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PRESS RELEASE

BNP Paribas Fortis
First half 2014 results

- **Net profit attributable to shareholders at EUR 654 million, compared to EUR 617 million[1] in the first half of 2013**
- **Resilient business performance in a challenging economic and regulatory environment**
- **The Bank's role in financing the economy is reflected in growth in loans to customers**
- **Ongoing containment of operating expenses**
- **Low level of cost of risk**
- **Phased-in Basel 3 Common Equity Tier 1 ratio at 14.2%; adequate liquidity, with customer deposits standing at EUR 169 billion and customer loans at EUR 160 billion[2]**

Net profit attributable to shareholders came in at EUR 654 million in H1 2014, up EUR 37 million on H1 2013, mainly driven by a resilient business performance in a still challenging economic and regulatory environment, ongoing containment of expenses and a low level of cost of risk.

In Belgian Retail Banking, business activity showed a 5.7% increase in client deposits, reaching EUR 106 billion, thanks in particular to growth in current accounts and savings accounts. Lending rose by 1.9% to EUR 88 billion, due in particular to a rise in loans to individuals and the fact that loans to SMEs held up well. Outside Belgium, Turkey showed strong loan and deposit growth.

[1] The published figures of 2013 have been restated according to the amendments to IFRS 11, Joint Arrangements, since 1 January 2014, for which the proportional consolidation method is replaced by the equity method.

[2] Customer deposits consist of amounts due to customers, excluding repurchase agreements (repos); customer loans are loans and receivables due from customers, excluding reverse repos and securities classified as loans and receivables.

Operating income amounted to EUR 1,100 million, which means a growth of 5% when excluding amongst other the change in consolidation method of TEB[3] (Turkey).

- **Total revenues** came to EUR 3,453 million in the first half of 2014, up EUR 542 million compared to the same period in 2013. The change in the consolidation method of TEB (Turkey) had an overall positive impact of EUR 514 million, mainly on net interest income and commission income while the transfer of the branches in the UK and Portugal had an overall decreasing impact of EUR 32 million equally divided between net interest income and net commission income. The underlying increase in revenues was mainly due to a good commercial performance in Belgium.

  - **Net interest income** totalled EUR 2,421 million in the first half of 2014, up by EUR 536 million versus the first half of 2013. Excluding the impact of the change in the consolidation of TEB and the transfer of the branches in the UK and Portugal, the remaining upward trend of net interest income was mainly supported by a good commercial performance in Belgium, Personal Finance and Leasing. The increase in Belgium was mainly driven by a growth in loans to individual customers and a rise in deposits mainly in current accounts and savings accounts. Interest revenue at Personal Finance was also positively impacted by volume growth. The lower net interest income in Luxembourg resulted from reinvestment in bonds at a lower return and from a lower commercial margin particularly on assets.

  - **Net commission income** amounted to EUR 806 million in the first half of 2014, up EUR 76 million or 10% compared to the same period in 2013. This increase mainly related to the positive impact of the full consolidation of TEB, while the underlying decrease mainly concerned Luxembourg and resulted from lower asset management commissions.

  - **Net results on financial instruments at fair value through profit or loss** stood at EUR 101 million, down by EUR 12 million compared to the first half of 2013. This downward trend resulted from the negative impact of the full consolidation of TEB and was partly counterbalanced by the lower negative impact of own credit spread-related results, including the introduction of a negative Funding Valuation Adjustment.

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[3] The comparison between the results of the first half of 2014 and the first half of 2013 is significantly impacted by the change in consolidation method concerning TEB. In 2014, TEB is reported on the basis of the full consolidation method, compared to a reporting via the equity method in the restated profit and loss account for the first half of 2013. The TEB group is fully consolidated since 20 December 2013 and was previously proportionally consolidated. The application of IFRS 11 (Joint Arrangements) led to its reporting under the equity method until 20 December in the restated 2013 financial statements.
Furthermore, some changes impact the Bank's consolidation scope since H1 2013 and concern (i) the removal of the branches in the UK and in Portugal from the consolidation scope following the transfer of their activities to BNP Paribas in the course of 2013 and (ii) the change from full consolidation to reporting via the equity method of some leasing entities in the UK in 2014.

  - **Net results on available-for-sale financial assets** amounted to EUR 103 million in the first half of 2014, down by EUR 10 million compared to the same period in 2013. Excluding the positive impact of TEB, the lower outcome mainly resulted from lower capital gains in Belgium, partly offset by higher gains in Luxembourg.

- **Operating expenses and depreciation** amounted to EUR 2,193 million in the first half of 2014, EUR 325 million higher than in the first half of 2013. The change in the consolidation of TEB had an overall negative impact of EUR 308 million mainly relating to staff expenses and other operating expenses due to the growth plan. On the other hand, the transfer of the branches in the UK and Portugal, and the change in the consolidation of some leasing entities had a positive impact of EUR 21 million.
  In Belgium, the operating expenses only slightly increased, illustrating the good cost control efforts through the Bank for the Future programme despite the increase in banking taxes (an increase of EUR 52 million) while the cost increase at CIB branches was mainly driven by the growth plan in Germany and the inclusion in the consolidation scope of the branch in the Netherlands since May 2013.

- **Cost of risk,** at EUR 160 million in the first half of 2014, remained at a low level and was down 1% compared to the first half of 2013. The change in the consolidation method related to TEB, the transfer of the branches in the UK and in Portugal and the change in the consolidation of some leasing entities had a combined increasing impact of EUR 77 million. The increase was completely compensated by decreases in cost of risk due to lower specific and collective provisions mainly at CIB Belgium and Luxembourg. Specific provisions were also lower at the CIB branch in Spain impacted by significant provision allowances in 2013.

In the first half of 2014 **income tax expenses** amounted to EUR 334 million, with an effective tax rate of 30%[4].

Net profit attributable to shareholders came to EUR 654 million, impacted by lower results in associates linked to the full consolidation of TEB and the decrease in the share in results of Leasing, this mainly due to the economic deterioration in India (impacting SREI, our Leasing joint venture in India) and a lower result in Italy. The increasing contribution of AG Insurance partly offset the abovementioned evolution.

The **balance sheet total** of BNP Paribas Fortis amounted to EUR 276 billion at the end of June 2014, EUR 20 billion or 8% higher than at the end of 2013[5]. The growth resulted from the increase of the repurchase agreement activities (in the context of an optimised

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[4] Excluding the share of earnings of associates that is reported net of income taxes.

[5] The 2013 figures were restated in accordance with IFRS 11 (Joint Arrangements), which means that bpost bank and the Indian leasing entity SREI are no longer consolidated based on the proportionate method but are consolidated by the equity method. TEB was already reported on the basis of full consolidation at the end of 2013.

liquidity management) on both the assets and the liabilities side, combined with the impact of a change in the reporting of the cash pooling activity at the branch in the Netherlands.
From a geographical point of view – based on the location of the BNP Paribas Fortis companies – 65% of the assets are located in Belgium, 9% in Luxembourg and 26% in other countries. The proportion of assets in other countries increased mainly due to the impact of the full consolidation of TEB and the inclusion of the branch in the Netherlands.

BNP Paribas Fortis's **solvency** remained well above the regulatory minima. At 30 June 2014, BNP Paribas Fortis's phased-in Basel 3 Common Equity Tier 1 ratio (CET1 ratio; taking into account the CRD4 rules on transitory provisions) stood at 14.2%. Total risk-weighted assets amounted to EUR 130 billion at 30 June 2014, of which EUR 119 billion related to credit risk, EUR 2.3 billion to market risk and EUR 8.7 billion to operational risk.

Liquidity remained solid, with customer deposits standing at EUR 169 billion and customer loans at EUR 160 billion. Customer deposits consist of amounts due to customers excluding repurchase agreements ('repos') while customer loans are loans and receivables due from customers, excluding securities and reverse repos.

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CEO Max Jadot: "BNP Paribas Fortis achieved good results in the first half of 2014, which confirms our bank's position as the leading financial service provider in Belgium. Our customers continued to have confidence in us, which was expressed by a 5.7% rise in deposits in Belgium, mainly in the current and savings accounts of our retail customers. Loans also rose by 1.9%. Net profit amounted to 654 million euros. This was against the background of a barely growing European economy, ongoing low interest rates and more stringent regulations. Operating expenses remained under control, despite the sharp increase in bank levies, and the cost of risk decreased still further. Our solvency continues to be solid with a Basel 3 CET1 ratio of 14.2%.

The growth in operating income demonstrates that the strategic transformation of BNP Paribas Fortis that began in 2012 is proceeding as planned. Our ambition is to be the bank of choice for consumers and businesses, and in the first half of 2014 we worked hard to make this ambition a reality. We further developed and launched mobile, innovative and user-friendly solutions geared to online banking and payment services for our retail customers, such as Easy transfer, Mobo, Sixdots and Hello bank!. We thus responded to the expectations of our customers, who increasingly wish to use fast electronic devices, such as smartphones and tablets, for their day-to-day interactions with the bank.

In addition to the electronic options, our branch and business centre network remains a crucial component of our multi-channel distribution model. The rationalisation of the network with extended opening hours is proceeding according to plan and should ensure that our customers have continuous access to specialists for expert advice at times of day that best suit them.

In order to be able to continue to offer competitive products, we made further endeavours to improve the bank's cost structure and operational flexibility. Initiatives were undertaken to adapt the management structure and simplify decision-making processes.

The commercial performances in the first half of 2014 would not have been possible without the efficient contribution of our staff. I would like to thank them for this and also our customers for their loyalty to our bank."

*For more details, please consult the Financial Report First half-year 2014, including the Report of the accredited statutory auditors of BNP Paribas Fortis SA/NV, available at **www.bnpparibasfortis.com**.*

Figures included in this document are unaudited.

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Press Contact : **+32 (0)2 565 35 84**

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BNP Paribas *(**www.bnpparibas.com**) has a presence in 75 countries with more than 180,000 employees, including more than 140,000 in Europe. It ranks highly in its three core activities: Retail Banking, Investment Solutions and Corporate & Investment Banking. In Europe, the Group has four domestic markets (Belgium, France, Italy and Luxembourg) and BNP Paribas Personal Finance is the leader in consumer lending. BNP Paribas is rolling out its integrated retail banking model across Mediterranean basin countries, in Turkey, in Eastern Europe and a large network in the western part of the United States. In its Corporate & Investment Banking and Investment Solutions activities, BNP Paribas also enjoys top positions in Europe, a strong presence in the Americas and solid and fast-growing businesses in Asia-Pacific.*