Fortis Bank NV/SA

Financial Report First half-year 2012

Introduction

This Financial Report of Fortis Bank SA/NV for the first half-year of 2012 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 2012.

The Fortis Bank Consolidated Interim Financial Statements for the first half-year of 2012, including the 2011 comparative figures, have been prepared at 30 June 2012 in accordance with IAS 34 Interim Financial Reporting and other International Financial Reporting Standards (IFRSs) – including International Accounting Standards (IAS) and Interpretations 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 Fortis Bank Consolidated Interim Financial Statements should be read in conjunction with the audited Fortis Bank Consolidated Financial Statements 2011, which are available on http://www.bnpparibasfortis.com.

As an issuer of listed debt instruments and in accordance with the EU Transparency Directive, Fortis Bank 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 reported in the tables of these Consolidated Interim Financial Statements are denominated in millions of euros, unless stated otherwise. Because figures have been rounded off, small differences with previously reported figures may occur. Certain reclassifications have been made with regard to the prior year's Financial Statements in order to make them comparable for the year under review.

Fortis Bank SA/NV is the legal name of the company. The commercial activities in Belgium are performed under the brand name BNP Paribas Fortis.

Fortis Bank refers in the Consolidated Interim Financial Statements to Fortis Bank SA/NV consolidated situation unless stated otherwise.

Following the restructuring of Fortis, 'Fortis SA/NV' and 'Fortis NV' are currently renamed to 'Ageas'.

All information in the Financial Report of Fortis Bank SA/NV for the first half-year of 2012 is related to the Fortis Bank statutory consolidated financial statements and does not cover the contribution of Fortis Bank to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website : www.bnpparibas.com

The Financial Report of Fortis Bank SA/NV for the first half-year of 2012 is available on the website: www.bnpparibasfortis.com

Contents

Report of the Board of Directors

This section provides a summary of the evolutions in the first half-year of 2012 and elaborates on the following key developments:

- Economic context
- Results of the first half-year of 2011 and the financial position as at 30 June 2011
- Status of liquidity and solvency
- Principal risk and uncertainties

Economic context

Following a mild contraction in economic activity at the end of 2011, the Belgian economy started 2012 on a positive note, growing 0.4% in the first quarter compared to the first quarter 2011. This was supported by the interventions of the ECB - two LTROs (longer-term refinancing operation) intended to improve the funding situation of financial institutions - which reduced stresses in eurozone sovereign bond markets and boosted confidence among investors and business leaders. However, by March, the government bond crisis had flared up again in the eurozone, mainly because of uncertainty related to Spain's fiscal situation and the risk of a banking crisis, coupled with the political uncertainty in Greece. These renewed pressures had a negative impact on overall confidence and weakened economic activity and led to a decrease in the Belgian economy in the second quarter with 0.4% compared to the second quarter of 2011.

On the contrary to the previous period of heightened uncertainty, Belgium has this time remained sheltered from the renewed bond market tensions.

A priority of the new federal government of Belgium was to ensure that public finances would meet the fiscal targets set out by the European Commission this year. This resulted in various tax measures and spending cuts, which have clearly weighted on consumer confidence. As consumers became extremely cautious and increased their savings rate, household saving deposits reached a record high of EUR 228 billion end of June 2012, up from EUR 219 billion end of last year. At the same time, their appetite for major household purchases declined, leading to softer demand for loans. Annual bank lending to households averaged a solid 6.0%, only slightly down on the 7% growth in the first half of last year.

The same was true for non-financial corporations, among whom heightened uncertainty weakened loan demand from an average 4.7% demand increase in first-half of 2011 to 2.9% in first-half of 2012. Thus despite the difficult economic environment, Belgian banks continued to increase their supply of credit to the real economy.

Aside from the business cycle impact on traditional activities, Belgian banks, like other banks in the eurozone, face many challenges. Balance sheet reduction is ongoing, resulting in a greater focus on domestic markets, i.e. essentially ensuring the financing of real economic activity. Meanwhile, adjustments to the new Basel III regulatory framework, with stricter focus on capital adequacy and liquidity, are also affecting the banks' operational activities.

Comments on the evolution of the results

Fortis Bank delivered a sound business performance during the first half year of 2012 in a challenging economic and financial environment marked by another slowdown of Europe's economic activity and a new market crisis.

Fortis Bank realized a net profit attributable to shareholders of EUR 541 million in the first half year of 2012 compared to EUR 71 million in the first half of 2011.

The net income before discontinued operations and minority interests came in at EUR 635 million, compared with EUR 503 million at 30 June 2011, representing an increase of EUR 132 million or 26%.

These positive results are driven by sound commercial and financial revenues in most entities of Fortis Bank and especially in Belgium and Turkey, with a continued growth trend in deposits and in mortgage loans in Retail Banking Belgium and overall margins showing resilience. The financial revenues were lower due to the negative impact of the own credit risk evolution on the revaluation of debt held at fair value, the indemnity linked to the unwinding hybrid of equity instruments (Cashes) and capital losses on sales of government bonds. The controlled growth of the operating expenses with 2% is in line with the growth of the revenues and led to a gross operating income of EUR 811 million, comparable with previous year. The cost of risk (EUR (155) million) was quite below the first half year of 2011, which was at that moment already partly impacted by the cost of the Greek debt restructuring. The contribution in 2012 from associated companies was lower than in 2011, amongst other impacted by the scope change related to the leasing activities. The income tax expenses were positively impacted by the recognition of deferred tax assets on the liquidation losses of former participations.

The comparison between the 2012 and 2011 first half year results on a line-by-line, is still largely impacted by the consequences of several on-going integration initiatives between Fortis Bank and BNP Paribas Group. BGL BNP Paribas, 50% daughter of Fortis Bank, has acquired an additional 16.7% of the shares of BNP Paribas Leasing Solutions (BPLS) at 30 March 2012, obtaining control on BPLS (50% + 1 share). This leads to the full consolidation of the results of the leasing activities as from the second quarter 2012 onwards, results previously reported in the caption Share of earnings of associates. Furthermore, the comparison between the 2012 and 2011 first half year results is affected by the reorganization of the activities in Turkey in 2011, by the acquisition of Fortis Commercial Finance (FCF) (Q4 2011), the disposal of Fortis Bank Reinsurance (Q4 2011) and the deconsolidation of some entities due to the run-down of activities (FIF Dublin, Fortis Proprietary Investments (FPI), …). These impacts are further detailed in the paragraphs below.

From a geographical point of view, based on the location of the Fortis Bank entities, 67% of the revenues were generated in Belgium, 10% in Luxembourg and 23% in other countries in which Fortis Bank is active. The increase in other countries was mainly impacted by the full consolidation of the leasing activities and the increased activity level in Turkey.

Net interest income reached EUR 2,231 million in the first half year of 2012, up EUR 251 million or 13% compared to the same period in 2011. This includes scope changes related to the full consolidation of the leasing activities with a positive impact of EUR 151 million, the acquisition of FCF with a positive impact of EUR 11 million, a positive impact of EUR 30 million of the reclass to discontinued operations of the pre-merger net interest income of Fortis Bank Turkey in 2011, and a negative impact of EUR 15 million from the deconsolidation of entities and the disposal of FB Reinsurance. The underlying increase is driven by a good performance in Belgium and Turkey partly counterbalanced by lower interest revenues in Luxembourg, Poland and CIB outside Belgium. The performance in Belgium was mainly supported by increasing transformation margins benefiting from the BOR/OIS spread while commercial margins at Retail Banking were essentially flat as volume growth was counterbalanced by pressure on margins. The increase of interest income in Turkey was linked to volume growth and a positive margin effect, which more than offset the negative impact of the depreciation of Turkish lira against EUR. The interest margin in BGL BNP Paribas was negatively impacted by the sale of government bonds and the slow down of the structured capital market activity, which more than offset the positive impact of deposit growth (mainly current accounts) at Retail Banking. The negative performance in Poland is driven by a strong decline in margins while deposits and loan volumes increased. Interest revenues at CIB Branches (mainly UK, Spain and US) were under pressure due to the rundown of portfolios.

Net commission income amounted to EUR 661 million in the first half year of 2012, up EUR 32 million or 5% compared to the same period in 2011. Scope changes related to leasing entities and FCF had a positive impact of EUR 15 million. The increase in 2012 of net commission income was supported by

CIB (thanks to higher activity in structured finance and the retrocession fees from BNP Paribas for capital markets activities) and by higher fee income in Turkey (i.e. on credit cards). The net commission income was under pressure at Belgian Retail Banking due to lower selling fees on off-balance products and lower management fees as well as in Luxembourg due to lower selling and trailer fees.

Net results on financial instruments at fair value through profit or loss were at EUR 47 million, down by EUR 190 million compared to the same period in 2011. Scope changes related to leasing entities (EUR (2) million) and the run-down of portfolios previously located in FPI (EUR (67) million) influence this evolution. The influence of the change in own credit risk spread on the valuation of the debt held at fair value through profit or loss amounts to EUR (197) million in H1 2012, compared to EUR (38) million in H1 2011, leading to a negative impact of EUR (159) million. This was partly offset by the positive fair value change of EUR 134 million on loans to public institutions which were classified as held at fair value (EUR 120 million in H1 2012 compared to EUR (14) million in H1 2011). Furthermore, the unwinding of part of the subordinated debt Cashes led to an indemnity paid of EUR (69) million in Q1 2012 while private equity results following revaluation of portfolio were EUR 27 million lower than in H1 2011.

Net results on available-for-sale financial assets amounted to EUR (46) million in the first half of 2012 compared to EUR (20) million in 2011. Scope changes mainly related to leasing entities and are limited (EUR (7) million). Further reduction of the exposure to sovereign risk led to losses on Portuguese government bonds (EUR (129) million), counterbalanced by gains on sale of other government bonds (i.e. EUR 65 million on German bonds, EUR 8.4 million on Austrian bonds, EUR 7 million on Canadian bonds, EUR 17 million on Belgian bonds and EUR 2.8 million on Dutch bonds). Gains on structured credit instruments (mainly on US positions) contributed EUR 13 million in H1 2012 compared to EUR 58 million in H1 2011.

Net income from other activities arrived at EUR 8 million in the first half year of 2012, down by EUR 20 million compared to the same period in 2011. This is mainly due to the loss on disposal of investment property and impairments on investment property by the leasing companies in 2012.

Operating expenses amounted to EUR (1,972) million in the first half year of 2012, EUR 36 million or 2% higher than in the same period in 2011. This evolution was impacted by scope changes related to leasing entities (EUR (75) million), the reclass to discontinued operations of the pre-merger operating expenses of Fortis Bank Turkey in 2011 (EUR (37) million) and the acquisition of FCF (EUR (10) million), partly compensated by EUR 28 million lower restructuring costs in H1 2012. Lower expenses in Belgium, Poland and London were partly offset by higher expenses in other geographies (mainly Turkey and US). Staff expenses in Belgium were positively impacted by the new reward model and lower FTE's that globally offset the impact of the wage drift. Lower charges for IT-consulting more than counterbalanced the higher contribution to the deposit guarantee scheme and taxes on deposits (Fortis Bank in Belgium: EUR (87) million in H1 2012 compared to EUR (72) million in H1 2011).

Depreciation charges were at EUR (118) million in the first half of 2012, EUR 1 million lower versus prior year. Scope changes related to leasing entities and the acquisition of FCF had an impact of EUR (8) million. The remaining decrease is mainly explained by the accelerated depreciation concerning Retail branding of EUR (12) million in H1 2011, partly offset by a write-off of intangible assets of EUR (6) million in H1 2012 at the Portugal Branch.

Cost of risk amounted to EUR (155) million in the first half year of 2012, EUR 169 million lower than in the first half of 2011 that included a provision for Greek sovereign debt restructuring of EUR (178) million. Excluding the provision for Greek debt and the scope changes due to leasing, FCF and FPI (EUR (26) million), the cost of risk in both years was at a comparable level.

Share of earnings of associates reached EUR 93 million in the first half year of 2012, reflecting a decrease of EUR 74 million versus the same period in 2011. The change from equity method to full consolidation of the leasing entities in Q2 2012 had a negative impact of EUR 29 million while the loss on the sale of French leasing entities had a negative impact of EUR 8 million. Furthermore, BNP Paribas Investment Partners contributed EUR 38 million compared to EUR 72 million in H1 2011 and TCG Fund EUR 8 million compared to EUR 14 million in H1 2011.

Net results on non-current assets came in at EUR (29) million in 2012 mainly due to the anticipated loss on the sale of the Portuguese branch EUR (18) million, the losses on the liquidation of FB Holding Canada (EUR (8) million) and GI Finance (EUR (2) million) and a loss at BGL BNP Paribas on a receivable linked to the 2009 sale of Intertrust (EUR (5) million). The 2011 result was EUR 12 million, mainly thanks to the sale of Textainer Marine Containers LTD.

Income tax expenses in the first half of 2012 came in at EUR (85) million. The effective tax rate stands at a low level of 12%, mainly impacted by the recognition of deferred tax assets (DTA) on the expected liquidation losses of FB Energy Trading of EUR 139 million. Excluding this DTA recognition and the level of share of earnings of associates that is reported net of income taxes, the effective tax rate stands at 36%. Income taxes for the first half of 2011 amounted to EUR (151) million with an effective tax rate of 23%. The main reason of the lower tax rate is the high level of share of earnings of associates reported net of income taxes. Excluding the share in result of associates, the effective tax rate stands at 31%.

Net result of discontinued operations
The result on discontinued operations of EUR (317) million in the first half of 2011 contained the realised gains and losses (EUR (312) million) on the subsidiaries and branches sold during the period and the net operating results of the disposed subsidiaries and branches (EUR (5) million). Included in the results of 2011 is mainly a negative accounting result related to a currency conversion loss of EUR (233) million following the loss of control on Fortis Bank Turkey and furthermore the negative fair value (EUR (75) million) of a put option granted to the partner in the TEB Holding joint venture (in the framework of the reorganization of the Turkish entities of BNP Paribas).

Net income attributable to minority interests amounted to EUR (94) million in the first half year of 2012, EUR 21 million lower than in the same period in 2011 and mainly driven by the lower result at BGL BNP Paribas.

Comments on the evolution of the balance sheet

The total balance sheet of Fortis Bank amounted to EUR 352 billion at the end of June 2012, EUR 6 billion or 2% higher compared to the end of 2011. The change in consolidation method of the leasing companies from equity method to full consolidation as a result of the increase of the share of BGL BNP Paribas in the leasing companies from 33.33% to 50% + one share had the following impact on the balance sheet total by segment: Belgium: EUR 1,379 million, Luxembourg: EUR (2,518) million and Other countries: EUR 13,978 million. Beside this transaction, in the first half of 2012 additional funding was raised through customer deposits and commercial paper/deposits programs. This additional funding was partly used to reimburse subordinated liabilities and mainly to increase the liquidity position of the bank via the deposit facilities at the central banks in Belgium and Luxembourg. The overall increase of the size of the balance sheet was partly counterbalanced by the impact of the deleveraging and de-risking programs leading to a strong decrease in financial assets and liabilities at fair value, to lower available for sale financial assets and to lower loans and receivables from and to credit institutions.

From a geographical point of view and based on the location of the Fortis Bank companies, 78% of assets are located in Belgium, 9% in Luxembourg and 13% in other countries.

Assets

Cash and amounts due from central banks and post office banks amounted to EUR 20.9 billion, an increase of EUR 12.6 billion compared to the end of 2011. This is mainly related to the additional funding placed on the (overnight) deposit facility with the central bank in Belgium (EUR 10 billion) and in Luxembourg (EUR 5 billion) and by an increase on the FED account in US (EUR 1.1 billion). This was partly counterbalanced by a decrease in the monetary reserves with the central bank in Belgium and Luxembourg of EUR 4.2 billion following the ECB decision to reduce the average required reserves by 50%.

Financial assets at fair value through profit or loss decreased substantially by EUR 11.2 billion or 12% to EUR 80 billion at the end of June 2012. Reverse repurchase agreements activities went down by EUR 5.9 billion due to the deleveraging of the balance sheet. The movement on the derivative instruments (from EUR 65.5 billion end 2011 to 62.4 billion end June 2012) had a reducing impact of EUR 3.1 billion, resulting from a EUR 10 billion lower volume of interest rate derivatives in the first quarter followed by a rise of their fair value in the second quarter (EUR 7.1 billion), mainly driven by the decline in interest rates ((27) bps on average). Next to this, the stock of fixed income securities declined by EUR 2 billion due to securities reaching their maturities.

Available-for-sale financial assets decreased by EUR 2.8 billion or 7% to EUR 39.9 billion at the end of June 2012. This is mainly attributable to the reduction in the government bonds portfolio (EUR (2.4) billion) and the corporate bonds portfolio (EUR (0.4) billion). The movement in the government bonds is mainly driven by sales and redemptions of German bonds (EUR (1.4) billion), French bonds (EUR (0.6) billion), Austrian bonds (EUR (0.2) billion) and Dutch bonds (EUR (0.2) billion). The EFSF bonds and the new Hellenic bonds, received in exchange for the former Greek government bonds, led to an increase of EUR 0.2 billion.

Loans and receivables due from credit institutions amounted to EUR 30 billion at 30 June 2012, a decrease by EUR 5.8 billion or 16% compared to the end of 2011. This decrease is mainly driven by lower reverse repurchase balances (EUR (3.8) billion) linked to the funding activities of the bank and lower nostro accounts (EUR (0.9) billion). The net impact of scope change for leasing entities as well as the deconsolidation of Royal Neuve contributed EUR (1) billion.

Loans and receivables due from customers amounted to EUR 157.3 billion at 30 June 2012, a rise by EUR 11.5 billion or 8% compared to the end of 2011. This is explained by the scope change for leasing entities that contributed EUR 12 billion (mainly in financing lease), slightly offset by the classification of the Portugal Branch as 'Assets held for sale' in the frame of restructuring of the branches within the BNP Paribas group (impact EUR (0.6) billion). Excluding this scope impact and the reverse repurchase agreements (which declined EUR (1) billion), loans were slightly higher at EUR 145.1 billion compared to EUR 144 billion at the end of 2011. Growth in Belgium Retail Banking mainly on the back of mortgage loans was partly offset by reductions in loans to corporate clients in CIB Belgium and in other geographies. Next to this, the structured credit portfolio decreased by EUR 0.6 billion following sales and the government bonds (reclassified as Loans and receivables) of Portugal decreased due to sales, as well as the government bonds of Greece, due to the exchanges taking place in March and April of 2012 (EUR (0.5) billion).

Accrued income and other assets increased by EUR 0.2 billion or 3% to EUR 8.5 billion at 30 June 2012, mainly due to scope change for leasing entities (EUR 0.4 billion) and higher balances for settlement accounts (EUR 0.7 billion), partly offset by lower customer margin accounts (EUR (0.9) billion, cash collateral).

Investments in associates amounted to EUR 3.8 billion at the end of June 2012, a slight decrease of EUR 0.4 billion or 9% compared to the end of 2011. This is mainly explained by the scope change for leasing entities (from equity method to full consolidation) leading to a EUR (0.6) billion change. This is partly offset by an increase of EUR 0.2 billion at AG Insurance due to the higher net asset value following the decline in interest rates (counterpart in equity as unrealized gains and losses).

Investment property increased by EUR 0.5 billion compared to the end of 2011 fully driven by the scope change for leasing entities.

Property, plant and equipment increased from EUR 1.5 billion at the end of 2011 to EUR 2 billion at end June 2012, due to the scope change for leasing entities (EUR 0.4 billion).

Goodwill amounted to EUR 0.4 billion, an increase by EUR 162 million which is mainly related to the goodwill on the acquisition of the leasing entities.

Assets classified as held for sale amounted to EUR 0.8 billion, an increase by EUR 0.7 billion compared to the end of 2011 and linked to the classification of part of the Portugal branch as 'Held for sale' as from Q2 2012 in the frame of the restructuring of the branches within the BNP Paribas group.

Liabilities and equity

Financial liabilities at fair value through profit or loss decreased by EUR 10.7 billion or 11% to EUR 88.7 billion at 30 June 2012. As was the case for Financial assets at fair value through profit or loss, the decrease on the liability side was driven by the impact of the deleveraging of the balance sheet. Repurchase agreements decreased by EUR 6.3 billion, while movements on the derivative instruments went from EUR 66.5 billion end 2011 to EUR 63.6 billion end June 2012. The unwinding of interest rate derivatives in the first quarter for EUR 9.9 billion was partly offset by an increase of EUR 6.9 billion in the second quarter mainly driven by the decline in interest rates ((27) bps on average). The subordinated liabilities at fair value were EUR 1.1 billion lower due to the partial repayment of the Cashes (EUR (0.6) billion) and the anticipated reimbursement of a subordinated loan (EUR (0.5) billion).

Due to credit institutions amounted to EUR 43.6 billion at 30 June 2012, which is EUR 4.7 billion or 12% higher compared to the end of 2011. The consolidation change for leasing entities has an increasing impact of EUR 10.1 billion, partly counterbalanced by the decrease in repurchase agreements (EUR (4.5) billion, mainly funding activity) and in demand accounts (EUR (0.6) billion). There is also an impact of the deconsolidation of Royal Neuve (EUR (0.5) billion).

Due to customers arrived at EUR 154.3 billion at the end of June 2012, a slight decrease of EUR 0.3 billion compared to the end of 2011. Repurchase agreements went down by EUR 5.8 billion following redemptions. Excluding repos, deposits arrived at EUR 148.3 billion compared to EUR 142.7 billion at end 2011, a strong increase supported by both individual customer deposits (EUR 4.6 billion, mainly EUR 3 billion in saving accounts) and corporate client deposits (EUR 1 billion, mainly current accounts). In Belgium, deposit growth due to individual customers (mainly current accounts and saving accounts) was masked by a decline in corporate client deposits. Outside Belgium, deposits with corporate and private clients grew mainly in Luxembourg, Turkey, and in the London and Madrid branches.

Debt Securities amounted to EUR 22.8 billion at 30 June 2012, an increase by EUR 8.3 billion or 57% compared to the end of 2011. Thanks to better market conditions and a higher demand, the bank issued new certificates of deposits and commercial paper.

Accrued expenses and other liabilities increased by EUR 2.1 or 60% to EUR 5.6 billion at the end of June 2012, mainly due to the scope change for leasing entities (EUR 0.9 billion) and higher balances on settlement accounts (EUR 0.6 billion).

Subordinated debt decreased by EUR 1.9 billion or 20% to EUR 7.6 billion at 30 June 2012, driven by the redemptions of subordinated certificates and subordinated borrowings (following the anticipated reimbursement of a hybrid loan and a subordinated loan and the buyback of 2 perpetual loans).

Liabilities classified as held for sale amounted to EUR 0.18 billion at 30 June 2012 compared to EUR 0.14 billion at the end of 2011. At 30 June 2012, these liabilities relate to the Portugal branch considered as Held for sale as of Q2 2012. At 31 December 2011, these liabilities represented mainly the residual liabilities of the UK branch still to be transferred to BNP Paribas.

Shareholders' equity amounted to EUR 17.6 billion at 30 June 2012 compared to EUR 16.3 billion at the end of 2011. This increase of EUR 1.3 billion results from the positive impact of the result of the year (EUR 541 million) and the increase in unrealized gains and losses (EUR 889 million; due to increase in fair value of the AFS portfolio mainly in Belgium government debt and linked to the decline in interest rates compared to Q4 2011). This is partly counterbalanced by the impact of the full consolidation of the leasing activities (EUR (61) million).

Minority interests increased by EUR 1.2 billion to EUR 4.2 billion at 30 June 2012, mainly due to the full consolidation of the leasing activities, with an increase in minority interests from 16.67% to 75%.

Liquidity and solvency

The liquidity of Fortis Bank remained solid as shown by the loan-to-deposit ratio, which (excluding repurchase and reverse repurchase agreements) increased to 106% at 30 June 2012, compared to 101.4% at 31 December 2011.

The increase of the loans during the first half year of 2012 is mainly the result of the full consolidation of the leasing entities and more than counterbalances the increase of the deposits, leading to an increase in the loan-to-deposit ratio.

The solvency of Fortis Bank remained strong during the first half of 2012 with a Tier 1 ratio of 14.8% (16.5% end 2011) and a total capital ratio of 18.5% at 30 June. The latter being well above the regulatory required minimum of 8%.

The evolution of the Tier 1 capital ratio can be explained by a slight increase in Tier 1 capital of EUR 0.1 billion to EUR 19.6 billion combined with a substantial increase in Risk Weighted Assets (RWA) of EUR 14.5 billion, which is mainly caused by the change in consolidation method - from equity method to full consolidation - of the leasing companies, in which BGL BNP Paribas increased its participation from 33.33% to 50% + one share.

Principal risks and uncertainties

Fortis Bank's 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 Fortis Bank NV/SA Annual Report 2011, Note 4, Risk Management.

Fortis Bank 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 Fortis Bank and Fortis Group at the end of September and beginning of October 2008, as further described in Note 6.g Contingent assets and liabilities of the Interim Financial Statements 2012.

Events after the reporting period are further described in the note 6.h of the Interim Financial Statements 2012.

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 2012:

(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 Fortis Bank and the undertakings included in the consolidation as of 30 June 2012 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 Fortis Bank and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties with which they are confronted

Brussels, 30 August 2012
The Board of Directors of Fortis Bank SA/NV

Composition of the Board of Directors

DAEMS Herman	Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
CHODRON de COURCEL Georges	Vice-Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
JADOT Maxime	Executive Director; Chairman of the Executive Board since 01 March 2011; Member of the Board of Directors by cooption since 13 January 2011; Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.
DIERCKX Filip	Executive Director; Vice-Chairman of the Executive Board; Member of the Board of Directors since 28 October 1998. Board Member mandate expires at the 2013 Ordinary Annual General Meeting of Shareholders.
FOHL Camille	Executive Director; Member of the Board of Directors and of the Executive Board since 01 January 2008. Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.
MENNICKEN Thomas	Executive Director; Member of the Board of Directors and of the Executive Board since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
FILLION Jean-Yves	Executive Director; Member of the Board of Directors and of the Executive Board since 21 April 2011. Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.
VANDEKERCKHOVE Peter	Executive Director; Member of the Board of Directors and of the Executive Board since 21 April 2011. Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.
BONNAFÉ Jean-Laurent	Non-Executive Director since his resignation as Chairman of the Executive Board on 28 February 2011; Member of the Board of Directors since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
BOOGMANS Dirk	Independent Non-Executive Director; Member of the Board of Directors since 01 October 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
DE MERODE D'ASPREMONT LYNDEN Antoinette	Independent Non-Executive Director; Member of the Board of Directors since 19 April 2012. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

DUTORDOIR Sophie	Independent Non-Executive Director; Member of the Board of Directors by cooption since 30 November 2010. Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.
GEENS Koen	Non-Executive Director proposed by SFPI/FPIM*; Member of the Board of Directors by cooption since 26 May 2011 following resignation of Wim COUMANS on 02 May 2011. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
PAPIASSE Alain	Non-Executive Director; Member of the Board of Directors since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
STÉPHENNE Jean	Independent Non-Executive Director; Member of the Board of Directors since 26 April 2001. Board Member mandate expires at the 2013 Ordinary Annual General Meeting of Shareholders.
VARÈNE Thierry	Non-Executive Director; Member of the Board of Directors since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.
VILLEROY de GALHAU François	Non-Executive Director; Member of the Board of Directors since 19 April 2012. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

(*) Société Fédérale de Participations et Investissements / Federale Participatie- en Investeringsmaatschappij.

Mr. Luc VANSTEENKISTE is a permanent invitee to the Board of Directors and all Board Committees.

The Fortis Bank Board of Directors, which is responsible for setting general policy and supervising the activities of the Executive Board, is currently composed of 17 Directors, of which 11 are Non-Executive Directors (four of these appointed as Independent Directors in compliance with the criteria laid down in article 526ter of the Companies Code) and six are Executive Directors.

College of accredited Statutory Auditors

- PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises sccrl, represented by Mr Roland JEANQUART
- Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises SC sfd SCRL, represented by Mr Philip MAEYAERT and Mr Frank VERHAEGEN

Fortis Bank Consolidated Interim Financial Statements

Prepared in accordance with IAS 34 Interim Financial Reporting and other International Financial Reporting Standards (IFRSs) - including International Accounting Standards (IAS) and Interpretations as adopted by the European Union

Profit and loss account for the first half year of 2012

In millions of euros	Note	1st half of 2012	1st half of 2011
Interest income	2.a	4,813	4,225
Interest expense	2.a	(2,582)	(2,245)
Commission income	2.b	971	905
Commission expense	2.b	(310)	(276)
Net gain/loss on financial instruments at fair value through profit or loss	2.c	47	237
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	2.d	(46)	(20)
Income from other activities	2.e	180	23
Expense on other activities	2.e	(172)	5
REVENUES		**2,901**	**2,854**
Operating expense		(1,972)	(1,936)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(118)	(119)
GROSS OPERATING INCOME		**811**	**799**
Cost of risk	2.f	(155)	(324)
OPERATING INCOME		**656**	**475**
Share of earnings of associates		93	167
Net gain/loss on non-current assets		(29)	12
Goodwill	5.i		
PRE-TAX INCOME		**720**	**654**
Corporate income tax	2.g	(85)	(151)
NET INCOME BEFORE DISCONTINUED OPERATIONS		**635**	**503**
Net result of discontinued operations	6.c		(317)
NET INCOME		**635**	**186**
Net income attributable to minority interests		94	115
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**541**	**71**

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

In millions of euros	1st half of 2012	1st half of 2011
Net income for the period	**635**	**186**
Changes in assets and liabilities recognised directly in equity	**1,046**	**20**
Items related to exchange rate movements	41	112
Changes in fair value of available-for-sale financial assets	828	(9)
Changes in fair value of available-for-sale assets reported in net income	(53)	58
Deferred gains and losses on hedging instruments	37	(44)
Changes in value of hedging instruments reported in net income		
Items related to equity-accounted companies	193	(97)
TOTAL	**1,681**	**206**
Attributable to equity shareholders	1,535	146
Attributable to minority interests	146	60

Balance sheet at 30 June 2012

In millions of euros	Note	30 June 2012	31 December 2011
ASSETS			
Cash and amounts due from central banks and post office banks		20,871	8,287
Financial assets at fair value through profit or loss	5.a	80,064	91,241
Derivatives used for hedging purposes		1,278	935
Available-for-sale financial assets	5.b	39,867	42,688
Loans and receivables due from credit institutions	5.e	29,993	35,786
Loans and receivables due from customers	5.f	157,265	145,757
Remeasurement adjustment on interest-rate risk hedged portfolios		810	674
Held-to-maturity financial assets		2,048	2,187
Current and deferred tax assets	5.h	4,126	4,198
Accrued income and other assets		8,496	8,281
Investments in associates		3,761	4,141
Investment property		536	58
Property, plant and equipment		1,984	1,509
Intangible assets		113	127
Goodwill	5.i	354	192
Assets classified as held for sale	6.c	779	118
TOTAL ASSETS		**352,345**	**346,179**
LIABILITIES			
Due to central banks and post office banks		282	41
Financial liabilities at fair value through profit or loss	5.a	88,668	99,359
Derivatives used for hedging purposes		2,912	2,282
Due to credit institutions	5.e	43,621	38,918
Due to customers	5.f	154,251	154,514
Debt securities	5.g	22,832	14,560
Remeasurement adjustment on interest-rate risk hedged portfolios		533	472
Current and deferred tax liabilities	5.h	759	258
Accrued expenses and other liabilities		5,579	3,482
Technical reserves of insurance companies			
Provisions for contingencies and charges		3,416	3,384
Subordinated debt	5.g	7,582	9,491
Liabilities classified as held for sale	6.c	178	137
TOTAL LIABILITIES		**330,613**	**326,898**
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*9,605*	*9,605*
Retained earnings		*8,514*	*8,679*
Net income for the period attributable to shareholders		*541*	*104*
Total capital, retained earnings and net income for the period attributable to shareholders		**18,660**	**18,388**
Change in assets and liabilities recognised directly in equity		(1,101)	(2,096)
Shareholders' equity		**17,559**	**16,292**
Retained earnings and net income for the period attributable to minority interests		4,256	3,124
Change in assets and liabilities recognised directly in equity		(83)	(135)
Total minority interests		**4,173**	**2,989**
TOTAL CONSOLIDATED EQUITY		**21,732**	**19,281**
TOTAL LIABILITIES AND EQUITY		**352,345**	**346,179**

Statement of changes in shareholders' equity between 1 January 2011 and 30 June 2012

In millions of euros	Capital and retained earnings: Ordinary shares	Capital and retained earnings: Non distributed reserves	Capital and retained earnings: Total Capital and Retained Earnings	Changes in assets and liabilities recognised directly in equity: Exchange rate	Changes in assets and liabilities recognised directly in equity: Financial Assets Available for sale	Changes in assets and liabilities recognised directly in equity: Derivatives used for hedging purposes	Total Share-holders' Equity
Capital and retained earnings at 31 December 2010	**9,605**	**8,999**	**18,604**	**(336)**	**(1,735)**	**59**	**16,592**
Other movements		63	63				63
Dividends		(387)	(387)				(387)
Changes in assets and liabilities recognised directly in equity				120	(2)	(43)	75
Net income for the first half year of 2011		71	71				71
Capital and retained earnings at 30 June 2011	**9,605**	**8,746**	**18,351**	**(216)**	**(1,737)**	**16**	**16,414**
Other movements		4	4				4
Dividends							
Changes in assets and liabilities recognised directly in equity				(41)	(214)	97	(158)
Net income for the second half year of 2011		33	33				33
Capital and retained earnings at 31 December 2011	**9,605**	**8,783**	**18,388**	**(257)**	**(1,951)**	**113**	**16,293**
Other movements		(61)	(61)				(61)
Dividends		(208)	(208)				(208)
Changes in assets and liabilities recognised directly in equity				69	889	36	994
Net income for the first half year of 2012		541	541				541
Capital and retained earnings at 30 June 2012	**9,605**	**9,055**	**18,660**	**(188)**	**(1,062)**	**149**	**17,559**

The EUR 61 million in the line 'other movements' is related to the acquisition of an additional 16.7% of the shares of BNP Paribas Leasing solutions by BGL BNP Paribas. As these transactions took place between entities under common control, Fortis Bank applied the 'predecessor basis of accounting method'. Further information can be found in notes 1.c.4 Business combinations and measurement of goodwill and 6.b Business combinations.

Minority Interests between 1 January 2011 and 30 June 2012

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity	Total Minority Interests
Capital and retained earnings at 31 December 2010	**3,054**	**(44)**	**3,010**
Other movements	71		71
Dividends	(167)		(167)
Change in assets and liabilities recognised directly in equity		(55)	(55)
Net income for the first half year of 2011	115		115
Capital and retained earnings at 30 June 2011	**3,073**	**(99)**	**2,974**
Other movements	1		1
Dividends	(2)		(2)
Change in assets and liabilities recognised directly in equity		(36)	(36)
Net income for the second half year of 2011	52		52
Capital and retained earnings at 31 December 2011	**3,124**	**(135)**	**2,989**
Other movements	1,174		**1,174**
Dividends	(136)		**(136)**
Change in assets and liabilities recognised directly in equity		52	**52**
Net income for the first half year of 2012	94		**94**
Capital and retained earnings at 30 June 2012	**4,256**	**(83)**	**4,173**

The EUR 1,174 million in the line 'other movements' is related to the acquisition of an additional 16.7% of the shares of BNP Paribas Leasing Solutions (BPLS) by BGL BNP Paribas. This acquisition increased the share of BGL BNP Paribas from 33.33% to 50% +1 share and transferred the control on BPLS from BNP Paribas to BGL BNP Paribas. The consolidation method changed from equity method to full consolidation with recognition of 75% minorities. Further information can be found in note 6.b Business combinations.

Statement of cash flows for the first half year of 2012

In millions of euros	Note	1st half of 2012	1st half of 2011
Pre-tax net income of continuing activities		**720**	**654**
Pre-tax net income of discontinued activities			**(314)**
Non-monetary items included in pre-tax net income and other adjustments of continuing activities		**689**	**530**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		172	123
Impairment of goodwill and other non-current assets		30	
Net addition to provisions		(68)	(72)
Share of earnings of associates		(93)	(167)
Net income from investing activities		1	(146)
Net income from financing activities			
Other movements		647	792
Net increase (decrease) in cash related to assets and liabilities generated by continuing operating activities		**17,152**	**3,991**
Cash related to transactions with credit institutions		(2,392)	(2,099)
Cash related to transactions with customers		12,906	4,103
Cash related to transactions involving other financial assets and liabilities		6,726	2,049
Cash related to transactions involving non-financial assets and liabilities		1	
Taxes paid		(89)	(62)
CASH AND EQUIVALENTS GENERATED BY CONTINUING OPERATING ACTIVITIES		**18,561**	**5,175**
CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES	6.c	**(4)**	**144**
Cash related to acquisitions and disposals of consolidated entities	6.b	184	647
Cash related to property, plant and equipment and intangible assets		(106)	(99)
CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES		**78**	**548**
CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES	6.c		**(11)**
Cash and equivalents related to transactions with shareholders		(344)	69
Cash and equivalents generated by other financing activities		(5,890)	(1,066)
CASH AND EQUIVALENTS RELATED TO CONTINUING FINANCING ACTIVITIES		**(6,234)**	**(997)**
CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES	6.c		**(537)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**101**	**(110)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES			
Balance of cash and equivalent accounts of continuing activities at the start of the period		**1,667**	**(4,022)**
Cash and amounts due from central banks and post office banks		8,287	2,989
Due to central banks and post office banks		(41)	(25)
Demand deposits with credit institutions	5.e	1,969	607
Demand loans from credit institutions	5.e	(8,548)	(7,593)
Balance of cash and equivalent accounts of continuing activities at the end of the period		**14,173**	**594**
Cash and amounts due from central banks and post office banks		20,871	6,771
Due to central banks and post office banks		(282)	(22)
Demand deposits with credit institutions	5.e	1,671	1,311
Demand loans from credit institutions	5.e	(8,087)	(7,466)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**12,506**	**4,616**
Balance of cash and equivalent accounts of discontinued activities at the start of the period		4	428
Balance of cash and equivalent accounts of discontinued activities at the end of the period			24
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**(4)**	**(404)**

Notes to the Consolidated Interim Financial Statements

Prepared in accordance with IAS 34 Interim Financial Reporting and other International Financial Reporting Standards (IFRSs) - including International Accounting Standards (IAS) and Interpretations as adopted by the European Union

1 Summary of significant accounting policies applied by Fortis Bank

1.a Applicable accounting standards

The Consolidated Financial Statements of Fortis Bank are prepared in accordance to the 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.

The content of these financial statements is in accordance with IAS 34 'Interim Financial Reporting' which provides for the publication of condensed interim financial statements.

[1] *The full set of standards adopted for use in the European Union can be consulted on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias/standards_en.htm.*

There are no other new or amended standards, applicable as from 1 January 2012, that have an impact on the Interim Financial Statements of 30 June 2012.

Fortis Bank did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union whose application in 2012 is optional.

As of 1 January 2013, in accordance with the amendment to IAS 19 'Employee benefits' adopted on 6 June 2012 by the European Union, the retirement benefit will be recognised in the balance sheet of Fortis Bank without adjustment of unrecognised actuarial gains or losses or other amortising items. The liability will therefore increase with EUR 462 millions in the 2012 comparative figures presented in the 2013 Consolidated Financial Statements of Fortis Bank.

1.b Segment reporting

The organisation, operating model and governance structure of Fortis Bank changed significantly following the acquisition of a 75% participation in Fortis Bank by BNP Paribas and the start of the integration project, crystallised in the industrial plan. These changes also have a major impact on the way performance is assessed and resources of the segments allocated and on the format and content of the segment reporting by Fortis Bank.

It is considered that within the legal and regulatory scope of Fortis Bank ('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 operating segments based on geographical components, namely:

- Fortis Bank in Belgium
- Fortis Bank in Luxembourg
- Fortis Bank in other countries

Operating segments are components of Fortis Bank:

- 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 Fortis Bank 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 Fortis Bank is in the context of IFRS 8, Operating Segments, considered as the chief operating decision maker (CODM), jointly overseeing the activities, performance and resources of Fortis Bank.

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

Fortis Bank Group 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 processes.

Within this organisational structure, with the presence of significant minority shareholders, and in the context of the regulatory scope ('controlled perimeter') of Fortis Bank, operating segments based on geographical areas and regulatory environments are mostly in line with the core principle and criteria for determining operating segments as defined in IFRS 8 Operating Segments.

Transactions or transfers between the operating segments are entered into on normal commercial terms and conditions as would be available to unrelated third parties.

1.c Consolidation

1.c.1 Scope of consolidation

The Consolidated Financial Statements of Fortis Bank include all entities under the exclusive or joint control of Fortis Bank or over which Fortis Bank exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial to Fortis Bank. An entity is considered as non-material and is not consolidated if its contribution does not reach any of the following thresholds[2]: EUR 15 million of consolidated revenues, EUR 10 million of consolidated net income before tax and EUR 500 million of total consolidated assets. Entities that exceed none of the above thresholds but generate a consolidated net income before tax between EUR 1 million and EUR 10 million are reported via the equity method. Entities in which Fortis Bank has a significant influence are reported via the equity method if the net asset value of the equity associate exceeds EUR 500 million or the net profit exceeds EUR 1 million. Otherwise these entities are reported as investments.

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

Fortis Bank also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where Fortis Bank has no equity interest in the entity, provided that the substance of the relationship indicates that Fortis Bank exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of Fortis Bank, such that Fortis Bank obtains benefits from those activities;
- Fortis Bank has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws);
- Fortis Bank has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks incident to the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings (calculated on an annual basis), to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation;
- Fortis Bank retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if Fortis Bank remains exposed to the initial losses on a portfolio of assets held by the SPE.

1.c.2 Consolidation methods

Enterprises under the exclusive control of Fortis Bank are fully consolidated. Fortis Bank has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist when Fortis Bank owns, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when Fortis Bank has power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Currently exercisable or convertible potential voting rights are taken into account when determining the percentage of control held.

2 These thresholds have been updated on 1 January 2011. Before that date, the thresholds were EUR 8 million of consolidated revenues, EUR 1 million of consolidated net income before tax and EUR 40 million of total consolidated assets.

Jointly-controlled companies are consolidated by the proportional method. Fortis Bank exercises joint control when, under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which Fortis Bank exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when Fortis Bank holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and Fortis Bank effectively exercises significant influence. This applies to companies developed in partnership with other groups, where Fortis Bank participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and 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 in 'Investments in associates' on the assets side of the balance sheet, and in the relevant component of shareholders' equity. Goodwill on associates is also included in 'Investments in associates'.

If Fortis Bank's share of losses of an associate equals or exceeds the carrying amount of its investment in the associate, Fortis Bank discontinues recognising its share of further losses. The investment is reported at nil value. Additional losses of the associate are provided for only to the extent that Fortis Bank has a legal or constructive obligation to do so, or has made payments on behalf of the associate.

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

Transactions resulting in a loss of control completed prior to 1 January 2010 give rise to the recognition of a gain or loss equal to the difference between the sale price and the share of Fortis Bank in the underlying equity. For transactions completed after 1 January 2010, the revised IAS 27 now requires any equity interest retained by Fortis Bank to be remeasured at its fair value through profit or loss.

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

1.c.3 Consolidation procedures

The Consolidated Financial Statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the Consolidated Financial Statements.

Translation of financial statements expressed in foreign currencies

The Consolidated Financial Statements of Fortis Bank 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 on the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under 'Cumulative translation adjustment' for the portion attributable to shareholders, and in 'Minority interests' for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, Fortis Bank has reset at zero, by transfer to retained earnings, all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004.

On liquidation or disposal of all or part of an interest in a foreign operation outside the eurozone, leading to a change in the nature of the investment (loss of control, significant influence or joint control), the cumulative translation adjustment recorded in equity at the date of liquidation or sale is recognised in the profit or loss account.

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

1.c.4 Business combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method.

Under this method, the acquiree's identifiable assets and liabilities assumed are measured at fair value at the acquisition date except for non-current assets held for sale which are accounted for at fair value less cost 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 consideration transferred at its acquisition-date fair value as soon as control is obtained. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

Fortis Bank may recognise any adjustments to the provisional accounting of the business combination within 12 months after 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 badwill is recognised immediately in profit or loss, on the acquisition date. Minority interests are measured for their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, Fortis Bank can elect to measure the minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, Fortis Bank has never used this latter option.

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

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

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

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

Measurement of goodwill

Fortis Bank tests goodwill for impairment on a regular basis.

Cash-generating units

Fortis Bank has split all its activities into cash-generating units[3], representing the reporting entities of Fortis Bank. This split is consistent with Fortis Bank's organisational structure and management methods, and reflects the independence of each reporting entity in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication

[3] *As defined by IAS 36.*

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 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 requiring management to use its judgement in developing and applying an accounting policy that provides relevant and reliable financial statement information, Fortis Bank has decided to adopt a predecessor basis of accounting. Under this method, Fortis Bank, as acquiring party, recognises those assets and liabilities at their carrying amount as determined by the transferring entity 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 Financial assets and financial liabilities

1.d.1 Loans and receivables

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

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

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

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

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

1.d.2 Securities

Categories of securities

Securities held by Fortis Bank are classified in one of four categories.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of:

- financial assets held for trading purposes;
- financial assets that Fortis Bank has designed, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.d.9.

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

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

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

Loans and receivables

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

Held-to-maturity financial assets

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

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

Available-for-sale financial assets

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

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

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

Repurchase agreements and securities lending/borrowing

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

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Fortis Bank's balance sheet. The corresponding receivable is recognised under 'Loans and receivables' except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under 'Financial assets at fair value through profit or loss'.

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

Date of recognition for securities transactions

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

Regardless of their classification (at fair value through profit or loss, loans and receivables or debt), temporary sales of securities as well as sales of borrowed securities are initially recognised at the settlement date.

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

1.d.3 Foreign currency transactions

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

Monetary assets and liabilities[4] expressed in foreign currencies

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

Non-monetary assets and liabilities expressed in foreign currencies

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

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

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

1.d.4 Impairment of financial assets

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

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by Fortis Bank, with the probability of drawdown taken into account in any assessment of financing commitments.

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

- the existence of accounts more than three months past due (six months past due for real estate loans and loans to local authorities);
- knowledge or indications that the borrower meets significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions in respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty.

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

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

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

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

Impairment of available-for-sale financial assets

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

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

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

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

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

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

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

1.d.5 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near-term, out of 'Financial assets at fair value through profit or loss' and into:
  - 'Loans and receivables' if the asset meets the definition for this category and Fortis Bank has the intention and ability to hold the asset for the foreseeable future or until maturity, or
  - other categories only under rare circumstances where justified and provided that the reclassified assets meet the conditions applicable to the host portfolio;

- out of 'Available-for-sale financial assets' and into:
  - 'Loans and receivables' on the same conditions as set out above for 'Financial assets at fair value through profit or loss',
  - 'Held-to-maturity financial assets', for assets that have a maturity, or 'Financial assets at cost', for unlisted variable-income assets.

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

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

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

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

1.d.6 Issues of debt securities

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

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

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

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

The term 'own equity instruments' refers to shares issued by the parent company (BNP Paribas SA) or by its fully consolidated subsidiaries.

Own equity instruments held by Fortis Bank, 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 Fortis Bank acquires equity instruments issued by subsidiaries under the exclusive control of Fortis Bank, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to Fortis Bank shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to Fortis Bank 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 Fortis Bank's interest in a fully consolidated subsidiary is recognised in Fortis Bank accounts as a change in shareholders' equity.

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

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued;

- as derivatives if they are settled in cash, or by choice depending on whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

If the contract includes an obligation, whether contingent or not, for the Bank to repurchase its own shares, the Bank must recognise the present value of the debt with an offsetting entry in equity.

1.d.8 Derivative instruments and hedge accounting

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

Derivatives held for trading purposes

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

Derivatives and hedge accounting

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

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

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

At the inception of the hedge, Fortis Bank 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, Fortis Bank 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 actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

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

- the risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits);

- the instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings;

- the hedging instruments used consist exclusively of 'plain vanilla' swaps;

- prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

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

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to 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 asset category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is measured at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, 'Unrealised or deferred gains or losses'. The amounts taken to shareholders' equity over the life of the hedge are transferred to the profit and loss account under 'Net interest income' as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the asset 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 hedges or any other non-derivative financial instrument.

Embedded derivatives

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

1.d.9 Determination of fair value

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value upon initial recognition and at subsequent dates. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Fair value is determined:

- on the basis of quoted prices in an active market; or
- using valuation techniques involving:
  - mathematical calculation methods based on accepted financial theories, and
  - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods resulting from the absence of an active market.

Whether or not a market is active is determined on the basis of a variety of factors. Characteristics of an inactive market include a significant decline in the volume and level of trading activity in identical or similar instruments, a significant variation of the available prices over time or among market participants or observed transaction prices are not current.

Use of quoted prices on active markets

If quoted prices in an active market are available, they are used to determine fair value. These represent directly quoted prices for identical instruments.

Use of models to value unquoted financial instruments

The majority of over-the-counter derivatives are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black & Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

Some financial instruments, although not traded on an active market, are measured using methods based on parameters which are observable on the market.

The models use market parameters calibrated on the basis of observable date such as yield curves, implicit volatility layers of options, default rates and loss.

The valuation derived from these models is adjusted for liquidity and credit risk. Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

Similarly, a counterparty risk adjustment is included in the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

The margin generated when financial instruments, are traded is taken to the profit and loss account immediately.

Other illiquid complex financial instruments are valued using internally-developed techniques and techniques that are entirely or partially based on data that are non-observable on active markets.

In the absence of observable inputs, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken 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 by 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.

Lastly, the fair value of unlisted equity securities is measured in comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such points of reference are available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of Fortis Bank's share of net assets calculated using the most recent information available.

1.d.10 Financial assets and liabilities designated at fair value through profit or loss (fair value option)

The amendment to IAS 39 relating to the 'fair value option' was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

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

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

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

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes into account (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs, and (iii) premiums and discounts.

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

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

External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

1.d.12 Cost of risk

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

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

Fortis Bank derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when Fortis Bank 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, Fortis Bank retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

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

1.d.14 Offsetting of 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, Fortis Bank has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.e Accounting standards specific to insurance business

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the assets and liabilities of Fortis Bank generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

1.e.1 Assets

Financial assets and non-current assets are accounted for using the policies described elsewhere in this note. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in 'Financial assets at fair value through profit or loss', and are stated at the realisable value of the underlying assets at the balance sheet date.

1.e.2 Liabilities

Fortis Bank's obligations to policyholders and beneficiaries are shown in 'Technical reserves of insurance companies' and comprise liabilities relating to insurance contracts carrying a significant insurance risk (e.g., mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive a share of actual profits as a supplement to guaranteed benefits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in 'Due to customers'.

Unit-linked contract liabilities are measured in reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers' insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period. A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the Consolidated Financial Statements, the bulk of this reserve is reclassified to 'Policyholders' surplus' on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders' surplus reserve resulting from the application of shadow accounting. This represents the interest of policyholders in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

In the event of an unrealised loss on shadow accounted assets, a policyholders' loss reserve is recognised on the assets side of the consolidated balance sheet in an amount equal to the probable deduction from the policyholders' future profit share. The recoverability of the policyholders' loss reserve is assessed prospectively, taking account of policyholders' surplus reserves recognised elsewhere, capital gains on financial assets that are not shadow accounted due to accounting elections made (held-to-maturity financial assets and property investments measured at cost) and the company's ability and intention to hold the assets carrying the unrealised loss. The policyholders' loss reserve is recognised symmetrically with the corresponding assets and shown on the assets side of the balance sheet under the line item 'Accrued income and other assets'.

1.e.3 Profit and loss account

Income and expenses arising on insurance contracts written by Fortis Bank are recognised in the profit and loss account under 'Income from other activities' and 'Expenses on other activities'.

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders' surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

1.f Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise on 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 Fortis Bank 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 Fortis Bank that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by Fortis Bank as 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 that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. Fortis Bank 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/loss 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 'Expenses on other activities'.

1.g Leases

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

1.g.1 Lessor accounting

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

Finance leases

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

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

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

Operating leases

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

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

1.g.2 Lessee accounting

Leases contracted by Fortis Bank 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. 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.h Non-current assets held for sale and discontinued operations

Where Fortis Bank decides to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately in the balance sheet, on the line 'Non-current assets held for sale'. Any liabilities associated with these assets are also shown separately in the balance sheet, on the line 'Liabilities classified as 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 major business line, it is categorised as a 'discontinued operation'. Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resell.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line 'Net result of discontinued operations'. 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.i Employee benefits

Employee benefits are classified in one of four categories:

- short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits.

1.i.1 Short-term benefits

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

1.i.2 Long-term benefits

These are benefits, other than post-employment benefits and termination benefits, which are not settled fully within 12 months after the employees render the related service. 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 actuarial gains and losses are recognised immediately as is the effect of any plan amendments.

1.i.3 Termination benefits

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

1.i.4 Post-employment benefits

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

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

Only defined-benefit schemes give rise to an obligation for Fortis Bank. 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 Fortis Bank 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 account of demographic and financial assumptions.

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by Fortis Bank, using the projected unit credit method. This method takes into account various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

Where the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for Fortis Bank in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby causing actuarial gains and losses. Fortis Bank applies the 'corridor' method in accounting for actuarial gains and losses. Under this method, Fortis Bank is allowed to recognise, as from the following period and over the average remaining service lives of employees, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined-benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period.

At the date of first-time adoption, Fortis Bank elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under 'Salaries and employee benefits' with to respect of defined-benefit plans is comprised of the current service cost (the rights vested by each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

1.j Share-based payment

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.

Fortis Bank has elected to apply IFRS 2 to all share options and restricted shares outstanding as of 1 January 2004 and all options issued subsequent to 1 January 2004.

Employees are granted stock subscription option plans and deferred share-base compensation plans and also are offered the possibility of subscribing for specially-issued BNP Paribas shares at a discount on condition that they retain the shares for a specified period.

1.j.1 Stock option and share award plans

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

Stock option and share award expense under recorded in salaries and employee benefits, with the credit entry is posted 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 that will vest 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 Fortis Bank and those relating to performance conditions that are not linked to the value of BNP Paribas shares.

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

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

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

1.k 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.l Current and deferred taxes

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which Fortis Bank 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 Fortis Bank, where Fortis Bank 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 a group tax election under the jurisdiction of a single tax authority, and there is a legal right of offset.

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to 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.m Statement of cash flows

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks and post office 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 Fortis Bank's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

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

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

1.n 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 preparation of the financial statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ significantly from those estimates, mainly according to market conditions. This may have a material effect on the financial statements.

This applies in particular to:

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

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

2 Notes to the profit and loss account for the first half year of 2012

2.a Net interest income

Fortis Bank includes in 'Interest income' and 'Interest expense' all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of a derivative instrument. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised in 'Net gain/loss 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. In like manner, interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions.

	1st half of 2012			1st half of 2011		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Customer items	**3,120**	**(1,151)**	**1,969**	**2,601**	**(1,091)**	**1,510**
Deposits, loans and borrowings	2,885	(1,132)	1,753	2,577	(1,066)	1,511
Repurchase agreements	7	(7)		24	(25)	(1)
Finance leases	228	(12)	216			
Interbank items	**334**	**(343)**	**(9)**	**285**	**(191)**	**94**
Deposits, loans and borrowings	325	(292)	33	271	(164)	107
Repurchase agreements	9	(51)	(42)	14	(27)	(13)
Debt securities issued		**(411)**	**(411)**		**(442)**	**(442)**
Cash flow hedge instruments	**136**	**(96)**	**40**	**97**	**(61)**	**36**
Interest rate portfolio hedge instruments	**446**	**(452)**	**(6)**	**202**	**(227)**	**(25)**
Trading book	**142**	**(129)**	**13**	**174**	**(233)**	**(59)**
Fixed-income securities	39		39	49		49
Repurchase agreements	60	(32)	28	91	(100)	(9)
Loans / Borrowings	43	(85)	(42)	34	(118)	(84)
Debt securities		(12)	(12)		(15)	(15)
Available-for-sale financial assets	**579**		**579**	**809**		**809**
Held-to-maturity financial assets	**56**		**56**	**57**		**57**
TOTAL INTEREST INCOME / (EXPENSE)	**4,813**	**(2,582)**	**2,231**	**4,225**	**(2,245)**	**1,980**

2.b Commission income and expense

Net commission income and expense for the first half year of 2012 are specified in the table below:

In millions of euros	1st half of 2012	1st half of 2011
Guarantees, commitments and credit operations	119	90
Payment services	117	125
Securities and derivatives operations	98	112
Asset management	194	225
Insurance	152	140
Intermediaries	(85)	(95)
Other	66	32
TOTAL NET COMMISSION INCOME AND EXPENSE	**661**	**629**

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

Net gain/loss on financial instruments at fair value through profit or loss includes all profit and loss items relating to financial instruments managed in the trading book and financial instruments (including dividends) that Fortis Bank has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in 'Net interest income' (Note 2.a).

In millions of euros	1st half of 2012	1st half of 2011
Trading book	**214**	**347**
Debt instruments	116	104
Equity instruments	89	240
Other derivatives	2	(1)
Repurchase agreements	7	4
Financial instruments designated at fair value through profit and loss	**(210)**	**(179)**
Impact of hedge accounting	**(16)**	**2**
Hedging instruments	(325)	222
Items covered by fair value hedges	309	(220)
Remeasurement of currency positions	**59**	**67**
TOTAL	**47**	**237**

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

In millions of euros	1st half of 2012	1st half of 2011
Loans and receivables, fixed-income securities [1]	**(42)**	**(36)**
Equities and other variable-income securities	**(4)**	**16**
Dividend income	8	4
Additions to impairment provisions	(29)	(19)
Net disposal gains	17	31
TOTAL	**(46)**	**(20)**

[1] *Interest income from available-for-sale fixed-income securities is included in 'Net interest income' (Note 2.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 2.f).*

Unrealised gains and losses, previously recorded under 'Change in assets and liabilities recognised directly in shareholders' equity' and included in the pre-tax income, amounted to a net gain of EUR 78 million in the first half of 2012.

2.e Net income from other activities

	1st half of 2012			1st half of 2011		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Net income from insurance activities						
Net income from investment property	30	(48)	(18)	7	(2)	5
Net income from assets held under operating leases	46	(34)	12			
Net income from property development activities						
Other income and expense	104	(90)	14	16	7	23
TOTAL NET INCOME FROM OTHER ACTIVITIES	**180**	**(172)**	**8**	**23**	**5**	**28**

2.f Cost of risk

Cost of risk represents the net amount of impairment losses recognised in respect of credit risks inherent in the banking activities, plus any impairment losses in case of known counterparty risks on over-the-counter financial instruments.

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

Cost of risk for the period

In millions of euros	1st half of 2012	1st half of 2011
Net additions to impairment provisions	(159)	(308)
Recoveries on loans and receivables previously written off	19	10
Irrecoverable loans and receivables not covered by impairment provisions	(15)	(26)
TOTAL COST OF RISK FOR THE PERIOD	**(155)**	**(324)**
of which losses on Greek sovereign debt	*(16)*	*(178)*

Cost of risk for the period by asset type

In millions of euros	1st half of 2012	1st half of 2011
Loans and receivables due from credit institutions	(10)	1
Loans and receivables due from customers	(134)	(155)
Available-for-sale financial assets [1]	2	(142)
Held-to-maturity financial assets	(3)	(33)
Financial instruments on trading activities	(29)	(7)
Other assets	(1)	2
Off-balance sheet commitments and other items	20	10
TOTAL COST OF RISK FOR THE PERIOD	**(155)**	**(324)**

[1] *EUR (144) million included in the line 'Available-for-sale financial assets' for the first half of 2011 was previously recognised in 'Change in assets and liabilities recognised directly in equity.*

In millions of euros	30 June 2012	31 December 2011
Impairment of assets		
Loans and receivables due from credit institutions (Note 5.e)	284	266
Loans and receivables due from customers (Note 5.f)	3,758	3,642
Financial instruments on trading activities	87	57
Available-for-sale financial assets (Note 5.b)	35	37
Held-to-maturity financial assets		116
Other assets	7	11
TOTAL IMPAIRMENT PROVISIONS AGAINST FINANCIAL ASSETS	**4,171**	**4,129**
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
- to credit institutions		
- to customers	165	199
Other items subject to provisions	16	13
TOTAL PROVISIONS RECOGNISED AS LIABILITIES	**181**	**212**
TOTAL IMPAIRMENT PROVISIONS	**4,352**	**4,341**

2.g Corporate income tax

The table below shows the reconciliation of income tax expense to theoretical tax expense at standard tax rate in Belgium.

	1st half of 2012		1st half of 2011	
	In millions of euros	In %	In millions of euros	In %
Corporate income at standard tax rate expense in Belgium	**(213)**	**33.99%**	**(166)**	**33.99%**
Differential effect in tax rates applicable to foreign entities	24	(3.90%)	6	(1.23%)
Effect of dividends and asset disposals taxed at reduced rate	6	(0.98%)	30	(6.16%)
Tax effect linked to capitalisation of tax loss carryforward and prior temporary differences	134	(21.79%)	(20)	4.11%
Tax effect of using tax losses not capitalised	16	(2.60%)		- %
Other items	(52)	8.45%	(1)	0.21%
Corporate income tax expense	**(85)**	**13.18%**	**(151)**	**31.01%**
Of which				
Current tax expense for the period to 30 June	*(113)*		*(66)*	
Deferred tax expense for the period to 30 June (Note 5.h)	*28*		*(85)*	

3 Segment information

The organisation, the operating model and governance structure of Fortis Bank have been significantly changed after the acquisition of a 75% participation in Fortis Bank by BNP Paribas as from May 2009. These changes have also a major impact on the way to assess performance of and allocate resources to the segments and on the format and the content of the segment reporting by Fortis Bank.

It is considered that within the legal and regulatory scope of Fortis Bank ('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 operating segments based on geographical components, being:

- Fortis Bank in Belgium
- Fortis Bank in Luxembourg
- Fortis Bank in other countries.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

The Board of Directors of Fortis Bank is in the context of IFRS 8, Operating Segments, considered as the CODM, jointly overseeing the activities, performance and resources of Fortis Bank.

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

The combined activities of Fortis Bank in Belgium, Luxembourg and other countries are being integrated in the global operating model of BNP Paribas.

This integration of Fortis Bank activities in the organisational structure of businesses and support functions of BNP Paribas ensures that adequate levers exist to effectively implement the BNP Paribas group strategy within all entities being part of Fortis Bank.

However, Fortis Bank group and the legal entities being part of this group, must continue to exercise management control over the full legal and regulatory scope, the so-called 'controlled perimeter', including the set up of the appropriate governance structures and control processes.

Within this organisational structure, with the presence of significant minority shareholders, and in the context of the regulatory scope ('controlled perimeter') of Fortis Bank, operating segments based on geographical areas and regulatory environments are mostly in line with the core principles and criteria to determine operating segments as defined in IFRS 8 Operating Segments.

The basis of segmentation has changed since the Consolidated Financial Statements for the year ended 31 December 2009, induced by the deployment of the integration process within the BNP Paribas group and the related industrial plan and this with respect of the requirements arising from the 'controlled perimeter', including the setting up of adapted governance structures and control and reporting processes.

Transactions between segments are entered under normal commercial terms and conditions as is the case with non-related parties.

The segment profit or loss, segment assets and segment liabilities are prepared in conformity with the accounting policies adopted for preparing and presenting the Consolidated Financial Statements of Fortis Bank, as this is the measure used in the reportings to the CODM.

3.a Operating segments

Fortis Bank in Belgium

Under the brand name BNP Paribas Fortis, Fortis Bank offers a comprehensive package of financial services to private individuals, the self-employed, professionals and SMEs. The Bank also provides high net worth individuals, corporations and public and financial institutions with customised solutions for which it can draw on its mother company BNP Paribas' know-how and international network.

In Retail & Private Banking (RPB), Fortis Bank has a solid footprint, serving 3.7 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through an extensive network of nearly 1,000 branches as well as other channels such as ATMs, online banking facilities (including mobile banking) and phone banking. For its retail banking activities, Fortis Bank operates under three complementary brands: the main brand BNP Paribas Fortis, Fintro and Banque de La Poste (Bank van De Post). In the insurance sector, Fortis Bank works closely together with the Belgian market leader AG Insurance.

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

Corporate & Investment Banking (CIB) offers its clients (in Belgium and throughout Europe) full access to BNP Paribas CIB's product portfolio. It consists of five business lines: Capital Markets, Structured Finance, Corporate Finance, Private Equity, and Corporate & Transaction Banking Europe.

Fortis Bank in Luxembourg

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

As a partner with a longstanding commitment to the national economy, BGL BNP Paribas offers a wide range to products on the market not only for individuals but also for professional and institutional clients. The bank is the number one bank for corporates and the number two bank for resident individuals in the Grand Duchy of Luxembourg. It is also the leader in bancassurance, providing combined offerings of insurance and banking services.

Fortis Bank in other countries

This segment covers all activities performed by Fortis Bank outside Belgium and Luxembourg.

In Poland, BNP Paribas Bank Polska (owned for 99.87% by Fortis Bank SA/NV) is an universal bank providing savings, investment products and loans to individuals and integrated solutions to companies in order to finance their businesses in local and international markets.

Fortis Bank operates in Turkey via Turk Ekonomi Bankasi (TEB) in which it has a 44.58% stake. Retail Banking offerings consist of debit and credit cards, personal loans, and investment and insurance products distributed through its branch network and via internet and phone banking. Corporate banking services include international trade finance, asset and cash management, credit services, hedging of currency, interest and commodity risk, plus factoring and leasing. Through its commercial and SME banking departments, the bank offers an array investment services to small and medium-sized enterprises.

The branches of Fortis Bank SA/NV located outside Belgium are also reported under this segment.

3.b Information by operating segment

Income by operating segment

In millions of euros	1st half of 2012 Fortis Bank in Belgium	Fortis Bank in Luxembourg	Fortis Bank in other Countries	Total	1st half of 2011 Fortis Bank in Belgium	Fortis Bank in Luxembourg	Fortis Bank in other Countries	Total
Revenues	**1,931**	**276**	**694**	**2,901**	**1,883**	**402**	**569**	**2,854**
Operating expense	(1,465)	(205)	(420)	(2,090)	(1,525)	(201)	(329)	(2,055)
Cost of risk	(148)	4	(11)	(155)	(228)	(41)	(55)	(324)
Operating Income	**318**	**75**	**263**	**656**	**130**	**160**	**185**	**475**
Non Operating items	27	11	26	64	31	20	128	179
Pre-tax income	**345**	**86**	**289**	**720**	**161**	**180**	**313**	**654**

Assets and liabilities by operating segment

In millions of euros	30 June 2012 Fortis Bank in Belgium	Fortis Bank in Luxembourg	Fortis Bank in other Countries	Total	31 December 2011 Fortis Bank in Belgium	Fortis Bank in Luxembourg	Fortis Bank in other Countries	Total
Assets	**274,275**	**30,042**	**48,028**	**352,345**	**284,966**	**29,496**	**31,717**	**346,179**
of which goodwill on acquisitions during the period		*149*		*149*	*2*		*167*	*169*
of which investments in associates and Joint ventures	*2,821*	*313*	*627*	*3,761*	*2,655*	*453*	*1,033*	*4,141*
Liabilities	**262,417**	**25,670**	**42,526**	**330,613**	**274,264**	**24,894**	**27,740**	**326,898**

4 Supervision and solvency

Framework

As a credit institution, Fortis Bank is subject to regulatory supervision.

At a consolidated and statutory level, Fortis Bank is supervised by the NBB (National Bank of Belgium). Fortis Bank's subsidiaries can also be subject to regulations by various supervisory authorities in the countries where the subsidiaries operate.

Regulators require banks to hold a minimum level of qualifying capital (8% of risk weighted assets). Since 2008, Fortis Bank computes its qualifying capital and its risk weighted assets under the Basel 2 Framework.

The NBB has granted Fortis Bank its approval for using the most advanced approaches for calculating the risk weighted assets under Basel 2: Advanced Internal Ratings Based Approach for credit and market risk; and Advanced Measurement Approach for operational risk.

Breakdown of regulatory capital

Qualifying capital for regulatory purpose is calculated at consolidated level based on IFRS accounting standards and taking into account prudential filters imposed by the regulator, as described in the Circulaire PPB 2007-1-CPB of the CBFA.

The table below details the composition of the regulatory capital of Fortis Bank:

In millions of euros	30 June 2012	31 December 2011
Shareholders' equity	**20,410**	**21,313**
Share capital, retained earnings and similar	18,154	17,650
of which dividend payment		*(208)*
Super subordinated notes and similar securities	2,256	3,663
Minority interests	**4,128**	**2,974**
Regulatory deductions and other items	**(4,941)**	**(4,794)**
Intangible assets deductions	(466)	(319)
of which goodwill	*(354)*	*(192)*
Other regulatory items	(4,475)	(4,475)
of which deduction from Tier 1 capital at 50%	*(2,102)*	*(2,265)*
TIER 1 CAPITAL	**19,597**	**19,493**
Total Tier 2 capital	**7,153**	**8,370**
of which positive difference between provisions and expected losses over 1 year	*370*	*367*
Tier 2 regulatory deductions	**(2,164)**	**(2,320)**
Allocated Tier 3 capital		
REGULATORY CAPITAL	**24,586**	**25,543**

The table below shows the key capital indicators:

In millions of euros	30 June 2012	31 December 2011
Tier 1 capital	19,597	19,493
Total capital	24,586	25,543
Risk weighted commitments		
Credit risk	121,212	105,551
Market risk	2,471	3,080
Operational risk	9,087	9,360
TOTAL RISK WEIGHTED COMMITMENTS	132,770	117,991
Tier 1 ratio	14.8%	16.5%
Total capital ratio	18.5%	21.6%

Internal Capital Adequacy Assessment Process (ICAAP)

The second pillar of the Basel 2 capital framework prescribes how supervisory authorities and banks can effectively assess the appropriate level of regulatory capital. The assessment must cover all the risks incurred by the bank, their sensitivity to crisis scenarios, and how they are expected to evolve in the light of changes in the businesses going forward.

Fortis Bank's internal Capital Adequacy Assessment Process (ICAAP) supports the assessment of whether the level of capital is adequate to mitigate the Bank's risk profile. This internal assessment is regularly integrated into the Bank's decision-making and management processes and supported, where appropriate, by impact or what-if analyses.

As at 30 June 2012, Fortis Bank's Tier 1 ratio stood at 14.8% and its total capital ratio at 18.5%. The Tier 1 capital remained rather stable while the Total capital decreased by EUR 1 billion which is mainly attributable to the repayments of subordinated loans and innovative/non-innovative hybrids partly offset by an increase in minority interests.

The increase in risk weighted commitments is substantial (+ EUR 14 billion) and is mainly caused by the change in consolidation method - from equity method to full consolidation - of the leasing companies, in which BGL BNP Paribas increased its participation from 33.33% to 50% + one share.

5 Notes to the balance sheet at 30 June 2012

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

Financial assets and financial liabilities at fair value through profit or loss consist of trading book transactions and certain assets and liabilities designated as at fair value through profit or loss at the time of acquisition or issue.

Financial assets

Trading book assets include proprietary securities transactions, reverse repurchase agreements and derivative instruments contracted for position management purposes.

Assets designated at fair value through profit or loss include assets with embedded derivatives that have not been separated from the host contract and also assets valued at fair value through profit or loss to avoid an accounting mismatch.

Financial liabilities

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements and derivative instruments contracted for position management purposes.

Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in fair value are counterbalanced by changes in the fair value of the economic hedging instrument.

In millions of euros	30 June 2012 Trading Book	Designated at fair value through profit or loss	TOTAL	31 December 2011 Trading Book	Designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Negotiable certificates of deposit	**15**		**15**	**68**		**68**
Bonds	**1,797**	**45**	**1,842**	**3,740**	**118**	**3,858**
Government bonds	1,395		1,395	1,532		1,532
Other bonds	402	45	447	2,208	118	2,326
Equities and other variable-income securities	**100**	**680**	**780**	**335**	**706**	**1,041**
Repurchase agreements	**13,057**		**13,057**	**18,918**		**18,918**
Loans	**27**	**1,913**	**1,940**	**27**	**1,804**	**1,831**
Trading book derivatives	**62,430**		**62,430**	**65,526**		**65,526**
Currency derivatives	989		989	909		909
Interest rate derivatives	60,959		60,959	63,723		63,723
Equity derivatives	250		250	382		382
Credit derivatives	179		179	450		450
Other derivatives	53		53	63		63
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	77,426	2,638	80,064	88,613	2,628	91,241
of which loaned securities	*1,256*		*1,256*	*2,156*		*2,156*
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Borrowed securities and short selling	**659**		**659**	**1,235**		**1,235**
Repurchase agreements	**17,282**		**17,282**	**23,623**		**23,623**
Borrowings		**709**	**709**	**47**	**841**	**888**
Debt securities		**4,389**	**4,389**		**3,916**	**3,916**
Subordinated debt		**2,056**	**2,056**		**3,153**	**3,153**
Trading book derivatives	**63,573**		**63,573**	**66,544**		**66,544**
Currency derivatives	1,023		1,023	845		845
Interest rate derivatives	62,115		62,115	65,025		65,025
Equity derivatives	292		292	319		319
Credit derivatives	98		98	285		285
Other derivatives	45		45	70		70
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	81,514	7,154	88,668	91,449	7,910	99,359

At 26 January 2012, Ageas and Fortis Bank announced an agreement on a partial settlement of the Relative Performance Note (RPN) related to the CASHES and the full call of a Tier 1 instrument issued by Fortis Bank in 2001 and 95% held by Ageas since September 2011. The settlement and call were both subject to BNP Paribas reaching at least a 50% success rate on a cash tender for the CASHES, launched on 26 January 2012.

The tender offer of the CASHES was successfully closed on Monday 30 January 2012. The acceptance rate reached 63% at an offer price of 47.5%.

On 6 February 2012, BNP Paribas exchanged 7,553 of tendered securities out of 12,000 CASHES securities outstanding (62.94%) for 78,874,241 existing Ageas shares, entitled to dividend and voting rights. BNP Paribas has committed not to sell these shares for a period of 6 months. The CASHES are reported in the caption Subordinated debt (HFVPL) and the underlying Ageas shares are reported in the caption Equities and other variable-income securities (HFVPL). The RPN is reported as Equity derivative in the trading book.

BNP Paribas has collected an indemnification from Ageas and Fortis Bank. The indemnification paid by Ageas and Fortis Bank compensates BNP Paribas for the tendering transactions costs and the premium offered above the market price of the CASHES. The indemnification paid by Fortis Bank amounts to EUR 69 million.

The CASHES (Convertible And Subordinated Hybrid Equity-linked Securities) are securities issued by Fortis Bank SA/NV in 2007, with a floating rate (3 month EURIBOR + 200 bps), with the former Fortis' parent companies, now Ageas, as Co-obligors, and convertible into 125,313,283 Ageas shares. The CASHES are further described in the Fortis Bank 2011 Annual Report note 5.a: 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'.

The RPN related to the CASHES is a financial instrument held by Ageas and Fortis Bank, which results in quarterly interest payments being made to, or received from Fortis Bank SA/NV. Each quarterly interest payment (3 month EURIBOR + 20 bps) is paid over a reference amount based on the value of the RPN. This RPN was initially designed to avoid accounting volatility at Fortis Bank SA/NV with regard to the market value changes of the CASHES and its underlying Ageas shares. The RPN mechanism ceased to exist in proportion to the CASHES converted.

5.b Available-for-sale financial assets

In millions of euros	30 June 2012	31 December 2011
Fixed-income securities	**38,371**	**41,431**
Treasury bills and other bills eligible for central bank refinancing	76	38
Other negotiable certificates of deposit	119	355
Government bonds	32,830	35,276
Other bonds	5,346	5,762
Variable-income securities	**1,496**	**1,257**
Listed securities	33	37
Unlisted securities	1,463	1,220
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**39,867**	**42,688**
of which loaned securities	*13,963*	*21,724*
of which changes in value recognised directly in equity		
Fixed-income securities	*(730)*	*(1,499)*
Variable-income securities	*133*	*89*
of which provisions for impairments recognised in the profit and loss account		
Fixed-income securities	*(35)*	*(37)*
Variable-income securities	*(1,407)*	*(1,320)*

5.c Financial instruments reclassified as loans and receivables

Fortis Bank has opted to transfer certain financial assets from 'available-for-sale financial assets', 'financial assets at fair value through profit or loss' and 'other assets' to 'loans and receivables'. The reclassification of these financial assets reflects the change in the intent and ability of Fortis Bank to hold them in the foreseeable future.

Financial assets that have been reclassified as loans and receivables were initially recognised at their fair value on the date of reclassification, which became their new cost base at that date. Subsequent measurement is at amortised cost.

Financial assets that have been reclassified as loans and receivables concern on the one hand a significant part the structured credit instruments (see note 6.e) and on the other hand a part of the sovereign bond portfolio related to Greece, Ireland and Portugal (see note 6.f).

5.d Measurement of the fair value of financial instruments

Breakdown by measurement method applied to financial instruments recognised at fair value presented in line with the latest recommendations of IFRS 7

In millions of euros	30 June 2012 Quoted market price (level 1)	Valuation techniques using observable inputs (level 2)	Valuation techniques using non - observable inputs (level 3)	TOTAL	31 December 2011 Quoted market price (level 1)	Valuation techniques using observable inputs (level 2)	Valuation techniques using non - observable inputs (level 3)	TOTAL
FINANCIAL ASSETS								
Financial instruments at fair value through profit or loss held for trading (Note 5.a)	1,252	75,817	357	**77,426**	1,765	86,460	388	**88,613**
Financial instruments designated as at fair value through profit or loss (Note 5.a)	101	2,010	527	**2,638**	251	1,888	489	**2,628**
Derivatives used for hedging purposes		1,278		**1,278**		935		**935**
Available-for-sale financial assets (Note 5.b.)	26,346	12,138	1,383	**39,867**	29,644	11,825	1,219	**42,688**
FINANCIAL LIABILITIES								
Financial instruments at fair value through profit or loss held for trading (Note 5.a)	257	81,203	54	**81,514**	429	90,858	162	**91,449**
Financial instruments designated as at fair value through profit or loss (Note 5.a)	69	7,038	47	**7,154**	339	7,537	34	**7,910**
Derivatives used for hedging purposes		2,912		**2,912**		2,282		**2,282**

5.e Interbank and money-market items

Loans and receivables due from credit institutions

In millions of euros	30 June 2012	31 December 2011
Demand accounts	1,685	1,983
Loans	28,248	29,928
Repurchase agreements	344	4,141
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT PROVISIONS	**30,277**	**36,052**
Provisions for impairment of loans and receivables due from credit institutions (Note 2.f)	(284)	(266)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT PROVISIONS	**29,993**	**35,786**

Due to credit institutions

In millions of euros	30 June 2012	31 December 2011
Demand accounts	8,087	8,553
Borrowings	33,655	23,952
Repurchase agreements	1,879	6,413
TOTAL DUE TO CREDIT INSTITUTIONS	**43,621**	**38,918**

5.f Customer items

Loans and receivables due from customers

In millions of euros	30 June 2012	31 December 2011
Demand accounts	2,482	1,533
Loans to customers	144,849	146,367
Repurchase agreements	58	1,071
Finance leases	13,634	428
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT PROVISIONS	**161,023**	**149,399**
Impairment of loans and receivables due from customers (Note 2.f)	(3,758)	(3,642)
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT PROVISIONS	**157,265**	**145,757**

Due to customers

In millions of euros	30 June 2012	31 December 2011
Demand deposits	49,458	45,210
Term accounts and short-term notes	39,350	41,026
Regulated Belgian savings accounts	59,446	56,455
Repurchase agreements	5,997	11,823
TOTAL DUE TO CUSTOMERS	154,251	154,514

5.g Debt securities and subordinated debt

This note covers all debt securities and subordinated debt measured at amortised cost. Debt securities and subordinated debt measured at fair value through profit or loss are presented in note 5.a.

Debt securities measured at amortised cost

In millions of euros	30 June 2012	31 December 2011
Negotiable certificates of deposit	20,090	10,257
Bond issues	2,742	4,303
TOTAL DEBT SECURITIES	22,832	14,560

Subordinated debt measured at amortised cost

In millions of euros	30 June 2012	31 December 2011
Redeemable subordinated debt	6,437	7,350
Undated subordinated debt	1,145	2,141
TOTAL SUBORDINATED DEBT AT AMORTISED COST	7,582	9,491

5.h Current and deferred taxes

In millions of euros	30 June 2012	31 December 2011
Current taxes	116	80
Deferred taxes	4,010	4,118
CURRENT AND DEFERRED TAX ASSETS	**4,126**	**4,198**
Current taxes	198	110
Deferred taxes	561	148
CURRENT AND DEFERRED TAX LIABILITIES	**759**	**258**

Deferred taxes on temporary differences relate to the following items:

In millions of euros	30 June 2012	31 December 2011
NET DEFERRED TAXES AT START OF PERIOD	**3,970**	**3,620**
Profit (loss) of deferred taxes (note 2.g)	28	47
Change in deferred taxes linked to the remeasurement and reversal through- profit or loss of remeasurement adjustments on available-for-sale financial assets	(457)	213
Change in deferred taxes linked to the remeasurement and reversal through- profit or loss of remeasurement adjustments on hedging derivatives	(20)	(24)
Effect of exchange rate and other movements	(72)	114
NET DEFERRED TAXES AT END OF PERIOD	**3,449**	**3,970**

In millions of euros	30 June 2012	31 December 2011
Available-for-sale financial assets	456	964
Hedging derivatives	623	483
Unrealised finance lease reserve	(316)	
Provisions for employee benefit obligations	(2)	59
Provision for credit risk	575	572
Other items	107	5
Tax loss carryforwards	2,006	1,887
NET DEFERRED TAXES	**3,449**	**3,970**
of which		
Deferred tax assets	*4,010*	*4,118*
Deferred tax liabilities	*(561)*	*(148)*

5.i Goodwill

The table below shows the changes in goodwill as at 30 June 2012:

In millions of euros	30 June 2012	31 December 2011
CARRYING AMOUNT AT START OF PERIOD	192	24
Discontinued operations		
CARRYING AMOUNT OF CONTINUING OPERATIONS AT START OF PERIOD	192	24
Acquisitions	149	198
Divestments		
Impairment losses recognised during the period		
Translation adjustments	9	(30)
Other movements	4	
CARRYING AMOUNT OF CONTINUING OPERATIONS AT END OF PERIOD	354	192
Of which		
Gross value	*705*	*571*
Accumulated impairment recognised at the end of period	*(351)*	*(379)*

The EUR 149 million increase in goodwill as a result of acquisitions is related to the acquisition by BGL BNP Paribas of an additional 16.7% of the shares of BNP Paribas Leasing Solutions.
Further information can be found in note 6.b 'Business combinations'.

Goodwill by operating segment as per 30 June 2012 and 31 December 2011 is as follows:

	Carrying amount		Gross amount		Impairment recognised		Accumulated impairments	
In millions of euros	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Fortis Bank in Belgium	**28**	**24**	**28**	**24**				
Alpha Crédit	22	22	22	22				
Fortis Commercial Finance	6	2	6	2				
Fortis Bank in Luxembourg			**12**	**40**			**(12)**	**(40)**
SADE			12	12			(12)	(12)
Fundamentum Asset Management				28				(28)
Fortis Bank in other countries	**326**	**169**	**665**	**508**			**(339)**	**(339)**
Dominet			206	206			(206)	(206)
Margaret Inc.			102	102			(102)	(102)
Von Essen KG Bank			28	28			(28)	(28)
TEB Bank	178	167	178	167				
BNPP Lease Group UK	13		13					
Arius	15		15					
Leasing Van Breda	24		24					
SREI Equipement Finance Private Ltd	67		67					
BNP Paribas Lease Group	21		21					
Other	8	2	11	5			(3)	(3)
TOTAL	354	192	705	572			(351)	(379)

Goodwill is allocated to cash-generating units and is tested for impairment at least annually or 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.

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

6 Additional information

6.a Scope of consolidation

The consolidated accounts are prepared in accordance with the Royal Decree of 5 December 2004 amending the Royal Decree of 23 September 1992 on the non-consolidated accounts and consolidated accounts of credit institutions. The Royal Decree stipulates that, for financial years beginning on or after 1 January 2006, consolidated annual accounts must be drawn up in accordance with international standards (IAS/IFRS), as adopted by the European Union.

The consolidated financial statements include those of Fortis Bank SA/NV and its subsidiaries. Subsidiaries are those companies, for which Fortis Bank, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Fortis Bank and are no longer consolidated from the date that control ceases.

The consolidated accounts are prepared in accordance with IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures and in accordance with SIC-12 Consolidation-Special Purpose Entities, that requires to consolidate the SPE when the substance of the relationship indicates that Fortis Bank controls the SPE and retains a significant beneficial interest in the SPE's activities.

Investments in joint ventures – contractual agreements whereby Fortis Bank and other parties undertake an economic activity that is subject to joint control – are accounted for using the proportional method.

Investments in Associates – investments in which Fortis Bank has significant influence, but which it does not control, generally holding between 20% and 50% of the voting rights – are accounted for using the equity method.

The consolidation thresholds are detailed in section 1.c.1 Scope of consolidation in Note 1: 'Summary of significant accounting policies applied by Fortis Bank'.

The tables below include the scope changes during the year 2011 as well as the first half year of 2012.

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Consolidating company							
Fortis Banque Sa / Fortis Bank Nv	Belgium						
Belgium							
Ace Equipment Leasing	Belgium	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Ace Leasing	Belgium	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Ag Insurance	Belgium			Equity		25,00%	25,00%
Alpha Card S.C.R.L.	Belgium			Equity		50,00%	50,00%
Alpha Crédit S.A.	Belgium			Full		100,00%	100,00%
Banque De La Poste S.A. - Bank Van De Post N.V.	Belgium			Prop.		50,00%	50,00%
Belgolaise S.A.	Belgium	30/06/2011	< thresholds				
		31/12/2010		Equity	1	100,00%	100,00%
Bnp Paribas Fortis Factor	Belgium	30/06/2012	Merger				
		30/06/2011		Full		99,99%	99,99%
Bnp Paribas Fortis Factor Nv SA	Belgium	30/06/2012	Before known as 'Fortis Commercial Finance NV'	Full		100,00%	100,00%
		31/12/2011	Purchase	Full		100,00%	100,00%
Bnp Paribas Lease Group	Belgium	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Continuing Care Retirement Community Nv	Belgium	30/06/2011	< thresholds				
		31/12/2010		Full		99,00%	99,00%
Crédit Pour Habitations Sociales - Krediet Voor Sociale Woningen	Belgium	30/06/2011	< thresholds				
		31/12/2010		Equity	1	81,66%	81,66%
Demetris N.V.	Belgium			Equity	1	100,00%	100,00%
Eos Aremas Belgium S.A./N.V.	Belgium			Equity		49,97%	49,97%
Es-Finance	Belgium	30/06/2012	Additional purchase	Full		100,00%	100,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Europay Belgium	Belgium	30/06/2012	< thresholds				
		30/06/2011		Equity		40,02%	40,02%
Finalia	Belgium			Full		51,00%	51,00%
Fortis Finance Belgium S.C.R.L.	Belgium			Full		100,00%	100,00%
Fortis Lease	Belgium	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Car & Truck	Belgium	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Group Services	Belgium	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,15%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Private Equity Belgium N.V.	Belgium			Full		100,00%	100,00%
Fortis Private Equity Expansion Belgium N.V.	Belgium			Full		100,00%	100,00%
Fortis Private Equity Venture Belgium S.A.	Belgium			Full		100,00%	100,00%

1 Non-material subsidiaries consolidated via equity method

2 Entities excluded from prudential scope of consolidation

3 Entities consolidated under the equity method for prudential purposes

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Belgium							
Fpre Management Sa	Belgium	30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	100,00%
Frynaco	Belgium	30/06/2011	< thresholds				
		31/12/2010		Full		99,00%	99,00%
Fund Administration Services & Technology Network Belgium	Belgium	31/12/2011	Disposal				
		30/06/2011	< thresholds				
		31/12/2010		Equity		47,80%	23,90%
Fv Holding N.V.	Belgium			Equity		40,00%	40,00%
Immobilière Sauvenière S.A.	Belgium			Equity	1	100,00%	100,00%
Meespierson Private Belgian Offices Nv	Belgium	30/06/2011	< thresholds				
		31/12/2010		Full		99,00%	99,00%
Nissan Finance Belgium N.V.	Belgium			Full		100,00%	81,25%
Belgium - Special Purpose Entities							
Bass Master Issuer Nv	Belgium			Full			
Esmée Master Issuer	Belgium			Full			
Luxembourg							
Alleray	Luxembourg	30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	50,00%
Bgl Bnp Paribas	Luxembourg			Full		50,00%	50,00%
Bnp Paribas Fortis Funding S.A.	Luxembourg		Before known as 'Fortis Luxembourg Finance SA'	Full		100,00%	100,00%
Bnp Paribas Lease Group Luxembourg S.A.	Luxembourg	30/06/2012	Additional purchase	Full		100,00%	50,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Bnp Paribas Leasing Solutions	Luxembourg	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		50,00%	25,00%
		31/12/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
		30/06/2011		Equity		33,33%	16,67%
Cardif Lux Vie	Luxembourg	30/06/2012		Equity		33,33%	16,67%
		31/12/2011	Purchase	Equity		33,33%	16,67%
Cofhylux S.A.	Luxembourg			Full		100,00%	50,00%
Compagnie Financiere De La Porte Neuve Sa	Luxembourg	30/06/2011	< thresholds				
		31/12/2010	Purchase	Full			
Fb Energy Trading S.A R.L.	Luxembourg	31/12/2011	< thresholds				
		30/06/2011		Full		100,00%	100,00%
Fortis Bank Reinsurance S.A.	Luxembourg	31/12/2011	Disposal				
		30/06/2011		Full	3	100,00%	100,00%
Fortis Luxembourg - Vie S.A.	Luxembourg	31/12/2011	Merger				
		30/06/2011		Equity		50,00%	25,00%
Fortis Private Real Estate Holding S.A.	Luxembourg	30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	100,00%
Fundamentum Asset Management	Luxembourg	30/06/2012	< thresholds				
		30/06/2011		Full		100,00%	50,00%
Generalcorp 10	Luxembourg	30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	100,00%

[1] *Non-material subsidiaries consolidated via equity method*

[2] *Entities excluded from prudential scope of consolidation*

[3] *Entities consolidated under the equity method for prudential purposes*

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Luxembourg							
Immoparibas Royal-Neuve Sa	Luxembourg	30/06/2011	< thresholds				
		31/12/2010	Purchase	Full		100,00%	50,00%
Paribas Trust Luxembourg Sa	Luxembourg			Full		100,00%	50,00%
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg			Full		100,00%	50,00%
Luxembourg - Special Purpose Entities							
Aura Capital Investment Sa	Luxembourg	30/06/2012	Liquidation				
		30/06/2011		Full			
Delphinus Titri 2010 Sa	Luxembourg	30/06/2012	Liquidation				
		30/06/2011		Full			
Royale Neuve Finance S.A.R.L.	Luxembourg	30/06/2012	< thresholds				
		30/06/2011		Full			
Royale Neuve Investments Sarl	Luxembourg	30/06/2012	Liquidation				
		30/06/2011		Full			
Stradios Fcp Fis	Luxembourg	31/12/2011	Disposal				
		30/06/2011		Equity			
Rest of the world							
All In One	Austria	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
All In One Gmbh	Germany	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Alsabail	France	30/06/2011	Disposal				
		31/12/2010		Equity		40,68%	20,34%
Aprolis Finance	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		51,00%	12,75%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,50%
Arius	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Artegy	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Artegy Ltd	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Bnp Paribas Bank Polska S.A.	Poland			Full		99,87%	99,87%
Bnp Paribas Commercial Finance Limited	United Kingdom	30/06/2012	Before known as 'Fortis Commercial Finance Ltd.'	Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Bnp Paribas Factor Gmbh	Germany	30/06/2012	Before known as 'Fortis Commercial Finance GmbH'	Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Bnp Paribas Fortis Yatirimlar Holding Anonim Sirketi	Turkey			Full		100,00%	100,00%
Bnp Paribas Holding Canada	Canada	31/12/2011	Before known as 'Fb Holdings Canada Corp.'				
			Dissolution				
		30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	100,00%

[1] Non-material subsidiaries consolidated via equity method

[2] Entities excluded from prudential scope of consolidation

[3] Entities consolidated under the equity method for prudential purposes

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Rest of the world							
Bnp Paribas Investment Partners	France			Equity		33,33%	30,78%
Bnp Paribas Lease Gp Bplg	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Bnp Paribas Lease Gp Zrt	Hungary	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Bnp Paribas Lease Group Ifn Sa	Romania	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	99,94%	24,99%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,66%
Bnp Paribas Lease Group Plc	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Bnp Paribas Lease Group Sp.Z.O.O	Poland	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Bnp Paribas Leasing Solutions Immobilier Suisse	Switzerland	30/06/2012	Before known as 'Fortis Lease Immobilier Suisse'	Equity	1	100,00%	25,00%
			Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Bnp Paribas Leasing Solutions N.V.	Netherlands	30/06/2012	Before known as 'Fortis Lease Nederland N.V.'	Full		100,00%	25,00%
			Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Bnp Paribas Leasing Solutions S.P.A.	Italy	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity		26,17%	6,54%
		31/12/2010	Purchase by Fortis Lease group	Equity		26,17%	4,36%
Bnp Paribas Leasing Solutions Suisse	Switzerland	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2011	Before known as 'Fortis Lease Suisse'	Equity		33,33%	16,67%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Claas Financial Services	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		60,11%	15,03%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	10,02%
Claas Financial Services Inc	United States	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	15,03%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	10,02%
Claas Financial Services Ltd	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		51,00%	12,75%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,50%
Cnh Capital Europe Gmbh	Austria	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	12,52%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,35%
Cnh Capital Europe	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		50,10%	12,52%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	8,35%

[1] Non-material subsidiaries consolidated via equity method

[2] Entities excluded from prudential scope of consolidation

[3] Entities consolidated under the equity method for prudential purposes

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Rest of the world							
Cnh Capital Europe Bv	Netherlands	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	12,52%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,35%
Cnh Capital Europe Ltd	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	12,52%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,35%
Cronos Holding Company Limited	Bermuda			Equity		30,00%	29,90%
Dominet S.A.	Poland			Full		100,00%	100,00%
Fastnet Nederland	Netherlands	31/12/2011	Disposal				
		30/06/2011	< thresholds				
		31/12/2010		Equity		47,84%	23,92%
Fb Energy Holdings Llc	United States	30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	100,00%
Fb Transportation Capital Llc	United States			Full		100,00%	100,00%
Fortis Bank Anonim Sirketi	Turkey	30/06/2011	Merger				
		31/12/2010		Full		94,11%	94,11%
Fortis Bank Malta Ltd	Malta	30/06/2012		Equity	1	100,00%	100,00%
		30/06/2011	< thresholds for full	Equity	1	100,00%	100,00%
Fortis Commercial Finance Deutschland Bv	Netherlands	30/06/2012		Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Fortis Commercial Finance Holding Nv	Netherlands	30/06/2012		Full		100,00%	100,00%
		31/12/2011	Purchase	Full		100,00%	100,00%
Fortis Faktoring A.S.	Turkey	30/06/2012		Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Fortis Funding Llc	United States			Full		100,00%	100,00%
Fortis Holding Malta B.V.	Netherlands			Full		100,00%	100,00%
Fortis Holding Malta Ltd	Malta			Full		100,00%	100,00%
Fortis International Finance	Ireland	31/12/2011	< thresholds				
		30/06/2011		Full		100,00%	100,00%
Fortis Lease	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Deutschland	Germany	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Iberia	Spain	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	41,04%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		34,49%	34,49%
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Polska Sp.Z.O.O.	Poland			Full		100,00%	99,87%
Fortis Lease Portugal	Portugal	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Romania Ifn Sa	Romania	30/06/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%

1 Non-material subsidiaries consolidated via equity method

2 Entities excluded from prudential scope of consolidation

3 Entities consolidated under the equity method for prudential purposes

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Rest of the world							
Fortis Lease Uk (1) Ltd	United Kingdom	30/06/2012	< thresholds Additional purchase in Fortis Lease group				
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Uk Ltd	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Uk Retail Limited	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		30/06/2011	Dilution of Fortis Bank in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Private Equity France Fund	France			Full		99,90%	99,84%
Fortis Proprietary Investment Ltd	Ireland	31/12/2011	< thresholds				
		30/06/2011		Full		100,00%	100,00%
Fortis Wealth Management Hong Kong Ltd.	Hong-Kong	30/06/2011	Disposal				
		31/12/2010		Full		100,00%	100,00%
Fortis Yatirim Menkul Degerler As	Turkey	30/06/2011	Merger				
		31/12/2010		Equity		100,00%	94,11%
G I Finance	Ireland	30/06/2011	Liquidation				
		31/12/2010		Full		100,00%	100,00%
Geneve Credit & Leasing Sa	Switzerland	31/12/2011	Disposal				
		30/06/2011	< thresholds	Prop.		51,00%	51,00%
Jcb Finance	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	12,53%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,35%
Jcb Finance Holdings Ltd	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		50,10%	12,53%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,35%
Loft Beck Ltd	Ireland	31/12/2011	Before known as 'Postbank Ireland Ltd.'				
		30/06/2011	< thresholds				
		31/12/2010		Equity		50,00%	25,00%
Manitou Finance Ltd	United Kingdom	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		51,00%	12,75%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,50%
Margaret, Inc.	United States	30/06/2011	< thresholds				
		31/12/2010		Full		100,00%	100,00%
Mff Sas	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		51,00%	12,75%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,50%
Money Alpha	France	30/06/2011	Dissolution				
		31/12/2010		Full		100,00%	100,00%
Money Beta	France	30/06/2011	Dissolution				
		31/12/2010		Full		100,00%	100,00%
Robin Flight Ltd.	Ireland	30/06/2011	< thresholds				
		31/12/2010	Purchase	Full			
Same Deutz Fahr Finance	France	30/06/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity	1	100,00%	16,67%
Société Alsacienne De Développement Et D'Expansion	France			Full		100,00%	50,00%

[1] *Non-material subsidiaries consolidated via equity method*
[2] *Entities excluded from prudential scope of consolidation*
[3] *Entities consolidated under the equity method for prudential purposes*

Name	Country	Change in the scope of consolidation		Method		Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Rest of the world							
Srei Equipment Finance Private Limited	India	30/06/2012	Additional purchase by BGL in Fortis Lease group	Prop.		50,00%	12,50%
		31/12/2010	Purchase by Fortis Lease group	Equity		50,00%	8,33%
Tcg Fund I, L.P.	Cayman Islands			Full		99,66%	99,66%
Teb Holding A.S.	Turkey			Prop.		50,00%	50,00%
Textainer Marine Containers Ltd.	Bermuda	30/06/2011	Disposal				
		31/12/2010		Equity		25,00%	24,92%
Trip Rail Holdings Inc	United States	30/06/2011	No significant influence				
		31/12/2010		Equity		16,33%	16,33%
Von Essen Gmbh & Co. Kg Bankgesellschaft	Germany			Full		100,00%	100,00%
Rest of the world - Special Purpose Entities							
Alandes B.V.	Netherlands			Full	2		
Astir B.V.	Netherlands			Full			
Black Kite Investments Limited	Ireland	30/06/2012	Liquidation				
		30/06/2011		Full			
Scaldis Capital Ltd	Ireland			Full	2		
Scaldis Capital Limited	Jersey			Full	2		
Scaldis Capital Llc	United States			Full	2		
Swallow Flight Ltd.	Ireland	30/06/2011	< thresholds				
		31/12/2010	Purchase	Full			

[1] *Non-material subsidiaries consolidated via equity method*

[2] *Entities excluded from prudential scope of consolidation*

[3] *Entities consolidated under the equity method for prudential purposes*

6.b Business combinations

In the context of the global integration project of Fortis Bank into the BNP Paribas Group, initiatives have been launched to reorganise and integrate certain activities of Fortis Bank and BNP Paribas by transferring and re-allocating assets between various entities of the Group. The implementation of this project has started in 2009 and continued in 2012.

The integration transactions approved in 2009 and executed in 2010 and the additional integration transactions approved in 2010 and executed in 2010 and 2011 are described in the Fortis Bank's Annual Reports of 2009 and 2010.

In this context, BGL BNP Paribas acquired an additional 16.7% of the shares of BNP Paribas Leasing Solutions (BPLS) on 30 March 2012. This acquisition increased the share of BGL BNP Paribas from 33.33% to 50% +1 share in BPLS and transferred the control on BPLS from BNP Paribas to BGL BNP Paribas.

As the acquisition occurred between entities under common control, Fortis Bank applied the 'predecessor basis of accounting method' as described in the accounting policies. Under this method, Fortis Bank, as acquiring party, recognizes the acquired assets and liabilities at their carrying value as determined by the transferring entity at the date of the transfer and not at their fair value. Consequently, no new goodwill (other than the existing goodwill relating to either of the combining entities) is recognized. Any difference between the consideration paid/transferred and the share in the net assets, measured at the predecessor carrying value, is presented as an adjustment in equity.

The transaction in relation to BPLS resulted in a decrease of shareholders' equity with EUR 61 million and an amount of EUR 149 million was accounted for as goodwill.

The main acquisitions in 2011 included the acquisition by BGL BNP Paribas of a shareholding of 33.33% in Cardif Luxembourg Vie, and the acquisition by Fortis Bank of Fortis Commercial Finance.

The main disposals in 2011 included the sale of Fortis Bank Réinsurance, Fortis Wealth Management Hong Kong, Alsabail, Fastnet Belgium and the branches in Shangai and Guangzhou (China).

Furthermore, the Turkish entities have been restructured in 2011.

Details of these transactions can be found in the Fortis Bank 2011 Annual Report, note 8.b 'Business combinations'.

6.c Non-current assets classified as Held for Sale and Discontinued operations

Discontinued operations

Assets and liabilities of entities that qualify as held for sale and discontinued operations are reclassified and presented in separate line items 'Assets classified as held for sale' and 'Liabilities classified as held for sale', respectively, on the face of the consolidated balance sheet. Comparative information is not adjusted in accordance with IFRS 5.

The assets and liabilities still classified as held-for-sale at year-end 2011 related to contracts for which the sale has not yet taken place because of legal and operational constraints and mainly related to not yet transferred assets and liabilities of the Fortis Branch in the UK and partly also to the Fortis Bank branch in Greece.

Within the global integration project of Fortis Bank into the BNP Paribas Group, initiatives have been launched to reorganise and integrate certain activities of Fortis Bank and BNP Paribas by transferring and re-allocating assets between various entities of the Group. The implementation of this project has started in 2009 and continued in 2012.

In this context, Fortis Bank has decided during the first half year of 2012 to sell the Corporate and Transaction Banking Europe (CTBE) activities of the Fortis Bank branch in Portugal to the BNPP branch in Portugal. This transaction is part of a more global one approved by the Board of Directors of Fortis Bank, to swap activities of branches between Fortis Bank and BNP Paribas. Perimeters to be acquired by BNP Paribas are related to activities of the Fortis Bank branches in Portugal, UK and Spain and perimeters to be acquired by Fortis Bank are related to activities of the BNP Paribas branches in Norway and in the Netherlands.

The transaction concerning the Fortis Bank branch in Portugal qualifies already in Q2 2012 as a disposal group as defined in IFRS 5, Non current assets held for sale and discontinued operations.

The assets and liabilities included in this disposal group are reclassified and presented in separate line items 'Assets classified as held for sale' and 'Liabilities classified as held for sale', respectively, in the consolidated balance sheet as at 30 June 2012.

The disposal group is measured at the lower of its carrying amount and fair value less cost to sell. The result of the measurement at fair value less cost to sell amounts to a loss of EUR 18 million and is reported under Net gain/loss on non-current assets as at 30 June 2012.

The following sections contain an analysis of the major classes of assets and liabilities and the net result of the entities presented as held for sale and discontinued operations.

Major classes of assets and liabilities classified as held for sale

Fortis Bank holds various assets and liabilities as at 30 June 2012 that are held for sale rather than for continuing use.

The assets and liabilities classified as held for sale as at 30 June 2012 and 31 December 2011 are shown below.

In millions of euros	30 June 2012	31 December 2011
ASSETS		
Cash and amounts due from central banks and post office banks		
Financial assets at fair value through profit or loss	45	125
Derivatives used for hedging purposes		
Available-for-sale financial assets	102	
Loans and receivables due from credit institutions	2	5
Loans and receivables due from customers	596	(12)
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets	30	
Investments in associates		
Investment property	3	
Property, plant and equipment	1	
Intangible assets		
Goodwill		
TOTAL ASSETS	**779**	**118**
LIABILITIES		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	22	114
Derivatives used for hedging purposes		
Due to credit institutions	1	
Due to customers	119	23
Debt securities	(2)	
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		
Accrued expenses and other liabilities	37	
Provisions for contingencies and charges	1	
Subordinated debt		
TOTAL LIABILITIES	**178**	**137**

Transactions with BNP Paribas

The tables below show the composition of assets classified as held for sale and liabilities classified as held for sale for the entities that are part of the integration transactions with BNP Paribas and that are approved but not yet fully executed as of 30 June 2012.

In millions of euros	30 June 2012 Fortis Bank Portugal
ASSETS	
Cash and amounts due from central banks and post office banks	
Financial assets at fair value through profit or loss	45
Derivatives used for hedging purposes	
Available-for-sale financial assets	102
Loans and receivables due from credit institutions	2
Loans and receivables due from customers	596
Remeasurement adjustment on interest-rate risk hedged portfolios	
Held-to-maturity financial assets	
Current and deferred tax assets	
Accrued income and other assets	30
Investments in associates	
Investment property	3
Property, plant and equipment	1
Intangible assets	
Goodwill	
TOTAL ASSETS	**779**
LIABILITIES	
Due to central banks and post office banks	
Financial liabilities at fair value through profit or loss	22
Derivatives used for hedging purposes	
Due to credit institutions	1
Due to customers	119
Debt securities	(2)
Remeasurement adjustment on interest-rate risk hedged portfolios	
Current and deferred tax liabilities	
Accrued expenses and other liabilities	37
Provisions for contingencies and charges	1
Subordinated debt	
TOTAL LIABILITIES	**178**

In millions of euros	31 December 2011 Fortis Bank UK	Fortis Bank Greece
ASSETS		
Cash and amounts due from central banks and post office banks		
Financial assets at fair value through profit or loss	125	
Derivatives used for hedging purposes		
Available-for-sale financial assets		
Loans and receivables due from credit institutions		5
Loans and receivables due from customers	(12)	
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets		
Investments in associates		
Investment property		
Property, plant and equipment		
Intangible assets		
Goodwill		
TOTAL ASSETS	**113**	**5**
LIABILITIES		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	114	
Derivatives used for hedging purposes		
Due to credit institutions		
Due to customers	23	
Debt securities		
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		
Accrued expenses and other liabilities		
Provisions for contingencies and charges		
Subordinated debt		
TOTAL LIABILITIES	**137**	

Net result of discontinued operations

The result related to assets and liabilities classified as held for sale is reported in the income statement under net result of discontinued operations. Results on disposals that have occurred during the period are also reported in this caption. The total net result of discontinued operations is detailed in the tables below.

In millions of euros	1st half of 2012	1st half of 2011
Interest income		59
Interest expense		(27)
Commission income		9
Commission expense		(6)
Net gain/loss on financial instruments at fair value through profit or loss		2
Net gain/loss on available-for-sale financial assets and other-financial assets not measured at fair value		3
Income from other activities		4
Expense on other activities		(1)
REVENUES		**43**
Operating expense		(39)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(3)
GROSS OPERATING INCOME		**1**
Cost of risk		(3)
OPERATING INCOME		**(2)**
Share of earnings of associates		1
Net gain/loss on non-current assets		(1)
Goodwill		
PRE-TAX INCOME		**(2)**
Corporate income tax		(3)
NET INCOME BEFORE DISCONTINUED OPERATIONS		**(5)**
Results on the sale of the discontinued operations		(312)
NET INCOME		**(317)**

Transactions with BNP Paribas

The total net result of discontinued operations of the entities that are part of the integration transactions with BNP Paribas is detailed in the tables below.

	1st half of 2011			
In millions of euros	Fortis Bank Asia	Fortis Bank Turkey	Fortis Bank UK	Fortis Bank Spain
Interest income	5	54		
Interest expense	(2)	(25)		
Commission income	1	8		
Commission expense	(1)	(5)		
Net gain/loss on financial instruments at fair value through profit or loss	1	1		
Net gain/loss on available-for-sale financial assets and other-financial assets not measured at fair value		3		
Income from other activities		4		
Expense on other activities		(1)		
REVENUES	**4**	**39**		
Operating expense	(2)	(37)		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(3)		
GROSS OPERATING INCOME	**2**	**(1)**		
Cost of risk		(3)		
OPERATING INCOME	**2**	**(4)**		
Share of earnings of associates	1			
Net gain/loss on non-current assets	(1)			
Goodwill				
PRE-TAX INCOME	**2**	**(4)**		
Corporate income tax	(2)	(1)		
NET INCOME BEFORE DISCONTINUED OPERATIONS		**(5)**		
Results on the sale of the discontinued operations	1	(308)	(6)	1
NET INCOME	**1**	**(313)**	**(6)**	**1**

6.d Related parties

Parties related to Fortis Bank

Parties related to Fortis Bank as at 30 June 2012 include:

- parties that control or have an interest that gives them significant influence over Fortis Bank
- parties that are controlled by Fortis Bank
- associates and joint ventures
- other related entities such as non-consolidated subsidiaries and pension funds
- members of the Board of Directors and of the Executive Committee of Fortis Bank
- close family members of any person referred to above and
- entities controlled or significantly influenced by any person referred to above.

Consequently, parties related to Fortis Bank as at 30 June 2012 include the following parties:

- consolidated companies including entities consolidated under the proportionate consolidation method or the equity method
- BNP Paribas (and all its subsidiaries), which has control of Fortis Bank
- SFPI/FPIM (Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij), which has a significant influence in Fortis Bank
- the Belgian State, which indirectly exerts a significant influence in Fortis Bank
- other Belgian State-controlled enterprises under common control (excluding local, regional and supra-national organisations, and local authorities and municipalities).

Transactions between Fortis Bank and its fully-consolidated subsidiaries, which are related parties to Fortis Bank, were eliminated upon consolidation and are not disclosed in this note.

Relations with the Belgian State, the National Bank of Belgium (NBB), the SFPI/FPIM and other Belgian State-controlled entities

According to IAS 24, Related party disclosures, no disclosures are required for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities').

There has been no significant change in transactions between Fortis Bank and the Belgian State, the SFPI/FPIM, the National Bank of Belgium and other Belgian State-controlled entities in comparison with those described in Note 8.e 'Related parties' of the Annual Report 2011.

Transactions with other related parties

Fortis Bank enters into transactions with various related parties in the course of its business operations. All kinds of transactions are entered into under the same commercial and market terms and conditions that apply to non-related parties.

A list of companies consolidated by Fortis Bank is provided in Note 6.a: 'Scope of consolidation'. As transactions and period-end balances between fully-consolidated entities are eliminated in full during the consolidation process, the tables below only show figures relating to transactions and balances with (i) companies over which Fortis Bank exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which Fortis Bank exercises significant influence (accounted for by the equity method).

Related parties balance sheet items:

In million of euros	30 June 2012 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	31 December 2011 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS						
Loans, advances and securities						
Demand accounts	*724*	*2*	*54*	*1,156*	*1*	*298*
Loans	*19,273*	*605*	*2,267*	*23,693*	*492*	*10,257*
Securities	*575*	*74*	*19*	*522*	*74*	*19*
Finance leases	*37*	*4*				
Non-trading securities held in the portfolio	*9*		*88*	*5*	*1*	*2*
Other assets	**403**	**14**	**110**	**252**	**4**	**133**
TOTAL	**21,021**	**699**	**2,538**	**25,628**	**572**	**10,709**
LIABILITIES						
Deposits						
Demand accounts	*2,403*	*29*	*2,139*	*1,963*	*29*	*2,610*
Other borrowings	*21,234*	*1*	*30*	*15,480*	*1*	*47*
Debt securities	**1,899**	**60**	**5**	**7,193**	**62**	**3**
Other liabilities	**178**		**4**	**65**		**2**
TOTAL	**25,714**	**90**	**2,178**	**24,701**	**92**	**2,662**

Fortis Bank also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.) and financial instruments (equities, bonds, etc.) which are not included in the table above.

Related parties profit and loss items:

In million of euros	1st half of 2012 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	1st half of 2011 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	265	10	25	139	8	149
Interest expense	(295)		(17)	(113)		(6)
Commission income	94		225	64	1	141
Commission expense	(28)		(13)	(6)		(4)
Services provided	38		6	23	1	5
Services received	10	1	2	(39)		
Lease income						
TOTAL	**84**	**11**	**228**	**68**	**10**	**285**

6.e Structured Credit Instruments

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

The net exposure to global structured credit instruments as at 30 June 2012 can be detailed by accounting category as follows:

In million of euros	30 June 2012	31 December 2011
SCI under Available-for-sale financial assets	3	3
SCI under Financial assets at fair value through profit or loss	58	128
SCI under Loans and receivables	17,226	18,501
TOTAL	17,287	18,632

This net exposure as at 30 June 2012 can be further detailed by type of assets as follows:

In million of euros	30 June 2012	31 December 2011
RMBS	9,955	10,511
CMBS	747	766
CLOs	2,278	2,577
Other ABS	4,307	4,779
TOTAL	17,287	18,633

On 12 May 2009, a substantial part of the retained SCI portfolio was transferred to investments reclassified as loans and receivables, applying the amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures. This reclassification concerned financial assets that were previously recognised as available for sale investments, assets held for trading and other assets.

Part of this portfolio carries a guarantee by the Belgian State on the second level of loss. Beyond a first tranche of final loss (EUR 3.5 billion), the Belgian State guarantees on demand a second loss tranche up to EUR 1.5 billion.

The financial assets reclassified to loans and receivables are summarised in the following table:

In millions of euros	Carrying amount as of reclassi-fication date	30 June 2012 Carrying Value	30 June 2012 Market or model value	31 December 2011 Carrying Value	31 December 2011 Market or model value
Financial assets reclassified from the trading portfolio	**108**	**218**	**217**	**251**	**238**
- Into loans and receivables due from customers	108	218	217	251	238
Financial assets reclassified from the available-for-sale portfolio	**21,312**	**11,928**	**12,118**	**12,917**	**12,854**
- Into loans and receivables due from customers	21,312	11,928	12,118	12,917	12,854
Financial assets reclassified from the other assets portfolio	**2,030**	**1,180**	**1,128**	**1,434**	**1,313**
- Into loans and receivables due from customers	2,030	1,180	1,128	1,434	1,313
TOTAL PORTFOLIO RECLASSIFIED INTO LOANS AND RECEIVABLES	**23,450**	**13,326**	**13,463**	**14,602**	**14,405**

As of the reclassification date, the weighted average effective interest rate on financial assets reclassified as loans and receivables was 7.157% and the expected recoverable cash flows were EUR 18,531 million.

In September 2010, Dutch mortgage-backed notes (Dolphin notes) have been called at nominal value for an amount of EUR 4.1 billion. These notes were previously recorded as SCI under loans and receivables.

Other sales and reimbursements since the reclassification date explain the further decrease over time of the portfolio.

The following table shows the profit or loss items related to the reclassified assets, both as they were recorded over the period and as they would have been recorded if the reclassification had not taken place:

In millions of euros	1st half of 2012	1st half of 2011
Profit or loss and equity items (before tax) related to reclassified assets as recorded	**(1,063)**	**(1,326)**
Profit or loss item	**119**	**157**
- Interest income	111	125
- Gains or losses on financial assets	1	10
- Cost of risk	4	18
- Other	3	4
Equity items	**(1,182)**	**(1,483)**
Profit or loss and equity items (before tax) if assets had not been reclassified	**772**	**(1,322)**
Profit or loss items	**16**	**(54)**
Equity items	**756**	**(1,268)**

More information on structured credit instruments and their impairment process are included in the Annual Report 2011 (note 8.g).

6.f Exposure to sovereign risk

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

The Euro sovereign bond portfolio of Fortis Bank is presented in the table below:

In millions of euros	30 June 2012	31 December 2011
	Banking Book	Banking Book
Eurozone		
Austria	300	539
Belgium	16,935	17,007
Cyprus	23	23
Finland	298	293
France	2,188	2,761
Germany	780	2,226
Italy	1,136	1,111
Luxembourg	45	31
Netherlands	7,271	7,467
Slovakia	29	29
Slovenia	37	41
Spain	618	578
Countries under support		
Greece	75	290
Ireland	172	169
Portugal	609	1,182
Total eurozone	**30,516**	**33,747**

Accounting treatment of debt securities issued by Greece, Ireland and Portugal

Reclassification of securities at 30 June 2011

The lack of liquidity seen during the first half of 2011 in the markets for the public debt instruments issued by Greece, Ireland and Portugal prompted Fortis Bank to no longer classify these securities as available-for-sale assets.

As permitted in such exceptional circumstances by paragraph 50E of IAS 39, and given the period that the bank believes to be necessary for these three countries to restore the state of their finances, Fortis Bank reclassified – with effect from 30 June 2011 – public debt securities from these three countries from the 'Available-for-sale financial assets' category to 'Loans and receivables'.

Greek sovereign debt instruments due to mature prior to 31 December 2020 were covered by provisions under the second support plan for Greece, which was initiated in June 2011 and finalised on 21 July 2011, reflecting the banks' commitment to provide support. This plan had several options, including a voluntary exchange at par for 30-year debt securities with their principal collateralised by AAA-rated zero coupon bonds, with terms leading to the recognition of an initial discount of 21%.

Fortis Bank intended to take up this exchange option. Accordingly, the debt securities held on the balance sheet and due to be exchanged were measured by recognising the 21% discount. Treated as a concession by the lender owing to the difficulties encountered by the borrower, this discount led to an impairment loss being recognised through profit or loss in the first half of 2011.

As regards Greek sovereign debt securities not exchanged, as well as Irish and Portuguese sovereign debt instruments, after due consideration of the various aspects of the European support plan, most investors took the view that there was no objective evidence that the recovery of the future cash flows associated with these securities was compromised, especially since the European Council had stressed the unique and non-replicable nature of the private sector's participation in such an operation. Accordingly, the bank took the view that there were no grounds to recognise an impairment for these securities.

Measurement of securities at 31 December 2011

In the second half of 2011, it was recognised that Greece was having trouble meeting the economic targets on which the 21 July plan was based, particularly in regards to the sustainability of its debts. This led to a new agreement in principle, dated 26 October, based on private-sector creditors waiving 50% of amounts owed to them. Since the arrangements for implementing this agreement have not been definitively settled by all of the international institutions concerned, the bank has determined the impairment loss on all the securities it held on the basis of the most recent proposal put forward by private-sector creditors represented by the Institute of International Finance (IIF).

On the basis of (1) a 50% haircut, (2) the immediate repayment of 15% of amounts owed through securities of the European Financial Stability Facility (EFSF) with a maturity of two years and paying market interest rates, (3) the payment of accrued interest through EFSF securities with a maturity of six months and paying market interest rates, (4) a coupon of 3% until 2020 and 3.75% subsequently on securities maturing between 2023 and 2042 received in exchange for existing securities and (5) a discount rate of 12% on future cash flows, the bank estimated the likely loss on existing securities at 75%, which is almost identical to that priced in by the market through the average discount on these securities at 31 December 2011.

Accounting treatment at 30 June 2012, following the exchange offer of Greek securities

On 21 February 2012, the agreement was refined and supplemented between the representatives of the Greek government, private-sector investors (PSI) and the Eurogroup. This agreement is designed to enable Greece to achieve a debt ratio of 120.5% in 2020 as opposed to 160% in 2011, and to achieve the financial stability sought through the plan. The offer involved private-sector investors waiving 53.5% of the nominal value of their Greek bonds, reducing Greece's debt by around EUR 107 billion, in return for a public-sector contribution of EUR 30 billion.

Thus, on 12 March 2012, the exchange of Greek sovereign debt securities was realised, with the following main characteristics:

- 53.5% of the principal of previous securities has been waived,

- 31.5% of the principal of previous securities has been exchanged for 20 bonds issued by Greece with maturities between 11 and 30 years. The coupon on new bonds will be 2% from 2012 to 2015, rising to 3% from 2015 to 2020, 3.6% in 2021 and 4.3% until 2042. These securities are accounted for as 'Available-for-sale assets'.

- 15% of the principal of previous securities has been redeemed immediately in the form of short-term securities issued by the European Financial Stability Facility (EFSF), repayment of which is guaranteed by the EUR 30 billion public-sector contribution. These securities are accounted for as 'Available-for-sale assets'.

- Accrued interest on the exchanged Greek debt at 24 February 2012 has been settled through the issue of short-term EFSF securities, accounted for as 'Loans and receivables'.

- Each new bond issued by Greece is accompanied by a security linked to movements in Greece's gross domestic product over and above those expected in the plan. This instrument is accounted for as a derivative.

The securities exchange has been accounted for as the extinguishment of the previously held assets and the recognition of the securities received at their fair value.

The fair value of the instruments received in exchange for the previous securities was valued at 12 March 2012 at 23.3% of the nominal value of the previous securities. The difference with the net value of the previous securities, as well as the adjustment of accrued interest on the previous securities, led to the recognition of a EUR 16 million loss on the banking book securities, accounted for in the cost of risk.

Exposure to Greek, Irish and Portuguese sovereign credit risk

Banking book positions, broken down by residual time to maturity:

In millions of euros	Remaining time to maturity						30 June 2012
	1 year	2 years	3 years	5 years	10 years	> 10 years	Total
Greece							
Available-for-sale assets						75	75
Ireland							
Loans and receivables		3		16	153		172
Portugal							
Loans and receivables		135		140	213	102	590
Held-to-maturity financial assets					19		19

Reclassification of financial instruments initially recognised as available-for-sale assets

The amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008 permit the reclassification of instruments initially classified as available-for-sale within the customer loan portfolios.

The financial assets relating to sovereign securities reclassified to loans and receivables are summarized in the following table:

In millions of euros		Assets reclassified as loans and receivables		
	Reclassification date	Carrying value	Expected cash flows deemed recoverable	Average effective interest rate
Sovereign securities from the available-for-sale portfolio		1,903	3,897	
of which Greek sovereign securities	*30 June 2011*	*687*	*2,168*	*9.0%*
of which Portuguese sovereign securities	*30 June 2011*	*1,020*	*1,446*	*8.8%*
of which Irish sovereign securities	*30 June 2011*	*196*	*283*	*6.1%*

The following tables show the items related to the reclassified assets, both as they were recorded during the period and as they would have been recorded if the reclassification had not taken place:

On the balance sheet.

In millions of euros	30 June 2012	
	Carrying value	market or model value
Sovereign securities reclassified as-loans and receivable due from customers	**762**	**734**
of which Greek sovereign securities		
of which Portuguese sovereign securities	*590*	*539*
of which Irish sovereign securities	*172*	*195*

In profit and loss and as a direct change in equity.

In millions of euros	30 June 2012	
	Reported	Pro forma amount for the period
In profit or loss item	**(107)**	**(107)**
in revenues	**(91)**	**(91)**
of which Greek sovereign securities	*5*	*5*
of which Portuguese sovereign securities	*(99)*	*(99)*
of which Irish sovereign securities	*3*	*3*
in cost of risk	**(16)**	**(16)**
of which Greek sovereign securities	*(16)*	*(16)*
as direct change in equity (before tax)	**101**	**196**
of which Greek sovereign securities		
of which Portuguese sovereign securities	*98*	*178*
of which Irish sovereign securities	*3*	*18*
Total profit and loss impact and direct changes in equity resulting from reclassified items	**(6)**	**89**

6.g Contingent assets and liabilities

Legal proceedings

Fortis Bank and its consolidated subsidiaries are 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 the banking business, including in connection with their activities as lender, employer, investor and taxpayer.

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

With respect to further claims and legal proceedings against Fortis Bank (and its consolidated subsidiaries) of which management is aware (and for which, according to the principles outlined above, no provision has been made), management is of the opinion, after due consideration of appropriate professional 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 merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Fortis Bank Consolidated Financial Statements.

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis N.V.' and currently 'Ageas') at the end of September and beginning of October 2008, a number of groups representing shareholders, and others, have initiated (or threatened) 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:

MCS Noteholders claim against Ageas, Fortis Bank and others

Certain holders of MCS notes have filed two actions against the co-issuers of the MCS, including Fortis Bank, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and in secondary order claiming damages. The court has dismissed both actions in a verdict rendered in March 2012. Certain holders have filed an appeal in June 2012. Fortis Bank is of the opinion that under the transaction documentation and Belgian law the claims have no merit.

Claims by VEB NCVB and 'Stichting Investor Claims against Fortis' before Dutch courts

These two legal actions relate to the writs issued against Fortis at the time of its acquisition of ABN Amro and the role of Fortis Bank as underwriter.

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

Fortis Bank received on 3 February 2011 a writ of summons from the Dutch association of shareholders 'VEB NCVB'. According to this association, Fortis Bank, together with Ageas, Merrill Lynch and others, is jointly and severally liable in connection with the alleged shortcomings of the prospectus. The association is seeking declaratory relief that the statements and omissions in the prospectus were misleading to all who purchased Fortis shares from 24 September 2007 until 3 October 2008 and that as a consequence Fortis Bank is jointly with other banks and officers liable for the damages sustained by the shareholders. As the procedure relates to a declaration sought by an association, no claim for damages has been made at this moment, but these proceedings may potentially lead to future damage claims.

On July 7, 2011 Fortis Bank also received a writ of summons by a foundation named 'Stichting Investor Claims Against Fortis'. This writ addresses the same subject matter and is largely based on the same allegations. Ageas and Merrill Lynch are co-defendants.

Claims by Deminor International and others against Fortis Bank and Merrill Lynch

Deminor and a group of retail and institutional investors in Fortis shares have commenced in June 2012 legal action in the Commercial Court of Brussels in order to obtain damages from Fortis Bank and Merrill Lynch in their role as global coordinator of the rights issue of Fortis SA/NV and Fortis N.V. in September 2007. Claimants allege that the banks have breached their duties as financial advisors, including with respect to the information to be provided to investors in the prospectus issued by Fortis.

While it cannot be ruled out that the above claims may negatively affect the Consolidated Financial Statements of Fortis Bank, any likelihood of this happening is regarded as limited at this point in time.

Other litigation and investigations are pending in relation to the restructuring of the Fortis group to which Fortis Bank is at this moment not a party. This includes, inter alia, an inquiry into the management and course of events at Fortis ordered by the Dutch 'Ondernemingskamer' (Entreprise Chamber) which report was filed in June 2010. After the filing of the report, the court has decided in April 2012 that improper management had occurred in 2007 and 2008 at Fortis NV. The possibility cannot be ruled out that the outcome of such litigation and/or investigations might also have an impact on Fortis Bank.

Like many other companies in the banking, investment, mutual funds and brokerage sectors, Fortis Bank (and its consolidated subsidiaries) have received or may receive requests for information from supervisory, governmental or self-regulatory agencies. Fortis Bank responds to such requests and cooperates with the relevant regulators and other parties and helps to address any issues they might raise. Fortis Bank believes that any issues that have been identified do not represent a systemic problem to Fortis Bank or its businesses.

6.h 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 2012.

On 5 July 2012, Fortis Bank has announced its plans to strengthen its specialist finance teams.

In concert with the BNP Paribas Group, BNP Paribas Fortis intends to reinforce its Specialist Finance Competence Centre, which provides Export Finance, Project Finance, Leveraged Finance, Telecoms financing and Corporate Acquisition Finance services.

The new plans call for BNP Paribas Fortis to expand the geographical reach of these activities which, since 2009, have been managed from Brussels. While today the Competence Centre services the three Benelux countries, Northern and Central Europe and Turkey, it will in future cover also Germany, Spain and the UK, plus the Middle East and Africa. The plans do not relate to France or Italy, which are both designated Domestic Markets of the BNP Paribas Group.

These plans are now going through a process of consolidation with staff representative organisations and will also require the approval of the National Bank of Belgium.

Fortis Bank has received on August 20, 2012 a claim filed with the court of Utrecht by Stichting 'Investor Claims against Fortis' and 129 other investors. In the writ of summons, plaintiffs claim damages from the nine defendants, jointly and severally between them, on the grounds that Fortis Bank allegedly failed to fulfil its duty of care by not preventing or correcting the allegedly incorrect or incomplete information that Fortis has given to investors on, amongst others, the financial risks to which Fortis was exposed as a consequence of the subprime crisis in the period from the start of the public offer on ABN AMRO until October 17, 2007, failure that allegedly resulted in a loss sustained by the plaintiffs.

Report of the accredited statutory auditors

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Fortis Bank SA/NV (the 'Company') and its subsidiaries as of 30 June 2012 and the related consolidated profit and loss account, the consolidated statement of net income and changes in fair value of assets and liabilities recognised directly in equity, the consolidated statement of changes in shareholders' equity, the minority interests, and the consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The board of directors is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A limited review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements for the six-month period ended 30 June 2012 are not prepared, in all material respects, in accordance with International Accounting Standard 34 - 'Interim Financial Reporting', as adopted by the European Union.

Emphasis of Matter

Without further qualifying our opinion, we draw the attention to the fact that as described in note 6.g to the accompanying consolidated interim financial statements as at 30 June 2012, 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 the Company and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the consolidated interim financial statements.

Brussels, 30 August 2012

PwC Bedrijfsrevisoren bcvba / Reviseurs d'Entreprises sccrl
Represented by
R. Jeanquart

Deloitte Bedrijfsrevisoren bv ovv cvba / Reviseurs d'Entreprises sc sous forme d'une scrl
Represented by
Ph. Maeyaert F. Verhaegen

Fortis Bank SA/NV, Montagne du Parc 3 - B-1000 Brussels