CONSOLIDATED FINANCIAL STATEMENTS

First half 2018

BNP PARIBAS FORTIS

The bank
for a changing
world

CONTENTS

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**').

This Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2018 includes the Interim Report of the Board of Directors, the Statement of the Board of Directors, the composition of the Board, the Consolidated Interim Financial Statements and the notes to the Consolidated Interim Financial Statements for the first half-year of 2018.

The BNP Paribas Fortis Consolidated Interim Financial Statements for the first half-year of 2018, including the 2017 comparative figures, have been prepared at 30 June 2018 in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. It includes condensed financial statements (balance sheet, profit and loss account, statement of net income and changes in fair value of assets and liabilities recognised directly in equity, statement of changes in shareholders' equity, minority interests and statement of cash flows) and selected explanatory notes. The BNP Paribas Fortis Consolidated Interim Financial Statements should be read in conjunction with the audited BNP Paribas Fortis Consolidated Financial Statements 2017, which are available on http://www.bnpparibasfortis.com.

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

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

All information in the Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2018 relates to the BNP Paribas Fortis statutory consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: www.bnpparibas.com.

The Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2018 is available on the website: www.bnpparibasfortis.com.

REPORT OF THE BOARD OF DIRECTORS

This section provides a summary of the evolutions in the first half-year of 2018 and elaborates on the following key developments:

1. Economic context
2. Results of the first half-year of 2018 and the balance sheet as at 30 June 2018
3. Status of liquidity and solvency
4. Principal risks and uncertainties.

Economic context

After making remarkable progress last year, the world economy seems to have slightly run out of steam over the last six months, especially in a number of developed countries. While business activity remains well on track in the United States, buoyed by the tax reforms passed in 2017 which have led to lower taxation levels for both households and companies, we see an entirely different picture in the UK – which is suffering from the uncertainties around Brexit – and Japan, which has actually posted slightly negative growth due to weak consumer spending and corporate investment.

This downturn is not entirely unexpected following years of economic improvement, especially given the fact that raw material prices have resumed an upward trajectory and that the announcement of protectionist measures by the USA has aroused fears of a potential trade war between the United States and China, which would probably affect the prosperity of the entire world.

Meanwhile a number of emerging countries, especially those with large current account deficits, are encountering greater difficulty in financing themselves, as their currencies have weakened and they have been faced with sharp rises in interest rates.

In the euro zone, growth has returned to more normal levels since the start of 2018, following a year 2017 which was highly satisfactory from an economic point of view. In the first quarter, GDP rose by 2.5%, compared with the 2.8% increase seen during the first three months of 2017. Most forecasting bodies expect to see this slowdown continue, with growth around 2.1%-2.2% for the year as a whole, i.e. slightly less than in 2017. European economic activity is now being affected by strong pressures on production capacity, with equipment utilisation rates approaching record levels in such countries like Germany and Belgium. Moreover, several countries are now facing manpower shortages in some sectors, which will inevitably result in higher costs and a fall in competitiveness going forward.

In Belgium, growth has been quite disappointing since 2013, remaining fairly stable at around 1.5% per year while average euro zone GDP has risen much more strongly over time in response to a series of boosting measures carried out by the European Central Bank (ECB) since 2015. In 2017, Belgium's GDP growth was just 1.7%, versus 2.3% for the euro zone as a whole.

A slight slowdown has been apparent during the early months of 2018, as in most European countries, with Belgian GDP rising by just 1.5% compared with 1.9% in the last quarter of 2017. However, on closer inspection, we see that this slowdown is the result of stronger growth in imports and not at all due to any weakening of the other components of economic activity, which have remained stable. After several lean years, public investment has regained some momentum, showing an increase in excess of 7%, on a year-on-year basis. This kind of figure, which had not been seen for many years, probably reflects the need to start investing again after years of austerity, especially given the strong pressure on production capacity mentioned above.

The first few months of 2018 have been characterised by the continuing rise in interest rates in the United States, where the Federal Reserve (central bank) is struggling to contain rising inflation. In Europe on the other hand, the only messages sent out by the ECB have been centred on the ongoing reduction over time of the massive injections of liquidity, with a final end to such measures foreseen as of January 2019. The ECB thus announced that it would henceforth purchase a lower amount of government paper month-on-month but there is no question of a rise in the leading rates at this stage. The ECB has confirmed its intention of waiting to see the extent of the slowdown in activity in Europe before making any statement. The only firm conclusion that we can draw from this situation is that short-term interest rates are not about to rise in Europe. Meanwhile, long-term interest rates have risen slightly everywhere in the wake of the US rates, but this development has remained extremely limited in Belgium. We foresee a gradual continuation of this upward climb in the coming months, following the US rates, which would probably take our 10-year rate to 0.75 % by the end of the year.

Comments on the evolution of the results

BNP Paribas Fortis realised a net income attributable to equity holders of EUR 934 million in the first half of 2018, compared to EUR 1,052 million in the first half of 2017, down by EUR (118) million or (11)%.

Please note that the comments in this 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. Beside the scope changes and the foreign exchange effect, which are taken into account in the below comments, other one-off results have been excluded to determine the underlying evolution shown in the Press Release. By excluding these one-off results, BNP Paribas Fortis arrives at a stable underlying result for the first half of 2018 compared to the same period of 2017.

Operating income amounted to EUR 1,382 million in the first half of 2018, down by EUR (112) million or (7)% compared to EUR 1,494 million in the first half of 2017.
The decrease was the result of lower revenues for EUR (61) million or (1)%, higher costs for EUR (44) million or 3% and slightly higher cost of risk for EUR (7) million.

Non-operating items (share of earnings of equity-method entities and net gain on non-current assets) were down by EUR (94) million whereas the corporate income tax decreased significantly by EUR 87 million, impacted by exceptional items in both years and the change in tax rate.

The comparison between the first half of 2018 and the first half of 2017 results was impacted by the following elements:

- the replacement of IAS 39 by IFRS 9 as from 01 January 2018. This accounting change did not prevent to compare both period despite some captions of the profit and loss account were significantly impacted such as the net gain or loss on financial instruments at fair value through profit or loss, the net gain or loss on financial instruments at fair value through equity and the cost of risk;

- scope changes mainly related to some changes in the consolidation scope following the final review of the consolidation thresholds launched end of 2017;

- foreign exchange variations, and more particularly the continuous depreciation of the Turkish lira against euro (from 3.94 on average in the first half of 2017 to 4.95 on average in the first half of 2018).

Based on the segment information, 52% of the revenues were generated by banking activities in Belgium, 23% by other domestic markets, 13% by banking activities in Turkey, 7% by banking activities in Luxembourg and 5% by other activities.

Net interest income reached EUR 2,495 million in the first half of 2018, a decrease of EUR (31) million or (1)% compared to the first half of 2017. Excluding the scope changes (EUR 17 million) and the foreign exchange effect in Turkey (EUR (105) million), net interest income increased by EUR 57 million mainly at Leasing Solutions and Personal Finance.

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 impacted by the sale and redemption of securities with high yields. Finally, this was partly offset by lower interest expenses related to clients' deposits.

In Luxembourg, the downward trend of net interest income was also the result of the low interest rate environment.

Net interest income in Turkey dropped sharply by (11)% largely due to the depreciating Turkish Lira. In its local currency, Turkey's net interest income increased by 11% mainly thanks to volume growth.

Net interest income at Leasing Solutions and Personal Finance benefited both from strong production growth.

Net commission income amounted to EUR 707 million in the first half of 2018, down by EUR (27) million or (4)% compared to the first half of 2017. Excluding the scope changes (EUR 1 million) and the foreign exchange effect in Turkey (EUR (26) million), net commission income decreased by EUR (2) million, mainly in Belgium following lower fees received on asset management and a rise in retrocession fees to independent agents due to the development of this network.

Net results on financial instruments at fair value through profit or loss stood at EUR 111 million, up by EUR 66 million compared to the first half of 2017. This increase was mainly due to higher results in TEB in Turkey in a context of volatile market conditions.

Net results on financial instruments at fair value through equity amounted to EUR 59 million in the first half of 2018, decreasing by EUR (69) million compared to the same period in 2017. The 2017 result was essentially marked by capital gains on the sale of portfolios in private equity funds and capital gains on the disposal of fixed-income securities mainly in Belgium. The 2018 result was marked by capital gains on the disposal of fixed-income securities mainly in Belgium. It must be reminded that for variable income securities classified in this caption, gains and losses related to sales are booked directly through equity since 01 January 2018.

Net income from other activities totalled EUR 737 million in the first half of 2018, slightly lower by EUR (2) million compared to the first half of 2017. Without the scope changes (EUR 78 million), essentially related to Arval, the decrease of EUR (80) million was mainly attributable to the disposal, in 2017, of SC Nueva Condo Murcia, S.L., an entity that held commercial real estate assets in Spain. The remaining decrease was mostly due to the reversal of provisions in Belgium in 2017.

Salary and employee benefit expenses amounted to EUR (1,270) million in the first half of 2018, i.e. a decrease of EUR 27 million compared to the same period in 2017. However, excluding the scope changes (EUR (26) million) and the foreign exchange effect of the Turkish lira (EUR 31 million), there was a decrease of EUR 22 million. In Belgium, there were less staff expenses mainly due to lower FTEs and the positive impact of the decrease of the social security charges rate. This decline was partly offset by higher staff expenses in Turkey, following salary adjustment related to high inflation.

Other operating expenses amounted to EUR (1,175) million in the first half of 2018, i.e. an increase of EUR (70) million compared to the same period in 2017. Excluding the scope changes (EUR (23) million) and the foreign exchange impact of the Turkish lira (EUR 23 million), other operating expenses were up by EUR (70) million.
In Belgium, the increase was driven by higher IT costs while banking taxes and levies amounted to EUR (304) million in the first half of 2018 stable compared to EUR (303) million in the same period in 2017.
Outside Belgium, at Leasing Solutions costs increased mainly due to higher banking taxes, higher IT and project costs.

Depreciation charges stood at EUR (143) million in the first half of 2018, versus EUR (142) million compared to previous year, i.e. an decrease of EUR (1) million, mainly explained by the scope changes (EUR (2) million) and the foreign exchange effect of the Turkish lira (EUR 3 million).

Cost of risk totalled EUR (141) million in the first half of 2018, i.e. an increase of EUR (7) million compared to the first half of 2017. Excluding the scope changes (EUR (7) million) and the foreign exchange impact of the Turkish lira (EUR 19 million), there was a net increase of EUR (19) million.
In Belgium, cost of risk slightly improved due to overall higher net reversals in the first half of 2018 compared to the same period in 2017.
Outside Belgium, the cost of risk was higher at Arval and Personal Finance mainly due to higher provisioning on specific provisions.

Share of earnings of equity-method entities amounted to EUR 119 million in the first half of 2018, compared to EUR 193 million during the same period in 2017, i.e. a decrease of EUR (74) million. Excluding the scope changes (EUR (31) million), the remaining decrease of EUR (43) million was mainly due to lower contribution of BNP Paribas Asset Management and AG Insurance.

Net gain on non-current assets amounted to EUR 1 million in the first half of 2018 versus EUR 21 million during the same period in 2017. The decrease is related to some price adjustments on the transfer of activities of BNP Paribas Fortis European (CIB) branches to BNP Paribas for EUR 7 million in 2017. The first half of 2017 was also impacted by the disposals of a building in Luxembourg, of commercial branches in the retail network in Belgium and of Margaret, a non-consolidated entity, which altogether resulted in a capital gain totalling EUR 13million.

Corporate income tax in the first half of 2018 totalled EUR (342) million compared to EUR (429) million. Following the reform of the corporate income tax regime in 2017, the bank is benefiting from lower corporate income tax in 2018. Excluding the share of earnings of equity-method entities (reported net of income taxes), the effective tax rate stood at 25% in the first half of 2018, compared to 28% in the same period in 2017.

Net income attributable to minority interests amounted to EUR 227 million in the first half of 2018, compared to EUR 227 million in the first half of 2017.

Net income attributable to equity holders totalled EUR 934 million in the first half of 2018, compared to EUR 1,052 million during the same period in 2017

Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis amounted to EUR 308.5 billion as at 30 June 2018, up by EUR 31.1 billion or 11% compared with EUR 277.4 billion at 01 January 2018.

In terms of scope changes, 2018 was impacted by some changes in the consolidation scope following the final review of the consolidation thresholds launched end of 2017.
Excluding these impacts, the total balance sheet of BNP Paribas Fortis had actually increased by EUR 29.2 billion.

The activities of Von Essen Bank in Germany will be transferred to BNP Paribas in the course of 2019 and have therefore been qualified as a ‘disposal group’ as defined in IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’. In accordance with IFRS 5 and as of 30 June 2018, the assets and liabilities of the entity have been reclassified and presented in the separate balance sheet lines - ‘Assets classified as held for sale’ and ‘Liabilities classified as held for sale’. Comparative figures of 31 December 2017 were not adjusted. The reclassification did not change the total amount of BNP Paribas Fortis’ consolidated balance sheet although it impacted the variances in some of the balance sheet captions (mainly ‘Loans and advances at Amortised Cost’ for EUR (1.9) billion and ‘Debts at Amortised Cost’ for (1.8) billion).

In the first half of 2018, excluding IFRS 5 and the impact of scope changes, loans and advances to customer and deposits from customers showed continuous net growth. The net growth on loans and advances to customers amounted to EUR 8.0 billion mainly related to term loans (in BNP Paribas Fortis), consumer loans (Alpha Credit) and finance lease loans at Leasing Solutions entities. The net increase on deposits from customer, up by EUR 7.1 billion, was the result of significant inflow of liquidity deposited in current accounts, mostly in Belgium and Luxembourg.

In Turkey, the higher level of both loans and deposits was more than counterbalanced by the adverse effect of depreciating Turkish lira which lost 18% of its value against the euro since 31 December 2017.

Based on the segment information, 66% of the assets were contributed by banking activities in Belgium, 15% by other domestic markets, 9% by banking activities in Luxembourg, 6% by banking activities in Turkey and 4% by segment Other.

Assets

Cash and amounts due from central banks amounted to EUR 36.1 billion, up by EUR 31.1 billion compared to 01 January 2018. The variance was mainly due to the increase of overnight deposit placed at the central banks by BNP Paribas Fortis (EUR 22.5 billion) and BGL BNP Paribas (EUR 8.5 billion).

Financial instruments at fair value through profit or loss amounted to EUR 13.7 billion, up by EUR 1.9 billon compared to 01 January 2018. The evolution is mainly attributable on higher trading on reverse repurchase activities for EUR 1.7 billion.

Financial assets at fair value through equity stood at EUR 11.3 billion, EUR (3.1) billion lower than EUR 14.4 billion as at 01 January 2018. The decrease on debt securities (EUR (3.2) billion) was mainly related to the arrival at maturity or the sale of government bonds (e.g. net decrease in Belgian government bonds for EUR (1.6) billion).

Financial assets at amortised cost amounted to EUR 206.8 billion as at 30 June 2018, down by EUR (3.0) billion compared with EUR 209.8 as at 01 January 2018. Excluding EUR (1.9) billion from IFRS 5 and EUR 1.2 from scope changes, the net decrease amounted to EUR (2.3) billion and was deeply impacted by a decline in loans and advances to credit institutions (EUR (12.5) billion) following lower reverse repurchase activities in Belgium and Luxembourg. This was partly counterbalanced by higher debt securities for EUR 2.3 billion especially in Belgium, the net growth in loans and advances to customers for EUR 8.0 billion and higher net Finance lease loans thanks to growing activities at Leasing Solutions.

The net growth in loans and advances to customers was primarily supported by higher term loans (EUR 5.9 billion) especially at BNP Paribas Fortis. The growth was also driven, to a lesser extent, by higher demand for mortgages (EUR 0.3 billion) mainly at BNP Paribas Fortis and by higher consumer loans (EUR 0.6 billion) thanks to the strong contribution of Alpha Credit in Belgium.

In Turkey, the higher level of loans (especially in term loans) was more than counterbalanced by the adverse effect of the depreciating Turkish lira.

Current and deferred tax assets amounted to EUR 2.0 billion, down by EUR (0.1) billion compared with EUR 2.1 billion at 01 January 2018.

Accrued income and other assets stood at EUR 9.0 billion as at 30 June 2018, up by EUR 0.8 billion compared to EUR 8.2 billion at 01 January 2018.

Equity-method investments amounted to EUR 4.3 billion at the end of 30 June 2018, stable compared to 01 January 2018.

Property, plant and equipment and investment property amounted to EUR 18.6 billion as at 30 June 2018, up by EUR 1.2 billion compared to EUR 17.4 billion at 01 January 2018. Excluding EUR 0.7 billion from scope changes, the net growth is attributable to the good growth of the financed fleet of Arval.

Assets classified as held for sale stood at EUR 2.4 billion as at 30 June 2018 as the assets and liabilities of Von Essen Bank and BNP Paribas Fortis Madrid branch were reclassified and presented in the separate lines - 'Assets classified as held for sale' and 'Liabilities classified as held for sale' in accordance with IFRS 5.

Liabilities and Equity

Cash due to central banks stood at EUR 3.8 billion, up by EUR 3.4 billion compared to EUR 0.4 billion at the end of previous year.

Financial instruments at fair value through profit or loss increased by EUR 9.0 billion, totalling EUR 21.9 billion as at 30 June 2018 compared to EUR 12.9 billion at 01 January 2018. The evolution is mainly attributable to higher trading on repurchase activities for EUR 8.3 billion.

Financial liabilities at amortised cost amounted to EUR 233.1 billion as at 30 June 2018, up by EUR 14.7 billion compared with EUR 218.4 at 01 January 2018. Excluding EUR (1.8) billion from IFRS 5 and EUR 0.9 billion from scope changes, the net increase amounted to EUR 15.6 billion and was driven by higher deposits from credit institutions (EUR 6.7 billion) following higher repurchase activities and interbank borrowing with central banks and by higher debt securities following new issuances of commercial papers and covered bonds in Belgium (EUR 1.5 billion) and to a lesser extent to higher commercial papers being issued in the US market by BNP Paribas Fortis' branch in New York (EUR 0.6 billion).

In addition, the net growth on deposits from customers contributed for EUR 7.1 billion and was mainly attributable to an increase on current deposits (EUR 6.2 billion) mostly in Belgium and Luxembourg. These evolutions were partly offset by decrease on subordinated debts by EUR (0.4) billion or (17)% mainly related to the arrival at maturity of subordinated debts issued by BNP Paribas Fortis (EUR (0.4) billion).

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

Accrued expenses and other liabilities increased by EUR 1.3 billion or 19%, amounting to EUR 8.2 billion as at 30 June 2018 compared with EUR 6.9 billion at 01 January 2018.

Provisions for contingencies and charges came in at EUR 4.3 billion, down by EUR (0.2) billion compared with the EUR 4.5 billion at 01 January 2018.

Liabilities classified as held for sale totalled EUR 3.0 billion as at 30 June 2018 as the assets and liabilities of Von Essen Bank and BNP Paribas Fortis Madrid branch were reclassified and presented in the separate lines - 'Assets classified as held for sale' and 'Liabilities classified as held for sale' in accordance with IFRS 5.

Shareholders' equity amounted to EUR 23.5 billion as at 30 June 2018, up by EUR 0.8 billion or 4% compared with EUR 22.7 billion at 01 January 2018. Net income attributable to shareholders for the year 2018 contributed for EUR 0.9 billion. Foreign translation differences impacted negatively the shareholders equity for EUR (0.2) billion, mainly related to adverse impact resulting from the depreciating Turkish lira.

Minority interests stood at EUR 5.2 billion as at 30 June 2018, down by EUR (0.2) billion compared with EUR 5.4 billion at 01 January 2018. Net income for the year 2018 attributable to minority interests amounted to EUR 0.3 billion. Foreign translation differences gave rise to a negative variance of EUR (0.1) billion, mainly related to adverse impact resulting from depreciating Turkish lira.

Liquidity and solvency

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at EUR 173 billion and customer loans at EUR 181 billion.

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

BNP Paribas Fortis' solvency stood well above the minimum regulatory requirements. At 30 June 2018, BNP Paribas Fortis' Basel III Common Equity Tier 1 ratio (CET1 ratio, taking into account the CRD4 rules with application of the current transitional provisions) stood at 13.7%. Total risk-weighted assets amounted to EUR 147.0 billion at 30 June 2018, of which EUR 123.1 billion are related to credit risk, EUR 2.0 billion to market risk and EUR 11.8 billion to operational risk, while counterparty risk, securitisation and equity risk worked out at EUR 1.9 billion, EUR 0.5 billion and EUR 7.7 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 2017 and in the BNP Paribas Fortis Pillar 3 disclosure 2017.

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 7.a 'Contingent liabilities: legal proceeding and arbitration' to the BNP Paribas Fortis Consolidated Interim Financial Statements 2018.

Events after the reporting period are further described in note 7.e 'Events after the reporting period' for the BNP Paribas Fortis Interim Financial Statements for the first half year of 2018.

STATEMENT OF THE BOARD OF DIRECTORS

In accordance with article 13 of the Royal Decree of 14 November 2007, we confirm that, to the best of our knowledge, as at 30 June 2018:

(a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position of BNP Paribas Fortis and the undertakings included in the consolidation as of 30 June 2018 and of the result and cash-flows of the period then ended.

(b) the interim management report includes a fair review of the development, results and position of BNP Paribas Fortis and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties with which they are confronted.

(c) The Board of Directors reviewed the BNP Paribas Fortis consolidated interim financial statements on 30 August 2018 and authorised their issue.

Brussels, 30 August 2018
The Board of Directors of BNP Paribas Fortis

COMPOSITION OF THE BOARD OF DIRECTORS

As at 30 June 2018, 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 (by co-optation) since 13 January 2011. The current board member mandate has been renewed on 23 April 2015. It will expire at the end of the 2019 annual general meeting of shareholders.
DIERCKX Filip	Executive director. Vice chairman of the executive board. Member of the board of directors since 28 October 1998. 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.
ANSEEUW Michael	Executive director. Member of the board of directors since 19 April 2018. The 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 mandate will expire at the end of the 2020 annual general meeting of shareholders.
BEAUVOIS Didier	Executive director. Member of the board of directors (by co-optation) since 12 June 2014. The mandate has been confirmed on 23 April 2015. It will expire at the end of the 2019 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.
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 23 April 2015. It will expire at the end of the 2019 annual general meeting of shareholders.
LABORDE Thierry	Non-executive director. Member of the board of directors (by co-optation) since 19 November 2015. The board mandate has been confirmed on 23 December 2015. It will expire at the end of the 2019 annual general meeting of shareholders.
MERLO Sofia	Non-executive director. Member of the board of directors since 21 April 2016. The 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 (by co-optation) since 3 June 2016. The board mandate has been confirmed on 8 December 2016. It will expire at the end of the 2020 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 mandate will expire at the end of the 2022 annual general meeting of shareholders.

The BNP Paribas Fortis board of directors, which is responsible for setting general policy and supervising the activities of the executive board, is currently composed of thirteen (15) directors, of whom eight (9) are non-executive directors (three (3) of these appointed as independent directors in compliance with the criteria laid down in article 526ter of the Companies Code) and five (6) are executive directors.

Accredited Statutory Auditors:

- PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises sccrl, represented by Mr. Damien WALGRAVE

BNP PARIBAS FORTIS CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Prepared in accordance with IFRS as adopted by the European Union

IFRS 9 and IFRS 15 are applicable retrospectively as from 1 January 2018 and introduce the option not to restate the comparative figures for prior periods. Since the Group has retained this option, the comparative financial statements for 2017 have not been restated for these changes in method.
Presentation changes have however been performed on these comparative figures in order to harmonise item headings with those established by IFRS 9. These changes are described in note 2.a. Moreover, the synthetic balance sheet includes a comparative reference as at 1 January 2018 which takes into account the impacts of the IFRS 9 and IFRS 15 adoption (note 2.b). Comparative figures presented in the notes to the financial statements related to balance sheet items (note 5) are based on that reference.

Profit and loss account for the first half of 2018

In millions of euros	Note	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 [1] *IAS 39*
Interest income	3.a	3,955	3,938
Interest expense	3.a	(1,460)	(1,412)
Commission income	3.b	1,066	1,152
Commission expense	3.b	(359)	(418)
Net gain/loss on financial instruments at fair value through profit or loss	3.c	111	45
Net gain/loss on financial instruments at fair value through equity	3.d	59	128
Net gain/loss on the derecognition of financial assets at amortised cost	3.d	2	
Income other activities	3.e	5,222	4,507
Expense other activities	3.e	(4,485)	(3,768)
REVENUES		**4,111**	**4,172**
Salary and employee benefit expenses		(1,270)	(1,297)
Other operating expenses	3.f	(1,175)	(1,105)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(143)	(142)
GROSS OPERATING INCOME		**1,523**	**1,628**
Cost of risk	3.g	(141)	(134)
OPERATING INCOME		**1,382**	**1,494**
Share of earnings of equity-method entities		119	193
Net gain/loss on non-current assets		1	21
Goodwill	5.i	1	-
PRE-TAX INCOME		**1,503**	**1,708**
Corporate income tax	3.h	(342)	(429)
NET INCOME		**1,161**	**1,279**
of which net income attributable to minority Interests		*227*	*227*
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**934**	**1,052**

[1] Revised presentation based on the reclassifications and the re-labelling within Net Banking Income described in note 2.a: re-labelling of "net gains on available-for sale financial assets and other assets not measured at fair value" to "net gains on financial assets at fair value through equity" and "net gains on derecognised financial assets at amortised cost", reclassification of interest on trading instruments within "Net gains on financial instruments at fair value through profit or loss".

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

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 [1] *IAS 39*
Net income for the period	**1,161**	**1,279**
Changes in assets and liabilities recognised directly in equity	**(160)**	**(378)**
Items that are or may be reclassified to profit or loss	**(300)**	**(418)**
Changes in exchange rate items	(262)	(202)
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*(58)*	*(111)*
Changes in fair value reported in net income	*(77)*	*(54)*
Changes in fair value of investments of insurance activities		
Changes in fair value reported in equity	*-*	*-*
Changes in fair value reported in net income	*-*	*-*
Changes in fair value of hedging instruments		
Changes in fair value reported in equity	*36*	*(78)*
Changes in fair value reported in net income	*(1)*	*-*
Income tax	24	87
Changes in equity-method investments	38	(60)
Items that will not be reclassified to profit or loss	**140**	**40**
Changes in fair value of equity instruments designated as at fair value through equity		
Changes in fair value recognised in equity	*107*	
Items sold during the period	*-*	
Debt remeasurement effect arising from BNP Paribas Group issuer risk	26	
Remeasurement gains (losses) related to post-employment benefit plans	17	55
Income tax	(11)	(15)
Changes in equity-method investments	1	-
TOTAL	**1,001**	**901**
Attributable to equity shareholders	813	753
Attributable to minority interests	188	148

[1] Revised presentation based on the reclassifications and the re-labelling within Net Banking Income described in note 2.a: re-labelling of "net gains on available-for sale financial assets and other assets not measured at fair value" to "net gains on financial assets at fair value through equity" and "net gains on derecognised financial assets at amortised cost", reclassification of interest on trading instruments within "Net gains on financial instruments at fair value through profit or loss".

Balance sheet at 30 June 2018

In millions of euros	Note	30 June 2018 *IFRS 9 & IFRS 15*	1 January 2018 [(1)] *IFRS 9 & IFRS 15*	31 December 2017 [(2)] *IAS 39*
ASSETS				
Cash and balances at central banks		36,060	4,933	4,942
Financial instruments at fair value through profit or loss		13,747	11,790	11,064
Securities	*5.a*	*2,844*	*3,553*	*1,621*
Loans and repurchase agreements	*5.a*	*4,179*	*2,458*	*3,666*
Derivative financial instruments	*5.a*	*6,724*	*5,779*	*5,777*
Derivatives used for hedging purposes		2,187	2,009	2,011
Available-for-sale financial assets				23,697
Financial assets at fair value through equity		11,327	14,439	
Debt securities	*5.b*	*10,908*	*14,128*	
Equity securities	*5.b*	*419*	*311*	
Financial assets at amortised cost		206,813	209,806	200,730
Loans and advances to credit institutions	*5.d*	*12,553*	*24,961*	*24,962*
Loans and advances to customers	*5.d*	*181,237*	*174,101*	*173,062*
Debt securities	*5.d*	*13,023*	*10,744*	*2,706*
Remeasurement adjustment on interest-rate risk hedged portfolios		1,081	1,062	1,062
Held-to-maturity financial assets				511
Current and deferred tax assets	5.g	1,983	2,132	2,149
Accrued income and other assets	5.h	9,030	8,249	8,212
Equity-method investments		4,269	4,255	4,356
Property, plant and equipment and Investment property		18,607	17,387	17,387
Intangible assets		317	292	292
Goodwill	5.i	666	663	663
Non-current assets held for sale	5.l	2,442	367	366
TOTAL ASSETS		**308,529**	**277,384**	**277,442**
LIABILITIES				
Deposits from central banks		3,787	382	382
Financial instruments at fair value through profit or loss		21,953	12,918	13,190
Securities	*5.a*	*154*	*222*	*222*
Deposits and repurchase agreements	*5.a*	*13,178*	*4,913*	*4,913*
Issued debt securities	*5.a*	*3,675*	*3,941*	*3,941*
Derivative financial instruments	*5.a*	*4,946*	*3,842*	*4,114*
Derivatives used for hedging purposes		4,200	4,254	3,982
Financial liabilities at amortised cost		233,134	218,406	218,406
Deposits from credit institutions	*5.e*	*43,258*	*36,520*	*36,558*
Deposits from customers	*5.e*	*173,127*	*166,965*	*166,927*
Debt securities	*5.f*	*14,685*	*12,434*	*12,434*
Subordinated debt	*5.f*	*2,064*	*2,487*	*2,487*
Remeasurement adjustment on interest-rate risk hedged portfolios		525	441	441
Current and deferred tax liabilities	5.g	705	685	748
Accrued expenses and other liabilities	5.h	8,179	6,861	6,423
Provisions for contingencies and charges	5.j	4,306	4,464	4,732
Liabilities associated with non-current assets held for sale	5.l	3,042	834	831
TOTAL LIABILITIES		**279,831**	**249,245**	**249,135**
EQUITY				
Share capital, additional paid-in capital and retained earnings		*22,939*	*21,051*	*21,028*
Net income for the period attributable to shareholders		*934*	*1,897*	*1,897*
Total capital, retained earnings and net income for the period attributable to shareholders		23,873	22,948	22,925
Changes in assets and liabilities recognised directly in equity		(337)	(216)	(161)
Shareholders' equity		**23,536**	**22,732**	**22,764**
Minority interests		**5,162**	**5,407**	**5,543**
TOTAL EQUITY		**28,698**	**28,139**	**28,307**
TOTAL LIABILITIES & EQUITY		**308,529**	**277,384**	**277,442**

[(1)] *As of 1 January 2018 after implementation of IFRS 9 and IFRS 15, as described in note 2.b*

[(2)] *Revised presentation, based on reclassifications and adjustments detailed in note 2.a, mainly related to the re-labelling of financial instruments item headings and the impact of securities recognition at settlement date.*

Cash flow statement for the first half of 2018

In millions of euros	Note	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
Pre-tax income		**1,503**	**1,708**
Non-monetary items included in pre-tax net income and other adjustments		**2,884**	**280**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		1,836	1,583
Impairment of goodwill and other non-current assets		(7)	(8)
Net addition to provisions		4	(5)
Share of earnings of equity-method entities		(119)	(193)
Net expense (income) from investing activities		(1)	(15)
Net expense (income) from financing activities		(9)	(2)
Other movements		1,180	(1,080)
Net increase (decrease) in cash related to assets and liabilities generated by operating activities		**25,974**	**15,506**
Net increase (decrease) in cash related to transactions with customers and credit institutions		20,304	9,891
Net increase (decrease) in cash related to transactions involving other financial assets and liabilities		8,188	7,781
Net increase (decrease) in cash related to transactions involving non-financial assets and liabilities		(2,392)	(2,060)
Taxes paid		(126)	(106)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES		**30,361**	**17,494**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES		**32**	**180**
Net increase (decrease) in cash related to acquisitions and disposals of consolidated entities		(70)	41
Net increase (decrease) related to property, plant and equipment and intangible assets		(33)	(118)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES		**(103)**	**(77)**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES		**19**	**(8,707)**
Net increase (decrease) in cash and equivalents related to transactions with shareholders		(414)	837
Net increase (decrease) in cash and equivalents generated by other financing activities		(107)	(129)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES		**(521)**	**708**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES		**(27)**	**(853)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS		**(409)**	**(327)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**-**	**5**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS		**29,328**	**17,798**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**24**	**(9,375)**
Balance of cash and equivalent accounts at the start of the period		**4,933**	**14,749**
Cash and amounts due from central banks		4,841	14,033
Due to central banks		(382)	(157)
On-demand deposits with credit institutions	5.d	1,997	2,017
On-demand loans from credit institutions	5.e	(1,523)	(1,144)
Deduction of receivables and accrued interest on cash and equivalents			
Balance of cash and equivalent accounts at the end of the period		**34,261**	**32,547**
Cash and amounts due from central banks		36,069	34,423
Due to central banks		(3,787)	(1,865)
On-demand deposits with credit institutions	5.d	3,473	1,774
On-demand loans from credit institutions	5.e	(1,489)	(1,785)
Deduction of receivables and accrued interest on cash and equivalents		(5)	
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**29,328**	**17,798**
Balance of cash and equivalent accounts of discontinued activities at the start of the period		**100**	**9,601**
Balance of cash and equivalent accounts of discontinued activities at the end of the period		**124**	**226**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**24**	**(9,375)**
Additional information:			
Interest paid		(1,660)	(1,527)
Interest received		4,028	3,946
Dividend paid/received		(191)	(37)

Statement of changes in shareholders' equity between 1 January 2017 and 30 June 2018

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					Total Shareholders' equity	Minority interests (note 7.c)	Total consolidated equity
	Share capital	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 rates	Financial instruments at fair value through equity	Financial investments of insurance activities	Derivatives used for hedging purposes	Total			
Capital and retained earnings at 1 January 2017	11,905	8,916	20,821				-	(997)	1,180		116	299	21,120	5,414	26,534
Other movements	-	(1)	(1)				-					-	(1)	(4)	(5)
Dividends		-	-				-					-	-	(161)	(161)
Changes in assets and liabilities recognised directly in equity	-	38	38				-	(114)	(177)		(46)	(337)	(299)	(79)	(378)
Net income for the first half of 2017	-	1,052	1,052				-					-	1,052	227	1,279
Capital and retained earnings at 30 June 2017	11,905	10,005	21,910				-	(1,111)	1,003		70	(38)	21,872	5,397	27,269
Other movements	-	1	1				-					-	1	16	17
Dividends		-	-				-					-	-	(1)	(1)
Changes in assets and liabilities recognised directly in equity	-	(31)	(31)				-	(96)	191		(18)	77	46	(118)	(72)
Net income for the second half of 2017	-	845	845				-					-	845	249	1,094
Interim dividend payments	-	-	-				-					-	-	-	-
Capital and retained earnings at 31 December 2017	11,905	10,820	22,725				-	(1,207)	1,194		52	39	22,764	5,543	28,307
Revised presentation (note 2)	-	200	200	-	-	(200)	(200)	-	(696)	696	-	-	-	-	-
Capital and retained earnings at 31 December 2017 new presentation	11,905	11,020	22,925			(200)	(200)	(1,207)	498	696	52	39	22,764	5,543	28,307
Impact of the application of IFRS 9	-	61	61	188	(56)	-	132	-	(186)	-	(1)	(187)	6	(136)	(130)
Impact of the application of IFRS 15		(38)	(38)				-					-	(38)	-	(38)
Capital and retained earnings at 1 January 2018 restated IFRS 9 & IFRS 15	11,905	11,043	22,948	188	(56)	(200)	(68)	(1,207)	312	696	51	(148)	22,732	5,407	28,139
Other movements		(9)	(9)				-					-	(9)	(219)	(228)
Dividends		-	-				-					-	-	(214)	(214)
Changes in assets and liabilities recognised directly in equity		-	-	27	19	15	61	(166)	(96)	74	6	(182)	(121)	(39)	(160)
Net income for the first half of 2018		934	934				-					-	934	227	1,161
Capital and retained earnings at 30 June 2018	11,905	11,968	23,873	215	(37)	(185)	(7)	(1,373)	216	770	57	(330)	23,536	5,162	28,698

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Prepared in accordance with IFRS 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.

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

IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers”

Since 1st January 2018, BNP Paribas Fortis applies:

- IFRS 9 “Financial Instruments” and amendments to IFRS 9: “Prepayment Features with Negative Compensation” adopted by the European Union, on 22 November 2016 and on 22 March 2018 respectively.

  IFRS 9 replaces IAS 39 “Financial Instruments: recognition and measurement”, related to the classification and measurement of financial instruments. It sets out the new principles for the classification and measurement of financial instruments – (Phase 1), for impairment for credit risk on debt instruments measured at amortised cost or at fair value through shareholders’ equity, loan commitments given, financial guarantee contracts, lease and trade receivables and contract assets – (Phase 2), as well as for general hedge accounting (i.e. micro hedging). – (Phase 3).

  IFRS 9 has modified the provisions relating to the own credit risk of financial liabilities designated as at fair value through profit or loss (fair value option).

  As regards hedge accounting (micro-hedging), BNP Paribas Fortis has maintained the hedge accounting principles under IAS 39. Besides, 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 of IAS 39 for these portfolio hedges, as adopted by the European Union, continue to apply.

- The amendment to IFRS 4 “Insurance Contracts”: “*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*” adopted by the European Union on 3 November 2017.

  This amendment gives to entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that those entities may continue to report their financial statements under the existing standard IAS 39.

  This temporary exemption from IFRS 9, which was limited to groups that predominantly undertook insurance activities according to the IASB amendment, has been extended to the insurance sector of financial conglomerates as defined by the Directive 2002/87/EC as adopted by the European Union. This exemption is subject to conditions, notably the absence of internal transfer of financial instruments, other than financial instruments that are measured at fair value through profit or loss, between insurance entities and other entities of the financial conglomerate.

  BNP Paribas Group applies this amendment as adopted by the European Union to all its insurance entities, including funds related to this activity, which will apply IAS 39 “Financial instruments: Recognition and Measurement” until 31 December 2020.

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

BNP Paribas Fortis retains the accounting policies adopted by its insurance associates if these decided to apply IAS 39 “Financial Instruments: Recognition and Measurement” until December 2020.

- IFRS 15 “Revenue from Contracts with Customers” adopted by the European Union on 22 September 2016.

IFRS 9 and IFRS 15 introduce the option to not restate the comparative figures for prior periods. Since BNP Paribas Fortis has retained this option, the comparative financial statements for 2017 have not been restated for these changes in method.

The introduction of other than IFRS 9 and IFRS 15 standards and amendments effective 1 January 2018 did not have an effect on the half-year condensed financial statements as of 30 June 2018.

BNP Paribas Fortis did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2018 was optional except the amendment to IFRS 9 “*Prepayment Features with Negative Compensation*”.

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

IFRS 16 Leases

IFRS 16 “Leases”, issued in January 2016, will supersede IAS 17 “Leases” and the interpretations relating to the accounting of such contracts. The new definition of leases relies on both the identification of an asset and the control of the right to use the identified asset by the lessee.

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

For the lessee, IFRS 16 will require recognition in the balance sheet of all leases, 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 will be amortised on a straight-line basis and the financial liabilities will be 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 in the balance sheet of the leased assets.

Adopted by the European Union on 31 October 2017, IFRS 16 will become mandatory for annual periods beginning on or after 1 January 2019.

In 2018, the work on the identification and analysis of the lease contracts continues. Application of the standard will result in an increase in assets and liabilities related to lease agreements currently accounted for as operating leases. That impact is expected to come mainly from property leases and to a lesser extent from auto leases.

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.

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

For these entities, the analysis of control shall consider the purpose and design of the entity, the risks to which the entity is designed to be exposed and to what extent BNP Paribas Fortis absorbs the related variability. The assessment of control shall consider all facts and circumstances able to determine the practical ability of BNP Paribas Fortis 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 it 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, 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 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 “Investments in equity-method entities”.

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

If the share of BNP Paribas Fortis in the 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 available-for-sale assets 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 rates», and in “Minority interests” for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, BNP Paribas Fortis has reset to zero all translation differences, by booking all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004 to retained earnings.

On liquidation or disposal of some or all of an interest held in a foreign enterprise located outside the euro zone, leading to a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without keeping a significant influence), the cumulative translation adjustment at the date of liquidation or sale, determined according to the step method, is recognised in the profit and loss account.

Should the percentage of interest change without leading to a modification in the nature of the investment, the translation 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 combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method.

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

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

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

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

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

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss, on the acquisition date. Minority interests are measured at their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, BNP Paribas Fortis can elect to measure minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, BNP Paribas Fortis has never used this latter option.

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

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

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

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

Measurement of goodwill

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

- Cash-generating units

BNP Paribas Fortis has split all its activities into cash-generating units[2] 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 cash-generating units, such as acquisitions, disposals and major reorganisations.

(2) As defined by IAS 36.

- Testing cash-generating units for impairment

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

- Recoverable amount of a cash-generating unit

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

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

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

Transactions under common control

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

1.d Translation of foreign currency transactions

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

- Monetary assets and liabilities[3] expressed in foreign currencies

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

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

- Non-monetary assets and liabilities expressed in foreign currencies

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

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 shareholders' equity.'

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

1.e.1 Net interest income

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

The effective interest rate is the rate that ensures the discounted value of estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, is equal to the gross 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 regard to banking and similar services provided (except for those that are integral part of the effective interest rate), revenues from property development and revenues from services provided in connection with lease contracts fall within the scope of IFRS 15 'Revenue from Contracts with Customers'.

This standard defines a single model for recognising revenue based on five-step principles. These five steps enable to identify the distinct performance obligations included in the contracts and allocate the transaction price among them. The income related to those performance obligations is recognized 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 recognized 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 under ‘income from other activities’ in the income statement as the service is rendered, i.e. in proportion to the costs incurred for maintenance contracts.

1.f Financial assets and liabilities

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

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

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

1.f.1 Financial assets at amortised cost

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

Business model criterion

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

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

Cash flow criterion

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

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

Interests consist 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 interests 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, for example 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.

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, regarding loans to retail customers, the compensation limited to 6 months of interest or 3% of the capital outstanding is considered as reasonable). 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. The cash-flow criterion is met as long as these loans do not represent a direct exposure on the assets acting as collateral.

The 'financial assets at amortised cost' category includes, in particular, loans granted by BNP Paribas Fortis, reverse repurchase agreements and some securities held within the activity of Asset-and Liability Management in order to collect contractual flows (treasury bills, government bonds and other debt securities).

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 within Asset and Liability Management activity 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 recognized under a specific line of shareholders’ equity entitled ‘Changes in assets and liabilities recognized directly in equity’. 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. 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 do not meet the definition of equity instruments as they are puttable to the issuer. They do not meet the cash flow criterion either, and thus are recognized 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 regard to the evolution of counterparty credit risk since the initial recognition of the asset.

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

Regarding 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 financial assets

Definition

A financial asset is credit-impaired 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 recognized 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

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 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 instrument. 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 the capital requirement for credit risk is measured according to the IRBA methodology. This method is also applied to portfolios for which the capital requirement for credit risk is measured according to the standardised approach. Besides, the Basel framework has been supplemented with the specific provisions of IFRS 9, 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 is 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'.

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;
- Impairment gains and losses relating to fixed-income securities of insurance entities that are individually impaired (which fall under IAS 39).

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 measured 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 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 the Group’s 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 the parent company (BNP Paribas SA) and by its fully consolidated subsidiaries. External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

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

When BNP Paribas Fortis acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas Fortis, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas Fortis shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset 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. Perpetual 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 must recognise 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 currency 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, 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 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 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.h Leases

Group companies may either be the lessee or the lessor in a lease agreement.

1.h.1 Lessor accounting

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

Finance leases

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

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

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 Lessee accounting

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

Finance leases

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

Operating leases

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

1.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”.

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

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

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

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, including pension plans.

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, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

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

1.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.

Current and deferred taxes are recognised as tax income or expenses in the profit and loss account, except for those relating to a transaction or an event directly recognised in shareholders' equity, which are also recognised in shareholders' equity.

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

1.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 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 measurement of expected credit losses, especially 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 use of internally-developed models to measure positions in financial instruments that are not quoted in active markets;
- calculations of the fair value of unquoted financial instruments classified in "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;
- whether a market is active or inactive for the purposes of using a valuation technique;
- impairment tests performed on goodwill and intangible assets;
- impairment testing on investments in equity-method entities;
- deferred tax asset recognition;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and more generally of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges. 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.

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

2. IMPACTS OF PRESENTATION CHANGES AND OF THE FIRST TIME ADOPTION OF IFRS 9 AND IFRS 15

As at 31 December 2017, BNP Paribas Fortis operated presentation changes and recognised securities at their settlement date:

- Ahead of the implementation of IFRS 9 “Financial instruments” as of 1 January 2018, a few item headings have been renamed in the balance sheet, the profit and loss account and in the statement of net income and changes in assets and liabilities recognised directly in equity;
- In order to align the definition of “credit institutions” in the financial statements with the definition used in regulatory reporting, outstanding balances with some counterparties were reclassified from “Loans and advances to credit institutions” to “Loans and advances to customers”;
- Securities transactions, previously recognised at trade date, are now recognised at settlement date. This new representation of securities converges with rules applied for liquidity ratios.

The impacts of these changes on the balance sheet, the profit and loss account are presented in note 2.a.

Then, as of 1 January 2018, BNP Paribas Fortis has applied the new accounting standards IFRS 9 and IFRS 15:

- Financial instruments held by non-insurance entities have been classified and measured in accordance with IFRS 9 “Financial instruments”;
- IFRS 15 “Revenue from Contracts with Customers” has been applied without any significant change to the balance sheet.

The impacts of the IFRS 9 and IFRS 15 first time adoption are presented in note 2.b.

2.a. Impacts of presentation changes and of the securities accounting at settlement date

- **Balance sheet**

in millions of euros	31 December 2017 *IAS 39* *former presentation*	Impact of settlement date accounting of securities	Other reclassifications	31 December 2017 *IAS 39* *revised presentation*
ASSETS				
Cash and balances at central banks	4,942			4,942
Financial instruments at fair value through profit or loss				
Securities	1,394	(76)	303	1,621
Loans and repurchase agreements	2,391		1,275	3,666
Instruments designated as at fair value through profit or loss	1,578		(1,578)	
Derivative financial instruments	5,777			5,777
Derivatives used for hedging purposes	2,011			2,011
Available-for-sale financial assets	23,697			23,697
Financial assets at fair value through equity				
Debt securities				
Equity securities				
Financial assets at amortised cost				
Loans and advances to credit institutions	25,305		(343)	24,962
Loans and advances to customers	175,425		(2,363)	173,062
Debt securities			2,706	2,706
Remeasurement adjustment on interest-rate risk hedged portfolios	1,062			1,062
Held-to-maturity financial assets	511			511
Current and deferred tax assets	2,149			2,149
Accrued income and other assets	8,340	(128)		8,212
Equity-method investments	4,356			4,356
Property, plant and equipment and Investment property	17,387			17,387
Intangible assets	292			292
Goodwill	663			663
Non-current assets held for sale	366			366
TOTAL ASSETS	**277,646**	**(204)**		**277,442**
LIABILITIES				
Deposits from central banks	382			382
Financial instruments at fair value through profit or loss				
Securities	295	(73)		222
Deposits and repurchase agreements	4,706		207	4,913
Instruments designated as at fair value through profit or loss	4,190		(4,190)	
Issued debt securities		(43)	3,984	3,941
Derivative financial instruments	4,114			4,114
Derivatives used for hedging purposes	3,982			3,982
Financial liabilities at amortised cost				
Deposits from credit institutions	36,558			36,558
Deposits from customers	166,927			166,927
Debt securities	12,434			12,434
Subordinated debt	2,487			2,487
Remeasurement adjustment on interest-rate risk hedged portfolios	441			441
Current and deferred tax liabilities	748			748
Accrued expenses and other liabilities	6,512	(88)	(1)	6,423
Provisions for contingencies and charges	4,732			4,732
Liabilities associated with non-current assets held for sale	831			831
TOTAL LIABILITIES	**249,339**	**(204)**		**249,135**
EQUITY				
Share capital, additional paid-in capital and retained earnings	*20,828*		*200*	*21,028*
Net income for the period attributable to shareholders	*1,897*			*1,897*
Total capital, retained earnings and net income for the period attributable to shareholders	**22,725**		**200**	**22,925**
Changes in assets and liabilities recognized directly in equity that will not be reclassified to profit or loss			(200)	(200)
Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss	39			39
Shareholders' equity	**22,764**			**22,764**
Retained earnings and net income for the period attributable to minotrity interests	5,784			5,784
Changes in assets and liabilities recognized directly in equity that will not be reclassified to profit or loss	(15)			(15)
Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss	(226)			(226)
Minority interests	**5,543**			**5,543**
TOTAL EQUITY	**28,307**			**28,307**
TOTAL LIABILITIES & EQUITY	**277,646**	**(204)**		**277,442**

The balance sheet as at 31 December 2017 has undergone the following presentation changes:

(a) “Instruments designated as at fair value through profit or loss”, previously presented on specific asset and liability lines, have been broken down by type of instruments within “Financial instruments at fair value through profit or loss”. On the liability side of the balance sheet, EUR 4.2 billion were split between EUR 4.0 billion of “Debt securities” and EUR 0.2 billion of “Deposits and repurchase agreements”.

(b) In order to align the definition of “credit institutions” in the financial statements and in the FINREP regulatory reports, some counterparties were reclassified from “Loans and advances to credit institutions” to “Loans and advances to customers” for an amount of EUR 0.3 billion.

(c) Securities previously included in “Loans and advances to customers” and “Loans and advances to credit institutions” were grouped into the “Debt securities” sub-section of “Financial assets at amortised cost”.

(d) Moreover, the settlement date accounting of securities led to a small decrease in the total balance sheet of EUR (0.2) billion.

- **Profit and loss account**

In millions of euros	First half 2017 *former presentation*	Re-labelling of financial instruments item headings	Reclassification of interest income and expense on trading instruments	First half 2017 *revised presentation*
Interest income	3,976		(38)	3,938
Interest expense	(1,438)		26	(1,412)
Commission income	1,152			1,152
Commission expense	(418)			(418)
Net gain/loss on financial instruments at fair value through profit or loss	33		12	45
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	128	(128)		
Net gain/loss on financial instruments at fair value through equity		128		128
Income other activities	4,507			4,507
Expense other activities	(3,768)			(3,768)
REVENUES	4,172			4,172
Salary and employee benefit expenses	(1,297)			(1,297)
Other operating expenses	(1,105)			(1,105)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(142)			(142)
GROSS OPERATING INCOME	1,628			1,628
Cost of risk	(134)			(134)
OPERATING INCOME	1,494			1,494
Share of earnings of equity-method entities	193			193
Net gain/loss on non-current assets	21			21
Goodwill	-			-
PRE-TAX INCOME	1,708			1,708
Corporate income tax	(429)			(429)
NET INCOME	1,279			1,279
of which net income attributable to minority Interests	*227*			*227*
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS	1,052			1,052

Interest income and expense from trading instruments, previously presented under “Interest income / expense”, are now presented within “Net gain on financial instruments at fair value through profit or loss” (net amount of EUR 12 million for the first half of 2017).

2.b. Impacts of the adoption of IFRS 9 and IFRS 15

- **Synthesis of IFRS 9 and IFRS 15 first time adoption impacts on the balance sheet as at 1 January 2018**

in millions of euros	31 December 2017 *IAS 39* *revised presentation*	Impacts of IFRS 9 adoption Reclassif-ications	Impacts of IFRS 9 adoption Remeasurements Phase 1	Impacts of IFRS 9 adoption Remeasurements Phase 2	Impacts of IFRS 15 adoption	1 January 2018 IFRS 9 & IFRS 15
ASSETS						
Cash and balances at central banks	4,942			(9)		4,933
Financial instruments at fair value through profit or loss						
Securities	1,621	1,877	55			3,553
Loans and repurchase agreements	3,666	(1,209)	1			2,458
Derivative financial instruments	5,777	2				5,779
Derivatives used for hedging purposes	2,011	(2)				2,009
Available-for-sale financial assets	23,697	(23,697)				
Financial assets at fair value through equity						
Debt securities		*14,087*	*58*	*(17)*		14,128
Equity securities		*302*	*9*			311
Financial assets at amortised cost						
Loans and advances to credit institutions	24,962			(1)		24,961
Loans and advances to customers	173,062	1,209		(170)		174,101
Debt securities	2,706	7,942	98	(2)		10,744
Remeasurement adjustment on interest-rate risk hedged portfolios	1,062					1,062
Held-to-maturity financial assets	511	(511)				
Current and deferred tax assets	2,149		(116)	83	16	2,132
Accrued income and other assets	8,212				37	8,249
Equity-method investments	4,356		(1)	(100)		4,255
Property, plant and equipment and Investment property	17,387					17,387
Intangible assets	292					292
Goodwill	663					663
Non-current assets held for sale	366		1			367
TOTAL ASSETS	**277,442**		**105**	**(216)**	**53**	**277,384**
LIABILITIES						
Deposits from central banks	382					382
Financial instruments at fair value through profit or loss						
Securities	222					222
Deposits and repurchase agreements	4,913					4,913
Issued debt securities	3,941					3,941
Derivative financial instruments	4,114	(272)				3,842
Derivatives used for hedging purposes	3,982	272				4,254
Financial liabilities at amortised cost						
Deposits from credit institutions	36,558					36,558
Deposits from customers	166,927					166,927
Debt securities	12,434					12,434
Subordinated debt	2,487					2,487
Remeasurement adjustment on interest-rate risk hedged portfolios	441					441
Current and deferred tax liabilities	748		(1)	(64)	2	685
Accrued expenses and other liabilities	6,423			1	437	6,861
Provisions for contingencies and charges	4,732			80	(348)	4,464
Liabilities associated with non-current assets held for sale	831		3			834
TOTAL LIABILITIES	**249,135**		**2**	**17**	**91**	**249,245**
EQUITY						
Share capital, additional paid-in capital and retained earnings	*21,028*	*171*	*10*	*(120)*	*(38)*	*21,051*
Net income for the period attributable to shareholders	*1,897*					*1,897*
Total capital, retained earnings and net income for the period attributable to shareholders	**22,925**	**171**	**10**	**(120)**	**(38)**	**22,948**
Changes in assets and liabilities recognized directly in equity that will not be reclassified to profit or loss	(200)	138	(6)			(68)
Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss	39	(309)	122			(148)
Shareholders' equity	**22,764**		**126**	**(120)**	**(38)**	**22,732**
Retained earnings and net income for the period attributable to minotrity interests	5,784	21	4	(113)		5,696
Changes in assets and liabilities recognized directly in equity that will not be reclassified to profit or loss	(15)	9	3			(3)
Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss	(226)	(30)	(30)			(286)
Minority interests	**5,543**		**(23)**	**(113)**		**5,407**
TOTAL EQUITY	**28,307**		**103**	**(233)**	**(38)**	**28,139**
TOTAL LIABILITIES & EQUITY	**277,442**		**105**	**(216)**	**53**	**277,384**

The post-tax impact of IFRS 15 adoption on shareholders' equity as at 1 January 2018 amounts to EUR (38) million. This impact is generated by:

- a change in the timing of recognition of revenues derived from maintenance services offered by operating lease entities;
- a change in the timing of recognition of revenues derived from real estate programmes.

Income from these activities is recognised in the profit and loss account in "Income/expense from other activities".

The post-tax impact of IFRS 9 adoption on shareholders' equity as at 1 January 2018 amounts to EUR (130) million.

- **Detail of the impacts of IFRS 9 and IFRS 15 adoption on the balance sheet**

In millions of euros	31 December 2017 *IAS 39 revised presentation*	Reclassifications - Phase I								Balance sheet after Phase 1 reclassification
		IAS 39 original categories					Reclassification of Own Credit Spread	Other reclassification	TOTAL	
		Available-for-sale assets at fair value through equity		Financial assets at amortised cost		Reclassification HFTO loans				
		Debt Securities	Equity securities	Held-to-maturity	Debt securities					
ASSETS										
Cash and balances at central banks	4,942									4,942
Financial instruments at fair value through profit or loss										
Securities	1,621	686	506		685				1,877	3,498
Loans and repurchase agreements	3,666				69	(1,278)			(1,209)	2,457
Derivative financial instruments	5,777							2	2	5,779
Derivatives used for hedging purposes	2,011							(2)	(2)	2,009
Available-for-sale financial assets	23,697	(22,889)	(808)						(23,697)	
Financial assets at fair value through equity										
Debt securities		12,595			1,492				14,087	14,087
Equity securities			302						302	302
Financial assets at amortised cost										
Loans and advances to credit institutions	24,962									24,962
Loans and advances to customers	173,062				(69)	1,278			1,209	174,271
Debt securities	2,706	9,608		511	(2,177)				7,942	10,648
Remeasurement adjustment on interest-rate risk hedged portfolios	1,062									1,062
Held-to-maturity financial assets	511			(511)					(511)	
Current and deferred tax assets	2,149									2,149
Accrued income and other assets	8,212									8,212
Equity-method investments	4,356									4,356
Property, plant and equipment and Investment property	17,387									17,387
Intangible assets	292									292
Goodwill	663									663
Assets classified as held for sale	366									366
TOTAL ASSETS	**277,442**									**277,442**
LIABILITIES										
Deposits from central banks	382									382
Financial instruments at fair value through profit or loss										
Securities	222									222
Deposits and repurchase agreements	4,913									4,913
Issued debt securities	3,941									3,941
Derivative financial instruments	4,114					(272)			(272)	3,842
Derivatives used for hedging purposes	3,982					272			272	4,254
Financial liabilities at amortised cost										
Deposits from credit institutions	36,558									36,558
Deposits from customers	166,927									166,927
Debt securities	12,434									12,434
Subordinated debt	2,487									2,487
Remeasurement adjustment on interest-rate risk hedged portfolios	441									441
Current and deferred tax liabilities	748									748
Accrued expenses and other liabilities	6,423									6,423
Provisions for contingencies and charges	4,732									4,732
Liabilities associated with non-current assets held for sale	831									831
TOTAL LIABILITIES	**249,135**									**249,135**
EQUITY										
Capital, retained earnings and net income for the period attributable to shareholders	22,925	1	113				56	1	171	23,096
Changes in assets and liabilities recognised directly in equity	(161)	(1)	(113)				(56)	(1)	(171)	(332)
Shareholders' equity	**22,764**									**22,764**
Retained earnings and net income for the period attributable to minotrity interests	5,784	5	18				(2)		21	5,805
Changes in assets and liabilities recognized directly in equity that will not be reclassified to profit or loss	(15)		7				2		9	(6)
Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss	(226)	(5)	(25)						(30)	(256)
Minority interests	**5,543**									**5,543**
TOTAL EQUITY	**28,307**									**28,307**
TOTAL LIABILITIES & EQUITY	**277,442**									**277,442**

The adoption of IFRS 9 provisions related to the classification and measurement of financial instruments led to the following impacts as of 1 January 2018:

(e) Treasury bills, government bonds and other debt securities have been recognized, depending on the business model, at amortized cost for EUR 9.6 billion and at fair value through equity for EUR 12.6 billion. By way of exception, EUR 0.7 billion for which the contractual cash flows do not consist solely of payments relating to principal and interest on the principal are measured at fair value through profit and loss;

(f) Investments in equity instruments such as shares are classified as financial instruments at fair value through profit or loss for EUR 0.3 billion and at fair value through equity for EUR 0.5 billion;

In millions of euros	Balance sheet after Phase 1 reclassification	Remeasurement - Phase 1					Total Phase 1	Impairment adjusments Phase 2	TOTAL IFRS 9 impact	IFRS 15 impact	1 January 2018 *IFRS 9 & IFRS 15*
		From available-for-sale debt securities to amortised cost	From Loans & receivables to financial assets at fair value through equity	From Loans & receivables to financial assets at fair value through profit or loss	Other adjustments	TOTAL					
ASSETS											
Cash and balances at central banks	4,942							(9)	(9)		4,933
Financial instruments at fair value through profit or loss											
Securities	3,498			55		55	1,932		1,932		3,553
Loans and repurchase agreements	2,457			1		1	(1,208)		(1,208)		2,458
Derivative financial instruments	5,779						2		2		5,779
Derivatives used for hedging purposes	2,009						(2)		(2)		2,009
Available-for-sale financial assets							(23,697)		(23,697)		
Financial assets at fair value through equity											
Debt securities	14,087	(26)	84			58	14,145	(17)	14,128		14,128
Equity securities	302				9	9	311		311		311
Financial assets at amortised cost											
Loans and advances to credit institutions	24,962							(1)	(1)		24,961
Loans and advances to customers	174,271						1,209	(170)	1,039		174,101
Debt securities	10,648	93			5	98	8,040	(2)	8,038		10,744
Remeasurement adjustment on interest-rate risk hedged portfolios	1,062										1,062
Held-to-maturity financial assets							(511)		(511)		
Current and deferred tax assets	2,149	(86)	(17)	(13)		(116)	(116)	83	(33)	16	2,132
Accrued income and other assets	8,212									37	8,249
Equity-method investments	4,356	(1)				(1)	(1)	(100)	(101)		4,255
Property, plant and equipment and Investment property	17,387										17,387
Intangible assets	292										292
Goodwill	663										663
Assets classified as held for sale	366				1	1	1		1		367
TOTAL ASSETS	**277,442**	**(20)**	**67**	**43**	**15**	**105**	**105**	**(216)**	**(111)**	**53**	**277,384**
LIABILITIES											
Deposits from central banks	382										382
Financial instruments at fair value through profit or loss											
Securities	222										222
Deposits and repurchase agreements	4,913										4,913
Issued debt securities	3,941										3,941
Derivative financial instruments	3,842						(272)		(272)		3,842
Derivatives used for hedging purposes	4,254						272		272		4,254
Financial liabilities at amortised cost											
Deposits from credit institutions	36,558										36,558
Deposits from customers	166,927										166,927
Debt securities	12,434										12,434
Subordinated debt	2,487										2,487
Remeasurement adjustment on interest-rate risk hedged portfolios	441										441
Current and deferred tax liabilities	748	(6)	4	2	(1)	(1)	(1)	(64)	(65)	2	685
Accrued expenses and other liabilities	6,423							1	1	437	6,861
Provisions for contingencies and charges	4,732							80	80	(348)	4,464
Liabilities associated with non-current assets held for sale	831				3	3	3		3		834
TOTAL LIABILITIES	**249,135**	**(6)**	**4**	**2**	**2**	**2**	**2**	**17**	**19**	**91**	**249,245**
EQUITY											
Capital, retained earnings and net income for the period attributable to shareholders	**23,096**			**7**	**3**	**10**	**181**	**(120)**	**61**	**(38)**	**22,948**
Changes in assets and liabilities recognised directly in equity	(332)	20	63	21	12	116	(55)		(55)		(216)
Shareholders' equity	**22,764**	**20**	**63**	**39**	**4**	**126**	**126**	**(120)**	**6**	**(38)**	**22,732**
Retained earnings and net income for the period attributable to minotrity interests	5,805				4	4	25	(113)	(88)		5,696
Changes in assets and liabilities recognized directly in equity that will not be reclassified to profit or loss	(6)				3	3	12		12		(3)
Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss	(256)	(34)		2	2	(30)	(60)		(60)		(286)
Minority interests	**5,543**	**(34)**		**2**	**9**	**(23)**	**(23)**	**(113)**	**(136)**		**5,407**
TOTAL EQUITY	**28,307**	**(14)**	**63**	**41**	**13**	**103**	**103**	**(233)**	**(130)**	**(38)**	**28,139**
TOTAL LIABILITIES & EQUITY	**277,442**	**(20)**	**67**	**43**	**15**	**105**	**105**	**(216)**	**(111)**	**53**	**277,384**

(c) The reclassification of debt securities previously recognized as ‘Loans and receivables’ into ‘Instruments at fair value through equity’ for EUR 1.5 billion based on their ‘collect and sell’ business model. The remaining part (EUR 0.7 billion) has been classified as ‘Instruments at fair value through profit or loss’ (as the contractual cash flows do not consist solely of payments relating to principal and interest on the principal, or for which the business model does not allow a classification at amortised cost or at fair value through equity).

3. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF OF 2018

3.a Net interest income

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

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.

	First half 2018 *IFRS 9 & IFRS 15*			First half 2017 *IAS 39*		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	3,502	(1,079)	**2,423**	3,254	(968)	**2,286**
Deposits, loans and borrowings	2,947	(946)	**2,001**	2,822	(813)	**2,009**
Repurchase agreements	23	(9)	**14**	26	(8)	**18**
Finance leases	407	(29)	**378**	373	(19)	**354**
Debt securities	125		**125**	33	-	**33**
Issued debt securities and subordinated debts		(95)	**(95)**	-	(128)	**(128)**
Financial instruments at fair value through equity	21	-	**21**	175	-	**175**
Debt securities	21		**21**	175	-	**175**
Financial instruments at fair value through profit or loss (Trading securities excluded)	8	(38)	**(30)**	27	(51)	**(24)**
Cash flow hedge instruments	212	(191)	**21**	270	(245)	**25**
Interest rate portfolio hedge instruments	212	(152)	**60**	212	(148)	**64**
TOTAL INTEREST INCOME / (EXPENSE)	**3,955**	**(1,460)**	**2,495**	**3,938**	**(1,412)**	**2,526**

Interest on financial instruments at amortised cost includes, for the first half of 2017, interest income and expenses on held-to-maturity financial assets, customer and interbank items and debt issued by the Bank (excluding issues that the Bank has designated as at fair value through profit or loss).

Interest on financial instruments at fair value through equity corresponds, for the first half of 2017, to interest on debt securities available for sale, of which about half of the portfolio was reclassified at amortised cost as of 1 January 2018. This reclassification mainly explains the variation of interest on debt securities within interest on financial instruments at amortised cost between the two periods.

Interest on financial instruments at fair value through profit or loss corresponds, for the first half of 2017, to interest income and expenses on financial instruments that the Group designated as at fair value through profit or loss. For the first half of 2018, this aggregate also includes interest on non-trading financial instruments whose characteristics prevent their classification at amortised cost or at fair value through equity.

The effective interest rate applied on the second series of Targeted Longer-Term Refinancing Operations (TLTRO II) conducted by the European Central Bank takes into account a 40 bp interest incentive.

Interest income on individually impaired loans amounted to EUR 33 million for the first half of 2018, compared to EUR 20 million for the first half of 2017.

3.b Commission income and expense

In millions of euros	First half 2018 IFRS 9 & IFRS 15			First half 2017 IAS 39		
	Income	Expense	Net	Income	Expense	Net
Customer transactions	49	(48)	**1**	40	(39)	**1**
Securities and derivatives transactions	453	(98)	**355**	455	(90)	**365**
Financing and guarantee commitments	101	(4)	**97**	106	(4)	**102**
Asset management and other services	322	(8)	**314**	304	(1)	**303**
Others	141	(201)	**(60)**	247	(284)	**(37)**
TOTAL COMMISSIONS	1,066	(359)	**707**	1,152	(418)	**734**
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	*49*	*(48)*	***1***	*202*	*(43)*	***159***
Of which commission income and expense on financial instruments not measured at fair value through profit or loss	*218*	*(8)*	***210***	*179*	*(1)*	***178***

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, 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.

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.

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 margin" (note 3.a).

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
Trading book	**71**	**116**
Interest rate and credit instruments	(9)	71
Equity financial instruments	(27)	84
Foreign exchange financial instruments	93	(43)
Loans and repurchase agreements	14	-
Other financial instruments	-	4
Financial instruments designated as at fair value through profit or loss	**(8)**	**(88)**
of which debt remeasurement effect arising from BNP Paribas Fortis issuer risk [(1)]	-	*(23)*
Other financial instruments at fair value through profit or loss	**47**	
Debt instruments	(1)	
Equity instruments	48	
Impact of hedge accounting	**1**	**17**
Fair value hedging derivatives	178	395
Hedged items in fair value hedge	(177)	(378)
TOTAL	**111**	**45**

[(1)] *Debt remeasurement effect arising from BNP Paribas Fortis issuer risk is recognised in the permanent shareholders' equity as of 1 January 2018.*

Net gains on the trading book in 2018 and 2017 include a non-material amount related to the ineffective portion of cash flow hedges.

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

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
Net gain on debt instruments at fair value through equity	**54**	**56**
Debt securities [1]	54	56
Net gain on equity instruments at fair value through equity	**5**	**72**
Dividend income	5	14
Additions to impairment provisions		(2)
Net disposal gains		60
Net gain on financial instruments at fair value through equity	**59**	**128**
Net gain on financial instruments at amortised cost	**2**	
Loans and receivables	2	
Debt securities [1]	-	
Net gain on financial assets at amortised cost	**2**	

[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).*

For the first half of 2018, net gain on financial instruments at fair value through equity includes gains and losses from disposals of debt securities at fair value through equity and dividends on equity securities for which BNP Paribas Fortis applied the fair value through equity option; gains and losses on the latter are no longer recognised in profit and loss, but directly in equity.

For the first half of 2017, additions to impairment provisions and gains and losses from disposals of equity securities were those recognised under IAS 39 on available-for-sale securities.

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 gain of EUR 78 million for the first half of 2018.

3.e Net income from other activities

	First half 2018 *IFRS 9 & IFRS 15*			First half 2017 *IAS 39*		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Net income from investment property	27	(9)	**18**	76	(7)	**69**
Net income from assets held under operating leases	4,921	(4,236)	**685**	4,252	(3,598)	**654**
Other net income	274	(240)	**34**	179	(163)	**16**
TOTAL NET INCOME FROM OTHER ACTIVITIES	5,222	(4,485)	**737**	4,507	(3,768)	**739**

3.f Other operating expenses

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
External services and other operating expenses	(808)	(738)
Taxes and contributions [1]	(367)	(367)
TOTAL OTHER OPERATING EXPENSES	(1,175)	(1,105)

[1] Contributions to European resolution funds, including exceptional contributions, amount to EUR (68) million for the first half 2018 compared with EUR (57) million for the first half 2017.

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 as at 31 December 2017 (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 been regularised but that has occurred within the last 12 months is considered as a significant deterioration in credit risk and the facility is therefore placed into stage 2.

- *Furthermore, for all portfolios:*

- The facility is assumed to be in stage 1 when its rating is between above 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 at 9+ or worse (or the 1 year PD is above 10%) at reporting date, as long as the facility is not credit-impaired, it is considered as significantly deteriorated and therefore placed into stage 2.

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 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 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.

Macro-economic scenarios:

The three macro-economic scenarios 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.

Cost of credit risk for the period

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
Net allowances to impairment	(139)	(139)
Recoveries on loans and receivables previously written off	15	19
Losses on irrecoverable loans	(17)	(14)
TOTAL COST OF RISK FOR THE PERIOD	(141)	(134)

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

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
Cash and balances at central banks	-	-
Financial instruments at fair value through profit or loss	7	6
Financial assets at fair value through equity (1)	(3)	-
Financial assets at amortised cost (2)	(168)	(123)
Loans and receivables	*(169)*	*(123)*
Debt securities	*1*	-
Other assets	-	(2)
Financing and guarantee commitments and other items	23	(15)
TOTAL COST OF RISK FOR THE PERIOD	(141)	(134)
Cost of risk on unimpaired assets and commitments (3)	12	(21)
of which stage 1	*(14)*	
of which stage 2	*26*	
Cost of risk on impaired assets and commitments - stage 3 (4)	(152)	(113)

(1) 2017 figures represent the cost of risk related to fixed-income available-for-sale financial assets.
(2) 2017 figures represent the cost of risk related to loans and advances to credit institutions and customers and to held-to-maturity financial assets.
(3) 2017 figures represent the cost of risk on a collective basis.
(4) 2017 figures represent the cost of risk on a specific basis.

Credit risk impairment

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

In millions of euros	01 January 2018 *IFRS 9 & IFRS 15*	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	30 June 2018 *IFRS 9 & IFRS 15*
Amounts due from central banks	9	1	-	(1)	9
Financial instruments at fair value through profit or loss	55	(1)	-	(6)	48
Impairment of financial assets at fair value through shareholders' equity					
Financial assets at amortised cost					
Loans and receivables	*3,094*	*167*	*(149)*	*(187)*	*2,925*
Debt securities	*2*	*(1)*	-	-	*1*
Other assets	7	-	-	-	7
Total impairment of financial assets	**3,195**	**169**	**(149)**	**(194)**	**3,021**
of wich stage 1	*271*	*3*	-	*(25)*	*249*
of wich stage 2	*525*	*(7)*	-	*(68)*	*450*
of wich stage 3	*2,399*	*173*	*(149)*	*(101)*	*2,322*
Provisions recognised at liabilities	**237**	**(26)**	**(1)**	**(5)**	**205**
Provisions for commitments	198	(9)	(1)	(5)	183
Other provisions	39	(17)	-	-	22
Total provisions recognised for credit commitments	237	(26)	(1)	(5)	205
of wich stage 1	*40*	*11*	-	*(2)*	*49*
of wich stage 2	*57*	*(20)*	-	*(2)*	*35*
of wich stage 3	*140*	*(17)*	*(1)*	*(1)*	*121*
Total impairment and provisions	3,432	143	(150)	(199)	3,226

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 1 January 2018	260	510	2,326	**3,096**
Net allowances to impairment	**2**	**(9)**	**173**	**166**
Financial assets purchased or originated during the period	41	35	2	**78**
Financial assets derecognised during the period [1]	(14)	(33)	(37)	**(84)**
Transfer to Stage 2	(14)	101	(30)	**57**
Transfer to Stage 3	(18)	(16)	157	**123**
Transfer to Stage 1	13	(69)	-	**(56)**
Other allowances/reversals without stage transfer [2]	(6)	(27)	81	**48**
Impairment provisions used	**-**	**-**	**(149)**	**(149)**
Effect of exchange rate movements and other items	**(23)**	**(69)**	**(95)**	**(187)**
At 30 June 2018	239	432	2,255	**2,926**

[1] *Including disposals*
[2] *Including amortisation*

3.h Corporate income tax

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*
Net current tax expense	(269)	(256)
Net deferred tax expense	(73)	(173)
Corporate income tax expense	(342)	(429)

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 an extensive network of 705 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 across more than 75 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 center 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 48.72% stake. Retail Banking products and services consist of debit and credit cards, personal loans, and investment and insurance products distributed through the TEB branch network and via internet and phone banking. Corporate banking services include international trade finance, asset and cash management, credit services, currency hedging, interest and commodity risk, plus factoring and leasing. Through its commercial and SME banking departments, the Bank offers an array of banking services to small and medium-sized enterprises.

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.

Operating in 22 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 segments

The presentation of the breakdown by segments has been changed compared to the first half of 2017 in order to better reflect the importance of each segment. The data of the first half of 2017 have been restated accordingly.

Income and expenses by operating segment

	First half 2018 *IFRS 9 & IFRS 15*						First half 2017 *IAS 39*					
In millions of euros	Banking activities in Belgium	Banking activities in Luxembourg (BGL)	Banking activities in Turkey	Other Domestic Markets	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg (BGL)	Banking activities in Turkey	Other Domestic Markets	Other	Total
Revenues	2,127	305	534	966	179	**4,111**	2,202	314	541	888	227	**4,172**
Operating expense	(1,544)	(181)	(252)	(532)	(79)	**(2,588)**	(1,525)	(187)	(290)	(452)	(90)	**(2,544)**
Cost of risk	20	6	(84)	(58)	(25)	**(141)**	14	8	(103)	(39)	(14)	**(134)**
Operating income	603	130	198	376	75	**1,382**	691	135	148	397	123	**1,494**
Non-operating items	8			(2)	115	**121**	34	5	1	28	146	**214**
Pre-tax income	611	130	198	374	190	**1,503**	725	140	149	425	269	**1,708**

Assets and liabilities by operating segment

	30 June 2018 *IFRS 9 & IFRS 15*						1 January 2018 *IFRS 9 & IFRS 15*					
In millions of euros	Banking activities in Belgium	Banking activities in Luxembourg (BGL)	Banking activities in Turkey	Other Domestic Markets	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg (BGL)	Banking activities in Turkey	Other Domestic Markets	Other	Total
Assets	202,383	27,981	19,555	45,568	13,042	**308,529**	179,371	23,891	19,533	42,153	12,436	**277,384**
of which investments in associates and Joint ventures	975	96	3	85	3,110	**4,269**	1,023	89	-	122	3,021	**4,255**
Liabilities	187,754	22,597	17,908	42,149	9,423	**279,831**	165,535	18,715	17,798	38,272	8,925	**249,245**

5. NOTES TO THE BALANCE SHEET AT 30 JUNE 2018

5.a Financial instruments at fair value through profit or loss

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2018 IFRS 9 & IFRS 15				1 January 2018 IFRS 9 & IFRS 15			
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 instruments at fair value through profit or loss	Total
Securities	653	-	2,191	**2,844**	1,317	-	2,236	**3,553**
Loans and repurchase agreements	4,119	5	55	**4,179**	2,391	8	59	**2,458**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**4,772**	**5**	**2,246**	**7,023**	**3,708**	**8**	**2,295**	**6,011**
Securities	154	-		**154**	222	-		**222**
Deposits and repurchase agreements	12,977	201		**13,178**	4,706	207		**4,913**
Issued debt securities (note 5f)	-	3,675		**3,675**	-	3,941		**3,941**
Of which subordinated debt	-	*764*		***764***	-	*821*		***821***
Of which non subordinated debt	-	*2,911*		***2,911***	-	*3,120*		***3,120***
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**13,131**	**3,876**		**17,007**	**4,928**	**4,148**		**9,076**

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

- **Financial liabilities designated as at fair value through profit or loss**

Financial liabilities at fair value through profit or loss mainly consist of debt securities in issue, originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of debt securities in issue 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 30 June 2018 was EUR 4,135 million (EUR 4,342 million at 1 January 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 credit default 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.

	30 June 2018 IFRS 9 & IFRS 15		1 January 2018 IFRS 9 & IFRS 15	
In millions of euros	Positive market value	Negative market value	Positive market value	Negative market value
Interest rate derivatives	4,422	3,169	4,024	2,449
Foreign exchange derivatives	1,874	1,703	1,349	1,318
Credit derivatives	-	3	3	6
Equity derivatives	428	71	403	69
Other derivatives	-	-	-	-
Derivative financial instruments	**6,724**	**4,946**	**5,779**	**3,842**

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 the Bank's activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

	30 June 2018 IFRS 9 & IFRS 15				1 January 2018 IFRS 9 & IFRS 15			
In millions of euros	Exchange traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total	Exchange traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total
Interest rate derivatives	41,852	46,644	676,860	**765,356**	51,407	52,770	564,798	**668,975**
Foreign exchange derivatives	313	-	149,122	**149,435**	115	-	141,030	**141,145**
Credit derivatives	-	-	26	**26**	-	-	121	**121**
Equity derivatives	3	-	2,280	**2,283**	87	-	1,821	**1,908**
Other derivatives	314	-	-	**314**	13	-	-	**13**
Derivative financial instruments	**42,482**	**46,644**	**828,288**	**917,414**	**51,622**	**52,770**	**707,770**	**812,162**

5.b Financial assets at fair value through equity

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15* Net	of which changes in value taken directly to equity	1 January 2018 *IFRS 9 & IFRS 15* Net	of which changes in value taken directly to equity
Debt securities	**10,908**	**193**	**14,128**	**330**
Governments	6,079	190	9,081	303
Other public administrations	2,603	48	3,157	71
Credit institutions	904	(12)	486	5
Others	1,322	(33)	1,404	(49)
Equity securities	**419**	**307**	**311**	**200**
Total financial assets at fair value through equity	**11,327**	**500**	**14,439**	**530**

The option to recognise at fair value through equity certain equity instruments 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 the first half of 2018, the Bank did not sell any of these investments and no unrealised gains or losses were transferred to "retained earnings".

Changes in value taken directly to equity are detailed as follows:

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15* Fixed-income securities	Equities and other variable-income securities	Total	1 January 2018 *IFRS 9 & IFRS 15* Fixed-income securities	Equities and other variable-income securities	Total
Non-hedged changes in value of securities recognised in 'Financial assets at fair value through equity'	**193**	**307**	**500**	**330**	**200**	**530**
Deferred tax linked to these changes in value	(58)	(3)	(61)	(92)	(3)	(95)
Group share of changes in value of financial assets at fair value through equity owned by equity-method entities, after deferred tax	51	1	52	61	-	61
Expected credit loss recognised in profit or loss	31		31	28		28
Other variations	(3)	1	(2)	1	1	2
Changes in value of assets taken directly to equity under the heading 'Financial assets at fair value through equity'	**214**	**306**	**520**	**328**	**198**	**526**
Attributable to equity shareholders	216	215	431	312	188	500
Attributable to minority interests	(2)	91	89	16	10	26

5.c 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. 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 (Funding Valuation Adjustment – FVA).

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.

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).

Thus, the carrying value of debt securities designated as at fair value though profit or loss is increased by EUR 47 million as at 30 June 2018, compared with an increase in value of EUR 76 million as at 1 January 2018, i.e. a EUR (26) million variation recognised directly in equity.

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.

	30 June 2018 *IFRS 9 & IFRS 15*											
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial instruments measured 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	606	47	-	**653**	348	1,355	488	**2,191**	9,624	1,482	221	**11,327**
Governments	441	7	-	**448**	-	244	-	**244**	6,077	3	-	**6,080**
Asset Backed Securities (ABS)	-	4	-	**4**	-	497	-	**497**	-	1,263	-	**1,263**
CDOs / CLOs [(1)]	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Other Asset Backed Securities	-	*4*	-	***4***	-	*497*	-	***497***	-	*1,263*	-	***1,263***
Other debt securities	*165*	*32*	-	**197**	69	593	35	**697**	3,350	216	-	**3,566**
Equities and other equity securities	-	4	-	**4**	279	21	453	**753**	197	-	221	**418**
Loans and repurchase agreements	-	4,119	-	**4,119**	-	5	55	**60**	-	-	-	**-**
Loans	-	-	-	**-**	-	5	55	**60**	-	-	-	**-**
Repurchase agreements	-	4,119	-	**4,119**	-	-	-	**-**				
FINANCIAL ASSETS AT FAIR VALUE	**606**	**4,166**	**-**	**4,772**	**348**	**1,360**	**543**	**2,251**	**9,624**	**1,482**	**221**	**11,327**
Securities	153	1	-	**154**				**-**				
Governments	153	-	-	**153**				**-**				
Other debt securities	-	1	-	**1**				**-**				
Equities and equity securities	-	-	-	**-**				**-**				
Borrowings and repurchase agreements	-	12,977	-	**12,977**	-	201	-	**201**				
Borrowings	-	18	-	**18**	-	201	-	**201**				
Repurchase agreements	-	12,959	-	**12,959**	-	-	-	**-**				
Issued debt securities (note 5f)	-	-	-	**-**	-	2,676	999	**3,675**				
Subordinated debt (note 5f)				**-**	-	764	-	**764**				
Non subordinated debt (note 5f)				**-**	-	1,912	999	**2,911**				
FINANCIAL LIABILITIES AT FAIR VALUE	**153**	**12,978**	**-**	**13,131**	**-**	**2,877**	**999**	**3,876**				

[(1)] *Collateralised Debt Obligations / Collateralised Loan Obligations*

In millions of euros	1 January 2018 *IFRS 9 & IFRS 15*											
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial instruments measured 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	1,033	284	-	**1,317**	321	1,467	448	**2,236**	12,471	1,707	261	**14,439**
Governments	932	167	-	**1,099**	-	253	-	**253**	8,904	155	-	**9,059**
Asset Backed Securities (ABS)	-	10	-	**10**	-	574	-	**574**	-	1,386	-	**1,386**
CDOs / CLOs [(1)]	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Other Asset Backed Securities	-	*10*	-	***10***	-	*574*	-	***574***	-	*1,386*	-	***1,386***
Other debt securities	*101*	*20*	-	**121**	-	620	35	**655**	3,518	166	-	**3,684**
Equities and other equity securities	-	87	-	**87**	321	20	413	**754**	49	-	261	**310**
Loans and repurchase agreements	-	2,391	-	**2,391**	-	8	59	**67**	-	-	-	**-**
Loans	-	-	-	**-**	-	8	59	**67**	-	-	-	**-**
Repurchase agreements	-	2,391	-	**2,391**	-	-	-	**-**				
FINANCIAL ASSETS AT FAIR VALUE	**1,033**	**2,675**	**-**	**3,708**	**321**	**1,475**	**507**	**2,303**	**12,471**	**1,707**	**261**	**14,439**
Securities	222	-	-	**222**	-	-	-	**-**				
Governments	222	-	-	**222**	-	-	-	**-**				
Other debt securities	-	-	-	**-**	-	-	-	**-**				
Equities and equity securities	-	-	-	**-**				**-**				
Borrowings and repurchase agreements	-	4,706	-	**4,706**	-	207	-	**207**				
Borrowings	-	18	-	**18**	-	207	-	**207**				
Repurchase agreements	-	4,688	-	**4,688**	-	-	-	**-**				
Issued debt securities (note 5f)	-	-	-	**-**	-	2,978	963	**3,941**				
Subordinated debt (note 5f)				**-**	-	821	-	**821**				
Non subordinated debt (note 5f)				**-**	-	2,157	963	**3,120**				
FINANCIAL LIABILITIES AT FAIR VALUE	**222**	**4,706**	**-**	**4,928**	**-**	**3,185**	**963**	**4,148**				

[(1)] *Collateralised Debt Obligations / Collateralised Loan Obligations*

In millions of euros	30 June 2018 IFRS 9 & IFRS 15							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	-	4,107	315	**4,422**	-	3,066	103	**3,169**
Foreign exchange derivatives	-	1,856	17	**1,874**	-	1,694	9	**1,703**
Credit derivatives	-	-	-	**-**	-	2	-	**3**
Equity derivatives	-	428	-	**428**	-	71	-	**71**
Other derivatives	-	-	-	**-**	-	-	-	**-**
Derivative financial instruments not used for hedging purposes	**-**	**6,391**	**332**	**6,724**	**-**	**4,833**	**112**	**4,946**
Derivative financial instruments used for hedging purposes	**-**	**2,187**		**2,187**	**-**	**4,200**	**-**	**4,200**

In millions of euros	1 January 2018 IFRS 9 & IFRS 15							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	-	3,877	147	**4,024**	-	2,345	104	**2,449**
Foreign exchange derivatives	-	1,342	7	**1,349**	-	1,313	5	**1,318**
Credit derivatives	-	3	-	**3**	-	6	-	**6**
Equity derivatives	-	403	-	**403**	-	69	-	**69**
Other derivatives	-	-	-	**-**	-	-	-	**-**
Derivative financial instruments not used for hedging purposes	**-**	**5,625**	**154**	**5,779**	**-**	**3,733**	**109**	**3,842**
Derivative financial instruments used for hedging purposes	**-**	**2,009**		**2,009**	**-**	**4,254**	**-**	**4,254**

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 the first half of 2018, 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.

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.

Fund units relate to real estate funds for which the valuation of the underlying investments is not frequent, as well as hedge funds for which the observation of the net asset value is not frequent.

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.

To a lesser extent, the repurchase agreement transactions classified as level 3 are transactions on government bonds with maturities exceeding the ones observed in the usual repurchase agreements activity.

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.

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. 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 below table provides the range of values of main unobservable inputs for the valuation of level 3 financial instruments. The ranges displayed correspond to a variety of different underlying instruments and are meaningful only in the context of the valuation technique implemented by BNP Paribas Fortis. The weighted averages, where relevant and available, are based on fair values, nominal amounts or sensitivities.

The main unobservable parameters used for the valuation of debt issued in level 3 are equivalent to these of their economic hedge derivative. Information on those derivatives, displayed in the following table, is also applicable to these debts.

Risk classes	Balance Sheet valuation *(In millions of euros)*		Main product types composing the Level 3 stock within the risk class	Valuation technique used for the product types considered	Main unobservable inputs for the product types considered	Range of unobservable input across Level 3 population considered	Weighted average
	Asset	Liability					
Interest rate derivatives	315	103	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% - 9.8%	(a)
					Volatility of the year on year inflation rate	0.3% - 2.1%	
			Forward volatility products such as volatility swaps, mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.3% - 0.7%	(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 during the first half of 2018:

In millions of euros	Financial assets				Financial liabilities		
	Financial instruments at fair value through profit or loss held for trading	Financial instruments at fair value through profit or loss not held for trading	Financial instruments measured at fair value through equity	TOTAL	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	TOTAL
At 1 January 2018 *IFRS 9 & IFRS 15*	154	507	261	922	109	963	1,072
Purchases	-	32	-	**32**	-	-	**-**
Issues	-	-	-	**-**	-	74	**74**
Sales	-	(92)	-	**(92)**	-	-	**-**
Settlements [1]	140	8	2	**150**	10	(4)	**6**
Reclassifications	-	61	1	**62**	-	-	**-**
Transfers to level 3	-	47	-	**47**	-	-	**-**
Transfers from level 3	-	-	(44)	**(44)**	-	(6)	**(6)**
Gains (or losses) recognised in profit or loss with respect to transactions expired or terminated during the period	8	(22)	-	**(14)**	-	1	**1**
Gains (or losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	30	-	-	**30**	(7)	(29)	**(36)**
Changes in fair value of assets and liabilities recognised directly in equity				**-**			**-**
- Items related to exchange rate movements	-	2	(3)	**(1)**	-	-	**-**
- Changes in fair value of assets and liabilities recognised in equity	-	-	4	**4**	-	-	**-**
At 30 June 2018 *IFRS9 & IFRS 15*	332	543	221	1,096	112	999	1,111

(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.

	30 June 2018	
In millions of euros	Potential impact on income	Potential impact on equity
Equities and other equity securities	+/-5	+/-2
Loans and repurchase agreements	+/-0	
Derivative financial instruments	+/-17	
Interest rate and foreign exchange derivatives	*+/-17*	
Credit derivatives	*+/-0*	
Equity derivatives		
Other derivatives		
Sensitivity of Level 3 financial instruments	**+/-22**	**+/-2**

5.d Financial assets at amortised cost

- **Detail of loans and advances by nature**

In millions of euros	30 June 2018 IFRS 9 & IFRS 15			1 January 2018 IFRS 9 & IFRS 15		
	Gross value	Impairment (note 3g)	Carrying amount	Gross value	Impairment (note 3g)	Carrying amount
Loans and advances to credit institutions	12,645	(92)	12,553	25,055	(94)	24,961
On demand accounts	3,473	(2)	3,471	1,997	(2)	1,995
Loans [(1)]	8,589	(90)	8,499	10,566	(92)	10,474
Repurchase agreements	583	-	583	12,492	-	12,492
Loans and advances to customers	184,070	(2,833)	181,237	177,101	(3,000)	174,101
On demand accounts	3,432	(192)	3,240	3,134	(166)	2,968
Loans to customers	163,880	(2,245)	161,635	158,670	(2,468)	156,202
Finance leases	16,758	(396)	16,362	15,297	(366)	14,931
Repurchase agreements	-	-	-	-	-	-
Total loans and advances at amortised cost	**196,715**	**(2,925)**	**193,790**	**202,156**	**(3,094)**	**199,062**

[(1)] *Loans and advances to credit institutions include term deposits made with central banks, which amounted to EUR 414 million as at 30 June 2018 (EUR 319 million as at 1 January 2018).*

Detail of debt securities

In millions of euros	30 June 2018 IFRS 9 & IFRS 15			1 January 2018 IFRS 9 & IFRS 15		
	Gross value	Impairment (note 3g)	Carrying amount	Gross value	Impairment (note 3g)	Carrying amount
Governments	5,678	(1)	5,677	6,353	(2)	6,351
Other public administrations	2,921	-	2,921	2,925	-	2,925
Credit institutions	4,061	-	4,061	1,053	-	1,053
Other	364	-	364	416	(1)	415
Total debt securities at amortised cost	**13,024**	**(1)**	**13,023**	**10,747**	**(3)**	**10,744**

- **Detail of loans and advances and debt securities by stage**

In millions of euros	30 June 2018 IFRS 9 & IFRS 15			1 January 2018 IFRS 9 & IFRS 15		
	Gross value	Impairment (note 3g)	Carrying amount	Gross value	Impairment (note 3g)	Carrying amount
Loans and advances to credit institutions	**12,646**	**(93)**	**12,553**	**25,055**	**(94)**	**24,961**
Stage 1	12,457	(4)	12,453	24,901	(3)	24,898
Stage 2	89	(27)	62	43	(31)	12
Stage 3	100	(62)	38	111	(60)	51
Loans and advances to customers	**184,069**	**(2,832)**	**181,237**	**177,101**	**(3,000)**	**174,101**
Stage 1	154,424	(234)	154,190	146,435	(257)	146,178
Stage 2	25,017	(405)	24,612	25,919	(477)	25,442
Stage 3	4,628	(2,193)	2,435	4,747	(2,266)	2,481
Debt securities	**13,024**	**(1)**	**13,023**	**10,746**	**(2)**	**10,744**
Stage 1	12,975	(1)	12,974	10,554	(1)	10,553
Stage 2	49	-	49	192	(1)	191
Stage 3	-	-	-	-	-	-

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

In millions of euros	30 June 2018 IFRS 9 & IFRS 15	1 January 2018 IFRS 9 & IFRS 15
Deposits from credit institutions	**43,258**	**36,520**
On demand accounts	1,489	1,523
Interbank loans	37,294	34,508
Repurchase agreements	4,475	489
Deposits from customers	**173,127**	**166,965**
On demand accounts	71,332	65,281
Savings accounts	79,224	82,667
Term accounts and short-term notes	22,515	19,007
Repurchase agreements	56	10

5.f Debt securities and subordinated debt

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

DEBT SECURITIES MEASURED AT AMORTISED COST

In millions of euros	30 June 2018 IFRS 9 & IFRS 15	1 January 2018 IFRS 9 & IFRS 15
Negotiable certificates of deposit and other debt securities	13,466	11,645
Bond issues	1,219	789
Total debt securities at amortised cost	**14,685**	**12,434**

DEBT SECURITIES AND SUBORDINATED DEBT AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of euros	30 June 2018 IFRS 9 & IFRS 15	1 January 2018 IFRS 9 & IFRS 15
Debt securities	2,912	3,120
Subordinated debt	763	821
Total debt securities and subordinated debt at fair value through profit or loss	**3,675**	**3,941**

SUBORDINATED DEBT MEASURED AT AMORTISED COST

In millions of euros	30 June 2018 IFRS 9 & IFRS 15	1 January 2018 IFRS 9 & IFRS 15
Redeemable subordinated debt	1,953	2,380
Undated subordinated debt	111	107
Total subordinated debt measured at amortised cost	**2,064**	**2,487**

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

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

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

On 7 May 2015, BNP Paribas and Ageas reached a new agreement which allows BNP Paribas to purchase outstanding CASHES under the condition that these are converted into Ageas shares, leading to a 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 supersedes 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 30 June 2018, the subordinated liability is eligible to Tier 1 capital for EUR 205 million (considering the transitional period).

5.g Current and deferred taxes

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15*	1 January 2018 *IFRS 9 & IFRS 15*
Current taxes	70	111
Deferred taxes	1,913	2,021
Current and deferred tax assets	**1,983**	**2,132**
Current taxes	229	145
Deferred taxes	476	540
Current and deferred tax liabilities	**705**	**685**

5.h Accrued income and expenses and other assets and liabilities

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15*	1 January 2018 *IFRS 9 & IFRS 15*
Guarantee deposits and bank guarantees paid	2,257	2,106
Collection accounts	76	86
Accrued income and prepaid expenses	823	601
Other debtors and miscellaneous assets	5,874	5,456
Total accrued income and other assets	**9,030**	**8,249**
Guarantee deposits received	813	443
Collection accounts	418	140
Accrued expenses and deferred income	1,762	1,655
Other creditors and miscellaneous liabilities	5,186	4,623
Total accrued expense and other liabilities	**8,179**	**6,861**

5.i Goodwill

In millions of euros	First half 2018 *IFRS 9 & IFRS 15*
Carrying amount at start of period	**663**
Acquisitions	-
Divestments	-
Impairment losses recognised during the period	-
Translation adjustments	-
Other movements	3
Carrying amount at end of period	**666**
Gross value	884
Accumulated impairment recognised at the end of period	(218)

Goodwill by cash-generating unit is as follows:

In millions of euros	Carrying amount 30 June 2018 *IFRS 9 & IFRS 15*	Carrying amount 1 January 2018 *IFRS 9 & IFRS 15*	Impairment recognised during the first half of 2018 *IFRS 9 & IFRS 15*	Acquisitions during the first half of 2018 *IFRS 9 & IFRS 15*
BNP Paribas Fortis in Belgium	**28**	**28**	**-**	**-**
Alpha Crédit	22	22	-	-
Factoring	6	6	-	-
BNP Paribas Fortis in Luxembourg	**132**	**132**	**-**	**-**
Leasing (BPLS)	132	132	-	-
BNP Paribas Fortis in other countries	**506**	**503**	**-**	**-**
TEB Group	-	-	-	-
Arval	506	503	-	-
Total Goodwill	**666**	**663**	**-**	**-**

5.j Provisions for contingencies and charges

- **Provisions for contingencies and charges by type**

In millions of euros	1 January 2018 *IFRS 9 & IFRS 15*	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other	30 June 2018 *IFRS 9 & IFRS 15*
Provisions for employee benefits	**3,678**	83	(130)	(25)	5	**3,612**
Provisions for credit commitments (Note 3g)	**236**	-	(1)	-	(30)	**206**
Provisions for litigations	**117**	(2)	(1)	-	(3)	**110**
Other provisions for contingencies and charges	**433**	12	(67)	-	1	**378**
Total provisions for contingencies and charges	**4,464**	**93**	**(199)**	**(25)**	**(28)**	**4,306**

5.k 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, the Group 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. Amounts set off 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.

In millions of euros 30 June 2018 *IFRS 9 & IFRS 15*	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						
Securities	2,844	-	2,844	-	-	2,844
Loans and repurchase agreements	4,338	(158)	4,180	(95)	(3,121)	964
Derivative financial instruments (including derivatives used for hedging purposes)	8,926	(15)	8,911	(3,965)	(355)	4,591
Financial assets at amortised cost	**207,051**	**(238)**	**206,813**	**(13)**	**(436)**	**206,364**
of which repurchase agreements	*583*	-	*583*	*(13)*	*(436)*	*134*
Accrued income and other assets	**9,030**	**-**	9,030	**-**	**(2,088)**	**6,942**
of which guarantee deposits paid	*2,257*	-	*2,257*	-	*(2,088)*	*169*
Other assets not subject to offsetting	**76,752**	**-**	**76,752**	**-**	**-**	**76,752**
TOTAL ASSETS	**308,941**	**(411)**	**308,530**	**(4,073)**	**(6,000)**	**298,457**

In millions of euros 30 June 2018 *IFRS 9 & IFRS 15*	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments given as collateral	Net amounts
Liabilities						
Financial instruments at fair value through profit or loss						
Securities	918	-	918	-	-	918
Deposits and repurchase agreements	13,337	(159)	13,178	(81)	(13,095)	2
Issued debt securities	2,912	-	2,912	-	-	2,912
Derivative financial instruments (including derivatives used for hedging purposes)	9,159	(15)	9,144	(3,965)	(2,045)	3,134
Financial liabilities at amortised cost	**216,623**	**(238)**	**216,385**	**(28)**	**(4,502)**	**211,855**
of which repurchase agreements	*4,531*	-	*4,531*	*(28)*	*(4,502)*	*1*
Accrued expense and other liabilities	**8,179**	**-**	8,179	**-**	**(705)**	**7,474**
of which guarantee deposits received	*813*	-	*813*	-	*(705)*	*108*
Other liabilities not subject to offsetting	**29,114**	**-**	**29,114**	**-**	**-**	**29,114**
TOTAL LIABILITIES	**280,242**	**(412)**	**279,830**	**(4,074)**	**(20,347)**	**255,409**

In millions of euros 1 January 2018 *IFRS 9 & IFRS 15*	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets 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						
Securities	3,553	-	**3,553**	-	-	3,553
Loans and repurchase agreements	2,494	(37)	**2,457**	(4)	4	2,457
Derivative financial instruments (including derivatives used for hedging purposes)	8,137	(349)	**7,788**	(3,744)	(429)	3,615
Financial assets at amortised cost	**210,019**	**(211)**	**209,808**	**(18)**	**18**	**209,808**
of which repurchase agreements	*12,492*	-	***12,492***	*(18)*	*18*	*12,492*
Accrued income and other assets	**8,248**	**-**	**8,248**	**-**	**(1,866)**	**6,382**
of which guarantee deposits paid	*2,105*	-	***2,105***	-	*(1,866)*	*239*
Other assets not subject to offsetting	**45,530**	**-**	**45,530**	**-**	**-**	**45,530**
TOTAL ASSETS	**277,981**	**(597)**	**277,384**	**(3,766)**	**(2,273)**	**271,345**

In millions of euros 1 January 2018 *IFRS 9 & IFRS 15*	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments given as collateral	Net amounts
Liabilities						
Financial instruments at fair value through profit or loss						
Securities	1,043	-	**1,043**	-	-	1,043
Deposits and repurchase agreements	4,949	(36)	**4,913**	(20)	20	4,913
Issued debt securities	3,120	-	**3,120**	-	-	3,120
Derivative financial instruments (including derivatives used for hedging purposes)	8,444	(348)	**8,096**	(3,744)	(1,866)	2,486
Financial liabilities at amortised cost	**203,698**	**(212)**	**203,486**	**(2)**	**2**	**203,486**
of which repurchase agreements	*498*	-	***498***	*(2)*	*2*	*498*
Accrued expense and other liabilities	**6,860**	**-**	**6,860**	**-**	**(329)**	**6,531**
of which guarantee deposits received	*443*	-	***443***	-	*(330)*	*113*
Other liabilities not subject to offsetting	**21,727**	**-**	**21,727**	**-**	**-**	**21,727**
TOTAL LIABILITIES	**249,841**	**(596)**	**249,245**	**(3,766)**	**(2,173)**	**243,306**

5.l Non-current assets classified as held for sale and discontinued operations

The assets and liabilities classified as held-for-sale as at 30 June 2018 related 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. These transactions refer to not-yet-transferred assets and liabilities of Von Essen Bank GmbH and the BNP Paribas Fortis branch in Madrid, which both will be sold to BNP Paribas SA. The legal transfer of Von Essen Bank GmbH assets and liabilities will be completed in 2019 while the branch assets and liabilities will be completed in 2018.

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

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

In the consolidated financial statements at 01 January 2018, the 'assets and liabilities classified as held for sale' were related to the, at that time, not-yet-transferred assets and liabilities of both Von Essen Bank GmbH and BNP Paribas Fortis' branch in Madrid.

The assets and liabilities classified as held for sale as at 30 June 2018 are shown below.

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15*	1 January 2018 *IFRS 9 & IFRS 15*
ASSETS		
Cash and amounts due from central banks	117	7
Financial assets at fair value through profit or loss	3	-
Derivatives used for hedging purposes	-	-
Financial assets at fair value through equity	-	-
Financial assets at amortised cost	2,275	303
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-
Current and deferred tax assets	9	26
Accrued income and other assets	26	24
Equity-method investments	-	-
Investment property	-	-
Property, plant and equipment	6	1
Intangible assets	6	6
Goodwill	-	-
TOTAL ASSETS	**2,442**	**367**
LIABILITIES		
Due to central banks	-	-
Financial liabilities at fair value through profit or loss	-	-
Derivatives used for hedging purposes	-	-
Debt at amortised cost	2,896	733
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-
Current and deferred tax liabilities	17	2
Accrued expenses and other liabilities	96	69
Provisions for contingencies and charges	33	30
TOTAL LIABILITIES	**3,042**	**834**

6. FINANCING AND GUARANTEE COMMITMENTS

6.a Financing commitments given or received

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

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15*	1 January 2018 *IFRS 9 & IFRS 15*
Financing commitments given		
- to credit institutions	204	278
- to customers	50,618	51,006
confirmed letters of credit	*37,538*	*37,705*
other commitments given to customers	*13,080*	*13,301*
Total financing commitments given	**50,822**	**51,284**
of which stage 1	*46,840*	*47,725*
of which stage 2	*3,751*	*3,321*
of which stage 3	*231*	*238*
Financing commitments received		
- from credit institutions	20,683	21,496
- from customers	116	26
Total financing commitments received	**20,799**	**21,522**

6.b Guarantee commitments given by signature

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15*	1 January 2018 *IFRS 9 & IFRS 15*
Guarantee commitments given		
- to credit institutions	4,104	8,722
- to customers	16,278	16,616
Property guarantees	-	-
Sureties provided to tax and other authorities, other sureties	*11,876*	*11,823*
other guarantees	*4,401*	*4,793*
Total Guarantee commitments given	**20,382**	**25,338**
of which stage 1	*18,859*	*23,406*
of which stage 2	*1,233*	*1,605*
of which stage 3	*290*	*327*

7. ADDITIONAL INFORMATION

7.a Contingent liabilities : legal proceedings and arbitration

BNP Paribas Fortis (and its consolidated subsidiaries) is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in a number of foreign jurisdictions, arising in the ordinary course of its banking business, including inter alia in connection with its activities as lender, employer, investor and taxpayer.

BNP Paribas Fortis makes provisions for such matters when, in the opinion of its management and after consulting its legal advisors, it is probable that a payment will have to be made by BNP Paribas Fortis and when the amount can be reasonably estimated.

With respect to certain other claims and legal proceedings against BNP Paribas Fortis (and its consolidated subsidiaries) of which management is aware (and for which, according to the principles outlined above, no provision has been made), the management is of the opinion, after due consideration of appropriate advice, that, while it is often not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, such proceedings are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the BNP Paribas Fortis Consolidated Financial Statements.

1. Judgment Amsterdam Court of Appeal on Ageas Settlement

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis N.V.' and currently 'Ageas SA/NV', hereafter 'Ageas') in late September and early October 2008, a number of 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. These legal actions include inter alia the procedures mentioned below.

On 14 March 2016 Ageas and several claimants' organisations announced a settlement proposal with respect to all civil proceedings related to the former Fortis group for the events in 2007 and 2008 (the "Ageas Settlement") which they have asked the Amsterdam Court of Appeal to declare binding for all eligible Fortis shareholders in accordance with the Dutch Act on Collective Settlement of Mass Claims. The Amsterdam Court of Appeal has declared the Ageas Settlement binding in a judgment dated 13 July 2018.

BNP Paribas Fortis is one of the releasees under the Ageas Settlement. This means that each eligible shareholder will be deemed to have fully released BNP Paribas Fortis from any and all claims that such shareholder may have against BNP Paribas Fortis in relation to the 2007 and 2008 events as defined in the Ageas Settlement. The claimants' organisations have committed themselves to remove their pending procedures related to the former Fortis group from the cause-list after expiration of the opt-out period.

Eligible shareholders have the right to opt-out from the Ageas Settlement during a period of 5 months ending on 31 December 2018. After having opted-out these shareholders could proceed with legal actions against BNP Paribas Fortis. Ageas has a termination right should the pay-out amount for the number of shares opting out exceed 5% of the total settlement amount. If the Ageas Settlement were terminated, all concerned claims and legal proceedings against BNP Paribas Fortis could be continued. If these claims and legal proceedings were to be continued and successful, they could eventually result in monetary consequences for BNP Paribas Fortis. Such impact remains unquantifiable at this stage.

2. Claims before the Dutch courts

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

In September 2007, BNP Paribas Fortis acted together with Merrill Lynch and other banks as underwriter of the rights issue by Fortis SA/NV and Fortis N.V. (now Ageas SA/NV) in the amount of

EUR 13.4 billion. The purpose of this rights issue was to partly finance Fortis's participation in its acquisition of ABN Amro Bank N.V.

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

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

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

These Dutch proceedings have been stayed pursuant to the Ageas Settlement.

3. Claims before the Belgian Courts

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

The examining magistrate of the Court of First Instance in Brussels in charge since 2008 of investigating the case relating to events which occurred within the Fortis Group in 2007 and 2008 passed his file to the Public Prosecutor in October 2012. In November 2012 seven individuals were indicted by the examining magistrate and in February 2013 the Public Prosecutor requested the court to order a trial. As additional investigative measures have been ordered, the hearing before the court has not yet taken place.

4. Other claims before the Belgian Courts that are not related to the Ageas Settlement

Certain holders of Mandatory Convertible Securities (hereafter 'MCS') filed two actions against the co-issuers of the MCS, including BNP Paribas Fortis, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, firstly claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and, secondly, claiming damages. On 23 March 2012 the Commercial Court of Brussels dismissed both actions. Certain holders then filed an appeal in June 2012 claiming damages for a provisional amount of EUR 350 million and the appointment of an expert. BNP Paribas Fortis will continue to contest this case vigorously as it considers that these claims have no merit. This procedure is not concerned by the Ageas Settlement and has thus not been stayed.

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.

7.b Business combinations

Operations realised in 2018

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-ide 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 doesn't 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, friendly payment solutions to the whole market.

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.

Operations realised in 2017

Disposal of SC Nueva Condo Murcia S.L
BNP Paribas Fortis holds 'Alpha Murcia Holding' (consolidated by equity method) that sold its participation in Nueva Condo Murcia, a Spanish company owning a shopping center, acquired in 2012 further to a credit default. Thanks to efficient management and improvement of the economic situation in Spain, the value of the asset improved substantially and it was decided to sell this non-core asset as at May 22th 2017. This sale generated a gain for EUR 59.5 million booked under results on investment properties according to the 'substance over form' principle.

Disposal of activities from some BNP Paribas Fortis branches (The Netherlands, Norway, Sweden, Denmark, Austria, Romania and Czech Republic)
These transactions relate to the restructuring of the European branch network of BNP Paribas Group and BNP Paribas Fortis, with the aim of optimizing and creating 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.

All assets and liabilities of BNP Paribas Fortis branches in The Netherlands, Norway, Sweden, Denmark, Austria, Romania and Czech Republic have been transferred to the BNP Paribas Branches located in the corresponding countries for a total of amount of EUR 19,079 million.

Changes in the consolidation scope
In 2017, some entities entered the consolidation scope (of which Credissimo and BNPP Factor NV) with a total impact on the balance sheet of EUR 1.0 billion and for some entities the consolidation method changed from equity method to full consolidation (mainly BNP Paribas Factor A/S, Arval Schweiz AG and BNP Paribas Lease Group Ifn S.A.) with a total impact on the balance sheet of EUR 1.8 billion.

7.c Minority interests

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss Minority interests	Minority interests
Capital and retained earnings at 1 January 2017	**5,439**		**(25)**	**5,414**
Other movements	(4)		-	**(4)**
Dividends	(161)		-	**(161)**
Changes in assets and liabilities recognised directly in equity	2		(81)	**(79)**
Net income for the first half of 2017	227		-	**227**
Capital and retained earnings at 30 June 2017	**5,503**		**(106)**	**5,397**
Other movements	16		-	**16**
Dividends	(1)		-	**(1)**
Changes in assets and liabilities recognised directly in equity	2		(120)	**(118)**
Net income for the second half of 2017	249		-	**249**
Capital and retained earnings at 31 December 2017	**5,769**		**(226)**	**5,543**
Revised presentation	15	(15)	-	**-**
Capital and retained earnings at 31 December 2017 new presentation	**5,784**	**(15)**	**(226)**	**5,543**
Impact of the application of IFRS 9	(88)	12	(60)	**(136)**
Impact of the application of IFRS 15	-	-	-	**-**
Capital and retained earnings at 1 January 2018 restated IFRS 9 & 15	**5,696**	**(3)**	**(286)**	**5,407**
Other movements	(219)	-	-	**(219)**
Dividends	(214)	-	-	**(214)**
Changes in assets and liabilities recognised directly in equity	-	80	(119)	**(39)**
Net income for the first half of 2018	227	-	-	**227**
Capital and retained earnings at 30 June 2018	**5,490**	**77**	**(405)**	**5,162**

- **Main minority interests**

The assessment of the material nature of minority interests is based on the contribution of the relevant subsidiaries to BNP Paribas Fortis balance sheet (before elimination of intra-group balances and transactions) and to BNP Paribas Fortis profit and loss account.

	30 June 2018 *IFRS 9 & IFRS 15*	First half 2018 *IFRS 9 & IFRS 15*						
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	Minority shareholders' interest (%)	Net income attributable to minority interests	Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests	Dividend paid to minority shareholders
Contribution of the entities belonging to the BGL BNP Paribas Group	50 613	690	211	175	50%	146	205	199
Other minority interests						81	(16)	18
Total						**227**	**189**	**217**

In millions of euros	1 January 2018 *IFRS 9 & IFRS 15*	First half 2017 *IAS 39*						
	Total assets before elimination of intra-group transactions	Revenues	Net income	Net income and changes in assets and liabilities recognised directly in equity	Minority shareholders' interest (%)	Net income attributable to minority interests	Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests	Dividend paid to minority shareholders
Contribution of the entities belonging to the BGL BNP Paribas Group	44,632	657	251	215	50%	162	144	160
Other minority interests						65	4	1
Total						**227**	**148**	**161**

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

No significant internal restructuring operation occurred during the first half of 2018, nor during the first half of 2017.

- **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 188 million at 30 June 2018, compared with EUR 225 million at 1 January 2018.

7.d 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 the BNP Paribas Fortis and related parties are carried out on an arm's length basis.

Relations between consolidated companies

A list of companies consolidated by the BNP Paribas Fortis is provided in note 7.h "Scope of consolidation". Transactions and outstanding balances between fully-consolidated entities of BNP Paribas Fortis are eliminated.

Outstanding balances of related party transactions

In millions of euros	30 June 2018 *IFRS 9 & IFRS 15*			1 January 2018 *IFRS 9 & IFRS 15*		
	Entities of the BNP Paribas Group	Joint ventures	Associates [(1)]	Entities of the BNP Paribas Group	Joint ventures	Associates [(1)]
ASSETS						
Loans, advances and securities						
On demand accounts	2,454	2	9	1,539	2	24
Loans	8,206	44	408	21,925	-	668
Securities	131	-	35	120	-	35
Securities held in the non-trading portfolio	3,000	-	-	-	-	-
Other assets	1,575	1	147	1,381	2	119
Total	15,366	47	599	24,965	4	846
LIABILITIES						
Deposits						
On demand accounts	801	45	505	816	28	636
Other borrowings	25,157	45	2,096	24,726	45	2,233
Debt securities	2,874	-	-	2,882	-	4
Other liabilities	751	1	41	431	-	54
Total	29,583	91	2,642	28,855	73	2,927
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS						
Financing commitments given	826	33	84	901	2	82
Guarantee commitments given	12,181	3,000	143	10,845	3,002	139
Total	13,007	3,033	227	11,746	3,004	221

[(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, etc.) and financial instruments (equities, bonds, etc.).

Related party profit and loss items

In millions of euros	First half 2018 IFRS 9 & IFRS 15			First half 2017 IAS 39		
	Entities of the BNP Paribas Group	Joint ventures	Associates (1)	Entities of the BNP Paribas Group	Joint ventures	Associates (1)
Interest income	504	(1)	3	-	-	2
Interest expense	(511)	-	(7)	-	-	(14)
Commission income	70	2	266	39	-	246
Commission expense	(63)	-	(3)	-	-	-
Services provided	3	-	4	-	-	-
Services received	(23)	-	(1)	-	-	-
Lease income	27	-	5	-	-	-
Total	7	1	267	39	-	234

(1) *Including controlled but non material entities consolidated under the equity method*

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

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

7.e Events after the reporting period

There have been no material events since the balance sheet date that would require adjustments to the Consolidated Financial Statements as at 30 June 2018.

7.f Fair value of financial instruments carried at amortised cost

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as at 30 June 2018. 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 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.

In millions of euros 30 June 2018	Estimated fair value Level 1	Level 2	Level 3	Total	Carrying value
Financial assets					
Loans and advances to credit institutions and customers [(1)]	67	12,244	168,822	**181,133**	**177,428**
Debt securities at amortised cost (note 5.d)	8,538	4,501	46	**13,085**	**13,023**
Financial liabilities					
Deposits from credit institutions and customers	-	216,818	-	**216,818**	**216,385**
Debt securities (note 5.f)	370	14,304	-	**14,674**	**14,685**
Subordinated debt (note 5.f)	55	2,015	-	**2,070**	**2,064**

[(1)] *Finance leases excluded*

In millions of euros 1 January 2018	Estimated fair value Level 1	Level 2	Level 3	Total	Carrying value
Financial assets					
Loans and advances to credit institutions and customers [(1)]	-	28,220	159,481	**187,701**	**184,131**
Debt securities at amortised cost (note 5.d)	9,438	1,577	45	**11,060**	**10,744**
Financial liabilities					
Deposits from credit institutions and customers	-	203,914	-	**203,914**	**203,485**
Debt securities (note 5.f)	-	12,423	-	**12,423**	**12,434**
Subordinated debt (note 5.f)	-	2,498	-	**2,498**	**2,487**

[(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 held-to-maturity financial assets, or specific valuation models for other financial instruments as described in note 1, “Summary of significant accounting policies applied by BNP Paribas Fortis”. The description of the fair value hierarchy levels is also presented in the accounting principles (note 1.f.9). In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or of most regulated savings products, fair value equates to carrying amount. These instruments have been classified in Level 2, except for loans to customers, which are classified in Level 3.

7.g 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 securities.

The Bank holds sovereign bonds as part of its liquidity management process. Liquidity management is based a.o. 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’ euro sovereign bond portfolio is shown in the table below:

Banking Book *In millions of euros*	**30 June 2018** *IFRS 9 & IFRS 15*	**1 January 2018** *IFRS 9 & IFRS 15*
Eurozone		
Belgium	12,531	13,291
Italy	1,867	1,514
Spain	1,027	884
The Netherlands	726	553
France	577	725
Austria	493	1,376
Luxembourg	217	198
Finland	53	53
Countries receiving support		
Ireland	304	152
Portugal	49	146
Total eurozone	**17,844**	**18,893**

7.h Scope of consolidation

Name	Country	30 June 2018				31 December 2017			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Consolidating company									
BNP Paribas Fortis	Belgium								
Belgium									
AG Insurance	Belgium	Equity	25%	25%		Equity	25%	25%	
Alpha Card S.C.R.L.	Belgium								S2
Alpha Crédit SA	Belgium	Full	99,99%	99,99%		Full	99,99%	99,99%	
Arval Belgium SA	Belgium	Full	100%	99,99%		Full	100%	99,99%	
Bancontact Payconiq	Belgium	Equity	22.50%	22.50%	E1				
Banking Funding Company SA	Belgium	Equity	33.52%	33.52%		Equity	33.52%	33.52%	E1
Belgian Mobile ID	Belgium	Equity	15%	15%	E3				
BNP Paribas Fortis Factor NV SA	Belgium	Full	99.99%	99.99%		Full	99.99%	99.99%	
BNP Paribas Fortis Private Equity Belgium N.V.	Belgium	Full	99.99%	99.99%		Full	99.99%	99.99%	
BNP Paribas Fortis Private Equity Expansion	Belgium	Full	100%	99.99%		Full	100%	99.99%	
BNP Paribas Fortis Private Equity Management	Belgium	Full	100%	99.99%		Full	100%	99.99%	D1
BNP Paribas Lease Group Belgium	Belgium	Full	99.99%	25%		Full	99.99%	25%	
BNPP Fortis Film Finance	Belgium	Full	99%	99%	E1				
Bpost Banque - Bpost Bank	Belgium	Equity 2	50%	50%		Equity 2	50%	50%	
CNH Industrial Capital Europe Belgium Branch	Belgium	Full	100%	12.53%		Full	100%	12.53%	
Credissimo	Belgium	Full	100%	99.99%		Full	100%	99.99%	E1
Credissimo Hainaut SA	Belgium	Full	99.72%	99.72%		Full	100%	99.72%	E1
Crédit pour Habitations Sociales	Belgium	Full	81.66%	81.66%		Full	81.66%	81.66%	E1
Demetris N.V.	Belgium				S3	Equity 1	99.99%	99.99%	
Eos Aremas Belgium S.A./N.V.	Belgium	Equity	49.97%	49.97%		Equity	49.97%	49.97%	
Epimede	Belgium	Equity	20%	20%	E1				
Es-Finance	Belgium	Full	100%	100%		Full	100%	100%	
Favor Finance	Belgium	Full	51%	50.99%		Full	51%	50.99%	E1
Fortis Lease Belgium	Belgium	Full	100%	25%		Full	100%	25%	
FScholen	Belgium	Equity 2	50%	50%		Equity	50%	50%	
Gemma Frisius Fonds KU Leuven	Belgium	FV	40%	40%	E1				
Het Anker NV	Belgium	FV	27.82%	27.82%	E1				
Holding PCS	Belgium	FV	31.72%	31.72%	E1				
Immo Beaulieu	Belgium	Equity	25%	25%	E1				
Immobilière Sauvenière S.A.	Belgium	Full	99.99%	99.99%	D1	Equity 1	99.99%	99.99%	
Isabel SA NV	Belgium	Equity	25.33%	25.33%	E1				
Locadif	Belgium	Full	100%	99.99%		Full	100%	99.99%	
Microstart	Belgium	Full	85.46%	66.20%	E1				
Novy Invest	Belgium	FV	33.69%	33.69%	D1	Equity	33.69%	33.69%	E1
Omega Invest	Belgium	FV	28.35%	28.35%	E1				
Penne International	Belgium	Equity	74.90%	74.90%		Equity	74.90%	74.90%	E1
Sowo Invest SA NV	Belgium	Full	87.50%	87.50%	E1				
Studio 100	Belgium	FV	32.47%	32.47%	D1	Equity	32.47%	32.47%	E1
Belgium - Special Purpose Entities									
Bass Master Issuer Nv	Belgium	Full				Full			
BNPP B Institutional II - Treasury 17	Belgium				S3	Full			E1
Esmée Master Issuer	Belgium	Full				Full			
FL Zeebrugge	Belgium	Full			D1	Equity			E1

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis

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 Controlled but non material entities consolidated under the equity method as

2 Jointly controlled entities under proportional consolidation in the prudential scope

Full - Full consolidation

Equity - Equity Method

FV - Investment in associates measured at Fair Value through P&L

Name	Country	30 June 2018 Method	Voting (%)	Interest (%)	Ref.	31 December 2017 Method	Voting (%)	Interest (%)	Ref.
Luxembourg									
Arval Luxembourg SA	Luxembourg	Full	100%	99.99%		Full	100%	99.99%	D1
BGL BNP Paribas	Luxembourg	Full	50%	50%		Full	50%	50%	
BNP Paribas Fortis Funding S.A.	Luxembourg	Full	99.99%	99.99%		Full	99.99%	99.99%	
BNP Paribas Lease Group Luxembourg S.A.	Luxembourg	Full	100%	50%		Full	100%	50%	
BNP Paribas Leasing Solutions	Luxembourg	Full	50%	25%		Full	50%	25%	
Cardif Lux Vie	Luxembourg	Equity	33.33%	16.67%		Equity	33.33%	16.67%	
Cofhylux S.A.	Luxembourg	Full	100%	50%		Full	100%	50%	
Europay Luxembourg SC	Luxembourg	Equity	30.50%	0.17%	E1				
FS B SARL	Luxembourg	Equity	28.49%	14.24%	E1				
Plagefin S.A.	Luxembourg	Full	100%	50%		Full	100%	50%	
Visalux	Luxembourg	Equity	23.51%	11.76%	E1				
Luxembourg - Special Purpose Entities									
Elimmo	Luxembourg	Full			E1				
Rest of the world									
Albury Asset Rentals Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
All In One Vermietung GmbH	Austria	Full	100%	25%	E1				
All In One Vermietungsgesellschaft Fur Telekommunikationsanlagen Mbh	Germany								S3
Alpha Murcia Holding B.V.	The Netherlands	Equity	100%	100%		Equity	100%	100%	
Aprolis Finance	France	Full	51%	12.75%		Full	51%	12.75%	
Arius	France	Full	100%	25%		Full	100%	25%	
Artegy	France	Full	100%	25%		Full	100%	25%	
Artel	France	Full	100%	99,99%	D1	Equity	100%	99,99%	
Arval AB	Sweden	Full	100%	99,99%	D1	Equity	100%	99,99%	
Arval AS	Denmark	Full	100%	99,99%		Full	100%	99,99%	D1
Arval Austria GmbH	Austria	Full	100%	99,99%		Full	100%	99,99%	D1
Arval Benelux BV	The Netherlands	Full	100%	99,99%		Full	100%	99,99%	
Arval Brasil Ltda	Brazil	Full	99,99%	99,99%		Full	99,99%	99,99%	
Arval BV	The Netherlands	Full	100%	99,99%		Full	100%	99,99%	
Arval CZ SRO	Czech Republic	Full	100%	99,99%		Full	100%	99,99%	
Arval Deutschland GmbH	Germany	Full	100%	99,99%		Full	100%	99,99%	
Arval Fleet Services	France	Full	100%	99,99%		Full	100%	99,99%	
Arval Fleet Services BV	The Netherlands								S4
Arval Hellas Car Rental SA	Greece	Full	100%	99,99%	D1	Equity	100%	99,99%	
Arval India Private Ltd	India	Full	100%	99,99%	D1	Equity	100%	99,99%	
Arval Italy Fleet Services SRL	Italy								S4
Arval Juitong	China	Equity	39,99%	39,99%		Equity	39,99%	39,99%	
Arval Magyarorszag KFT	Hungary	Full	100%	99,99%	D1	Equity	100%	100%	
Arval Maroc SA	Morocco	Full	66.66%	66.66%	D1	Equity	66.66%	66.66%	
Arval OOO	Russia	Full	99,99%	99,99%		Full	99,99%	99,99%	
Arval Oy	Finland	Full	100%	99,99%		Full	100%	99,99%	D1
Arval Relsa SPA	Chile	Equity	50%	49.99%	E1				
Arval Schweiz AG	Switzerland	Full	100%	99,99%		Full	100%	99,99%	D1
Arval Service Lease	France	Full	99,99%	99,99%		Full	99,99%	99,99%	
Arval Service Lease Aluger Operational Automoveis SA	Portugal	Full	99,99%	99,99%	D1	Equity	99,99%	99,99%	
Arval Service Lease Italia SPA	Italy	Full	100%	99,99%		Full	100%	99,99%	
Arval Service Lease Polska SP ZOO	Poland	Full	100%	99,99%		Full	100%	99,99%	

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Variance (V) in voting or ownership interest

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V3 Dilution

V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest

Prudential scope of consolidation

1 Controlled but non material entities consolidated under the equity method as

2 Jointly controlled entities under proportional consolidation in the prudential scope

Full - Full consolidation

Equity - Equity Method

FV - Investment in associates measured at Fair Value through P&L

Name	Country	30 June 2018				31 December 2017			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Arval Service Lease Romania SRL	Romania	Full	100%	99,99%	D1	Equity	100%	99,99%	
Arval Service Lease SA	Spain	Full	99.99%	99,99%		Full	99.99%	99,99%	
Arval Slovakia	Slovakia	Full	100%	99,99%		Full	100%	99,99%	D1
Arval Trading	France	Full	100%	99,99%		Full	100%	99,99%	D1
Arval UK Group Ltd	United Kingdom	Full	100%	99,99%		Full	100%	99,99%	
Arval UK Leasing Services Ltd	United Kingdom	Full	100%	99,99%		Full	100%	99,99%	
Arval UK Ltd	United Kingdom	Full	100%	99,99%		Full	100%	99,99%	
Bank BGZ BNP Paribas SA	Poland	Equity	30.64%	30.64%	V4	Equity	28.35%	28.35%	
Bantas Nakit Ve Kiymetli Mal Tasima Ve Guvenlik Hizmetleri AS	Turkey	Equity	33.33%	16.67%	E1				
BGL BNP Paribas S.A. Zweignierderlassung Deutschland	Germany	Full	100%	50%		Full	100%	50%	
BNP Paribas Asset Management	France	Equity	33.33%	30.85%		Equity	33.33%	30.85%	
BNP Paribas Commercial Finance Limited	United Kingdom	Full	100%	99.99%		Full	100%	100%	
BNP Paribas Factor A/S	Denmark	Full	100%	99.99%		Full	100%	100%	D1
BNP Paribas Factor Deutschland B.V.	The Netherlands				S4	Full	100%	100%	
BNP Paribas Factor Gmbh	Germany	Full	100%	99.99%		Full	100%	100%	
BNP Paribas Factoring Coverage Europe Holding N.V.	The Netherlands	Full	100%	100%		Full	100%	100%	
BNP Paribas Finansal Kiralama A.S.	Turkey	Full	99,99%	26.08%		Full	99,99%	26.08%	
BNP Paribas Fortis (Austria branch)	Austria								S4
BNP Paribas Fortis (Czech Republic branch)	Czech Republic	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Denmark branch)	Denmark	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Finland branch)	Finland								S4
BNP Paribas Fortis (Netherlands branch)	The Netherlands								S4
BNP Paribas Fortis (Norway branch)	Norway								S4
BNP Paribas Fortis (Romania branch)	Romania	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Spain branch)	Spain	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis (Sweden branch)	Sweden								S4
BNP Paribas Fortis (U.S.A branch)	USA	Full	100%	100%		Full	100%	100%	
BNP Paribas Fortis Yatirimlar Holding Anonim Sirketi	Turkey	Full	99,99%	99,99%		Full	99,99%	99,99%	
BNP Paribas Lease Group	France	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group Ifn S.A.	Romania	Full	99.94%	24.99%		Full	99.94%	24.99%	D1
Bnp Paribas Lease Group Kft.	Hungary								S3
BNP Paribas Lease Group Leasing Solutions S.P.A.	Italy	Equity	26.17%	6.54%		Equity	26.17%	6.54%	
BNP Paribas Lease Group Lizing Rt	Hungary								S3
BNP Paribas Lease Group Milan Branch	Italy	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group PLC	United Kingdom	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group Rentals Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group S.A. Zweigniederlassung Deutschland	Germany	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group Sa Portugal Branch	Portugal	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group Sa Sucursal En Espana	Spain	Full	100%	25%		Full	100%	25%	
BNP Paribas Lease Group Sp.Z.O.O	Poland	Full	100%	25%		Full	100%	25%	D1
BNP Paribas Leasing Solutions Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
BNP Paribas Leasing Solutions N.V.	The Netherlands	Full	100%	25%		Full	100%	25%	
BNP Paribas Leasing Solutions Suisse Sa	Switzerland	Full	100%	25%	D1	Equity 1	100%	25%	
BNPP Factor AB	Sweden	Full	100%	99.99%	E1				
BNPP Factor NV	The Netherlands	Full	100%	99.99%		Full	100%	100%	E1
BNPP Fleet Holdings Ltd	United Kingdom	Full	100%	100%		Full	100%	100%	
BNPP Lease Group GmbH & Co KG	Austria	Full	100%	25%	E1				
BNPP Rental Solutions Ltd	United Kingdom	Full	100%	25%		Full	100%	25%	D1
BNPP Rental Solutions SPA	Italy	Full	100%	25%	D1	Equity	100%	25%	

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New entries (E) in the scope of consolidation

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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 Controlled but non material entities consolidated under the equity method as
2 Jointly controlled entities under proportional consolidation in the prudential scope

Full - Full consolidation
Equity - Equity Method
FV - Investment in associates measured at Fair Value through P&L

Name	Country	30 June 2018				31 December 2017			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Cetelem Renting	France	Full	100%	99.99%	E1				
Claas Financial Services	France	Full	51%	12.75%		Full	51%	12.75%	V2
Claas Financial Services Germany Branch	Germany	Full	100%	12.75%		Full	100%	12.75%	V3
Claas Financial Services Italy Branch	Italy	Full	100%	12.75%		Full	100%	12.75%	V3
Claas Financial Services Ltd	United Kingdom	Full	51%	12.75%		Full	51%	12.75%	
Claas Financial Services Sas Branch In Poland	Poland	Full	100%	12.75%		Full	100%	12.75%	V3
Claas Financial Services, S.A.S., S.E. Spain Branch	Spain	Full	100%	12.75%		Full	100%	12.75%	V3
CMV Mediforce	France	Full	99.99%	25%	E1				
CNH Industrial Capital Europe Gmbh	Austria	Full	100%	12.53%		Full	100%	12.53%	
CNH Industrial Capital Europe	France	Full	50.10%	12.53%		Full	50.10%	12.53%	
CNH Industrial Capital Europe Bv	The Netherlands	Full	100%	12.53%		Full	100%	12.53%	
CNH Industrial Capital Europe Italy Branch	Italy	Full	100%	12.53%		Full	100%	12.53%	
CNH Industrial Capital Europe Ltd	United Kingdom	Full	100%	12.53%		Full	100%	12.53%	
CNH Industrial Capital Europe Poland Branch	Poland	Full	100%	12.53%		Full	100%	12.53%	
CNH Industrial Capital Europe SA.S Germany Branch	Germany	Full	100%	12.53%		Full	100%	12.53%	
CNH Industrial Capital Europe Sucursal En Espana	Spain	Full	100%	12.53%		Full	100%	12.53%	
Cofiparc	France	Full	100%	99.99%		Full	100%	99.99%	
Commercial Vehicle Finance Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
Folea Grundstucksverwaltungs und Vermietungs Gmbh & Co	Germany	Full	94%	1.50%	D1	Equity	94%	1.50%	E1
Fortis Lease	France	Full	99.99%	25%		Full	99.99%	25%	
Fortis Lease Deutschland Gmbh	Germany	Full	100%	25.00%		Full	100%	25%	D1
Fortis Lease Iberia Sa	Spain	Full	100%	41.04%		Full	100%	41.04%	D1
Fortis Lease Portugal	Portugal	Full	100%	25%		Full	100%	25%	D1
Fortis Lease Uk Ltd	United Kingdom	Full	100%	25%	D1	Equity 1	100%	25%	
Fortis Vastgoedlease B.V.	The Netherlands	Full	100%	25%	D1	Equity 1	100%	25%	
Heffiq Heftruck Verhuur BV	The Netherlands	Full	50.05%	12.51%	E1				
Humberclyde Commercial Investments Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
Inkasso Kodat Gmbh & Co. Kg	Germany				S3	Equity 1	100%	100%	
Jcb Finance	France	Full	100%	12.53%		Full	100%	12.53%	
Jcb Finance Holdings Ltd	United Kingdom	Full	50.10%	12.53%		Full	50.10%	12.53%	
JCB Finance S.A.S. Italy Branch	Italy	Full	100%	12.53%		Full	100%	12.53%	
JCB Finance S.A.S. Zweigniederlassung Deutschland	Germany	Full	100%	12.53%		Full	100%	12.53%	
Louveo	France	Full	100%	99.99%	E1				
Manitou Finance Limited	United Kingdom	Full	51%	12.75%		Full	51%	12.75%	
Mff	France	Full	51%	12.75%		Full	51%	12.75%	
Public Location Longue Durée	France	Full	100%	100%		Full	100%	100%	D1
RD Portofoliu SRL	Romania								S3
Same Deutz Fahr Finance	France	Full	100%	25%		Full	100%	25%	
Same Deutz Fahr Finance Limited	United Kingdom	Full	100%	25%		Full	100%	25%	
Teb Arval Arac Filo Kiralama A.S.	Turkey	Full	99.99%	74.99%		Full	99.99%	74.99%	
Teb Faktoring A.S.	Turkey	Full	100%	48.72%		Full	100%	48.72%	
Teb Holding A.S.	Turkey	Full	50%	49.99%		Full	50%	49.99%	
Teb Portfoy Yonetimi A.S.	Turkey	Full	80%	39.02%		Full	79.63%	39.02%	
Teb Sh A	Serbia	Full	100%	49.99%		Full	100%	49.99%	
Teb Yatirim Menkul Degerler A.S.	Turkey	Full	100%	48.72%		Full	100%	48.72%	
Turk Ekonomi Bankasi A.S.	Turkey	Full	76.22%	48.72%		Full	76.22%	48.72%	
Von Essen GmbH	Germany	Full	100%	100%		Full	100%	100%	
Rest of the world - Special Purpose Entities									
Scaldis Capital Limited	Jersey	Full				Full			

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis

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 Controlled but non material entities consolidated under the equity method as

2 Jointly controlled entities under proportional consolidation in the prudential scope

Full - Full consolidation

Equity - Equity Method

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REPORT OF THE ACCREDITED STATUTORY AUDITORS

STATUTORY AUDITORS' REPORT OF THE COMPANY BNP PARIBAS FORTIS SA/NV ON THE REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

Introduction

We have reviewed the accompanying Interim Consolidated Financial statements. The Interim Consolidated Financial statements comprise the profit and loss account for the first half of 2018, the statement of net income and changes in fair value of assets and liabilities recognized directly in equity, the balance sheet at 30 June 2018, the cash flow statement for the first half of 2018, the statement of changes in shareholders' equity between 1 January 2017 and 30 June 2018, and notes 1 to 7.

The Board of Directors is responsible for the preparation and presentation of these Interim Consolidated Financial Statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on the Interim Consolidated Financial Statements, based on our review.

Scope of our review

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

Conclusion

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

Emphasis of Matter regarding certain pending legal proceedings

Without further qualifying our conclusion, we draw the attention to the fact that, as described in note 7.a to the Interim Consolidated Financial Statements, and as a result of 2008 events having impacted the Fortis group, a number of claimants have initiated legal actions against the former Fortis group, including BNP Paribas Fortis SA/NV and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for BNP Paribas Fortis SA/NV and its directors cannot presently be determined, and therefore no provisions have been recorded in the Interim Consolidated Financial Statements.

Brussels, 31 August 2018

The Statutory Auditor

PwC Reviseurs d'Entreprises sccrl/ Bedrijfsrevisoren bcvba
Represented by

Damien Walgrave
Reviseur d'Entreprises / Bedrijfsrevisor