higher in TEB due to the recession impacting the loan portfolio. At Leasing Solutions, the cost of risk also increased to a lesser extent.

Share of earnings of equity-method entities amounted to EUR 254 million in 2019, compared to EUR 201 million in 2018, mainly related to BNP Paribas Bank Polska SA and AG Insurance.

Net gain on non-current assets amounted to EUR 155 million in 2019 versus EUR 15 million in 2018. This increase is mostly due to the sale of Von Essen Bank to BNP Paribas German Branch. This sale took place in the context for BNP Paribas Group of consolidation and growth of the Consumer Finance business in Germany.

Corporate income tax in 2019 amounted to EUR (620) million compared to EUR (683) million last year, a decrease of EUR 63 million explained by exceptional items in both periods. Excluding the share of earnings of equity-method entities (reported net of income taxes), the gain on the sale of Von Essen Bank and the recognition of deferred tax assets on losses carried forward, the effective tax rate is stable at 24%.

Net income attributable to minority interests amounted to EUR 406 million in 2019, compared to EUR 413 million in 2018.

Net income attributable to equity holders amounted to EUR 2,212 million in 2019, compared to EUR 1,932 million in 2018.

Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis amounted to EUR 313.2 billion as at 31 December 2019, up by EUR 21.9 billion or 8% compared with EUR 291.3 billion at 31 December 2018.

In terms of scope changes, the sale of Von Essen Bank in Germany to BNP Paribas in the beginning of 2019 was the only material scope change. As a reminder, Von Essen Bank was qualified in 2018 as 'disposal group' as defined in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. In accordance with IFRS 5, the assets and liabilities of the entity were in 2018 reclassified and presented in the separate balance sheet lines - 'Non-current assets held for sale' and 'Liabilities associated with non-current assets held for sale'. With the sale in 2019, the total amount of BNP Paribas Fortis' consolidated balance sheet has decreased by EUR (2.3) billion.

The implementation of IFRS 16 'Leases' has an impact of EUR 0.4 billion on the total balance sheet, since the discounted right-of-use of the leased assets and the corresponding discounted lease liabilities are booked on the balance sheet.

Excluding the impact of the sale of Von Essen Bank and the implementation of IFRS 16, the total balance sheet of BNP Paribas Fortis would have increased by EUR 23.9 billion.

In 2019, 'Loans and advances to customers' and 'Deposits from customers' showed continuous growth. The net growth on 'Loans and advances to customers' amounted to EUR 8.7 billion mainly related to term and mortgage loans (granted by BNP Paribas Fortis and BGL BNP Paribas), consumer loans (Alpha Credit and TEB) and finance leases at Leasing Solutions entities. The net increase on deposits from customers, up by EUR 10 billion, was the result of significant inflow of liquidity deposited in current, saving and term accounts, mostly in Belgium and in Luxembourg.

The decrease of the interest rate curve had an important impact on the total balance sheet size: the fair value of the derivatives increased by EUR 4.1 billion on the asset side, while on the liability side, the increase amounted to EUR 5.2 billion. This evolution also impacts the amount of collateral posted as margin call: the collateral posted by BNP Paribas Fortis increased by EUR 1.6 billion, while the collateral received increased by 0.6 billion. Finally, the fair value of the hedged items on asset and liability side increased by respectively EUR 1.2 billion and EUR 0.5 billion.

In Turkey, the lower level of loans (mainly term loans) was strengthened by the adverse effect of depreciating Turkish lira which lost 10% of its value against the euro during the year 2019.

Based on the segment information, 66% of the assets were contributed by banking activities in Belgium, 16% by other domestic markets, 9% by banking activities in Luxembourg, 5% by banking activities in Turkey and 4% by other segments.

Assets

Cash and amounts due from central banks amounted to EUR 4.4 billion, down by EUR (0.3) billion compared to 31 December 2018.

Financial instruments at fair value through profit or loss stood at EUR 17.9 billion, EUR 2.4 billion higher than EUR 15.5 billion as at 31 December 2018. The increase of EUR 3.0 billion in 'Derivative financial instruments' was mainly related to the decrease of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side.

Derivatives used for hedging purposes increased by EUR 1.1 billion and amounted to EUR 2.5 billion, reflecting also the decrease of the interest rate curve. This evolution should be analysed together with the 'Derivatives used for hedging purposes' on the liability side where there is an increase of EUR 2.3 billion. The net of those two captions shows a decrease of EUR (1.2) billion in fair value of derivatives used for hedging purposes. Those derivatives are hedging mainly the fixed rate loans and bond portfolio, where we can see an increase in the fair value for an equivalent amount due to the decrease of the interest rate curve.

Financial assets at fair value through equity decreased by EUR (2.0) billion to EUR 8.8 billion following the sale of government bonds, mainly in Belgium. This decrease was partially compensated by an increase in fair value of the bond portfolio following the decrease of the interest rate curve.

Financial assets at amortised cost amounted to EUR 236.7 billion as at 31 December 2019, up by EUR 16.4 billion compared with EUR 220.3 billion as at 31 December 2018.

Loans and advances to credit institutions raised by EUR 8.3 billion following higher reverse repurchase activities and interbank loans at BNP Paribas Fortis.

Loans and advances to customers improved by EUR 8.7 billion primarily supported by higher mortgage loans (EUR 3.2 billion) especially in Belgium and in Luxemburg. The growth was also driven by higher demand for term loans (EUR 2.3 billion) mainly at BNP Paribas Fortis, higher net finance leases thanks to growing activities at Leasing Solutions (EUR 1.0 billion) and higher consumer loans (EUR 1.0 billion) thanks to the strong contribution of Alpha Credit in Belgium and TEB in Turkey.

In Turkey, the lower level of mortgage and term loans) was strengthened by the adverse effect of the depreciating Turkish lira.

Debt securities at amortised cost decreased by EUR 0.5 billion especially in Belgium and in Luxemburg.

Current and deferred tax assets amounted to EUR 1.8 billion, down by EUR (0.1) billion compared to EUR 1.9 billion at 31 December 2018.

Accrued income and other assets stood at EUR 11.7 billion as at 31 December 2019, up by EUR 2.7 billion compared to EUR 9 billion at 31 December 2018, mainly due to higher margin calls on derivative financial instruments following the decrease of the interest rate curve.

Equity-method investments stayed unchanged at EUR 3.8 billion.

Property, plant and equipment and Investment property amounted to EUR 22.4 billion as at 31 December 2019, up by EUR 2.9 billion compared to EUR 19.5 billion at 31 December 2018. Excluding the impact of the implementation of IFRS 16 (EUR 0.4 billion), the growth was attributable to the good growth of the fleet financed by Arval (EUR 2.5 billion).

Non-current assets held for sale stood at EUR 0 billion as at 31 December 2019, compared to EUR 2.4 billion at 31 December 2018, as the sale of Von Essen Bank to BNP Paribas was completed in January 2019.

Liabilities and Equity

Deposits from central banks stood at EUR 0.7 billion, up by EUR 0.6 billion compared to EUR 0.1 billion at 31 December 2018.

Financial instruments at fair value through profit or loss increased by EUR 3.3 billion, totaling EUR 23.8 billion as at 31 December 2019 compared to EUR 20.5 billion at 31 December 2018. The increase of EUR 2.9 billion in 'Derivative financial instruments' is mainly related to the decrease of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side.

Financial liabilities at amortised cost amounted to EUR 239.5 billion as at 31 December 2019, up by EUR 15.1 billion compared with EUR 224.4 billion at 31 December 2018.

Deposits from customers contributed for EUR 10 billion mostly attributable to an increase on current and saving accounts, respectively EUR 5.6 billion and EUR 2.8 billion, especially in Belgium and in Luxembourg.

Deposits from credit institutions increased by EUR 6.6 billion mainly following an increase in interbank borrowings, mainly at BNP Paribas Fortis. At the side of Arval entities, the external funding received decreased by EUR (1.7) billion.

Debt securities and subordinated debt decreased by EUR (1.5) billion since the issuance of a new subordinated debt that was more than offset by the arrival at maturity of existing emissions, mainly at BNP Paribas Fortis.

In Turkey, the higher level of deposits was counterbalanced by the adverse effect of depreciating Turkish lira.

Accrued expenses and other liabilities increased by EUR 1.2 billion, amounting to EUR 9.1 billion as at 31 December 2019 compared with EUR 7.9 billion at 31 December 2018. This was mainly due to the increase in margin calls posted by counterparties following the decrease of the interest rate curve. The implementation of IFRS 16 had also an impact of EUR 0.5 billion on this caption.

Provisions for contingencies and charges came in at EUR 4.4 billion, slightly up by EUR 0.2 billion compared with the EUR 4.2 billion at 31 December 2018.

Liabilities associated with non-current assets held for sale stood at EUR 0 billion as at 31 December 2019, compared to EUR 2.1 billion at 31 December 2018, as the sale of Von Essen Bank to BNP Paribas was completed in January 2019.

Shareholders' equity amounted to EUR 23 billion as at 31 December 2019, up by EUR 0.7 billion or 3% compared with EUR 22.3 billion at 31 December 2018. Retained earnings were impacted by the distribution of a final dividend of EUR 1.8 billion counterbalanced by the net income attributable to shareholders for the year 2019 which contributed for EUR 2.2 billion. In addition, BNP Paribas Fortis issued a new subordinated Tier 1 instrument for EUR 0.5 billion which is considered as a part of the 'Shareholders' equity'.

Minority interests stood at EUR 5.2 billion as at 31 December 2019, up by EUR 0.1 billion compared with EUR 5.1 billion at 31 December 2018. Net income for the year 2019 attributable to minority interests amounted to EUR 0.2 billion.

Liquidity and solvency

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at EUR 184 billion and customer loans at EUR 188 billion.

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

BNP Paribas Fortis' solvency stood well above the minimum regulatory requirements. At 31 December 2019, 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 13.2%. Total risk-weighted assets amounted to EUR 137.4 billion at 31 December 2019, of which EUR 113.4 billion are related to credit risk, EUR 1.7 billion to market risk and EUR 12.4 billion to operational risk, while counterparty risk, securitisation and equity risk worked out at EUR 2.1 billion, EUR 1.1 billion and EUR 6.7 billion respectively.

Principal risks and uncertainties

BNP Paribas Fortis' activities are exposed to a number of risks, such as credit risk, market risk, liquidity risk and operational risk. To ensure that these risks are identified and adequately controlled and managed, the Bank adheres to a number of internal control procedures and refers to a whole array of risk indicators, which are further described in the Chapter 'Risk management and capital adequacy' of the BNP Paribas Fortis consolidated financial statements 2019.

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 8.a 'Contingent liabilities: legal proceedings and arbitration' to the BNP Paribas Fortis consolidated Financial Statements 2019 and in the BNP Paribas Fortis 'Pillar 3 disclosure' 2019.

Since the closing at 31 December 2019, Europe has been strongly affected by the Covid19 epidemic. The impact on the European and Belgian economy is still unclear, but BNP Paribas Fortis monitors the situation closely and keeps accompanying in particular its clients during this difficult period. This event is also described in note 8.l 'Events after the reporting period' to the BNP Paribas Fortis consolidated financial statements 2019.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of BNP Paribas Fortis is responsible for preparing the BNP Paribas Fortis consolidated financial statements as at 31 December 2019 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the BNP Paribas Fortis non-consolidated financial statements as at 31 December 2019 in accordance with rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The Board of Directors reviewed the BNP Paribas Fortis consolidated and non-consolidated financial statements on 12 March 2020 and authorised their issue.

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

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

The BNP Paribas Fortis consolidated financial statements and the BNP Paribas Fortis non-consolidated financial statements as at 31 December 2019 will be submitted to the annual General Meeting of Shareholders for approval on 23 April 2020.

Brussels, 12 March 2020
The Board of Directors of BNP Paribas Fortis

CORPORATE GOVERNANCE STATEMENT

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

1. Compliance with the Code

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

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

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

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

2. Governing bodies

Board of directors

Role and responsibilities

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

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

Size and membership criteria

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

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

As at 12 March 2020, the Board of Directors of BNP Paribas Fortis is made up of sixteen (16) members, five (5) of which are women.

It moreover includes ten (10) non-executive directors, four (4) of them being independent directors within the meaning of the 2020 Belgian Code on Corporate Governance and six (6) executive directors.

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

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

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

Composition

As at 12 March 2020, 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.
The current board member mandate has been renewed on 21 April 2016.
It will expire at the end of the 2020 annual general meeting of shareholders.

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

ANSEEUW Michael
Executive director.
Member of the Board of Directors since 19 April 2018.
The board member mandate will expire at the end of the 2022 annual general meeting of shareholders.

---

d'ASPREMONT LYNDEN Antoinette
Independent non-executive director.
Member of the Board of Directors since 19 April 2012.
The current board member mandate has been renewed on 21 April 2016.
It will expire at the end of the 2020 annual general meeting of shareholders.

AUBERNON Dominique
Non-executive director.
Member of the Board of Directors since 21 April 2016.
The board member mandate will expire at the end of the 2020 annual general meeting of shareholders.

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

BOOGMANS Dirk
Independent non-executive director.
Member of the Board of Directors since 1 October 2009.
The current board member mandate has been renewed on 21 April 2016.
It will expire at the end of the 2020 annual general meeting of shareholders.

---

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

DECRAENE Stefaan
Non-executive director.
Member of the Board of Directors since 18 April 2013.
The current board member mandate has been renewed on 20 April 2017.
It will expire at the end of the 2021 annual general meeting of shareholders.

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

LABORDE Thierry
Non-executive director.
Member of the Board of Directors since 19 November 2015.
The current board mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

MERLO Sofia
Non-executive director.
Member of the Board of Directors since 21 April 2016.
The board member mandate will expire at the end of the 2020 annual general meeting of shareholders.

VAN AKEN Piet
Executive director.
Member of the Board of Directors since 3 June 2016.
The board member mandate will expire at the end of the 2020 annual general meeting of shareholders.

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

VARÈNE Thierry
Non-executive director.
Member of the Board of Directors since 14 May 2009.
The current board member mandate has been renewed on 21 April 2016.
It will expire at the end of the 2020 annual general meeting of shareholders.

VERMEIRE Stéphane
Executive director.
Member of the Board of Directors since 19 April 2018.
The board member mandate will expire at the end of the 2022 annual general meeting of shareholders.

Between 1 January 2019 and 31 December 2019, the composition of the Board of Directors was as follows:

DAEMS, Herman
Chairman of the Board of Directors

JADOT, Maxime
Executive director and chairman of the Executive Board

DIERCKX, Filip
Executive director and vice chairman of the Executive Board (until 5 December 2019)

ANSEEUW, Michael
Executive director

---

d'ASPREMONT LYNDEN, Antoinette
Independent non-executive director

AUBERNON, Dominique
Non-executive director

BEAUVOIS, Didier
Executive director

BOOGMANS, Dirk
Independent non-executive director

---

de CLERCK, Daniel
Executive director (since 18 December 2019)

DECRAENE, Stefaan
Non-executive director

DUTORDOIR, Sophie
Independent non-executive director

LABORDE, Thierry
Non-executive director

MERLO, Sofia
Non-executive director

VAN AKEN, Piet
Executive director

VAN WAEYENBERGE, Titia
Independent and non-executive director (since 18 April 2019)

VARÈNE, Thierry
Non-executive director

VERMEIRE, Stéphane
Executive director

Attendance at meetings

The Board of Directors held fifteen (15) meetings in 2019. Attendance at these meetings was as follows:

Director	Number of Meetings Attended
DAEMS, Herman	15
JADOT, Maxime	15
DIERCKX, Filip (until 5 December 2019)	14
ANSEEUW, Michael	14
d'ASPREMONT LYNDEN, Antoinette	15
AUBERNON, Dominique	15
BEAUVOIS, Didier	13
BOOGMANS, Dirk	15
de CLERCK, Daniel (since 12 December 2019)	1
DECRAENE, Stefaan	5
DUTORDOIR, Sophie	14
LABORDE, Thierry	12
MERLO, Sofia	11
VAN AKEN, Piet	15
VAN WAEYENBERGE, Titia (since 18 April 2019)	9
VARENE, Thierry	13
VERMEIRE, Stéphane	14

Assessment of the Board of Directors and of the directors

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

The last evaluation process of the Board of Directors ended in October 2019 and the one of the directors individually ended in January 2020.

Remuneration

Information regarding the total remuneration for the corporate year 2019, including the remunerations, benefits in kind and pension plans, of all directors, paid and payable by BNP Paribas Fortis, can be found in note 8.f 'Compensation and benefits awarded to BNP Paribas Fortis' corporate officers' to the BNP Paribas Fortis Consolidated Financial Statements.

Executive board

Role and responsibilities

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

Size and membership criteria

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

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

Composition

As at 12 March 2020, the composition of the Executive Board is as follows:

JADOT Maxime
Executive director and chairman of the Executive Board

ANSEEUW Michael
Executive director

BEAUVOIS Didier
Executive director

de CLERCK Daniel
Executive director (since 12 December 2019)

VAN AKEN Piet
Executive director

VERMEIRE Stéphane
Executive director

Other Board of Directors' committees

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

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

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

This right is also used by the Board of Directors when, in the context of transactions between related parties, it sets up a special board committee (for more information reference is made to the chapter 'Information regarding related party transactions').

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

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

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

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

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

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

Audit committee (AC)

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

Role and responsibilities

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

Membership criteria

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

Composition

The AC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the 2020 Belgian Code on Corporate Governance.

The chairperson of the AC must be an independent director.

The chairperson of the AC meets on a regular basis with the chairpersons of the AC's of the most important entities within the controlled perimeter of BNP Paribas Fortis.

Composition as at 12 March 2020:

- Antoinette d'Aspremont Lynden (non-executive, independent director), chairwoman
- Dirk Boogmans (non-executive, independent director)
- Dominique Aubernon (non-executive director)

Attendance at meetings

The AC met five (5) times in 2019. Attendance was as follows:

Committee Member	Number of meetings attended
d'ASPREMONT LYNDEN, Antoinette	5
AUBERNON, Dominique (since 17 july 2019)	2
BOOGMANS, Dirk	5
VARENE, Thierry (until 17 July 2019)	2

Risk committee (RC)

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

Role and responsibilities

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

Membership criteria

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

Composition

The RC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the 2020 Belgian Code on Corporate Governance.

The chairperson of the RC must be an independent director.

Composition as at 12 March 2020:

- Dirk Boogmans (non-executive, independent director), chairman
- Dominique Aubernon (non-executive, independent director)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings

The RC met six (6) times in 2019. Attendance was as follows:

Committee Member	Number of meetings attended
BOOGMANS, Dirk	6
d'ASPREMONT LYNDEN, Antoinette (until 17 July 2019)	3
AUBERNON, Dominique (since 17 July 2019)	3
VAN WAEYENBERGE, Titia (since 17 July 2019)	2
VARENE, Thierry (until 17 July 2019)	2

Governance and nomination committee (GNC)

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

Role and responsibilities

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

Membership criteria

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

Composition

The GNC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the 2020 Belgian Code on Corporate Governance.

The chairperson of the GNC must be an independent director.

Composition as at 12 March 2020:

- Sophie Dutordoir, (non-executive, independent director), chairwoman
- Herman Daems (non-executive director)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings

The GNC met six (6) times in 2019. Attendance was as follows:

Committee Member	Number of meetings attended
DUTORDOIR, Sophie	6
DAEMS, Herman	6
LABORDE, Thierry (until 17 July 2019)	3
VAN WAEYENBERGE, Titia (since 17 July 2019)	2

Remuneration committee (RemCo)

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

Role and responsibilities

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

Membership criteria

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

Composition

The RemCo is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the 2020 Belgian Code on Corporate Governance.

The chairperson of the RemCo must be an independent director.

Composition as at 12 March 2020:

- Sophie Dutordoir (non-executive, independent director), chairwoman
- Antoinette d'Aspremont Lynden (non-executive, independent director)
- Thierry Laborde (non-executive director)

Attendance at meetings

The RemCo met six (6) times in 2019. Attendance was as follows:

Committee Member	Number of meetings attended
DUTORDOIR, Sophie	6
d'ASPREMONT LYNDEN, Antoinette (since 17 July 2019)	2
DAEMS, Herman (until 17 July 2019)	4
LABORDE, Thierry	6

Executive committee

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

The Executive Committee currently consists of thirteen (13) members, of which six (6) are executive directors. It brings together the Executive Board and the seven (7) key heads of businesses and support functions:

Maxime JADOT
Executive director, chairman of the Executive Board/ Executive Committee, chief executive officer

Michael ANSEEUW
Executive director, member of the Executive Committee, chief retail banking

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

Dirk BEECKMAN
Member of the Executive Committee, chief transformation officer

Marc CAMUS
Member of the Executive Committee, chief information officer

Jo COUTUER
Member of the Executive Committee, chief data officer

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

Carine DE NYS
Member of the Executive Committee, chief compliance officer

Khatleen PAUWELS
Member of the Executive Committee, chief E2E operations

Franciane RAYS
Member of the Executive Committee, chief financial officer

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

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

Sandra WILIKENS
Member of the Executive Committee, chief human resources officer

3. Internal Control Procedures

Roles and responsibilities of the Finance Department – Finance Charter

The Finance Function, under the authority of the Chief Financial Officer, reporting to the Chief Operating Officer, is responsible for preparing and processing accounting and financial information. This responsibility is further defined in a specific Charter describing all responsibilities in the function. In particular it consists of:

- defining accounting policies and standards as well as management information principles and standards;
- preparing accounting information and making the regulatory reports;
- preparing the information used to calculate solvency and liquidity ratios, determine the ratios and implement related regulatory reports;
- preparing management control reporting (actuals and forecast) according to various scenarios and providing the necessary support for financial steering;
- managing accounting and financial information risk (P&L, balance sheet, solvency ratios, liquidity ratios) by defining and implementing a system of permanent operational controls;
- managing the financial communications, ensuring a high quality and a clear perception by the markets;
- managing the financial structure;
- designing and deploying financial information systems, including the system architecture (P&L, balance sheet, solvency ratios, liquidity ratios);
- defining and coordinating the Finance Function organization;
- designing the organisation of the activities associated with Finance Function and implementing the related operational processes;
- alerting the Executive Management to any problems.

Producing financial information

Policies and rules

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

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

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

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

Preparation of financial information

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

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

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

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

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

Permanent control - Finance

Internal control within the Finance Function

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

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

Internal Certification Process

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

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

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

The certification process encompasses:

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

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

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

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

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

The purpose of these control procedures within Finance is:

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

Periodic control – General Inspection

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

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

The core aims of the team are as follows:

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

Relations with the statutory auditors

In 2019 as in 2018, the accredited statutory auditor was PwC Bedrijfsrevisoren bv / PwC Reviseurs d'Entreprises srl, represented by Mr. Damien WALGRAVE.

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

The statutory auditor is required to issue an audit report every financial year, in which he gives his opinion regarding the true and fair view of the consolidated financial statements of BNP Paribas Fortis and its subsidiaries. A summary of the control findings and recommendations is presented to the Audit Committee in the '2019 Internal Control findings & recommendations' document.

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

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

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

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

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

4. Conflicts of Interest

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

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

1. customers' interests (this includes understanding customer's needs, ensuring the fair treatment of customers and protecting the customer's interests, ...);
2. financial security (this includes fighting against money laundering, bribery, corruption and terrorist financing,...);
3. market integrity (this includes promoting free and fair competition, complying with market abuse rules,...);
4. professional ethics (this includes avoiding conflicts of interests in outside activities, taking measures against bribery and corruption,...);

5. respect for colleagues (this includes applying best standards in professional behavior, rejecting any forms of discrimination and ensuring the safety of the workplace);
6. group protection (this includes building and protecting the BNP Paribas Group's long-term value, protecting the Group's information, communicating responsibly,…);
7. involvement with society (this includes promoting the respect for human rights, protecting the environment and combating climate change and acting responsibly in public representation).

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

BNP PARIBAS FORTIS CONSOLIDATED FINANCIAL STATEMENTS 2019

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

Profit and loss account for the year ended 31 December 2019

In millions of euros	Note	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Interest income [1]	3.a	7,778	7,908
Interest expense [1]	3.a	(2,986)	(3,034)
Commission income	3.b	2,076	2,074
Commission expense	3.b	(798)	(717)
Net gain or loss on financial instruments at fair value through profit or loss	3.c	202	194
Net gain or loss on financial instruments at fair value through equity	3.d	116	85
Net gain or loss on the derecognition of financial assets at amortised cost	3.d	(5)	(4)
Income from other activities	3.e	11,409	10,520
Expense on other activities	3.e	(9,756)	(8,973)
Revenues		**8,036**	**8,053**
Salary and employee benefit expenses	7.a	(2,567)	(2,568)
Other operating expenses	3.f	(1,818)	(1,992)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.l	(369)	(287)
Gross operating income		**3,282**	**3,206**
Cost of risk	3.g	(454)	(395)
Operating income		**2,828**	**2,811**
Share of earnings of equity-method entities	5.k	254	201
Net gain on non-current assets		155	15
Goodwill	5.m	1	1
Pre-tax income		**3,238**	**3,028**
Corporate income tax	3.h	(620)	(683)
Net income		**2,618**	**2,345**
of which net income attributable to minority interests		406	413
Net income attributable to equity holders		**2,212**	**1,932**

[1] *The requirements of IAS 1.82(a) are detailed under disclosure '3.a Net interest income'.*

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

In millions of euros	**Year to 31 Dec. 2019**	**Year to 31 Dec. 2018**
Net income for the period	**2,618**	**2,345**
Changes in assets and liabilities recognised directly in equity	**(262)**	**(636)**
Items that are or may be reclassified to profit or loss	**(241)**	**(735)**
Changes in exchange rate items	(84)	(452)
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*76*	*(111)*
Changes in fair value reported in net income	*(165)*	*(121)*
Changes in fair value of investments of insurance activities		
Changes in fair value recognised in equity	*3*	*(2)*
Changes in fair value reported in net income	*-*	*1*
Changes in fair value of hedging instruments		
Changes in fair value recognised in equity	*(218)*	*(3)*
Changes in fair value reported in net income	*(6)*	*(1)*
Income tax	68	59
Changes in equity-method investments	85	(105)
Items that will not be reclassified to profit or loss	**(21)**	**99**
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*-*	*70*
Items sold during the period	*-*	*-*
Debt remeasurement effect arising from BNP Paribas Fortis issuer risk	10	35
Remeasurement gains (losses) related to post-employment benefit plans	(17)	5
Income tax	(1)	(12)
Changes in equity-method investments	(13)	1
Total	**2,356**	**1,709**
Attributable to equity shareholders	2,051	1,448
Attributable to minority interests	305	261

Balance sheet at 31 December 2019

In millions of euros	Note	31 December 2019	31 December 2018
Assets			
Cash and balances at central banks		4,399	4,691
Financial instruments at fair value through profit or loss		17,896	15,474
Securities	*5.a*	*2,169*	*2,825*
Loans and repurchase agreements	*5.a*	*6,010*	*5,966*
Derivative financial instruments	*5.a*	*9,717*	*6,683*
Derivatives used for hedging purposes	5.b	2,500	1,361
Financial assets at fair value through equity		8,802	10,778
Debt securities	*5.c*	*8,473*	*10,442*
Equity securities	*5.c*	*329*	*336*
Financial assets at amortised cost		236,717	220,282
Loans and advances to credit institutions	*5.e*	*36,357*	*28,105*
Loans and advances to customers	*5.e*	*187,998*	*179,267*
Debt securities	*5.e*	*12,362*	*12,910*
Remeasurement adjustment on interest-rate risk hedged portfolios		2,113	1,142
Current and deferred tax assets	5.i	1,782	1,905
Accrued income and other assets	5.j	11,673	8,982
Equity-method investments	5.k	3,842	3,840
Property, plant and equipment and Investment property	5.l	22,386	19,454
Intangible assets		355	337
Goodwill	5.m	730	719
Non-current assets held for sale	5.q	-	2,355
Total assets		**313,195**	**291,320**
Liabilities			
Deposits from central banks		709	112
Financial instruments at fair value through profit or loss		23,818	20,467
Securities	*5.a*	*516*	*158*
Deposits and repurchase agreements	*5.a*	*12,118*	*12,093*
Issued debt securities	*5.a*	*3,422*	*3,344*
Derivative financial instruments	*5.a*	*7,762*	*4,872*
Derivatives used for hedging purposes	5.b	5,838	3,505
Financial liabilities at amortised cost		239,522	224,409
Deposits from credit institutions	*5.g*	*40,456*	*33,844*
Deposits from customers	*5.g*	*184,378*	*174,389*
Debt securities	*5.h*	*11,918*	*13,229*
Subordinated debt	*5.h*	*2,770*	*2,947*
Remeasurement adjustment on interest-rate risk hedged portfolios		1,008	581
Current and deferred tax liabilities	5.i	713	674
Accrued expenses and other liabilities	5.j	9,058	7,882
Provisions for contingencies and charges	5.n	4,374	4,211
Liabilities associated with non-current assets held for sale	5.q	-	2,099
Total liabilities		**285,040**	**263,940**
Equity			
Share capital, additional paid-in capital and retained earnings		*21,634*	*21,042*
Net income for the period attributable to shareholders		*2,212*	*1,932*
Total capital, retained earnings and net income for the period attributable to shareholders		23,846	22,974
Changes in assets and liabilities recognised directly in equity		(861)	(700)
Shareholders' equity		**22,985**	**22,274**
Minority interests	8.c	**5,170**	**5,106**
Total equity		**28,155**	**27,380**
Total liabilities & equity		**313,195**	**291,320**

Cash flow statement for the year ended 31 December 2019

In millions of euros	Note	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Pre-tax income		**3,238**	**3,028**
Non-monetary items included in pre-tax net income and other adjustments		**4,476**	**4,633**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		3,952	3,668
Impairment of goodwill and other non-current assets		(32)	(50)
Net addition to provisions		429	287
Share of earnings of equity-method entities		(254)	(201)
Net expense (income) from investing activities		(155)	2
Net income from financing activities		(6)	(16)
Other movements		542	943
Net decrease in cash related to assets and liabilities generated by operating activities		**(7,663)**	**(3,548)**
Net decrease in cash related to transactions with customers and credit institutions		(2,645)	(3,652)
Net increase in cash related to transactions involving other financial assets and liabilities		3,235	5,444
Net decrease in cash related to transactions involving non-financial assets and liabilities		(7,858)	(4,977)
Taxes paid		(395)	(363)
Net increase in cash and equivalents generated by operating activities		**51**	**4,113**
Net increase (decrease) in cash related to acquisitions and disposals of consolidated entities		451	(607)
Net increase (decrease) related to property, plant and equipment and intangible assets		(169)	81
Net increase (decrease) in cash and equivalents related to investing activities		**282**	**(526)**
Net decrease in cash and equivalents related to transactions with shareholders		(1,521)	(2,233)
Net increase in cash and equivalents generated by other financing activities		629	681
Net decrease in cash and equivalents related to financing activities*		**(892)**	**(1,552)**
Effect of movement in exchange rates on cash and equivalents		**(222)**	**(574)**
Non-monetary impacts from non-current assets held for sale		**27**	**(167)**
Net increase (decrease) in cash and equivalents		**(754)**	**1,294**
Balance of cash and equivalent accounts at the start of the period		**6,328**	**5,034**
Cash and amounts due from central banks		4,694	4,937
Due to central banks		(112)	(382)
On-demand deposits with credit institutions	5.e	3,048	2,002
On-demand loans from credit institutions	5.g	(1,302)	(1,523)
Deduction of receivables and accrued interest on cash and equivalents		-	-
Balance of cash and equivalent accounts at the end of the period		**5,574**	**6,328**
Cash and amounts due from central banks		4,405	4,694
Due to central banks		(708)	(112)
On-demand deposits with credit institutions	5.e	2,990	3,048
On-demand loans from credit institutions	5.g	(1,113)	(1,302)
Deduction of receivables and accrued interest on cash and equivalents		-	-
Net increase (decrease) in cash and equivalents		**(754)**	**1,294**
Additional information:			
Interest paid		(3,110)	(3,191)
Interest received		7,845	7,886
Dividend paid/received		(1,487)	(1,622)

* *Changes in liabilities arising from financing activities other than those arising from cash flows amount to EUR 35 million, due to foreign exchange and revaluation effect, for respectively EUR 21 million and EUR 14 million.*

Statement of changes in shareholders' equity between 1 January 2018 and 31 December 2019

	Capital and retained earnings				Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss				Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss							
In millions of euros	**Share capital**	**Subordinated equity instruments**	**Non distributed reserves**	**Total capital and retained earnings**	**Financial instruments designated as at fair value through equity**	**Own-credit valuation adjustment of debt securities designated as at fair value through profit or loss**	**Remeasurement gains (losses) related to post-employment benefits plans**	**Total**	**Exchange rate**	**Financial instruments at fair value through equity**	**Financial investments of insurance activities**	**Derivatives used for hedging purposes**	**Total**	**Total Shareholders' equity**	**Minority interests (note 8.c)**	**Total consolidated equity**
Capital and retained earnings at 1 January 2018	**11,905**	**-**	**11,043**	**22,948**	**188**	**(55)**	**(201)**	**(68)**	**(1,207)**	**312**	**696**	**51**	**(148)**	**22,732**	**5,407**	**28,139**
Other movements	-	-	(7)	(7)	-	-	-	-	-	-	-	-	-	(7)	(287)	(294)
Dividends	-	-	*(1,899)*	(1,899)	-	-	-	-	-	-	-	-	-	(1,899)	(275)	(2,174)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	18	25	-	43	(270)	(179)	(28)	(50)	(527)	(484)	(152)	(636)
Net income for 2018	**-**	**-**	**1,932**	**1,932**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,932**	**413**	**2,345**
Capital and retained earnings at 31 December 2018	**11,905**	**-**	**11,069**	**22,974**	**206**	**(30)**	**(201)**	**(25)**	**(1,477)**	**133**	**668**	**1**	**(675)**	**22,274**	**5,106**	**27,380**
Impact of the application of IFRS 16 (note 2.)	-	-	(22)	(22)	-	-	-	-	-	-	-	-	-	(22)	(8)	(30)
Capital and retained earnings at 1 January 2019	**11,905**	**-**	**11,047**	**22,952**	**206**	**(30)**	**(201)**	**(25)**	**(1,477)**	**133**	**668**	**1**	**(675)**	**22,252**	**5,098**	**27,350**
Other movements	-	-	(9)	(9)	-	-	-	-	-	-	-	-	-	(9)	(21)	(30)
Capital increase and issues	-	500	-	500	-	-	-	-	-	-	-	-	-	500	-	500
Dividends	-	-	*(1,809)*	(1,809)	-	-	-	-	-	-	-	-	-	(1,809)	(212)	(2,021)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	(7)	8	(33)	(32)	(37)	(92)	119	(119)	(129)	(161)	(101)	(262)
Net income for 2019	**-**	**-**	**2,212**	**2,212**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,212**	**406**	**2,618**
Capital and retained earnings at 31 December 2019	**11,905**	**500**	**11,441**	**23,846**	**199**	**(22)**	**(234)**	**(57)**	**(1,514)**	**41**	**787**	**(118)**	**(804)**	**22,985**	**5,170**	**28,155**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2019

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY BNP PARIBAS FORTIS

1.a Accounting standards

1.a.1 Applicable accounting standards

The consolidated financial statements of BNP Paribas Fortis have been prepared in accordance with international accounting standards (International Financial Reporting Standards – IFRS), as adopted for use in the European Union[1]. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded and certain recent texts have not yet undergone the approval process.

Since 1 January 2019, BNP Paribas Fortis applies IFRS 16 'Leases', adopted by the European Union on 31 October 2017.

IFRS 16 supersedes IAS 17 'Leases' and the interpretations relating to the accounting of such contracts. It defines new accounting principles applicable to lease contracts for the lessee, that rely on both the identification of an asset and the control of the right to use the identified asset by the lessee.

The standard requires recognition in the balance sheet of the lessee of all lease contracts, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right-of-use assets are amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the lease period. The main change induced by this new standard is related to contracts which, under IAS 17, met the definition of operating leases, and as such, did not require recognition of the leased assets in the balance sheet.

The main impact in the profit and loss account is the replacement of rental expenses previously accounted for on a linear basis in operating expenses by additional interest expenses in Net Banking Income in relation with lease liabilities, and the recognition of additional amortizing expenses in relation with rights-of-use.

Detailed accounting principles applicable by BNP Paribas Fortis as lessee are presented in note 1.h.2.

The detail of the impacts of the first application of the standard is presented in note 2.

From the lessor's point of view, the impact is limited, as the requirements of IFRS 16 remain mostly unchanged from IAS 17.

The IFRS Interpretation Committee has been requested with a question concerning the determination of a lease term of two types of contracts cancellable or renewable:

- contracts without no particular contractual term, cancellable at any time with notice period by either the lessee and the lessor without penalty to be paid;
- contracts concluded for an initial short period (normally 12 months), renewable indefinitely by tacit renewal for the same period, unless the lessor or the lessee gives notice to the contrary.

At the end of its meeting of 26 November 2019, IFRIC confirmed its reading of IFRS 16 by stating that the enforceability of the two types of contract may extend beyond the notice period if either party has an economic incentive not negligible to not terminate the lease. IFRIC also confirmed that if an entity expects to use non-removable leasehold improvement after the date on which the contract can be terminated, the existence of such improvements indicates that the entity may incur a significant economic penalty in the event of termination and in this case the contract becomes enforceable beyond the date of termination.

The application of this decision should have a non significant impact for BNP Paribas Fortis and will be applied in 2020.

BNP Paribas Fortis has applied IFRIC 23 'Uncertainty over income tax treatment' for the preparation of its consolidated financial statements for the financial year 2019. The consequence of this standard is the reclassification in current and deferred tax liabilities of provisions for uncertainties relating to income tax.

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

Since 1st January 2018, BNP Paribas Fortis has anticipated the application of amendments to IFRS 9: 'Prepayment Features with Negative Compensation'.

In September 2019, the IASB issued amendments to IAS 39 and IFRS 7, modifying specific hedge accounting requirements to allow hedge accounting to continue for hedges affected by the interest rate benchmark reform during the period of uncertainty before the hedged items or hedging instruments are amended to incorporate the reformed benchmark rates. These amendments, endorsed by the European Commission on 15 January 2020 are mandatorily applicable for annual reporting periods beginning on or after 1 January 2020, however early application is possible and is the option chosen by BNP Paribas Fortis, for its existing hedge accounting relationships to continue.

BNP Paribas Fortis has documented hedging relationships in regard of benchmark rates in the scope of the reform, mainly the EONIA, EURIBOR, and LIBOR rates. For these hedging relationships, hedged items and hedging derivatives will progressively be amended to incorporate the new benchmark rates. BNP Paribas Fortis considers that the amendments to IAS 39 and IFRS 7 are applicable when the contractual terms of the hedged instruments or of the hedging instruments have not yet been amended (for instance with the inclusion of a fallback clause), or, if they were amended, if the terms and date of the transition to the new benchmark rates have not been clearly specified.

BNP Paribas Fortis put in place a Group-wide IBORs transition program mid-2018. This program is in charge of framing and implementing the transition from legacy IBOR rates (mostly LIBOR and EONIA) to the new risk-free rates in all relevant jurisdictions and currencies, whilst managing the various risks resulting from this transition, and meeting deadlines set by relevant authorities.

The notional amount of the hedging instruments involved in the hedging relationships impacted by the interest rate benchmark reform is the sum of notional amounts disclosed in note 5b 'Derivatives used for hedging purposes'.

The introduction of other standards, amendments and interpretations which are mandatory as of 1 January 2019 did not have an effect on the 2019 financial statements.

Except for the IFRS 9, IAS 39 and IFRS 7 amendments mentioned above, BNP Paribas Fortis did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2019 was optional.

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

IFRS 17 'Insurance Contracts', issued in May 2017, will replace IFRS 4 'Insurance Contracts' and will become mandatory for annual periods beginning on or after 1 January 2021[2], after its adoption by the European Union for application in Europe.

1.b Segment reporting

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

- banking activities in Belgium;
- banking activities in Luxembourg;
- banking activities in Turkey;
- other domestic markets;
- 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.

2 *On 26 June 2019, the IASB published an exposure draft "Amendments to IFRS 17" including in particular the deferral of the mandatory initial application of IFRS 17 to 1 January 2022.*

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.c Consolidation

1.c.1 Scope of consolidation

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

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

1.c.2 Consolidation methods

Exclusive control

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

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

Structured entities are entities established so that they are not governed by voting rights, for instance 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.

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

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

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

Joint control

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

Significant influence

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

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

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

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

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

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

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

1.c.3 Consolidation rules

Elimination of intragroup balances and transactions

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

Translation of accounts expressed in foreign currencies

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

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

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 differences' and in 'Minority interests' for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, BNP Paribas Fortis has reset to zero all translation differences, by booking all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004 to retained earnings.

On liquidation or disposal of some or all of an interest held in a foreign enterprise located outside the 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 exchange difference at the date of liquidation or sale, determined according to the step method, is recognised in the profit and loss account.

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

1.c.4 Business combination and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method.

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

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

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

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

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

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

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

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

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

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

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

Measurement of goodwill

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

Homogeneous group of businesses

BNP Paribas Fortis has split all its activities into homogeneous group of businesses[3] representing major business lines. This split is consistent with the organisational structure and management methods of BNP Paribas Fortis, and reflects the independence of each unit in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of homogeneous group of businesses, such as acquisitions, disposals and major reorganisations.

Testing homogeneous group of businesses for impairment

Goodwill allocated to homogeneous group of businesses 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 homogeneous group of businesses

The recoverable amount of a homogeneous group of businesses 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.

3 *The notion used under IAS 36 for homogeneous group of businesses is 'Cash-generating units'*

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

Transactions under common control

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

1.d Translation of foreign currency transactions

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

Monetary assets and liabilities[4] expressed in foreign currencies

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

Non-monetary assets and liabilities expressed in foreign currencies

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

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

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

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

1.e.1 Net interest income

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

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

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

1.e.2 Commissions and income from other activities

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

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

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

Commission

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

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

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

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

Income from other activities

Income from services provided in connection with lease contracts is recorded in profit or loss as the service is rendered, i.e. in proportion to the costs incurred for maintenance contracts.

1.f Financial assets and financial liabilities

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

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

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

1.f.1 Financial assets at amortised cost

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

Business model criterion

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

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

Cash flow criterion

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

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

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

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

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

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

Some contractual clauses may change the timing or the amount of cash flows. Early redemption options do not call into question the cash flow criterion if the prepayment amount substantially represents the principal amount outstanding and the interest thereon, which may include a reasonable compensation for the early termination of the contract. For example, as regards loans to retail customers, the compensation limited to six months of interest or 3% of the capital outstanding is considered as reasonable. Actuarial penalties, corresponding to the discount value of the difference between the residual contractual cash flows of the loan, and their reinvestment in a loan to a similar counterparty or in the interbank market for a similar residual maturity are also considered as reasonable, even when the compensation can be positive or negative (i.e. so called 'symmetric' compensations). An option that permits the issuer or the holder of a financial instrument to change the interest rate from floating to fixed rate does not breach the cash flow criterion if the fixed rate is determined at origination, or if it represents the time value of money for the residual maturity of the instrument at the date of exercise of the option.

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

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

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

Recognition

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

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

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

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

Debt instruments

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

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

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

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

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

Equity instruments

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

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

1.f.3 Financing and guarantee commitments

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

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

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

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

General model

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

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

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

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

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

Definition of default

The definition of default is aligned with the Basel regulatory default definition, with a rebuttable presumption that the default occurs no later than 90 days past-due.

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

Credit-impaired or doubtful financial assets

Definition

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

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

- the existence of accounts that are more than 90 days past due;
- knowledge or indications that the borrower meets significant financial difficulties, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions with respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty (see section 'Restructuring of financial assets for financial difficulties').

Specific cases of purchased or originated credit-impaired assets

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

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

Simplified model

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

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

Significant increase in credit risk

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

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

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

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

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

Measurement of expected credit losses

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

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

For exposures classified in Stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument. Cash shortfalls represent the difference between the cash flows that are due in accordance with the contract, and the cash flows that are expected to be received.

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

Maturity

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

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

Probabilities of Default (PD)

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

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

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

Loss Given Default (LGD)

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

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

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

Exposure At Default (EAD)

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

Forward looking

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

The principles applied to take into account forward looking information when measuring expected credit losses are detailed in note 3.g 'Cost of risk'.

Write-offs

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

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

Recoveries through the repossession of the collateral

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

Once ownership of the asset is carried out, it is accounted for at fair value and classified according to the intent of use.

Restructuring of financial assets for financial difficulties

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

For restructurings not resulting in derecognition of the financial asset, the restructured asset is subject to an adjustment of its gross carrying amount, to reduce it to the discounted amount, at the original effective interest rate of the asset, of the new expected future flows. The change in the gross carrying amount of the asset is recorded in the income statement in 'Cost of risk'.

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

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

Modifications of financial assets that are not due to the borrower's financial difficulties (i.e. commercial renegotiations) are generally analysed as the early prepayment of the former financial asset, which is then derecognised, followed by the set-up of a new financial asset at market conditions.

1.f.5 Cost of risk

'Cost of risk' includes the following items of income:

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

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

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

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

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

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

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

Financial liabilities designated as at fair value through profit or loss

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

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

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

1.f.7 Financial liabilities and equity instruments

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

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

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

Debt securities and subordinated debt

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

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

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

Equity instruments

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

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

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

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

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

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

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

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

1.f.8 Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.f.9 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

BNP Paribas Fortis determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They 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 and other contracts within the scope of the standard relating to financial instruments with substantially similar and offsetting market risks or credit risks are managed on the basis of a net exposure, in accordance with the documented risk management strategy.

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

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

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

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

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

Derecognition of financial assets

BNP Paribas Fortis derecognises all or part of a financial asset 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.

Derecognition of financial liabilities

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

Repurchase agreements and securities lending/borrowing

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

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

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

1.f.11 Offsetting financial assets and financial liabilities

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

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

1.g Property, plant, equipment and intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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.h Leases

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

1.h.1 BNP Paribas Fortis entity as lessor

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

Finance leases

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

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

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

Operating leases

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

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

1.h.2 BNP Paribas Fortis entity as lessee

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

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

- the lease term corresponds to the non-cancellable period of the contract, together with periods covered by an extension option if BNP Paribas Fortis is reasonably certain to exercise this option. In Belgium, the standard commercial lease contract is the so-called 'three, six, nine' contract for which the maximum period of use is nine years, with a first non-cancellable period of three years followed by two optional extension periods of three years each; hence, depending on the assessment, the lease term can be of three, six or nine years. For contracts with no enforceable period and which are renewable tacitly, related right of use and lease liabilities are recognised based on the termination period if this period is more than 12 months. For contracts with an initial enforceable period of at least one year, which are renewable tacitly for this enforceable period or another enforceable period as long as the notice of termination has not been given, related right of use and lease liabilities are recognised at each date of renewal of an enforceable period;
- Tthe discount rate used to measure the right of use and the lease liability is assessed for each contract as the interest rate implicit in the lease, if that rate can be readily determined, or more generally based on the incremental borrowing rate of the lessee at the date of signature. The incremental borrowing rate is determined considering the average term (duration) of the contract;
- when the contract is modified, a new assessment of the lease liability is made taking into account the new residual term of the contract, and therefore a new assessment of the right of use and the lease liability is established.

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

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

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

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

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

In this case gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line '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.j 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.

Short-term benefits

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

Long-term benefits

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

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

Termination benefits

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

Post-employment benefits

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

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

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

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

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

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

The present value of the defined-benefit obligation is measured on the basis of the actuarial assumptions applied by BNP Paribas Fortis, using the projected unit credit method. This method takes into account various parameters, specific to each country or 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 shareholders' equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

1.k Share-based payments

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

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.

Stock option and share award plans

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

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

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

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

Share price-linked cash-settled deferred compensation plans

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

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

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

1.l Provisions recorded under liabilities

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

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

1.m Current and deferred tax

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

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

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

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

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

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

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

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

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

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

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

1.n Cash flow statement

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

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

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

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

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

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

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

This applies in particular to:

- the analysis of the cash flow criterion for specific financial assets;
- the measurement of expected credit losses. This applies in particular to the assessment of significant increase in credit risk, the models and assumptions used to measure expected credit losses, the determination of the different economic scenarios and their weighting;
- the analysis of renegotiated loans, in order to assess whether they should be maintained on the balance-sheet or derecognised;
- the assessment of an active market, and the use of internally-developed models for the measurement of the fair value of financial instruments not quoted in an active market classified in 'Financial assets at fair value through equity' or in 'Financial instruments at fair value through profit or loss', whether as assets or liabilities, and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- the assumptions applied to assess the sensitivity to each type of market risk of the market value of financial instruments and the sensitivity of these valuations to the main unobservable inputs as disclosed in the notes to the financial statements;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- the impairment tests performed on goodwill and intangible assets;
- the impairment testing of investments in equity-method entities;
- the deferred tax assets;
- the measurement of uncertainty over income tax treatments and other provisions for contingencies and charges. In particular, while investigations and litigations are ongoing, it is difficult to foresee their outcome and potential impact. Provision estimation is established by taking into account all available information at the date of the preparation of the financial statements, in particular the nature of the dispute, the underlying facts, the ongoing legal proceedings and court decisions, including those related to similar cases. BNP Paribas Fortis may also use the opinion of experts and independent legal advisers to exercise its judgement.

2 EFFECT OF IFRS 16 FIRST TIME ADOPTION

As of 1 January 2019, BNP Paribas Fortis has applied the new accounting standard IFRS 16 'Leases'. BNP Paribas Fortis decided to apply the simplified retrospective transition requirement, with the cumulative effect in equity. This impact in equity results from the difference between:

- A right of use and its amortisation as if the standard had been applied since the origination of the contract, discounted at the standard first application date;
- A lease liability discounted at the standard first application date.

The discount rate applied for the measurement of both the right of use and the lease liability is the incremental borrowing rate at the date of the initial application of the norm, based on the residual maturity of each contract at the date of the initial application of the standard. The average discount rates used on 1 January 2019 is 3.83%.

BNP Paribas Fortis has applied the main simplification measures offered by the standard when applying the simplified retrospective transition method, in particular the absence of accounting for a right of use for contracts whose residual maturity is lower than 12 months at transition date.

As part of the set up of this standard, BNP Paribas Fortis has identified rights of use of leased assets. A good is considered to be leased if the contract confers the right for the lessee, to control the use of a particular asset for a certain period of time for a consideration. In each case, the BNP Paribas Fortis assessed:

- the identifiable nature of the asset, which presupposes that the lessor has no substantial right of substitution at the date of the contract;
- the effective nature of the control on the asset, which presumes for the lessor the right to obtain substantially all of the economic benefits arising from use of the asset, as well as the ability to decide on its use.

Where the lease also contains a non-rental component such as the provision of services, only the share of the rental corresponding to the rental component is taken into account by BNP Paribas Fortis in the valuation of the right of use. The identification of rental or non-rental component is carried out on the basis of their individual contract price or otherwise on the basis of the observable comparable information.

For the calculation of the lease liability, BNP Paribas Fortis retains amounts, excluding value added tax, of the following elements:

- fixed rents;
- variable rents dependent on an index, such as the construction index, or an interest rate;
- as well as all expected residual value guarantee payments, the exercise price of call options and termination penalties.

Rents based on usage level or performance of a good are excluded from the calculation of the lease liability.

The lease contracts identified are essentially property leases, and to a lesser extent computer and banking equipment leases and vehicles leases. Property leases encompass either commercial agencies for retail banking, or operating offices (office buildings, head offices …).

BNP Paribas Fortis did not apply the exemption to the accounting of initial deferred tax assets (DTA) and deferred tax liabilities (DTL) permitted by paragraphs 15 and 24 of IAS 12 'Income Taxes'. Consequently, distinct deferred tax assets and deferred tax liabilities will be accounted for with regards to the balance-sheet amounts of rights of use and lease liabilities of the lessee.

The main impacts on the balance-sheet are a negative effect of EUR 30 million (net of tax) in equity, an increase of the fixed assets by EUR 412 million and the recognition of a lease liability of EUR 459 million, an increase of deferred tax assets by EUR 2 million and a decrease of EUR (6) million of deferred tax liabilities after compensation of DTA and DTL in accordance with the principles detailed in section 1.m Current and deferred taxes.

The following table presents the balance sheet accounts impacted by the first application of IFRS 16.

In millions of euros	31 December 2018	Effect of the IFRS 16 adoption	1 January 2019
Assets			
Current and deferred tax assets	1,905	2	1,907
Equity-method investments	3,840	(1)	3,839
Property, plant and equipment and Investment property	19,454	412	19,866
of which gross value	*28,569*	*860*	*29,429*
of which accumulated depreciation, amortisation and impairment	*(9,115)*	*(448)*	*(9,563)*
Non-current assets held for sale	2,355	20	2,375
Total effect on assets		**433**	
Liabilities			
Financial liabilities at amortised cost	224,409	(11)	224,398
Current and deferred tax liabilities	674	(6)	668
Accrued expenses and other liabilities	7,882	459	8,341
Liabilities associated with non-current assets held for sale	2,099	21	2,120
Total effect on liabilities		**463**	
Equity			
Shareholders' equity	22,274	(22)	22,252
Minority interests	5,106	(8)	5,098
Total effect on equity		**(30)**	
Total effect on liabilities & equity		**433**	

3 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

3.a Net interest income

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

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

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

In millions of euros	Year to 31 Dec. 2019			Year to 31 Dec. 2018		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	**6,722**	**(2,180)**	**4,542**	**6,893**	**(2,343)**	**4,550**
Deposits, loans and borrowings	5,616	(1,827)	3,789	5,890	(2,067)	3,823
Repurchase agreements	50	(48)	2	31	(22)	9
Finance leases	904	(74)	830	832	(64)	768
Debt securities	152	-	152	140	-	140
Issued debt securities and subordinated debts	-	(231)	(231)	-	(190)	(190)
Financial instruments at fair value through equity	**114**	**-**	**114**	**195**	**-**	**195**
Debt securities	114	-	114	195	-	195
Financial instruments at fair value through profit or loss (Trading securities excluded)	**14**	**(40)**	**(26)**	**15**	**(67)**	**(52)**
Cash flow hedge instruments	**410**	**(364)**	**46**	**412**	**(336)**	**76**
Interest rate portfolio hedge instruments	**518**	**(386)**	**132**	**393**	**(288)**	**105**
Lease liabilities	**-**	**(16)**	**(16)**	**-**	**-**	**-**
Net interest income/expense	**7,778**	**(2,986)**	**4,792**	**7,908**	**(3,034)**	**4,874**

Interest income on individually impaired loans amounted to EUR 64 million in the year ending 31 December 2019, compared with EUR 65 million in the year ending 31 December 2018.

3.b Commission income and expense

In millions of euros	Year to 31 Dec. 2019			Year to 31 Dec. 2018		
	Income	Expense	Net	Income	Expense	Net
Customer transactions	103	(114)	(11)	94	(101)	(7)
Securities and derivatives transactions	969	(258)	711	906	(206)	700
Financing and guarantee commitments	176	(12)	164	195	(9)	186
Asset management and other services	600	(4)	596	627	-	627
Others	228	(410)	(182)	252	(401)	(149)
Net commission income/expense	**2,076**	**(798)**	**1,278**	**2,074**	**(717)**	**1,357**
Of which net commission income related to trust and similar activities through which BNP Paribas Fortis holds or invests assets on behalf of clients, trusts, pension and personal risk funds or other institutions	*408*	*(6)*	*402*	*407*	-	*407*
Of which commission income and expense on financial instruments not measured at fair value through profit or loss	*388*	*(126)*	*262*	*431*	*(110)*	*321*

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

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

These income items include dividends on these instruments and exclude interest income and expense from financial instruments designated as at fair value through profit or loss and instruments whose cash flows are not only repayments of principal and interest on the principal or whose business model is not to collect cash flows nor to collect cash flows and sell the assets, which are presented in 'interest income' (note 3.a).

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Trading Book	**248**	**135**
Interest rate and credit instruments	178	8
Equity financial instruments	148	(34)
Foreign exchange financial instruments	(113)	124
Loans and repurchase agreements	32	37
Other financial instruments	3	-
Financial instruments designated as at fair value through profit or loss	**(195)**	**13**
Other financial instruments at fair value through profit and loss	**164**	**26**
Debt instruments	9	(15)
Equity instruments	155	41
Impact of hedge accounting	**(15)**	**20**
Fair value hedging derivatives	(747)	246
Hedged items in fair value hedge	732	(226)
Net gain or loss on financial instruments at fair value through profit or loss	**202**	**194**

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

Net gains on the trading book in 2019 and 2018 include a non-material amount related to the ineffective portion of cash flow hedges.

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

Cumulated changes in fair value related to discontinued cash flow hedge relationships, previously recognised in equity and included in the 2019 profit and loss account were not material, whether the hedged item ceased to exist or not.

3.d Net gain on financial instruments at fair value through equity and on financial assets at amortised cost

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Net gain on debt instruments at fair value through equity	94	80
Net gain on debt instruments [(1)]	94	80
Net gain on equity instruments at fair value through equity	22	5
Dividend income on equity instruments	22	5
Net gain or loss on financial instruments at fair value through equity	**116**	**85**
Net gain on financial instruments at amortised cost	(5)	(4)
Loans and receivables	-	-
Debt securities [(1)]	(5)	(4)
Net gain or loss on derecognised financial assets at amortised cost	**(5)**	**(4)**

(1) Interest income from debt instruments is included in 'Net interest income' (Note 3.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 3.g).

Unrealised gains and losses on debt securities previously recorded under 'Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss' and included in the pre-tax income, amount to a net gain of EUR 165 million for the year ended 31 December 2019 compared with EUR 122 million for the year ended 31 December 2018.

3.e Net income from other activities

In millions of euros	Year to 31 Dec. 2019			Year to 31 Dec. 2018		
	Income	Expense	Net	Income	Expense	Net
Net income from investment property	71	(15)	56	102	(48)	54
Net income from assets held under operating leases	10,610	(9,074)	1,536	9,832	(8,400)	1,432
Other net income	728	(667)	61	586	(525)	61
Total net income from other activities	**11,409**	**(9,756)**	**1,653**	**10,520**	**(8,973)**	**1,547**

3.f Other operating expenses

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
External services and other operating expenses	(1,430)	(1,617)
Taxes and contributions [1]	(388)	(375)
Other operating expenses	**(1,818)**	**(1,992)**

(1) Contributions to European resolution funds, including exceptional contributions, amount to EUR (58) million in 2019 (EUR (68) million in 2018).

3.g Cost of risk

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

- Assessing whether there has been a significant increase in credit risk since initial recognition; and
- Measuring impairment allowance as either 12-month expected credit losses or lifetime expected credit losses.

Both steps shall rely on forward looking information.

Significant increase in credit risk

The assessment of increase in credit risk is done at instrument level based on indicators and thresholds that vary depending on the nature of the exposure and the type of the counterparty.

The internal credit rating methodology used by BNP Paribas Fortis is described in the Pillar 3 disclosure document (section 4.a 'Credit risk').

Wholesale (Corporates/Financial institutions/Sovereigns) and bonds

The indicator used for assessing increase in credit risk is the internal counterparty rating of the obligor of the facility.

The deterioration in credit quality is considered significant, and the facility is therefore placed in Stage 2, if the difference between the counterparty rating at origination and the one as at the reporting date is equal or superior to 3 notches (for instance, a downgrade from 4- to 5-).

The low risk expedient permitted by IFRS 9 (i.e. whereby bonds with an investment grade rating at reporting date are considered as Stage 1, and bonds with a non-investment grade rating at reporting date are considered as Stage 2) is used only for debt securities for which no ratings are available at acquisition date.

SME Corporates facilities and Retail

As far as SME Corporates exposures are concerned, the indicator used for assessing increase in credit risk is also the internal counterparty rating of the obligor of the facility. Due to a higher volatility in the rating system applied, deterioration is considered significant, and the facility is therefore placed in Stage 2, if the difference between the counterparty rating at origination and the one as at the reporting date is equal or superior to 6 notches.

For retail exposures, two alternative risk indicators of increase in credit risk can be taken into consideration:

- Probability of default (PD): Changes in the 1-year probability of default are considered as a reasonable approximation of changes in the lifetime probability of default. Deterioration in credit quality is considered significant, and the facility is therefore placed in Stage 2, if the ratio 1 year PD at the reporting date/1 year PD at origination is higher than 4;

- Existence of a past due within the last 12 months: in the consumer credit specialised business, the existence of a past due that has occurred within the last 12 months, even if regularised since, is considered as a significant deterioration in credit risk and the facility is therefore placed into Stage 2.

Furthermore, for all portfolios (except consumer credit specialised business)

- The facility is assumed to be in Stage 1 when its rating is better than or equal to 4- (or its 1 year PD is below or equal to 0.25%) at reporting date, since changes in PD related to downgrades in this zone are less material, and therefore not considered as 'significant';
- When the rating is worse than or equal to 9+ (or the 1 year PD is above 10%) at reporting date considering the Bank practice in terms of credit origination, it is considered as significantly deteriorated and therefore placed into Stage 2 (as long as the facility is not credit-impaired).

Forward Looking Information

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

Regarding the assessment of significant increase in credit risk, beyond the rules based on the comparison of risk parameters between initial recognition and reporting date (cf. 'significant increase in credit risk' section), the determination of significant increase in credit risk is supplemented by the consideration of more systemic forward looking factors (such as macro-economic, sectorial or geographical risk drivers) that could increase the credit risk of some exposures. These factors can lead to tighten the transfer criteria into Stage 2, resulting in an increase of ECL amounts for exposures deemed vulnerable to these risk drivers.

Regarding the measurement of expected credit losses, BNP Paribas Fortis has made the choice to use 3 macroeconomic scenarios by geographic area covering a wide range of potential future economic conditions:

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

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

The weighting of the expected credit losses under each scenario is performed as follows:

- 50% for the baseline scenario;
- The weighting of the two alternative scenarios is computed using a relationship with the position in the credit cycle. In this approach, the adverse scenario receives a higher weight when the economy is in strong expansion than in lower growth period in anticipation of a potential downturn of the economy.

In addition, when appropriate, the ECL measurement can take into account scenarios of sale of the assets.

Macroeconomic scenarios

The three macroeconomic scenarios are defined with a three-horizon. They correspond to:

- A baseline scenario which describes the most likely path of the economy over the projection horizon. This scenario is updated on a quarterly basis. It is designed by Group Economic Research in collaboration with various experts within the Group. Projections are provided for key markets of the Group, through main macro-economic variables (GDP and its components, unemployment rate, consumer prices, interest rates, foreign exchange rates, oil prices, real estate prices...) which are drivers for risk parameter models used downstream in the credit stress testing process;

- An adverse scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path. The starting point is a shock on GDP. This shock on GDP is applied with variable magnitudes, but simultaneously among economies when the crisis considered is a global contemporaneous crisis. These assumptions are broadly consistent with those proposed by the regulators. Other variables (unemployment, inflation, interest rate) are deducted on the basis of econometric relationships and expert judgment;
- A favourable scenario which reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path. To achieve an unbiased estimation of provisions, the favourable scenario is designed in such a way that the probability of the shock on GDP growth (on average over the cycle) is equal to the probability of the corresponding shock in the adverse scenario. The magnitude of favourable GDP shocks generally corresponds to 80%-95% of the magnitude of adverse GDP shocks. Other variables (unemployment, inflation, interest rate) are deducted in the same way as in the adverse scenario.

The adverse scenario assumes the materialization of certain risks for the economy, leading to a much more degraded economic trajectory than in the reference scenario. The assumptions used for the adverse scenario at 31 December 2019 are as follows:

- Unfavourable evolution of trade as a result of the trade conflict between the United States and China and its consequences on the financial markets;
- Risks linked to Brexit: the uncertainty in respect of the future relationship between the United Kingdom and the European Union remains high. The UK could suffer from disruptions in some sectors, greater uncertainty in investment and consumption, weaker business periods, financial tensions, as well as unfavourable developments in the real estate markets. The Eurozone would also be affected by the negative effects of Brexit;
- Possible tensions in the Eurozone linked to public finances: public debt ratios remain high in certain countries, at a time when economic activity is expected to moderate;
- Significant correction on certain equity and real estate markets: a moderating growth cycle can affect certain markets;
- Geopolitical risks: tensions in the Middle East could influence the world economy, through shocks on the prices of raw materials and business confidence;
- Difficulties in emerging markets: some emerging markets suffer from domestic economic imbalances, the strength of the US dollar, political developments at the national level and the deterioration of international relations. In some cases, the activity could be more affected compared to the current estimation;
- Slowdown in China: a more marked than expected slowdown in activity or a further deterioration in public finance ratios and in levels of external balances could have an impact on financial markets worldwide and have effects on the world trade and the raw material prices.

The effect of the adverse scenario on the evolution of the GDP of the OECD countries results in a deviation from the central scenario after three years between (6)% and (12)% depending on the country and in particular (7)% on average on the growth in the Eurozone and (6)% on the growth in the United States.

As of 31 December 2019, the weighting of the adverse scenario is 26% for the Group (24% for the favourable scenario), reflecting a position above the average of the credit cycle, with a very favourable level of its domestic markets offset by a global economic slowdown, particularly in emerging countries.

Cost of risk for the period

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Net allowances to impairment	(448)	(402)
Recoveries on loans and receivables previously written off	35	28
Losses on irrecoverable loans	(41)	(21)
Total cost of risk for the period	**(454)**	**(395)**

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

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Cash and balances at central banks	-	-
Financial instruments at fair value through profit or loss	10	11
Financial assets at fair value through equity	1	(7)
Financial assets at amortised cost	(420)	(408)
of which loans and receivables	*(419)*	*(409)*
of which debt securities	*(1)*	*1*
Other assets	(5)	-
Financing and guarantee commitments and other items	(40)	9
Total cost of risk for the period	**(454)**	**(395)**
Cost of risk on unimpaired assets and commitments	11	(7)
of which Stage 1	*(14)*	*(27)*
of which Stage 2	*25*	*20*
Cost of risk on impaired assets and commitments - Stage 3	(465)	(388)

Credit risk impairment

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

In millions of euros	31 December 2018	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2019
Assets impairment					
Amounts due from central banks	10	(1)	-	(1)	8
Financial instruments at fair value through profit or loss	45	(12)	-	(4)	29
Impairment of financial assets at fair value through equity	36	(1)	-	-	35
Financial assets at amortised cost	2,914	431	(327)	(53)	2,965
of which loans and receivables	*2,913*	*430*	*(327)*	*(53)*	*2,963*
of which debt securities	*1*	*1*	-	-	*2*
Other assets	7	4	-	-	11
Total impairment of financial assets	**3,012**	**421**	**(327)**	**(58)**	**3,048**
of which Stage 1	*262*	*10*	-	*(9)*	*263*
of which Stage 2	*436*	*(33)*	*(4)*	*3*	*402*
of which Stage 3	*2,314*	*444*	*(323)*	*(52)*	*2,383*
Provisions recognised as liabilities					
Provisions for commitments	194	26	-	1	221
Other provisions	25	8	(1)	(3)	29
Total provisions recognised for credit commitments	**219**	**34**	**(1)**	**(2)**	**250**
of which Stage 1	*43*	*4*	-	*2*	*49*
of which Stage 2	*39*	*4*	-	*(1)*	*42*
of which Stage 3	*137*	*26*	*(1)*	*(3)*	*159*
Total impairment and provisions	**3,231**	**455**	**(328)**	**(60)**	**3,298**

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

In millions of euros	1 January 2018	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2018
Assets impairment					
Amounts due from central banks	9	4	-	(3)	10
Financial instruments at fair value through profit or loss	55	(2)	-	(8)	45
Impairment of financial assets at fair value through equity	28	7	-	1	36
Financial assets at amortised cost	3,096	415	(372)	(225)	2,914
of which loans and receivables	*3,094*	*416*	*(372)*	*(225)*	*2,913*
of which debt securities	*2*	*(1)*	-	-	*1*
Other assets	7	-	-	-	7
Total impairment of financial assets	**3,195**	**424**	**(372)**	**(235)**	**3,012**
of which Stage 1	*271*	*20*	-	*(29)*	*262*
of which Stage 2	*525*	*(4)*	-	*(85)*	*436*
of which Stage 3	*2,399*	*408*	*(372)*	*(121)*	*2,314*
Provisions recognised as liabilities					
Provisions for commitments	198	2	(1)	(5)	194
Other provisions	39	(15)	-	1	25
Total provisions recognised for credit commitments	**237**	**(13)**	**(1)**	**(4)**	**219**
of which Stage 1	*40*	*6*	-	*(3)*	*43*
of which Stage 2	*57*	*(16)*	-	*(2)*	*39*
of which Stage 3	*140*	*(3)*	*(1)*	*1*	*137*
Total impairment and provisions	**3,432**	**411**	**(373)**	**(239)**	**3,231**

Change in impairment of amortised cost financial assets during the period

In millions of euros	Impairment on assets subject to 12-month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on doubtful assets (Stage 3)	Total
At 31 December 2018	**247**	**415**	**2,252**	**2,914**
Net allowances to impairment	**11**	**(30)**	**450**	**431**
Financial assets purchased or originated during the period	110	121	-	231
Financial assets derecognised during the period [1]	(51)	(85)	(193)	(329)
Transfer to Stage 2	(20)	194	(11)	163
Transfer to Stage 3	(4)	(97)	423	322
Transfer to Stage 1	13	(105)	(5)	(97)
Other allowances/reversals without stage transfer [2]	(37)	(58)	236	141
Impairment provisions used	**-**	**(4)**	**(323)**	**(327)**
Effect of exchange rate movements and other items	**(6)**	**1**	**(49)**	**(54)**
At 31 December 2019	**252**	**382**	**2,330**	**2,964**

(1) Including disposals.

(2) Including amortisation.

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

In millions of euros	Impairment on assets subject to 12-month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on doubtful assets (Stage 3)	Total
At 1 January 2018	**261**	**509**	**2,326**	**3,096**
Net allowances to impairment	**15**	**(10)**	**410**	**415**
Financial assets purchased or originated during the period	100	79	2	181
Financial assets derecognised during the period [1]	(33)	(43)	(79)	(155)
Transfer to Stage 2	(22)	220	(38)	160
Transfer to Stage 3	(21)	(32)	465	412
Transfer to Stage 1	24	(143)	(8)	(127)
Other allowances/reversals without stage transfer [2]	(33)	(91)	68	(56)
Impairment provisions used	**-**	**-**	**(372)**	**(372)**
Effect of exchange rate movements and other items	**(29)**	**(84)**	**(112)**	**(225)**
At 31 December 2018	**247**	**415**	**2,252**	**2,914**

(1) Including disposals.

(2) Including amortisation.

3.h Corporate income tax

Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Belgium	Year to 31 Dec. 2019		Year to 31 Dec. 2018	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Corporate income tax expense on pre-tax income at standard tax rate (1)	**(882)**	**29.58%**	**(836)**	**29.58%**
Impact of differently taxed foreign profits	57	(1.9%)	49	(1.7%)
Impact of changes in tax rates	19	(0.6%)	40	(1.4%)
Impact of the taxation of securities	74	(2.5%)	24	(0.8%)
Tax impact of previously unrecognised deferred taxes (tax losses and temporary differences)	79	(2.6%)	42	(1.5%)
Tax impact of using tax losses for which no deferred tax asset was previously recognised	-	-	3	(0.1%)
Other items	33	(1.1%)	(5)	0.2%
Corporate income tax expense	**(620)**	**20.79%**	**(683)**	**24.17%**
of which				
Current tax expense for the year to 31 December	*(372)*		*(438)*	
Deferred tax expense for the year to 31 December (Note 5.i)	*(248)*		*(245)*	

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

4 SEGMENT INFORMATION

4.a Operating segments

Banking activities in Belgium

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

In Retail & Private Banking (RPB), BNP Paribas Fortis has a solid footprint, serving 3.5 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through a network of 590 branches, plus other channels such as ATMs and online banking facilities, including mobile banking. In its Retail banking activities, BNP Paribas Fortis operates under four complementary brands: the main brand BNP Paribas Fortis, plus Fintro, bpost bank/banque and Hello bank!, a 100% digital mobile banking service. In the insurance sector, BNP Paribas Fortis works in close cooperation with the Belgian market leader, AG Insurance.

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

Providing a wide range of both traditional and bespoke specialised solutions and services, and drawing on the international network of the BNP Paribas Group in 71 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients.

Banking activities in Luxembourg

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

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

Banking activities in Turkey

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

Other Domestic Markets

The operating segment 'Other Domestic Markets' mainly comprises BNP Paribas Leasing Solutions and Arval.

Fully owned by BNP Paribas Fortis, Arval specialises in full service vehicle leasing. Arval offers its customers – large international corporates, SMEs and professionals – tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Expert advice and service quality, which are the foundations of Arval's customer promise, are delivered in 29 countries.

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

Other

This segment mainly comprises BNP Paribas Asset Management, AG Insurance, Personal Finance and the foreign branches of BNP Paribas Fortis.

4.b Information by operating segment

Income and expense by operating segment

In millions of euros	Year to 31 Dec. 2019						Year to 31 Dec. 2018					
	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total
Revenues	4,065	666	936	2,184	185	8,036	4,126	613	950	2,006	358	8,053
Operating expense	(2,693)	(388)	(462)	(1,135)	(76)	(4,754)	(2,784)	(380)	(459)	(1,066)	(158)	(4,847)
Cost of risk	(40)	(5)	(238)	(141)	(30)	(454)	(13)	8	(205)	(116)	(69)	(395)
Operating Income	**1,332**	**273**	**236**	**908**	**79**	**2,828**	**1,329**	**241**	**286**	**824**	**131**	**2,811**
Non-operating items	169	-	5	1	235	410	7	-	1	(10)	219	217
Pre-tax income	**1,501**	**273**	**241**	**909**	**314**	**3,238**	**1,336**	**241**	**287**	**814**	**350**	**3,028**

Assets and liabilities by operating segment

In millions of euros	31 December 2019						31 December 2018					
	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total
Assets	**205,650**	**27,931**	**16,889**	**51,565**	**11,160**	**313,195**	**186,991**	**27,409**	**16,740**	**47,126**	**13,054**	**291,320**
of which investments in associates and Joint ventures	*958*	*93*	*4*	*69*	*2,718*	*3,842*	*965*	*93*	*3*	*54*	*2,725*	*3,840*
Liabilities	**191,205**	**22,210**	**15,571**	**47,801**	**8,253**	**285,040**	**173,431**	**21,819**	**15,285**	**43,521**	**9,884**	**263,940**

4.c Country-by-country reporting

The country-by-country reporting has been prepared to comply with the requirements set out in Article 89 of the European Union Capital Requirements Directive IV. The information is presented using the same basis as the Consolidated Financial Statements of BNP Paribas Fortis for the period ending 31 December 2019, which are prepared in accordance with IFRS as adopted by the European Union. The country information relates to the country of incorporation or residence of branches and subsidiaries.

In millions of euros, Year to 31 Dec. 2019 (*)	Revenues	Pre-tax income	Current tax	Deferred tax	Corporate income tax	FTE (**) as at 31 Dec. 2019	Nature of activities
Belgium	**4,269**	**1,580**	**(134)**	**(177)**	**(311)**	**12,811**	
of which: BNP Paribas Fortis NV/SA (Including Bass & Esmée Master Issuer NV)	*3,892*	*1,375*	*(83)*	*(178)*	*(261)*	*11,689*	*Credit institution*
Turkey	**953**	**258**	**(91)**	**28**	**(63)**	**9,449**	
of which: Türk Ekonomi Bankası AS	*900*	*222*	*(83)*	*28*	*(55)*	*8,877*	*Credit institution*
Luxembourg	**707**	**302**	**(75)**	**3**	**(72)**	**2,271**	
of which: BGL BNP Paribas	*657*	*269*	*(80)*	*18*	*(62)*	*2,199*	*Credit institution*
France	**656**	**193**	**(22)**	**(38)**	**(60)**	**3,379**	
of which: BNP Paribas Lease Group BPLG	*135*	*35*	*(9)*	*(2)*	*(11)*	*1,347*	*Leasing firm*
Germany	**174**	**57**	**(14)**	**(6)**	**(20)**	**751**	
Poland	**29**	**7**	**(3)**	**2**	**(1)**	**401**	
United Kingdom	**302**	**134**	**(33)**	**3**	**(30)**	**1,213**	
Spain	**254**	**171**	**(9)**	**(34)**	**(43)**	**821**	
The Netherlands	**110**	**58**	**(12)**	**-**	**(12)**	**388**	
Italy	**339**	**132**	**33**	**(17)**	**16**	**1,078**	
Other	**243**	**92**	**(12)**	**(12)**	**(24)**	**1,835**	
Total	**8,036**	**2,984**	**(372)**	**(248)**	**(620)**	**34,397**	

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

(**) Full-time equivalents (FTE) at 31 December 2019 in fully consolidated entities under exclusive control.

5 NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2019

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

Financial assets and liabilities at fair value through profit or loss

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

	31 December 2019				31 December 2018			
In millions of euros	**Trading Book**	**Financial instruments designated as at fair value through profit or loss**	**Other financial assets at fair value through profit or loss**	**Total**	**Trading Book**	**Financial instruments designated as at fair value through profit or loss**	**Other financial assets at fair value through profit or loss**	**Total**
Securities	434	-	1,735	2,169	962	-	1,863	2,825
Loans and repurchase agreements	5,879	4	127	6,010	5,888	4	74	5,966
Financial assets at fair value through profit or loss	**6,313**	**4**	**1,862**	**8,179**	**6,850**	**4**	**1,937**	**8,791**
Securities	516	-	-	516	158	-	-	158
Deposits and repurchase agreements	11,936	182	-	12,118	11,899	194	-	12,093
Issued debt securities (note 5.h)	-	3,422	-	3,422	-	3,344	-	3,344
Of which subordinated debt	-	*871*	-	*871*	-	*763*	-	*763*
Of which non subordinated debt	-	*2,551*	-	*2,551*	-	*2,581*	-	*2,581*
Financial liabilities at fair value through profit or loss	**12,452**	**3,604**	**-**	**16,056**	**12,057**	**3,538**	**-**	**15,595**

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

Financial liabilities designated as at fair value through profit or loss

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

The redemption value of debt issued and designated as at fair value through profit or loss at 31 December 2019 was EUR 3,680 million (EUR 3,830 million at 31 December 2018).

Other financial assets measured at fair value through profit or loss

Other financial assets at fair value through profit or loss are financial assets not held for trading:

- debt instruments that do not meet the criteria defined by IFRS 9 to be classified as financial instruments at 'fair value through equity' or at 'amortised cost':
  - their business model is not to 'collect contractual cash flows' nor 'collect contractual cash flows and sell the instruments'; and/or
  - their cash flows are not solely repayments of principal and interest on the principal amount outstanding;
- equity instruments that the Bank did not choose to classify as at 'fair value through equity'.

Derivative financial instruments

The majority of derivative financial instruments held for trading are related to transactions initiated for trading purposes. They may result from market-making or arbitrage activities. BNP Paribas Fortis actively trades in derivatives. Transactions include trades in 'ordinary' instruments such as interest rate swaps, and structured transactions with complex risk profiles tailored to meet the needs of its customers. The net position is in all cases subject to limits.

Some derivative instruments are also contracted to hedge financial assets or financial liabilities for which the Bank has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS.

	31 December 2019		31 December 2018	
In millions of euros	**Positive market value**	**Negative market value**	**Positive market value**	**Negative market value**
Interest rate derivatives	7,716	6,371	4,447	3,104
Foreign exchange derivatives	1,471	1,365	1,745	1,673
Credit derivatives	-	5	-	4
Equity derivatives	530	22	491	91
Other derivatives	-	(1)	-	-
Derivative financial instruments	**9,717**	**7,762**	**6,683**	**4,872**

The table below shows the total notional amount of trading derivatives. The notional amounts of derivative instruments are merely an indication of the volume of BNP Paribas Fortis' activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

In millions of euros	31 December 2019				31 December 2018			
	Exchange-traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total	Exchange-traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total
Interest rate derivatives	46,747	61,990	839,535	948,272	30,387	37,644	774,726	842,757
Foreign exchange derivatives	11	-	116,597	116,608	-	-	109,816	109,816
Credit derivatives	-	-	38	38	-	-	70	70
Equity derivatives	29	-	2,177	2,206	344	-	2,134	2,478
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments	**46,787**	**61,990**	**958,347**	**1,067,124**	**30,731**	**37,644**	**886,746**	**955,121**

5.b Derivatives used for hedging purposes

The table below shows the notional amounts and the fair value of derivatives used for hedging purposes.

In millions of euros	31 December 2019			31 December 2018		
	Notional amounts	Positive fair value	Negative fair value	Notional amounts	Positive fair value	Negative fair value
Fair value hedges	**120,169**	**2,362**	**5,401**	**100,115**	**1,035**	**3,368**
Interest rate derivatives	119,441	2,350	5,379	99,279	1,006	3,327
Foreign exchange derivatives	728	12	22	836	29	41
Cash flow hedges	**18,446**	**138**	**432**	**20,205**	**326**	**135**
Interest rate derivatives	6,575	59	163	6,644	79	36
Foreign exchange derivatives	11,871	79	269	13,561	247	99
Other derivatives	-	-	-	-	-	-
Net foreign investment hedges	**300**	**-**	**5**	**300**	**-**	**2**
Foreign exchange derivatives	300	-	5	300	-	2
Derivatives used for hedging purposes	**138,915**	**2,500**	**5,838**	**120,620**	**1,361**	**3,505**

Interest rate risk and foreign exchange risk management strategies are described in Chapter 'Risk Management and Capital Adequacy' of the Annual Report.

The table below shows the detail of the identified fair value hedge relationships and the financial instruments portfolios still hedged as at 31 December 2019:

31 December 2019 In millions of euros	Hedging instruments				Hedged instruments			
	Notional amounts	Positive fair value	Negative fair value	Cumulated change in fair value used as the basis for recognising ineffectiveness	Carrying amount - asset	Cumulated amount of fair value hedge adjustments - assets	Carrying amount - liabilities	Cumulated amount of fair value hedge adjustments - liabilities
Fair value hedges of identified instruments	14,417	184	2,221	(1,912)	9,733	1,919	5,013	89
Interest rate derivatives hedging the interest rate risk related to	13,689	173	2,200	(1,913)	9,565	1,919	4,453	88
Loans and receivables	*999*	*14*	*277*	*(249)*	*986*	*249*	-	-
Securities	*8,223*	*57*	*1,918*	*(1,751)*	*8,579*	*1,670*	-	-
Deposits	*2,044*	*4*	*3*	*1*	-	-	*2,044*	*1*
Debt securities	*2,423*	*98*	*2*	*86*	-	-	*2,409*	*87*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	728	11	21	1	168	-	560	1
Loans and receivables	-	-	-	-	-	-	-	-
Securities	*170*	*3*	*1*	-	*168*	-	-	-
Deposits	*32*	*1*	-	*1*	-	-	*33*	*1*
Debt securities	*526*	*7*	*20*	-	-	-	*527*	-
Interest-rate risk hedged portfolios	105,752	2,178	3,180	(1,114)	46,415	2,074	57,971	963
Interest rate derivatives hedging the interest rate risk related to	105,752	2,178	3,180	(1,114)	46,415	2,074	57,971	963
Loans and receivables	*47,393*	*532*	*2,671*	*(2,123)*	*46,415*	*2,074*	-	-
Deposits	*58,359*	*1,646*	*509*	*1,009*	-	-	*57,971*	*963*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Total fair value hedge	120,169	2,362	5,401	(3,026)	56,148	3,993	62,984	1,052

31 December 2018 In millions of euros	Hedging instruments				Hedged instruments			
	Notional amounts	Positive fair value	Negative fair value	Cumulated change in fair value used as the basis for recognising ineffectiveness	Carrying amount - asset	Cumulated amount of fair value hedge adjustments - assets	Carrying amount - liabilities	Cumulated amount of fair value hedge adjustments - liabilities
Fair value hedges of identified instruments	13,790	78	1,890	(1,733)	13,384	1,659	2,498	22
Interest rate derivatives hedging the interest rate risk related to	13,174	69	1,888	(1,732)	13,345	1,658	1,915	22
Loans and receivables	*1,052*	*13*	*269*	*(241)*	*1,285*	*241*	-	-
Securities	*10,210*	*22*	*1,616*	*(1,513)*	*12,060*	*1,417*	-	-
Deposits	*43*	*1*	-	-	-	-	*44*	-
Debt securities	*1,869*	*33*	*3*	*22*	-	-	*1,871*	*22*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	616	9	2	(1)	39	1	583	-
Loans and receivables	-	-	-	-	-	-	-	-
Securities	*39*	-	*2*	*(1)*	*39*	*1*	-	-
Deposits	*73*	*2*	-	-	-	-	*74*	-
Debt securities	*504*	*7*	-	-	-	-	*509*	-
Interest-rate risk hedged portfolios	86,323	957	1,460	(565)	34,748	1,142	52,182	581
Interest rate derivatives hedging the interest rate risk related to	86,103	937	1,439	(565)	34,547	1,142	52,182	581
Loans and receivables	*34,361*	*130*	*1,289*	*(1,149)*	*34,547*	*1,142*	-	-
Securities	-	-	-	-	-	-	-	-
Deposits	*51,742*	*807*	*150*	*584*	-	-	*52,182*	*581*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	220	20	21	-	201	-	-	-
Loans and receivables	*220*	*20*	*21*	-	*201*	-	-	-
Deposits	-	-	-	-	-	-	-	-
Total fair value hedge	100,113	1,035	3,350	(2,298)	48,132	2,801	54,680	603

An asset or a liability or set of assets and liabilities, can be hedged over several periods of time with different derivative financial instruments. Besides, some hedges are achieved by the combination of two derivative instruments (for example, to exchange the variable rate index of the first instrument from Euribor to Eonia). In this case, the notional amounts add up and their total amount is higher than the hedged amount. The first situation is observed more particularly for interest rate risk hedged portfolios and the second for hedges of issued debt securities.

As regards discontinued fair value hedge relationships where the derivative contract was terminated, the cumulated amount of fair value adjustments to be amortised over the residual life of the hedged items amounts to EUR 38 million assets as at 31 December 2019, and to EUR 45 million in liabilities, for hedges of portfolios of financial instruments. At 31 December 2018, these amounts were EUR 66 million in assets and 73 million in liabilities.

The notional amount of cash flow hedge derivatives is EUR 18,446 million as at 31 December 2019. Changes in assets and liabilities recognised directly in equity amount to EUR (57) million. At 31 December 2018, the notional amount of cash flow hedge derivatives was EUR 20,205 million and the changes in assets and liabilities recognised directly in equity amount was EUR 57 million.

Notional amounts of hedge instruments by maturity date are detailed as follows:

31 December 2019	Maturity date		
In millions of euros	**Less than 1 year**	**Between 1 to 5 years**	**Over 5 years**
Fair value hedges	**17,557**	**58,827**	**43,785**
Interest rate derivatives	17,328	58,370	43,743
Foreign exchange derivatives	229	457	42
Cash flow hedges	**10,208**	**6,399**	**1,839**
Interest rate derivatives	974	4,079	1,522
Foreign exchange derivatives	9,234	2,320	317
Other derivatives	-	-	-
Net foreign investments hedges	**100**	**200**	**-**
Foreign exchange derivatives	100	200	-

31 December 2018	Maturity date		
In millions of euros	**Less than 1 year**	**Between 1 to 5 years**	**Over 5 years**
Fair value hedges	**14.825**	**50.339**	**34.951**
Interest rate derivatives	14.532	49.835	34.912
Foreign exchange derivatives	293	504	39
Cash flow hedges	**12.879**	**6.253**	**1.073**
Interest rate derivatives	1.644	4.118	882
Foreign exchange derivatives	11.235	2.135	191
Other derivatives			
Net foreign investments hedges	**-**	**300**	**-**
Foreign exchange derivatives	-	300	-

5.c Financial assets at fair value through equity

In millions of euros	31 December 2019		31 December 2018	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	**8,473**	**3**	**10,442**	**92**
Governments	3,854	40	5,616	112
Other public administrations	1,938	10	2,686	36
Credit institutions	1,668	(2)	942	(2)
Other	1,013	(45)	1,198	(54)
Equity securities	**329**	**271**	**336**	**271**
Total financial assets at fair value through equity	**8,802**	**274**	**10,778**	**363**

Debt securities at fair value through equity include EUR 11 million nominal classified as stage 3 at 31 December 2019 with an equivalent stage 3 impairment of EUR (11) million, hence a zero net book value (Nominal of EUR 11 million and impairment of EUR (11) million at at 31 December 2018).

The option to recognise certain equity instruments at fair value through equity was retained in particular for shares held through strategic partnerships and shares that the Bank is required to hold in order to carry out certain activities.

During 2019, the Bank did not sell any of these investments and no unrealised gains or losses were transferred to 'retained earnings'.

5.d Measurement of the fair value of financial instruments

Valuation process

BNP Paribas Fortis has retained the fundamental principle that it should have a unique and integrated processing chain for producing and controlling the valuations of financial instruments that are used for the purpose of daily risk management and financial reporting. All these processes are based on a common economic valuation which is a core component of business decisions and risk management strategies.

Economic value is composed of mid-market value, to which add valuation adjustments.

Mid-market value is derived from external data or valuation techniques that maximise the use of observable and market-based data. Mid-market value is a theoretical additive value which does not take account of i) the direction of the transaction or its impact on the existing risks in the portfolio, ii) the nature of the counterparties, and iii) the aversion of a market participant to particular risks inherent in the instrument, the market in which it is traded, or the risk management strategy.

Valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that could be incurred in case of an exit transaction in the principal market. Fair value generally equals the economic value, subject to limited adjustments, such as own credit adjustments, which are specifically required by IFRS standards.

The main valuation adjustments are presented in the section below.

Valuation adjustments

Valuation adjustments retained by BNP Paribas Fortis for determining fair values are as follows:

Bid/offer adjustments: the bid/offer range reflects the additional exit cost for a price taker and symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price. BNP Paribas Fortis assumes that the best estimate of an exit price is the bid or offer price, unless there is evidence that another point in the bid/offer range would provide a more representative exit price.

Input uncertainty adjustments: when the observation of prices or data inputs required by valuation techniques is difficult or irregular, an uncertainty exists on the exit price. There are several ways to gauge the degree of uncertainty on the exit price such as measuring the dispersion of the available price indications or estimating the possible ranges of the inputs to a valuation technique.

Model uncertainty adjustments: these relate to situations where valuation uncertainty is due to the valuation technique used, even though observable inputs might be available. This situation arises when the risks inherent in the instruments are different from those available in the observable data, and therefore the valuation technique involves assumptions that cannot be easily corroborated.

Credit valuation adjustment (CVA): the CVA adjustment applies to valuations and market quotations whereby the credit worthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that BNP Paribas Fortis may not receive the full fair value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be an inter-dealer market. However, the determination of CVA remains judgemental due to i) the possible absence or lack of price discovery in the inter-dealer market, ii) the influence of the regulatory landscape relating to counterparty risk on the market participants' pricing behaviour and iii) the absence of a dominant business model for managing counterparty risk.

The CVA model is grounded on the same exposures as those used for regulatory purposes. The model attempts to estimate the cost of an optimal risk management strategy based on i) implicit incentives and constraints inherent in the regulations in force and their evolutions, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes.

Funding valuation adjustment (FVA): when valuation techniques are used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the existence and terms of any collateral agreement. In particular, for non- or imperfectly collateralized derivative instruments, they include an explicit adjustment to the interbank interest rate.

Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment - DVA): OCA and DVA are adjustments reflecting the effect of credit worthiness of BNP Paribas Fortis, on respectively the value of debt securities designated as at fair value through profit or loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels. The DVA adjustment is determined after taking into account the Funding Valuation Adjustment (FVA).

As a result, the carrying value of issued debt securities designated as at fair value through profit or loss is increased by EUR 27 million as at 31 December 2019, compared with an increase in value of EUR 36 million as at 31 December 2018, i.e. a EUR (9) million variation recognised directly in equity that will not be reclassified to profit and loss.

Instrument classes and classification within the fair value hierarchy for assets and liabilities measured at fair value

As explained in the summary of significant accounting policies (note 1.f.9), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

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

- Securitised exposures are further broken down by collateral type;
- For derivatives, fair values are broken down by dominant risk factor, namely interest rate, foreign exchange, credit and equity. Derivatives used for hedging purposes are mainly interest rate derivatives.

	31 December 2019											
	Trading Book				Instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
In millions of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	**362**	**70**	**2**	**434**	**326**	**859**	**550**	**1,735**	**7,049**	**1,548**	**205**	**8,802**
Governments	185	-	-	185	-	245	-	245	3,549	292	-	3,841
Asset Backed Securities	-	3	-	3	-	247	-	247	-	815	-	815
Other debt securities	175	67	2	244	-	366	97	463	3,377	441	-	3,818
Equities and other equity securities	2	-	-	2	326	1	453	780	123	-	205	328
Loans and repurchase agreements	**-**	**5,810**	**69**	**5,879**	**-**	**41**	**90**	**131**	**-**	**-**	**-**	**-**
Loans	-	-	-	-	-	41	90	131	-	-	-	-
Repurchase agreements	-	5,810	69	5,879	-	-	-	-	-	-	-	-
Financial assets at fair value	**362**	**5,880**	**71**	**6,313**	**326**	**900**	**640**	**1,866**	**7,049**	**1,548**	**205**	**8,802**
Securities	**516**	**-**	**-**	**516**	**-**	**-**	**-**	**-**				
Governments	515	-	-	515	-	-	-	-				
Other debt securities	1	-	-	1	-	-	-	-				
Equities and other equity securities	-	-	-	-	-	-	-	-				
Borrowings and repurchase agreements	**-**	**11,936**	**-**	**11,936**	**-**	**182**	**-**	**182**				
Borrowings	-	19	-	19	-	182	-	182				
Repurchase agreements	-	11,917	-	11,917	-	-	-	-				
Issued debt securities (Note 5.h)	**-**	**-**	**-**	**-**	**-**	**1,991**	**1,431**	**3,422**				
Subordinated debt (Note 5.h)	-	-	-	-	-	871	-	871				
Non subordinated debt (Note 5.h)	-	-	-	-	-	1,120	1,431	2,551				
Financial liabilities at fair value	**516**	**11,936**	**-**	**12,452**	**-**	**2,173**	**1,431**	**3,604**				

In millions of euros	31 December 2018											
	Trading Book				Instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	**554**	**408**	**-**	**962**	**249**	**1,115**	**499**	**1,863**	**8,884**	**1,674**	**220**	**10,778**
Governments	467	3	-	**470**	-	246	-	**246**	5,305	304	-	**5,609**
Asset Backed Securities	-	3	-	**3**	-	349	-	**349**	-	1,104	-	**1,104**
Other debt securities	87	47	-	**134**	-	496	64	**560**	3,464	266	-	**3,730**
Equities and other equity securities	-	355	-	**355**	249	24	435	**708**	115	-	220	**335**
Loans and repurchase agreements	**-**	**5,888**	**-**	**5,888**	**-**	**4**	**74**	**78**	**-**	**-**	**-**	**-**
Loans	-	27	-	**27**	-	4	74	**78**	-	-	-	**-**
Repurchase agreements	-	5,861	-	**5,861**	-	-	-	**-**	-	-	-	**-**
Financial assets at fair value	**554**	**6,296**	**-**	**6,850**	**249**	**1,119**	**573**	**1,941**	**8,884**	**1,674**	**220**	**10,778**
Securities	**158**	**-**	**-**	**158**	**-**	**-**	**-**	**-**				
Governments	158	-	-	**158**	-	-	-	**-**				
Other debt securities	-	-	-	**-**	-	-	-	**-**				
Equities and other equity securities	-	-	-	**-**	-	-	-	**-**				
Borrowings and repurchase agreements	**-**	**11,899**	**-**	**11,899**	**-**	**194**	**-**	**194**				
Borrowings	-	18	-	**18**	-	194	-	**194**				
Repurchase agreements	-	11,881	-	**11,881**	-	-	-	**-**				
Issued debt securities (Note 5.h)	**-**	**-**	**-**	**-**	**-**	**2,064**	**1,280**	**3,344**				
Subordinated debt (Note 5.h)	-	-	-	**-**	-	763	-	**763**				
Non subordinated debt (Note 5.h)	-	-	-	**-**	-	1,301	1,280	**2,581**				
Financial liabilities at fair value	**158**	**11,899**	**-**	**12,057**	**-**	**2,258**	**1,280**	**3,538**				

In millions of euros	31 December 2019							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	-	7,644	72	7,716	-	6,315	56	6,371
Foreign exchange derivatives	-	1,458	13	1,471	-	1,356	9	1,365
Credit derivatives	-	-	-	-	-	5	-	5
Equity derivatives	-	530	-	530	-	22	-	22
Other derivatives	-	-	-	-	-	(1)	-	(1)
Derivative financial instruments not used for hedging purposes	**-**	**9,632**	**85**	**9,717**	**-**	**7,697**	**65**	**7,762**
Derivative financial instruments used for hedging purposes	**-**	**2,500**	**-**	**2,500**	**-**	**5,838**	**-**	**5,838**

In millions of euros	31 December 2018							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	-	4,386	61	4,447	1	3,062	41	3,104
Foreign exchange derivatives	-	1,730	15	1,745	-	1,660	13	1,673
Credit derivatives	-	-	-	-	-	4	-	4
Equity derivatives	-	491	-	491	-	91	-	91
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments not used for hedging purposes	**-**	**6,607**	**76**	**6,683**	**1**	**4,817**	**54**	**4,872**
Derivative financial instruments used for hedging purposes	**-**	**1,361**	**-**	**1,361**	**-**	**3,505**	**-**	**3,505**

Transfers between levels may occur when an instrument fulfils the criteria defined, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. The timing of recognising transfers is determined at the beginning of the reporting period.

During 2019, transfers between Level 1 and Level 2 were not significant.

Description of main instruments in each level

The following section provides a description of the instruments in each level in the hierarchy. It describes notably instruments classified in Level 3 and the associated valuation methodologies.

For main trading book instruments and derivatives classified in Level 3, further quantitative information is provided about the inputs used to derive fair value.

Level 1

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

Level 1 includes notably equity securities and liquid bonds, short selling of these instruments, derivative instruments traded on organised markets (futures, options...). It includes shares of funds and UCITS, for which the net asset value is calculated on a daily basis, as well as debt representative of shares of consolidated funds held by third parties.

Level 2

The Level 2 stock of securities is composed of securities which are less liquid than the Level 1 bonds. They are predominantly government bonds, corporate debt securities, mortgage backed securities, fund shares and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices. This comprises amongst other, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers. Other sources such as primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

Repurchase agreements are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral and the maturity of the repo transaction.

Debts issued designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

Derivatives classified in Level 2 comprise mainly the following instruments:

- Vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/commodities forwards and options;
- Structured derivatives such as exotic FX options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.

The above derivatives are classified in Level 2 when there is a documented stream of evidence supporting one of the following:

- Fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;
- Fair value is derived from other standard techniques such as replication or discounted cash flows that are calibrated to observable prices, that bear limited model risk and enable an effective offset of the risks of the instrument through trading Level 1 or Level 2 instruments;
- Fair value is derived from more sophisticated or proprietary valuation techniques but is directly evidenced through regular back-testing using external market-based data.

Determining of whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axis within an 'observability zone' whose limits are determined by i) a predetermined list of product categories and ii) the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

Level 3

Level 3 securities of the trading book mainly comprise units of funds and unlisted equity shares measured at fair value through profit or loss or through equity.

Unlisted private equities are systematically classified as Level 3, with the exception of UCITS with a daily net asset value which are classified in the Level 1 of the fair value hierarchy.

Shares and other unlisted variable income securities in Level 3 are valued using one of the following methods: a share of revalued net book value, multiples of comparable companies, future cash flows method, multi-criteria approach.

Repurchase agreements: mainly long-term or structured repurchase agreements on corporate bonds and ABSs: The valuation of these transactions requires proprietary methodologies given the bespoke nature of the transactions and the lack of activity and price discovery in the long-term repo market. The curves used in the valuation are corroborated using available data such as the implied basis of the relevant benchmark bond pool, recent long-term repo trade data and price enquiry data. Valuation adjustments applicable to these exposures are commensurate with the degree of uncertainty inherent in the modelling choices and amount of data available.

Debts issued designated as at fair value through profit or loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

Derivatives

Vanilla derivatives are classified in Level 3 when the exposure is beyond the observation zone for rate curves or volatility surfaces, or relates to less liquid markets such as tranches on old credit index series or emerging markets interest rates markets. The main instruments are:

- **Interest rate derivatives:** exposures mainly comprise swap products in less liquid currencies. Classification is driven by the lower liquidity of some maturities, while observation capabilities through consensus may be available. The valuation technique is standard, and uses external market information and extrapolation techniques;
- **Credit derivatives (CDS)**: exposures mainly comprise CDSs beyond the maximum observable maturity and, to a much lesser extent, CDSs on illiquid or distressed names and CDSs on loan indices. Classification is driven by the lack of liquidity while observation capabilities may be available notably through consensus. Level 3 exposures also comprise CDS and Total Return Swaps (TRS) positions on securitised assets. These are priced along the same modelling techniques as the underlying bonds, taking into consideration the funding basis and specific risk premium;
- **Equity derivatives:** exposures essentially comprise long dated forward or volatility products or exposures where there is a limited market for optional products. The marking of the forward curves and volatility surfaces beyond the maximum observable maturity relies on extrapolation techniques. However, when there is no market for model input, volatility or forward is generally determined on the basis of proxy or historical analysis.

  Similarly, long-term transactions on equity baskets are also classified in Level 3, based on the absence of equity correlation observability on long maturities.

These vanilla derivatives are subject to valuation adjustments linked to uncertainty on liquidity, specialised by nature of underlying and liquidity bands.

Structured derivatives classified in Level 3 predominantly comprise structured derivatives of which hybrid products (FX/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some stock basket optional products and some interest rate optional instruments. The main exposures are described below, with insight into the related valuation techniques and on the source of uncertainty:

- **Structured interest rate options** are classified in Level 3 when they involve currencies where there is not sufficient observation or when they include a quanto feature where the pay-off is measured with a forex forward fixed rate (except for the main currencies). Long term structured derivatives are also classified in Level 3;
- **Hybrid FX/Interest rate products** essentially comprise a specific product family known as Power Reverse Dual Currency (PRDC). The valuation of PRDCs requires sophisticated modelling of joint behaviour of FX and interest rate, and is notably sensitive to the unobservable FX/ interest rate correlations. PRDCs valuations are corroborated with recent trade data and consensus data;
- **Securitisation swaps** mainly comprise fixed rate swaps, cross currency or basis swaps whose notional is indexed to the prepayment behaviour of some underlying portfolio. The estimation of the maturity profile of securitisation swaps is corroborated by statistical estimates using external historical data;

- **Forward volatility options** are generally products whose pay-off is indexed to the future variability of a rate index such as volatility swaps. These products involve material model risk as it is difficult to infer forward volatility information from the market-traded instruments. The valuation adjustment framework is calibrated to the uncertainty inherent in the product, and to the range of uncertainty from the existing external consensus data;
- **Inflation derivatives** classified in Level 3 mainly comprise swap products on inflation indices that are not associated with a liquid indexed bond market, optional products on inflation indices (such as caps and floors) and other forms of inflation indices involving optionality on the inflation indices or on the inflation annual rate. Valuation techniques used for inflation derivatives are predominantly standard market models. Proxy techniques are used for a few limited exposures. Although the valuations are corroborated through monthly consensus data, these products are classified as Level 3 due to their lack of liquidity and some uncertainties inherent in the calibration;
- The valuation of **bespoke CDOs** requires correlation of default events. This information is inferred from the active index tranche market through a proprietary projection technique and involves proprietary extrapolation and interpolation techniques. Multi-geography CDOs further require an additional correlation assumption. Finally, the bespoke CDO model also involves proprietary assumptions and parameters related to the dynamic of the recovery factor. CDO modelling, is calibrated on the observable index tranche markets, and is regularly back-tested against consensus data on standardised pools. The uncertainty arises from the model risk associated with the projection and geography mixing technique, and the uncertainty of associated parameters, together with the recovery modelling;
- **N to Default baskets** are other forms of credit correlation products, modelled through standard copula techniques. The main inputs required are the pair-wise correlations between the basket components which can be observed in the consensus and the transactions. Linear baskets are considered observable;
- **Equity and equity-hybrid correlation products** are instruments whose pay-off is dependent on the joint behaviour of a basket of equities/indices leading to a sensitivity of the fair value measurement to the correlation amongst the basket components. Hybrid versions of these instruments involve baskets that mix equity and non-equity underlyings such as commodity indices or foreign exchange rates. Only a subset of the Equity/index correlation matrix is regularly observable and traded, while most cross-asset correlations are not active. Therefore, classification in Level 3 depends on the composition of the basket, the maturity, and the hybrid nature of the product. The correlation input is derived from a proprietary model combining historical estimators, and other adjustment factors, that are corroborated by reference to recent trades or external data. The correlation matrix is essentially available from consensus services, and when a correlation between two underlying instruments is not available, it might be obtained from extrapolation or proxy techniques.

These structured derivatives are subject to specific valuation adjustments to cover uncertainties linked to liquidity, parameters and model risk.

Valuation adjustments (CVA, DVA and FVA)

The valuation adjustment for counterparty credit risk (CVA), own-credit risk for derivatives (DVA) and the explicit funding valuation adjustment (FVA) are deemed to be unobservable components of the valuation framework and therefore classified in Level 3. This does not impact, in general cases, the classification of individual transactions into the fair value hierarchy. However, a specific process allows to identify individual deals for which the marginal contribution of these adjustments and related uncertainty is significant. Are particularly concerned some insufficiently collateralized vanilla interest rate instruments with very long residual maturity.

The table below provides the range of values of main unobservable inputs for the valuation of Level 3 financial instruments. The ranges displayed correspond to a variety of different underlying instruments and are meaningful only in the context of the valuation technique implemented by BNP Paribas Fortis. The weighted averages, where relevant and available, are based on fair values, nominal amounts or sensitivities.

The main unobservable parameters used for the valuation of debt issued in Level 3 are equivalent to these of their economic hedge derivative. Information on those derivatives, displayed in the following table, is also applicable to these debts.

Risk classes	Balance Sheet valuation (In millions of euros) Asset	Liability	Main product types composing the Level 3 stock within the risk class	Valuation technique used for the product types considered	Main unobservable inputs for the product types considered	Range of unobservable input across Level 3 population considered	Weighted average
Interest rate derivatives	72	56	Floors and caps on inflation rate or on the cumulative inflation (such as redemption floors), predominantly on European and Belgian inflation	Inflation pricing model	Volatility of cumulative inflation	0.7% - 9.0%	(a)
					Volatility of the year on year inflation rate	0.3% - 1.8%	
			Forward volatility products such as volatility swaps, mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.3% - 0.6%	(a)

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

Table of movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 31 December 2018 and 31 December 2019:

In millions of euros	Financial Assets: Financial instruments at fair value through profit or loss held for trading	Financial Assets: Financial instruments designated as at fair value through profit or loss not held for trading	Financial Assets: Financial assets at fair value through equity	Financial Assets: Total	Financial Liabilities: Financial instruments at fair value through profit or loss held for trading	Financial Liabilities: Financial instruments designated as at fair value through profit or loss not held for trading	Financial Liabilities: Total
At 31 December 2018	76	573	220	869	54	1,280	1,334
Purchases	-	143	-	**143**	-	-	**-**
Issues	-	-	-	**-**	-	226	**226**
Sales	-	(76)	(5)	**(81)**	-	-	**-**
Settlements [(1)]	78	(16)	(2)	**60**	10	(132)	**(122)**
Transfers to Level 3	-	(5)	-	**(5)**	-	61	**61**
Transfers from Level 3	(16)	-	-	**(16)**	(1)	(18)	**(19)**
Gains or (losses) recognised in profit or loss with respect to transactions expired or terminated during the period	2	37	-	**39**	-	14	**14**
Gains or (losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	*16*	-	-	**16**	2	-	**2**
Changes in fair value of assets and liabilities recognised directly in equity	-	-	-	**-**	-	-	**-**
- Items related to exchange rate movements	-	(16)	(1)	**(17)**	-	-	**-**
- Changes in assets and liabilities recognised in equity	-	-	(7)	**(7)**	-	-	**-**
At 31 December 2019	156	640	205	1,001	65	1,431	1,496

(1) For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives. For the liabilities, includes principal redemptions, interest payments as well as cash inflows and outflows relating to derivatives the fair value of which is negative.

Transfers out of Level 3 of derivatives at fair value include mainly the update of the observability tenor of certain yield curves, and of market parameters related to repurchase agreements and credit transactions but also the effect of derivatives becoming only or mainly sensitive to observable inputs due to the shortening of their lifetime.

Transfers into Level 3 of instruments at fair value reflect the effect of the regular update of the observability zones.

Transfers have been reflected as if they had taken place at the beginning of the reporting period.

The Level 3 financial instruments may be hedged by other Level 1 and Level 2 instruments, the gains and losses of which are not shown in this table. Consequently, the gains and losses shown in this table are not representative of the gains and losses arising from management of the net risk on all these instruments.

Sensitivity of fair value to reasonably possible changes in Level 3 assumptions

The following table summarises those financial assets and financial liabilities classified as Level 3 for which alternative assumptions in one or more of the unobservable inputs would change fair value significantly.

The amounts disclosed are intended to illustrate the range of possible uncertainty inherent to the judgement applied when estimating level 3 parameters, or when selecting valuation techniques. These amounts reflect valuation uncertainties that prevail at the measurement date, and even though such uncertainties predominantly derive from the portfolio sensitivities that prevailed at that measurement date, they are not predictive or indicative of future movements in fair value, nor do they represent the effect of market stress on the portfolio value.

In estimating sensitivities, BNP Paribas Fortis either remeasured the financial instruments using reasonably possible inputs, or applied assumptions based on the valuation adjustment policy.

For the sake of simplicity, the sensitivity on cash instruments that are not relating to securitised instruments was based on a uniform 1% shift in the price. More specific shifts were however calibrated for each class of the Level 3 securitised exposures, based on the possible ranges of the unobservable inputs.

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

Regarding the credit valuation adjustment (CVA) and the explicit funding valuation adjustment (FVA), the uncertainty was calibrated based on prudent valuation adjustments described in the technical standard 'Prudent Valuation' published by the European Banking Authority. For other valuation adjustments, two scenarios were considered: a favourable scenario where all or portion of the valuation adjustment is not considered by market participants, and an unfavourable scenario where market participants would require twice the amount of valuation adjustments considered by BNP Paribas Fortis for entering into a transaction.

In millions of euros	31 December 2019		31 December 2018	
	Potential impact on income	Potential impact on equity	Potential impact on income	Potential impact on equity
Fixed-income securities	+/-1		+/-1	
Equities and other equity securities	+/-5	+/-2	+/-4	+/-2
Loans and repurchase agreements	+/-2		+/-1	
Derivative financial instruments	+/-18		+/-17	
Interest rate and foreign exchange derivatives	*+/-18*		*+/-17*	
Credit derivatives	*+/-0*		*+/-0*	
Equity derivatives	*+/-0*		*+/-0*	
Other derivatives	*+/-0*		*+/-0*	
Sensitivity of Level 3 financial instruments	**+/-26**	**+/-2**	**+/-23**	**+/-2**

Deferred margin on financial instruments measured using techniques developed internally and based on inputs partly unobservable in active markets

Deferred margin on financial instruments ('Day One Profit') primarily concerns the scope of financial instruments eligible for Level 3 and to a lesser extent some financial instruments eligible for Level 2 where valuation adjustments for uncertainties regarding parameters or models are important compared to the initial margin.

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

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

5.e Financial assets at amortised cost

Detail of loans and advances by nature

In millions of euros	31 December 2019			31 December 2018		
	Gross value	Impairment (note 3.g)	Carrying amount	Gross value	Impairment (note 3.g)	Carrying amount
Loans and advances to credit institutions	**36,422**	**(65)**	**36,357**	**28,193**	**(88)**	**28,105**
On demand accounts	2,990	(1)	2,989	3,048	(2)	3,046
Loans [(1)]	9,638	(64)	9,574	7,474	(86)	7,388
Repurchase agreements	23,794	-	23,794	17,671	-	17,671
Loans and advances to customers	**190,896**	**(2,898)**	**187,998**	**182,092**	**(2,825)**	**179,267**
On demand accounts	3,539	(203)	3,336	3,430	(193)	3,237
Loans to customers	168,788	(2,256)	166,532	161,229	(2,229)	159,000
Finance leases	18,569	(439)	18,130	17,433	(403)	17,030
Repurchase agreements	-	-	-	-	-	-
Total loans and advances at amortised cost	**227,318**	**(2,963)**	**224,355**	**210,285**	**(2,913)**	**207,372**

(1) Loans and advances to credit institutions include term deposits made with central banks, which amounted to EUR 101 million as at 31 December 2019 (EUR 1,274 million as at 31 December 2018).

Detail of debt securities by type of issuer

In millions of euros	31 December 2019			31 December 2018		
	Gross value	Impairment (note 3.g)	Carrying amount	Gross value	Impairment (note 3.g)	Carrying amount
Governments	8,044	(2)	8,042	5,553	(1)	5,552
Other public administrations	2,664	-	2,664	2,915	-	2,915
Credit institutions	1,264	-	1,264	4,053	-	4,053
Other	392	-	392	390	-	390
Total debt securities at amortised cost	**12,364**	**(2)**	**12,362**	**12,911**	**(1)**	**12,910**

Detail of financial assets at amortised cost by stage

In millions of euros	31 December 2019			31 December 2018		
	Gross value	Impairment (note 3.g)	Carrying amount	Gross value	Impairment (note 3.g)	Carrying amount
Loans and advances to credit institutions	**36,422**	**(65)**	**36,357**	**28,193**	**(88)**	**28,105**
Stage 1	36,260	(1)	36,259	27,992	(2)	27,990
Stage 2	92	(1)	91	99	(23)	76
Stage 3	70	(63)	7	102	(63)	39
Loans and advances to customers	**190,896**	**(2,898)**	**187,998**	**182,092**	**(2,825)**	**179,267**
Stage 1	163,427	(250)	163,177	155,033	(244)	154,789
Stage 2	22,747	(381)	22,366	22,388	(392)	21,996
Stage 3	4,722	(2,267)	2,455	4,671	(2,189)	2,482
Debt securities	**12,364**	**(2)**	**12,362**	**12,911**	**(1)**	**12,910**
Stage 1	12,364	(2)	12,362	12,911	(1)	12,910
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total financial assets at amortised cost	**239,682**	**(2,965)**	**236,717**	**223,196**	**(2,914)**	**220,282**

Contractual maturities of finance leases

In millions of euros	31 December 2019	31 December 2018
Gross investment	**19,762**	**18,175**
Receivable within 1 year	6,272	5,701
Receivable after 1 year but within 5 years	12,143	11,138
Receivable beyond 5 years	1,347	1,336
Unearned interest income	**(1,193)**	**(742)**
Net investment before impairment	**18,569**	**17,433**
Receivable within 1 year	5,796	5,394
Receivable after 1 year but within 5 years	11,544	10,805
Receivable beyond 5 years	1,229	1,234
Impairment provisions	**(439)**	**(403)**
Net investment after impairment	**18,130**	**17,030**

5.f Impaired financial assets (Stage 3)

The following tables present the carrying amounts of impaired financial assets carried at amortised cost and of impaired financing and guarantee commitments, as well as related collateral and other guarantees.

The amounts shown for collateral and other guarantees correspond to the lower of the value of the collateral or other guarantee and the value of the secured assets.

	31 December 2019			
	Stage 3 assets			
In millions of euros	**Gross value**	**Impairment**	**Net**	**Collateral received**
Loans and advances to credit institutions (note 5.e)	70	(63)	7	28
Loans and advances to customers (note 5.e)	4,722	(2,267)	2,455	1,726
Debt securities at amortised cost (note 5.e)	-	-	-	-
Total amortised cost impaired assets (Stage 3)	**4,792**	**(2,330)**	**2,462**	**1,754**
Financing commitments given	256	(26)	230	44
Guarantee commitments given	333	(104)	229	75
Total off-balance sheet impaired commitments (Stage 3)	**589**	**(130)**	**459**	**119**

	31 December 2018			
	Stage 3 assets			
In millions of euros	**Gross value**	**Impairment**	**Net**	**Collateral received**
Loans and advances to credit institutions (note5.e)	102	(63)	39	61
Loans and advances to customers (note 5.e)	4,671	(2,189)	2,482	1,727
Debt securities at amortised cost (note 5.e)	-	-	-	-
Total amortised cost impaired assets (Stage 3)	**4,773**	**(2,252)**	**2,521**	**1,788**
Financing commitments given	215	(8)	207	52
Guarantee commitments given	314	(103)	211	57
Total off-balance sheet impaired commitments (Stage 3)	**529**	**(111)**	**418**	**109**

The table below shows information regarding the variations of the gross outstandings in Stage 3:

Gross value **In millions of euros**	**Impaired financial assets** (Stage 3)
At 31 December 2018	**4 773**
Transfer to Stage 3	1 612
Transfer to Stage 1 or Stage 2	(539)
Amounts Written offs	(346)
Other changes	(708)
At 31 December 2019	**4 792**

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

In millions of euros	31 December 2019	31 December 2018
Deposits from credit institutions	**40,456**	**33,844**
On demand accounts	1,113	1,302
Interbank borrowings (1) (2)	39,096	32,532
Repurchase agreements	247	10
Deposits from customers	**184,378**	**174,389**
On demand deposits	77,087	71,441
Savings accounts	82,818	80,061
Term accounts and short-term notes	24,470	22,884
Repurchase agreements	3	3

(1) *Interbank borrowings from credit institutions include term deposits from central banks.*

(2) *Changes over the period include the effect of IFRS 16 first time adoption (see note 2).*

5.h Debt securities and subordinated debt

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

Debt securities measured at amortised cost

In millions of euros	31 December 2019	31 December 2018
Negotiable certificates of deposit and other debt securities	9,952	12,091
Bond issues	1,966	1,138
Total debt securities at amortised cost	**11,918**	**13,229**

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

In millions of euros	31 December 2019	31 December 2018
Debt securities	2,551	2,581
Subordinated debt	871	763
Total debt securities and subordinated debt at fair value through profit or loss	**3,422**	**3,344**

Subordinated debt measured at amortised cost

In millions of euros	31 December 2019	31 December 2018
Redeemable subordinated debt	2,739	2,916
Undated subordinated debt	31	31
Total subordinated debt measured at amortised cost	**2,770**	**2,947**

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

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

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

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 proportional settlement of the RPN. The agreement between Ageas and BNP Paribas has expired on 31 December 2016.

On 24 July 2015, BNP Paribas obtained the prior agreement from the European Central Bank to proceed to purchase CASHES within a limit of EUR 200 million nominal amount. In 2016, this agreement has been used for EUR 164 million converted into Ageas shares.

On 8 July 2016, BNP Paribas obtained a new agreement from the European Central Bank to proceed to purchase CASHES within a limit of EUR 200 million nominal amount. This agreement superseded the previous one.

On 11 August 2017, the European Central Bank accepted the request formulated by BNP Paribas to cancel the agreement to purchase CASHES.

As at 31 December 2019, the subordinated liability is eligible to Tier 1 capital for EUR 205 million (considering the transitional period).

5.i Current and deferred taxes

In millions of euros	31 December 2019	31 December 2018
Current taxes	110	111
Deferred taxes (1)	1,672	1,794
Current and deferred tax assets	**1,782**	**1,905**
Current taxes (2)	163	178
Deferred taxes (1)	550	496
Current and deferred tax liabilities	**713**	**674**

(1) *Changes over the period include the effect of IFRS 16 first time adoption (cf. note 2.)*

(2) *Changes over the period include the effect of IFRIC 23 first time adoption (see note 5.n)*

Changes in deferred tax by nature over the period

In millions of euros	31 December 2018	Changes recognised through profit or loss	Changes recognised through equity that may be reclassified to profit or loss	Changes recognised through equity that will not be reclassified to profit or loss	Changes in the consolidation scope, in exchange rate movements and other items	31 December 2019
Financial instruments	(101)	45	73	(3)	(4)	10
Provisions for employee benefit obligations	123	(11)	-	2	(1)	113
Unrealised finance lease reserve	(165)	(11)	-	-	5	(171)
Credit risk impairment	499	(9)	-	-	(3)	487
Tax loss carryforwards	1,137	(140)	-	-	-	997
Other items	(195)	(122)	-	-	3	(314)
Net deferred taxes	**1,298**	**(248)**	**73**	**(1)**	**-**	**1,122**
Deferred tax assets	1,794					1,672
Deferred tax liabilities	496					550

In order to determine the amount of the tax loss carryforwards recognised as assets, BNP Paribas Fortis conducts every year a specific review for each relevant entity, based on the applicable tax regime – notably incorporating any time limit rules – and a realistic projection of their future revenues and charges in line with their business plan.

Deferred tax assets recognised on tax loss carryforwards are mainly related to BNP Paribas Fortis SA for EUR 824 million, with a 7-year expected recovery period (unlimited carryforward period).

Unrecognised deferred tax assets totalled EUR 183 million as at 31 December 2019 compared with EUR 168 million as at 31 December 2018.

In 2017, the Belgian government carried out an important corporate tax reform which decreased the corporate tax rate in Belgium of 33.99% down to 29.58% in 2018 and 25% as from 2020. Therefore, deferred taxes on temporary differences and losses carried forward have been calculated based both on the new tax rates and the timing of their expected reversals. In this regard, management has exercised judgement in deciding which temporary differences and losses carried forward are expected to reverse before 2020, on which the tax rate of 29.58% is applicable, and which temporary differences and losses carried forward are expected to reverse after 2020 to which the tax rate of 25% is applied.

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

In millions of euros	31 December 2019	31 December 2018
Guarantee deposits and bank guarantees paid	4,031	2,350
Collection accounts	64	61
Accrued income and prepaid expenses [1]	873	736
Other debtors and miscellaneous assets [1]	6,705	5,835
Total accrued income and other assets	**11,673**	**8,982**
Guarantee deposits received	1,039	484
Collection accounts	428	347
Accrued expense and deferred income [1]	1,755	1,744
Lease liabilities [1]	408	-
Other creditors and miscellaneous liabilities [1]	5,428	5,307
Total accrued expense and other liabilities	**9,058**	**7,882**

(1) Changes over the period include the effect of IFRS 16 first time adoption (see note 2.)

5.k Equity – method investments

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

In millions of euros	Year to 31 Dec. 2019			31 December 2019	Year to 31 Dec. 2018			31 December 2018
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Equity-method investments	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Equity-method investments
Joint ventures	25	(43)	(18)	227	18	(67)	(49)	246
Associates [1]	229	115	344	3 615	183	(37)	146	3 594
Total equity-method entities	**254**	**72**	**326**	**3,842**	**201**	**(104)**	**97**	**3,840**

(1) Including controlled but non material entities consolidated under the equity method

Financing and guarantee commitments given by BNP Paribas Fortis to joint ventures and associates are listed in the Note 8.g 'Other related parties'.

The carrying amount of the BNP Paribas Fortis' investment in the main joint ventures and associates is presented in the following table:

In millions of euros	Country of registration	Activity	31 December 2019		31 December 2018	
			Interest %	Equity-method investments	Interest %	Equity-method investments
Joint ventures						
bpost bank	Belgium	Retail banking	50%	242	50%	249
Associates						
AG Insurance	Belgium	Insurance	25%	1,894	25%	1,792
BNP Paribas Asset Management	France	Asset management	30.85%	866	30.85%	1,032 *
BNPP Bank Polska SA	Poland	Retail banking	24.07%	635	24.07%	594

(*) Compared to the figure published last year, we have included the goodwill of EUR 570 million which was previously not disclosed on this line (but included in the global figures).

AG Insurance

In millions of euros	31 December 2019	31 December 2018
Total net income	565	558
Changes in assets and liabilities recognised directly in equity	375	(88)

In millions of euros	31 December 2019	31 December 2018
Total assets	72,616	75,073
Total liabilities	65,434	68,368
Net assets of the equity associate	**7,182**	**6,705**

BNP Paribas Asset Management

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Total net income	165	174
Changes in assets and liabilities recognised directly in equity	(100)	(122)

In millions of euros	31 December 2019	31 December 2018
Total assets	2,027	2,431
Total liabilities	1,043	926
Net assets of the equity associate	**984**	**1,505**

BNPP Bank Polska SA

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Total net income	631	19
Changes in assets and liabilities recognised directly in equity	1	51

In millions of euros	31 December 2019	31 December 2018
Total assets	106,944	107,342
Total liabilities	96,089	97,102
Net assets of the equity associate	**10,855**	**10,240**

Reconciliation of AG Insurance's total net assets recorded by BNP Paribas Fortis' carrying amount in its Consolidated Financial Statements

In millions of euros	31 December 2019	31 December 2018
Total net assets	7,182	6,704
Minority interest at AG Insurance level	(338)	(250)
Purchase Price Allocations (PPA) and other adjustments	(137)	(156)
Adjusted total net assets	**6,707**	**6,298**
BNP Paribas Fortis' interest % in AG Insurance	25%	25%
BNP Paribas Fortis' share in AG Insurance	1,676	1,574
Goodwill	218	218
Carrying amount	**1,894**	**1,792**

BNP Paribas Fortis received dividends of EUR 138 million from AG Insurance in 2019 (EUR 146 million in 2018).

Impairment testing on investments in equity associates

IFRS-rules require to assess at the end of each reporting period whether there is any objective evidence that (the value of) an investment in an equity-method entity should be tested for impairment or not. Upon testing, if the recoverable amount of this investment (being the highest of its fair market value and its value in use) is lower than its book value, the book value is reduced to its recoverable amount by recording an impairment.

The DCF approach (discounted cash flows) is used to determine the value-in-use, as also applied at BNP Paribas Group level.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the five-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The results of the tests are sensitive to the assumptions made for the following key parameters: the cost of capital, the cost/income ratio, the cost of risk and the growth rate to perpetuity.

Cost of capital is determined on the basis of a risk-free rate, an observed market risk premium weighted by a risk factor specific to each investment. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each investment based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the investment belongs, with a minimum of 7%.

The growth rate to perpetuity used is 2% for mature economies. For homogeneous group of businesses active in countries with high levels of inflation, a specific add-on is taken into account (calculated according to long term inflation rates disclosed by external sources).

At 31 December 2019, impairment tests were performed on the investments held by BNP Paribas Fortis in BNP Paribas Asset Management, in BNP Paribas Bank Polska and in AG Insurance. None of these tests demonstrated the need to record an impairment on the investments.

The table below shows the sensitivity of the estimated value of the investment to key assumptions:

	31 December 2019	
In millions of euros	**BNP Paribas Asset Management**	**BNPP Bank Polska SA**
Cost of capital		
Adverse change (+10 basis points)	(13)	(7)
Positive change (-10 basis points)	13	7
Cost/income ratio		
Adverse change (+1%)	(25)	(22)
Positive change (-1%)	25	22
Cost of risk		
Adverse change (+5%)	-	(12)
Positive change (-5%)	-	12
Long-term growth rate		
Adverse change (-50 basis points)	(40)	(4)
Positive change (+50 basis points)	45	5

5.1 Property, plant, equipment and intangible assets used in operations, investment property

In millions of euros	31 December 2019 Gross value	31 December 2019 Accumulated depreciation, amortisation and impairment	31 December 2019 Carrying amount	31 December 2018 Gross value	31 December 2018 Accumulated depreciation, amortisation and impairment	31 December 2018 Carrying amount
Investment property	**442**	**(187)**	**255**	**471**	**(210)**	**261**
Land and buildings (1)	3,047	(1,771)	1,276	2,204	(1,248)	956
Equipment, furniture and fixtures (1)	894	(671)	223	937	(700)	237
Plant and equipment leased as lessor under operating leases	27,712	(7,492)	20,220	24,416	(6,743)	17,673
Other property, plant and equipment (1)	628	(216)	412	541	(214)	327
Property, plant and equipment	**32,281**	**(10,150)**	**22,131**	**28,098**	**(8,905)**	**19,193**
of which right of use	**884**	**(500)**	**384**			
Purchased software	354	(296)	58	324	(273)	51
Internally-developed software	470	(325)	145	377	(251)	126
Other intangible assets	197	(45)	152	212	(52)	160
Intangible assets	**1,021**	**(666)**	**355**	**913**	**(576)**	**337**

(1) Changes over the period include the effect of IFRS 16 first time adoption (see note 2.)

Investment property

Land and buildings leased by the Bank as lessor under operating leases are recorded in 'Investment property'.

The estimated fair value of investment property accounted for at amortised cost at 31 December 2019 is EUR 342 million, compared with EUR 331 million for the year ended 31 December 2018.

Operating leases

Operating leases and investment property transactions are in certain cases subject to agreements providing for the following future minimum payments:

In millions of euros	31 December 2019	31 December 2018
Future minimum lease payments receivable under non-cancellable leases	**7,184**	**6,484**
Payments receivable within 1 year	3,066	2,605
Payments receivable after 1 year but within 5 years	4,076	3,851
Payments receivable beyond 5 years	42	28

Future minimum lease payments receivable under non-cancellable leases are payments that the lessee is required to make during the lease term.

Intangible assets

Other intangible assets include leasehold rights, goodwill and trademarks acquired by the BNP Paris Fortis.

Depreciation, amortisation and impairment

The total depreciation, amortisation and impairment of property, plant and equipment and intangible assets for the year ending 31 December 2019 was EUR (369) million, compared with EUR (287) million for the year ending 31 December 2018.

The above mentioned amounts include a net reversal to impairment provisions taken into account to the profit and loss account in the year ending 31 December 2019 for EUR 3 million, compared with a net charge to impairment provisions of EUR (1) million for the year ended 31 December 2018.

5.m Goodwill

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Carrying amount at start of period	**719**	**663**
Acquisitions	(1)	56
Divestments	(28)	-
Impairment recognised during the period	-	-
Exchange rate adjustments	12	(3)
Other movements	28	3
Carrying amount at end of period	**730**	**719**
Gross value	920	925
Accumulated impairment recognised at the end of period	(190)	(206)

Goodwill by homogeneous group of businesses is as follows:

	Carrying amount		Impairment recognised during the period		Acquisitions of the period	
In millions of euros	31 December 2019	31 December 2018	Year to 31 Dec. 2019	Year to 31 Dec. 2018	Year to 31 Dec. 2019	Year to 31 Dec. 2018
BNP Paribas Fortis in Belgium	**28**	**28**	**-**	**-**	**-**	**-**
Alpha Credit	*22*	*22*	-	-	-	-
Factoring	*6*	*6*	-	-	-	-
BNP Paribas Fortis in Luxembourg	**187**	**188**	**-**	**-**	**(1)**	**56**
Leasing (BPLS)	*149*	*149*	-	-	-	*17*
Wealth Management	*38*	*39*	-	-	*(1)*	*39*
BNP Paribas Fortis in other countries	**515**	**503**	**-**	**-**	**-**	**-**
TEB Group	-	-	-	-	-	-
Arval	*515*	*503*	-	-	-	
Total goodwill	**730**	**719**	**-**	**-**	**(1)**	**56**

BNP Paribas Fortis activities are divided into homogeneous group of businesses, representing reporting entities or groups of reporting entities of BNP Paribas Fortis. The breakdown is consistent with BNP Paribas Fortis' organisational structure and management methods, and reflects the independence of the reporting entities in terms of results and management approach. This is reviewed on a regular basis in order to take into account events likely to affect the composition of homogeneous group of businesses, such as acquisitions, disposals and major reorganisations.

The homogeneous group of businesses to which goodwill is allocated are:

- **Alpha Credit** is the bank's consumer credit specialist. It provides a comprehensive range of consumer loans at points of sale (retail stores and car dealerships) and directly to clients. It distributes also its products through the bank's retail network, through bpost bank and via brokers. It is the market leader in Belgium and Luxembourg;
- **Factoring** is a homogeneous group of businesses regrouping all the factoring subsidiaries of the bank. It is mainly active in Belgium, Germany, UK and The Netherlands. It is the market leader in Belgium;
- **BNP Paribas Leasing Solutions (BPLS)** uses a multi-channel approach (direct sales, sales via referrals, partnerships and banking networks) to offer corporate and small business clients an array of leasing and rental solutions, ranging from equipment financing to fleet outsourcing;
- **Arval** is a specialist in vehicle long-term leasing. Arval offers corporates (from multinational companies to small business clients) tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Recently, clientele was expanded to include individuals;
- **Wealth Management Luxembourg**: ABN AMRO Wealth Management Luxembourg was acquired by BGL BNP Paribas on September 3 2018 and subsequently integrated into its Wealth Management business unit. This integration allowed BGL to reinforce its leadership position on the wealth management market in Luxembourg, and more specifically in the segment of European entrepreneurs.

Impairment tests

According to IFRS-rules, goodwill should be tested for impairment at least on an annual basis or upon occurrence of a triggering event by comparing the carrying amount of the entity with the recoverable amount. The recoverable amount corresponds to the highest of fair market value of an entity and its value in use. The DCF approach (discounted cash flows) is used to determine the value-in-use, as also applied at BNP Paribas Group level. If the recoverable amount is lower than the carrying amount (or book value), an impairment loss is recognised for the difference.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the five-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle or a steady state of the CGU.

The results of the tests are sensitive to the assumptions made for the following key parameters: the cost of capital, the cost/income ratio, the cost of risk and the growth rate to perpetuity.

Cost of capital is determined on the basis of a risk-free rate, an observed market risk premium weighted by a risk factor based on comparable specific to each homogeneous group of businesses. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each homogeneous group of businesses based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 7%.

The growth rate to perpetuity used is 2% for mature economies. For homogeneous group of businesses active in countries with high levels of inflation, a specific add-on is taken into account (calculated according to long term inflation rates disclosed by external sources).

At year-end 2019, an impairment test was performed for each of the following four homogeneous groups of businesses: Alpha Credit, BNP Paribas Leasing Solutions (BPLS), Wealth Management Luxembourg and Arval, which did not reveal any need for recording an additional impairment.

The goodwill recognised on Factoring is considered as non-material and is therefore not tested for impairment.

Sensitivities

The table below shows the sensitivity of the main goodwill valuations to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio in terminal value, a 5% change of the cost of risk in terminal value and a 50-basis point change in the growth rate to perpetuity.

In millions of euros	31 December 2019		
	Alpha Credit	BPLS	Arval
Cost of capital			
Adverse change (+10 basis points)	(12)	(62)	(130)
Positive change (-10 basis points)	12	64	134
Cost/income ratio			
Adverse change (+1%)	(21)	(111)	(193)
Positive change (-1%)	21	111	193
Cost of risk			
Adverse change (+5%)	(22)	(55)	(37)
Positive change (-5%)	22	55	37
Long-term growth rate			
Adverse change (-50 basis points)	(30)	(145)	(391)
Positive change (+50 basis points)	34	167	455

5.n Provisions for contingencies and charges

In millions of euros	31 December 2018	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	31 December 2019
Provisions for employee benefits	3,511	238	(246)	186	3	3,692
of which post-employment benefits (Note 7.b)	*3,074*	*129*	*(164)*	*178*	*11*	*3,228*
of which post-employment healthcare benefits (Note 7.b)	*85*	*3*	*(2)*	*8*	*-*	*94*
of which provision for other long-term benefits (Note 7.c)	*83*	*15*	*(17)*	*-*	*-*	*81*
of which provision for voluntary departure, early retirement plans, and headcount adaptation plan (Note 7.d)	*260*	*82*	*(58)*	*-*	*(8)*	*276*
of which provision for share-based payment	*9*	*9*	*(5)*	*-*	*-*	*13*
Provisions for home savings accounts and plans	-	-	-	-	-	-
Provisions for credit commitments (Note 3.g)	219	-	(1)	-	32	250
Provisions for litigation	105	18	(4)	-	(14)[1]	105
Other provisions for contingencies and charges	376	94	(142)	-	(1)	327
Total provisions for contingencies and charges	**4,211**	**350**	**(393)**	**186**	**20**	**4,374**

(1) *Changes over the period include the effect of IFRIC 23 first time adoption (see note 5.i)*

5.0 Offsetting of financial assets and liabilities

The following tables present the amounts of financial assets and liabilities before and after offsetting. This information, required by IFRS 7 aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

'Amounts set off on the balance sheet' have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when and only when, BNP Paribas Fortis has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amounts offset derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

The 'Impacts of Master Netting Agreements and similar agreements' are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

'Financial instruments given or received as collateral' include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

Regarding Master Netting Agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in 'Accrued income or expenses' and 'Other assets or liabilities'.

31 December 2019 In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Assets						
Financial instruments at fair value through profit or loss	**20,396**	**-**	**20,396**	**(7,512)**	**(4,927)**	**7,957**
Securities	*2,169*	*-*	*2,169*	*-*	*-*	*2,169*
Loans and repurchase agreements	*6,010*	*-*	*6,010*	*(1,058)*	*(4,685)*	*267*
Derivative financial instruments (including derivatives used for hedging purposes)	*12,217*	*-*	*12,217*	*(6,454)*	*(242)*	*5,521*
Financial assets at amortised cost	**236,741**	**(24)**	**236,717**	**(4,188)**	**(18,549)**	**213,980**
of which repurchase agreements	*23,794*	*-*	*23,794*	*(4,188)*	*(18,549)*	*1,057*
Accrued income and other assets	**11,673**	**-**	**11,673**	**-**	**(3,429)**	**8,244**
of which guarantee deposits paid	*4,031*	*-*	*4,031*	*-*	*(3,429)*	*602*
Other assets not subject to offsetting	**44,409**	**-**	**44,409**	**-**	**-**	**44,409**
Total assets	313,219	(24)	313,195	(11,700)	(26,905)	274,590
Liabilities						
Financial instruments at fair value through profit or loss	**29,656**	**-**	**29,656**	**(11,594)**	**(9,937)**	**8,125**
Securities	*516*	*-*	*516*	*-*	*-*	*516*
Deposits and repurchase agreements	*12,118*	*-*	*12,118*	*(5,140)*	*(6,549)*	*429*
Issued debt securities	*3,422*	*-*	*3,422*	*-*	*-*	*3,422*
Derivative financial instruments (including derivatives used for hedging purposes)	*13,600*	*-*	*13,600*	*(6,454)*	*(3,388)*	*3,758*
Financial liabilities at amortised cost	**239,546**	**(24)**	**239,522**	**(106)**	**(134)**	**239,282**
of which repurchase agreements	*250*	*-*	*250*	*(106)*	*(134)*	*10*
Accrued expense and other liabilities	**9,058**	**-**	**9,058**	**-**	**(680)**	**8,378**
of which guarantee deposits received	*1,040*	*-*	*1,040*	*-*	*(680)*	*360*
Other liabilities not subject to offsetting	**6,804**	**-**	**6,804**	**-**	**-**	**6,804**
Total liabilities	285,064	(24)	285,040	(11,700)	(10,751)	262,589

31 December 2018 In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Assets						
Financial instruments at fair value through profit or loss	**16,985**	**(150)**	**16,835**	**(5,251)**	**(4,812)**	**6,772**
Securities	*2,825*	*-*	*2,825*	*-*	*-*	*2,825*
Loans and repurchase agreements	*6,116*	*(150)*	*5,966*	*(1,124)*	*(4,525)*	*317*
Derivative financial instruments (including derivatives used for hedging purposes)	*8,044*	*-*	*8,044*	*(4,127)*	*(287)*	*3,630*
Financial assets at amortised cost	**220,320**	**(38)**	**220,282**	**(3,329)**	**(13,398)**	**203,555**
of which repurchase agreements	*17,671*	*-*	*17,671*	*(3,329)*	*(13,398)*	*944*
Accrued income and other assets	**8,982**	**-**	**8,982**	**-**	**(2,177)**	**6,805**
of which guarantee deposits paid	*2,350*	*-*	*2,350*	*-*	*(2,177)*	*173*
Other assets not subject to offsetting	**45,221**	**-**	**45,221**	**-**	**-**	**45,221**
Total assets	**291,508**	**(188)**	**291,320**	**(8,580)**	**(20,387)**	**262,353**
Liabilities						
Financial instruments at fair value through profit or loss	**24,122**	**(150)**	**23,972**	**(8,575)**	**(9,504)**	**5,893**
Securities	*158*	*-*	*158*	*-*	*-*	*158*
Deposits and repurchase agreements	*12,243*	*(150)*	*12,093*	*(4,449)*	*(7,346)*	*298*
Issued debt securities	*3,344*	*-*	*3,344*	*-*	*-*	*3,344*
Derivative financial instruments (including derivatives used for hedging purposes)	*8,377*	*-*	*8,377*	*(4,126)*	*(2,158)*	*2,093*
Financial liabilities at amortised cost	**224,447**	**(38)**	**224,409**	**(5)**	**(8)**	**224,396**
of which repurchase agreements	*13*	*-*	*13*	*(5)*	*(8)*	*-*
Accrued expense and other liabilities	**7,882**	**-**	**7,882**	**-**	**(273)**	**7,609**
of which guarantee deposits received	*484*	*-*	*484*	*-*	*(273)*	*211*
Other liabilities not subject to offsetting	**7,678**	**-**	**7,678**	**-**	**-**	**7,678**
Total liabilities	**264,129**	**(188)**	**263,941**	**(8,580)**	**(9,785)**	**245,576**

5.p Transfers of financial assets

BNP Paribas Fortis enters into transactions in which it transfers financial assets held on the balance sheet and as a result may either be eligible to derecognise the transferred asset in its entirely or must continue to recognise the transferred asset to the extent of any continuing involvement. More information is included in Note 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

Financial assets that have been transferred but not derecognised by BNP Paribas Fortis are mainly composed of securities sold temporarily under repurchase agreements or securities lending transactions, as well as securitised assets. The liabilities associated to securities sold under repurchase agreements consist of debts recognised under the 'Repurchase agreements' heading. The liabilities associated to securitised assets consist of the securitisation notes purchased by third parties.

Securities lending, repurchase agreements and other transactions

In millions of euros	31 December 2019		31 December 2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities lending operations				
Financial instruments at fair value through profit or loss	97	-	-	-
Financial assets at amortised cost	3,295	-	4,429	-
Financial assets at fair value through equity	466	-	403	-
Repurchase agreements				
Financial instruments at fair value through profit or loss	7	7	293	293
Financial assets at amortised cost	6,130	6,130	2,510	2,510
Financial assets at fair value through equity	198	198	1,199	1,199
Total	**10,193**	**6,335**	**8,834**	**4,002**

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

In millions of euros	31 December 2019				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net position
Securitisation					
Financial instruments at fair value through profit or loss	28	28	28	28	-
Financial assets at amortised cost	33,097	1,275	35,006	1,224	33,782
Financial assets at fair value through equity	17	17	17	17	-
Total	**33,142**	**1,320**	**35,051**	**1,269**	**33,782**

In millions of euros	31 December 2018 Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net position
Securitisation					
Financial instruments at fair value through profit or loss	163	163	163	163	-
Financial assets at amortised cost	35,020	1,216	35,020	1,216	33,804
Financial assets at fair value through equity	21	21	21	21	-
Total	**35,204**	**1,400**	**35,204**	**1,400**	**33,804**

There have been no significant transfers leading to partial or full derecognition of the financial assets where the Bank has a continuing involvement in them.

5.q Non-current assets classified as Held for Sale and Discontinued operations

The assets and liabilities classified as held-for-sale relate to transactions approved by the Board of BNP Paribas Fortis and the Executive Committee of BNP Paribas for which the sale could not yet take place because of legal, regulatory and operational constraints.

As at 31 December 2019, no disposal group, as defined in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' has been identified.

As at 31 December 2018, it referred to not-yet-transferred assets and liabilities of Von Essen Bank that would be sold to BNP Paribas SA. The legal transfer of Von Essen Bank shares has been completed in January 2019 and generated a gain of EUR 156.5 million.

Von Essen Bank qualified as a disposal group as defined in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The assets and liabilities included in the subsidiary were reclassified and presented in separate line respectively in 'Non-current assets held for sale' and 'Liabilities associated with non-current assets held for sale' in the 2018 consolidated balance sheet.

A disposal group shall be measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell is lower than the carrying amount, the expected loss is recognised under 'Net gain or loss on non-current assets'.

For this specific disposal group, the fair value was at least equal to the carrying amount, which means that no expected loss was recognised in the consolidated financial statements as at 31 December 2018.

In millions of euros	31 December 2019	31 December 2018
Assets		
Cash and balances at central banks	-	139
Financial assets at fair value through profit or loss	-	2
Financial assets at amortised cost	-	2,201
Accrued income and other assets	-	8
Property, plant and equipment	-	5
Total assets	**-**	**2,355**
Financial liabilities at amortised cost		
Current and deferred tax liabilities	-	2,027
Accrued expenses and other liabilities	-	17
Provisions for contingencies and charges	-	34
TOTAL LIABILITIES	-	21
Total liabilities	**-**	**2,099**

6 COMMITMENTS GIVEN OR RECEIVED

6.a Financing commitments given or received

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

In millions of euros	31 December 2019	31 December 2018
Financing commitments given		
to credit institutions	188	285
to customers	53,543	49,301
Confirmed financing commitments	*40,033*	*35,698*
Other commitments given to customers	*13,510*	*13,603*
Total financing commitments given	**53 731**	**49 586**
of which Stage 1	*50,246*	*45,748*
of which Stage 2	*3,229*	*3,623*
of which Stage 3	*256*	*215*
Financing commitments received		
from credit institutions	16,383	18,553
from customers	135	163
Total financing commitments received	**16 518**	**18 716**

6.b Guarantee commitments given by signature

In millions of euros	31 December 2019	31 December 2018
Guarantee commitments given		
to credit institutions	3,620	3,956
to customers	15,217	15,526
Property guarantees	-	-
Sureties provided to tax and other authorities, other sureties	*11,773*	*11,871*
Other guarantees	*3,444*	*3,655*
Total guarantee commitments given	**18,837**	**19,482**
of which stage 1	*17,463*	*18,157*
of which stage 2	*1,041*	*1,011*
of which stage 3	*333*	*314*

6.c Securities commitments

In connexion with the settlement date accounting for securities, commitments representing securities to be delivered or securities to be received are the following:

In millions of euros	31 December 2019	31 December 2018
Securities to be delivered	45	240
Securities to be received	57	247

6.d Other guarantee commitments

Financial instruments given as collateral

In millions of euros	31 December 2019	31 December 2018
Financial instruments (negotiable securities and private receivables) lodged with central banks and eligible for use at any time as collateral for refinancing transactions after haircut	21,716	23,970
Used as collateral with central banks	*6,454*	*6,133*
Available for refinancing transactions	*15,262*	*17,837*
Securities sold under repurchase agreements	12,271	11,987
Other financial assets pledged as collateral for transactions with credit institutions, financial customers	7,759	7,109

The fair value of the financial instruments given as collateral or transferred under repurchase agreements by BNP Paribas Fortis that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 12,338 million at 31 December 2019 (EUR 12,008 million for the year ending 31 December 2018).

Financial instruments received as collateral

In millions of euros	31 December 2019	31 December 2018
Financial instruments received as collateral (excluding repurchase agreements)	7,481	6,089
of which instruments that BNP Paribas Fortis is authorised to sell and reuse as collateral	*298*	*221*
Securities received under repurchase agreements	29,613	23,436

The fair value of financial instruments received as collateral or under repurchase agreements that BNP Paribas Fortis effectively sold or reused as collateral amounted to EUR 4,662 million at 31 December 2019 (compared with EUR 5,097 million for the year ending 31 December 2018).

Financial instruments given or received as collateral are mainly measured at fair value.

7 SALARIES AND EMPLOYEE BENEFITS

7.a Salary and employee benefit expenses

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Fixed and variable remuneration, incentive bonuses and profit-sharing	(1,892)	(1,922)
Employee benefit expense	(661)	(633)
Payroll taxes	(14)	(13)
Total salary and employee benefit expenses	**(2,567)**	**(2,568)**

7.b Post-employment benefits

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to pay a fixed amount, stated as a percentage of the beneficiary's annual salary, for example, to an external entity handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of contributions from employees and to bear the cost of benefits itself or to guarantee the final amount subject to future events, it is described as a defined-benefit plan. The same applies if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and/or from future changes in the benefits.

Defined-contribution pension plans of BNP Paribas Fortis entities

BNP Paribas Fortis has implemented over the past few years a wide campaign of converting defined-benefit plans into defined-contribution plans.

Since defined-benefit plans have been closed to new employees in most countries, they are offered the benefit of joining defined contribution pensions plans.

The amount paid into defined-contribution post-employment plans for the year ended 31 December 2019 was EUR 96 million, compared with EUR 77 million for the year ended 31 December 2018.

The breakdown by major contributors is determined as follows

Contribution amount In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Belgium	1	2
France	36	34
Eurozone (except Belgium and France)	22	4
United Kingdom	4	3
Turkey	31	30
Other	2	4
Total	**96**	**77**

Defined-benefit pension plans of BNP Paribas Fortis entities

In Belgium, BNP Paribas Fortis funds a defined benefit plan, based on final salary and number of years of service for its management and employees who joined the Bank before its pension plans were harmonised on 1 January 2002. Actuarial liabilities under this scheme are pre-funded at 93% at 31 December 2019 (92% at 31 December 2018) through AG Insurance, in which BNP Paribas Fortis owns a 25% equity interest.

BNP Paribas Fortis senior managers are covered by a top-up pension plan paying a lump sum based on the number of years of service and final salary. This plan is pre-funded at 100% (96% at end 2018) through AXA Belgium and AG Insurance. Since 1 January 2015 this plan is closed for new senior managers. Those are offered a new defined-contribution scheme, which also applies to senior managers already in service at that date who chose to join this new scheme.

In addition, the law requires employers to guarantee a minimum return on assets accumulated under defined-contribution schemes. As a result of this obligation, these plans are accounting wise classified as defined-benefit schemes.

At the end of 2015, a new law introduced new modalities for the calculation of this guaranteed minimum return.

As a consequence, BNP Paribas Fortis measures its Belgian defined-contribution pension schemes according to the 'Projected Unit Credit Method' since 2016. But, as BNP Paribas Fortis considers that none of these defined-contribution pension schemes have the so-called 'back-end loaded' features as defined under IAS19, BNP Paribas Fortis attributes benefit to period of service under the plan's benefit formula. It is indeed not considered that employee service in later years lead to materially higher level of benefit than in earlier years.

Plan assets and reimbursement rights, under insurance policies under which the insurer guarantees some or all of the benefits payable under the plan, are measured as the present value of the related obligation due by the insurance companies (art.113 IAS19R) as from the end of 2017, except for pension schemes covered by a segregated fund. In the latter case, the fair value of the plan assets/rights to reimbursement is equal to the market value of the segregated investments available to cover the obligation.

In Turkey, the pension plan replaces the national pension scheme (these obligations should in the future be transferred to the Turkish State and are measured based on the terms of the transfer) and offers guarantees exceeding the minimal legal requirements. At the end of 2019, obligations under this plan are fully funded by financial assets held with an external foundation; these financial assets exceed the related obligations, but since it is not refundable, this surplus is not recognised as an asset by BNP Paribas Fortis. The funding rate for the scheme as at 31 December 2019 stood at 271% (262% at 31 December 2018).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros, at 31 December 2019	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Fair value of reimbursement rights [1]	Effect of asset ceiling	Net obligation	of which asset recognised in the balance sheet for defined-benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbursement rights	of which obligation recognised in the balance sheet for defined-benefit plans
Belgium	3,133	23	3,156	(41)	(3,002)	-	113	(3,002)	-	(3,002)	3,115
United Kingdom	209	-	209	(255)	-	-	(46)	(46)	(46)	-	-
Turkey	146	29	175	(397)	-	250	28	-	-	-	28
Others	200	44	244	(159)	(1)	-	84	(1)	-	(1)	85
Total	**3,688**	**96**	**3,784**	**(852)**	**(3,003)**	**250**	**179**	**(3,049)**	**(46)**	**(3,003)**	**3,228**

In millions of euros, at 31 December 2018	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Fair value of reimbursement rights [1]	Effect of asset ceiling	Net obligation	of which asset recognised in the balance sheet for defined-benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbursement rights	of which obligation recognised in the balance sheet for defined-benefit plans
Belgium	2,984	21	3,005	(30)	(2,838)	-	137	(2,838)	-	(2,838)	2,975
United Kingdom	182	-	182	(213)	-	-	(31)	(32)	(32)	-	1
Turkey	140	29	169	(366)	-	226	29	-	-	-	29
Others	172	38	210	(141)	(1)	-	68	(1)	-	(1)	69
Total	**3,478**	**88**	**3,566**	**(750)**	**(2,839)**	**226**	**203**	**(2,871)**	**(32)**	**(2,839)**	**3,074**

(1) The reimbursement rights are principally found on the balance sheet of the BNP Paribas Fortis' insurance subsidiaries and associated companies - notably AG Insurance with respect to BNP Paribas Fortis' defined-benefit plan - to hedge their commitments to other BNP Paribas Fortis entities that were transferred to them to cover the post-employment benefits of certain employee categories.

Changes in the present value of the defined benefit obligation

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Present value of defined-benefit obligation at start of period	**3,566**	**3,887**
Current service cost	130	128
Interest cost	58	43
Past service costs	-	(12)
Settlements	1	1
Actuarial (gains)/losses on change in demographic assumptions	(2)	(12)
Actuarial (gains)/losses on change in financial assumptions	206	(215)
Actuarial (gains)/losses on experience gaps	34	64
Actual employee contributions	10	10
Benefits paid directly by the employer	(36)	(36)
Benefits paid from assets/reimbursement rights	(189)	(235)
Exchange rate (gains)/losses on the obligation	(5)	(72)
(Gains)/losses on the obligation related to changes in the consolidation scope	11	15
Others	-	-
Present value of defined-benefit obligation at end of period	**3,784**	**3,566**

Change in the fair value of plan assets and reimbursement rights

	Plan assets		Reimbursement rights	
In millions of euros	**Year to 31 Dec. 2019**	**Year to 31 Dec. 2018**	**Year to 31 Dec. 2019**	**Year to 31 Dec. 2018**
Fair value of assets at start of period	**750**	**815**	**2,839**	**2,931**
Expected return on assets	54	25	34	27
Settlements	-	-	-	-
Actuarial (gains)/losses on assets	73	24	168	(64)
Actual employee contributions	-	-	10	10
Employer contributions	19	17	115	140
Benefits paid from assets	(23)	(29)	(166)	(206)
Exchange rate (gains)/losses on assets	(22)	(111)	-	-
Gains/(losses) on assets related to changes in the consolidation scope	1	9	3	1
Other	-	-	-	-
Fair value of assets at end of period	**852**	**750**	**3,003**	**2,839**

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Administration fees	**1**	**1**
Service costs	**131**	**117**
Current service cost	130	128
Past service cost	-	(12)
Settlements	1	1
Net financial expense	**5**	**4**
Interest cost	58	43
Interest income on plan assets	(55)	(26)
Interest income on reimbursement rights	(34)	(27)
Return on Asset Limitation	36	14
Total recognised in 'Salary and employee benefit expense'	**137**	**122**

Other items recognised directly in equity

In millions of euros	Year to 31 Dec. 2019	Year to 31 Dec. 2018
Other items recognised directly in equity	**(7)**	**12**
Actuarial (losses)/gains on plan assets or reimbursement rights	241	(40)
Actuarial (losses)/gains of demographic assumptions on the present value of obligations	2	12
Actuarial (losses)/gains of financial assumptions on the present value of obligations	(206)	215
Experience (losses)/gains on obligations	(34)	(64)
Variation of the effect of asset limitation	(10)	(111)

Main actuarial assumptions used to calculate obligations

In the Eurozone and United Kingdom, BNP Paribas Fortis discounts its obligations using the yields of high quality corporate bonds, with a term consistent with the duration of the obligations.

The ranges of rates used are as follows:

In %	31 December 2019		31 December 2018	
	Discount rate	Compensation increase rate (1)	Discount rate	Compensation increase rate (1)
Eurozone	0.10% - 1.10%	1.70% - 3.20%	0.80% - 1.90%	1.90% - 3.40%
United Kingdom	2.00%	3.10%	2.80%	3.55%
Turkey	12.51%	7.59%	16.70%	12.20%

(1) Including price increases (inflation)

In the Eurozone, the observed weighted average discount rates are as follows: 0.45% at 31 December 2019, and 1.22% at 31 December 2018.

The impact of a 100bp change in discount rates on the present value of post-employment benefit obligations is as follows:

Change in the present value of obligations In millions of euros	31 December 2019		31 December 2018	
	Discount rate -100bp	Discount rate +100bp	Discount rate -100bp	Discount rate +100bp
Eurozone	364	(314)	343	(279)
United Kingdom	46	(35)	37	(29)
Turkey	12	(10)	15	(12)

Actual rate of return on plan assets and reimbursement rights over the period

In % (1)	Year to 31 Dec. 2019	Year to 31 Dec. 2018
	Range of value (existence of several plans in the same country)	Range of value (existence of several plans in the same country)
Belgium	(0.04%) - 12.51%	(2.00%) - 4.66%
United Kingdom	15.00% - 17.50%	(1.90%) - (0.20%)
Turkey	19.27%	13.12%

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

Breakdown of plan assets

In %	31 December 2019						31 December 2018					
	Shares	Governmental bonds	Non-Governmental bonds	Real estate	Deposit account	Others	Shares	Governmental bonds	Non-Governmental bonds	Real estate	Deposit account	Others
Belgium	6%	55%	16%	1%	0%	22%	6%	53%	19%	2%	0%	20%
United Kingdom	8%	75%	13%	0%	2%	2%	9%	72%	13%	0%	2%	4%
Turkey	0%	0%	48%	5%	42%	5%	0%	0%	0%	5%	94%	1%
Others	7%	26%	24%	2%	1%	40%	8%	25%	29%	2%	3%	33%
BNP Paribas Fortis	**6%**	**49%**	**19%**	**1%**	**5%**	**20%**	**6%**	**47%**	**17%**	**2%**	**10%**	**18%**

BNP Paribas Fortis introduced an asset management governance for assets backing defined-benefit pension plan commitments, the main objectives of which are the management and control of the risks in terms of investment.

It sets out investment principles, in particular, by defining an investment strategy for plan assets, based on financial objectives and financial risk management, to specify the way in which plan assets have to be managed, via financial management servicing contracts.

The investment strategy is based on an assets and liabilities management analysis that should be realised at least on an annual basis for plans with assets in excess of EUR 100 million and every three years for plans with assets of between EUR 20 and EUR 100 million.

Post-employment healthcare benefits

In Belgium, BNP Paribas Fortis has a healthcare plan for retired employees. This plan is closed to new entrants.

The present value of obligations relating to post-employment healthcare benefits stood at EUR 94 million at 31 December 2019, compared to EUR 85 million at 31 December 2018, implying an increase of EUR 9 million during the year 2019.

The expense for post-employment healthcare benefits amounts to EUR 2 million for the year at 31 December 2019, against EUR 2 million for the year at 31 December 2018.

Other items related to post-employment healthcare and directly accounted for in equity amount to EUR 8 million for 31 December 2019, against EUR 3 million at 31 December 2018.

7.c Other long-term benefits

BNP Paribas Fortis offers its employees various long-term benefits, mainly long-service awards, the ability to save up paid annual leave in time savings accounts, and certain guarantees protecting them in the event they become incapacitated.

The net provision amounted to EUR 81 million at 31 December 2019 (EUR 83 million at 31 December 2018).

As part of the BNP Paribas Fortis variable compensation policy, annual deferred compensation plans are set up for certain high-performing employees or pursuant to special regulatory frameworks.

Under these plans, payment is deferred over time and is subject to the performance achieved by the business lines, divisions and BNP Paribas Fortis.

In millions of euros	31 December 2019	31 December 2018
Net provisions for other long-term benefits	**81**	**83**
Asset recognised in the balance sheet under 'Other long-term benefits'	-	-
Obligation recognised in the balance sheet under 'Other long-term benefits'	81	83

7.d Termination benefits

BNP Paribas Fortis has implemented a number of voluntary redundancy plans and headcount adaptation plans for employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for as soon as a bilateral agreement or a bilateral agreement proposal for a particular plan is made. Besides, BNP Paribas Fortis recognises costs related to redundancy plans in a restructuring context as soon as Bank formalises a detailed plan which has been notified to the interested parties.

In millions of euros	31 December 2019	31 December 2018
Provision for voluntary departure and early retirement plans, and headcount adaptation plans	276	260

8 ADDITIONAL INFORMATION

8.a Contingent liabilities: legal proceedings and arbitration

BNP Paribas Fortis (and its consolidated subsidiaries) is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in a number of foreign jurisdictions, arising in the ordinary course of its banking business, including inter alia in connection with its activities as lender, employer, investor and taxpayer.

BNP Paribas Fortis makes provisions for such matters when, in the opinion of its management and after consulting its legal advisors, it is probable that a payment will have to be made by BNP Paribas Fortis and when the amount can be reasonably estimated.

With respect to certain other claims and legal proceedings against BNP Paribas Fortis (and its consolidated subsidiaries) of which management is aware (and for which, according to the principles outlined above, no provision has been made), the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, such proceedings are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the BNP Paribas Fortis Consolidated Financial Statements.

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis NV' and currently 'Ageas SA/NV', hereafter 'Ageas') in late September and early October 2008, a number of claimants' organisations, 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 in Belgium and in The Netherlands.

The majority of these lawsuits has or shall be ended pursuant to a Collective Settlement of Mass Claims which has been declared binding by the Amsterdam Appeal Court in 2018. Only these shareholders who explicitly opted out should be allowed to continue their legal actions against BNP Paribas Fortis and it cannot be excluded that such legal proceedings would have monetary consequences.

The examining magistrate of the Court of First Instance in Brussels in charge since 2008 of investigating the case relating to the above-mentioned events has concluded his investigation. The Public Prosecutor has never asked the referral of the Bank to the criminal court and he has stated on 20 December 2018 that he sees no reasons to request the Council's chamber of the Court to order a referral. It is therefore expected that these proceedings will be terminated but no timeframe can be given at this moment since the Council's chamber has not rendered a decision yet.

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 1,285 million and the appointment of an expert. The Brussels Court of Appeal has dismissed all these claims on 1 February 2019. An appeal before the Supreme Court was lodged by the MCS-holders and notified to the Bank on 10 July 2019.

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.

8.b Business combinations and other changes of the consolidation scope

Operations realised in 2019

Sale of Von Essen Bank GmbH

Von Essen Bank GmbH provides retail banking services in Germany. It offers savings and investing products, financing services, such as consumer credit, loan rescheduling, real estate credit, mortgage loans and leasing for equipment.

In the context of the growth and consolidation ambitions of BNP Paribas Group for the consumer finance business in Germany, Von Essen Bank, previously fully consolidated, has been sold in January 2019 and merged with the German Branch of BNP Paribas.

This sale generated a gain of EUR 156.5 million with an impact on the total balance sheet of EUR (2.3) billion.

Acquisition of the ING Asset Management portfolio company by TEB Portföy Yönetimi AS

In 2018, ING Bank decided to exit the asset management industry at a global level and sell, amongst others, ING Portföy Yönetimi A.A., its Turkish asset management company (ING AM).

TEB, via its Turkish asset management company TEB Portföy Yönetimi AS, issued a non-binding offer to acquire ING AM in 2018 year-end and the acquisition has been finalized in April 2019.

Post-acquisition and subject to the regulatory approvals, ING AM will be merged into TEB AM resulting in significant labour cost synergies. It will also rank the combined company in the top 10 of Turkish asset managers.

The transaction generates neither goodwill nor a material result impact in 2019.

Operations realised in 2018

Integration of CMV Médiforce

CMV Médiforce offers specialized financing solutions to medical professionals in France.

As at 3 January 2018, CMV Médiforce, previously held by BNP Paribas Personal Finance (80%) and BNP Paribas SA (20%), has been fully acquired by BNP Paribas Leasing Solutions and is fully consolidated.

The combination of CMV Médiforce and BNP Paribas Leasing Solutions that has also developed a medical business, would create a major player in France, through both vendor and direct channels, with a reinforced commercial set-up and cross-selling capacity.

The acquisition being treated under 'pooling of interest', it does not trigger any result impact.

Consolidation of Belgian Mobile ID (BMID)

This entity is consolidated by equity method, following a capital increase subscribed by BNP Paribas Fortis giving 15% interest.

BMID is the company commercializing 'Itsme', the secure mobile App equivalent to a mobile-id card allowing users to authenticate their identification on web and mobile platforms such as banks, telecom providers, public services as well as commercial retailers.

Merger and consolidation of Bancontact Payconiq

This entity is consolidated by equity method following the merger of Payconiq Belgium and Bancontact as at June 29th 2018 and a capital increase subscribed by BNP Paribas Fortis giving 22.5% interest in the merged entity.

Bancontact is 'the' domestic debit card scheme in Belgium with a dominant market share in card transactions.

Payconiq Belgium offers a pure mobile payment App that does not require any special device such as a terminal at the merchant side, which makes it a very easy solution, notably for small shops.

From a commercial point of view, these entities offer complementary products and this merger should generate important development synergies (marketing, sales, IT developments…) and provide efficient, secured and friendly payment solutions to the whole market.

Acquisition of Landkreditt Finans AS

Landkreditt Finans AS is a Norwegian company specialized in financing agricultural, forestry and construction equipment. Its acquisition is a strategic move for BNP Paribas Leasing Solutions SA in its development in Nordic countries. Following its acquisition completed on 2 July 2018, Landkreditt Finans AS, renamed BNP Paribas Leasing Solutions AS is fully consolidated. As result of the transaction, a goodwill is booked for EUR 17.4 million.

Acquisition and merger of ABN AMRO Bank (Luxembourg) SA

As at 3 September 2018, ABN AMRO Bank (Luxembourg) SA and its fully owned subsidiary ABN AMRO Life SA have been acquired by BGL BNP Paribas. As part of this transaction, the insurance company has been taken over by Cardif Lux Vie and renamed Cardif Life.

ABN AMRO Bank (Luxembourg) SA, renamed BNP Paribas Wealth Management Luxembourg SA in September 2018, offers private banking solutions (EUR 5.6 billion asset under management) and custodian and depositary services for Private Equity and Investments Funds (EUR 2.2 billion asset under management). This transaction allows to strengthen BGL BNP Paribas' leading position in Wealth Management in Luxembourg, especially in the significant European entrepreneur segment.

Finally, in November 2018, BNP Paribas Wealth Management Luxembourg SA has been merged into BGL BNP Paribas. The transaction as a whole generates a goodwill for EUR 39.2 million.

Acquisition of the core banking activity of Raiffeisen Bank Polska

The Core banking activities of Raiffeisen Bank Polska (further referred to as 'The Core Bank'), includes all activities excluding the foreign currency retail mortgage loan portfolio and a limited number of other assets.

Corporate and retail gross loans of the Core Bank amount roughly to EUR 4.4 billion and customer deposits to EUR 8.2 billion at year-end 2017.

As at 31 October 2018, the Core Bank has been contributed in kind to Bank BGŻ BNP Paribas, the combined bank ranking as the sixth bank in the Polish market, with over 6% market share in loans and deposits (based on end 2017 data).

The expertise of the teams of the Core Bank, in particular in SME, Corporate banking and Factoring, in affluent/private banking, as well as its retail network, reinforce the role of Bank BGŻ BNP Paribas as a key player in the Polish banking sector.

Following this transaction and a related share purchase from BNP Paribas SA, Bank BGŻ BNP Paribas is held at 24.07% as at 31 December 2018 against 28.35% as at 31 December 2017. The transaction as a whole does not generate a goodwill nor a material result impact.

Acquisition of IKB Leasing Romania

IKB Leasing Finance IFN SA and IKB Leasing SRL (together 'IKB Leasing Romania') have been acquired by BNP Paribas Lease Group as at 27 November 2018.

IKB Leasing Romania is specialized in financing agricultural and industrial equipment for German based clients in the country. The acquisition of the third market player enables BNP Paribas Leasing Solutions to take a leading position on this market in Romania. IKB Leasing Finance IFN SA renamed RD Leasing IFN SA is fully consolidated and has a total balance sheet impact of EUR 0.2 billion. IKB Leasing SRL renamed RD Renting SA is not consolidated.

Disposal of activities from the BNP Paribas Fortis Madrid branch

The restructuring of the European branch network of BNP Paribas Group and BNP Paribas Fortis aims to optimize and create an efficient geographical position in Europe for the Corporate & Institutional Banking business (CIB), which will still benefit to corporate and institutional customers of BNP Paribas Fortis.

In this context, the BNP Paribas Fortis Madrid branch is the last European branch of BNP Paribas Fortis that has transferred to the BNP Paribas Madrid Branch most of its assets and liabilities, with an impact on the total balance sheet of EUR 0.4 billion.

Changes in the consolidation scope

In 2018, following a deep analysis launched in September 2017, some entities entered the consolidation scope (of which Louveo, BNPP Lease Group GmbH & Co KG, BNPP Factor AB) with a total impact on the balance sheet of EUR 0.4 billion.

For some entities the consolidation method changed from equity method to full consolidation (mainly in Arval and Leasing Solutions businesses) with a total impact on the balance sheet of EUR 0.9 billion.

8.c Minority interests

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss	Minority interests
Capital and retained earnings at 1 January 2018	**5,696**	**(3)**	**(286)**	**5,407**
Other movements	(287)	-	-	(287)
Dividends	(275)	-	-	(275)
Changes in assets and liabilities recognised directly in equity	-	58	(210)	(152)
Net income for 2018	**413**	**-**	**-**	**413**
Capital and retained earnings at 31 December 2018	**5,547**	**55**	**(496)**	**5,106**
Impact of the application of IFRS 16 (note 2.)	(8)	-	-	(8)
Capital and retained earnings at 1 January 2019	**5,539**	**55**	**(496)**	**5,098**
Other movements	(21)	-	-	(21)
Dividends	(212)	-	-	(212)
Changes in assets and liabilities recognised directly in equity	-	10	(111)	(101)
Net income for 2019	**406**	**-**	**-**	**406**
Capital and retained earnings at 31 December 2019	**5,712**	**65**	**(607)**	**5,170**

Main minority interests

The assessment of the material nature of minority interests is based on the contribution of the subsidiaries to the BNP Paribas Fortis' balance sheet (before elimination of intra-group transactions) and to the BNP Paribas Fortis' result.

	31 December 2019	Year to 31 Dec. 2019						
In millions of euros	**Total assets before elimination of intra-group transactions**	**Revenues**	**Net income**	**Net income and changes in assets and liabilities recognised directly in equity**	**Interest (%)**	**Net income attributable to minority interests**	**Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests**	**Dividends paid to minority shareholders**
Contribution of the entities belonging to the BGL BNP Paribas Group	56,565	1,510	471	489	50%	307	324	210
Other minority interests						99	(19)	2
Total						**406**	**305**	**212**

	31 December 2018	Year to 31 Dec. 2018						
In millions of euros	**Total assets before elimination of intra-group transactions**	**Revenues**	**Net income**	**Net income and changes in assets and liabilities recognised directly in equity**	**Interest (%)**	**Net income attributable to minority interests**	**Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests**	**Dividends paid to minority shareholders**
Contribution of the entities belonging to the BGL BNP Paribas Group	54,573	1,392	432	389	50%	296	324	230
Other minority interests						117	(63)	45
Total						**413**	**261**	**275**

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

No significant internal restructuring operation occurred during 2019, nor during 2018.

Commitments to repurchase minority shareholders' interests

In connection with the acquisition of certain entities, BNP Paribas Fortis granted minority shareholders put options on their holdings.

The total value of these commitments, which are recorded as a reduction in shareholders' equity, amounts to EUR 227 million at 31 December 2019, compared with EUR 218 million at 31 December 2018.

8.d Significant restrictions in subsidiaries, associates and joint ventures

Significant restrictions relating to the ability of entities to transfer cash to BNP Paribas Fortis

The ability of entities to pay dividends or to repay loans and advances depends, inter alia, on local regulatory requirements for capitalisation and legal reserves, as well as the entities' financial and operating performance. During 2018 and 2019, no BNP Paribas Fortis entity was subject to significant restrictions other than those arising from regulatory requirements.

Significant restrictions relating to BNP Paribas Fortis' ability to use the assets lodged in consolidated structured entities

Access to the assets of consolidated structured entities in which third-party investors (other than BNP Paribas Group entities) have invested is limited in as much as these entities' assets are reserved for the holders of units or securities. These assets totalled EUR 0.1 billion as at 31 December 2019 compared with EUR 0.2 billion as at 31 December 2018.

Significant restrictions relating to BNP Paribas Fortis' ability to use assets pledged as collateral or under repurchase agreements

The financial instruments pledged by BNP Paribas Fortis as collateral or under repurchase agreements are reported in Note 5.p and 6.d.

Significant restrictions relating to liquidity reserves

Significant restrictions related to liquidity reserves correspond to the mandatory deposits placed with central banks presented in Chapter 'Risk management and capital adequacy - Liquidity and refinancing risk'.

8.e Structured entities

BNP Paribas Fortis considers that it has sponsored a structured entity when it has been involved in its design.

BNP Paribas Fortis is engaged in transactions with sponsored structured entities primarily through its activities of securitisation of financial assets as either the originator or the sponsor, fund management and specialised asset financing.

In addition, BNP Paribas Fortis is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds or securitisation vehicles.

The method for assessing control of structured entities is detailed in Note 1.c.2 'Consolidation methods'.

Consolidated structured entities

The main category of consolidated structured entities is:

Proprietary securitisation: proprietary securitisation positions originated and held by BNP Paribas Fortis.

Unconsolidated structured entities

BNP Paribas Fortis has entered into relations with unconsolidated structured entities in the course of its business activities in order to meet the needs of its customers.

Information relating to interests in sponsored structured entities

The main categories of unconsolidated sponsored structured entities are as follows:

Securitisation: BNP Paribas Fortis structures securitisation vehicles for the purposes of offering customers financing solutions for their assets, either directly or through consolidated ABCP conduits. Each vehicle finances the purchase of customers' assets (receivables, bonds, etc.) primarily by issuing bonds backed by these assets, whose redemption is linked to their performance.

Funds: BNP Paribas Fortis structures and manages funds in order to offer investment opportunities to its customers. Dedicated or public funds are offered to institutional and individual customers, and are distributed and commercially monitored by BNP Paribas Fortis. The BNP Paribas Fortis entities responsible for managing these funds may receive management fees and performance commission. Moreover, BNP Paribas Fortis may hold units in these funds.

Asset financing: BNP Paribas Fortis finances structured entities that acquire assets (ships, export finance etc.) intended for lease, and the lease payments received by the structured entity are used to repay the financing, which is guaranteed by the asset held by the structured entity.

Other: On behalf of its customers, BNP Paribas Fortis may also structure entities which invest in assets or are involved in debt restructuring.

An interest in an unconsolidated structured entity is a contractual or non-contractual link that exposes BNP Paribas Fortis to variable returns from the performance of the entity.

BNP Paribas Fortis' assets and liabilities relating to the interests held in sponsored structured entities are as follows:

Interests on BNP Paribas Fortis balance sheet	31 December 2019				
In millions of euros	**Securitisation**	**Funds**	**Asset Financing**	**Others**	**Total**
Assets					
Financial instruments at fair value through profit and loss	34	-	-	-	34
Derivatives used for hedging purposes	-	-	-	-	-
Financial assets at fair value through equity	17	-	-	-	17
Financial assets at amortised cost	-	-	135	9	144
Other assets	-	-	-	-	-
Total assets	**51**	**-**	**135**	**9**	**195**
Liabilities					
Financial instruments at fair value through profit and loss	-	-	-	19	19
Derivatives used for hedging purposes	-	-	-	-	-
Financial liabilities at amortised cost	267	41	-	589	897
Other liabilities	1	-	-	-	1
Total liabilities	**268**	**41**	**-**	**608**	**917**
Funded exposure	**51**	**-**	**135**	**9**	**195**
Unfunded exposure	**-**	**-**	**69**	**55**	**124**
Financing commitments	-	-	-	55	55
Guarantee commitments and derivatives	-	-	69	-	69
Maximum exposure to loss	**51**	**-**	**204**	**64**	**319**
Size of structured entities (1)	**2,633**	**38**	**249**	**-**	**2,920**

Interests on BNP Paribas Fortis balance sheet	31 December 2018				
In millions of euros	Securitisation	Funds	Asset Financing	Others	Total
Assets					
Financial instruments at fair value through profit and loss	163	-	-	-	163
Derivatives used for hedging purposes	-	-	-	-	-
Financial assets at fair value through equity	19	1	-	-	20
Financial assets at amortised cost	82	-	154	1	237
Other assets	-	-	-	-	-
Total assets	**264**	**1**	**154**	**1**	**420**
Liabilities					
Financial instruments at fair value through profit and loss	-	8	-	18	26
Derivatives used for hedging purposes	-	-	-	-	-
Financial liabilities at amortised cost	10	303	-	-	313
Other liabilities	-	-	-	-	-
Total liabilities	**10**	**311**	**-**	**18**	**339**
Funded exposure	**264**	**1**	**154**	**1**	**420**
Unfunded exposure	**-**	**-**	**128**	**229**	**357**
Financing commitments	-	-	1	229	230
Guarantee commitments and derivatives	-	-	127	-	127
Maximum exposure to loss	**264**	**1**	**282**	**230**	**777**
Size of structured entities (1)	**3,819**	**3,092**	**307**	**55**	**7,273**

(1) The size of sponsored structured entities equals the total assets of the structured entity for securitisation vehicles, the net asset value for funds (excluding management mandates) and the structured entity's total assets or the amount of BNP Paribas Fortis commitment for asset financing and other structures.

The BNP Paribas Fortis' maximum exposure to losses on sponsored structured entities is the carrying amount of the assets, excluding, for financial assets at fair value through equity, changes in value taken directly to equity, as well as the nominal amount of the financing commitments and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

Information relating to interests in non-sponsored structured entities

The main interests held by BNP Paribas Fortis when it acts solely as an investor in non-sponsored structured entities are detailed below:

- units in other funds not managed by BNP Paribas Fortis: as part of its trading business, BNP Paribas Fortis invests in structured entities without any involvement in either managing or structuring these entities (investments in mutual funds, securities funds or alternative funds), particularly as economic hedge for structured products sold to customers. BNP Paribas Fortis also invests in minority holdings in support of companies as part of its venture capital business. As in 2018, these investments are very limited in 31 December 2019;
- investments in securitisation vehicles: the investments in securitisation vehicles amounted to EUR 1.0 billion as at 31 December 2019 (EUR 1.3 billion as at 31 December 2018). Furthermore, BNP Paribas Fortis also has positions on SPVs that are sponsored by BNP Paribas Group, but not sponsored by BNP Paribas Fortis, these investments represent EUR 0.1 billion on-balance and EUR 0.0 billion off-balance as at 31 December 2019 (EUR 0.2 billion and EUR 0.6 billion as at 31 December 2018).

8.f Compensation and benefits awarded to BNP Paribas Fortis' corporate officers

The remuneration policy for the Board of Directors and Executive Board did not change significantly during 2019.

Remuneration of the Members of the Board of Directors

Remuneration policy with regard to the Members of the Board of Directors

Executive and non-Executive Members of the Board of Directors receive Board remuneration based on the principles set out below, as approved by the General Shareholders' Meeting of 18 April 2019, during which the principle of keeping the maximum Board remuneration at a total of EUR 1.1 million per annum was confirmed.

However, the Group BNP Paribas decided to change the policy regarding compensation paid for directorships exercised by the Group's employees in any Group entity in France and abroad and requires that these directorships are exercised without remuneration. BNP Paribas Fortis has adopted this policy as from 1 January 2018.

For the non-executive directors that are not BNP Paribas SA employees this entails no consequence as they are no employees of BNP Paribas Fortis SA/NV or BNP Paribas SA. The non-executive directors that are BNP Paribas SA employees are no longer entitled to receive any remuneration for their mandates held within BNP Paribas Fortis SA/NV; As for the executive directors of BNP Paribas Fortis SA/NV, the implementation of the policy entails that they will not be entitled to receive any remuneration for their mandates held within the BNP Paribas Group, besides of course for their mandate within BNP Paribas Fortis SA/NV itself. The mandates held within BGL BNP Paribas SA have been excluded and can therefore be remunerated.

Annual fixed salary Chairman Board of Directors	EUR	50,000	(gross)
Annual fixed salary Board Members	EUR	25,000	(gross)
Attendance fee Chairman Board of Directors	EUR	4,000	(gross)
Attendance fee Members Board of Directors	EUR	2,000	(gross)
Attendance fee Chairman Board Committees	EUR	4,400	(gross)
Attendance fee Members Board Committees	EUR	2,200	(gross)

The non-Executive Members of the Board of Directors do not receive any variable pay, pension plan or insurances, nor any other benefits[1].

[1] *With the exception of the Chairman, who receives the use of a company car and mobile phone.*

Remuneration for the year

The table below shows the gross Board remuneration paid in 2019 to each member of the Board of Directors.

In euros		Fixed fees	Attendance fees board*	Total 2019
Herman DAEMS	Chairman	50,000	85,800	135,800
Michael ANSEEUW	Executive	25,000	20,000	45,000
Didier BEAUVOIS	Executive	25,000	20,000	45,000
Dirk BOOGMANS	Non-executive	25,000	61,600	86,600
Antoinette d'ASPREMONT LYNDEN	Non-executive	25,000	50,600	75,600
Daniel de CLERCK	Executive (as from 12 December 2019)	2,083	2,000	4,083
Filip DIERCKX	Executive (until 5 December 2019)	22,917	20,000	42,917
Sophie DUTORDOIR	Non-executive	25,000	50,800	75,800
Maxime JADOT	Executive	25,000	22,000	47,000
Piet VAN AKEN	Executive	25,000	22,000	47,000
Titia VAN WAEYENBERGE	Non-executive (as from 25 April 2019)	18,750	20,600	39,350
Stéphane VERMEIRE	Executive	25,000	22,000	47,000
		293,750	**397,400**	**691,150**

(*) This column includes the Board fees for all Committees.

Remuneration of the Members of the Executive Board

Remuneration policy regarding the Members of the Executive Board

The Members of the Executive Board have self-employed status and receive a Board remuneration based on the same principles as non-Executive Members. In addition, they are rewarded for their functions in the Executive Management through the following components: fixed monthly remuneration; variable annual remuneration based on the achievement of clear performance criteria and risk monitoring linked to collective and individual performance criteria as mentioned below; a company insurance plan (pension plan, hospital plan, life insurance and disability benefits); benefits in kind (the use of a company car, mobile phone, tablet and internet); and the opportunity to obtain share-based long-term incentive payments. Their remuneration is subject to strict regulation under CRD IV and the Belgian Banking Law.

The remuneration structure and policy on levels of remuneration are determined by the Board of Directors upon a recommendation from the Remuneration Committee with reference to common practices and market benchmarking for determining appropriate executive management compensation, and with guidance from specialised consultancy firms. Governance relating to remuneration followed the same principles and processes as last year and it is expected to continue to do so in the coming years.

Performance criteria used to determine variable remuneration

The entire process described hereunder is audited by the Inspection Générale.

Individual performance

A self-assessment is prepared by each Executive Board Member, which is then challenged by the Chief Executive Officer, who decides on the scoring in close discussion with the Chairman of the Board of Directors. An overall assessment is also made by the Risk and Compliance departments.

Individual performance is assessed in the light of the degree of attainment of personal objectives and managerial performance as assessed by the Board of Directors.

Team performance based on Bank Key Performance Indicators (KPIs)

Collective performance is based on Key Performance Indicators (KPIs) designed to show that the Executive Board is acting as a single Team. Every year, the Bank draws up a strategic plan, from which are derived indicators enabling the Executive Board to measure and assess the Bank performance. The performance criteria measured for each business are: financial results, cost management, risk management/compliance, long term developments, Corporate Social Responsibility, and people management. On a yearly basis, the Executive Board receives a score for its overall performance.

The appraisal period during which performance is assessed is January to December of each year. The methods used to assess the performance against targets are both qualitative (customer satisfaction, sound risk governance, Global People Survey results, people management, etc.) and quantitative (net operating profit, gross income, increase in market share, etc.).

Future performance applied to the deferred part of the variable remuneration

The variable part of the remuneration is subject to the deferral principle, whereby the deferred part is conditional on the future performance of the company and to sound risk management.

Remuneration for the year

The table below shows the gross remuneration paid or payable to the Members of the Executive Board for the year 2019, including benefits in kind and Director's fees.

In euros	2019		2018	
	Chief Executive Officer	Other Members of the Executive Board	Chief Executive Officer	Other Members of the Executive Board
Remuneration				
Fixed	978,513	2,607,871	978,513	2,266,424
Cash part of variable	165,200	554,660	159,200	483,360
Deferred part of variable	149,800	160,840	140,800	194,973
Multi-annual variable compensation (1)	98,000	305,900	98,000	224,233
Director's fees (2)	107,516	307,516	100,516	281,016
Benefits in Kind (3)	4,067	44,277	4,317	44,366
Pension, life insurance and orphan's pension (4)	329,227	266,638	279,015	214,431
Total	**1,832,323**	**4,247,702**	**1,760,361**	**3,708,803**

(1) In order to fully comply with the EU Capital Requirement Directive IV applicable to the Credit Institutions, the multi-annual variable compensation indicated is the amount related to the performance of the year under review and not the amount allocated during the year under review. As from 2016, in order to comply with the EBA Guidelines of 21 December 2016, the Multi-annual variable compensation is disclosed taking into account the fair value determined at the time the compensation was granted.

(2) In order to comply with article 3:6 of the Companies' and associations' Code we have included the board fees received in the controlled perimeter.

(3) The members of the Executive Board each have a company car and a mobile phone.

(4) For defined contribution plan and defined benefit plan: sum of employer contributions

Information on Multi-annual variable compensation

2016, 2017, 2018 and 2019

The Contingent Sustainable and International Scheme ('CSIS') is designed to compensate Material Risk Takers identified as key employees of BNP Paribas Group for their performance on terms that are compliant with EU rules, provided that they act in the long-term interests of the BNP Paribas Group. The scheme is intended to support the effective alignment of compensation with prudent risk-taking behaviour. In compliance with the Capital Requirements Directive 4 (CRD4), the CSIS provides for the award of instruments that can be fully written down to adequately reflect the credit quality of the institution as a going concern.

To this end, payments under the CSIS will be cancelled if, whenever during the Plan duration the BNP Paribas Group's CET1 ratio falls bellows 7% or the Group enters into a resolution period.

In addition, in order to reflect the Group ambition to growth while acting with environmental, economic and social responsibility, the Group has also decided:

- to make:
  - 85% of the CSIS Award subject to a condition based on the operating performance of the Group ('Group Performance Indicator – GPI');
  - 15% of the CSIS Award subject to a condition based on the Corporate Social Responsibility ('CSR') performance, as it is considered essential that the BNP Paribas Group acts at all levels, and in a significant way, to promote greater environmental, economic and social responsibility; and
- to condition any payment under the scheme to the Group BNP Paribas Fortis Pre-Tax Income being positive.

The CSIS Award is a cash amount denominated in local currency (the 'Notional Instrument Amount') bearing an interest rate (the 'Interest Amount').

For 2016 the Vesting Period started on 1 January 2017 and ends on 1 January 2022. There is a retention period of 6 months between 1 January 2022 and 30 June 2022. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2022 to 30 June 2022. The annual interest rate is equal to 2.19%.

For 2017 the Vesting Period started on 1 January 2018 and ends on 1 January 2023. There is a retention period of 6 months between 1 January 2023 and 30 June 2023. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2023 to 30 June 2023. The annual interest rate is equal to 1.25%.

For 2018 the Vesting Period started on 1 January 2019 and ends on 1 January 2024. There is a retention period of 6 months between 1 January 2024 and 30 June 2024. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2024 to 30 June 2024. The annual interest rate is equal to 2.09%.

For the allocation in respect with the performance year 2019 the Vesting Period starts on 1 January 2020 and ends on 1 January 2025. There is a retention period of 6 months between 1 January 2025 and 30 June 2025. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2025 to 30 June 2025. The annual interest rate is equal to 1.1%.

Information on severance pay

In 2019 no termination benefits were paid to members of the Executive Board.

Relations with key management personnel

At 31 December 2019, total outstanding loans and guarantees granted to the members of the Board of Directors and their close family members, amounted to EUR 2.7 million. These loans and guarantees constitute normal transactions, carried out at normal market and/or client conditions.

8.g Other related parties

Other related parties of the BNP Paribas Fortis comprise:

- BNP Paribas (and all its subsidiaries) which has control over BNP Paribas Fortis;
- consolidated companies of BNP Paribas Fortis (including entities consolidated under the equity method);
- and entities managing post-employment benefit plans offered to BNP Paribas Fortis' employees.

Transactions between BNP Paribas Fortis and related parties are carried out on an arm's length basis.

Relations between consolidated companies

A list of companies consolidated by BNP Paribas Fortis is provided in note 8.j 'Scope of consolidation'. Transactions and outstanding balances between fully-consolidated entities of BNP Paribas Fortis are eliminated.

Tables below show transactions carried out with entities consolidated under the equity method.

Outstanding balances of related party transactions

In millions of euros	31 December 2019			31 December 2018		
	Entities of the BNP Paribas Group	Joint ventures	Associates [1]	Entities of the BNP Paribas Group	Joint ventures	Associates [1]
Assets						
Demand accounts	1,410	3	15	2,135	2	21
Loans	32,193	584	284	23,261	59	295
Securities	92	-	97	3,114	-	64
Other assets	421	1	121	1,664	3	101
Total assets	**34,116**	**588**	**517**	**30,174**	**64**	**481**
Liabilities						
Demand accounts	471	92	455	469	88	354
Other borrowings	31,974	41	1,779	26,583	45	2,060
Other liabilities	616	-	48	283	-	59
Total liabilities	**33,061**	**133**	**2,282**	**27,335**	**133**	**2,473**
Financing commitments and guarantee commitments						
Financing commitments given	48	48	63	643	58	66
Guarantee commitments given	6,259	2,505	67	6,463	2,503	65
Total	**6,307**	**2,553**	**130**	**7,106**	**2,561**	**131**

(1) Including controlled but non material entities consolidated under the equity method.

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

Related-party profit and loss items

In millions of euros	Year to 31 Dec. 2019			Year to 31 Dec. 2018		
	Entities of the BNP Paribas Group	Joint ventures	Associates (1)	Entities of the BNP Paribas Group	Joint ventures	Associates (1)
Interest income	820	5	6	702	-	11
Interest expense	(1,136)	(5)	(9)	(889)	(2)	(11)
Commission income	99	3	539	135	3	533
Commission expense	(130)	-	(11)	(126)	-	(5)
Services provided	4	-	-	2	1	2
Services received	(62)	-	(2)	(49)	-	-
Lease income	65	-	12	59	-	10
Total	**(340)**	**3**	**535**	**(166)**	**2**	**540**

(1) *Including controlled but non material entities consolidated under the equity method*

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

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

8.h Financial instruments by maturity

The table below gives a breakdown of balance sheet items by contractual maturity for single-maturity contracts, and by cash flows for assets with a repayment date.

The source of the data in this table is identical to that used to prepare the regulatory liquidity reporting (such as the Liquidity Coverage Ratio or the Net Stable Funding Ratio).

Financial liabilities are mainly classified under the heading 'on demand' given the importance of sight deposits and savings deposits, while financial assets are mostly classified under the heading 'more than one year', as a result of the long maturities of term loans and mortgage loans.

The maturities of the 'trading portfolio' transactions reported under financial assets and liabilities measured at fair value through profit or loss are regarded as 'undetermined' insofar as these instruments are intended to be sold or redeemed before their contractual maturity dates.

The maturities of derivative hedging instruments and the remeasurement adjustment on interest-rate risk hedged portfolios are also deemed to be 'undetermined'.

In millions of euros, at 31 December 2019	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances at central banks	-	4,399	-	-	-	-	-	4,399
Financial instruments at fair value through profit or loss	11,885	-	2,302	919	2,138	586	66	17,896
Derivatives used for hedging purposes	2,500	-	-	-	-	-	-	2,500
Remeasurement adjustment on interest-rate risk hedged portfolios	2,113	-	-	-	-	-	-	2,113
Financial assets at fair value through equity	329	-	147	111	368	4,325	3,522	8,802
Financial assets at amortised cost	-	4,717	37,692	12,360	30,510	80,938	70,500	236,717
Financial assets by maturity	**16,827**	**9,116**	**40,141**	**13,390**	**33,016**	**85,849**	**74,088**	**272,427**
Deposits from central banks	-	709	-	-	-	-	-	709
Financial instruments at fair value through profit or loss	8,277	5	8,072	1,882	2,004	2,182	1,396	23,818
Derivatives used for hedging purposes	5,838	-	-	-	-	-	-	5,838
Remeasurement adjustment on interest-rate risk hedged portfolios	1,008	-	-	-	-	-	-	1,008
Financial liabilities at amortised cost	-	161,744	13,745	20,576	20,627	18,813	4,017	239,522
Financial liabilities by maturity	**15,123**	**162,458**	**21,817**	**22,458**	**22,631**	**20,995**	**5,413**	**270,895**

In millions of euros, at 31 December 2018	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances at central banks	-	4,691	-	-	-	-	-	4,691
Financial instruments at fair value through profit or loss	9,508	-	1,154	1,666	1,855	1,278	13	15,474
Derivatives used for hedging purposes	1,361	-	-	-	-	-	-	1,361
Remeasurement adjustment on interest-rate risk hedged portfolios	1,142	-	-	-	-	-	-	1,142
Financial assets at fair value through equity	114	-	158	239	1,023	6,708	2,536	10,778
Financial assets at amortised cost	-	4,280	36,252	10,686	27,941	75,637	65,486	220,282
Financial assets by maturity	**12,125**	**8,971**	**37,564**	**12,591**	**30,819**	**83,623**	**68,035**	**253,728**
Deposits from central banks	-	112	-	-	-	-	-	112
Financial instruments at fair value through profit or loss	4,871	145	9,490	1,550	196	1,931	2,284	20,467
Derivatives used for hedging purposes	3,505	-	-	-	-	-	-	3,505
Remeasurement adjustment on interest-rate risk hedged portfolios	581	-	-	-	-	-	-	581
Financial liabilities at amortised cost	-	152,337	13,359	11,815	16,195	22,981	7,722	224,409
Financial liabilities by maturity	**8,957**	**152,594**	**22,849**	**13,365**	**16,391**	**24,912**	**10,006**	**249,074**

8.i Fair value of financial instruments carried at amortised cost

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- these fair values are an estimate of the value of the relevant instruments as of 31 December 2019. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas Fortis as a going concern;
- most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments;
- estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful;
- the fair values shown below do not include the fair values of finance lease transactions, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of BNP Paribas Fortis.

31 December 2019 In millions of euros	Estimated fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets					
Loans and advances to credit institutions and customers (1)	-	39,973	171,582	211,555	206,225
Debt securities at amortised cost (note 5.e)	10,624	1,841	-	12,465	12,362
Financial liabilities					
Deposits from credit institutions and customers	-	225,213	-	225,213	224,834
Debt securities (note 5.h)	-	11,822	-	11,822	11,918
Subordinated debt (note 5.h)	-	2,770	-	2,770	2,770

31 December 2018 In millions of euros	Estimated fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets					
Loans and advances to credit institutions and customers (1)	-	31,081	162,247	193,328	190,342
Debt securities at amortised cost (note 5.e)	8,219	4,664	-	12,883	12,910
Financial liabilities					
Deposits from credit institutions and customers	-	208,697	-	208,697	208,233
Debt securities (note 5.h)	-	13,227	-	13,227	13,229
Subordinated debt (note 5.h)	-	2,951	-	2,951	2,947

(1) Finance leases excluded.

The valuation techniques and assumptions used by BNP Paribas Fortis ensure that the fair value of financial assets and liabilities carried at amortised cost is measured on a consistent basis throughout the Bank. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and debt securities at amortised cost, or specific valuation models for other financial instruments as described in note 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'. The description of the fair value hierarchy levels is also presented in the accounting principles (note 1.f.9). In the case of loans, liabilities and debt securities at amortised cost that have an initial maturity of less than one year (including demand deposits) or of most regulated savings products, fair value equates to the carrying amount. These instruments have been classified in Level 2, except for loans to customers which are classified in Level 3.

8.j Scope of consolidation

		31 December 2019				31 December 2018			
Name	**Country**	**Method**	**Voting (%)**	**Interest (%)**	**Ref.**	**Method**	**Voting (%)**	**Interest (%)**	**Ref.**
Consolidating company									
BNP Paribas Fortis	**Belgium**								
Belgium									
AG Insurance	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	
Alpha Crédit SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arius branch Belgium	Belgium	Full	100.0%	12.8%	E2				
Arval Belgium NV SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Bancontact Paytoniq Company	Belgium	Equity	22.5%	22.5%		Equity	22.5%	22.5%	E1
Banking Funding Company SA	Belgium	Equity	33.5%	33.5%		Equity	33.5%	33.5%	
Bekauw SA	Belgium	FV	40.0%	40.0%	E3				
Belgian Mobile ID	Belgium	Equity	15.0%	15.0%		Equity	15.0%	15.0%	E3
BNP Paribas Fortis Factor NV SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Belgium NV	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Expansion	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Management	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis Film Finance	Belgium	Full	99.0%	99.0%		Full	99.0%	99.0%	E1
BNP Paribas Lease Group Belgium	Belgium	Full	100.0%	25.0%		Full	100.0%	25.0%	
bpost bank	Belgium	Equity 1	50.0%	50.0%		Equity 1	50.0%	50.0%	
CNH Industrial Capital Europe Belgium Branch	Belgium	Full	100.0%	12.5%		Full	100.0%	12.5%	
Credissimo	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Credissimo Hainaut SA	Belgium	Full	99.7%	99.7%		Full	99.7%	99.7%	
Crédit pour Habitations Sociales	Belgium	Full	81.7%	81.7%		Full	81.7%	81.7%	
Demetris NV	Belgium								S3
Eos Aremas Belgium SA/NV	Belgium	Equity	49.9%	49.9%		Equity	49.9%	49.9%	
Epimede	Belgium	Equity	20.0%	20.0%		Equity	20.0%	20.0%	E1
Es-Finance	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Favor Finance	Belgium								S3
Food Associates Group NV	Belgium	FV	25.0%	25.0%	E1				
Fortis Lease Belgium	Belgium	Full	100.0%	25.0%		Full	100.0%	25.0%	
FScholen	Belgium	Equity 1	50.0%	50.0%		Equity 1	50.0%	50.0%	

New entries (E) in the scope of consolidation

- E1 Passing qualifying thresholds
- E2 Incorporation
- E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

- S1 Cessation of activity (including dissolution, liquidation)
- S2 Disposal, loss of control or loss of significant influence
- S3 Entities removed from the scope because < qualifying thresholds
- S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

- V1 Additional purchase
- V2 Partial disposal
- V3 Dilution
- V4 Increase in %

Miscellaneous

- D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

- 1 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

Name	Country	31 December 2019				31 December 2018			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Gemma Frisius Fonds KU Leuven	Belgium	FV	40.0%	39.9%		FV	40.0%	39.9%	E1
Het Anker NV	Belgium	FV	27.8%	27.8%		FV	27.8%	27.8%	E1
Holding PCS	Belgium	FV	31.7%	31.7%		FV	31.7%	31.7%	E1
Immo Beaulieu	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	E1
Immobilière Sauvenière SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Isabel SA NV	Belgium	Equity	25.3%	25.3%		Equity	25.3%	25.3%	E1
Locadif	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Micro*start*	Belgium	Full	70.3%	76.8%	V1	Full	59.8%	66.2%	E1
Novy Invest	Belgium	FV	33.7%	33.7%		FV	33.7%	33.7%	D1
Omega Invest	Belgium	FV	28.4%	28.4%		FV	28.4%	28.4%	E1
Penne International	Belgium	FV	74.9%	74.9%		FV	74.9%	74.9%	D1
Sowo Invest SA NV	Belgium	Full	87.5%	87.5%		Full	87.5%	87.5%	E1
Studio 100	Belgium	FV	32.5%	32.5%		FV	32.5%	32.5%	D1
Stoffels Trading BVBA	Belgium	FV	25.0%	25.0%	E1				
Belgium - Special Purpose Entities									
Bass Master Issuer NV	Belgium	Full				Full			
BNPP B Institutional II - Treasury 17	Belgium								S3
Esmée Master Issuer	Belgium	Full				Full			
FL Zeebrugge	Belgium	Full				Full			D1
Luxembourg									
Arval Luxembourg SA	Luxembourg	Full	100.0%	99.9%		Full	100.0%	99.9%	
BGL BNP Paribas	Luxembourg	Full	50.0%	50.0%		Full	50.0%	50.0%	
BNP Paribas Fortis Funding SA	Luxembourg	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Lease Group Luxembourg SA	Luxembourg	Full	100.0%	50.0%		Full	100.0%	50.0%	
BNP Paribas Leasing Solutions	Luxembourg	Full	50.0%	25.0%		Full	50.0%	25.0%	
Cardif Lux Vie	Luxembourg	Equity	33.3%	16.7%		Equity	33.3%	16.7%	V1
Cofhylux SA	Luxembourg	Full	100.0%	50.0%		Full	100.0%	50.0%	
Plagefin SA	Luxembourg				S4	Full	100.0%	50.0%	
Kreafin Group SA	Luxembourg	FV	23.0%	23.0%	E1				
Visalux	Luxembourg	Equity	25.3%	12.7%	V4	Equity	23.9%	11.9%	E1
Luxembourg - Special Purpose Entities									
Elimmo SARL	Luxembourg				S3	Full			E1

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
S2 Disposal, loss of control or loss of significant influence
S3 Entities removed from the scope because < qualifying thresholds
S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

V1 Additional purchase
V2 Partial disposal
V3 Dilution
V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

Name	Country	31 December 2019 Method	Voting (%)	Interest (%)	Ref.	31 December 2018 Method	Voting (%)	Interest (%)	Ref.
Rest of the world									
Albury Asset Rentals Limited	United Kingdom								S1
All In One Vermietung GmbH	Austria	Full	100.0%	25.0%		Full	100.0%	25.0%	E1
Alpha Murcia Holding BV	The Netherlands								S1
Aprolis Finance	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
Arius branch Germany	Germany	Full	100.0%	12.8%	E2				
Arius branch Italy	Italy	Full	100.0%	12.8%	E2				
Arius branch Netherlands	The Netherlands	Full	100.0%	12.8%	E2				
Arius branch UK	United Kingdom	Full	100.0%	12.8%	E2				
Artegy	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
Artel	France	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Arval AB	Sweden	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Arval AS	Denmark	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval AS Norway	Norway	Full	100.0%	99.9%	E1				
Arval Austria GmbH	Austria	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Benelux BV	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Brasil LTDA	Brazil	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval BV	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval CZ SRO	Czech Republic	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Deutschland GmbH	Germany	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Fleet Services	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Hellas Car Rental SA	Greece	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Arval India Private Ltd	India	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Arval Juitong	China								V2/ S2
Arval LLC	Russia	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Magyarorszag KFT	Hungary	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Arval Maroc SA	Morocco	Full	66.7%	66.7%		Full	66.7%	66.7%	D1
Arval Oy	Finland	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Relsa SPA	Chile	Equity 1	50.0%	50.0%		Equity 1	50.0%	50.0%	E1
Arval Schweiz AG	Switzerland	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Aluger Operational Automoveis SA	Portugal	Full	100.0%	99.9%		Full	100.0%	99.9%	D1

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
S2 Disposal, loss of control or loss of significant influence
S3 Entities removed from the scope because < qualifying thresholds
S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

V1 Additional purchase
V2 Partial disposal
V3 Dilution
V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

		31 December 2019				31 December 2018			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Arval Service Lease Italia SPA	Italy	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Polska SP ZOO	Poland	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Romania SRL	Romania	Full	100.0%	99.9%		Full	100.0%	99.9%	D1
Arval Service Lease SA	Spain	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Slovakia SRO	Slovakia	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Trading	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval UK Group Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval UK Leasing Services Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval UK Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
Bantas Nakit AS	Turkey	Equity 1	33.3%	16.7%		Equity 1	33.3%	16.7%	E1
BGL BNP Paribas SA Zweigniederlassung Deutschland	Germany	Full	100.0%	50.0%		Full	100.0%	50.0%	
BNL Leasing SPA	Italy	Equity	26.2%	6.5%	E2				
BNP PARIBAS 3 STEP IT - (Ex- Arius)	France	Full	51.0%	12.8%	V2	Full	100.0%	25.0%	
BNP Paribas Commercial Finance Limited	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Factor AS	Denmark	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Factor Deutschland BV	The Netherlands								S4
BNP Paribas Factor Gmbh	Germany	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Finansal Kiralama AS	Turkey	Full	100.0%	26.1%		Full	100.0%	26.1%	
BNP Paribas Fortis (Czech Republic branch)	Czech Republic								S1
BNP Paribas Fortis (Denmark branch)	Denmark								S1
BNP Paribas Fortis (Romania branch)	Romania				S1	Full	100.0%	100.0%	
BNP Paribas Fortis (Spain branch)	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Fortis (US.A branch)	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Fortis Yatirimlar Holding AS	Turkey	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Lease Group	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group ifn SA	Romania	Full	99.9%	24.9%		Full	99.9%	24.9%	
BNP Paribas Lease Group Leasing Solutions SPA	Italy	Equity	26.2%	6.5%		Equity	26.2%	6.5%	
BNP Paribas Lease Group Milan Branch	Italy	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group PLC	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Rentals Limited	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group SA Zweigniederlassung Deutschland	Germany	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Sa Portugal Branch	Portugal	Full	100.0%	25.0%		Full	100.0%	25.0%	

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
S2 Disposal, loss of control or loss of significant influence
S3 Entities removed from the scope because < qualifying thresholds
S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

V1 Additional purchase
V2 Partial disposal
V3 Dilution
V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

		31 December 2019				31 December 2018			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
BNP Paribas Lease Group Sa Sucursal En Espana	Spain	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group SP ZOO	Poland	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions Limited	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions NV	The Netherlands	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Full	100.0%	25.0%		Full	100.0%	25.0%	D1
BNPP Asset Management Holding	France	Equity	33.3%	30.9%		Equity	33.3%	30.9%	
BNPP Bank Polska SA	Poland	Equity	24.1%	24.1%		Equity	24.1%	24.1%	V3
BNPP Factor AB	Sweden	Full	100.0%	99.9%		Full	100.0%	100.0%	E1
BNPP Factor NV	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Factoring Support	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fleet Holdings Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Lease Group GmbH & Co KG	Austria	Full	100.0%	25.0%		Full	100.0%	25.0%	E1
BNPP Leasing Solution AS	Norway	Full	100.0%	25.0%		Full	100.0%	25.0%	E3
BNPP Rental Solutions Ltd	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Rental Solutions SPA	Italy	Full	100.0%	25.0%		Full	100.0%	25.0%	D1
Cetelem Renting	France				S4	Full	100.0%	99.9%	E1
Claas Financial Services	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
Claas Financial Services Germany Branch	Germany	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services Italy Branch	Italy	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services Ltd	United Kingdom	Full	51.0%	12.8%		Full	51.0%	12.8%	
Claas Financial Services SAS Branch In Poland	Poland	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services, SAS, SE Spain Branch	Spain	Full	100.0%	12.8%		Full	100.0%	12.8%	
CMV Mediforce	France	Full	100.0%	25.0%		Full	100.0%	25.0%	E1
CNH Industrial Capital Europe Gmbh	Austria	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe	France	Full	50.1%	12.5%		Full	50.1%	12.5%	
CNH Industrial Capital Europe BV	The Netherlands	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Italy Branch	Italy	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Ltd	United Kingdom	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Poland Branch	Poland	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe SAS Germany Branch	Germany	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Sucursal En Espana	Spain	Full	100.0%	12.5%		Full	100.0%	12.5%	
Cofiparc	France	Full	100.0%	99.9%		Full	100.0%	99.9%	

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
S2 Disposal, loss of control or loss of significant influence
S3 Entities removed from the scope because < qualifying thresholds
S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

V1 Additional purchase
V2 Partial disposal
V3 Dilution
V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

		31 December 2019				31 December 2018			
Name	**Country**	**Method**	**Voting (%)**	**Interest (%)**	**Ref.**	**Method**	**Voting (%)**	**Interest (%)**	**Ref.**
Commercial Vehicle Finance Limited	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
Folea Grundstucksverwaltungs und Vermietungs Gmbh & Co	Germany	Full	94.0%	1.5%		Full	94.0%	1.5%	D1
Fortis Lease	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Deutschland Gmbh	Germany	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Iberia SA	Spain	Full	100.0%	41.0%		Full	100.0%	41.0%	
Fortis Lease Portugal	Portugal	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Uk Ltd	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	D1
Fortis Vastgoedlease BV	The Netherlands	Full	100.0%	25.0%		Full	100.0%	25.0%	D1
Heffiq Heftruck Verhuur BV	The Netherlands	Full	50.1%	12.5%		Full	50.1%	12.5%	E1
Humberclyde Commercial Investments Limited	United Kingdom								S1
Inkasso Kodat Gmbh & Co Kg	Germany								S3
JCB Finance	France	Full	100.0%	12.5%		Full	100.0%	12.5%	
JCB Finance Holdings Ltd	United Kingdom	Full	50.1%	12.5%		Full	50.1%	12.5%	
JCB Finance SAS Italy Branch	Italy	Full	100.0%	12.5%		Full	100.0%	12.5%	
JCB Finance SAS Zweigniederlassung Deutschland	Germany	Full	100.0%	12.5%		Full	100.0%	12.5%	
Louveo	France	Full	100.0%	99.9%		Full	100.0%	99.9%	E1
Manitou Finance Limited	United Kingdom	Full	51.0%	12.8%		Full	51.0%	12.8%	
MFF	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
Public Location Longue Durée	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
RD Leasing IFN SA	Romania	Full	100.0%	25.0%		Full	100.0%	25.0%	E3
Same Deutz Fahr Finance	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
Same Deutz Fahr Finance Limited	Germany								S1
TEB Arval Arac Filo Kiralama AS	Turkey	Full	100.0%	74.9%		Full	100.0%	74.9%	
TEB Faktoring AS	Turkey	Full	100.0%	48.7%		Full	100.0%	48.7%	
TEB Holding AS	Turkey	Full	50.0%	49.9%		Full	50.0%	49.9%	
TEB Portfoy Yonetimi AS	Turkey	Full	79.6%	39.1%		Full	79.6%	39.1%	
TEB Sh A	Serbia	Full	100.0%	49.9%		Full	100.0%	49.9%	
TEB Yatirim Menkul Degerler AS	Turkey	Full	100.0%	48.7%		Full	100.0%	48.7%	
Turk Ekonomi Bankasi AS	Turkey	Full	76.2%	48.7%		Full	76.2%	48.7%	
Von Essen Bank GmbH	Germany				S2	Full	100.0%	100.0%	
Rest of the world - Special Purpose Entities									
Scaldis Capital Limited	Jersey	Full				Full			

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
E3 Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
S2 Disposal, loss of control or loss of significant influence
S3 Entities removed from the scope because < qualifying thresholds
S4 Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

V1 Additional purchase
V2 Partial disposal
V3 Dilution
V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

8.k Fees paid to the statutory auditors

As of fiscal year 2018, all audit tasks are now performed by PWC as the Bank's sole auditor.

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

Excluding tax, in thousands of euros	Year to 31 Dec. 2019						Year to 31 Dec. 2018					
	PwC		Others		Total		PwC		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Audit												
Statutory audit engagement	**1,639**	**77%**	**5,539**	**89%**	**7,178**	**86%**	**2,293**	**65%**	**5,244**	**91%**	**7,537**	**81%**
- BNP Paribas Fortis	*1,152*	*54%*	*10*	*0%*	*1,162*	*14%*	*1,074*	*30%*	*113*	*2%*	*1,187*	*13%*
- Consolidated subsidiaries	*487*	*23%*	*5,529*	*89%*	*6,016*	*72%*	*1,219*	*35%*	*5,131*	*89%*	*6,350*	*68%*
Services other than those required for the statutory audit engagement	**479**	**23%**	**718**	**11%**	**1,197**	**14%**	**1,259**	**35%**	**547**	**9%**	**1,806**	**19%**
- BNP Paribas Fortis	*236*	*12%*	*6*	*0%*	*242*	*3%*	*525*	*15%*	*45*	*1%*	*570*	*6%*
- Consolidated subsidiaries	*243*	*11%*	*712*	*11%*	*955*	*11%*	*734*	*20%*	*502*	*8%*	*1,236*	*13%*
Total	**2,118**	**100%**	**6,257**	**100%**	**8,375**	**100%**	**3,552**	**100%**	**5,791**	**100%**	**9,343**	**100%**

The fees paid to the various networks of the Statutory Auditors other than the one certifying the Consolidated and Non-Consolidated Financial Statements of BNP Paribas Fortis (mainly Deloitte and Mazars), amount to EUR 6,257,000 for the year 2019.

The decrease in fees for the auditing of the financial statements by EUR 359,000 is mainly related to the exceptional IFRS9 missions performed in 2018 within consolidated entities such as Turk Ekonomi Bankasi AS, BNPP Lease Group, BNPP Fortis Madrid Branch ES and BNPP Factoring Support.

The significant decrease in PwC's fees for the audit of the financial statements of consolidated entities is due to the fact that in 2019 Deloitte will take over PwC's mandate as auditor of Turk Ekonomi Bankasi AS.

In 2019, the decrease in non-audit services provided by PwC by EUR 780,000 is explained by:

- a decrease in this type of missions carried out in 2019 within BNP Paribas Fortis;
- an important mission within BGL in 2018 (regime applicable in Belgium to the capital prescribed under DLU IV).

In 2019, the increase in non-audit services of the other statutory auditors is explained by a specific mission on the Risk model provided by Deloitte within a consolidated entity.

8.l Events after the reporting period

Since the closing at 31 December 2019, Europe has been strongly affected by the Covid19 epidemic. The impact on the European and Belgian economy is still unclear, but BNP Paribas Fortis monitors the situation closely and keeps accompanying in particular its clients during this difficult period.

RISK MANAGEMENT AND CAPITAL ADEQUACY

INTRODUCTION

The information presented in this chapter reflects the risks carried by BNP Paribas Fortis. It provides a description of BNP Paribas Fortis' risk management organisation and a quantitative and qualitative overview of BNP Paribas Fortis' risk exposure at year-end 2019.

BNP Paribas Fortis' risk measures are presented according to the Basel III principles. These risks, calculated using methods approved by the Belgian banking supervisor, i.e. the National Bank of Belgium (NBB) and the European banking supervisor, i.e. the European Central Bank (ECB), are measured and managed as consistently as possible with the BNP Paribas Risk methodologies. A more detailed picture of BNP Paribas Fortis' risk management and risk exposure according to Pillar 3 requirements is provided in the 'Pillar 3 disclosure'.

Further details on the BNP Paribas Group's approach to the measuring and managing of risks resulting from banking activities can be found in the Registration Document and the BNP Paribas Annual Financial Report 2019.

1 RISK MANAGEMENT ORGANISATION

1.a Mission and organisation

Risk management is key in the banking business. At BNP Paribas Group, operating methods and procedures throughout the organisation are geared towards addressing risks effectively. The entire process is supervised primarily by the Risk department, which is responsible for measuring and controlling risks at Group level. Risk is independent from the Core Business divisions, Business Lines and territories and reports directly to Group Executive Management.

The guiding principles of the mission and organisation of BNP Paribas Fortis' Risk department are aligned:

- with the mission of BNP Paribas Risk namely to:
  - advise the Bank's management on risk appetite and policy;
  - provide a 'second pair of eyes' so that risks taken by the Bank are aligned with its policies and are compatible with its profitability and solvency objectives;
  - report to and alert Bank management, Core Business division heads and the special committee of the Board of Directors on the status of the risks to which the Bank is exposed;
  - ensure compliance with banking regulations in the risk area, in liaison with other relevant group functions.
- and with its organisational principles:
  - a single integrated Risk entity, which is responsible for risk aspects across all businesses;
  - independent from business-line management;
  - organised with local and global reporting lines (matrix principle).

The BNP Paribas Fortis Risk department was integrated into BNP Paribas Risk function in November 2009. The Chief Risk Officer (CRO) of BNP Paribas Fortis is a Member of the Executive Board and also has a reporting line to the BNP Paribas Head of Risk Domestic Markets. The CRO has no hierarchical link to the heads of businesses or of countries. This structure is designed to:

- ensure objective risk control;
- ensure that swift, objective and complete information is provided in the event of increased risk;
- maintain a single set of high-quality risk management standards throughout the Bank;
- ensure that the Bank's risk professionals implement and further develop methods and procedures of the highest quality in line with its international competitors' best practices.

The CRO heads the various Risk functions:

- Risk Enterprise Risk Architecture is responsible for the regulatory affairs, risk analytics and modelling, risk strategic analysis, reporting and provisioning, risk ALM – treasury and liquidity;
- Risk CIB is tasked to provide full transparency and a dynamic analysis of market & counterparty risks to all BNP Paribas Fortis businesses and is responsible for the management of credit risks on Financial Institutions, on Sovereigns and on Corporates belonging to BNP Paribas Fortis CIB;
- Risk Belgian Retail Banking is responsible for the management of credit risks arising from all Business Lines within the perimeter of BNP Paribas Fortis (Retail & Private Banking Belgium, Corporate Banking excl.CIB);
- Risk Function COO is responsible for risk systems, operational permanent control (ensuring second-line control of the Risk function and of business continuity), the Risk Operating Office (coordinating the non-core support functions), change management projects and communication;
- Risk IRC (Risk Independent Review & Control) is responsible for the independent review of credit, market, counterparty, insurance and operational risk;
- Risk ORC (Operational Risk & Control) BNP Paribas Fortis Belgium provides reasonable assurance of the existence and the efficient functioning of an operational permanent control framework within BNP Paribas Fortis in Belgium that meets the supervisory requirements of BNP Paribas Fortis as well as those of BNP Paribas Group;
- Risk DPO (Data Protection Officer) is responsible for monitoring compliancy with regulatory requirements in the context of personal data privacy and protection.

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

The key principle of the Bank's overall risk governance (covering all risk types including credit, market, counterparty, liquidity risk, operational risk, etc.) is the double-walled defence, as stated in the BNP Paribas Fortis Risk Policy that is reviewed by the Executive Board and the Audit, Risk & Compliance Committee.

The primary responsibility for risk lies with the businesses (first line of defence), which are responsible for the approval, monitoring and management of the risks arising from their activities.

The Risk function provides a 'second pair of eyes', helping to ensure that the risks taken by the Bank are compliant and compatible with its policies; it represents the second line of defence in accordance with the mission stated above, contributing strongly to joint decision making with the businesses and increasing the emphasis on risk monitoring and controls.

1.b BNP Paribas Fortis Risk committees

- Risk Committee (RC): in accordance with article 27 of the Belgian Banking Law, BNP Paribas Fortis is required to set up a separate risk committee to assist the Board of Directors with risk related matters. Prior to the entering into force of the Belgian Banking Law, the risk committee was part of the ARCC. The risk committee shall, upon request of the Board of Directors, assist (and make recommendations to) the Board of Directors in all risk related matters. In addition, several special competences of the risk committee are set forth in article 29 of the Belgian Banking Law and are listed herewith: (i) risk tolerance, (ii) price setting and (iii) remuneration policy.
- Central Credit Committee: the highest Credit Committee of BNP Paribas Fortis, which acts in line with the authority of the delegations held by its members (CEO and Heads of Business Lines, together with the CRO and other senior Risk representatives); it ensures that customer-level credit decisions are taken within the desired credit risk profile, the formulated credit policies and the Bank's legal lending limits.
- Capital Markets Risk Committee: defines and enforces the Risk strategy, policies, methods and thresholds for capital markets, including investment portfolios, at activity and transaction levels.
- Risk Policy Committee: defines the risk profile at portfolio level, approves policies, reviews exposures and examines risks in the light of market conditions, business strategy and profitability, and enforces risk decisions.
- Bank Asset and Liability Committee: manages the liquidity position of the Bank and the interest rate risk and foreign exchange risk in the Banking Book.
- Internal Control Committee (ICC): focuses on the management of the operational permanent control framework and the management of operational risks and risks of non-compliance. The ICC allows operational entities and control functions signalling and debating about the most significant operational risks, and risks of non-compliance, and weaknesses in the permanent control framework.
- Provision Committee makes final decisions on consolidated provisions and impairments.
- Exceptional Transactions Committee: validates and approves exceptional transactions.
- New Activity Committee: validates and approves new activities and products, including any significant changes in current activities.

2 RISK MEASUREMENT AND CATEGORIES

2.a Risk measurement

Risk measurement is a crucial step in the risk management process.

To assess and measure risks, BNP Paribas Fortis uses several qualitative and/or quantitative methodologies. These range from regular reporting on matters such as concentration and quantitative and qualitative portfolio overviews to more sophisticated quantitative risk models for estimating internal risk parameters. The latter include probability of default, loss given default, exposure at default and expected loss (for credit risk) and Value at Risk (for market risk).

The development and review of these models, and their validation, are subject to Bank-wide standards in order to ensure adequacy and consistency.

The monitoring of the observed risk parameters, stress tests and model-based expectations are then compared to a framework of limits and risk guidelines.

Ultimately, all these risk measurements, together with stress tests, are then consolidated in Risk dashboards, which provide a general overview for senior management. These summary documents are intended to provide a basis for well-founded decisions and are subject to on-going improvements.

2.b Risk taxonomy

The risk categories reported below evolve in line with methodological developments at BNP Paribas and regulatory requirements.

Credit and counterparty risk

Credit risk is the risk of incurring a loss on financial assets (existing or potential due to commitments given) resulting from a change in the credit quality of the Bank's debtors, which may ultimately result in default. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio.

Counterparty risk is the credit risk embedded in payments or transactions between counterparties. Those transactions typically include bilateral contracts such as over-the-counter (OTC) derivative contracts, which expose the Bank to the risk of counterparty default. The amount of this risk may vary over time in line with changing market parameters, which in turn impacts the replacement value of the relevant transactions or portfolio.

Market risk

Market risk is the risk of incurring a loss of value (or a loss of interest income in the case of interest rate risk due to banking intermediation activities) due to adverse changes in market prices or parameters (rates), whether quoted in the market or not.

Quoted market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-quoted parameters are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk relating to banking activities encompasses the risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand.

Operational risk

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the 'cause-event-effect' chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to: floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses fraud, human resources risks, legal risks, non compliance risks, tax risks, information system risks, conduct risks (risks related to the provision of inappropriate financial services), risks relating to failures in operating processes, including loan procedures or model risks, as well as any potential financial implications resulting from the management of reputational risk.

Compliance and reputational risk

Compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the significant financial loss that a Bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities, including instructions given by an executive body, particularly in the application of guidelines issued by a supervisory body.

By definition, compliance risk is a sub-category of operational risk. However, as certain implications of compliance risk involve more than a purely financial loss and may actually damage the institution's reputation, the Bank treats compliance risk separately.

Reputational risk is the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, regulators and any other stakeholder whose trust is an essential condition for the corporation to carry out its day-to-day operations.

Reputational risk is primarily contingent on all the other risks borne by the Bank.

Asset-liability management risk

Asset-liability management risk is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. Asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil its obligations at an acceptable price in a given place and currency.

3 CAPITAL ADEQUACY

Framework

As a credit institution, BNP Paribas Fortis is subject to regulatory supervision.

The Belgian Banking Act of 25 April 2014 on the status and the supervision of credit institutions aligns the Belgian legislation in accordance with the EU regulatory framework. The Capital Requirements Directive (CRD IV) is the legal framework for the supervision of credit institutions in all Member States of the European Union and is the basis of the Single Supervisory Mechanism (SSM), composed of the European Central Bank (ECB) and the national competent authorities, such as the National Bank of Belgium (NBB). The Capital Requirements Regulation (CRR) was published under reference number 575/2013 on June 26th 2013 in the Official Journal of the European Union and is in force as of June 27th 2013, while the supervised entities within its scope are subject to it as of January 1st 2014.

As such BNP Paribas Fortis is supervised, at consolidated and statutory level, by the ECB and the NBB. BNP Paribas Fortis' subsidiaries may also be subject to regulation by various supervisory authorities in the countries where these subsidiaries operate.

Regulators require banks to hold a minimum level of qualifying capital under the 1st Pillar of the Basel III framework.

Since January 1st 2014, BNP Paribas Fortis has been computing its qualifying capital and its risk-weighted assets under the CRR/CRD IV.

The NBB (previously the CBFA, which was the former Belgian supervisor) has granted to BNP Paribas Fortis its approval for using the advanced approaches for calculating the risk-weighted assets under the Basel regulations: Advanced Internal Ratings Based Approach for credit and market risk and Advanced Measurement Approach for operational risk.

Some subsidiaries of BNP Paribas Fortis have not received such approval and therefore use the Standardised Approach for calculating risk-weighted assets.

Breakdown of regulatory capital

Qualifying capital for regulatory purpose is calculated at consolidated level based on IFRS accounting standards, taking into account prudential filters and deductions imposed by the regulator, as described in the CRR/CRD IV and transposed into the Belgian Banking Law published in April 2014.

The table below details the composition of the regulatory capital of BNP Paribas Fortis:

In millions of euros	31 December 2019	
	Basel III	of which transitional arrangements *
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	11,905	-
Retained earnings	9,229	-
Accumulated other comprehensive income (and other reserves)	(861)	-
Funds for general banking risk	-	-
Minority interests (amount allowed in consolidated CET 1)	1,467	-
Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**21,740**	**-**
Common Equity Tier 1 (CET1): regulatory adjustments	**(3,595)**	**-**
Common Equity Tier 1 (CET1) capital	**18,145**	**-**
Additional Tier 1 (AT1) capital: instruments	**955**	**205**
Additional Tier 1 (AT1) capital: regulatory adjustments	**-**	**-**
Additional Tier 1 (AT1) capital	**955**	**205**
Tier 1 capital (T1 = CET1 + AT1)	**19,100**	**205**
Tier 2 (T2) capital: instruments and provisions	**2,846**	**64**
Tier 2 (T2) capital: regulatory adjustments	**(240)**	**-**
Tier 2 (T2) capital	**2,606**	**64**
Total Capital (TC = T1 + T2)	**21,706**	**269**

(*) By virtue of regulation (EU) N° 575/2013

The table below shows the key capital indicators (phase-in):

In millions of euros	31 December 2019	31 December 2018
Common equity Tier 1 Capital (CET1)	18,145	19,186
Tier 1 Capital	19,100	19,685
Total Capital	21,706	22,472
Risk weighted commitments		
Credit risk	113,365	113,741
Securitisation	1,121	654
Counterparty Risk	2,152	2,186
Equity Risk	6,677	7,014
Market risk	1,722	1,843
Operational risk	12,393	12,821
Total risk weighted commitments	**137,430**	**138,259**
CET 1 ratio	13.2%	13.9%
Tier 1 ratio	13.9%	14.2%
Total capital ratio	15.8%	16.3%

The table below shows the leverage ratio (phase-in):

In millions of euros	31 December 2019	31 December 2018
On-Balance Exposure (Excl. repo & derivatives)	277,310	265,577
Repo's and derivatives	35,641	28,960
Repurchase agreements and securities lending/borrowing	32,152	25,316
Replacement cost of derivatives transactions	4,073	2,864
Add-on for potential future risk derivatives	3,618	3,362
Cash variation margins	(4,202)	(2,582)
Off-Balance Exposure (adjusted for conversion to credit equivalent, art.429 CRR)	29,475	29,054
Total exposure	**342,426**	**323,591**
Regulatory adjustments	(3,595)	(3,757)
Tier 1 capital	19,100	19,685
Leverage Ratio	5.64%	6,2%

4 CREDIT AND COUNTERPARTY CREDIT RISK

4.a Credit risk

Exposure to Credit Risk

The following table shows all BNP Paribas Fortis' financial assets, including fixed-income securities, which are exposed to credit risk. Credit risk exposure does not include collateral and other security taken by the Bank in its lending business or purchases of credit protection.

Exposure to credit risk* by Basel asset class

	31 December 2019			31 December 2018		
In millions of euros	**IRBA**	**Standardised Approach**	**Total**	**IRBA**	**Standardised Approach**	**Total**
Central governments and central banks	19,175	6,532	25,707	21,770	7,107	28,877
Corporates	107,883	25,374	133,257	106,197	24,988	131,185
Institutions **	20,383	14,386	34,769	16,820	8,115	24,935
Retail	87,588	33,004	120,592	82,628	33,046	115,674
Securitisation positions	5,739	-	5,739	2,362	-	2,362
Other non-credit-obligation assets ***	444	17,111	17,555	409	14,895	15,304
Total exposure	**241,212**	**96,407**	**337,619**	**230,186**	**88,151**	**318,337**

(*) Exposure to credit risk excludes DTA's risk weighted at 250% and default fund contributions to CCPs.

(**) Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

(***) Other non-credit-obligation assets include tangible assets, accrued income and residual values.

The table above shows the entire prudential scope based on the asset classes defined in accordance with Article VI.2 of the CBFA Regulation of 17 October 2006 on capital requirements for credit institutions and investment firms.

Diversification of exposure to credit risk

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to BNP Paribas Fortis' credit risk strategy of maintaining granular, liquid and diversified portfolios.

In order to identify potential linkages between exposures to single counterparties, BNP Paribas Fortis applies the concept of 'Total Group Authorisation'. This implies that groups of connected counterparties are deemed to be a 'Business Group' for the management of credit risk exposure.

To manage the diversity of credit risk, BNP Paribas Fortis' credit risk management policy seeks to spread credit risk across different sectors and countries. The table below shows the industry concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2019.

Breakdown of credit risk* by Basel III Asset Class and by corporate industry at 31 December 2019

In millions of euros	31 December 2019		31 December 2018	
	Exposure	**%**	**Exposure**	**%**
Agriculture, Food, Tobacco	9,864	3%	12,982	4%
Financial services	39,390	12%	39,387	12%
Chemicals excluding Pharmaceuticals	2,838	1%	3,777	1%
Construction	10,600	3%	9,821	3%
Retailers	7,940	2%	7,393	2%
Equipment excluding IT	6,210	2%	6,495	2%
Real estate	24,118	7%	22,590	7%
Metals & Mining	5,177	2%	5,421	2%
Wholesale & Trading	14,359	4%	15,307	5%
Business services	29,905	9%	27,924	9%
Transportation & Logistics	9,603	3%	9,618	3%
Utilities (electricity, gas, water, etc.)	9,998	3%	9,105	3%
Retail	99,692	30%	96,330	31%
Sovereign & public sector	22,665	7%	23,292	7%
Other	39,521	12%	26,533	9%
Total	**331,880**	**100%**	**315,975**	**100%**

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

Geographical breakdown of credit risk* at 31 December 2019 by counterparty's country of location

Country concentration risk is the sum of all exposures to obligors in the country concerned. The table below shows the geographical concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2019.

In millions of euros	31 December 2019					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**21,227**	**116,261**	**31,540**	**126,985**	**296,013**	**90%**
Belgium	12,417	60,653	8,914	86,256	168,240	51%
Netherlands	557	5,016	1,210	2,365	9,148	3%
Luxembourg	2,515	11,569	380	8,759	23,223	7%
France	1,368	6,700	18,219	8,842	35,129	11%
Other European countries	4,370	32,323	2,817	20,763	60,273	18%
North America	**135**	**3,323**	**433**	**56**	**3,947**	**1%**
Asia & Pacific	**177**	**968**	**391**	**96**	**1,632**	**0%**
Rest of the World	**4,169**	**12,705**	**2,406**	**11,011**	**30,291**	**9%**
Total	**25,708**	**133,257**	**34,770**	**138,148**	**331,883**	**100%**

In millions of euros	31 December 2018					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**23,821**	**113,697**	**22,644**	**120,228**	**280,390**	**89%**
Belgium	12,947	63,749	8,694	81,071	166,461	53%
Netherlands	683	3,770	578	2,047	7,078	2%
Luxembourg	4,179	10,661	237	7,930	23,007	7%
France	1,608	6,002	11,069	8,574	27,253	9%
Other European countries	4,404	29,515	2,066	20,606	56,591	18%
North America	**170**	**3,872**	**398**	**53**	**4,493**	**1%**
Asia & Pacific	**209**	**726**	**286**	**93**	**1,314**	**0%**
Rest of the World	**4,677**	**12,889**	**1,607**	**10,605**	**29,778**	**9%**
Total	**28,877**	**131,184**	**24,935**	**130,979**	**315,975**	**100%**

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

General credit policy

BNP Paribas Fortis' lending activities are governed by the Global Credit Policy, which applies to all BNP Paribas Group entities. It is approved by the BNP Paribas Group Risk Committee, chaired by the Chief Executive Officer and endorsed by the BNP Paribas Fortis Executive Board, chaired by the Chief Executive Officer. The policy is underpinned by core principles relating to compliance with the Group's ethical standards, clear definition of responsibilities (Business and Risk), and the existence and implementation of procedures and requirements for a thorough analysis of risks. It is cascaded in the form of specific policies tailored to each type of business or counterparty. The framework for the governance of credit risks within the Bank is further detailed in a specific, transversal approach which is built upon key credit routing principles, rules governing the granting of delegations of authority and the role of the Central Credit Committee, which is the highest-level credit committee at the Bank. It also reiterates and reinforces the key principle that the Risk function is independent from the Businesses.

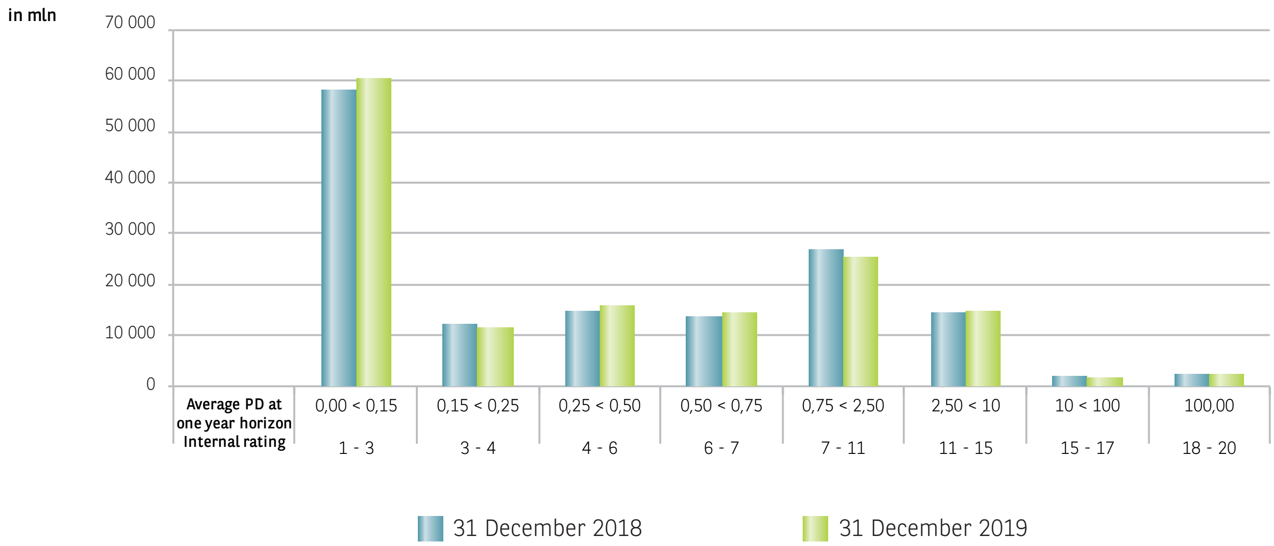
Internal rating system

The Bank has a comprehensive internal rating system for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented. For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating; loss given default, which depends on the structure of the transaction; and the credit conversion factor (CCF), which estimates the portion of off-balance sheet exposure at risk.

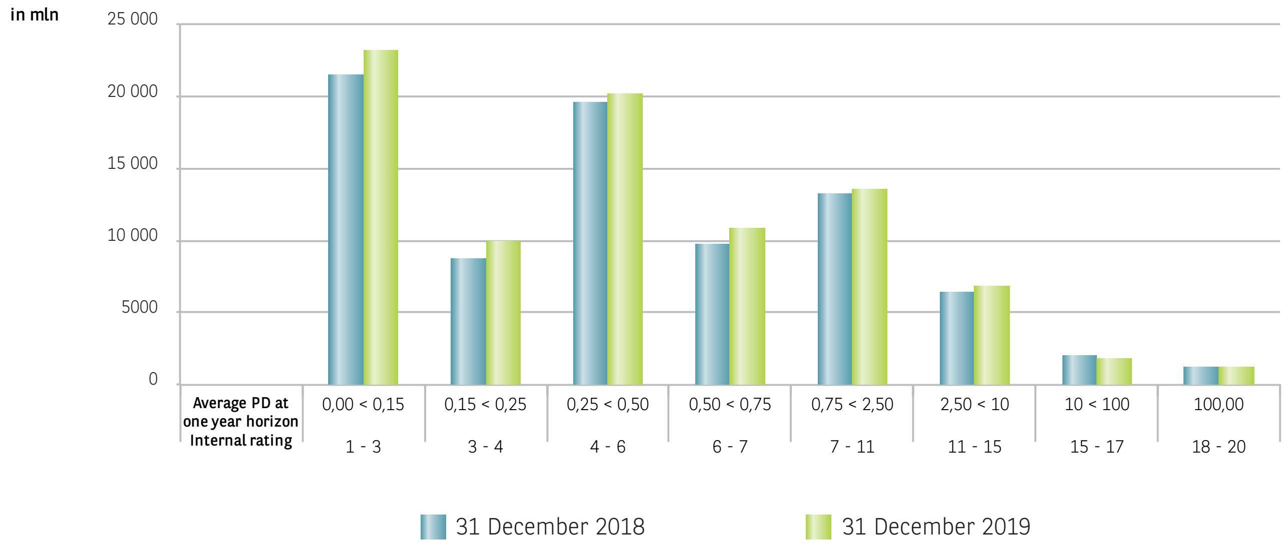
Each of the credit risk parameters is back-tested annually to check the system's performance for each of the Bank's business segments. Back-testing consists of comparing estimated and actual results for each parameter.

There are twenty counterparty ratings. Seventeen cover performing clients with credit assessments ranging from 'excellent' to 'very concerning', and three relate to clients classified as in default, as per the definition published by the banking supervisor.

Breakdown of IRBA exposure by internal rating – Sovereign, Financial Institutions and Corporate



Breakdown of IRBA exposure by internal rating – retail activities



4.b Counterparty credit risk

Counterparty credit risk (CCR) is the translation of the credit risk embedded in the financial transactions, investments and/or settlement between counterparties. The transactions encompass bilateral contracts - i.e. over-the-counter (OTC) – and cleared contracts through a clearing house. The amount at risk changes over the contract's lifetime together with the risk factors that impact the potential future value of the transactions.

Counterparty credit risk lies in the fact that a counterparty may default on its obligations to pay the Bank the full present value of a transaction or portfolio for which the Bank is a net receiver. Counterparty credit risk is linked to the replacement cost of a derivative or portfolio in the event of the counterparty default. Hence, it can be seen as a market risk in case of default or a contingent risk.

5 MARKET RISK

Market risk is the risk of incurring a loss of value due to adverse moves in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

In the bond portfolios, the credit instruments are valued on the basis of the interest rates and the credit spreads, which are considered as market parameters like interest rates and foreign exchange risk. The risk on the issuer of the instruments is also a market risk, called issuer risk.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or securities may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk related to banking activities encompasses the risk of loss on equity holdings as well as the interest rate and foreign exchange risks stemming from banking intermediation activities.

Market risk is split into two parts:

- market risk linked to trading activities and corresponding to trading instruments and derivative contracts;
- market risk linked to banking activities covering the interest rate and foreign exchange risks originating from the bank's intermediation activities.

5.a Capital requirement for market risk

Market Risk Capital Requirement

In millions of euros	RWAs			Capital requirements		
	31 December 2019	31 December 2018	Variation	31 December 2019	31 December 2018	Variation
Internal model	**1,413**	**1,373**	**40**	**113**	**110**	**3**
VAR	298	250	48	24	20	4
Stressed VAR	999	919	80	80	74	6
Incremental Risk Change (IRC)	116	204	(88)	9	16	(7)
Comprehensive Risk Measure (CRM)	-	-	-	-	-	-
Standardised approach	**309**	**470**	**(161)**	**25**	**38**	**(13)**
Trading book securitisation positions	**-**	**-**	**-**	**-**	**-**	**-**
MARKET RISK	1,722	1,843	(121)	138	148	(10)

The market risk calculated using the standardised approach covers the market risk of some entities of the Bank that are not covered by internal models. The standardised approach is used to calculate foreign exchange risk for the banking book (See section 5.C Market risk related to banking activities).

5.b Market risk related to trading activities

Market risk arises from trading activities carried out by the Corporate and Institutional Banking business and encompasses different risk factors:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates;
- Equity risk arises from changes in the market prices and volatility of equity shares and/or equity indices;
- Commodity risk arises from changes in the market prices and volatility of commodities and/or commodity indices;
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer;
- Option products carry by nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

The trading activities of BNP Paribas Fortis are justified by the economic relations with the direct customers of the business lines, or indirectly as market-maker.

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

- Risk Global Markets (Risk GM) covers the market risk activities of Global Markets;
- Risk Enterprise Risk Architecture (Risk ERA - ALMT) covers the ALM Treasury activities;
- Risk International Retail Banking (Risk IRB) covers international retail market activities.

This mission consists of defining, measuring and analysing risk factors and sensitivities, as well as measuring and controlling Value at Risk (VaR), the global indicator of potential losses. Risk ensures that all business activities comply with the limits approved by the various committees and approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters in association with the Valuation and Risk Control Department.

5.c Market risk relating to banking activities

Market risk relating to banking activities encompasses the risk of loss on equity positions on the one hand, and the interest rate and currency risks stemming from banking intermediation activities and investments on the other.

5.c.1 Equity risk

Equity interests held by the Bank outside the Trading Book refers to securities which convey a residual, subordinated claim on the assets or income of the issuer or have a similar economic substance.

5.c.2 Currency risk

Currency risk relates to all transactions whether part of the Trading Book or not.

Except for BNP Paribas Fortis Belgium's currency exposure, which is calculated using the BNP Paribas Fortis internal model approved by the banking supervisor, exposure to currency risk is determined under the Standardised approach, using the option provided by the banking regulator to limit the scope to operational currency risk.

5.c.3 Interest rate risk

5.c.3.1 Organisation of Interest rate risk management

The Board of Directors assigns responsibility to the Chief Executive Officer for management of interest rate risk in the banking book; the Chief Executive Officer delegates the management responsibility to the Bank Asset and Liability Management Committee (ALCo).

The permanent members of the Bank ALCo are the Chief Executive Officer (Chairperson), the Executive Board members heading up core businesses, the Chief Risk Officer, the Chief Financial Officer (alternate Chairperson), the Head of ALM Treasury, the Head of BNP Paribas ALM Treasury Domestic Markets Steering and the Head of the Bank ALM Treasury Steering; other ALCo members belong to ALM Treasury, Risk or Finance. The Bank ALCo which meets on a monthly basis is responsible for defining the interest rate risk profile of the Bank's Banking Book and for defining and tracking interest rate risk monitoring indicators and assigning limits.

ALM Treasury is in charge of the operational implementation of decisions related to the management of the interest rate risk of the Banking Book.

The Risk function participates in the ALCo and oversees the implementation by ALM Treasury of the relevant decisions made by this committee. It also provides second-line control by reviewing the models & risk indicators, monitoring the level of risk indicators and ensuring compliance with the limits assigned.

The Banking Book includes all interest bearing assets and liabilities of all the Business Lines of BNP Paribas Fortis (including the ALM Treasury own investment and hedging transactions) with the exception of authorised trading activities (being client hedging and market making).

Transactions initiated by each BNP Paribas Fortis Business Line are systematically transferred to ALM Treasury by internal analytical contracts booked in the management accounts or by loans and borrowings.

The Bank's strategy for managing interest rate risk is mainly based on closely monitoring the sensitivity of the Bank's interest earnings to changes in interest rates, factoring in all interest rate risks (repricing or gap risk, basis risk and optional risk); the objective is to ensure the stability and regularity of the total net interest margin. This management process requires an accurate assessment of the risks incurred so that the Bank can determine and implement the most optimal hedging strategies.

Interest rate risk is mitigated using a range of different instruments, the most important of which are derivatives - primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile, which is mainly due to long-term fixed-rate assets and liabilities. Options are used to reduce non-linear risk, which is mainly caused by embedded options sold to clients, e.g. prepayment options on mortgages, floors on deposits.

5.c.3.2 Management and Hedging of Interest rate Risk

The hedging strategies for interest rate risk in the Banking Book are defined and implemented by currency.

The hedges can comprise swaps and options and are typically accounted for as fair value or cash flow hedges. They may also take the form of HQLA (High Quality Liquid Asset) securities which are accounted for in 'Hold to Collect and Sell'.

6 SOVEREIGN RISKS

Sovereign risk is the risk of a State defaulting on its debt, i.e. a temporary or prolonged interruption of debt servicing (interest and/or principal). The Bank is thus exposed to credit, counterparty or market risk according to the accounting category of the financial asset issued by the Sovereign State.

Exposure to sovereign debt mainly consists of bonds.

The Bank holds sovereign bonds as part of its liquidity management process. Liquidity management is based amongst others on holding bonds which are eligible as collateral for refinancing by central banks; a substantial share of this 'liquidity buffer' consists of highly rated debt securities issued by governments, supra-national authorities and agencies, representing a low level of risk. A part of this same portfolio has interest rate characteristics that contribute to the banking book interest rate risk hedging strategies.

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

Banking Book **In millions of euros**	**31 December 2019**	**31 December 2018**
Eurozone		
Belgium	7,149	6,856
Italy	1,173	1,137
Spain	727	662
The Netherlands	546	548
France	392	447
Luxembourg	212	197
Austria	209	319
Finland	57	52
Portugal	51	50
Ireland	-	87
Total eurozone	**10,516**	**10,355**
Other countries in European Economic Area (EEA)		
Czech Republic	52	50
Others	1	1
Total other EEA	**53**	**51**
Other countries		
Turkey	1,559	1,001
Others	13	7
Total other countries	**1,572**	**1,008**
Total	**12,141**	**11,414**

7 OPERATIONAL RISK

Risk Management Framework

Regulatory framework

In line with the BNP Paribas Group framework, BNP Paribas Fortis has implemented an all-embracing, single, operational Risk Management framework for the entire Bank, which complies with the Basel III criteria laid down in the Advanced Measurement Approach ('AMA'). This approach supports the organisation by offering better management of risk through heightened operational risk awareness. It ensures effective measurement and monitoring of the operational risk profile.

Key players and governance

An appropriate risk management structure has been created around a model with three levels of defence, which places the primary responsibility for operational risk management and mitigation with the Businesses. The role of second line of defence is assumed by the integrated independent control functions, Compliance, Legal and Risk. Their role is to ensure that the operational Risk Management framework is properly embedded, that the operational risks that are identified, assessed, measured and managed reflect the true risk profile and that the resulting levels of own funds are adequate. The third line of defence is provided by the General Inspection (internal audit) department, which provides assurance that risk structures and policies are being properly implemented.

The main governance bodies for the areas of Operational Risk & Internal Control are the Internal Control Committees (ICCs).

BNP Paribas Fortis has three ICCs, each chaired by a member of the Executive Committee. In addition, there is also an ICC at the level of the Executive Committee chaired by the Chief Executive Officer. The Compliance Committee also provides input to the latter ICC about the most significant non-compliance risks and of reputation risk.

The role of the ICCs covers the management of the operational permanent control framework and the management of operational risks and non-compliance risks. Operational risks and non-compliance risks include reputational risk, fraud risk, financial reporting risk, tax risk, legal risk, risk of not complying with laws, regulations and policies, operational risks related to people, processes, systems and the external environment, and business risk. The role of the ICCs includes, but is not limited to:

- creating an organised overall view of the operational permanent control framework and the management of BNP Paribas Fortis' operational risks and non-compliance risks;
- analysing and taking decisions on these subjects;
- providing a level of warning, alert and escalation for any weaknesses observed;
- demonstrating and evidencing the involvement of the Executive Board and Executive Committee in the management of these issues and follow-up on actions undertaken.

The objective of the ICCs is to allow the businesses and functions to signal the most significant operational risks, risks of non-compliance and weaknesses in the permanent control environment, highlight the associated action plan, and provide an overview of the status of the measures taken.

8 COMPLIANCE AND REPUTATIONAL RISK

Compliance mission

The overall mission of the Compliance department is to provide reasonable assurance of the consistency and effectiveness of the compliance of BNP Paribas Fortis' activities and to safeguard the Bank's reputation through binding advices, oversight and independent controls.

The Compliance department's role, as a second line of defence, is to supervise the effective management of compliance risk. This involves policy-setting, providing advice, performing controls, providing assurance that the Bank is complying with rules and regulations and raising the awareness of colleagues of the need to follow key compliance principles:

- financial security: customer due diligence, anti-money laundering, combating the financing of terrorism, financial sanctions/embargoes and disclosure to financial intelligence units; fiscal deontology, anti-bribery and anti-corruption;
- customer protection: compliance of the Bank's organisation and processes with the customer protection regulatory obligations regarding invest, lending, insurance and daily banking services;
- employee integrity: covers codes of conduct, gifts policy, conflicts of interest and a personal transactions policy;
- market integrity: market abuse, banking laws, conflicts of interest.

The Compliance department sets policies and gives binding advice in these areas. The advice from Compliance may be escalated to a higher level until consensus is found, so as to ensure appropriate issue resolution.

Compliance organisational setup

The Compliance function is organised as an independent, integrated and decentralized function.

Compliance has direct, independent access to the Board's Risk Committee and Audit Committee, and is a permanent invitee to both Committees. The Chief Compliance Officer is a member of the Bank's Executive Committee.

Basic principles

The management of compliance risks is based on the following fundamental principles:

- individual responsibility: compliance is everyone's responsibility, not solely the responsibility of the Compliance department;
- exhaustive and comprehensive approach: the scope of compliance extends to all banking activities. In this respect, the Compliance department has unrestricted access to all required information;
- independence: compliance staff exercise their mission in a context which guarantees their independence of thought and action;
- Primacy of Group policies over local policies as far as is consistent with national law.

9 LIQUIDITY RISK

Liquidity risk is the risk of the Bank being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term.

This risk may stem from the reduction in funding sources, draw down of funding commitments, a reduction in the liquidity of certain assets, or an increase in cash or collateral margin calls. It may be related to the bank itself (reputation risk) or to external factors (risks in some markets).

The Bank's liquidity risk is managed under a global liquidity policy approved by the Board of Directors. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Bank's liquidity position is assessed on the basis of internal standards and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the Bank's liquidity risk management policy are to secure a balanced financing structure for the development of the BNP Paribas Fortis business activities, and to ensure it is sufficiently robust to cope with crisis situations.

The liquidity risk management framework relies on:

- management indicators:
  - by volume, to ensure that businesses or activities comply with their liquidity targets set in line with the Bank's financing capacity;
  - by price, based on internal liquidity pricing;
- the definition of monitoring indicators which enable assessment of the Bank's liquidity position under normal conditions and in crisis situations, the efficiency of actions undertaken and compliance with regulatory ratios;
- the implementation of liquidity risk management strategies based on diversification of funding sources with maturities in line with needs, and the constitution of liquidity reserves.

The Bank's liquidity policy defines the management principles that apply across all BNP Paribas Fortis entities and businesses and across all time horizons.

Governance

As for all risks, the Chief Executive Officer is granted authority by the Board of Directors to manage the Bank's liquidity risk. The Chief Executive Officer delegates this responsibility to the Asset & Liability Committee (ALCo).

The Risk Committee reports quarterly to the Board of Directors on liquidity policy principles and the Bank's liquidity position.

The Asset & Liability Committee is responsible for:

- defining the Bank's liquidity risk profile;
- monitoring compliance with regulatory liquidity ratios;
- deciding and monitoring management indicators and calibrating the quantitative thresholds set for the bank's businesses;
- deciding and monitoring the liquidity risk indicators and associating quantitative thresholds to them where necessary;
- deciding and overseeing implementation of liquidity risk management strategies, including monitoring of business lines, in normal and stressed conditions.

In particular, the Asset & Liability Committee is informed about funding programmes and programmes to build up liquidity reserves, simulations in crisis conditions (stress test), and about all events that may arise in crisis situations. The Liquidity Crisis Committee, a subset of the Asset & liability Committee, is tasked with defining the management approach in periods of crisis (emergency plan).

The Asset & Liability Committee meets every month.

Across the Bank, ALM Treasury is responsible for the operational implementation of the Asset & Liability Committee liquidity management decisions. The Asset & Liability Committees in entities or groups of entities are responsible for local implementation of the strategy decided by the Bank's Asset & Liability Committee to manage the bank's liquidity risk.

ALM Treasury is responsible for managing liquidity for the entire Bank across all maturities. In particular, it is responsible for funding and short-term issuance (certificates of deposit, commercial paper, etc.), for senior and subordinated debt issuance (MTNs, bonds, medium/long- term deposits, covered bonds, etc.), loan securitisation and retained covered bond programmes for the Bank. ALM Treasury is tasked with providing internal financing to the Bank's core businesses, operational entities and business lines, and investing their surplus cash. It is also responsible for building up and managing liquidity reserves, which comprise assets that can be easily sold in the event of a liquidity squeeze.

The Risk function participates in the Asset & Liability Committee and the local ALCo's and oversees implementation by ALM Treasury of the relevant decisions made by these committees. It provides second-line control by reviewing the models and risk indicators (including liquidity stress tests), monitoring risk indicators and ensuring compliance with the limits assigned.

The Finance function is responsible for producing the standardised regulatory liquidity indicators, as well as the internal monitoring indicators. Finance oversees the consistency of the internal monitoring indicators defined by the bank's ALM Committee. The Finance function takes part in the Asset & Liability Committee and the local ALCo's.

REPORT OF THE ACCREDITED STATUTORY AUDITORS

Statutory auditor's report to the general shareholders' meeting of BNP Paribas Fortis sa/nv on the consolidated accounts for the year ended 31 december 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of BNP Paribas Fortis SA/NV (the 'Company') and its subsidiaries (jointly 'the Group'). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 20 April 2017, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the Company's consolidated accounts for 21 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the profit and loss account for the year ended 31 December 2019, the statement of net income and change in assets and liabilities recognised directly in equity for the year ended 31 December 2019, the balance sheet at 31 December 2019, the cash flow statement for the year ended 31 December 2019, the statement of changes in shareholders' equity between 1 January 2018 and 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 313,195 '000,000 and a consolidated profit for the year of EUR 2,618 '000,000'.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the 'Statutory auditor's responsibilities for the audit of the consolidated accounts' section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – subsequent event

As far as the outbreak of COVID 19 is concerned, we draw your attention to section "Principal risks and uncertainties" of the directors' report on the consolidated accounts and to note 8.l to the consolidated accounts in which management expresses their view that, although the consequences thereof may have a significant impact on the Company's operations in 2020, such consequences do not have a material impact on the Company's financial position for the year ended 31 December 2019. Our opinion is not qualified in respect of this matter.

Emphasis of matter – legal proceedings

Without further qualifying our opinion, we draw the attention to note 8.a to the consolidated accounts with respect to significant litigations, in which is described that, as a result of 2007 and 2008 events having impacted the Fortis group, to which the Company belonged, a number of claimants have initiated legal actions against the former Fortis group, including the Company and/or certain members of its Boards of Directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the consolidated accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowances for loans and advances

Description of the key audit matter

BNP Paribas Fortis SA/NV has loans and advances, for an amount of EUR 224,355 '000,000' at year-end 2019. IFRS 9, which became applicable on 1 January 2018, introduces an expected loss model of provisioning and requires credit exposures to be classified according to three stages. Impairment losses are posted on all loans and receivables to address an expected loss event that has an impact on the estimated future cash flows of these loans and receivables.

For defaulted loans, the identification and determination of the recoverable amount are part of an estimation process which includes, among others, assessing the existence of a default event and of the financial position of the counterparty, estimating the expected future cash flows and assessing the value of collateral received.

The determination of the impairment allowances involves judgment in determining assumptions, methodology, modelling techniques and parameters.

Due to the substantial amount of loans and advances recognized in the balance sheet, of the cost of risk recognized in the income statement (EUR 454 '000,000') and the significant impact of the judgments applied on the carrying amount of loans and advances, auditing the process described above is considered a Key Audit Matter.

How our audit addressed the key audit matter

Based on our risk assessment, we have examined the impairment losses and challenged the methodology applied as well as the assumptions made by management as described in the preceding paragraph:

- we have evaluated the governance process of assessing the stage of credit risk (as defined by IFRS 9) and downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models for determining the loan losses. We determined that the internal process was complied with;
- we have tested the design, implementation and operating effectiveness of the key controls over the models and manual processes for identification of impairment events or significant changes in credit risk, collateral valuation, estimates of recovery on default and determination of the impairment. We have not identified significant weaknesses on their adequacy and operating effectively;
- together with our experts, and on a cycle basis, we have audited the underlying models including the model approval and validation process. We have challenged, on a cyclical basis, the methodologies applied by using our industry knowledge and experience, focusing on potential changes since the implementation of IFRS 9 and found those to be in line with our expectations;
- we have performed a risk-based test of loans granted by the Company and major entities consolidated in the Group to ensure timely identification of impairment of loans and to ensure appropriate impairment charge. We also examined a sample of loans which have not been identified by management as impaired and challenged collectability;
- finally, we assessed the completeness and accuracy of the disclosures and determined whether the disclosures are in compliance with the requirements of the IFRS as adopted by the European Union.

We refer to Notes 5.e and 3.g to the consolidated accounts. In addition, the Board of Directors has described the process for managing credit risks and for reviewing impairment losses in more detail in its directors' report on the consolidated accounts and in the credit risk section in the risk management and capital adequacy disclosures.

Valuation of goodwill, of goodwill embedded in investments consolidated by applying the equity-method and of options to minority shareholders of consolidated entities

Description of the key Audit Matter

The Company's 31 December 2019 consolidated accounts show a 'Goodwill' caption amounting to EUR 730 '000,000', and an 'Equity-method investments' caption of EUR 3,842 '000,000'. The consolidated accounts moreover contain the fair value of written put options to minority shareholders of consolidated entities, under caption 'Minority interests', for an amount of EUR 227 '000,000'. These intangible and financial assets and the embedded goodwill included in the equity-method consolidated investments have arisen as a result of the acquisitions of some of BNP Paribas Fortis SA/NV's (direct and indirect) subsidiaries in previous accounting periods. The IFRS prescribe that goodwill is subject to an annual impairment assessment, and that written options be valued at the intrinsic value of the financial instrument.

We identified these intangible and financial assets and the embedded goodwill included in the equity-method consolidated investments as a Key Audit Matter due to the significance of the balance and because the impairment assessment requires significant judgment of management with regards to the valuation methodology applied and the underlying assumptions used, mainly those relating to the ability to generate future free cash flows, and to the discount factor applied to these cash flows, taking into account the appropriate risk factors.

How our audit addressed the key audit matter

We focused our audit effort on (i) the valuation model used by the Company for the valuation of the underlying business, (ii) the appropriateness of the discount rate and terminal growth rates used in the model and (iii) the future cash flow forecasts:

- together with our valuation experts, we have assessed the 'Dividend Discount' model used by management and discussed the underlying hypotheses to the use of this model with management. We found the model used to be appropriate, in the circumstances;
- we evaluated and challenged management's future cash flow forecasts, and the process by which they were drawn up, i.e. the development and approval of the financial plan and management's annual comparison of previous forecasts to actual performance. We found that management had followed their process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge;
- we compared the current year's results with the figures included in the prior years' forecasts to assess the organisation's ability to accurately forecast future cash flows;
- we also challenged management's assumptions in their forecasts of the long-term growth rates -by comparing those to publicly available economic and industry forecasts- and the discount rates -by comparing the cost of capital for the Company with comparable organizations, as well as by considering territory specific factors. We found the assumptions to be consistent and in line with our expectations;
- we discussed with management the impact of those (regulatory and business) evolutions which have the potential to significantly affect the future cash flows of these entities on which goodwill had been recognized, and found that these had been considered in drawing up the future cash flows;

- we challenged management on the adequacy of their sensitivity calculations. We determined that the sensitivity assumptions were based on reasonable indicators;
- finally, we assessed the completeness and accuracy of the disclosures and assessed the compliance of the disclosures with the requirements of the IFRS as adopted by the European Union.

We refer to the consolidated accounts, including the Note 5.m 'Goodwill', the Note 5.k 'Equity-method investments' and the Note 8.c 'Minority Interests'.

Estimation uncertainty with respect to the determination of the fair value of financial instruments

Description of the key Audit Matter

The current economic conditions and low interest rate environment impact the fair value measurements of financial instruments. Valuation techniques and models used for certain financial instruments are inherently subjective and involve various assumptions regarding pricing. In addition, the number of factors influencing the determination of fair value can be extensive and can vary both by type of instrument and/or within instrument types. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Furthermore, market value adjustments (reserves) are recognized on all positions measured at fair value with fair value changes reported in the income statement or in equity.

The IFRS require the use of fair value for the determination of the carrying amount of many assets and liabilities, and generally requires the disclosure of the fair value of those items not valued at fair value.

As the use of different assumptions could produce different estimates of fair value and considering the significance of fair values in the determination of the carrying amount of certain balance sheet captions, of the result and in the disclosure notes, we consider this a Key Audit Matter.

How our audit addressed the key audit matter

We obtained an understanding of the internal control framework related to the valuation of financial instruments, including price testing, model validation and value adjustments (value allowances) methodologies. On a cyclical basis, we tested the design and operating effectiveness of those controls we assessed to be key for our audit.

We assessed and challenged the appropriateness of the model validation methodology with the assistance of our valuation experts and we performed a recalculation of the fair valuation on a sample basis. This includes the assessment of market data, inputs and key assumptions as critical factors used in the fair value models, based on our experience and market practice.

Finally, we assessed the completeness and accuracy of the disclosures relating to the fair values of these financial instruments to determine compliance with the disclosure requirements of the IFRS as adopted by the European Union.

Please refer to Notes 5.d 'Measurement of the fair value of financial instruments' and 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

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

- identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

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

are materially misstated or contain information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statement

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 3 April 2020

The statutory auditor

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Damien Walgrave
Réviseur d'Entreprises / Bedrijfsrevisor

BNP PARIBAS FORTIS ANNUAL REPORT 2019 (NON-CONSOLIDATED)

REPORT OF THE BOARD OF DIRECTORS

In conformity with Article 3:32 of the Belgian Companies' and associations' Code and to avoid repetition, BNP Paribas Fortis has combined the non-consolidated report and the consolidated report of the Board of Directors. The consolidated report of the Board of Directors can be found at the beginning of this annual report.

Comments on the evolution of the balance sheet

The **total balance sheet** as at 31 December 2019 amounted to EUR 223.4 billion, up by EUR 19.7 billion or 10% compared with 31 December 2018. As at 31 December 2019, the yield on assets was 1%.

Assets

Cash in hand, balances with central banks and giro offices remained stable at EUR 0.5 billion.

Amounts receivable from credit institutions increased by EUR 10.9 billion compared with the end of 2018. The evolution was mainly attributable to an increase of reverse repurchase agreements by EUR 6.1 billion and higher interbank loans for EUR 3.9 billion, mainly with entities of the BNP Paribas Group. Due to the decrease of the interest rate curve, there was an increase of EUR 1.5 billion in the margin calls.

Amounts receivable from customers stood at EUR 116.3 billion as at 31 December 2019, up by EUR 10 billion compared to 31 December 2018.

Since 2008, this heading no longer contains the mortgage loans and term loans securitised via 'Special Purpose Vehicles', for respectively EUR 27.3 billion and EUR 9.7 billion at the end of 2019. The securities representing the investment of the Bank in the 'Special Purpose Vehicles' are included under the heading 'Bonds and other fixed-income securities'.

In Belgium, the amount of term loans increased by EUR 7.5 billion, spread over different type of loans such as investment loans to companies and funding given to subsidiaries. In a still low interest rates environment, mortgage loans continued to increase by EUR 3.2 billion thanks to new production. Reverse repurchase agreements decreased by EUR (0.8) billion.

The term loans in the foreign branches of BNP Paribas Fortis stayed stable at EUR 0.3 billion and are only related to the activity in the BNP Paribas Fortis' branch in New York.

Bonds and other fixed-income securities totalled EUR 52.7 billion as at 31 December 2019, down by EUR (3.5) billion compared with EUR 56.2 billion as at 31 December 2018.

The amount of EUR 52.7 billion consists mostly of bonds issued by public bodies (EUR 10.5 billion, down by EUR (0.5) billion compared with 2018 following the arrival at maturity and sales of some government bonds), by 'Special Purpose Vehicles' (stable at EUR 37.3 billion) and by other issuers (EUR 4.9 billion, down by EUR (3.0) billion compared with 2018 following the arrival at maturity of a bond issued by BNP Paribas SA).

Financial fixed assets amounted to EUR 9.4 billion as at 31 December 2019, down by EUR (0.8) billion compared with EUR 10.2 billion as at 31 December 2018. The sale of the participation in Von Essen Bank in Germany (EUR (0.3) billion) and an impairment on the Turkish participation of BNP Paribas Fortis (EUR (0.3) billion) explain most of the variation. Furthermore, two subsidiaries have reduced their capital (under the form of a distribution of their issuance premium), explaining EUR (0.3) billion evolution.

Deferred charges and accrued income stood at EUR 10.3 billion as at 31 December 2019, up by EUR 3.4 billion compared with EUR 6.9 billion as at 31 December 2018 following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the decrease of the interest rate curve, which impacted in a symmetrical way both the fair value of the trading derivative financial instruments on the asset and liability side.

Liabilities and Equity

Amounts owed to credit institutions totalled EUR 33.2 billion as at 31 December 2019, up by EUR 9.9 billion compared with 31 December 2018.

The evolution was mainly attributable to the increase in funds received from other entities of the BNP Paribas Group (EUR 7.2 billion), next to deposits received from central banks (EUR 1.8 billion). Repo transactions increased by EUR 0.5 billion.

Amounts payable to clients stood at EUR 142.5 billion as at 31 December 2019, up by EUR 7.9 billion or 6% compared with EUR 134.6 billion as at 31 December 2018.

In Belgium, current accounts and saving accounts increased respectively by EUR 3.8 billion and by EUR 2.1 billion, mainly in private and retail banking. In addition, term deposits increased by EUR 1.7 billion. Repurchase agreements decreased slightly by EUR (0.4) billion.

Debts evidenced by certificates totalled EUR 12.5 billion as at 31 December 2019, representing a decrease by EUR (1.2) billion, mainly due to the arrival at maturity of some certificates of deposits (which were not renewed).

Accrued charges and deferred income stood at EUR 8.0 billion, up by EUR 3.2 billion compared with 31 December 2018, following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the decrease of the interest rate curve, which impacted in a symmetrical way both the fair value of the trading derivative financial instruments on the asset and liability side.

Subordinated liabilities amounted to EUR 4.0 billion as at 31 December 2019, up by EUR 0.4 billion compared with 31 December 2018. The increase was mainly related to the issuance of a new subordinated debt (EUR 0.5 billion) partially counterbalanced by the arrival at maturity of other subordinated debts.

Shareholders' equity stood at EUR 18.4 billion as at 31 December 2019, up by 1.4 billion compared with 31 December 2018, thanks to the 2019 profit (EUR 1.4 billion).

Comments on the evolution of the income statement

BNP Paribas Fortis realised a **net profit of the year** of EUR 1,368 million, compared to EUR 1,897 million in 2018.

The **interest margin** (headings I and II) amounted to EUR 2,624 million in 2019, down by EUR 130 million compared to 2018, essentially in Belgium for EUR 125 million.

In Belgium, the net interest income decreased due to the persistently low interest rate environment. This was mainly demonstrated by less interest income on customer loans due to lower margins and lower indemnities on mortgage loans refinancing and despite an increase in volume (mainly term loans and mortgage loans). There was also less interest income on fixed-income securities related to the sale and redemption of securities with high yields. Finally, this was partly offset by lower interest expenses related to clients' deposits.

Income from variable-yield securities (heading III) amounted to EUR 597 million in 2019, down by EUR 266 million compared to 2018, mainly due to a decrease in dividends received from enterprises linked by participating interests.

Commissions (headings IV and V) amounted to EUR 899 million in 2019, down by EUR (57) million compared to 2018.

On foreign branches, commissions were down by EUR (34) million following the transfer of activities of BNP Paribas Fortis Madrid branch to BNP Paribas. This effect was strengthened by a decrease of EUR (23) million due to lower fees received in Belgium.

Profit on financial operations (heading VI) amounted to EUR 234 million, up by EUR 68 million compared to previous year.

There was mainly an increase in results on trading in interest rate operations impacted by an exceptional transaction in 2018. The disposal of investment securities, mainly government bonds, generated also a profit of EUR 151 million in 2019, an increasing compared to EUR 129 million in 2018. This higher result was partly compensated by higher breakage fees paid on the derivatives hedging the interest rate risk on these securities

General administrative expenses (heading VII) came to EUR (2,281) million, a decrease of EUR 173 million compared to 2018.

Remuneration, social charges and pensions decreased by EUR 92 million mainly in Belgium due to lower FTEs in line with the transformation of BNP Paribas Fortis organisational model and also due to the transfer of activities of BNP Paribas Fortis' Madrid branch to BNP Paribas at the end of 2018.

Other administrative expenses decreased by EUR 82 million compared to previous year. The evolution was mainly due to lower IT costs.

Depreciation and amounts written off on formation expenses, intangible and tangible fixed assets (heading VIII) amounted to EUR (100) million compared to EUR (91) million in 2018.

Amounts written off on the amounts receivable and the investment portfolio (headings IX and X) totalled EUR (85) million, compared to EUR (23) million in 2018, i.e. an increase of EUR (62) million but the level of the cost of risk stays at a low level.

Provisions for risks and charges (headings XI and XII) showed a net dotation of EUR (66) million in 2019 against a net reversal of EUR 36 million in 2018. The decrease was mainly related to higher reversals last year and the reclassification in 2019 of provisions linked to early retirement plans from extraordinary charges (heading XVIII). The amount of those provisions remained stable compared to 2018.

Other operating income (heading XIV) amounted to EUR 146 million in 2019, up by EUR 14 million compared to previous year.

Other operating charges (heading XV) amounted to EUR (392) million in 2019, down by EUR 7 million compared to 2018. The decrease was generated by less costs coming from other entities of the Group following the transfer of activities of BNP Paribas Fortis Madrid branch to BNP Paribas.

Extraordinary income (heading XVII) came to EUR 224 million in 2019, down by EUR (107) million compared to 2018. The evolution was mainly driven by the gains of last year following the exchange of shares in a financial holding company, compensated partially by a reversal of impairment on a specific financial fixed asset to 2019.

Extraordinary charges (heading XVIII) came to EUR (335) million in 2019, an increase by EUR (37) million compared to 2018. The evolution resulted from impairments on financial fixed assets, mainly on BNP Paribas Fortis Yatirimlar Holding AS. This effect was partially compensated by the transfer of provisions linked to early retirement plans to provisions for risk and charges (heading XII).

Income taxes (heading XX) amounted to EUR (97) million in 2019, an increase by EUR (21) million compared to 2018.

PROPOSED APPROPRIATION OF THE RESULT FOR THE ACCOUNTING PERIOD

Profit for the year for appropriation	EUR	1,368.2	million
Profit brought forward from the previous year	EUR	3,498.9	million
Profit to be appropriated	EUR	4,867.1	million
Profit to be carried forward	EUR	4,851.4	million
Other allocations*	EUR	15.7	million

* *This amount represents the profit bonus of 2.35% which is calculated on the individual annual remuneration of the employees of BNP Paribas Fortis NV/SA in accordance with the Law of May 22th 2001 (Law concerning the employees participation in the capital of companies and on the set up of a profit bonus for the employees).*

In accordance with the aforementioned appropriation of the result for the financial year 2019, the Board of Directors of BNP Paribas Fortis SA/NV will request the approval of the General Meeting of Shareholders in order not to distribute an ordinary dividend.

INFORMATION REGARDING RELATED PARTY TRANSACTIONS

Board of Directors' Procedure

Background

Due to a change in legislation entered into force on 1 January 2012, article 524 of the Companies Code (actual article 7:97 of the Code on Companies and associations (CCA)), imposing a specific procedure in the context of transactions between related parties, does no longer apply to BNP Paribas Fortis SA/NV ('BNP Paribas Fortis' or the 'Company'). Nonetheless, the Board of Directors, upon advice of the 'Governance and Nomination Committee (GNC)' and in line with its internal governance principles, adopted on 15 December 2011 a 'Board of Directors' Procedure for Related Party Transactions' (the 'Procedure') that is inspired on, but not identical to, article 524 of the Companies Code (actual article 7:97 CCA).

In the course of 2019, no transaction required the application of the 'Procedure'.

BNP PARIBAS FORTIS FINANCIAL STATEMENTS 2019 (NON-CONSOLIDATED)

N°	BE 0403.199.702	F-estb 2.1

BALANCE SHEET AFTER APPROPRIATION

			Codes	Current period	Previous period
ASSETS					
I.	**Cash in hand, balances with central banks and giro offices**	**10100**	**10100**	**483,098**	**548,370**
II.	**Government securities eligible for refinancing with the central bank**	**10200**	**10200**	**-**	**-**
III.	**Amounts receivable from credit institutions**	**10300**	**10300**	**31,340,262**	**20,466,880**
	A. At sight	*10310*	*10310*	*3,713,414*	*4,287,132*
	B. Other amounts receivable (at fixed term or period of notice)	*10320*	*10320*	*27,626,848*	*16,179,748*
IV.	**Amounts receivable from customers**	**10400**	**10400**	**116,347,848**	**106,351,351**
V.	**Bonds and other fixed-income securities**	**10500**	**10500**	**52,682,803**	**56,170,933**
	A. Issued by public bodies	*10510*	*10510*	*10,452,927*	*11,029,601*
	B. Issued by other borrowers	*10520*	*10520*	*42,229,876*	*45,141,332*
VI.	**Shares and other variable-yield securities**	**10600**	**10600**	**95,020**	**116,492**
VII.	**Financial fixed assets**	**10700**	**10700**	**9,386,868**	**10,183,790**
	A. Participating interests in affiliated enterprises	*10710*	*10710*	*5,796,520*	*6,575,837*
	B. Participating interests in other enterprises linked by participating interests	*10720*	*10720*	*2,548,085*	*2,702,419*
	C. Other shares held as financial fixed assets	*10730*	*10730*	*445,056*	*397,224*
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	*10740*	*10740*	*597,207*	*508,310*
VIII.	**Formation expenses and intangible fixed assets**	**10800**	**10800**	**104,937**	**135,954**
IX.	**Tangible fixed assets**	**10900**	**10900**	**1,002,428**	**958,797**
X.	**Own shares**	**11000**	**11000**	**-**	**-**
XI.	**Other assets**	**11100**	**11100**	**1,720,571**	**1,856,394**
XII.	**Deferred charges and accrued income**	**11200**	**11200**	**10,264,237**	**6,910,040**
Total assets		**19900**	**19900**	**223,428,072**	**203,699,001**

	Codes	Current period	Previous period
LIABILITIES			
Borrowings	**201/208**	**205,033,708**	**186,657,209**
I. Amounts owed to credit institutions	**20100**	**33,195,484**	**23,345,047**
A. At sight	*20110*	*1,554,461*	*273,727*
B. Amounts owed as a result of the rediscounting of trade bills	*20120*	*-*	*-*
C. Other debts with agreed maturity dates or periods of notice	*20130*	*31,641,023*	*23,071,320*
II. Amounts payable to clients	**20200**	**142,457,940**	**134,613,440**
A. Savings deposits	*20210*	*63,521,596*	*61,430,324*
B. Other debts	*20220*	*78,936,344*	*73,183,116*
1. At sight	*20221*	*66,484,751*	*62,422,995*
2. At fixed term or period of notice	*20222*	*12,451,593*	*10,760,121*
3. As a result of the rediscounting of trade bills	*20223*	*-*	*-*
III. Debts evidenced by certificates	**20300**	**12,511,733**	**13,738,560**
A. Debt securities and other fixed-income securities in circulation	*20310*	*7,556,461*	*6,960,617*
B. Other	*20320*	*4,955,272*	*6,777,943*
IV. Other amounts payable	**20400**	**3,633,601**	**5,350,538**
V. Accrued charges and deferred income	**20500**	**7,954,631**	**4,712,773**
VI. Provisions and deferred taxes	**20600**	**374,522**	**385,975**
A. Provisions for risks and charges	*20610*	*374,522*	*385,975*
1. Pensions and similar obligations	*20611*	*-*	*-*
2. Fiscal charges	*20612*	*15,544*	*25,397*
3. Other risks and charges	*20613*	*358,978*	*360,578*
B. Deferred taxes	*20620*	*-*	*-*
VII. Fund for general banking risks	**20700**	**871,681**	**871,681**
VIII. Subordinated liabilities	**20800**	**4,034,116**	**3,639,195**
Shareholders' equity	**209/213**	**18,394,364**	**17,041,792**
IX. Capital	**20900**	**10,964,768**	**10,964,768**
A. Subscribed capital	*20910*	*10,964,768*	*10,964,768*
B. Uncalled capital (-)	*20920*	*-*	*-*
X. Share premium account	**21000**	**940,582**	**940,582**
XI. Revaluation surpluses	**21100**	**-**	**-**
XII. Reserves	**21200**	**1,637,546**	**1,637,546**
A. Statutory reserve	*21210*	*1,096,477*	*1,096,477*
B. Reserves not available for distribution	*21220*	*36,988*	*36,988*
1. In respect of own shares held	*21221*	*-*	*-*
2. Other	*21222*	*36,988*	*36,988*
C. Untaxed reserves	*21230*	*150,790*	*150,790*
D. Reserves available for distribution	*21240*	*353,291*	*353,291*
XIII. Profits (losses (-)) brought forward (+)/(-)	**21300**	**4,851,468**	**3,498,896**
Total liabilities	**29900**	**223,428,072**	**203,699,001**

INCOME STATEMENT (presentation in vertical form)

			Codes	Current period	Previous period
I.	**Interest receivable and similar income**		**40100**	**3,365,938**	**3,474,968**
	A. Of which: from fixed-income securities		*40110*	*497,003*	*552,671*
II.	**Interest payable and similar charges**		**40200**	**741,803**	**721,161**
III.	**Income from variable-yield securities**		**40300**	**596,634**	**862,919**
	A. From shares and other variable-yield securities		*40310*	*32,387*	*38,604*
	B. From participating interests in affiliated enterprises		*40320*	*373,560*	*368,735*
	C. From participating interests in other enterprises linked by participating interests		*40330*	*178,313*	*448,174*
	D. From other shares held as financial fixed assets		*40340*	*12,374*	*7,406*
IV.	**Commissions receivable**		**40400**	**1,346,217**	**1,365,623**
	A. Brokerage and related commissions		*40410*	*454,681*	*445,288*
	B. Management, consultancy and conservation commissions		*40420*	*304,681*	*311,897*
	C. Other commissions received		*40430*	*586,855*	*608,438*
V.	**Commissions paid**		**40500**	**447,414**	**409,784**
VI.	**Profit (loss) on financial transactions**	(+)/(-)	**40600**	**233,609**	**165,228**
	A. On trading of securities and other financial instruments		*40610*	*82,426*	*36,180*
	B. On disposal of investment securities		*40620*	*151,183*	*129,048*
VII.	**General administrative expenses**		**40700**	**2,280,889**	**2,454,097**
	A. Remuneration, social security costs and pensions		*40710*	*1,246,159*	*1,337,845*
	B. Other administrative expenses		*40720*	*1,034,730*	*1,116,252*
VIII.	**Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets.**		**40800**	**99,465**	**91,084**
IX.	**Decrease in write downs on receivables and in provisions for off-balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a credit risk'.**	(+)/(-)	**40900**	**98,783**	**19,343**
X.	**Decrease in write-downs on the investment portfolio of bonds, shares and other fixed-income or variable-yield securities.**	(+)/(-)	**41000**	**(13,507)**	**3,955**
XI.	**Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet captions.**	(+)/(-)	**41100**	**(33,141)**	**(58,495)**
XII.	**Provisions for risks and charges other than those included in the off-balance sheet captions.**		**41200**	**99,106**	**22,233**
XIII.	**Transfer from (Appropriation to) the fund for general banking risks.**	(+)/(-)	**41300**	**-**	**-**
XIV.	**Other operating income**		**41400**	**145,684**	**131,640**
XV.	**Other operating charges**		**41500**	**391,636**	**398,830**
XVI.	**Profits (losses) on ordinary activities before taxes.**	(+)/(-)	**41600**	**1,575,634**	**1,938,386**

				Codes	Current period	Previous period
XVII.	**Extraordinary income**			**41700**	**224,215**	**331,295**
	A.	*Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets*		*41710*	*4,723*	*-*
	B.	*Adjustments to write-downs on financial fixed assets*		*41720*	*67,461*	*133,165*
	C.	*Adjustments to provisions for extraordinary risks and charges*		*41730*	*-*	*-*
	D.	*Capital gains on disposal of fixed assets*		*41740*	*151,975*	*182,544*
	E.	*Other extraordinary income*		*41750*	*56*	*15,586*
XVIII.	**Extraordinary charges**			**41800**	**335,059**	**297,855**
	A.	*Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets*		*41810*	*-*	*-*
	B.	*Write-downs on financial fixed assets*		*41820*	*332,388*	*233,900*
	C.	*Provisions for extraordinary risks and charges*	*(+)/(-)*	*41830*	*-*	*-*
	D.	*Capital losses on disposal of fixed assets*		*41840*	*2,671*	*2,798*
	E.	*Other extraordinary charges*		*41850*	*-*	*5,612*
XIX.	**Profits (Losses) for the period before taxes**		**(+)/(-)**	**41910**	**1,464,790**	**1,971,826**
XIXbis.	**A.**	**Transfer to deferred taxes**		**41921**	**-**	**-**
	B.	**Transfer from deferred taxes**		**41922**	**-**	**-**
XX.	**Income taxes**		**(+)/(-)**	**42000**	**96,559**	**75,168**
	A.	*Income taxes*		*42010*	*131,273*	*107,546*
	B.	*Adjustment of income taxes and write-back of tax provisions*		*42020*	*34,714*	*32,378*
XXI.	**Profits (Losses) for the period**		**(+)/(-)**	**42100**	**1,368,231**	**1,896,658**
XXII.	**Transfer to (or from) untaxed reserves**		**(+)/(-)**	**42200**	**-**	**-**
XXIII.	**Profit (Losses) for the period available for appropriation**		**(+)/(-)**	**42300**	**1,368,231**	**1,896,658**

XVIII. STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

	Codes	Current period	Previous period
A. Capital statement			
1. Shareholders equity			
a. Subscribed capital			
at the end of the previous financial year	20910P	xxxxxxxxxxxxxx	10,964,768
at the end of the financial year	(20910)	10,964,768	

	Codes	Amounts	Number of shares
Changes during the financial year			
b. Structure of the capital			
Categories of shares			
Common		10,964,768	565,194,208
Registered shares	51801	xxxxxxxxxxxxxx	565,021,153
Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	173,055

	Codes	Uncalled capital	Called but unpaid capital
2. Capital not paid up			
a. Uncalled capital	(20920)	-	xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	-
c. Shareholders still owing capital payment			

	Codes	Current period
3. Own shares		
a. Held by the reporting institution itself		
* Amount of capital held	51804	-
* Corresponding number of shares	51805	-
b. Held by its subsidiaries		
* Amount of capital held	51806	-
* Corresponding number of shares	51807	-
4. Share issuance commitments		
a. Following the exercise of conversion rights		
* Amount of convertible loans outstanding	51808	-
* Amount of capital to be subscribed	51809	-
* Maximum corresponding number of shares to be issued	51810	-
b. Following the exercise of subscription rights		
* Number of subscription rights outstanding	51811	-
* Amount of capital to be subscribed	51812	-
* Maximum corresponding number of shares to be issued	51813	-
5. Authorized capital not issued	**51814**	**10,964,768**
6. Shares not representing capital		
a. Repartition		
* Number of parts	51815	-
* Number of votes	51816	-
b. Breakdown by shareholder		
* Number of parts held by the reporting institution itself	51817	-
* Number of parts held by its subsidiaries	51818	-

B. Shareholders structure of the institution at year end according to the notifications received by the institution

- Pursuant to article 7:225 and article 7:83 of the Companies' and Associations' Code;

- Pursuant to article 14, paragraph 4, of the law of 2 May 2007 on the disclosure of major shareholdings or pursuant to article 5 of the Royal Decree of 21 August 2008 on the rules for certain multilateral trading facilities

After verification, BNP Paribas Fortis did not receive any notifications

OTHER INFORMATION

Monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions in 2019

The monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions of Euronext Brussels (Euronext Expert Market) in 2019 were as follows (in EUR):

Month	Low	High
January	25.8	28.6
February	24.2	25.6
March	25.4	25.4
April	25.4	27.8
May	26.0	26.2
June	31.4	31.4
July	28.4	28.4
August	26.2	26.2
September	27.0	27.0
October	27.0	27.2
November	26.0	27.0
December	26.0	27.0

External posts held by directors and effective leaders on the 31st of December 2019 that are subject to a legal disclosure requirement

Pursuant to the Regulation of the National Bank of Belgium of 6 December 2011 on the exercise of external functions by managers of regulated companies ('Reglement van de Nationale Bank van België van 6 december 2011 met betrekking tot de uitoefening van externe functies door leiders van gereglementeerde ondernemingen' / 'Règlement de la Banque Nationale de Belgique du 6 décembre 2011 concernant l'exercice de fonctions extérieures par les dirigeants d'entreprises réglementées') (the 'Regulation'), the Bank's Board of Directors has adopted its 'Internal rules governing the exercise of external functions by directors and effective leaders of BNP Paribas Fortis'.

This Regulation stipulates a.o. that certain external functions held by the Bank's directors and effective leaders in certain companies must be disclosed in the annual report.

The effective leaders of BNP Paribas Fortis are as set forth in the list submitted to the Belgian National Bank, that is kept up to date in accordance with the applicable regulations. This list includes the members of the Executive Board of BNP Paribas Fortis and the heads of its foreign branches.

The external functions subject to disclosure are the executive or non-executive directorships and the functions involving taking part in the management or running of a company, exercised in a commercial company or in a company with a commercial legal form, in an undertaking with another Belgian or foreign legal form or in a Belgian or foreign public institution with an industrial, commercial or financial activity.

Name, Surname (Post) Company	Business Activity (Post)	Listed
Herman DAEMS (Chairman of the Board of Directors)		
Domo Investment Group SA/NV	Holding company (Chairman of the Board of Directors)	-
Unibreda SA/NV	Holding company (Chairman of Board of Directors - independent director)	-
Max JADOT (Chairman of the executive board)		
Baltisse SA/NV	Investment Company (Non-executive director)	-
Dirk BOOGMANS (Independent director)		
Smile Invest SA/NV	Investment Fund (Member of the Investment Committee)	-
Smile Invest Management Company SA/NV	Investment Company (Non-executive director)	-
Vinçotte International SA/NV	Inspection, control and certification services (Non-executive director and chairman of the Audit Committee)	-
Newton Biocapital SA/NV	Investment Fund (Non-executive director)	-
Antoinette d'ASPREMONT LYNDEN (Independent director)		
Groupe Bruxelles Lambert SA/NV	Holding Company (Non-executive director and chairwoman of the Audit Committee)	Euronext Brussels
Stefaan DECRAENE (Non-executive director)		
Ardo Holding SA/NV	Holding Company (Non-executive director)	-
Sophie DUTORDOIR (Independent director)		
Nationale Maatschappij der Belgische Spoorwegen SA/NV	Railway (Chief Executive Officer – executive director)	-
Eurogare SA/NV	Railway (Non-executive director)	-
HR Rail SA/NV	Railway (Non-executive director)	-
Thi Factory SA/NV	Railway (Chairwoman of the Board of Directors)	-
Thalys International SCRL/CVBA	Railway (Chairwoman of the Board of Directors)	-
Aveve	Agriculture and horticulture (Non-executive director)	-

Name, Surname (Post) Company	Business Activity (Post)	Listed
Sofia MERLO (Non-executive director)		
Line Data Services SA	Computer software & System Integration Services (Non-executive director)	Euronext Paris
Stéphane VERMEIRE (Executive director)		
Procomin SA/NV	Gears and propulsions (Chairman of the Board of Directors)	-
Aciers Crustin SA/NV	Metal, steel (Chairman of the Board of Directors)	-
Vermeire Aandrijvingen SA/NV	Gears and propulsions (Chairman of the Board of Directors)	-
Vermeire Transmissions SA/NV	Machines and tools (Chairman of the Board of Directors)	-
Titia VAN WAEYENBERGE (Independent director)		
De Eik NV	Investment company (Chairwoman of the Board of Directors, non-executive director, member of the nomination and remuneration committee)	-
Paratodos NV	Agribusiness (CEO)	-
Indufin Capital partners Sicar	Investment company (Non-executive director)	-
Tattersal Leasing SA	Leasing company (Non-executive director)	-
Indufin Investment fund NV	Investment fund (Non-executive director)	-

BNP PARIBAS FORTIS SA/NV

REGISTERED OFFICE
Montagne du Parc/Warandeberg 3
1000 Brussels (Belgium)

Brussels Business Register
Company Number: 0403.199.702

www.bnpparibasfortis.com

BNP PARIBAS FORTIS

The bank
for a changing
world