



**BNP PARIBAS FORTIS SA/NV**

**CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS**

**First half 2021**



**BNP PARIBAS**  

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**FORTIS**

The bank  
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world



# INTRODUCTION

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

The BNP Paribas Fortis report for the first half-year of 2021 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 2021.

The BNP Paribas Fortis Consolidated Interim Financial Statements for the first half-year of 2021, including the 2020 comparative figures, have been prepared at 30 June 2021 in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. It includes condensed financial statements (balance sheet, profit and loss account, statement of net income and changes in fair value of assets and liabilities recognised directly in equity, statement of changes in shareholders' equity, minority interests and statement of cash flows) and selected explanatory notes. The BNP Paribas Fortis Consolidated Interim Financial Statements should be read in conjunction with the audited BNP Paribas Fortis Consolidated Financial Statements 2020, which are available on <http://www.bnpparibasfortis.com>.

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

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

*BNP Paribas Fortis refers in the consolidated interim financial statements to the BNP Paribas Fortis SA/NV consolidated situation unless stated otherwise.*

*All information contained in the BNP Paribas Fortis interim financial statements for the first half-year of 2021 relates to the BNP Paribas Fortis statutory consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: [www.bnpparibas.com](http://www.bnpparibas.com).*

*The BNP Paribas Fortis interim financial statements for the first half-year of 2021 is available on the website: [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com).*

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# REPORT OF THE BOARD OF DIRECTORS

This section provides a summary of the evolutions in the first half-of 2021 and elaborates on the following key developments:

1. Economic context;
2. Results of the first half-of 2021 and the balance sheet as at 30 June 2021;
3. Status of liquidity and solvency;
4. Principal risks and uncertainties.

## Economic context

After a highly chaotic year caused by the COVID-19 crisis that began in March 2020, the global economy got off to a subdued start in 2021 as the pace of vaccine rollouts varied between countries. While the United States and United Kingdom showed good speed and flexibility in vaccinating their populations, that was not the case in Europe, where bottlenecks quickly appeared, preventing rollouts beginning in earnest until March or April. High-risk groups were able to receive a vaccine in the first few months of 2021, but there were delays vaccinating the rest of the population.

This explains why consumer confidence indicators remained gloomy almost throughout Europe in early 2021, whereas they improved sharply in the US and UK. After the retail industry and high-contact professions partly reopened in February, a number of European countries including Belgium entered a new lockdown in March after new coronavirus variants appeared among populations with insufficient vaccination rates. As a result, growth figures for the first quarter of 2021 were very disappointing overall. On average, eurozone GDP fell 1.3% compared with the first quarter of 2020, and by 0.3% relative to the fourth quarter of 2020.

In Belgium, surprisingly, GDP rose by 1.1% sequentially in the first quarter, although it was down 0.5% year-on-year. Belgium's relatively good Q1 figure resulted from an upturn in domestic demand, combined with a significant decrease in imports. It should also be noted that investment remained fairly strong among both households, who were very keen to buy properties, and companies.

Governments continued to provide large-scale support to their economies, maintaining most of the assistance programmes adopted when the crisis broke out in March 2020. Furlough plans were extended in early 2021, as were moratoriums on bank loans. It was also forbidden to declare a company bankrupt in the first few months of 2021, which explains why the bankruptcy rate remained low throughout Europe and why so few people lost their jobs in the first half of the year. However, it is clear that the current measures will not last indefinitely, leading to fears that bankruptcies and job losses will rise sharply again in certain sectors hard-hit by the crisis when support measures are withdrawn later in 2021.

On the plus side, the first few months of 2021 brought a sharp rebound in economic activity in China, where GDP rose by almost 35% year-on-year in the first quarter. The US adopted a raft of stimulus measures in February, driven in particular by the arrival of the new President, and so the world's two main economies are in a phase of rapid growth. This catch-up effect, combined with serious shortages caused by lockdowns and the COVID-19 crisis, lay behind the surge in many commodity prices in early 2021, causing inflation to stage a widely reported comeback almost everywhere in the world. In the US, inflation reached 5% in May, forcing the Fed to change the direction of its monetary policy sooner than expected. The Fed Chair announced that interest rates would probably rise in 2023 instead of 2024, and that the Fed would soon start to reduce its large-scale asset purchases, which have doubled the size of the Fed's balance sheet. This prompted the world's financial markets to realise that a US rate hike would be happening earlier than anticipated, and these announcements caused some turbulence in stock markets in early June, since investors were clearly not prepared to hear this message so soon.

However, the situation did not damage confidence levels among business leaders, which remained high worldwide. Stock markets quickly regained the momentum they have shown since the start of the COVID rally, and set a series of all-time highs throughout the first half.

2021 should be a year of recovery in all developed countries, with GDP growth rates expected to rise sharply. The extent of the rebound is hard to gauge currently, because the virus has not completely disappeared and many developing countries may suffer both from vaccine shortages and from the surge in food prices that has been taking place since the start of the year.

In Europe, the NextGen stimulus plan is coming into force in July: the aim is to provide EUR 750 billion of funding to countries submitting projects to invest in making their economies more efficient, digital and green. Belgium will receive EUR 5.9 billion, which will underpin its economic recovery and should improve its long-term growth potential because some of the money will be spent on infrastructure projects that had been previously been subject to repeated delays.

For 2021, we expect GDP growth in Belgium of around 5% after the spectacular 6.3% slump in 2020. We see inflation rising to potentially 1.9% as opposed to only 0.4% in 2020.

Given the abundance of liquidity in the European financial markets, we do not expect interest rates to rise in the next few months.

Finally, we would highlight movements in the Belgian residential property market: the COVID-19 crisis has prompted many Belgians to rethink their lifestyles radically: they have rushed to buy properties located outside the major cities in order to gain more space and a garden. Property prices therefore started rising in May 2020 and have not stopped since. House prices increased by around 7% in 2020, and the market remained hot in the first half of 2021. According to industry experts, there are not enough properties to satisfy demand, which is why prices are rising. We do not expect this market trend to change, because interest rates are likely to remain extremely low and the context remains conducive to a rise in precautionary savings among consumers, who have been badly shaken by the COVID-19 crisis and are concerned about how it will play out in future.

## Comments on the evolution of the results

BNP Paribas Fortis realised a net income attributable to equity holders of EUR 1,143 million in the first half of 2021, compared to EUR 804 million in the first half of 2020, up by EUR 339 million or 42%.

Please note that the comments in the present section have been written by referring to the financial statements and the respective notes. For a business oriented analysis, please refer to the Press Release of BNP Paribas Fortis available on the corporate website. This analysis focuses on the underlying evolution, which excludes scope changes (acquisition, sale and transfer of activities), foreign exchange impacts and one-off results. By excluding these effects, BNP Paribas Fortis showed an increasing underlying net income attributable to equity holders by 38% compared to the same period of 2020.

Operating income amounted to EUR 1,483 million in the first half of 2021, up by EUR 283 million or 24% compared to EUR 1,200 million in the first half of 2020. The increase was the result of higher revenues by EUR 171 million or 4%, limited increase of costs by EUR (21) million or 1% and a decrease of the cost of risk by EUR 133 million or (37%).

Non-operating items (share of earnings of equity-method entities and net gain on non-current assets) were up by EUR 72 million whereas the corporate income tax increased by EUR (43) million.

The comparison between the first half of 2021 and the first half of 2020 results was impacted by the following elements:

- the pandemic crisis in 2021 still affecting the Belgian, European and world economy;
- few scope changes, of which mainly one in the scope of Arval activities;
- foreign exchange variations, and more in particular the continuous depreciation of the Turkish lira against euro (from 7.15 EUR/TRY on average in the first half of 2020 to 9.52 EUR/TRY on average in the first half of 2021).

Based on the segment information, 51% of the revenues were generated by banking activities in Belgium, 32% by other domestic markets, 8% by banking activities in Luxembourg, 7% by banking activities in Turkey and 2% by other activities.

**Net interest income** reached EUR 2,347 million in the first half of 2021, a decrease of EUR (62) million or (3%) compared to the first half of 2020. Excluding the scope changes (EUR 1 million) and the foreign exchange effect of the Turkish lira (EUR (93) million), the net interest income increased by EUR 30 million.

In Belgium, the net interest income slightly decreased in a persistently low interest rate environment. Furthermore there was a positive evolution on the interest expenses on treasury borrowings with central banks. On the contrary, there was less interest income on customer loans (mainly term and mortgage loans) essentially due to lower interest rate margins.

Outside Belgium, the net interest income also decreased, with a negative evolution in Luxembourg and in Turkey. Excluding the scope changes and mainly the foreign exchange effect of the Turkish lira, the net interest income increased, including in Turkey and despite the decrease in Luxembourg in a persistently low interest rate environment.

**Net commission income** amounted to EUR 713 million in the first half of 2021, up by EUR 95 million or 15% compared to the first half of 2020. Excluding the scope changes (EUR (3) million) and the foreign exchange effect of the Turkish lira (EUR (16) million), net commission income increased by EUR 114 million. In Belgium there is an increase of the advisory and the assets management fees.

Outside Belgium, the net commission income decreased, with a negative evolution in Turkey and a very slight decrease in Luxembourg. Excluding the scope changes and mainly the foreign exchange effect of the Turkish lira, the net commission income increased, including in Turkey and mainly in Other Domestic Markets.

**Net results on financial instruments at fair value through profit or loss** stood at EUR 50 million, down by EUR (76) million compared to the first half of 2020. Excluding the foreign exchange effect of the Turkish lira (EUR 4 million), net results on financial instruments at fair value through profit or loss decreased by EUR (80) million. This decrease was mainly due to lower results on interest rate swaps and cross currency swaps in Turkey in a context of volatile markets.

**Net results on financial instruments at fair value through equity** amounted to EUR 27 million in the first half of 2021, increasing by EUR 16 million compared to the same period in 2020. The 2021 result was marked by higher capital gains income than in 2020, not only on the disposal of fixed-income securities, but also on dividends income, mainly in Belgium.

**Net income from insurance activities** totalled EUR 35 million in the first half of 2021. Greenval Insurance DAC, which is the single contributor to this caption, has been sold by BNP Paribas Ireland to Arval Service Lease in December 2020. Greenval Insurance DAC is a fleet motor insurance company registered in Ireland dedicated to customers of Arval.

**Net income from other activities** totalled EUR 977 million in the first half of 2021, increasing by EUR 163 million (or 20%) compared to the first half of 2020. The main contributor remains Other Domestic Markets where revenues were supported by the continuous growth of the financed fleet.

**Salary and employee benefit expenses** amounted to EUR (1,180) million in the first half of 2021 i.e. a decrease of EUR 26 million compared to the same period in 2020. However, excluding the scope changes (EUR (2) million) and the foreign exchange effect of the Turkish lira (EUR 30 million), there was an increase of EUR (2) million.

In Belgium and in Luxembourg, there were less staff expenses, mainly related to the evolution of the captions “basic salaries” and “social charges”, due to the continuous decrease of the FTEs.

Outside Belgium and Luxembourg, the increase in staff expenses was contained, with a slight decrease in Personal Finance. The increase in Other Domestic Markets was mainly due to the increase of the FTEs to support the growth of the businesses while the increase in Turkey was mainly due to the still high inflation.

**Other operating expenses** amounted to EUR (1,074) million in the first half of 2021, i.e. an increase of EUR (45) million compared to the same period in 2020. Excluding the scope changes (EUR (5) million) and the foreign exchange impact of the Turkish lira (EUR 18 million), other operating expenses increased by EUR (58) million.

In Belgium, the other operating expenses remained stable: decrease was mostly driven by lower IT costs while banking taxes and levies increased from EUR (312) million in the first half of 2020 to EUR (316) million in the first half of 2021.

Outside Belgium, the other operating expenses increased due to, among others, higher IT costs as well as higher banking taxes in Luxembourg and the inflation in Turkey,

**Depreciation charges** stood at EUR (185) million in the first half of 2021, versus EUR (183) million compared to previous year, i.e. an increase of EUR (2) million.

**Cost of risk** totalled EUR (227) million in the first half of 2021, i.e. a decrease of EUR 133 million compared to the first half of 2020. Excluding the foreign exchange impact of the Turkish lira (EUR 27 million), there was a decrease of EUR 106 million.

In Belgium, cost of risk decreased mainly thanks to specific files in stage 3, a positive evolution compared to last year.

Outside Belgium, cost of risk also decreased mainly thanks to net releases of provisions in stage 3. This decrease was partially offset by higher provisions in stages 1 and 2 related to, among others, sectors sensible to the covid-19 crisis and clients with moratoria.

**Share of earnings of equity-method entities** amounted to EUR 174 million in the first half of 2021, compared to EUR 105 million during the same period in 2020. The main contributors of the increase are AG Insurance and BNPP Asset Management.

**Net gain on non-current assets** amounted to EUR 7 million in the first half of 2021 versus EUR 4 million during the same period in 2020.

**Corporate income tax** in the first half of 2021 totalled EUR (319) million compared to EUR (276) million, an increase of EUR (43) million. Excluding the share of earnings of equity-method entities (reported net of income taxes), the effective tax rate stood at 21% in the first half of 2021 compared to 23% in the first half of 2020.

**Net income attributable to minority interests** amounted to EUR 202 million in the first half of 2021, compared to EUR 229 million in the first half of 2020.

**Net income attributable to equity holders** totalled EUR 1,143 million in the first half of 2021, compared to EUR 804 million during the same period in 2020.

## Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis amounted to EUR 350.5 billion as at 30 June 2021, up by EUR 15.4 billion or 4.6% compared with EUR 335.1 billion at 31 December 2020.

Based on the segment information, 68% of the assets were contributed by banking activities in Belgium, 16% by other domestic markets, 8% by banking activities in Luxembourg, 4% by banking activities in Turkey and 4% by other segments.

### Assets

**Cash and amounts due from central banks** amounted to EUR 68.1 billion, increased by EUR 18.0 billion compared to 31 December 2020. The increase is mainly related to the excess cash placed at the central banks in Belgium and in Luxembourg.

**Financial instruments at fair value through profit or loss** stood at EUR 14.6 billion, down by EUR (3.3) billion compared to 31 December 2020. The decrease of EUR (4.3) billion in 'Derivative financial instruments' was mainly related to the increase of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side. There is an increase of the reverse repos of EUR 1.0 billion.

**Derivatives used for hedging purposes** decreased by EUR (1.3) billion and amounted to EUR 1.9 billion and 'Derivatives used for hedging purposes' on the liability side decreased by EUR (2.1) billion. It should be noted that 'Derivatives used for Hedging purposes' should be restated for the comparative period of 31 December 2020 by decreasing respectively assets and liabilities with the amount of EUR (0.8) billion. In December 2020, no netting of the fair value of the fixed and floating leg was applied on the macro hedge derivative with an external counterparty (contrary to 30 June 2021). As a result the restated decrease in assets amounts to EUR (0.5) billion and in liabilities EUR (1.3) billion is related to the increase of the interest rate curve.

**Financial assets at fair value through equity** decreased by EUR (0.9) billion to EUR 8.9 billion following the reimbursements and disposals of government bonds, mainly in Belgium, Luxembourg and Turkey.

**Financial assets at amortised cost** amounted to EUR 213.0 billion as at 30 June 2021, up by EUR 2.3 billion compared with EUR 210.7 billion as at 31 December 2020.

'Loans and advances to customers' amounted to EUR 193.3 billion, up by EUR 4.5 billion mainly related to the increase of the term loans, on demand accounts and mortgage loans granted by BNP Paribas Fortis and by BGL BNPP but also the loans granted by the factoring entities and finance leases granted by the leasing entities. Excluding the foreign exchange effect of the Turkish lira, loans and advances to customers also increased in Turkey, mainly consumer loans and credit cards. In addition, 'Loans and advances to credit institutions' decreased (EUR (1.2) billion) due to lower interbank loans and lower reverse repos at BNP Paribas Fortis and in Turkey. Debt securities at amortised cost decreased by EUR (1.0) billion especially in Belgium and in Luxembourg.

**Current and deferred tax assets** amounted to EUR 1.5 billion, down by EUR (0.1) billion compared to EUR 1.6 billion at 31 December 2020

**Accrued income and other assets** stood at EUR 10.2 billion as at 30 June 2020, down by EUR (0.2) billion compared to EUR 10.4 billion at 31 December 2020.

**Equity-method investments** stayed unchanged at EUR 3.7 billion.

**Property, plant and equipment and Investment property** amounted to EUR 25.2 billion as at 30 June 2021, up by EUR 1.3 billion compared to EUR 23.9 billion at 31 December 2020 mainly related to the growth of the financed fleet in Other Domestic Markets.

## Liabilities and Equity

**Deposits from central banks** stood at EUR 3.8 billion, up by EUR 3.7 billion compared to EUR 0.1 billion at 31 December 2020, mainly in Belgium.

**Financial instruments at fair value through profit or loss** decreased by EUR (4.0) billion, totalling EUR 22.0 billion as at 30 June 2021 compared to EUR 26.0 billion at 31 December 2020. The decrease of EUR 4.0 billion in 'Derivative financial instruments' is mainly related to the increase of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side.

**Financial liabilities at amortised cost** amounted to EUR 275.5 billion as at 30 June 2021, up by EUR 16.4 billion compared with EUR 259.1 billion at 31 December 2020.

'Deposits from customers' contributed for EUR 4.3 billion mostly attributable to an increase on current and saving accounts (EUR 5.8 billion), especially in Belgium and Luxembourg, partly offset by a decrease in term accounts (EUR (1.5) billion) in Belgium and in Turkey. Excluding the foreign exchange effect of the Turkish lira, deposits from customers on current, saving and term accounts also increased in Turkey.

'Deposits from credit institutions' increased by EUR 11.5 billion mainly due to an increase at BNP Paribas Fortis in repos and interbank borrowings following participation to the TLTRO III (Targeted Longer-Term Refinancing Operations).

'Debt securities' increased by EUR 1.6 billion, due to issuance of debt securities in Other Domestic Markets, BNP Paribas Fortis New York branch and Luxembourg.

'Subordinated debt' decreased by EUR 1.0 billion, due to reimbursements.

**Accrued expenses and other liabilities** stood at EUR 9.5 billion as at 30 June 2020, up by EUR 1.3 billion compared to EUR 8.2 billion at 31 December 2020.

**Provisions for contingencies and charges** came in at EUR 4.2 billion, slightly decreased by EUR (0.1) billion compared with the EUR 4.3 billion at 31 December 2020.

**Shareholders' equity** amounted to EUR 25.3 billion as at 30 June 2021, up by EUR 0.8 billion or 3.0% compared with EUR 24.5 billion at 31 December 2020. Retained earnings were impacted by the net income attributable to shareholders for the year 2021 which contributed for EUR 1.1 billion. BNP Paribas Fortis distributed dividends (EUR 475 million) related to the fiscal year of 2020.

**Minority interests** stood at EUR 5.2 billion as at 30 June 2021, stable compared to the situation end 2020 at EUR 5.3 billion.

## Liquidity and solvency

To prevent potential impacts of the sanitary crisis on Group's liquidity, BNP Paribas Fortis has further strengthened the close monitoring of its liquidity position with dedicated committees involving the Executive Management of the Bank. During the period, with the Bank's liquidity position remaining strong and high liquidity excess, the Group developed its financing activity and therefore supported the economy.

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at EUR 198 billion and customer loans at EUR 193 billion.

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

BNP Paribas Fortis' solvency stood well above the minimum regulatory requirements. At 30 June 2021, BNP Paribas Fortis' phased-in Basel III Common Equity Tier 1 ratio (CET1 ratio, taking into account the CRD4 rules with application of the current transitional provisions) stood at 17.7%. Total risk-weighted assets amounted to EUR 124.2 billion at 30 June 2021, of which EUR 98.2 billion are related to credit risk, EUR 1.3 billion to market risk and EUR 8.5 billion to operational risk, while counterparty risk, securitisation and equity risk worked out at EUR 1.7 billion, EUR 1.2 billion and EUR 13.3 billion respectively.

## Principal risks and uncertainties

BNP Paribas Fortis' activities are exposed to a number of risks, such as credit risk, market risk, liquidity risk and operational risk. To ensure that these risks are identified and adequately controlled and managed, the Bank adheres to a number of internal control procedures and refers to a whole array of risk indicators, which are further described in the Chapter 'Risk management and capital adequacy' of the BNP Paribas Fortis consolidated financial statements 2020 and in the BNP Paribas Fortis Pillar 3 disclosure 2020.

BNP Paribas Fortis is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business, as further described in note 6.a 'Contingent liabilities: legal proceedings and arbitration' to the BNP Paribas Fortis interim financial statements for the first half-year of 2021.

Since February 2020, Europe has been strongly affected by the COVID-19 epidemic. BNP Paribas Fortis monitors the situation closely and keeps accompanying in particular its clients during this difficult period.

Events after the reporting period is described in note 6.e 'Events after the reporting period' to the BNP Paribas Fortis interim financial statements for the first half-year of 2021.

# 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 2021:

- a) the condensed set of financial statements, prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position of BNP Paribas Fortis and the undertakings included in the consolidation as of 30 June 2021 and of the result and cash-flows of the period then ended.
- b) the interim management report includes a fair review of the development, results and position of BNP Paribas Fortis and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties with which they are confronted.
- c) The Board of Directors reviewed the BNP Paribas Fortis consolidated interim financial statements on 2 September 2021 and authorised their issue.

Brussels, 2 September 2021

The Board of Directors of BNP Paribas Fortis

# COMPOSITION OF THE BOARD OF DIRECTORS

As at 25 June 2021, the composition of the Board of Directors is as follows:

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## **DAEMS Herman**

Chairman of the Board of Directors. Non-executive director.

Member of the Board of Directors since 14 May 2009.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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## **JADOT Maxime**

Executive director. Chairman of the Executive Board.

Member of the Board of Directors since 13 January 2011.

The current board member mandate has been renewed on 18 April 2019.

It will expire at the end of the 2023 annual general meeting of shareholders.

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## **ANSEEUW Michael**

Executive director.

Member of the Board of Directors since 19 April 2018.

The board member mandate will expire at the end of the 2022 annual general meeting of shareholders.

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## **d'ASPREMONT LYNDEN Antoinette**

Independent non-executive director.

Member of the Board of Directors since 19 April 2012.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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## **AUBERNON Dominique**

Non-executive director.

Member of the Board of Directors since 21 April 2016.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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## **BEAUVOIS Didier**

Executive director.

Member of the Board of Directors since 12 June 2014.

The current board member mandate has been renewed on 18 April 2019.

It will expire at the end of the 2023 annual general meeting of shareholders.

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## **BOOGMANS Dirk**

Independent non-executive director.

Member of the Board of Directors since 1 October 2009.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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## **de CLERCK Daniel**

Executive director.

Member of the Board of Directors since 12 December 2019.

The board member mandate will expire at the end of the 2023 annual general meeting of shareholders.

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## **DECRAENE Stefaan**

Non-executive director.

Member of the Board of Directors since 18 April 2013.

The current board member mandate has been renewed on 23 April 2021.  
It will expire at the end of the 2025 annual general meeting of shareholders.

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**DUTORDOIR Sophie**

Independent non-executive director.

Member of the Board of Directors since 30 November 2010.

The current board member mandate has been renewed on 18 April 2019.

It will expire at the end of the 2023 annual general meeting of shareholders.

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**MERLO Sofia**

Non-executive director.

Member of the Board of Directors since 21 April 2016.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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**VAN AKEN Piet**

Executive director.

Member of the Board of Directors since 3 June 2016.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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**VAN WAEYENBERGE Titia**

Independent non-executive director.

Member of the Board of Directors since 18 April 2019.

The board member mandate will expire at the end of the 2023 annual general meeting of shareholders.

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**VARÈNE Thierry**

Non-executive director.

Member of the Board of Directors since 14 May 2009.

The current board member mandate has been renewed on 23 April 2020.

It will expire at the end of the 2024 annual general meeting of shareholders.

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**VERMEIRE Stéphane**

Executive director.

Member of the Board of Directors since 19 April 2018.

The board member mandate will expire at the end of the 2022 annual general meeting of shareholders.

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The BNP Paribas Fortis Board of Directors, which is responsible for setting general policy and supervising the activities of the Executive Board, is currently composed of fifteen (15) directors, of whom nine (9) are non-executive directors, (four (4) of them are appointed as independent directors in compliance with the criteria laid down in the Code on Companies and Associations) and six (6) of them are executive directors.

**Accredited Statutory Auditor:**

PwC Bedrijfsrevisoren BV / PwC Reviseurs d'Entreprises SRL, represented in 2021 by Mr. Jeroen BOCKAERT.

# **BNP PARIBAS FORTIS CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 JUNE 2021**

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

## Profit and loss account for the first half of 2021

| <i>In millions of euros</i>  | Note | First half 2021 | First half 2020 |
|--|------|-----------------|-----------------|
| Interest income <sup>(1)</sup>   | 2.a  | 3,494           | 3,477           |
| Interest expense <sup>(1)</sup>  | 2.a  | (1,147)         | (1,068)         |
| Commission income  | 2.b  | 1,111           | 986             |
| Commission expense   | 2.b  | (398)           | (368)           |
| Net gain or loss on financial instruments at fair value through profit or loss                   | 2.c  | 50              | 126             |
| Net gain or loss on financial instruments at fair value through equity                           | 2.d  | 27              | 11              |
| Net gain or loss on the derecognition of financial assets at amortised cost                      |      | -               | -               |
| Net income from insurance activities   |      | 35              | -               |
| Income from other activities   | 2.e  | 6,810           | 5,420           |
| Expense on other activities  | 2.e  | (5,833)         | (4,606)         |
| <b>REVENUES</b>  |      | <b>4,149</b>    | <b>3,978</b>    |
| Salary and employee benefit expenses   |      | (1,180)         | (1,206)         |
| Other operating expenses   | 2.f  | (1,074)         | (1,029)         |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets |      | (185)           | (183)           |
| <b>GROSS OPERATING INCOME</b>  |      | <b>1,710</b>    | <b>1,560</b>    |
| Cost of risk   | 2.g  | (227)           | (360)           |
| <b>OPERATING INCOME</b>  |      | <b>1,483</b>    | <b>1,200</b>    |
| Share of earnings of equity-method entities  |      | 174             | 105             |
| Net gain on non-current assets   |      | 7               | 4               |
| Goodwill   | 4.j  | -               | -               |
| <b>PRE-TAX INCOME</b>  |      | <b>1,664</b>    | <b>1,309</b>    |
| Corporate income tax   | 2.h  | (319)           | (276)           |
| <b>NET INCOME</b>  |      | <b>1,345</b>    | <b>1,033</b>    |
| <i>of which net income attributable to minority interests</i>                                    |      | 202             | 229             |
| <b>NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS</b>   |      | <b>1,143</b>    | <b>804</b>      |

<sup>(1)</sup> The requirements of IAS 1.82(a) are detailed under disclosure '2.a Net interest income'.

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

| <i>In millions of euros</i>  | First half 2021 | First half 2020 |
|--|-----------------|-----------------|
| <b>Net income for the period</b>                                       | <b>1,345</b>    | <b>1,033</b>    |
| <b>Changes in assets and liabilities recognised directly in equity</b> | <b>(1)</b>      | <b>(342)</b>    |
| <b>Items that are or may be reclassified to profit or loss</b>         | <b>(61)</b>     | <b>(351)</b>    |
| Changes in exchange rate items   | (112)           | (285)           |
| Changes in fair value of financial assets at fair value through equity |                 |                 |
| <i>Changes in fair value recognised in equity</i>                      | (20)            | (16)            |
| <i>Changes in fair value reported in net income</i>                    | (8)             | (1)             |
| Changes in fair value of investments of insurance activities           |                 |                 |
| <i>Changes in fair value recognised in equity</i>                      | 3               | (1)             |
| <i>Changes in fair value reported in net income</i>                    | -               | 2               |
| Changes in fair value of hedging instruments                           |                 |                 |
| <i>Changes in fair value recognised in equity</i>                      | 17              | 99              |
| <i>Changes in fair value reported in net income</i>                    | (1)             | (1)             |
| Income tax   | 4               | (19)            |
| Changes in equity-method investments                                   | 56              | (129)           |
| <b>Items that will not be reclassified to profit or loss</b>           | <b>60</b>       | <b>9</b>        |
| Changes in fair value of financial assets at fair value through equity |                 |                 |
| <i>Changes in fair value recognised in equity</i>                      | (1)             | (24)            |
| <i>Items sold during the period</i>                                    | -               | -               |
| Debt remeasurement effect arising from BNP Paribas Fortis issuer risk  | 6               | 32              |
| Remeasurement gains (losses) related to post-employment benefit plans  | 60              | 18              |
| Income tax   | (16)            | (10)            |
| Changes in equity-method investments                                   | 11              | (7)             |
| <b>Total</b>   | <b>1,344</b>    | <b>691</b>      |
| Attributable to equity shareholders                                    | 1,200           | 557             |
| Attributable to minority interests                                     | 144             | 134             |

## Balance sheet at 30 June 2021

| <i>In millions of euros</i>   | Note | 30 June 2021   | 31 December 2020 |
|---|------|----------------|------------------|
| <b>Assets</b>   |      |                |                  |
| Cash and balances at central banks  |      | 68,104         | 50,074           |
| Financial instruments at fair value through profit or loss                                  |      | 14,561         | 17,832           |
| <i>Securities</i>   | 4.a  | 1,648          | 1,564            |
| <i>Loans and repurchase agreements</i>  | 4.a  | 5,059          | 4,055            |
| <i>Derivative financial instruments</i>   | 4.a  | 7,854          | 12,213           |
| Derivatives used for hedging purposes (*)   |      | 1,890          | 3,178            |
| Financial assets at fair value through equity   |      | 8,886          | 9,773            |
| <i>Debt securities</i>  | 4.b  | 8,574          | 9,460            |
| <i>Equity securities</i>  | 4.b  | 312            | 313              |
| Financial assets at amortised cost  |      | 213,007        | 210,656          |
| <i>Loans and advances to credit institutions</i>  | 4.d  | 7,379          | 8,531            |
| <i>Loans and advances to customers</i>  | 4.d  | 193,258        | 188,742          |
| <i>Debt securities</i>  | 4.d  | 12,370         | 13,383           |
| Remeasurement adjustment on interest-rate risk hedged portfolios                            |      | 2,062          | 2,712            |
| Financial investments of insurance activities   |      | 254            | 235              |
| Current and deferred tax assets   | 4.h  | 1,483          | 1,564            |
| Accrued income and other assets   | 4.i  | 10,154         | 10,360           |
| Equity-method investments   |      | 3,744          | 3,747            |
| Property, plant and equipment and Investment property                                       |      | 25,231         | 23,914           |
| Intangible assets   |      | 367            | 368              |
| Goodwill  | 4.j  | 732            | 722              |
| <b>Total assets</b>   |      | <b>350,475</b> | <b>335,135</b>   |
| <b>Liabilities</b>  |      |                |                  |
| Deposits from central banks   |      | 3,802          | 71               |
| Financial instruments at fair value through profit or loss                                  |      | 22,027         | 25,987           |
| <i>Securities</i>   | 4.a  | 167            | 132              |
| <i>Deposits and repurchase agreements</i>   | 4.a  | 12,602         | 12,540           |
| <i>Issued debt securities</i>   | 4.a  | 3,111          | 3,135            |
| <i>Derivative financial instruments</i>   | 4.a  | 6,147          | 10,180           |
| Derivatives used for hedging purposes (*)   |      | 3,128          | 5,257            |
| Financial liabilities at amortised cost   |      | 275,495        | 259,145          |
| <i>Deposits from credit institutions</i>  | 4.f  | 62,284         | 50,820           |
| <i>Deposits from customers</i>  | 4.f  | 198,119        | 193,770          |
| <i>Debt securities</i>  | 4.g  | 13,381         | 11,815           |
| <i>Subordinated debt</i>  | 4.g  | 1,711          | 2,740            |
| Remeasurement adjustment on interest-rate risk hedged portfolios                            |      | 891            | 1,449            |
| Current and deferred tax liabilities  | 4.h  | 790            | 771              |
| Accrued expenses and other liabilities  | 4.i  | 9,529          | 8,207            |
| Technical reserves and other insurance liabilities  |      | 144            | 128              |
| Provisions for contingencies and charges  | 4.k  | 4,169          | 4,282            |
| <b>Total liabilities</b>  |      | <b>319,975</b> | <b>305,297</b>   |
| <b>Equity</b>   |      |                |                  |
| <i>Share capital, additional paid-in capital and retained earnings</i>                      |      | 25,218         | 23,808           |
| <i>Net income for the period attributable to shareholders</i>                               |      | 1,143          | 1,870            |
| Total capital, retained earnings and net income for the period attributable to shareholders |      | 26,361         | 25,678           |
| Changes in assets and liabilities recognised directly in equity                             |      | (1,109)        | (1,165)          |
| <b>Shareholders' equity</b>   |      | <b>25,252</b>  | <b>24,513</b>    |
| <b>Minority interests</b>   | 6.c  | <b>5,248</b>   | <b>5,325</b>     |
| <b>Total equity</b>   |      | <b>30,500</b>  | <b>29,838</b>    |
| <b>Total liabilities &amp; equity</b>   |      | <b>350,475</b> | <b>335,135</b>   |

(\*) "Derivatives used for Hedging purposes" should be restated for the comparative period of 31 December 2020 by decreasing respectively assets and liabilities with the amount of EUR -799 million. In December 2020, no netting of the fair value of the fixed and floating leg was applied on the macro hedge derivative with the counterparty LCH (contrary to 30 June 2021). The effect of the retrospective application of the netting in the "Derivatives used for Hedging purposes" for the comparative period also results to the restatement of the captions "Total assets", "Total liabilities" and "Total liabilities and equity" by the amount of EUR -799 million.

## Cash flow statement for the first half of 30 June 2021

| <i>In millions of euros</i>  | Note | First half 2021 | First half 2020 |
|--|------|-----------------|-----------------|
| <b>Pre-tax income</b>  |      | <b>1,664</b>    | <b>1,309</b>    |
| <b>Non-monetary items included in pre-tax net income and other adjustments</b>                           |      | <b>4,246</b>    | <b>3,055</b>    |
| Net depreciation/amortisation expense on property, plant and equipment and intangible assets             |      | 2,122           | 2,077           |
| Impairment of goodwill and other non-current assets  |      | (7)             | (2)             |
| Net addition to provisions   |      | 234             | 294             |
| Share of earnings of equity-method entities  |      | (174)           | (105)           |
| Net income from investing activities   |      | (7)             | (5)             |
| Net expense from financing activities  |      | 2               | 2               |
| Other movements  |      | 2,076           | 794             |
| <b>Net increase in cash related to assets and liabilities generated by operating activities</b>          |      | <b>10,151</b>   | <b>20,758</b>   |
| Net increase in cash related to transactions with customers and credit institutions                      |      | 14,097          | 28,089          |
| Net increase (decrease) in cash related to transactions involving other financial assets and liabilities |      | 1,160           | (4,021)         |
| Net decrease in cash related to transactions involving non-financial assets and liabilities              |      | (4,873)         | (3,189)         |
| Taxes paid   |      | (233)           | (121)           |
| <b>Net increase in cash and equivalents generated by operating activities</b>                            |      | <b>16,061</b>   | <b>25,122</b>   |
| Net increase in cash related to acquisitions and disposals of consolidated entities                      |      | 241             | -               |
| Net decrease related to property, plant and equipment and intangible assets                              |      | (133)           | (113)           |
| <b>Net increase (decrease) in cash and equivalents related to investing activities</b>                   |      | <b>108</b>      | <b>(113)</b>    |
| Net increase (decrease) in cash and equivalents related to transactions with shareholders                |      | (727)           | 29              |
| Net increase (decrease) in cash and equivalents generated by other financing activities                  |      | (703)           | 1,215           |
| <b>Net increase (decrease) in cash and equivalents related to financing activities*</b>                  |      | <b>(1,430)</b>  | <b>1,244</b>    |
| <b>Effect of movement in exchange rates on cash and equivalents</b>                                      |      | <b>(313)</b>    | <b>(357)</b>    |
| <b>Non-monetary impacts from non-current assets held for sale</b>  |      | <b>-</b>        | <b>-</b>        |
| <b>Net increase in cash and equivalents</b>  |      | <b>14,426</b>   | <b>25,896</b>   |
| <b>Balance of cash and equivalent accounts at the start of the period</b>                                |      | <b>51,533</b>   | <b>5,573</b>    |
| Cash and amounts due from central banks  |      | 50,085          | 4,405           |
| Due to central banks   |      | (71)            | (708)           |
| On-demand deposits with credit institutions  |      | 2,828           | 2,990           |
| On-demand loans from credit institutions   | 4.f  | (1,308)         | (1,113)         |
| Deduction of receivables and accrued interest on cash and equivalents                                    |      | (1)             | -               |
| <b>Balance of cash and equivalent accounts at the end of the period</b>                                  |      | <b>65,959</b>   | <b>31,469</b>   |
| Cash and amounts due from central banks  |      | 68,113          | 32,027          |
| Due to central banks   |      | (3,802)         | (2,571)         |
| On-demand deposits with credit institutions  |      | 3,126           | 3,404           |
| On-demand loans from credit institutions   | 4.f  | (1,474)         | (1,389)         |
| Deduction of receivables and accrued interest on cash and equivalents                                    |      | (3)             | -               |
| <b>Net increase in cash and equivalents</b>  |      | <b>14,426</b>   | <b>25,896</b>   |
| <b>Additional information:</b>   |      |                 |                 |
| Interest paid  |      | (1,308)         | (1,041)         |
| Interest received  |      | 3,458           | 3,454           |
| Dividend paid/received   |      | (485)           | 97              |

\* Changes in liabilities arising from financing activities other than those arising from cash flows amount to EUR 27 million, due to foreign exchange and revaluation effect, for respectively EUR 29 million and EUR (5) million.

# Statement of changes in shareholders' equity between 1 January 2020 and 30 June 2021

| In millions of euros  | Capital and retained earnings |                                 |                          |                                     | Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss |   |  |       | Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss |  |   |                                       |         | Total Shareholders' equity | Minority interests (note 6.c) | Total consolidated equity |
|---|-------------------------------|---------------------------------|--------------------------|-------------------------------------|---|---|--|-------|--|--|---|---------------------------------------|---------|----------------------------|-------------------------------|---------------------------|
|   | Share capital                 | Subordinated equity instruments | Non distributed reserves | Total capital and retained earnings | Financial instruments designated as at fair value through equity  | Own-credit valuation adjustment of debt securities designated as at fair value through profit or loss | Remeasurement gains (losses) related to post-employment benefits plans | Total | Exchange rate  | Financial instruments at fair value through equity | Financial investments of insurance activities | Derivatives used for hedging purposes | Total   |                            |                               |                           |
| <b>Capital and retained earnings at 1 January 2020</b>          | 11,905                        | 500                             | 11,441                   | 23,846                              | 199   | (22)  | (234)  | (57)  | (1,514)  | 41   | 787   | (118)                                 | (804)   | 22,985                     | 5,170                         | 28,155                    |
| Other movements   | -                             | -                               | (13)                     | (13)                                | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | (13)                       | 60                            | 47                        |
| Dividends   | -                             | -                               | -                        | -                                   | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | -                          | (115)                         | (115)                     |
| Changes in assets and liabilities recognised directly in equity | -                             | -                               | -                        | -                                   | (5)   | 23  | 6  | 24    | (191)  | (28)   | (61)  | 9                                     | (271)   | (247)                      | (95)                          | (342)                     |
| <b>Net income for the first half of 2020</b>                    | -                             | -                               | 804                      | 804                                 | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | 804                        | 229                           | 1,033                     |
| <b>Capital and retained earnings at 30 June 2020</b>            | 11,905                        | 500                             | 12,232                   | 24,637                              | 194   | 1   | (228)  | (33)  | (1,705)  | 13   | 726   | (109)                                 | (1,075) | 23,529                     | 5,249                         | 28,778                    |
| Other movements   | -                             | -                               | (8)                      | (8)                                 | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | (8)                        | (88)                          | (96)                      |
| Acquisitions  | -                             | -                               | (16)                     | (16)                                | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | (16)                       | -                             | (16)                      |
| Dividends   | -                             | -                               | -                        | -                                   | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | -                          | 31                            | 31                        |
| Changes in assets and liabilities recognised directly in equity | -                             | -                               | -                        | -                                   | 2   | (23)  | (18)   | (39)  | (124)  | 49   | 38  | 18                                    | (19)    | (58)                       | (62)                          | (120)                     |
| <b>Net income for the second half of 2020</b>                   | -                             | -                               | 1,066                    | 1,066                               | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | 1,066                      | 195                           | 1,261                     |
| <b>Capital and retained earnings at 31 December 2020</b>        | 11,905                        | 500                             | 13,274                   | 25,679                              | 196   | (22)  | (246)  | (72)  | (1,829)  | 62   | 764   | (91)                                  | (1,094) | 24,513                     | 5,325                         | 29,838                    |
| Other movements   | -                             | -                               | 13                       | 13                                  | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | 13                         | 35                            | 48                        |
| Dividends   | -                             | -                               | (474)                    | (474)                               | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | (474)                      | (256)                         | (730)                     |
| Changes in assets and liabilities recognised directly in equity | -                             | -                               | -                        | -                                   | 1   | 5   | 53   | 59    | (49)   | (25)   | 36  | 36                                    | (2)     | 57                         | (58)                          | (1)                       |
| <b>Net income for the first half of 2021</b>                    | -                             | -                               | 1,143                    | 1,143                               | -   | -   | -  | -     | -  | -  | -   | -                                     | -       | 1,143                      | 202                           | 1,345                     |
| <b>Capital and retained earnings at 30 June 2021</b>            | 11,905                        | 500                             | 13,956                   | 26,361                              | 197   | (17)  | (193)  | (13)  | (1,878)  | 37   | 800   | (55)                                  | (1,096) | 25,252                     | 5,248                         | 30,500                    |

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 JUNE 2021

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

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY BNP PARIBAS FORTIS

## 1.a Accounting standards

### 1.a.1 Applicable accounting standards

The coronavirus outbreak characterised by the World Health Organisation as a pandemic on 11 March 2020 as well as measures introduced by governments and regulators to tackle the outbreak have affected the global supply chain as well as demand for goods and services and therefore had a significant impact on the global growth. At the same time, fiscal and monetary policies have been eased to sustain the economy.

The consolidated financial statements of BNP Paribas Fortis have been prepared on a going concern basis. The impacts of the pandemic, mitigated by all countercyclical measures such as government and financial support to customers, mainly relate to expected credit losses and asset valuation. These impacts were estimated against a background of uncertainty about the magnitude of the impact of the outbreak on local and global economies.

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

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

- In relation to the IBOR and Eonia rates reform, at the end of 2018 the BNP Paribas Group launched a global programme, involving all business lines and functions. This programme aims at managing and implementing the transition from the old benchmark interest rates to the new ones in major jurisdictions and currencies (euro, pound sterling, United States dollar, Swiss franc and Japanese yen), while reducing the risks associated with this transition and meeting the deadlines set by the competent authorities. The Group contributed to market-wide workshops with central banks and supervisors.

The announcements by public authorities in the United Kingdom, the United States and the Libors administrator (ICE BA) at the end of November 2020 changed the transition period that was initially scheduled to be completed by the end of 2021. For the GBP Libor, a synthetic Libor may be published beyond the end of 2021 for use in certain contracts known as « tough legacy » contracts. In the United States, the decision was taken to continue publishing the USD Libor until mid-2023, as a legislative solution is being sought for some asset classes, including floating-rate bonds.

Based on the progress made in 2020, notably with the definition of a detailed plan, the Bank is confident in its operational capacity to manage the transition process of large volumes of transactions to the new benchmark rates.

In Europe, the Eonia-€STR transition, which is purely technical in view of the fixed link between these two indices, continued, while the maintenance of Euribor on a sine die basis was confirmed.

The reform of IBOR rates in other currencies exposes the bank to various risks that the programme aims to manage closely. These risks include in particular:

- change management risks, but also of litigation and conduct linked to negotiations with customers and market counterparties to amend existing contracts;
- operational risks related to changes in the Bank's IT systems and processes;
- economic risks in case of financial market disturbances linked to the various transitions induced by the IBOR reform;
- valuation risks in a scenario of reduced liquidity during the transition in certain derivative market segments.

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

In September 2019, the IASB published "Phase 1" amendments to IAS 39 and IFRS 7, amending the hedge accounting requirements so that hedges affected by the benchmark interest rate reform can continue despite the uncertainty before the hedged items or hedging instruments are amended to incorporate the reformed benchmark rates. These amendments, endorsed by the European Commission on 15 January 2020, have been applied by BNP Paribas Fortis since 31 December 2019.

In August 2020, the IASB published 'Phase 2' amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 introducing several changes applicable during the effective transition to the new benchmark interest rates. These amendments allow for changes in the contractual cash flows of financial instruments resulting from the IBOR reform to be treated as a simple reset of their variable interest rate, provided, however, that such changes are made on an economically equivalent basis. They also allow the continuation of hedging relationships, subject to amending their documentation to reflect changes in hedged instruments, hedging instruments, hedged risk, and/or the method for measuring effectiveness during the transition to the new reference rates. The measures introduced in this framework also include:

- the possibility of documenting an interest rate as a hedged risk component even if this rate is not immediately separately identifiable, provided that it can reasonably be expected to become so within 24 months;
- the possibility of resetting cumulative fair value changes to zero in the hedge ineffectiveness test; and
- the obligation in the framework of portfolio hedges to isolate in subgroups instruments referring to the new risk-free rates (RFR).

These amendments, adopted by the European Commission in December 2020, have been applied by BNP Paribas Fortis since 31 December 2020 to maintain its existing hedging relationships which have been modified as a result of the transition to the new RFRs.

BNP Paribas Fortis has documented hedging relationships in regard of reference interest rates in the scope of the reform, mainly Eonia, Euribor, and Libor rates. For these hedging relationships, the hedged items and hedging instruments will be progressively amended, where necessary, to incorporate the new rates. The 'Phase 1' amendments to IAS 39 and IFRS 7 are applicable when the contractual terms of the hedged instruments or of the hedging instruments have not yet been amended (i.e. with the inclusion of a "fallback" clause), or if they have been amended, when the terms and the date of the transition to the new reference interest rates have not been clearly stipulated. Conversely, the 'Phase 2' amendments are applicable when the contractual terms of the hedged instruments or of the hedging instruments have been amended, and the terms and date of transition to the new reference interest rates have been clearly stipulated.

Besides, the reform led to a change in the reference overnight interest rate applied for the remuneration of collateral. This was accomplished in particular in 2020 by the clearing houses for derivatives in euro and United States dollar, leading to changes in valuation curves. The net impact of these changes on the accounts of BNP Paribas Fortis is non-significant.

The introduction of other standards, amendments and interpretations that are mandatory as from 1 January 2021 had no effect on the half-year financial statements as at 30 June 2021.

BNP Paribas Fortis did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2021 was optional.

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

IFRS 17 'Insurance Contracts', issued in May 2017, will replace IFRS 4 'Insurance Contracts' and will become mandatory for annual periods beginning on or after 1 January 2023<sup>2</sup>, after its adoption by the European Union for application in Europe.

## 1.b Segment reporting

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

- banking activities in Belgium;
- banking activities in Luxembourg;
- banking activities in Turkey;

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<sup>2</sup> On 25 June 2020, the IASB published "Amendments to IFRS 17" including in particular the deferral of the mandatory initial application of IFRS 17 for two years

- other domestic markets;
- other.

Operating segments are components of BNP Paribas Fortis:

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

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

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

BNP Paribas Fortis and the legal entities that are part of the Group exercise management control over the full legal and regulatory scope, known as the 'controlled perimeter', including the establishment of appropriate governance structures and control procedures.

Within this organisational structure and in the context of the regulatory scope ('controlled perimeter') of BNP Paribas Fortis, the operating segments mentioned above are best aligned with the core principles and criteria for determining operating segments as defined in IFRS 8 'Operating Segments'.

Transactions or transfers between the operating segments are entered into under normal commercial terms and conditions as would be the case with non-related third parties.

## 1.c Consolidation

### 1.c.1 Scope of consolidation

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

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

### 1.c.2 Consolidation methods

#### Exclusive control

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

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

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

For these entities, the analysis of control shall consider the purpose and design of the entity, the risks to which the entity is designed to be exposed and to what extent BNP Paribas Fortis absorbs the related variability. The assessment of control shall consider all facts and circumstances able to determine BNP Paribas Fortis' practical ability to make decisions that could significantly affect its returns, even if such decisions are contingent on uncertain future events or circumstances.

In assessing whether it has power, BNP Paribas Fortis considers only substantive rights which it holds or which are held by third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the relevant activities of the entity need to be made.

Control shall be reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

Where BNP Paribas Fortis contractually holds the decision-making power, for instance where BNP Paribas Fortis acts as fund manager, it shall determine whether it is acting as agent or principal. Indeed, when associated with a certain level of exposure to the variability of returns, this decision-making power may indicate that BNP Paribas Fortis is acting on its own account and that it thus has control over those entities.

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

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

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

## Joint control

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

## Significant influence

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

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

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

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

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

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

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

## 1.c.3 Consolidation rules

### Elimination of intragroup balances and transactions

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

### Translation of accounts expressed in foreign currencies

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

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

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

Differences arising from the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under 'Exchange differences' and in 'Minority interests' for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, BNP Paribas Fortis has reset to zero all translation differences, by booking all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004 to retained earnings.

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

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

## 1.c.4 Business combination and measurement of goodwill

### Business combinations

Business combinations are accounted for using the purchase method.

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

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

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

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

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

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

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

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

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

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

## Measurement of goodwill

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

### *Cash-generating units*

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

### *Testing cash-generating units for impairment*

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

### *Recoverable amount of a cash-generating unit*

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

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

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

## Transactions under common control

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

## 1.d Translation of foreign currency transactions

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

## Monetary assets and liabilities<sup>3</sup> expressed in foreign currencies

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

## Non-monetary assets and liabilities expressed in foreign currencies

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

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

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

### 1.e.1 Net interest income

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

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

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

### 1.e.2 Commissions and income from other activities

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

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

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

## Commission

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

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

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<sup>3</sup> Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash

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

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

## Income from other activities

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

## 1.f Financial assets and financial liabilities

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

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

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

### 1.f.1 Financial assets at amortised cost

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

#### Business model criterion

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

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

#### Cash flow criterion

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

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

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

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

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

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

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

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

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

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

## Recognition

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

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

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

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

#### Debt instruments

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

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

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

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

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

## Equity instruments

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

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

### 1.f.3 Financing and guarantee commitments

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

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

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

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

#### General model

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

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

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

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

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

#### Definition of default

The definition of default is aligned with the Basel regulatory default definition, with a rebuttable presumption that the default occurs no later than 90 days past-due. This definition takes into account the EBA guidelines of 28 September 2016, notably those regarding the thresholds applicable for the counting of past-due and probation periods.

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

#### Credit-impaired or doubtful financial assets

##### *Definition*

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

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

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

#### ***Specific cases of purchased or originated credit-impaired assets***

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

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

### Simplified model

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

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

### Significant increase in credit risk

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

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

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

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

In the context of the health crisis, the granting of moratoria that meet the criteria defined in the EBA guidelines published on 2 April 2020, and amended on 2 December 2020, has not been considered, in isolation, as an indicator of a significant increase in credit risk leading to an automatic transfer to stage 2. The granting of "private" moratoria that meet equivalent criteria to those defined in the EBA guidelines published on 2 April 2020 (i.e. granted up to 30 September 2020) has followed the same treatment. Moratoria do not trigger the counting of past-due days as long as the new schedule of payment is respected.

The principles applied to assess the significant increase in credit risk are detailed in note 2.g 'Cost of risk'.

### Measurement of expected credit losses

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

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

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

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

### ***Maturity***

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

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

### ***Probabilities of Default (PD)***

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

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

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

### ***Loss Given Default (LGD)***

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

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

For state-guaranteed loans that have been originated in the context of the health crisis, the guarantee is considered as integral to the loan agreement if it is embedded in the contractual clauses of the loan, or it was granted at origination of the loan, and if the expected reimbursement amount can be attached to a loan in particular (i.e. absence of pooling effect by the mean of a tranching mechanism, or the existence of a global cap for a whole portfolio). In such case, the guarantee is taken into account when measuring the expected credit losses. Otherwise, it is accounted for as a separate reimbursement asset.

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

### ***Exposure At Default (EAD)***

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

### ***Forward looking***

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

The principles applied to take into account forward looking information when measuring expected credit losses are detailed in note 2.g 'Cost of risk'.

## **Write-offs**

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

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

## Recoveries through the repossession of the collateral

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

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

## Restructuring of financial assets for financial difficulties

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

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

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

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

As a reminder, in 2020, in response to the health crisis, several moratoria have been granted to clients. Those moratoria mostly consist in payment suspension of a few months, with interests that may or not continue to accrue during the suspension period. To that extent, the modification is generally considered as not substantial. The associated discount (linked to the absence of interest accruing, or interest accruing at a rate that is lower than the EIR of the loan) is thus accounted for in NBI, subject to the respect of certain criteria<sup>4</sup>. The moratorium is indeed, in such situation, considered as not being granted in response to the borrower encountering financial difficulties, but in response to a temporary liquidity crisis and the credit risk is not considered to have significantly increased.

Modifications to financial assets that are not due to a borrower's financial difficulties, or granted in the context of a moratorium (i.e. commercial renegotiations) are generally analysed as the early repayment of the former financial asset, which is then derecognised, followed by the set-up of a new financial asset at market conditions. They consist in resetting the interest rate of the loan at market conditions, with the client being in a position to change its lender and not encountering any financial difficulties.

### 1.f.5 Cost of risk

'Cost of risk' includes the following items of profit or loss:

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

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

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<sup>4</sup> Moratoria qualified as «COVID-19 General moratorium Measure » (i.e. meeting the criteria defined in EBA Guidelines published on 2 April 2020) or similar measures that do not lead to a transfer in stage 3.

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

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

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

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

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

### Financial liabilities designated as at fair value through profit or loss

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

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

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

## 1.f.7 Financial liabilities and equity instruments

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

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

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

### Debt securities and subordinated debt

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

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

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

### Equity instruments

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

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

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

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

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

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

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

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

## 1.f.8 Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1.f.9 Determination of fair value

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

BNP Paribas Fortis determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They maximize the use of observable inputs and minimize the use of unobservable inputs. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the exit price.

The unit of measurement is generally the individual financial asset or financial liability but a portfolio-based measurement can be elected subject to certain conditions. Accordingly, BNP Paribas Fortis retains this portfolio-based measurement exception to determine the fair value when some group of financial assets and financial liabilities and other contracts within the scope of the standard relating to financial instruments with substantially similar and offsetting market risks or credit risks are managed on the basis of a net exposure, in accordance with the documented risk management strategy.

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

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

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

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

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

### Derecognition of financial assets

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

### Derecognition of financial liabilities

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

### Repurchase agreements and securities lending/borrowing

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

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

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

## 1.f.11 Offsetting financial assets and financial liabilities

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

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

## 1.g Property, plant, equipment and intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1.h Leases

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

### 1.h.1 BNP Paribas Fortis as lessor

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

#### Finance leases

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

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

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

## Operating leases

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

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

### 1.h.2 BNP Paribas Fortis as lessee

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

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

- The lease term corresponds to the non-cancellable period of the contract, together with periods covered by an extension option if BNP Paribas Fortis is reasonably certain to exercise this option. In Belgium, the standard commercial lease contract is the so-called 'three, six, nine' contract for which the maximum period of use is nine years, with a first non-cancellable period of three years followed by two optional extension periods of three years each; hence, depending on the assessment, the lease term can be of three, six or nine years. When investments like fittings or fixtures are performed under the contract, the lease term is aligned with their useful lives. For tacitly renewable contracts, with or without an enforceable period, related right of use and lease liabilities are recognised based on an estimate of the reasonably foreseeable economic life of the contracts, minimal occupation period included.
- The discount rate used to measure the right of use and the lease liability is assessed for each contract as the interest rate implicit in the lease, if that rate can be readily determined, or more generally based on the incremental borrowing rate of the lessee at the date of signature. The incremental borrowing rate is determined considering the average term (duration) of the contract;
- When the contract is modified, a new assessment of the lease liability is made taking into account the new residual term of the contract, and therefore a new assessment of the right of use and the lease liability is established.

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

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

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

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

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

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

## 1.j Employee benefits

Employee benefits are classified in one of four categories:

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

### Short-term benefits

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

### Long-term benefits

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

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

### Termination benefits

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

### Post-employment benefits

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

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

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

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

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

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

The present value of the defined-benefit obligation is measured on the basis of the actuarial assumptions applied by BNP Paribas Fortis, using the projected unit credit method. This method takes into account various parameters, specific to each country or entities of BNP Paribas Fortis, such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate.

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

The annual expense recognised in the profit and loss account under 'Salaries and employee benefits', with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability (asset), the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability (asset) are recognised in shareholders' equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

## 1.k Share-based payments

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

### Stock option and share award plans

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

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

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

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

### Share price-linked cash-settled deferred compensation plans

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

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

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

## 1.l Provisions recorded under liabilities

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

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

## 1.m Current and deferred tax

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

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

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

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

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

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

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

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

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

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

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

## 1.n Cash flow statement

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

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

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

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

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

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

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

This applies in particular to:

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

## 2. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF OF 2021

### 2.a Net interest income

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

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

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

In the case of a negative interest rates related to loans and receivables or deposits from customers and credit institutions, they are accounted for in interest expense or interest income respectively.

| <i>In millions of euros</i>   | First half 2021 |                |              | First half 2020 |                |              |
|---|-----------------|----------------|--------------|-----------------|----------------|--------------|
|   | Income          | Expense        | Net          | Income          | Expense        | Net          |
| <b>Financial instruments at amortised cost</b>  | <b>3,102</b>    | <b>(850)</b>   | <b>2,252</b> | <b>3,082</b>    | <b>(756)</b>   | <b>2,326</b> |
| Deposits, loans and borrowings  | 2,473           | (732)          | 1,741        | 2,541           | (591)          | 1,950        |
| Repurchase agreements   | 35              | (16)           | 19           | 10              | (46)           | (36)         |
| Finance leases  | 477             | (39)           | 438          | 458             | (33)           | 425          |
| Debt securities   | 117             | -              | 117          | 73              | -              | 73           |
| Issued debt securities and subordinated debts   | -               | (63)           | (63)         | -               | (86)           | (86)         |
| <b>Financial instruments at fair value through equity</b>                                       | <b>52</b>       | <b>-</b>       | <b>52</b>    | <b>71</b>       | <b>-</b>       | <b>71</b>    |
| Debt securities   | 52              | -              | 52           | 71              | -              | 71           |
| <b>Financial instruments at fair value through profit or loss (Trading securities excluded)</b> | <b>6</b>        | <b>(16)</b>    | <b>(10)</b>  | <b>6</b>        | <b>(18)</b>    | <b>(12)</b>  |
| <b>Cash flow hedge instruments</b>  | <b>88</b>       | <b>(91)</b>    | <b>(3)</b>   | <b>115</b>      | <b>(162)</b>   | <b>(47)</b>  |
| <b>Interest rate portfolio hedge instruments</b>  | <b>246</b>      | <b>(185)</b>   | <b>61</b>    | <b>203</b>      | <b>(125)</b>   | <b>78</b>    |
| <b>Lease liabilities</b>  | <b>-</b>        | <b>(5)</b>     | <b>(5)</b>   | <b>-</b>        | <b>(7)</b>     | <b>(7)</b>   |
| <b>Net interest income/expense</b>  | <b>3,494</b>    | <b>(1,147)</b> | <b>2,347</b> | <b>3,477</b>    | <b>(1,068)</b> | <b>2,409</b> |

Interest income on individually impaired loans amounted to EUR 6 million for the first half of 2021, compared with EUR 26 million for the first half of 2020.

BNP Paribas Fortis subscribed to the new TLTRO III (targeted longer-term refinancing operations) program, as modified by the Governing Council of the European Central Bank in March 2020 and in December 2020 (see note 4.f). BNP Paribas Fortis expects to achieve the lending performance thresholds that would enable it to benefit from a favourable interest rate (average rate of the deposit facility -50 basis points for the first two years and average rate of the deposit facility for the following year). This floating interest rate is considered as a market rate as it is applicable to all financial institutions meeting the lending criteria defined by the European Central Bank. The effective interest rate of these financial liabilities is determined for each reference period, its two components (reference rate and margin) being adjustable. It corresponds to the period's nominal interest rate for each period. If the criteria for an increase in lending is not met by BNP Paribas Fortis, the loss in discounted future cash flows would then be immediately recognised in profit or loss.

## 2.b Commission income and expense

| In millions of euros   | First half 2021 |              |            | First half 2020 |              |            |
|--|-----------------|--------------|------------|-----------------|--------------|------------|
|  | Income          | Expense      | Net        | Income          | Expense      | Net        |
| Customer transactions  | 52              | (40)         | 12         | 47              | (66)         | (19)       |
| Securities and derivatives transactions  | 452             | (103)        | 349        | 421             | (86)         | 335        |
| Financing and guarantee commitments  | 79              | (7)          | 72         | 77              | (6)          | 71         |
| Asset management and other services  | 386             | (34)         | 352        | 309             | (3)          | 306        |
| Others   | 142             | (214)        | (72)       | 132             | (207)        | (75)       |
| <b>Net Commission income/expense</b>   | <b>1,111</b>    | <b>(398)</b> | <b>713</b> | <b>986</b>      | <b>(368)</b> | <b>618</b> |
| <i>Of which net commission income related to trust and similar activities through which BNP Paribas Fortis holds or invests assets on behalf of clients, trusts, pension and personal risk funds or other institutions</i> | 232             | (1)          | 231        | 199             | (4)          | 195        |
| <i>Of which commission income and expense on financial instruments not measured at fair value through profit or loss</i>   | 211             | (80)         | 131        | 181             | (72)         | 109        |

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

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

These income items include dividends on these instruments and exclude interest income and expense from financial instruments designated as at fair value through profit or loss and instruments whose cash flows are not only repayments of principal and interest on the principal or whose business model is not to collect cash flows nor to collect cash flows and sell the assets, which are presented in 'interest income' (note 2.a).

| In millions of euros  | First half 2021 | First half 2020 |
|---|-----------------|-----------------|
| <b>Trading Book</b>   | <b>41</b>       | <b>62</b>       |
| Interest rate and credit instruments  | (5)             | 32              |
| Equity financial instruments  | 76              | (46)            |
| Foreign exchange financial instruments  | (49)            | 58              |
| Loans and repurchase agreements   | 19              | 21              |
| Other financial instruments   | -               | (3)             |
| <b>Financial instruments designated as at fair value through profit or loss</b>       | <b>(71)</b>     | <b>130</b>      |
| <b>Other financial instruments at fair value through profit and loss</b>              | <b>80</b>       | <b>(53)</b>     |
| Debt instruments  | -               | (5)             |
| Equity instruments  | 80              | (48)            |
| <b>Impact of hedge accounting</b>   | <b>-</b>        | <b>(13)</b>     |
| Fair value hedging derivatives  | 421             | (331)           |
| Hedged items in fair value hedge  | (421)           | 318             |
| <b>Net gain or loss on financial instruments at fair value through profit or loss</b> | <b>50</b>       | <b>126</b>      |

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

Net gains on the trading book in first halves of 2021 and 2020 include a non-material amount related to the ineffective portion of cash flow hedges.

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

Cumulated changes in fair value related to discontinued cash flow hedge relationships, previously recognised in equity and included in the 2021 profit and loss account were not material, whether the hedged item ceased to exist or not.

## 2.d Net gain on financial instruments at fair value through equity

| <i>In millions of euros</i>   | First half 2021 | First half 2020 |
|---|-----------------|-----------------|
| <b>Net gain on debt instruments at fair value through equity</b>              | <b>14</b>       | <b>7</b>        |
| Net gain on debt instruments <sup>(1)</sup>                                   | 14              | 7               |
| <b>Net gain on equity instruments at fair value through equity</b>            | <b>13</b>       | <b>4</b>        |
| Dividend income on equity instruments   | 13              | 4               |
| <b>Net gain or loss on financial instruments at fair value through equity</b> | <b>27</b>       | <b>11</b>       |

<sup>(1)</sup> Interest income from debt instruments 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.g).

Unrealised gains and losses on debt securities previously recorded under 'Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss' and included in the pre-tax income, amount to a net gain of EUR 8 million for the first half of 2021 compared with EUR 1 million for the first half of 2020.

## 2.e Net income from other activities

| <i>In millions of euros</i>                        | First half 2021 |                |            | First half 2020 |                |            |
|--|-----------------|----------------|------------|-----------------|----------------|------------|
|  | Income          | Expense        | Net        | Income          | Expense        | Net        |
| Net income from investment property                | 26              | (6)            | 20         | 25              | (8)            | 17         |
| Net income from assets held under operating leases | 6,198           | (5,268)        | 930        | 5,045           | (4,273)        | 772        |
| Other net income                                   | 586             | (559)          | 27         | 350             | (325)          | 25         |
| <b>Total net income from other activities</b>      | <b>6,810</b>    | <b>(5,833)</b> | <b>977</b> | <b>5,420</b>    | <b>(4,606)</b> | <b>814</b> |

## 2.f Other operating expenses

| <i>In millions of euros</i>                    | First half 2021 | First half 2020 |
|--|-----------------|-----------------|
| External services and other operating expenses | (669)           | (648)           |
| Taxes and contributions <sup>(1)</sup>         | (405)           | (381)           |
| <b>Other operating expenses</b>                | <b>(1,074)</b>  | <b>(1,029)</b>  |

<sup>(1)</sup> Contributions to European resolution funds, including exceptional contributions, amount to EUR (89) million for the first half of 2021 (EUR (68) million for the first half of 2020)

## 2.g Cost of risk

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

- assessing whether there has been a significant increase in credit risk since initial recognition, and
- measuring impairment allowance as either 12-month expected credit losses or lifetime expected credit loss (i.e. loss expected at maturity).

Both steps shall rely on forward looking information.

### Significant increase in credit risk

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

#### Wholesale (Corporates / Financial institutions / Sovereigns) and bonds

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

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

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

#### SME Corporates facilities and Retail

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

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

- probability of default (PD): changes in the 1-year probability of default are considered as a reasonable approximation of changes in the lifetime probability of default. Deterioration in credit quality is considered significant, and the facility is therefore placed in stage 2, if the ratio (1 year PD at the reporting date / 1 year PD at origination) is higher than 4.
- existence of a past due within the last 12 months: in the consumer credit specialised business, the existence of a past due that has occurred within the last 12 months, even if regularised since, is considered as a significant deterioration in credit risk and the facility is therefore placed into stage 2.

#### Furthermore, for all portfolios (except consumer loan specialised business):

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

### Forward Looking Information

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

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

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

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

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

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

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

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

## Macroeconomic scenarios:

The three macroeconomic scenarios are defined over a three-year projection horizon. They correspond to:

- a baseline scenario which describes the most likely path of the economy over the projection horizon. This scenario is updated on a quarterly basis and is prepared by the Group Economic Research department in collaboration with various experts within the Group. Projections are designed for each key market of the Group) using key macroeconomic variables (Gross Domestic Product - GDP - and its components, unemployment rate, consumer prices, interest rates, foreign exchange rates, oil prices, real estate prices, etc.) which are key drivers for modelling risk parameters used in the stress test process.

As from 31 December 2020, in addition to the geographic breakdown, prospective parameters are detailed at sector level to better reflect the heterogeneity of economic trajectories in conjunction with lockdown measures and the partial interruption in activity;

- an adverse scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path than in the baseline scenario. The starting point consists of a shock on GDP. This shock is applied with variable magnitudes, but at the same time to economies as the crisis is considered to be a global crisis. Generally, these assumptions are broadly consistent with those proposed by the regulators. The calibration of shocks on other variables (unemployment, consumer prices, interest rates etc.) is based on models and expert judgment;
- a favourable scenario which reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path. To achieve an unbiased estimation of provisions, the favourable scenario is designed in such a way that the probability of the shock on GDP growth (on average over the cycle) is equal to the probability of the corresponding shock in the adverse scenario. The magnitude of favourable GDP shocks generally corresponds to 80%-95% of the magnitude of adverse GDP shocks. Other variables (unemployment, inflation, interest rates) are defined in the same way as in the adverse scenario.

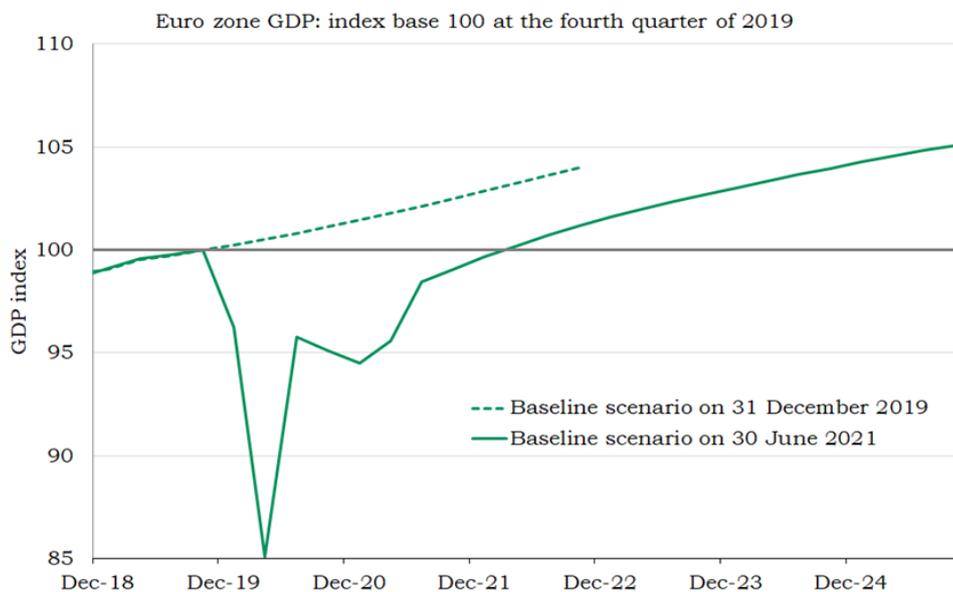
As at 30 June 2021, the favourable shocks to activity were substantially reduced. Most of the positive events, previously included in the favourable scenario, are now included in the baseline scenario. Furthermore, any stronger-than-expected rebound compared to the central scenario would be limited by constraints on the factors of production.

### *Factoring the specific features of the health crisis in the baseline scenario*

After a historical drop in 2020, reflecting the strict containment measures implemented by governments in response to the increase in Covid-19 cases, activity is expected to rebound sharply in 2021, reflecting (i) a mechanical catch-up, (ii) government and central bank support measures, and (iii) positive developments in terms of vaccines rollout.

As illustrated by the slight GDP decline in euro area and its sharp rise in the United States in the first quarter of 2021, the magnitude of the expected rebound will notably vary among economies on the improvement in the health situation and the magnitude of fiscal measures. After a marked improvement in 2021, the pace of growth is expected to normalise from 2022 onwards. Activity is expected to return to its pre-crisis level in the years 2021 and 2022 in most mature economies.

The graph below presents a comparison between GDP projections used in the baseline scenario for the calculation of ECLs as at 31 December 2019 and 30 June 2021.



### Return to the 4th quarter 2019 level of GDP

|               | 30 June 2021     |
|---------------|------------------|
| Belgium       | 2nd quarter 2022 |
| France        | 2nd quarter 2022 |
| Italy         | 2nd quarter 2023 |
| Germany       | 3rd quarter 2021 |
| Euro area     | 2nd quarter 2022 |
| United States | 2nd quarter 2021 |

These assumptions are close to the European Central Bank's scenario of June 2021 for the eurozone, which assumes that GDP will exceed its pre-crisis level from the third quarter of 2022.

With regard to the assumptions used for the Belgian economy, the return of the GDP to the pre-crisis level is expected at the 2nd quarter of 2022, in line with the current expectations of the National Bank of Belgium.

### Adverse Scenario

The adverse scenario supposes the materialisation of certain risks for the economy, resulting in a much less favourable economic path than in the baseline scenario.

In the current context, the dominant risk is that the health crisis does not vanish as smoothly as expected in the baseline scenario and continues to weigh on the recovery.

Two main developments could lead to this negative outcome: a) a less favourable health crisis evolution than expected (new waves related to virus mutations or reduced vaccine effectiveness); b) a more severe economic fallout than assumed (higher unemployment and bankruptcy rates due to reduced government support measures).

The following risks appear strengthened in the context of the health crisis:

- **Extended crisis due to weaker demand:** the health crisis could trigger a more "classic", and therefore longer crisis, if it results in significant damage to the economy (e.g. higher unemployment rate, higher number of bankruptcies, etc.) which significantly affect domestic demand. This could notably occur when governments reduce or stop fiscal measures aimed at helping households and businesses during the crisis (e.g. job retention schemes, extended unemployment benefits, State-guaranteed loans), or if certain key sectors for a given region or country are severely impacted by the crisis (e.g. foreign tourism).
- **Pressure on financial institutions' profitability:** some borrowers may experience difficulties in their debt repayment, especially with the withdrawal or scaling back of government support measures. In addition, possible financial turbulences and extremely low interest rates might weigh on banking profitability.
- **New financial market corrections:** the health crisis has already had a major impact on the value of certain financial assets. Depending on how the health crisis evolves, additional corrections could affect some markets.
- **Tensions related to public finances:** given the extent of the contraction in activity and the amount of fiscal support provided by governments to compensate for this major shock on activity, debt-to-GDP ratios have substantially increased in some countries and will often reach unprecedented levels. Although current extremely accommodating monetary policies are limiting this risk

now, a sharp deterioration in public finance metrics could lead to future tensions on the financial markets and austerity measures in certain countries. Such developments could lead to a knock-on negative effect on activity. While the euro area looks more exposed to this risk than other areas for structural reasons, the ECB has shown in recent years that it has tools to limit the magnitude of such potential shocks.

- **Further difficulties in China:** in recent years, the Chinese economy has supported global trade and activity at a global scale. However, the health crisis has slowed down this momentum. Additional difficulties cannot be excluded, either in terms of activity or on other fronts (e.g. public finances, external balances, political tensions). Given the weight of the Chinese economy, these difficulties could impact global financial markets, global trade and commodities prices.
- **Emerging markets in difficulty:** some emerging markets are suffering from domestic economic and political imbalances, the strength of the US dollar and deteriorating international relations. The health crisis could also lead to possible capital outflows as well as delays in vaccination campaigns compared with mature economies.

Other risks, not directly linked to the health crisis, were also embedded in the adverse scenario:

- **Trade risks:** disagreements between the United States and China on issues of intellectual property protection, technology transfers or industrial policies are likely to persist. Following the health crisis, the United States and other mature economies are also likely to try to become less reliant on China in some areas deemed strategic. Tensions related to trade and globalisation are therefore likely to remain.
- **Geopolitical risks:** Middle East tensions have the potential to weigh on the global economy through shocks on commodities prices, financial markets and business confidence.

It is assumed that these latent risks will materialise as from the third quarter of 2021, triggered by an extension of the health crisis.

Among OECD countries, GDP levels in the adverse scenario are between 8.5% and 15% (5.8% and 12% at 31 December 2020) lower than in the baseline scenario at the end of the shock period (three years), depending on the country with a deviation of almost -10% (-7.1% at 31 December 2020) on average in the eurozone and slightly higher than -8% (-5.8% at 31 December 2020) in the United States.

#### *Scenario weighting and cost of risk sensitivity:*

At 30 June 2021, the weighting of the adverse scenario is 16% for the Group (34% for the favourable scenario), versus 14% at 31 December 2020 (36% for the favourable scenario), reflecting a position below the average of the credit cycle at 30 June 2021 in the context of the current health crisis and the associated lockdown measures.

The application of an equal weighting to the favourable and adverse scenarios (25%) provides an estimate of the sensitivity of the amount of expected credit losses for all financial assets at amortised cost or at fair value through equity and credit commitments. The application of an equal weighting to the favourable and adverse scenario (25%) would lead to a EUR 23 million increase, representing 3%, in expected losses. In Belgium, applying a weighting of 50% to the adverse scenario (0% to the favourable scenario) would lead to a EUR 55 million increase in expected loss. The application of these weightings does not change the classification of these facilities in the various stages at the closing date.

#### **Adaptation of the ECL assessment process to factor in the specific nature of the health crisis:**

The measurement of the impact of macroeconomic scenarios on expected credit losses has been adjusted to reflect the specificities of the current health crisis. Given the exceptional nature of the shock in the first semester of 2020 linked to the temporary lockdown measures and strong support provided by governments and central banks, macroeconomic parameters for each country or geographic area included in the pre-existing models (calibrated on past crises) have been adapted in order to extract the information on the medium-term impacts on macroeconomic environment and thus minimize excessive short-term volatility.

In the eurozone, the medium-term perspective adopted for the baseline scenario reduces the loss of income over the period; however for an amount much lower than that of the support programmes announced by governments and the European Central Bank.

Conservative adjustments were also taken into account when the models used were based on indicators that show unusual levels in the context of the health crisis and the support programmes, such as the increase in deposits and the decrease in past due events for retail customers and entrepreneurs.

In Belgium, the exposure to Transportation (aviation, cruises), Retail (non-food), Commercial Real Estate Retail Stores and Hotels, Tourism & Leisure amounts to 2%, 1%, 1% and 1% respectively of the total exposure (total loans and off-balance sheet commitments). These exposures are considered by the Bank as most exposed to the Covid19 crisis.

## Cost of risk for the period

| <i>In millions of euros</i>                                | First half 2021 | First half 2020 |
|--|-----------------|-----------------|
| Net allowances to impairment                               | (223)           | (373)           |
| Recoveries on loans and receivables previously written off | 10              | 16              |
| Losses on irrecoverable loans                              | (14)            | (3)             |
| <b>Total cost of risk for the period</b>                   | <b>(227)</b>    | <b>(360)</b>    |

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

| <i>In millions of euros</i>                                | First half 2021 | First half 2020 |
|--|-----------------|-----------------|
| Cash and balances at central banks                         | -               | -               |
| Financial instruments at fair value through profit or loss | 5               | 2               |
| Financial assets at fair value through equity              | (7)             | (4)             |
| Financial assets at amortised cost                         | (201)           | (370)           |
| <i>of which loans and receivables</i>                      | (200)           | (368)           |
| <i>of which debt securities</i>                            | (1)             | (2)             |
| Other assets   | 5               | (2)             |
| Financing and guarantee commitments and other items        | (29)            | 14              |
| <b>Total cost of risk for the period</b>                   | <b>(227)</b>    | <b>(360)</b>    |
| Cost of risk on unimpaired assets and commitments          | (144)           | (78)            |
| <i>of which Stage 1</i>                                    | (7)             | (44)            |
| <i>of which Stage 2</i>                                    | (137)           | (34)            |
| Cost of risk on impaired assets and commitments - Stage 3  | (83)            | (282)           |

## Credit risk impairment

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

| <i>In millions of euros</i>                                 | 31 December 2020 | Net allowance to impairment | Impairment provisions used | Effect of exchange rate movements and other items | 30 June 2021 |
|---|------------------|-----------------------------|----------------------------|---|--------------|
| <b>Assets impairment</b>                                    |                  |                             |                            |   |              |
| Amounts due from central banks                              | 10               | -                           | -                          | (1)   | 9            |
| Financial instruments at fair value through profit or loss  | 19               | (3)                         | -                          | (3)   | 13           |
| Impairment of financial assets at fair value through equity | 24               | 7                           | -                          | 1   | 32           |
| Financial assets at amortised cost                          | 3,124            | 199                         | (116)                      | (56)  | 3,151        |
| <i>of which loans and receivables</i>                       | 3,121            | 198                         | (116)                      | (56)  | 3,147        |
| <i>of which debt securities</i>                             | 3                | 1                           | -                          | -   | 4            |
| Other assets  | 19               | (6)                         | -                          | 1   | 14           |
| <b>Total impairment of financial assets</b>                 | <b>3,196</b>     | <b>197</b>                  | <b>(116)</b>               | <b>(58)</b>                                       | <b>3,219</b> |
| <i>of which Stage 1</i>                                     | 315              | 2                           | -                          | (6)   | 311          |
| <i>of which Stage 2</i>                                     | 449              | 109                         | -                          | (1)   | 557          |
| <i>of which Stage 3</i>                                     | 2,432            | 86                          | (116)                      | (50)  | 2,352        |
| <b>Provisions recognised as liabilities</b>                 |                  |                             |                            |   |              |
| Provisions for commitments                                  | 217              | 32                          | -                          | 1   | 250          |
| Other provisions  | 19               | (7)                         | -                          | 15  | 27           |
| <b>Total provisions recognised for credit commitments</b>   | <b>236</b>       | <b>25</b>                   | <b>-</b>                   | <b>16</b>   | <b>277</b>   |
| <i>of which Stage 1</i>                                     | 55               | 2                           | -                          | 1   | 58           |
| <i>of which Stage 2</i>                                     | 51               | 26                          | -                          | -   | 77           |
| <i>of which Stage 3</i>                                     | 131              | (4)                         | -                          | 15  | 142          |
| <b>Total impairment and provisions</b>                      | <b>3,432</b>     | <b>222</b>                  | <b>(116)</b>               | <b>(42)</b>                                       | <b>3,496</b> |

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

| <i>In millions of euros</i>                                 | 1 January 2020 | Net allowance to impairment | Impairment provisions used | Effect of exchange rate movements and other items | 30 June 2020 |
|---|----------------|-----------------------------|----------------------------|---|--------------|
| <b>Assets impairment</b>                                    |                |                             |                            |   |              |
| Amounts due from central banks                              | 8              | (1)                         | -                          | (1)   | 6            |
| Financial instruments at fair value through profit or loss  | 29             | -                           | -                          | 1   | 30           |
| Impairment of financial assets at fair value through equity | 35             | 4                           | (10)                       | (1)   | 28           |
| Financial assets at amortised cost                          | 2,965          | 376                         | (131)                      | (88)  | 3,122        |
| <i>of which loans and receivables</i>                       | 2,963          | 374                         | (131)                      | (88)  | 3,118        |
| <i>of which debt securities</i>                             | 2              | 2                           | -                          | -   | 4            |
| Other assets  | 11             | 4                           | -                          | -   | 15           |
| <b>Total impairment of financial assets</b>                 | <b>3,048</b>   | <b>383</b>                  | <b>(141)</b>               | <b>(89)</b>                                       | <b>3,201</b> |
| <i>of which Stage 1</i>                                     | 263            | 42                          | -                          | (7)   | 298          |
| <i>of which Stage 2</i>                                     | 402            | 25                          | -                          | (8)   | 419          |
| <i>of which Stage 3</i>                                     | 2,383          | 316                         | (141)                      | (74)  | 2,484        |
| <b>Provisions recognised as liabilities</b>                 |                |                             |                            |   |              |
| Provisions for commitments                                  | 221            | (11)                        | -                          | -   | 210          |
| Other provisions  | 29             | -                           | (7)                        | (1)   | 21           |
| <b>Total provisions recognised for credit commitments</b>   | <b>250</b>     | <b>(11)</b>                 | <b>(7)</b>                 | <b>(1)</b>  | <b>231</b>   |
| <i>of which Stage 1</i>                                     | 49             | (1)                         | -                          | 2   | 50           |
| <i>of which Stage 2</i>                                     | 42             | 9                           | -                          | (1)   | 50           |
| <i>of which Stage 3</i>                                     | 159            | (19)                        | (7)                        | (2)   | 131          |
| <b>Total impairment and provisions</b>                      | <b>3,298</b>   | <b>372</b>                  | <b>(148)</b>               | <b>(90)</b>                                       | <b>3,432</b> |

Change in impairment of amortised cost financial assets during the period

| <i>In millions of euros</i>                                      | Impairment on assets subject to 12-month Expected Credit Losses (Stage 1) | Impairment on assets subject to lifetime Expected Credit Losses (Stage 2) | Impairment on doubtful assets (Stage 3) | Total        |
|--|---|---|---|--------------|
| <b>At 31 December 2020</b>                                       | <b>301</b>  | <b>430</b>  | <b>2,392</b>                            | <b>3,123</b> |
| <b>Net allowances to impairment</b>                              |   |   |   |              |
| Financial assets purchased or originated during the period       | 70  | 63  | -                                       | 133          |
| Financial assets derecognised during the period <sup>(1)</sup>   | (29)  | (40)  | (89)                                    | (158)        |
| Transfer to Stage 2  | (18)  | 152   | (24)                                    | 110          |
| Transfer to Stage 3  | (1)   | (31)  | 132                                     | 100          |
| Transfer to Stage 1  | 13  | (77)  | (5)                                     | (69)         |
| Other allowances/reversals without stage transfer <sup>(2)</sup> | (32)  | 35  | 80                                      | 83           |
| <b>Impairment provisions used</b>                                | <b>-</b>  | <b>-</b>  | <b>(116)</b>                            | <b>(116)</b> |
| <b>Effect of exchange rate movements and other items</b>         | <b>(6)</b>  | <b>(5)</b>  | <b>(44)</b>                             | <b>(55)</b>  |
| <b>At 30 June 2021</b>   | <b>298</b>  | <b>527</b>  | <b>2,326</b>                            | <b>3,151</b> |

<sup>(1)</sup> Including disposals

<sup>(2)</sup> Including amortisation

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

| <i>In millions of euros</i>                                      | Impairment on assets subject to 12-month Expected Credit Losses (Stage 1) | Impairment on assets subject to lifetime Expected Credit Losses (Stage 2) | Impairment on doubtful assets (Stage 3) | Total        |
|--|---|---|---|--------------|
| At 1 January 2020  | 252   | 382   | 2,330                                   | 2,964        |
| <b>Net allowances to impairment</b>                              | <b>40</b>   | <b>23</b>   | <b>313</b>                              | <b>376</b>   |
| Financial assets purchased or originated during the period       | 68  | 72  | -                                       | 140          |
| Financial assets derecognised during the period <sup>(1)</sup>   | (33)  | (63)  | (74)                                    | (170)        |
| Transfer to Stage 2  | (15)  | 116   | (5)                                     | 96           |
| Transfer to Stage 3  | (2)   | (74)  | 255                                     | 179          |
| Transfer to Stage 1  | 8   | (59)  | (5)                                     | (56)         |
| Other allowances/reversals without stage transfer <sup>(2)</sup> | 14  | 31  | 142                                     | 187          |
| <b>Impairment provisions used</b>                                | <b>-</b>  | <b>(1)</b>  | <b>(130)</b>                            | <b>(131)</b> |
| <b>Effect of exchange rate movements and other items</b>         | <b>(6)</b>  | <b>(8)</b>  | <b>(74)</b>                             | <b>(88)</b>  |
| At 30 June 2020  | 286   | 396   | 2,439                                   | 3,121        |

<sup>(1)</sup> Including disposals

<sup>(2)</sup> Including amortisation

## 2.h Corporate income tax

| <i>In millions of euros</i>         | First half 2021 | First half 2020 |
|-------------------------------------|-----------------|-----------------|
| Net current tax expense             | (290)           | (219)           |
| Net deferred tax expense            | (29)            | (57)            |
| <b>Corporate income tax expense</b> | <b>(319)</b>    | <b>(276)</b>    |

## 3. SEGMENT INFORMATION

### 3.a Operating segments

#### Banking activities in Belgium

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

In Retail & Private Banking (RPB), BNP Paribas Fortis has a solid footprint, serving 3.4 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through a network of 424 branches, plus other channels such as ATMs and online banking facilities, including mobile banking. In its Retail banking activities, BNP Paribas Fortis operates under four complementary brands: the main brand BNP Paribas Fortis, plus Fintro, bpost bank/banque and Hello bank!, a 100% digital mobile banking service. In the insurance sector, BNP Paribas Fortis works in close cooperation with the Belgian market leader, AG Insurance.

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

Providing a wide range of both traditional and bespoke specialised solutions and services, and drawing on the international network of the BNP Paribas Group in 68 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients.

#### Banking activities in Luxembourg

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

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

#### Banking activities in Turkey

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

#### Other Domestic Markets

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

Fully owned by BNP Paribas Fortis, Arval specialises in full service vehicle leasing. Arval offers its customers – large international corporates, SMEs and professionals – tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Expert advice and service quality, which are the foundations of Arval's customer promise, are delivered in 30 countries.

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

## Other

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

### 3.b Information by operating segment

#### Income and expense by operating segment

| In millions of euros    | First half 2021               |                                  |                              |                        |            |              | First half 2020               |                                  |                              |                        |            |              |
|-------------------------|-------------------------------|----------------------------------|------------------------------|------------------------|------------|--------------|-------------------------------|----------------------------------|------------------------------|------------------------|------------|--------------|
|                         | Banking activities in Belgium | Banking activities in Luxembourg | Banking activities in Turkey | Other Domestic Markets | Other      | Total        | Banking activities in Belgium | Banking activities in Luxembourg | Banking activities in Turkey | Other Domestic Markets | Other      | Total        |
| Revenues                | 2,113                         | 331                              | 275                          | 1,330                  | 100        | 4,149        | 1,992                         | 347                              | 441                          | 1,102                  | 96         | 3,978        |
| Operating expense       | (1,393)                       | (198)                            | (189)                        | (620)                  | (39)       | (2,439)      | (1,405)                       | (188)                            | (217)                        | (571)                  | (37)       | (2,418)      |
| Cost of risk            | (102)                         | 2                                | (49)                         | (61)                   | (17)       | (227)        | (156)                         | (4)                              | (106)                        | (73)                   | (21)       | (360)        |
| <b>Operating Income</b> | <b>618</b>                    | <b>135</b>                       | <b>37</b>                    | <b>649</b>             | <b>44</b>  | <b>1,483</b> | <b>431</b>                    | <b>155</b>                       | <b>118</b>                   | <b>458</b>             | <b>38</b>  | <b>1,200</b> |
| Non-operating items     | 7                             | -                                | -                            | 1                      | 174        | 182          | 14                            | -                                | -                            | (3)                    | 98         | 109          |
| <b>Pre-tax income</b>   | <b>625</b>                    | <b>135</b>                       | <b>37</b>                    | <b>650</b>             | <b>218</b> | <b>1,664</b> | <b>445</b>                    | <b>155</b>                       | <b>118</b>                   | <b>455</b>             | <b>136</b> | <b>1,309</b> |

#### Assets and liabilities by operating segment

| In millions of euros   | 30 June 2021                  |                                  |                              |                        |               |                | 31 December 2020              |                                  |                              |                        |               |                |
|--|-------------------------------|----------------------------------|------------------------------|------------------------|---------------|----------------|-------------------------------|----------------------------------|------------------------------|------------------------|---------------|----------------|
|  | Banking activities in Belgium | Banking activities in Luxembourg | Banking activities in Turkey | Other Domestic Markets | Other         | Total          | Banking activities in Belgium | Banking activities in Luxembourg | Banking activities in Turkey | Other Domestic Markets | Other         | Total          |
| <b>Assets</b>  | <b>239,476</b>                | <b>29,448</b>                    | <b>14,254</b>                | <b>55,870</b>          | <b>11,427</b> | <b>350,475</b> | <b>226,308</b>                | <b>28,029</b>                    | <b>16,246</b>                | <b>53,280</b>          | <b>11,272</b> | <b>335,135</b> |
| <i>of which investments in associates and Joint ventures</i> | <i>831</i>                    | <i>94</i>                        | <i>4</i>                     | <i>67</i>              | <i>2,749</i>  | <i>3,744</i>   | <i>832</i>                    | <i>93</i>                        | <i>4</i>                     | <i>67</i>              | <i>2,751</i>  | <i>3,747</i>   |
| <b>Liabilities</b>   | <b>223,147</b>                | <b>23,589</b>                    | <b>13,171</b>                | <b>51,567</b>          | <b>8,501</b>  | <b>319,975</b> | <b>210,786</b>                | <b>21,980</b>                    | <b>15,117</b>                | <b>49,091</b>          | <b>8,323</b>  | <b>305,297</b> |

## 4. NOTES TO THE BALANCE SHEET AT 30 JUNE 2021

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

#### Financial assets and liabilities at fair value through profit or loss

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

|   | 30 June 2021  |  |   |               | 31 December 2020 |  |   |               |
|---|---------------|--|---|---------------|------------------|--|---|---------------|
|   | Trading Book  | Financial instruments designated as at fair value through profit or loss | Other financial assets at fair value through profit or loss | Total         | Trading Book     | Financial instruments designated as at fair value through profit or loss | Other financial assets at fair value through profit or loss | Total         |
| <i>In millions of euros</i>                                       |               |  |   |               |                  |  |   |               |
| Securities  | 549           | -  | 1,099   | 1,648         | 433              | -  | 1,131   | 1,564         |
| Loans and repurchase agreements                                   | 4,975         | 2  | 82  | 5,059         | 3,952            | 2  | 101   | 4,055         |
| <b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>      | <b>5,524</b>  | <b>2</b>   | <b>1,181</b>  | <b>6,707</b>  | <b>4,385</b>     | <b>2</b>   | <b>1,232</b>  | <b>5,619</b>  |
| Securities  | 167           | -  | -   | 167           | 132              | -  | -   | 132           |
| Deposits and repurchase agreements                                | 12,437        | 165  | -   | 12,602        | 12,369           | 171  | -   | 12,540        |
| Issued debt securities (note 4.g)                                 | -             | 3,111  | -   | 3,111         | -                | 3,135  | -   | 3,135         |
| <i>Of which subordinated debt</i>                                 | -             | 893  | -   | 893           | -                | 835  | -   | 835           |
| <i>Of which non subordinated debt</i>                             | -             | 2,218  | -   | 2,218         | -                | 2,300  | -   | 2,300         |
| <b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b> | <b>12,605</b> | <b>3,276</b>   | <b>-</b>  | <b>15,880</b> | <b>12,501</b>    | <b>3,306</b>   | <b>-</b>  | <b>15,807</b> |

Detail of these assets and liabilities is provided in note 4.c.

#### Financial liabilities designated as at fair value through profit or loss

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

The redemption value of debt issued and designated as at fair value through profit or loss at 30 June 2021 was EUR 3,269 million (EUR 3,362 million at 31 December 2020).

#### Other financial assets measured at fair value through profit or loss

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

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

## Derivative financial instruments

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

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

| <i>In millions of euros</i>             | 30 June 2021          |                       | 31 December 2020      |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | Positive market value | Negative market value | Positive market value | Negative market value |
| Interest rate derivatives               | 5,999                 | 4,920                 | 10,306                | 8,842                 |
| Foreign exchange derivatives            | 1,199                 | 1,212                 | 1,276                 | 1,316                 |
| Credit derivatives                      | -                     | 3                     | -                     | 3                     |
| Equity derivatives                      | 656                   | 12                    | 631                   | 19                    |
| Other derivatives                       | -                     | -                     | -                     | -                     |
| <b>Derivative financial instruments</b> | <b>7,854</b>          | <b>6,147</b>          | <b>12,213</b>         | <b>10,180</b>         |

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

| <i>In millions of euros</i>             | 30 June 2021    |   |                  |                | 31 December 2020 |   |                  |                |
|---|-----------------|---|------------------|----------------|------------------|---|------------------|----------------|
|   | Exchange-traded | Over-the-counter, cleared through central clearing houses | Over-the-counter | Total          | Exchange-traded  | Over-the-counter, cleared through central clearing houses | Over-the-counter | Total          |
| Interest rate derivatives               | 69,358          | 32,975  | 512,806          | 615,139        | 56,697           | 35,009  | 648,320          | 740,026        |
| Foreign exchange derivatives            | 13              | 9   | 117,314          | 117,336        | 125              | -   | 101,798          | 101,923        |
| Credit derivatives                      | -               | -   | 21               | 21             | -                | -   | 21               | 21             |
| Equity derivatives                      | 77              | -   | 1,667            | 1,744          | 101              | -   | 1,878            | 1,979          |
| Other derivatives                       | -               | -   | -                | -              | -                | -   | -                | -              |
| <b>Derivative financial instruments</b> | <b>69,448</b>   | <b>32,983</b>   | <b>631,808</b>   | <b>734,239</b> | <b>56,923</b>    | <b>35,009</b>   | <b>752,017</b>   | <b>843,949</b> |

## 4.b Financial assets at fair value through equity

| <i>In millions of euros</i>                                | 30 June 2021 |  | 31 December 2020 |  |
|--|--------------|--|------------------|--|
|  | Fair value   | of which changes in value taken directly to equity | Fair value       | of which changes in value taken directly to equity |
| <b>Debt securities</b>                                     | <b>8,574</b> | <b>11</b>  | <b>9,460</b>     | <b>47</b>  |
| Governments  | 3,571        | 14   | 4,208            | 52   |
| Other public administrations                               | 2,705        | 14   | 2,750            | 21   |
| Credit institutions  | 1,548        | 8  | 1,716            | 10   |
| Other  | 750          | (25)   | 786              | (36)   |
| <b>Equity securities</b>                                   | <b>312</b>   | <b>255</b>   | <b>313</b>       | <b>256</b>   |
| <b>Total financial assets at fair value through equity</b> | <b>8,886</b> | <b>266</b>   | <b>9,773</b>     | <b>303</b>   |

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

## 4.c Measurement of the fair value of financial instruments

### Valuation process

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

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

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

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

The valuation methodologies have not been significantly changed following COVID-19.

The main valuation adjustments are presented in the section below.

### Valuation adjustments

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

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

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

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

**Future Hedging Costs adjustments (FHC):** FHC adjustments apply to positions that require dynamic hedging throughout their lifetime, thus leading to additional bid/offer costs. Calculation methods capture these expected costs in particular based on the optimal hedging frequency.

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

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

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

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

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

As a result, the carrying value of issued debt securities designated as at fair value through profit or loss is increased by EUR 21 million as at 30 June 2021, compared with an increase in value of EUR 27 million as at 31 December 2020, i.e. a EUR (6) million variation recognised directly in equity that will not be reclassified to profit and loss.

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

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

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

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

| In millions of euros                        | 30 June 2021 |               |           |               |   |              |              |              |   |            |            |              |
|---|--------------|---------------|-----------|---------------|---|--------------|--------------|--------------|---|------------|------------|--------------|
|   | Trading Book |               |           |               | Instruments at fair value through profit or loss not held for trading |              |              |              | Financial assets at fair value through equity |            |            |              |
|   | Level 1      | Level 2       | Level 3   | Total         | Level 1   | Level 2      | Level 3      | Total        | Level 1                                       | Level 2    | Level 3    | Total        |
| <b>Securities</b>                           | 506          | 41            | 3         | 550           | 402   | 145          | 552          | 1,099        | 7,719   | 918        | 248        | 8,885        |
| Governments                                 | 120          | -             | -         | 120           | -   | -            | -            | -            | 3,399   | 131        | -          | 3,530        |
| Asset Backed Securities                     | -            | -             | -         | -             | -   | 134          | -            | 134          | -   | 570        | -          | 570          |
| Other debt securities                       | 106          | 41            | 3         | 150           | -   | 9            | 98           | 107          | 4,206   | 217        | 50         | 4,473        |
| Equities and other equity securities        | 280          | -             | -         | 280           | 402   | 2            | 454          | 858          | 114   | -          | 198        | 312          |
| <b>Loans and repurchase agreements</b>      | -            | 4,898         | 76        | 4,974         | -   | 23           | 62           | 85           | -   | -          | -          | -            |
| Loans                                       | -            | -             | -         | -             | -   | 23           | 62           | 85           | -   | -          | -          | -            |
| Repurchase agreements                       | -            | 4,898         | 76        | 4,974         | -   | -            | -            | -            | -   | -          | -          | -            |
| <b>Financial assets at fair value</b>       | <b>506</b>   | <b>4,939</b>  | <b>79</b> | <b>5,524</b>  | <b>402</b>  | <b>168</b>   | <b>614</b>   | <b>1,183</b> | <b>7,719</b>                                  | <b>918</b> | <b>248</b> | <b>8,886</b> |
| <b>Securities</b>                           | 166          | 1             | -         | 167           | -   | -            | -            | -            | -   | -          | -          | -            |
| Governments                                 | 166          | -             | -         | 166           | -   | -            | -            | -            | -   | -          | -          | -            |
| Other debt securities                       | -            | 1             | -         | 1             | -   | -            | -            | -            | -   | -          | -          | -            |
| Equities and other equity securities        | -            | -             | -         | -             | -   | -            | -            | -            | -   | -          | -          | -            |
| <b>Borrowings and repurchase agreements</b> | -            | 12,367        | 70        | 12,437        | -   | 165          | -            | 165          | -   | -          | -          | -            |
| Borrowings                                  | -            | 19            | -         | 19            | -   | 165          | -            | 165          | -   | -          | -          | -            |
| Repurchase agreements                       | -            | 12,348        | 70        | 12,418        | -   | -            | -            | -            | -   | -          | -          | -            |
| <b>Issued debt securities (Note 4.g)</b>    | -            | -             | -         | -             | -   | 2,027        | 1,084        | 3,111        | -   | -          | -          | -            |
| Subordinated debt (Note 4.g)                | -            | -             | -         | -             | -   | 893          | -            | 893          | -   | -          | -          | -            |
| Non subordinated debt (Note 4.g)            | -            | -             | -         | -             | -   | 1,134        | 1,084        | 2,218        | -   | -          | -          | -            |
| <b>Financial liabilities at fair value</b>  | <b>166</b>   | <b>12,368</b> | <b>70</b> | <b>12,605</b> | <b>-</b>  | <b>2,192</b> | <b>1,084</b> | <b>3,276</b> | <b>-</b>                                      | <b>-</b>   | <b>-</b>   | <b>-</b>     |

| In millions of euros                        | 31 December 2020 |               |           |               |   |              |              |              |   |              |            |              |
|---|------------------|---------------|-----------|---------------|---|--------------|--------------|--------------|---|--------------|------------|--------------|
|   | Trading Book     |               |           |               | Instruments at fair value through profit or loss not held for trading |              |              |              | Financial assets at fair value through equity |              |            |              |
|   | Level 1          | Level 2       | Level 3   | Total         | Level 1   | Level 2      | Level 3      | Total        | Level 1                                       | Level 2      | Level 3    | Total        |
| <b>Securities</b>                           | 382              | 49            | 3         | 434           | 327   | 292          | 511          | 1,130        | 8,512   | 1,013        | 248        | 9,773        |
| Governments                                 | 116              | -             | -         | 116           | -   | -            | -            | -            | 3,975   | 207          | -          | 4,182        |
| Asset Backed Securities                     | -                | -             | -         | -             | -   | 182          | -            | 182          | -   | 603          | -          | 603          |
| Other debt securities                       | 160              | 49            | 3         | 212           | -   | 108          | 97           | 205          | 4,423   | 203          | 50         | 4,676        |
| Equities and other equity securities        | 106              | -             | -         | 106           | 327   | 2            | 414          | 743          | 114   | -            | 198        | 312          |
| <b>Loans and repurchase agreements</b>      | -                | 3,886         | 65        | 3,951         | -   | 20           | 84           | 104          | -   | -            | -          | -            |
| Loans                                       | -                | -             | -         | -             | -   | 20           | 84           | 104          | -   | -            | -          | -            |
| Repurchase agreements                       | -                | 3,886         | 65        | 3,951         | -   | -            | -            | -            | -   | -            | -          | -            |
| <b>Financial assets at fair value</b>       | <b>382</b>       | <b>3,935</b>  | <b>68</b> | <b>4,385</b>  | <b>327</b>  | <b>312</b>   | <b>595</b>   | <b>1,234</b> | <b>8,512</b>                                  | <b>1,013</b> | <b>248</b> | <b>9,773</b> |
| <b>Securities</b>                           | 121              | 11            | -         | 132           | -   | -            | -            | -            | -   | -            | -          | -            |
| Governments                                 | 121              | -             | -         | 121           | -   | -            | -            | -            | -   | -            | -          | -            |
| Other debt securities                       | -                | 11            | -         | 11            | -   | -            | -            | -            | -   | -            | -          | -            |
| Equities and other equity securities        | -                | -             | -         | -             | -   | -            | -            | -            | -   | -            | -          | -            |
| <b>Borrowings and repurchase agreements</b> | -                | 12,369        | -         | 12,369        | -   | 171          | -            | 171          | -   | -            | -          | -            |
| Borrowings                                  | -                | 19            | -         | 19            | -   | 171          | -            | 171          | -   | -            | -          | -            |
| Repurchase agreements                       | -                | 12,350        | -         | 12,350        | -   | -            | -            | -            | -   | -            | -          | -            |
| <b>Issued debt securities (Note 4.g)</b>    | -                | -             | -         | -             | -   | 1,918        | 1,217        | 3,135        | -   | -            | -          | -            |
| Subordinated debt (Note 4.g)                | -                | -             | -         | -             | -   | 835          | -            | 835          | -   | -            | -          | -            |
| Non subordinated debt (Note 4.g)            | -                | -             | -         | -             | -   | 1,083        | 1,217        | 2,300        | -   | -            | -          | -            |
| <b>Financial liabilities at fair value</b>  | <b>121</b>       | <b>12,380</b> | <b>-</b>  | <b>12,501</b> | <b>-</b>  | <b>2,089</b> | <b>1,217</b> | <b>3,306</b> | <b>-</b>                                      | <b>-</b>     | <b>-</b>   | <b>-</b>     |

| In millions of euros  | 30 June 2021          |              |           |              |                       |              |           |              |
|---|-----------------------|--------------|-----------|--------------|-----------------------|--------------|-----------|--------------|
|   | Positive market value |              |           |              | Negative market value |              |           |              |
|   | Level 1               | Level 2      | Level 3   | Total        | Level 1               | Level 2      | Level 3   | Total        |
| Interest rate derivatives   | -                     | 5,939        | 60        | 5,999        | -                     | 4,870        | 50        | 4,920        |
| Foreign exchange derivatives  | -                     | 1,191        | 8         | 1,198        | -                     | 1,205        | 7         | 1,213        |
| Credit derivatives  | -                     | -            | -         | -            | -                     | 3            | -         | 3            |
| Equity derivatives  | -                     | 656          | -         | 656          | -                     | 12           | -         | 12           |
| Other derivatives   | -                     | -            | -         | -            | -                     | -            | -         | -            |
| <b>Derivative financial instruments not used for hedging purposes</b> | <b>-</b>              | <b>7,786</b> | <b>68</b> | <b>7,854</b> | <b>-</b>              | <b>6,090</b> | <b>57</b> | <b>6,147</b> |
| <b>Derivative financial instruments used for hedging purposes</b>     | <b>-</b>              | <b>1,890</b> | <b>-</b>  | <b>1,890</b> | <b>-</b>              | <b>3,128</b> | <b>-</b>  | <b>3,128</b> |

| In millions of euros   | 31 December 2020      |         |         |        |                       |         |         |        |
|--|-----------------------|---------|---------|--------|-----------------------|---------|---------|--------|
|  | Positive market value |         |         |        | Negative market value |         |         |        |
|  | Level 1               | Level 2 | Level 3 | Total  | Level 1               | Level 2 | Level 3 | Total  |
| Interest rate derivatives                                      | -                     | 10,199  | 107     | 10,306 | -                     | 8,772   | 70      | 8,842  |
| Foreign exchange derivatives                                   | -                     | 1,270   | 6       | 1,276  | -                     | 1,313   | 3       | 1,316  |
| Credit derivatives   | -                     | -       | -       | -      | -                     | 3       | -       | 3      |
| Equity derivatives   | -                     | 631     | -       | 631    | -                     | 19      | -       | 19     |
| Other derivatives  | -                     | -       | -       | -      | -                     | -       | -       | -      |
| Derivative financial instruments not used for hedging purposes | -                     | 12,100  | 113     | 12,213 | -                     | 10,107  | 73      | 10,180 |
| Derivative financial instruments used for hedging purposes     | -                     | 3,178   | -       | 3,178  | -                     | 5,257   | -       | 5,257  |

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

During 2021, transfers between Level 1 and Level 2 were not significant.

## Description of main instruments in each level

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

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

### Level 1

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

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

### Level 2

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

**Repurchase agreements** are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral and the maturity of the repo transaction.

**Debts issued** designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

**Derivatives** classified in Level 2 comprise mainly the following instruments:

- Vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/commodities forwards and options;
- Structured derivatives such as exotic FX options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.

The above derivatives are classified in Level 2 when there is a documented stream of evidence supporting one of the following:

- Fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;

- Fair value is derived from other standard techniques such as replication or discounted cash flows that are calibrated to observable prices, that bear limited model risk and enable an effective offset of the risks of the instrument through trading Level 1 or Level 2 instruments;
- Fair value is derived from more sophisticated or proprietary valuation techniques but is directly evidenced through regular back-testing using external market-based data.

Determining of whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axis within an 'observability zone' whose limits are determined by i) a predetermined list of product categories and ii) the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

## Level 3

**Level 3 securities** of the trading book mainly comprise units of funds and unlisted equity shares measured at fair value through profit or loss or through equity.

Unlisted private equities are systematically classified as Level 3, with the exception of UCITS with a daily net asset value which are classified in the Level 1 of the fair value hierarchy.

Shares and other unlisted variable income securities in Level 3 are valued using one of the following methods: a share of revalued net book value, multiples of comparable companies, future cash flows method, multi-criteria approach.

**Repurchase agreements: mainly long-term or structured repurchase agreements on corporate bonds and ABSs:** The valuation of these transactions requires proprietary methodologies given the bespoke nature of the transactions and the lack of activity and price discovery in the long-term repo market. The curves used in the valuation are corroborated using available data such as the implied basis of the relevant benchmark bond pool, recent long-term repo trade data and price enquiry data. Valuation adjustments applicable to these exposures are commensurate with the degree of uncertainty inherent in the modelling choices and amount of data available.

**Debts issued** designated as at fair value through profit or loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

### Derivatives

**Vanilla derivatives** are classified in Level 3 when the exposure is beyond the observation zone for rate curves or volatility surfaces, or relates to less liquid markets such as tranches on old credit index series or emerging markets interest rates markets. The main instruments are:

- **Interest rate derivatives:** exposures mainly comprise swap products in less liquid currencies. Classification is driven by the lower liquidity of some maturities, while observation capabilities through consensus may be available. The valuation technique is standard, and uses external market information and extrapolation techniques;
- **Credit derivatives (CDS):** exposures mainly comprise CDSs beyond the maximum observable maturity and, to a much lesser extent, CDSs on illiquid or distressed names and CDSs on loan indices. Classification is driven by the lack of liquidity while observation capabilities may be available notably through consensus. Level 3 exposures also comprise CDS and Total Return Swaps (TRS) positions on securitised assets. These are priced along the same modelling techniques as the underlying bonds, taking into consideration the funding basis and specific risk premium;
- **Equity derivatives:** exposures essentially comprise long dated forward or volatility products or exposures where there is a limited market for optional products. The marking of the forward curves and volatility surfaces beyond the maximum observable maturity relies on extrapolation techniques. However, when there is no market for model input, volatility or forward is generally determined on the basis of proxy or historical analysis.

Similarly, long-term transactions on equity baskets are also classified in Level 3, based on the absence of equity correlation observability on long maturities.

These vanilla derivatives are subject to valuation adjustments linked to uncertainty on liquidity, specialised by nature of underlying and liquidity bands.

**Structured derivatives** classified in Level 3 predominantly comprise structured derivatives of which hybrid products (FX/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some stock basket optional products and some interest rate optional instruments. The main exposures are described below, with insight into the related valuation techniques and on the source of uncertainty:

- **Structured interest rate options** are classified in Level 3 when they involve currencies where there is not sufficient observation or when they include a quanto feature where the pay-off is measured with a forex forward fixed rate (except for the main currencies). Long term structured derivatives are also classified in Level 3;
- **Hybrid FX/interest rate products** essentially comprise a specific product family known as Power Reverse Dual Currency (PRDC). The valuation of PRDCs requires sophisticated modelling of joint behaviour of FX and interest rate, and is notably sensitive to the unobservable FX/ interest rate correlations. PRDCs valuations are corroborated with recent trade data and consensus data;
- **Securitisation swaps** mainly comprise fixed rate swaps, cross currency or basis swaps whose notional is indexed to the prepayment behaviour of some underlying portfolio. The estimation of the maturity profile of securitisation swaps is corroborated by statistical estimates using external historical data;
- **Forward volatility options** are generally products whose pay-off is indexed to the future variability of a rate index such as volatility swaps. These products involve material model risk as it is difficult to infer forward volatility information from the market-traded instruments. The valuation adjustment framework is calibrated to the uncertainty inherent in the product, and to the range of uncertainty from the existing external consensus data;
- **Inflation derivatives** classified in Level 3 mainly comprise swap products on inflation indices that are not associated with a liquid indexed bond market, optional products on inflation indices (such as caps and floors) and other forms of inflation indices involving optionality on the inflation indices or on the inflation annual rate. Valuation techniques used for inflation derivatives are predominantly standard market models. Proxy techniques are used for a few limited exposures. Although the valuations are corroborated through monthly consensus data, these products are classified as Level 3 due to their lack of liquidity and some uncertainties inherent in the calibration;
- The valuation of **bespoke CDOs** requires correlation of default events. This information is inferred from the active index tranche market through a proprietary projection technique and involves proprietary extrapolation and interpolation techniques. Multi-geography CDOs further require an additional correlation assumption. Finally, the bespoke CDO model also involves proprietary assumptions and parameters related to the dynamic of the recovery factor. CDO modelling, is calibrated on the observable index tranche markets, and is regularly back-tested against consensus data on standardised pools. The uncertainty arises from the model risk associated with the projection and geography mixing technique, and the uncertainty of associated parameters, together with the recovery modelling;
- **N to Default baskets** are other forms of credit correlation products, modelled through standard copula techniques. The main inputs required are the pair-wise correlations between the basket components which can be observed in the consensus and the transactions. Linear baskets are considered observable;
- **Equity and equity-hybrid correlation products** are instruments whose pay-off is dependent on the joint behaviour of a basket of equities/indices leading to a sensitivity of the fair value measurement to the correlation amongst the basket components. Hybrid versions of these instruments involve baskets that mix equity and non-equity underlyings such as commodity indices or foreign exchange rates. Only a subset of the Equity/index correlation matrix is regularly observable and traded, while most cross-asset correlations are not active. Therefore, classification in Level 3 depends on the composition of the basket, the maturity, and the hybrid nature of the product. The correlation input is derived from a proprietary model combining historical estimators, and other adjustment factors, that are corroborated by reference to recent trades or external data. The correlation matrix is essentially available from consensus services, and when a correlation between two underlying instruments is not available, it might be obtained from extrapolation or proxy techniques.

These structured derivatives are subject to specific valuation adjustments to cover uncertainties linked to liquidity, parameters and model risk.

#### Valuation adjustments (CVA, DVA and FVA)

The valuation adjustment for counterparty credit risk (CVA), own-credit risk for derivatives (DVA) and the explicit funding valuation adjustment (FVA) are deemed to be unobservable components of the valuation framework and therefore classified in Level 3. This does not impact, in general cases, the classification of individual transactions into the fair value hierarchy. However, a specific process allows to identify individual deals for which the marginal contribution of these adjustments and related uncertainty is significant. Are particularly concerned some insufficiently collateralized vanilla interest rate instruments with very long residual maturity.

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

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

| Risk classes                 | Balance Sheet valuation<br>(In millions of euros) |           | Main product types<br>composing the Level 3<br>stock within the risk class   | Valuation technique used<br>for the product types<br>considered | Main unobservable inputs<br>for the product types<br>considered | Range of<br>unobservable input<br>across Level 3<br>population<br>considered | Weighted<br>average |
|------------------------------|---|-----------|--|---|---|--|---------------------|
|                              | Asset   | Liability |  |   |   |  |                     |
| Interest rate<br>derivatives | 60  | 50        | Floors and caps on inflation<br>rate or on the cumulative<br>inflation (such as<br>redemption floors),<br>predominantly on European<br>and Belgian inflation | Inflation pricing model   | Volatility of cumulative<br>inflation                           | 0.7% to 8.8%   | (a)                 |
|                              |   |           | Forward volatility products<br>such as volatility swaps,<br>mainly in euro   | Interest rates option pricing<br>model                          | Volatility of the year on year<br>inflation rate                | Forward volatility of interest<br>rates                                      |                     |
|                              |   |           |  |   |   | 0.3% to 0.6%   | (a)                 |

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

## Table of movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 31 December 2020 and 30 June 2021:

| In millions of euros  | Financial assets  |   |   |              | Financial liabilities   |   |              |
|---|---|---|---|--------------|---|---|--------------|
|   | Financial instruments at fair value through profit or loss held for trading | Financial instruments designated as at fair value through profit or loss not held for trading | Financial assets at fair value through equity | Total        | Financial instruments at fair value through profit or loss held for trading | Financial instruments designated as at fair value through profit or loss not held for trading | Total        |
| <b>At 31 December 2019</b>  | <b>156</b>  | <b>640</b>  | <b>205</b>                                    | <b>1,001</b> | <b>65</b>   | <b>1,431</b>  | <b>1,496</b> |
| Purchases   | -   | 60  | -   | 60           | -   | -   | -            |
| Issues  | -   | -   | -   | -            | -   | 79  | 79           |
| Sales   | -   | (62)  | -   | (62)         | -   | -   | -            |
| Settlements <sup>(1)</sup>  | 15  | (12)  | 1   | 4            | 9   | (244)   | (235)        |
| Transfers to level 3  | -   | -   | 50  | 50           | -   | 5   | 5            |
| Transfers from level 3  | (4)   | -   | -   | (4)          | -   | (14)  | (14)         |
| Gains or (losses) recognised in profit or loss with respect to transactions expired or terminated during the period | -   | (29)  | -   | (29)         | -   | (40)  | (40)         |
| Gains or (losses) recognised in profit or loss with respect to unexpired instruments at the end of the period       | 14  | -   | -   | 14           | (1)   | -   | (1)          |
| Changes in fair value of assets and liabilities recognised directly in equity                                       | -   | -   | -   | -            | -   | -   | -            |
| - Items related to exchange rate movements  | -   | (2)   | (5)   | (7)          | -   | -   | -            |
| - Changes in assets and liabilities recognised in equity  | -   | -   | (3)   | (3)          | -   | -   | -            |
| - Other   | -   | -   | -   | -            | -   | -   | -            |
| <b>At 31 December 2020</b>  | <b>181</b>  | <b>595</b>  | <b>248</b>                                    | <b>1,024</b> | <b>73</b>   | <b>1,217</b>  | <b>1,290</b> |
| Purchases   | -   | 35  | 50  | 85           | -   | -   | -            |
| Issues  | -   | -   | -   | -            | -   | 36  | 36           |
| Sales   | -   | (26)  | -   | (26)         | -   | -   | -            |
| Settlements <sup>(1)</sup>  | (11)  | (21)  | (59)  | (91)         | 69  | (145)   | (76)         |
| Transfers to Level 3  | -   | -   | -   | -            | -   | -   | -            |
| Transfers from Level 3  | (2)   | -   | -   | (2)          | (2)   | (8)   | (10)         |
| Gains or (losses) recognised in profit or loss with respect to transactions expired or terminated during the period | (10)  | 31  | -   | 21           | -   | -   | -            |
| Gains or (losses) recognised in profit or loss with respect to unexpired instruments at the end of the period       | (11)  | -   | -   | (11)         | (13)  | (15)  | (28)         |
| Changes in fair value of assets and liabilities recognised directly in equity                                       | -   | -   | -   | -            | -   | -   | -            |
| - Items related to exchange rate movements  | -   | -   | (2)   | (2)          | -   | (1)   | (1)          |
| - Changes in assets and liabilities recognised in equity  | -   | -   | 11  | 11           | -   | -   | -            |
| <b>At 30 June 2021</b>  | <b>147</b>  | <b>614</b>  | <b>248</b>                                    | <b>1,009</b> | <b>127</b>  | <b>1,084</b>  | <b>1,211</b> |

<sup>(1)</sup> For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives. For the liabilities, includes principal redemptions, interest payments as well as cash inflows and outflows relating to derivatives the fair value of which is negative

Transfers out of Level 3 of derivatives at fair value include mainly the update of the observability tenor of certain yield curves, and of market parameters related to repurchase agreements and credit transactions but also the effect of derivatives becoming only or mainly sensitive to observable inputs due to the shortening of their lifetime.

Transfers into Level 3 of instruments at fair value reflect the effect of the regular update of the observability zones.

Transfers have been reflected as if they had taken place at the beginning of the reporting period.

The Level 3 financial instruments may be hedged by other Level 1 and Level 2 instruments, the gains and losses of which are not shown in this table. Consequently, the gains and losses shown in this table are not representative of the gains and losses arising from management of the net risk on all these instruments.

## Sensitivity of fair value to reasonably possible changes in Level 3 assumptions

The following table summarises those financial assets and financial liabilities classified as Level 3 for which alternative assumptions in one or more of the unobservable inputs would change fair value significantly.

The amounts disclosed are intended to illustrate the range of possible uncertainty inherent to the judgement applied when estimating Level 3 parameters, or when selecting valuation techniques. These amounts reflect valuation uncertainties that prevail at the measurement date, and even though such uncertainties predominantly derive from the portfolio sensitivities that prevailed at that measurement date, they are not predictive or indicative of future movements in fair value, nor do they represent the effect of market stress on the portfolio value.

In estimating sensitivities, BNP Paribas Fortis either remeasured the financial instruments using reasonably possible inputs, or applied assumptions based on the valuation adjustment policy.

For the sake of simplicity, the sensitivity on cash instruments that are not relating to securitised instruments was based on a uniform 1% shift in the price. More specific shifts were however calibrated for each class of the Level 3 securitised exposures, based on the possible ranges of the unobservable inputs.

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

Regarding the credit valuation adjustment (CVA) and the explicit funding valuation adjustment (FVA), the uncertainty was calibrated based on prudent valuation adjustments described in the technical standard 'Prudent Valuation' published by the European Banking Authority. For other valuation adjustments, two scenarios were considered: a favourable scenario where all or portion of the valuation adjustment is not considered by market participants, and an unfavourable scenario where market participants would require twice the amount of valuation adjustments considered by BNP Paribas Fortis for entering into a transaction.

| In millions of euros                                  | 30 June 2021               |                            | 31 December 2020           |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | Potential impact on income | Potential impact on equity | Potential impact on income | Potential impact on equity |
| Fixed-income securities                               | +/-1                       | +/-0                       | +/-1                       | +/-1                       |
| Equities and other equity securities                  | +/-4                       | +/-2                       | +/-4                       | +/-2                       |
| Loans and repurchase agreements                       | +/-1                       |                            | +/-2                       |                            |
| Derivative financial instruments                      | +/-11                      |                            | +/-12                      |                            |
| <i>Interest rate and foreign exchange derivatives</i> | +/-11                      |                            | +/-12                      |                            |
| <i>Credit derivatives</i>                             | +/-0                       |                            | +/-0                       |                            |
| <i>Equity derivatives</i>                             | +/-0                       |                            | +/-0                       |                            |
| <i>Other derivatives</i>                              | +/-0                       |                            | +/-0                       |                            |
| <b>Sensitivity of Level 3 financial instruments</b>   | <b>+/-17</b>               | <b>+/-2</b>                | <b>+/-19</b>               | <b>+/-3</b>                |

## Deferred margin on financial instruments measured using techniques developed internally and based on inputs partly unobservable in active markets

Deferred margin on financial instruments ('Day One Profit') primarily concerns the scope of financial instruments eligible for Level 3 and to a lesser extent some financial instruments eligible for Level 2 where valuation adjustments for uncertainties regarding parameters or models are important compared to the initial margin.

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

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

## 4.d Financial assets at amortised cost

### Detail of loans and advances by nature

| In millions of euros                              | 30 June 2021   |                       |                 | 31 December 2020 |                       |                 |
|---|----------------|-----------------------|-----------------|------------------|-----------------------|-----------------|
|   | Gross value    | Impairment (note 2.g) | Carrying amount | Gross value      | Impairment (note 2.g) | Carrying amount |
| <b>Loans and advances to credit institutions</b>  | <b>7,441</b>   | <b>(62)</b>           | <b>7,379</b>    | <b>8,590</b>     | <b>(59)</b>           | <b>8,531</b>    |
| On demand accounts                                | 3,091          | (1)                   | 3,090           | 2,802            | (1)                   | 2,801           |
| Loans <sup>(1)</sup>                              | 3,371          | (61)                  | 3,310           | 4,406            | (58)                  | 4,348           |
| Repurchase agreements                             | 979            | -                     | 979             | 1,382            | -                     | 1,382           |
| <b>Loans and advances to customers</b>            | <b>196,343</b> | <b>(3,085)</b>        | <b>193,258</b>  | <b>191,804</b>   | <b>(3,062)</b>        | <b>188,742</b>  |
| On demand accounts                                | 4,222          | (474)                 | 3,748           | 3,535            | (469)                 | 3,066           |
| Loans to customers                                | 172,242        | (2,123)               | 170,119         | 169,182          | (2,104)               | 167,078         |
| Finance leases                                    | 19,879         | (488)                 | 19,391          | 19,087           | (489)                 | 18,598          |
| Repurchase agreements                             | -              | -                     | -               | -                | -                     | -               |
| <b>Total loans and advances at amortised cost</b> | <b>203,784</b> | <b>(3,147)</b>        | <b>200,637</b>  | <b>200,394</b>   | <b>(3,121)</b>        | <b>197,273</b>  |

(1) Loans and advances to credit institutions include term deposits made with central banks, which amounted to EUR 190 million as at 30 June 2021 (EUR 276 million as at 31 December 2020)

### Detail of debt securities by type of issuer

| In millions of euros                           | 30 June 2021  |                       |                 | 31 December 2020 |                       |                 |
|--|---------------|-----------------------|-----------------|------------------|-----------------------|-----------------|
|  | Gross value   | Impairment (note 2.g) | Carrying amount | Gross value      | Impairment (note 2.g) | Carrying amount |
| Governments                                    | 8,388         | (4)                   | 8,384           | 8,903            | (3)                   | 8,900           |
| Other public administrations                   | 2,243         | -                     | 2,243           | 2,660            | -                     | 2,660           |
| Credit institutions                            | 1,300         | -                     | 1,300           | 1,356            | -                     | 1,356           |
| Other  | 442           | -                     | 442             | 467              | -                     | 467             |
| <b>Total debt securities at amortised cost</b> | <b>12,373</b> | <b>(4)</b>            | <b>12,370</b>   | <b>13,386</b>    | <b>(3)</b>            | <b>13,383</b>   |

### Detail of financial assets at amortised cost by stage

| In millions of euros                             | 30 June 2021   |                       |                 | 31 December 2020 |                       |                 |
|--|----------------|-----------------------|-----------------|------------------|-----------------------|-----------------|
|  | Gross value    | Impairment (note 2.g) | Carrying amount | Gross value      | Impairment (note 2.g) | Carrying amount |
| <b>Loans and advances to credit institutions</b> | <b>7,442</b>   | <b>(63)</b>           | <b>7,379</b>    | <b>8,590</b>     | <b>(59)</b>           | <b>8,531</b>    |
| Stage 1  | 7,257          | (2)                   | 7,255           | 8,431            | -                     | 8,431           |
| Stage 2  | 122            | (1)                   | 120             | 98               | (1)                   | 97              |
| Stage 3  | 63             | (60)                  | 3               | 61               | (58)                  | 3               |
| <b>Loans and advances to customers</b>           | <b>196,342</b> | <b>(3,084)</b>        | <b>193,258</b>  | <b>191,804</b>   | <b>(3,062)</b>        | <b>188,742</b>  |
| Stage 1  | 168,334        | (292)                 | 168,042         | 164,631          | (298)                 | 164,333         |
| Stage 2  | 23,474         | (526)                 | 22,948          | 22,123           | (429)                 | 21,693          |
| Stage 3  | 4,534          | (2,266)               | 2,268           | 5,050            | (2,335)               | 2,714           |
| <b>Debt securities</b>                           | <b>12,374</b>  | <b>(4)</b>            | <b>12,370</b>   | <b>13,386</b>    | <b>(3)</b>            | <b>13,383</b>   |
| Stage 1  | 12,372         | (4)                   | 12,368          | 13,386           | (3)                   | 13,383          |
| Stage 2  | 1              | -                     | 1               | -                | -                     | -               |
| Stage 3  | -              | -                     | -               | -                | -                     | -               |
| <b>Total financial assets at amortised cost</b>  | <b>216,158</b> | <b>(3,151)</b>        | <b>213,007</b>  | <b>213,780</b>   | <b>(3,124)</b>        | <b>210,656</b>  |

## Exposures subject to legislative and non-legislative moratoria

|  | 30 June 2021          |               |   |  |                |   |  |   |   |  |      |   |  |      |                                     |
|--|-----------------------|---------------|---|--|----------------|---|--|---|---|--|------|---|--|------|-------------------------------------|
|  | Gross carrying amount |               |   |  |                |   |  | Accumulated impairment, accumulated negative changes in fair value due to credit risk |   |  |      |   |  |      | Gross carrying amount               |
|  | Performing            |               |   |  | Non-performing |   |  | Performing  |   |  |      | Non-performing                                |  |      |                                     |
|  |                       |               | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) |                | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days |   | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) |      | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days |      | Inflows to non-performing exposures |
| <i>In millions of euros</i>                                      |                       |               |   |  |                |   |  |   |   |  |      |   |  |      |                                     |
| <b>Loans and advances subject to moratorium</b>                  | <b>13,070</b>         | <b>12,637</b> | 472   | 2,331  | 434            | 245   | 238  | (202)   | (105)   | (28)   | (82) | (97)  | (43)   | (42) | 26                                  |
| Of which Households  | 3,827                 | 3,780         | 48  | 616  | 46             | 10  | 17   | (27)  | (20)  | (3)  | (17) | (7)   | (1)  | (1)  | 7                                   |
| <i>of which collateralised by residential immovable property</i> | 3,504                 | 3,471         | 43  | 536  | 33             | 8   | 16   | (12)  | (9)   | (1)  | (8)  | (2)   | (1)  | (1)  | 5                                   |
| Of which Non-financial corporations                              | 8,813                 | 8,433         | 413   | 1,648  | 380            | 230   | 219  | (171)   | (82)  | (25)   | (63) | (89)  | (42)   | (41) | 19                                  |
| <i>of which small and Medium-sized Enterprises</i>               | 4,588                 | 4,381         | 293   | 1,021  | 207            | 95  | 75   | (122)   | (60)  | (22)   | (48) | (61)  | (23)   | (19) | 10                                  |
| <i>of which collateralised by commercial immovable property</i>  | 2,558                 | 2,385         | 120   | 416  | 173            | 150   | 145  | (37)  | (12)  | (3)  | (9)  | (25)  | (20)   | (18) | 10                                  |

In response to the sanitary crisis, several moratoria have been granted to clients. Those moratoria mostly consist in payment suspension of a few months. At 30 June 2021, the Group's exposure to loans subjects to moratoria<sup>5</sup> stands at EUR 0.8 billion.

At 30 June 2021, loans subject to moratoria granted to households are expired and to non-financial corporations amount to EUR 0.8 billion.

The distribution of the residual maturities reflects the measures adopted in the countries where BNP Paribas Fortis operates. At 30 June 2021, the residual maturity of 96% of the moratoria was less than 3 months.

<sup>5</sup> Moratoria qualified as 'COVID-19 General moratorium Measure' meeting the criteria defined in EBA Guidelines published on 2 April 2020, and amended 2 December 2020

## Breakdown of exposures subject to legislative and non-legislative moratoria by residual maturity of moratoria

| In millions of euros                                       | 30 June 2021       |                                 |                   |                                |                        |                        |                         |          |    |
|--|--------------------|---------------------------------|-------------------|--------------------------------|------------------------|------------------------|-------------------------|----------|----|
|  | Number of obligors | Gross carrying amount           |                   |                                |                        |                        |                         |          |    |
|  |                    | Of which: legislative moratoria | Of which: expired | Residual maturity of moratoria |                        |                        |                         |          |    |
|  |                    |                                 |                   | <= 3 months                    | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |    |
| <b>Loans and advances for which moratorium was offered</b> | 218,720            | 13,092                          |                   |                                |                        |                        |                         |          |    |
| <b>Loans and advances subject to moratorium (granted)</b>  | 218,445            | 13,070                          | 1,392             | 12,226                         | 317                    | 140                    | 276                     | 77       | 35 |
| of which: Households                                       |                    | 3,827                           | 260               | 3,782                          | 16                     | 1                      | -                       | -        | 27 |
| of which: Collateralised by residential immovable property |                    | 3,504                           | 63                | 3,476                          | -                      | -                      | -                       | -        | 27 |
| of which: Non-financial corporations                       |                    | 8,813                           | 1,132             | 8,013                          | 300                    | 139                    | 276                     | 77       | 7  |
| of which: Small and Medium-sized Enterprises               |                    | 4,588                           | 1,036             | 3,841                          | 282                    | 135                    | 249                     | 74       | 6  |
| of which: Collateralised by commercial immovable property  |                    | 2,558                           | 98                | 2,532                          | 6                      | 20                     | -                       | -        | -  |

## Loans and advances subject to public guarantee schemes

| In millions of euros   | 30 June 2021          |                   |  |                                     |
|--|-----------------------|-------------------|--|-------------------------------------|
|  | Gross carrying amount | of which: forbore | Maximum amount of the guarantee that can be considered | Gross carrying amount               |
|  |                       |                   | Public guarantees received                             | Inflows to non-performing exposures |
| <b>Newly originated loans and advances subject to public guarantee schemes</b> | 265                   | 3                 | 206  | 5                                   |
| of which: Households   | 12                    |                   |  | -                                   |
| of which: Collateralised by residential immovable property                     | 2                     |                   |  | -                                   |
| of which: Non-financial corporations   | 250                   | 1                 | 195  | 5                                   |
| of which: Small and Medium-sized Enterprises                                   | 173                   |                   |  | 2                                   |
| of which: Collateralised by commercial immovable property                      | 34                    |                   |  | 1                                   |

At 30 June 2021, the amount of loans subject to public guarantee schemes granted by BNP Paribas Fortis stands at EUR 0.3 billion, mainly in Belgium and Turkey. Related guarantees stand at EUR 0.2 billion, with residual maturities essentially between 2 to 5 years. At 30 June 2021, the public guarantee schemes cover all the range of sectors.

In Belgium, most of the moratoria were granted in the framework of the Febelfin charters. In line with the EBA guidelines, moratoria granted under a general scheme are not classified automatically as exposures with forbearance measures, with the exception of moratoria having a total payment deferral period of more than 9 months.

## 4.e Impaired financial assets (Stage 3)

The following tables present the carrying amounts of impaired financial assets carried at amortised cost and of impaired financing and guarantee commitments, as well as related collateral and other guarantees.

The amounts shown for collateral and other guarantees correspond to the lower of the value of the collateral or other guarantee and the value of the secured assets.

| In millions of euros  | 30 June 2021   |                |              |                     |
|---|----------------|----------------|--------------|---------------------|
|   | Stage 3 assets |                |              | Collateral received |
|   | Gross value    | Impairment     | Net          |                     |
| Loans and advances to credit institutions (note 4.d)          | 63             | (60)           | 3            | 6                   |
| Loans and advances to customers (note 4.d)                    | 4,534          | (2,266)        | 2,268        | 1,497               |
| Debt securities at amortised cost (note 4.d)                  | -              | -              | -            | -                   |
| <b>Total amortised cost impaired assets (Stage 3)</b>         | <b>4,597</b>   | <b>(2,326)</b> | <b>2,271</b> | <b>1,503</b>        |
| Financing commitments given                                   | 255            | (31)           | 224          | 118                 |
| Guarantee commitments given                                   | 259            | (84)           | 175          | 65                  |
| <b>Total off-balance sheet impaired commitments (Stage 3)</b> | <b>514</b>     | <b>(115)</b>   | <b>399</b>   | <b>183</b>          |

| In millions of euros  | 31 December 2020 |                |              |                     |
|---|------------------|----------------|--------------|---------------------|
|   | Stage 3 assets   |                |              | Collateral received |
|   | Gross value      | Impairment     | Net          |                     |
| Loans and advances to credit institutions (note 4.d)          | 61               | (58)           | 3            | 6                   |
| Loans and advances to customers (note 4.d)                    | 5,050            | (2,335)        | 2,715        | 1,687               |
| Debt securities at amortised cost (note 4.d)                  | -                | -              | -            | -                   |
| <b>Total amortised cost impaired assets (Stage 3)</b>         | <b>5,111</b>     | <b>(2,393)</b> | <b>2,718</b> | <b>1,693</b>        |
| Financing commitments given                                   | 252              | (19)           | 233          | 76                  |
| Guarantee commitments given                                   | 271              | (92)           | 179          | 37                  |
| <b>Total off-balance sheet impaired commitments (Stage 3)</b> | <b>523</b>       | <b>(111)</b>   | <b>412</b>   | <b>113</b>          |

## 4.f Financial liabilities at amortised cost due to credit institutions and customers

| In millions of euros                     | 30 June 2021   | 31 December 2020 |
|--|----------------|------------------|
| <b>Deposits from credit institutions</b> | <b>62,284</b>  | <b>50,820</b>    |
| On demand accounts                       | 1,474          | 1,308            |
| Interbank borrowings <sup>(1)</sup>      | 51,073         | 48,790           |
| Repurchase agreements                    | 9,736          | 722              |
| <b>Deposits from customers</b>           | <b>198,119</b> | <b>193,770</b>   |
| On demand deposits                       | 95,011         | 91,296           |
| Savings accounts                         | 85,826         | 83,693           |
| Term accounts and short-term notes       | 17,282         | 18,781           |
| Repurchase agreements                    | -              | -                |

<sup>(1)</sup> Interbank borrowings from credit institutions include term deposits from central banks, of which EUR 27.7 billion of TLTRO III at 30 June 2021 (EUR 25.2 billion at 31 December 2021).

## 4.g Debt securities and subordinated debt

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

### Debt securities measured at amortised cost

| <i>In millions of euros</i>                                  | 30 June 2021  | 31 December 2020 |
|--|---------------|------------------|
| Negotiable certificates of deposit and other debt securities | 10,032        | 8,792            |
| Bond issues  | 3,349         | 3,023            |
| <b>Total debt securities at amortised cost</b>               | <b>13,381</b> | <b>11,815</b>    |

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

| <i>In millions of euros</i>   | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Debt securities   | 2,218        | 2,300            |
| Subordinated debt   | 893          | 835              |
| <b>Total debt securities and subordinated debt at fair value through profit or loss</b> | <b>3,111</b> | <b>3,135</b>     |

### Subordinated debt measured at amortised cost

| <i>In millions of euros</i>                               | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Redeemable subordinated debt                              | 1,711        | 2,711            |
| Undated subordinated debt                                 | -            | 29               |
| <b>Total subordinated debt measured at amortised cost</b> | <b>1,711</b> | <b>2,740</b>     |

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

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

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

On 7 May 2015, BNP Paribas and Ageas reached a new agreement which allows BNP Paribas to purchase outstanding CASHES under the condition that these are converted into Ageas shares, leading to a proportional settlement of the RPN. The agreement between Ageas and BNP Paribas has expired on 31 December 2016.

On 24 July 2015, BNP Paribas obtained the prior agreement from the European Central Bank to proceed to purchase CASHES within a limit of EUR 200 million nominal amount. In 2016, this agreement has been used for EUR 164 million converted into Ageas shares.

On 8 July 2016, BNP Paribas obtained a new agreement from the European Central Bank to proceed to purchase CASHES within a limit of EUR 200 million nominal amount. This agreement superseded the previous one.

On 11 August 2017, the European Central Bank accepted the request formulated by BNP Paribas to cancel the agreement to purchase CASHES.

As at 30 June 2021, the subordinated liability is eligible to Tier 1 capital for EUR 205 million (considering the transitional period).

## 4.h Current and deferred taxes

| <i>In millions of euros</i>                 | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Current taxes                               | 56           | 87               |
| Deferred taxes                              | 1,427        | 1,477            |
| <b>Current and deferred tax assets</b>      | <b>1,483</b> | <b>1,564</b>     |
| Current taxes                               | 198          | 178              |
| Deferred taxes                              | 592          | 593              |
| <b>Current and deferred tax liabilities</b> | <b>790</b>   | <b>771</b>       |

## 4.i Accrued income/expense and other assets/liabilities

| <i>In millions of euros</i>                        | 30 June 2021  | 31 December 2020 |
|--|---------------|------------------|
| Guarantee deposits and bank guarantees paid        | 2,726         | 3,361            |
| Collection accounts                                | 42            | 54               |
| Accrued income and prepaid expenses                | 1,145         | 887              |
| Other debtors and miscellaneous assets             | 6,241         | 6,058            |
| <b>Total accrued income and other assets</b>       | <b>10,154</b> | <b>10,360</b>    |
| Guarantee deposits received                        | 1,073         | 1,017            |
| Collection accounts                                | 683           | 425              |
| Accrued expense and deferred income                | 1,996         | 1,744            |
| Lease liabilities                                  | 339           | 353              |
| Other creditors and miscellaneous liabilities      | 5,438         | 4,667            |
| <b>Total accrued expense and other liabilities</b> | <b>9,529</b>  | <b>8,207</b>     |

## 4.j Goodwill

| <i>In millions of euros</i>                            | 30 June 2021 |
|--|--------------|
| Carrying amount at start of period                     | 722          |
| Acquisitions   | 1            |
| Exchange rate adjustments                              | 9            |
| <b>Carrying amount at end of period</b>                | <b>732</b>   |
| Gross value  | 896          |
| Accumulated impairment recognised at the end of period | (164)        |

Goodwill by homogeneous group of businesses is as follows:

| <i>In millions of euros</i>           | Carrying amount |                  | Impairment recognised during the period |                 | Acquisitions of the period |                 |
|---------------------------------------|-----------------|------------------|---|-----------------|----------------------------|-----------------|
|                                       | 30 June 2021    | 31 December 2020 | First half 2021                         | First half 2020 | First half 2021            | First half 2020 |
| BNP Paribas Fortis in Belgium         | 28              | 28               | -                                       | -               | -                          | -               |
| Alpha Credit                          | 22              | 22               | -                                       | -               | -                          | -               |
| Factoring                             | 6               | 6                | -                                       | -               | -                          | -               |
| BNP Paribas Fortis in Luxembourg      | 186             | 185              | -                                       | -               | -                          | -               |
| Leasing (BPLS)                        | 148             | 147              | -                                       | -               | -                          | -               |
| Wealth Management                     | 38              | 38               | -                                       | -               | -                          | -               |
| BNP Paribas Fortis in other countries | 518             | 509              | -                                       | -               | 1                          | -               |
| Arval                                 | 518             | 509              | -                                       | -               | 1                          | -               |
| <b>Total goodwill</b>                 | <b>732</b>      | <b>722</b>       | <b>-</b>                                | <b>-</b>        | <b>1</b>                   | <b>-</b>        |

## 4.k Provisions for contingencies and charges

| <i>In millions of euros</i>                           | 31 December 2020 | Net additions to provisions | Provisions used | Changes in value recognised directly in equity | Effect of movements in exchange rates and other movements | 30 June 2021 |
|---|------------------|-----------------------------|-----------------|--|---|--------------|
| Provisions for employee benefits                      | 3,633            | 70                          | (104)           | (118)  | (4)   | 3,477        |
| Provisions for home savings accounts and plans        | -                | -                           | -               | -  | -   | -            |
| Provisions for credit commitments ( <b>Note 2.g</b> ) | 247              | -                           | -               | -  | 43  | 290          |
| Provisions for litigation                             | 88               | 3                           | (3)             | -  | (1)   | 87           |
| Other provisions for contingencies and charges        | 314              | 45                          | (44)            | -  | -   | 315          |
| <b>Total provisions for contingencies and charges</b> | <b>4,282</b>     | <b>118</b>                  | <b>(151)</b>    | <b>(118)</b>                                   | <b>37</b>   | <b>4,169</b> |

## 4.l Offsetting of financial assets and liabilities

The following tables present the amounts of financial assets and liabilities before and after offsetting. This information, required by IFRS 7 aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

'Amounts set off on the balance sheet' have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when and only when, BNP Paribas Fortis has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amounts offset derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

The 'Impacts of Master Netting Agreements and similar agreements' are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

'Financial instruments given or received as collateral' include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

Regarding Master Netting Agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in 'Accrued income or expenses' and 'Other assets or liabilities'.

| 30 June 2021  | Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments received as collateral | Net amounts    |
|---|-----------------------------------|--|--|--|--|----------------|
| <i>In millions of euros</i>   |                                   |  |  |  |  |                |
| <b>Assets</b>   |                                   |  |  |  |  |                |
| Financial instruments at fair value through profit or loss                                | 18,146                            | (1,695)                                    | 16,451                                     | (7,168)  | (3,380)                                      | 5,903          |
| <i>Securities</i>   | 1,648                             | -  | 1,648                                      | -  | -  | 1,648          |
| <i>Loans and repurchase agreements</i>  | 6,754                             | (1,695)                                    | 5,059                                      | (1,470)  | (3,070)                                      | 519            |
| <i>Derivative financial instruments (including derivatives used for hedging purposes)</i> | 9,744                             | -  | 9,744                                      | (5,698)  | (310)  | 3,736          |
| Financial assets at amortised cost  | 213,154                           | (147)                                      | 213,007                                    | (284)  | (594)  | 212,129        |
| <i>of which repurchase agreements</i>   | 1,126                             | (147)                                      | 979  | (284)  | (594)  | 101            |
| Accrued income and other assets   | 10,154                            | -  | 10,154                                     | -  | (1,506)                                      | 8,648          |
| <i>of which guarantee deposits paid</i>   | 2,726                             | -  | 2,726                                      | -  | (1,506)                                      | 1,220          |
| Other assets not subject to offsetting  | 110,862                           | -  | 110,862                                    | -  | -  | 110,862        |
| <b>TOTAL ASSETS</b>   | <b>352,317</b>                    | <b>(1,842)</b>                             | <b>350,475</b>                             | <b>(7,452)</b>   | <b>(5,480)</b>                               | <b>337,543</b> |

| 30 June 2021  |  |  |  |  |   |                |
|---|--|--|--|--|---|----------------|
|   | Gross amounts of financial liabilities | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments given as collateral | Net amounts    |
| <i>In millions of euros</i>   |  |  |  |  |   |                |
| <b>Liabilities</b>  |  |  |  |  |   |                |
| Financial instruments at fair value through profit or loss                                | 26,850                                 | (1,695)                                    | 25,155                                     | (6,688)  | (12,820)                                  | 5,647          |
| <i>Securities</i>   | 167                                    | -  | 167  | -  | -   | 167            |
| <i>Deposits and repurchase agreements</i>   | 14,297                                 | (1,695)                                    | 12,602                                     | (990)  | (11,351)                                  | 261            |
| <i>Issued debt securities</i>   | 3,111                                  | -  | 3,111                                      | -  | -   | 3,111          |
| <i>Derivative financial instruments (including derivatives used for hedging purposes)</i> | 9,275                                  | -  | 9,275                                      | (5,698)  | (1,469)                                   | 2,108          |
| Financial liabilities at amortised cost   | 275,642                                | (147)                                      | 275,495                                    | (765)  | (8,770)                                   | 265,960        |
| <i>of which repurchase agreements</i>   | 9,883                                  | (147)                                      | 9,736                                      | (765)  | (8,770)                                   | 201            |
| Accrued expense and other liabilities   | 9,529                                  | -  | 9,529                                      | -  | (277)                                     | 9,252          |
| <i>of which guarantee deposits received</i>   | 1,073                                  | -  | 1,073                                      | -  | (277)                                     | 796            |
| Other liabilities not subject to offsetting   | 9,796                                  | -  | 9,796                                      | -  | -   | 9,796          |
| <b>TOTAL LIABILITIES</b>  | <b>321,817</b>                         | <b>(1,842)</b>                             | <b>319,975</b>                             | <b>(7,453)</b>   | <b>(21,867)</b>                           | <b>290,655</b> |

| 31 December 2020   |                                   |  |  |  |  |                |
|--|-----------------------------------|--|--|--|--|----------------|
|  | Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments received as collateral | Net amounts    |
| <i>In millions of euros</i>  |                                   |  |  |  |  |                |
| <b>Assets</b>  |                                   |  |  |  |  |                |
| Financial instruments at fair value through profit or loss                                   | 22,521                            | (1,511)                                    | 21,010                                     | (9,921)  | (2,377)                                      | 8,712          |
| <i>Securities</i>  | 1,564                             | -  | 1,564                                      | -  | -  | 1,564          |
| <i>Loans and repurchase agreements</i>   | 5,566                             | (1,511)                                    | 4,055                                      | (1,151)  | (2,087)                                      | 817            |
| <i>Derivative financial instruments (including derivatives used for hedging purposes)(*)</i> | 15,391                            | -  | 15,391                                     | (8,770)  | (290)  | 6,331          |
| Financial assets at amortised cost   | 210,656                           | -  | 210,656                                    | (392)  | (711)  | 209,553        |
| <i>of which repurchase agreements</i>  | 1,382                             | -  | 1,382                                      | (392)  | (711)  | 279            |
| Accrued income and other assets  | 10,360                            | -  | 10,360                                     | -  | (3,152)                                      | 7,208          |
| <i>of which guarantee deposits paid</i>  | 3,361                             | -  | 3,361                                      | -  | (3,152)                                      | 209            |
| Other assets not subject to offsetting   | 93,109                            | -  | 93,109                                     | -  | -  | 93,109         |
| <b>TOTAL ASSETS</b>  | <b>336,646</b>                    | <b>(1,511)</b>                             | <b>335,135</b>                             | <b>(10,313)</b>  | <b>(6,240)</b>                               | <b>318,582</b> |

| 31 December 2020   |  |  |  |  |   |                |
|--|--|--|--|--|---|----------------|
|  | Gross amounts of financial liabilities | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments given as collateral | Net amounts    |
| <i>In millions of euros</i>  |  |  |  |  |   |                |
| <b>Liabilities</b>   |  |  |  |  |   |                |
| Financial instruments at fair value through profit or loss                                   | 32,755                                 | (1,511)                                    | 31,244                                     | (10,229)   | (13,336)                                  | 7,679          |
| <i>Securities</i>  | 132                                    | -  | 132  | -  | -   | 132            |
| <i>Deposits and repurchase agreements</i>  | 14,051                                 | (1,511)                                    | 12,540                                     | (1,459)  | (10,337)                                  | 744            |
| <i>Issued debt securities</i>  | 3,135                                  | -  | 3,135                                      | -  | -   | 3,135          |
| <i>Derivative financial instruments (including derivatives used for hedging purposes)(*)</i> | 15,437                                 | -  | 15,437                                     | (8,770)  | (2,999)                                   | 3,668          |
| Financial liabilities at amortised cost  | 259,145                                | -  | 259,145                                    | (84)   | (595)                                     | 258,466        |
| <i>of which repurchase agreements</i>  | 722                                    | -  | 722  | (84)   | (595)                                     | 43             |
| Accrued expense and other liabilities  | 8,207                                  | -  | 8,207                                      | -  | (589)                                     | 7,618          |
| <i>of which guarantee deposits received</i>  | 1,017                                  | -  | 1,017                                      | -  | (589)                                     | 428            |
| Other liabilities not subject to offsetting  | 6,701                                  | -  | 6,701                                      | -  | -   | 6,701          |
| <b>TOTAL LIABILITIES</b>   | <b>306,808</b>                         | <b>(1,511)</b>                             | <b>305,297</b>                             | <b>(10,313)</b>  | <b>(14,520)</b>                           | <b>280,464</b> |

(\*) "Derivatives used for Hedging purposes" should be restated for the comparative period of 31 December 2020 by decreasing respectively assets and liabilities with the amount of EUR -799 million. In December 2020, no netting of the fair value of the fixed and floating leg was applied on the macro hedge derivative with the counterparty LCH (contrary to 30 June 2021). The effect of the retrospective application of the netting in the "Derivatives used for Hedging purposes" for the comparative period also results to the restatement of the captions "Total assets", "Total liabilities" and "Total liabilities and equity" by the amount of EUR -799 million.

## 5. COMMITMENTS GIVEN OR RECEIVED

### 5.a Financing commitments given or received

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

| <i>In millions of euros</i>                 | 30 June 2021  | 31 December 2020 |
|---|---------------|------------------|
| <b>Financing commitments given</b>          |               |                  |
| - to credit institutions                    | 138           | 196              |
| - to customers                              | 52,318        | 55,026           |
| Confirmed financing commitments             | 41,015        | 43,206           |
| Other commitments given to customers        | 11,303        | 11,820           |
| <b>Total financing commitments given</b>    | <b>52 456</b> | <b>55 222</b>    |
| of which Stage 1                            | 46,936        | 50,267           |
| of which Stage 2                            | 5,266         | 4,703            |
| of which Stage 3                            | 255           | 252              |
| <b>Financing commitments received</b>       |               |                  |
| - from credit institutions                  | 4,318         | 7,269            |
| - from customers                            | 241           | 212              |
| <b>Total financing commitments received</b> | <b>4 559</b>  | <b>7 480</b>     |

### 5.b Guarantee commitments given by signature

| <i>In millions of euros</i>                                    | 30 June 2021  | 31 December 2020 |
|--|---------------|------------------|
| <b>Guarantee commitments given</b>                             |               |                  |
| - to credit institutions                                       | 2,863         | 2,751            |
| - to customers   | 16,144        | 15,451           |
| Property guarantees  | -             | -                |
| Sureties provided to tax and other authorities, other sureties | 12,937        | 12,215           |
| Other guarantees   | 3,207         | 3,236            |
| <b>Total guarantee commitments given</b>                       | <b>19,007</b> | <b>18,202</b>    |
| of which Stage 1   | 16,510        | 16,316           |
| of which Stage 2   | 2,238         | 1,615            |
| of which Stage 3   | 259           | 271              |

### 5.c Securities commitments

In connexion with the settlement date accounting for securities, commitments representing securities to be delivered or securities to be received are the following:

| <i>In millions of euros</i> | 30 June 2021 | 31 December 2020 |
|-----------------------------|--------------|------------------|
| Securities to be delivered  | 168          | 137              |
| Securities to be received   | 140          | 133              |

## 6. ADDITIONAL INFORMATION

### 6.a Contingent liabilities: legal proceedings and arbitration

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

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

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

Like many other companies in the banking, investment, mutual funds and brokerage sectors, BNP Paribas Fortis (and its consolidated subsidiaries) has received or may receive requests for information from supervisory, governmental or self-regulatory agencies. BNP Paribas Fortis responds to such requests, cooperates with the relevant regulators and other parties and helps to address any issues they might raise.

After the acquisition and merger of ABN AMRO Bank (Luxembourg) S.A. in H2 2018, the bank absorbed ABN AMRO Bank (Luxembourg) S.A.'s custody operations. In the context of these operations, some funds, for which ABN AMRO Bank (Luxembourg) S.A. acted as custodian between 19 April 2012 and 31 March 2015, issued BGL BNP Paribas with a court summons.

At this stage, no provision has been set aside with respect to these cases, but the bank has decided to protect its interests in these proceedings by exercising the liability guarantee agreed as part of the acquisition.

Moreover, the bank has decided to wind up these operations and has been obliged to terminate custody contracts and the associated banking relationships. As at 30 June 2021, no legal cases had been brought against the bank following these measures.

## 6.b Business combinations and other changes of the consolidation scope

### Operations realised in 2021

No material transactions occurred for the first half of 2021.

### Operations without impact in the Interim Financial Statements 2021

#### Bpost bank SA/NV

Bpost bank is a retail bank selling banking (daily banking, save & invest, lending) and insurance products (provided by AG Insurance) to its client base of almost 1 million clients, predominantly in Belgium. Bpost bank is a 50/50 joint-venture between BNP Paribas Fortis and Bpost.

On 31 March 2021, BNP Paribas Fortis submitted a formal binding offer for the acquisition of the 50% of Bpost bank owned by Bpost and transaction documents were signed by both parties. The legal closing of the transaction is pending the satisfaction of condition precedents.

### Operations realised in 2020

#### Greenval Insurance DAC

Greenval Insurance DAC is a fleet motor insurance company registered in Ireland dedicated to customers of Arval.

Following the approval received from the Irish Regulatory authorities, Greenval Insurance DAC has been sold by BNP Paribas Ireland to Arval Service Lease in December 2020.

The transaction generated a negative impact in Shareholder's Equity amounting to EUR (16) million and an impact of EUR 314 million in total balance sheet (EUR 235 million in Assets "Financial Investments of Insurance activities" and EUR 125 million in Liabilities "Technical Reserves and other Insurance liabilities").

#### Arval Fuhrparkmanagement GmbH

Arval Fuhrparkmanagement GmbH, former "UniCredit Leasing Fuhrparkmanagement" was the fleet leasing & management subsidiary of UniCredit Bank Austria with a fleet of 6,000 vehicles.

Arval Austria has signed in July the agreement with UniCredit to purchase 100% of the shares of UniCredit Leasing Fuhrparkmanagement GmbH allowing Arval Austria to further strengthen its position in the market.

The transaction generated a goodwill of EUR 5.2 million in Arval Austria. The impact balance sheet is EUR 112 million.

#### Allfunds UK Ltd

BNPP Asset Management Holding consolidated via equity method acquired 6,3% of the new entity Allfunds UK Ltd, a European market leader in fund distribution platforms.

The transaction generated an impact in total balance sheet EUR 54.9 million.

### Changes in the consolidation scope

#### Axepta BNPP Benelux

Axepta BNPP Benelux provides card payment solutions (acquiring of credit and debit card payment transactions) to merchants in Belgium.

In January 2019 BNP Paribas Fortis incorporated BNPP Fortis Merchant Payment Services NV/SA (renamed as "Axepta BNPP Benelux"). As of Q3 2020 Axepta BNPP Benelux is fully consolidated.

The full consolidation generates no material result impact in 2020. The impact on the balance sheet is EUR 12 million.

## 6.c Minority interests

| <i>In millions of euros</i>                                     | Capital and retained earnings | Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss | Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss | Minority interests |
|---|-------------------------------|---|--|--------------------|
| <b>Capital and retained earnings at 1 January 2020</b>          | <b>5,712</b>                  | <b>65</b>   | <b>(607)</b>   | <b>5,170</b>       |
| Other movements   | 60                            | -   | -  | 60                 |
| Dividends   | (115)                         | -   | -  | (115)              |
| Changes in assets and liabilities recognised directly in equity | (1)                           | (16)  | (78)   | (95)               |
| <b>Net income for the first half of 2020</b>                    | <b>229</b>                    | <b>-</b>  | <b>-</b>   | <b>229</b>         |
| <b>Capital and retained earnings at 30 June 2020</b>            | <b>5,885</b>                  | <b>49</b>   | <b>(685)</b>   | <b>5,249</b>       |
| Other movements   | (88)                          | -   | -  | (88)               |
| Dividends   | 31                            | -   | -  | 31                 |
| Changes in assets and liabilities recognised directly in equity | 1                             | (4)   | (59)   | (62)               |
| <b>Net income for the second half of 2020</b>                   | <b>195</b>                    | <b>-</b>  | <b>-</b>   | <b>195</b>         |
| <b>Capital and retained earnings at 31 December 2020</b>        | <b>6,024</b>                  | <b>45</b>   | <b>(744)</b>   | <b>5,325</b>       |
| Other movements   | 35                            | -   | -  | 35                 |
| Dividends   | (256)                         | -   | -  | (256)              |
| Changes in assets and liabilities recognised directly in equity | -                             | 3   | (61)   | (58)               |
| <b>Net income for the first half of 2021</b>                    | <b>202</b>                    | <b>-</b>  | <b>-</b>   | <b>202</b>         |
| <b>Capital and retained earnings at 30 June 2021</b>            | <b>6,005</b>                  | <b>48</b>   | <b>(805)</b>   | <b>5,248</b>       |

### Main minority interests

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

| <i>In millions of euros</i>   | 30 June 2021  | First half 2021 |            |  |              |   |   |   |
|---|---|-----------------|------------|--|--------------|---|---|---|
|   | Total assets before elimination of intra-group transactions | Revenues        | Net income | Net income and changes in assets and liabilities recognised directly in equity | Interest (%) | Net income attributable to minority interests | Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests | Dividends paid to minority shareholders |
| Contribution of the entities belonging to the BGL BNP Paribas Group | 58,332  | 801             | 266        | 250  | 50%          | 175   | 167   | 249                                     |
| Other minority interests  |   |                 |            |  |              | 26  | (24)  | 7                                       |
| <b>TOTAL</b>  |   |                 |            |  |              | <b>202</b>                                    | <b>143</b>  | <b>256</b>                              |

|   | 31 December 2020  | First half 2020 |            |  |              |   |   |   |
|---|---|-----------------|------------|--|--------------|---|---|---|
|   | Total assets before elimination of intra-group transactions | Revenues        | Net income | Net income and changes in assets and liabilities recognised directly in equity | Interest (%) | Net income attributable to minority interests | Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests | Dividends paid to minority shareholders |
| <i>In millions of euros</i>   |   |                 |            |  |              |   |   |   |
| Contribution of the entities belonging to the BGL BNP Paribas Group | 56,516  | 785             | 275        | 250  | 50%          | 179   | 137   | 111                                     |
| Other minority interests  |   |                 |            |  |              | 50  | (3)   | 4                                       |
| <b>TOTAL</b>  |   |                 |            |  |              | <b>229</b>                                    | <b>134</b>  | <b>115</b>                              |

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

No significant internal restructuring operation occurred during 2021, nor during 2020.

## Commitments to repurchase minority shareholders' interests

In connection with the acquisition of certain entities, BNP Paribas Fortis granted minority shareholders put options on their holdings.

The total value of these commitments, which are recorded as a reduction in shareholders' equity, amounts to EUR 136 million at 30 June 2021, compared with EUR 189 million at 31 December 2020.

## 6.d Other related parties

Other related parties of the BNP Paribas Fortis comprise:

- BNP Paribas (and all its subsidiaries) which has control over BNP Paribas Fortis;
- consolidated companies of BNP Paribas Fortis (including entities consolidated under the equity method);
- and entities managing post-employment benefit plans offered to BNP Paribas Fortis' employees.

Transactions between BNP Paribas Fortis and related parties are carried out on an arm's length basis.

### Relations between consolidated companies

A list of companies consolidated by BNP Paribas Fortis is provided in note 6.h 'Scope of consolidation'. Transactions and outstanding balances between fully-consolidated entities of BNP Paribas Fortis are eliminated.

Tables below show transactions carried out with entities consolidated under the equity method.

### Outstanding balances of related party transactions

| In millions of euros                                   | 30 June 2021                      |                |                           | 31 December 2020                  |                |                           |
|--|-----------------------------------|----------------|---------------------------|-----------------------------------|----------------|---------------------------|
|  | Entities of the BNP Paribas Group | Joint ventures | Associates <sup>(1)</sup> | Entities of the BNP Paribas Group | Joint ventures | Associates <sup>(1)</sup> |
| <b>ASSETS</b>  |                                   |                |                           |                                   |                |                           |
| Demand accounts  | 2,208                             | -              | 34                        | 1,593                             | -              | 33                        |
| Loans  | 3,635                             | 102            | 217                       | 4,714                             | 93             | 230                       |
| Securities   | 53                                | -              | 98                        | 72                                | -              | 97                        |
| Other assets   | 220                               | -              | 113                       | 303                               | -              | 111                       |
| <b>Total assets</b>                                    | <b>6,116</b>                      | <b>102</b>     | <b>462</b>                | <b>6,682</b>                      | <b>93</b>      | <b>471</b>                |
| <b>LIABILITIES</b>                                     |                                   |                |                           |                                   |                |                           |
| Demand accounts  | 500                               | 108            | 266                       | 511                               | 99             | 461                       |
| Other borrowings                                       | 22,953                            | 22             | 1,128                     | 21,622                            | 30             | 1,408                     |
| Other liabilities                                      | 244                               | -              | 23                        | 501                               | -              | 25                        |
| <b>Total liabilities</b>                               | <b>23,697</b>                     | <b>130</b>     | <b>1,417</b>              | <b>22,634</b>                     | <b>129</b>     | <b>1,894</b>              |
| <b>FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS</b> |                                   |                |                           |                                   |                |                           |
| Financing commitments given                            | 522                               | 33             | 68                        | 523                               | 43             | 63                        |
| Guarantee commitments given                            | 6,551                             | 2,124          | 40                        | 5,920                             | 2,106          | 82                        |
| <b>Total</b>   | <b>7,073</b>                      | <b>2,157</b>   | <b>108</b>                | <b>6,443</b>                      | <b>2,149</b>   | <b>145</b>                |

<sup>(1)</sup> Including controlled but non material entities consolidated under the equity method.

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

### Related-party profit and loss items

| In millions of euros | First half 2021                   |                |                           | First half 2020                   |                |                           |
|----------------------|-----------------------------------|----------------|---------------------------|-----------------------------------|----------------|---------------------------|
|                      | Entities of the BNP Paribas Group | Joint ventures | Associates <sup>(1)</sup> | Entities of the BNP Paribas Group | Joint ventures | Associates <sup>(1)</sup> |
| Interest income      | 174                               | 3              | 2                         | 166                               | 3              | 3                         |
| Interest expense     | (330)                             | (2)            | (2)                       | (372)                             | (2)            | (4)                       |
| Commission income    | 79                                | 1              | 289                       | 61                                | 2              | 266                       |
| Commission expense   | (54)                              | -              | (6)                       | (58)                              | -              | (4)                       |
| Services provided    | 1                                 | -              | -                         | 1                                 | -              | -                         |
| Services received    | (5)                               | -              | (2)                       | (44)                              | -              | (2)                       |
| Lease income         | 21                                | -              | 5                         | 33                                | -              | 6                         |
| <b>Total</b>         | <b>(114)</b>                      | <b>2</b>       | <b>286</b>                | <b>(213)</b>                      | <b>3</b>       | <b>265</b>                |

<sup>(1)</sup> Including controlled but non material entities consolidated under the equity method

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

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

### 6.e Events after the reporting period

In July 2021, parts of Europe have been strongly affected by one of the worst flooding disasters in recent history. In Belgium, especially the Eastern and Southern regions have been hit severely. The different impacts are still unclear, but BNP Paribas Fortis monitors the situation closely and keeps accompanying in particular its clients during this difficult period.

The Board of Directors intends to propose at the General Shareholder's Meeting in the fourth quarter 2021 the distribution of an (intermediary) dividend of EUR 0.84 per share, which will be paid out of the reserves.

### 6.f Fair value of financial instruments carried at amortised cost

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

- these fair values are an estimate of the value of the relevant instruments as of 30 June 2021. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas Fortis as a going concern;
- most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments;
- estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful;
- the fair values shown below do not include the fair values of finance lease transactions, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of BNP Paribas Fortis.

| 30 June 2021<br><i>In millions of euros</i>                            | Estimated fair value |         |         |         | Carrying value |
|--|----------------------|---------|---------|---------|----------------|
|  | Level 1              | Level 2 | Level 3 | Total   |                |
| <b>FINANCIAL ASSETS</b>  |                      |         |         |         |                |
| Loans and advances to credit institutions and customers <sup>(1)</sup> | -                    | 14,352  | 170,823 | 185,176 | 181,247        |
| Debt securities at amortised cost (note 4.d)                           | 10,569               | 1,725   | 89      | 12,382  | 12,369         |
| <b>FINANCIAL LIABILITIES</b>   |                      |         |         |         |                |
| Deposits from credit institutions and customers                        | -                    | 260,626 | -       | 260,626 | 260,402        |
| Debt securities (note 4.g)   | -                    | 13,230  | -       | 13,230  | 13,381         |
| Subordinated debt (note 4.g)   | -                    | 1,713   | -       | 1,713   | 1,711          |

| 31 December 2020<br>In millions of euros                               | Estimated fair value |         |         |         | Carrying value |
|--|----------------------|---------|---------|---------|----------------|
|  | Level 1              | Level 2 | Level 3 | Total   |                |
| <b>FINANCIAL ASSETS</b>  |                      |         |         |         |                |
| Loans and advances to credit institutions and customers <sup>(1)</sup> | -                    | 14,357  | 169,360 | 183,717 | 178,675        |
| Debt securities at amortised cost (note 4.d)                           | 11,640               | 1,864   | 146     | 13,650  | 13,383         |
| <b>FINANCIAL LIABILITIES</b>   |                      |         |         |         |                |
| Deposits from credit institutions and customers                        | -                    | 244,845 | -       | 244,845 | 244,590        |
| Debt securities (note 4.g)   | -                    | 11,394  | -       | 11,394  | 11,815         |
| Subordinated debt (note 4.g)   | -                    | 2,740   | -       | 2,740   | 2,740          |

<sup>(1)</sup> Finance leases excluded

The valuation techniques and assumptions used by BNP Paribas Fortis ensure that the fair value of financial assets and liabilities carried at amortised cost is measured on a consistent basis throughout the Bank. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and debt securities at amortised cost, or specific valuation models for other financial instruments as described in note 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'. The description of the fair value hierarchy levels is also presented in the accounting principles (note 1.f.9). In the case of loans, liabilities and debt securities at amortised cost that have an initial maturity of less than one year (including demand deposits) or of most regulated savings products, fair value equates to the carrying amount. These instruments have been classified in Level 2, except for loans to customers which are classified in Level 3.

## 6.g Sovereign risks

Sovereign risk is the risk of a State defaulting on its debt, i.e. a temporary or prolonged interruption of debt servicing (interest and/or principal). The Bank is thus exposed to credit, counterparty or market risk according to the accounting category of the financial asset issued by the Sovereign State.

Exposure to sovereign debt mainly consists of bonds.

The Bank holds sovereign bonds as part of its liquidity management process. Liquidity management is based amongst others on holding bonds which are eligible as collateral for refinancing by central banks; a substantial share of this 'liquidity buffer' consists of highly rated debt securities issued by governments, supra-national authorities and agencies, representing a low level of risk. A part of this same portfolio has interest rate characteristics that contribute to the banking book interest rate risk hedging strategies.

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

| Banking book<br><i>In millions of euros</i>            | 30 June 2021  | 31 December 2020 |
|--|---------------|------------------|
| <b>Eurozone</b>  |               |                  |
| Belgium  | 7,175         | 7,762            |
| Italy  | 878           | 934              |
| Spain  | 726           | 771              |
| France   | 161           | 383              |
| The Netherlands  | 265           | 341              |
| Austria  | 181           | 182              |
| Luxembourg   | 281           | 218              |
| Finland  | 66            | 67               |
| Portugal   | 3             | 56               |
| <b>Total eurozone</b>                                  | <b>9,736</b>  | <b>10,714</b>    |
| <b>Other countries in European Economic Area (EEA)</b> |               |                  |
| Czech Republic   | 50            | 52               |
| Others   | 2             | 1                |
| <b>Total other EEA</b>                                 | <b>52</b>     | <b>53</b>        |
| <b>Other countries</b>                                 |               |                  |
| Turkey   | 2,145         | 2,325            |
| Others   | 30            | 26               |
| <b>Total other countries</b>                           | <b>2,175</b>  | <b>2,351</b>     |
| <b>Total</b>   | <b>11,963</b> | <b>13,118</b>    |

## 6.h Scope of consolidation

| Name   | Country        | 30 June 2021 |            |              |       | 31 December 2020 |            |              |       |
|--|----------------|--------------|------------|--------------|-------|------------------|------------|--------------|-------|
|  |                | Method       | Voting (%) | Interest (%) | Ref.  | Method           | Voting (%) | Interest (%) | Ref.  |
| <b>Consolidating company</b>                 |                |              |            |              |       |                  |            |              |       |
| <b>BNP Paribas Fortis</b>                    | <b>Belgium</b> |              |            |              |       |                  |            |              |       |
| <b>Belgium</b>                               |                |              |            |              |       |                  |            |              |       |
| AG Insurance                                 | Belgium        | Equity       |            | 25.0%        | 25.0% |                  | Equity     | 25.0%        | 25.0% |
| Alpha Crédit SA                              | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Arval Belgium NV SA                          | Belgium        | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Axepta BNPP Benelux                          | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Bancontact Paytoniq Company                  | Belgium        | Equity       |            | 22.5%        | 22.5% |                  | Equity     | 22.5%        | 22.5% |
| Banking Funding Company SA                   | Belgium        | Equity       |            | 33.5%        | 33.5% |                  | Equity     | 33.5%        | 33.5% |
| Belgian Mobile ID                            | Belgium        | Equity       |            | 12.2%        | 12.2% | V3               | Equity     | 15.0%        | 15.0% |
| BNP Paribas 3 Step IT (Belgium Branch)       | Belgium        | Full         |            | 100.0%       | 12.8% |                  | Full       | 100.0%       | 12.8% |
| BNP Paribas Fortis Factor NV SA              | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| BNP Paribas Fortis Private Equity Belgium NV | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| BNP Paribas Fortis Private Equity Expansion  | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| BNP Paribas Fortis Private Equity Management | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| BNP Paribas Lease Group Belgium              | Belgium        | Full         |            | 100.0%       | 25.0% |                  | Full       | 100.0%       | 25.0% |
| BNPP Fortis Film Finance                     | Belgium        | Full         |            | 99.0%        | 99.0% |                  | Full       | 99.0%        | 99.0% |
| bpost bank                                   | Belgium        | Equity       | 1          | 50.0%        | 50.0% |                  | Equity 1   | 50.0%        | 50.0% |
| CNH Industrial Capital Europe Belgium Branch | Belgium        | Full         |            | 100.0%       | 12.5% |                  | Full       | 100.0%       | 12.5% |
| Credissimo                                   | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Credissimo Hainaut SA                        | Belgium        | Full         |            | 99.7%        | 99.7% |                  | Full       | 99.7%        | 99.7% |
| Crédit pour Habitations Sociales             | Belgium        | Full         |            | 81.7%        | 81.7% |                  | Full       | 81.7%        | 81.7% |
| Eos Aremas Belgium S.A./N.V.                 | Belgium        | Equity       |            | 49.9%        | 49.9% |                  | Equity     | 49.9%        | 49.9% |
| Es-Finance                                   | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Fortis Lease Belgium                         | Belgium        | Full         |            | 100.0%       | 25.0% |                  | Full       | 100.0%       | 25.0% |
| FScholen                                     | Belgium        | Equity       | 1          | 50.0%        | 50.0% |                  | Equity 1   | 50.0%        | 50.0% |
| Immobilière Sauvenière S.A.                  | Belgium        | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Private Equity Investments (a)               | BE/FR/LU       | FV           |            |              |       |                  | FV         |              |       |
| Isabel SA NV                                 | Belgium        | Equity       |            | 25.3%        | 25.3% |                  | Equity     | 25.3%        | 25.3% |
| Locadif                                      | Belgium        | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9% |
| Microstart                                   | Belgium        | Full         |            | 42.3%        | 76.8% | V3               | Full       | 70.3%        | 76.8% |
| Sowo Invest SA NV                            | Belgium        | Full         |            | 87.5%        | 87.5% |                  | Full       | 87.5%        | 87.5% |
| <b>Belgium - Special Purpose Entities</b>    |                |              |            |              |       |                  |            |              |       |
| Bass Master Issuer NV                        | Belgium        | Full         |            |              |       |                  | Full       |              |       |
| Esmée Master Issuer                          | Belgium        | Full         |            |              |       |                  | Full       |              |       |
| FL Zeebrugge                                 | Belgium        | Full         |            |              |       |                  | Full       |              |       |
| <b>Belgium - Structured entities</b>         |                |              |            |              |       |                  |            |              |       |
| Epimede                                      | Belgium        | Equity       |            |              |       |                  | Equity     |              |       |

|   |                 | 30 June 2021 |            |              |       | 31 December 2020 |            |              |        |
|---|-----------------|--------------|------------|--------------|-------|------------------|------------|--------------|--------|
| Name  | Country         | Method       | Voting (%) | Interest (%) | Ref.  | Method           | Voting (%) | Interest (%) | Ref.   |
| <b>Luxembourg</b>   |                 |              |            |              |       |                  |            |              |        |
| Arval Luxembourg SA   | Luxembourg      | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| BGL BNP Paribas   | Luxembourg      | Full         |            | 50.0%        | 50.0% |                  | Full       | 50.00%       | 50.00% |
| BNP Paribas Fortis Funding S.A.                               | Luxembourg      | Full         |            | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| BNP Paribas Lease Group Luxembourg S.A.                       | Luxembourg      | Full         |            | 100.0%       | 50.0% |                  | Full       | 100.00%      | 50.00% |
| BNP Paribas Leasing Solutions                                 | Luxembourg      | Full         |            | 50.0%        | 25.0% |                  | Full       | 50.00%       | 25.00% |
| Cardif Lux Vie  | Luxembourg      | Equity       |            | 33.3%        | 16.7% |                  | Equity     | 33.30%       | 16.70% |
| Cofhylux S.A.   | Luxembourg      | Full         |            | 100.0%       | 50.0% |                  | Full       | 100.00%      | 50.00% |
| Luxhub SA   | Luxembourg      | Equity       |            | 28.0%        | 14.0% |                  | Equity     | 28.00%       | 14.00% |
| Visalux   | Luxembourg      | Equity       |            | 25.3%        | 12.6% | V3               | Equity     | 25.30%       | 12.70% |
| <b>Rest of the world</b>                                      |                 |              |            |              |       |                  |            |              |        |
| BNPP Leasing Solutions GmbH (Ex - All In One Vermietung GmbH) | Austria         | Full         |            | 100.0%       | 25.0% |                  | Full       | 100.00%      | 25.00% |
| Aprolis Finance   | France          | Full         |            | 51.0%        | 12.8% |                  | Full       | 51.00%       | 12.80% |
| Artegy  | France          | Full         |            | 100.0%       | 25.0% |                  | Full       | 100.00%      | 25.00% |
| Artel   | France          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval AB  | Sweden          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval AS  | Denmark         | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval AS Norway   | Norway          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval Austria GmbH  | Austria         | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval Benelux BV  | The Netherlands | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval Brasil LTDA   | Brazil          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval BV  | The Netherlands | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval CZ SRO  | Czech Republic  | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval Deutschland GmbH  | Germany         | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.90% |
| Arval Fleet Services  | France          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.00%      | 99.9%  |
| Arval Fuhrparkmanagement GmbH                                 | Austria         |              |            |              |       | S4               | Full       | 100.0%       | 99.9%  |
| Arval Hellas Car Rental SA                                    | Greece          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval India Private Ltd                                       | India           |              |            |              |       | S3               | Full       | 100.0%       | 99.9%  |
| Arval LLC   | Russia          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Magyarorszag KFT  | Hungary         | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Maroc SA  | Morocco         | Full         | 2          | 66.7%        | 66.7% |                  | Full       | 66.7%        | 66.7%  |
| Arval Oy  | Finland         | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Relsa SPA   | Chile           | Equity       | 2          | 50.0%        | 50.0% |                  | Equity 1   | 50.0%        | 50.0%  |
| Arval Schweiz AG  | Switzerland     | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Service Lease   | France          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Service Lease Aluger Operational Automoveis SA          | Portugal        | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Service Lease Italia SPA                                | Italy           | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Service Lease Polska SP ZOO                             | Poland          | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Service Lease Romania SRL                               | Romania         | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |
| Arval Service Lease SA  | Spain           | Full         | 2          | 100.0%       | 99.9% |                  | Full       | 100.0%       | 99.9%  |

| Name   | Country         | 30 June 2021 |   |            |              | 31 December 2020 |          |            |              |      |
|--|-----------------|--------------|---|------------|--------------|------------------|----------|------------|--------------|------|
|  |                 | Method       |   | Voting (%) | Interest (%) | Ref.             | Method   | Voting (%) | Interest (%) | Ref. |
| Arval Slovakia SRO                               | Slovakia        | Full         | 2 | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| Arval Trading                                    | France          | Full         | 2 | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| Arval UK Group Ltd                               | United Kingdom  | Full         | 2 | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| Arval UK Leasing Services Ltd                    | United Kingdom  | Full         | 2 | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| Arval UK Ltd                                     | United Kingdom  | Full         | 2 | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| Bantas Nakit AS                                  | Turkey          | Equity       | 1 | 33.3%      | 16.7%        |                  | Equity 1 | 33.3%      | 16.7%        |      |
| BGL BNP Paribas S.A. (Germany Branch)            | Germany         | Full         |   | 100.0%     | 50.0%        |                  | Full     | 100.0%     | 50.0%        |      |
| BNL Leasing SPA                                  | Italy           | Equity       |   | 26.2%      | 6.5%         |                  | Equity   | 26.2%      | 6.5%         |      |
| BNP Paribas 3 STEP IT                            | France          | Full         |   | 51.0%      | 12.8%        |                  | Full     | 51.0%      | 12.8%        |      |
| BNP Paribas 3 Step IT (Germany Branch)           | Germany         | Full         |   | 100.0%     | 12.8%        |                  | Full     | 100.0%     | 12.8%        |      |
| BNP Paribas 3 Step IT (Italy Branch)             | Italy           | Full         |   | 100.0%     | 12.8%        |                  | Full     | 100.0%     | 12.8%        |      |
| BNP Paribas 3 Step IT (Netherlands Branch)       | The Netherlands | Full         |   | 100.0%     | 12.8%        |                  | Full     | 100.0%     | 12.8%        |      |
| BNP Paribas3 Step It (United kingdom Branch)     | United Kingdom  | Full         |   | 100.0%     | 12.8%        |                  | Full     | 100.0%     | 12.8%        |      |
| BNP Paribas Commercial Finance Limited           | United Kingdom  | Full         |   | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNP Paribas Factor AS                            | Denmark         | Full         |   | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNP Paribas Factor GmbH                          | Germany         | Full         |   | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNP Paribas Finansal Kiralama A.S.               | Turkey          | Full         |   | 100.0%     | 26.1%        |                  | Full     | 100.0%     | 26.1%        |      |
| BNP Paribas Fortis (Spain branch)                | Spain           | Full         |   | 100.0%     | 100.0%       |                  | Full     | 100.0%     | 100.0%       |      |
| BNP Paribas Fortis (U.S.A branch)                | USA             | Full         |   | 100.0%     | 100.0%       |                  | Full     | 100.0%     | 100.0%       |      |
| BNP Paribas Fortis Yatirimlar Holding AS         | Turkey          | Full         |   | 100.0%     | 100.0%       |                  | Full     | 100.0%     | 100.0%       |      |
| BNP Paribas Lease Group                          | France          | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Leasing Solutions IFN S.A.           | Romania         | Full         |   | 99.9%      | 24.9%        |                  | Full     | 99.9%      | 24.9%        |      |
| BNP Paribas Lease Group Leasing Solutions S.P.A. | Italy           | Equity       |   | 26.2%      | 6.5%         |                  | Equity   | 26.2%      | 6.5%         |      |
| BNP Paribas Lease Group Milan Branch             | Italy           | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Lease Group PLC                      | United Kingdom  | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Lease Group Rentals Limited          | United Kingdom  |              |   |            |              | S1               | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Lease Group (Germany Branch)         | Germany         | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Lease Group Sa (Portugal Branch)     | Portugal        | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Lease Group Sa ( Spain Branch)       | Spain           | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Lease Group Sp. Z.O.O                | Poland          | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Leasing Solutions Ltd.               | United Kingdom  | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Leasing Solutions N.V.               | The Netherlands | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNP Paribas Leasing Solutions Suisse SA          | Switzerland     | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNPP Asset Management Holding                    | France          | Equity       |   | 33.3%      | 30.9%        |                  | Equity   | 33.3%      | 30.9%        |      |
| BNPP Bank Polska SA                              | Poland          | Equity       |   | 24.1%      | 24.1%        |                  | Equity   | 24.1%      | 24.1%        |      |
| BNPP Factor AB                                   | Sweden          | Full         |   | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNPP Factor NV                                   | The Netherlands | Full         |   | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNPP Factoring Support                           | The Netherlands | Full         |   | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNPP Fleet Holdings Ltd                          | United Kingdom  | Full         | 2 | 100.0%     | 99.9%        |                  | Full     | 100.0%     | 99.9%        |      |
| BNPP Lease Group GmbH & Co KG                    | Austria         |              |   |            |              | S4               | Full     | 100.0%     | 25.0%        |      |
| BNPP Leasing Solution AS                         | Norway          | Full         |   | 100.0%     | 25.0%        |                  | Full     | 100.0%     | 25.0%        |      |
| BNPP Leasing Solutions AB                        | Sweden          | Full         |   | 100.0%     | 25.0%        | E1               |          |            |              |      |

| Name   | Country         | 30 June 2021 |            |              |        | 31 December 2020 |            |              |       |
|--|-----------------|--------------|------------|--------------|--------|------------------|------------|--------------|-------|
|  |                 | Method       | Voting (%) | Interest (%) | Ref.   | Method           | Voting (%) | Interest (%) | Ref.  |
| BNPP Rental Solutions Ltd                              | United Kingdom  | Full         | 100.0%     | 25.0%        |        | Full             | 100.0%     | 25.0%        |       |
| BNPP Rental Solutions SPA                              | Italy           | Full         | 100.0%     | 25.0%        |        | Full             | 100.0%     | 25.0%        |       |
| Claas Financial Services                               | France          | Full         | 51.0%      | 12.8%        |        | Full             | 51.0%      | 12.8%        |       |
| Claas Financial Services (Germany Branch)              | Germany         | Full         | 100.0%     | 12.8%        |        | Full             | 100.0%     | 12.8%        |       |
| Claas Financial Services (Italy Branch)                | Italy           | Full         | 100.0%     | 12.8%        |        | Full             | 100.0%     | 12.8%        |       |
| Claas Financial Services Ltd                           | United Kingdom  | Full         | 51.0%      | 12.8%        |        | Full             | 51.0%      | 12.8%        |       |
| Claas Financial Services (Poland Branch)               | Poland          | Full         | 100.0%     | 12.8%        |        | Full             | 100.0%     | 12.8%        |       |
| Claas Financial Services (Spain Branch)                | Spain           | Full         | 100.0%     | 12.8%        |        | Full             | 100.0%     | 12.8%        |       |
| Cent ASL   | France          | Full         | 2          | 100.0%       | 100.0% | E2               |            |              |       |
| CNH Industrial Capital Europe Gmbh                     | Austria         | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| CNH Industrial Capital Europe                          | France          | Full         |            | 50.1%        | 12.5%  | Full             | 50.1%      | 12.5%        |       |
| CNH Industrial Capital Europe BV                       | The Netherlands | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| CNH Industrial Capital Europe (Italy Branch)           | Italy           | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| CNH Industrial Capital Europe Ltd                      | United Kingdom  | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| CNH Industrial Capital Europe (Poland Branch)          | Poland          | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| CNH Industrial Capital Europe (Germany Branch)         | Germany         | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| CNH Industrial Capital Europe (Spain Branch)           | Spain           | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| Cofiparc   | France          | Full         | 2          | 100.0%       | 99.9%  | Full             | 100.0%     | 99.9%        |       |
| Fortis Lease   | France          | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| Fortis Lease Deutschland Gmbh                          | Germany         | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| Fortis Lease Iberia SA                                 | Spain           | Full         |            | 100.0%       | 41.0%  | Full             | 100.0%     | 41.0%        |       |
| Fortis Lease Portugal                                  | Portugal        | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| Fortis Lease Uk Ltd                                    | United Kingdom  | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| Fortis Vastgoedlease B.V.                              | The Netherlands | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| Greenvall Insurance DAC                                | Ireland         | Full         | 2          | 100.0%       | 99.9%  | Full             | 2          | 100.0%       | 99.9% |
| Hefiq Heftruck Verhuur BV                              | The Netherlands | Full         |            | 50.1%        | 12.5%  | Full             | 50.1%      | 12.5%        | E2    |
| JCB Finance  | France          | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| JCB Finance Holdings Ltd                               | United Kingdom  | Full         |            | 50.1%        | 12.5%  | Full             | 50.1%      | 12.5%        |       |
| JCB Finance (Italy Branch)                             | Italy           | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| JCB Finance (Germany Branch)                           | Germany         | Full         |            | 100.0%       | 12.5%  | Full             | 100.0%     | 12.5%        |       |
| Louveo   | France          | Full         | 2          | 100.0%       | 99.9%  | Full             | 100.0%     | 99.9%        |       |
| Manitou Finance Ltd.                                   | United Kingdom  | Full         |            | 51.0%        | 12.8%  | Full             | 51.0%      | 12.8%        |       |
| MGF  | France          | Full         |            | 51.0%        | 12.8%  | Full             | 51.0%      | 12.8%        |       |
| MGF (Germany Branch)                                   | Germany         | Full         |            | 100.0%       | 12.8%  | Full             | 100.0%     | 12.8%        |       |
| MGF (Italy Branch)                                     | Italy           | Full         |            | 100.0%       | 12.8%  | Full             | 100.0%     | 12.8%        |       |
| Public Location Longue Durée                           | France          | Full         | 2          | 100.0%       | 99.9%  | Full             | 100.0%     | 99.9%        |       |
| RD Leasing IFN SA                                      | Romania         | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| Same Deutz Fahr Finance                                | France          | Full         |            | 100.0%       | 25.0%  | Full             | 100.0%     | 25.0%        |       |
| TEB Arval Arac Filo Kiralama A.S.                      | Turkey          | Full         | 2          | 100.0%       | 74.9%  | Full             | 100.0%     | 74.9%        |       |
| TEB ARF Teknoloji Anonim Sirketi                       | Turkey          | Full         |            | 100.0%       | 48.7%  | E2               |            |              |       |
| TEB Faktoring A.S.                                     | Turkey          | Full         |            | 100.0%       | 48.7%  | Full             | 100.0%     | 48.7%        |       |
| TEB Holding A.S.                                       | Turkey          | Full         |            | 50.0%        | 49.9%  | Full             | 50.0%      | 49.9%        |       |
| TEB Sh A   | Serbia          | Full         |            | 100.0%       | 49.9%  | Full             | 100.0%     | 49.9%        |       |
| TEB Yatirim Menkul Degerler A.S.                       | Turkey          | Full         |            | 100.0%       | 48.7%  | Full             | 100.0%     | 48.7%        |       |
| Turk Ekonomi Bankasi A.S.                              | Turkey          | Full         |            | 76.2%        | 48.7%  | Full             | 76.2%      | 48.7%        |       |
| <b>Rest of the World - Special Purpose Entities</b>    |                 |              |            |              |        |                  |            |              |       |
| Folea Grundstücksverwaltungs und Vermietungs Gmbh & Co | Germany         | Full         |            |              |        | Full             |            |              |       |

(a) At 30 June 2021 and 31 December 2020, 12 Private Equity investment entities.

**New entries (E) in the scope of consolidation**

E1 Passing qualifying thresholds

E2 Incorporation

E3 Purchase, gain of control or significant influence

**Removals (S) from the scope of consolidation**

S1 Cessation of activity (including dissolution, liquidation)

S2 Disposal, loss of control or loss of significant influence

S3 Entities removed from the scope because < qualifying thresholds

S4 Merger, Universal transfer of assets and liabilities

**Variance (V) in voting or ownership interest**

V1 Additional purchase

V2 Partial disposal

V3 Dilution

V4 Increase in %

**Miscellaneous**

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

**Prudential scope of consolidation**

1 Jointly controlled entities under proportional consolidation in the prudential scope.  
Entities consolidated under the equity method in the prudential scope.

2 Entities consolidated under the equity method in the prudential scope.

Full - Full consolidation

Equity - Equity Method

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

# **REPORT OF THE ACCREDITED STATUTORY AUDITOR**

# **BNP PARIBAS FORTIS SA/NV STATUTORY AUDITOR'S REPORT TO THE BOARD OF DIRECTORS ON THE REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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## **Introduction**

We have reviewed the accompanying Consolidated Interim Financial Statements of BNP Paribas Fortis SA/NV ("the Company"). The Consolidated Interim Financial Statements comprise the profit and loss account for the first half of 2021, the statement of net income and change in assets and liabilities recognised directly in equity, the balance sheet at 30 June 2021, the cash flow statement for the first half of 2021, the statement of changes in shareholders' equity between 1 January 2020 and 30 June 2021, and notes 1 to 6.

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

## **Scope of our review**

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

## **Conclusion**

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

Sint-Stevens-Woluwe, 2 September 2021

The Statutory Auditor

PwC Reviseurs d'Entreprises SRL / Bedrijfsrevisoren BV

represented by

Jeroen Bockaert

Reviseur d'Entreprises / Bedrijfsrevisor