BNP Paribas Fortis SA/NV
Financial Report
First half-year 2013

Introduction

This Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2013 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 2013.

The BNP Paribas Fortis Consolidated Interim Financial Statements for the first half-year of 2013, including the 2012 comparative figures, have been prepared at 30 June 2013 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 2012, 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 differences with previously reported figures may occur. Certain reclassifications have been made with regard to the prior year's Financial Statements in order to make them comparable for the year under review.

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

The Extraordinary General Meeting of Shareholders of 11 December 2012 decided to change the legal name of the company from Fortis Bank into BNP Paribas Fortis as from 1 January 2013. In all places where Fortis Bank is still mentioned it should therefore be read as BNP Paribas Fortis.

All information in the Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2013 relates to the BNP Paribas Fortis statutory consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: www.bnpparibas.com.

The Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2013 is available on the website: www.bnpparibasfortis.com

Content

Report of the Board of Directors

This section provides a summary of the evolutions in the first half-year of 2013 and elaborates on the following key developments:

- Economic context
- Results of the first half-year of 2013 and the balance sheet as at 30 June 2013
- Status of liquidity and solvency
- Principal risks and uncertainties

Economic context

The Belgian economy, as with the euro area as a whole, contracted in 2012, Gross Domestic Product (GDP) falling by 0.3%. The early part of 2013 was no better, with a 0.6% year-on-year decline in the first quarter.

The first half of 2013 continued to be difficult, with domestic demand hampered both by the adverse employment situation and by other factors of uncertainty, low capacity utilisation rate and the further fiscal austerity which is unavoidable if Belgium is to comply with the European Commission's recommendations. By the end of 2012, the budget deficit had reached 3.9%, with the European Commission recommending a reduction to 2.7 and 2% for this year and next year respectively. Some extra measures have been taken to achieve deficit reduction, via higher taxes and spending cuts. However, the debt ratio is expected to increase further, the evolution of the economic climate being a key factor.

On the markets, although the situation has not deteriorated further in the eurozone compared to the worst of the crisis in autumn 2012, the mood remains very nervous. Countries under financial assistance continue to struggle with their austerity programmes, which has tended to prevent any significant improvement in their economic prospects. Unemployment rates are at historic peaks in most of these countries, with youth unemployment a matter of particular concern. Long-term interest rates have declined compared to the peaks reached in 2012, but the overall feeling remains that they are too high in most of the countries in difficulty, preventing companies from obtaining access to credit and hurting public finances.

In the USA, economic indicators have been pointing upwards in the first half of 2013, triggering comments by the Federal Reserve Bank that were intended to open the way to a gradual end to 'free money'. This caused strongly negative reactions on bond markets, on stocks and also on emerging markets, which are already being depressed by the slowdown in the Chinese economy. However, the Federal Reserve Bank subsequently tempered its words in order to mitigate negative sentiment and the market situation has since stabilised. In the eurozone, the ECB has made comments to the same effect, helping to ease the tensions that arose towards the end of first half 2013. Monetary policy is therefore likely to stay very accommodating in the coming period.

On the banking sector front, in Belgium, lending to non-financial corporations continues to expand, though at a very slow pace (a less than 2% rate of increase since mid-2012), partly because appetite from the business sector is lacking, but also partly because many banks remain in deleveraging mode. Uncertainty about the future has once again led Belgian households to increase their savings rate, which reached a 3-year high in the first quarter of 2013, at 16.2% of disposable income, pushing deposits at the banks even higher.

Aside from the business cycle impact on traditional activities, Belgian banks, like other eurozone banks, continue to face many challenges, including adjusting to the new Basel III regulatory framework, with its stricter requirements for capital adequacy and liquidity. This implies a greater focus on domestic markets, i.e. essentially ensuring the financing of activities in the real economy.

Comments on the evolution of the results

BNP Paribas Fortis delivered a sound business performance during the first half year of 2013 in a challenging economic and financial environment. No significant exceptional elements appeared in the first half of 2013.

BNP Paribas Fortis realised a net profit attributable to shareholders of EUR 617 million in the first half year of 2013 compared to EUR 545 million in the first half of 2012. Operating income amounted to EUR 1,029 million, a strong increase by EUR 368 million or 56% compared to the first half of 2012 and resulting from significantly higher revenues partly offset by a higher cost of risk.

The positive result is driven by resilient commercial and financial revenues in most entities of BNP Paribas Fortis. The commercial revenues were supported by an increased commission income while net interest income was under pressure. The financial revenues were higher due to less negative own credit risk spread impact including a positive revaluation of own debt held at fair value, debt valuation adjustment and capital gains on sales of government bonds. Total expenses adjusted for scope changes were significantly lower thanks to good cost control in most geographies. The cost of risk level is higher than in 2012 that benefitted from releases of collective provision. Income from associates and non-operating income were higher thanks to increased contribution from BNP Paribas Investment Partners and AG Insurance and gains on disposals and liquidations. The income tax expenses in 2012 were positively impacted by the recognition of deferred tax assets on the liquidation losses of former participations.

The comparison between the first half year 2013 and the first half year 2012 results is impacted by the change from equity method to full consolidation of the leasing activities as from Q2 2012 onwards and of some factoring entities as from Q2 2013 onwards and by the entry into scope of the branches in Norway (in Q4 2012) and The Netherlands (in Q2 2013). These impacts are detailed in the paragraphs below.

From a geographical point of view, based on the location of the BNP Paribas Fortis entities, 61% of the revenues were generated in Belgium, 11% in Luxembourg and 28% in other countries.

Net interest income reached EUR 2,199 million in the first half year of 2013, down by EUR 31 million or 1% compared to the same period in 2012. Scope changes related to the leasing activities (full consolidation as of Q2 2012), to some factoring entities (full consolidation as of Q2 2013) and to branches in Norway and The Netherlands entering into scope, had a positive impact of EUR 166 million. The underlying decrease is driven by lower interest revenues in Belgium, Luxembourg and CIB outside Belgium partly counterbalanced by good performance in Turkey. The decrease in Belgium was mainly due to the renewal or re-investment at lower rates in the bond portfolio and lower revenues at Retail Banking due to pressure on the margin of liabilities. The interest margin in BGL BNP Paribas was negatively impacted by the sale of government bonds in 2012 and lower margins on commercial activities mainly at Wealth Management and CIB. Interest revenues at CIB branches (mainly UK, US, Spain and Portugal) were under pressure due to the rundown of portfolios. The increase of interest income in Turkey was mainly linked to volume growth, which more than offset the negative impact of the depreciation of Turkish lira against EUR.

Net commission income amounted to EUR 812 million in the first half year of 2013, up EUR 151 million or 23% compared to the same period in 2012. Scope changes related to leasing entities, some factoring entities and branches in The Netherlands and Norway had a positive impact of EUR 14 million. The increase in net commission income was supported by higher selling fees on off-balance products and higher management fees at Belgian Retail Banking and by the commissions earned on the transfer of Specialised Finance activities to CIB Belgium. Furthermore, net commission income increased in Luxembourg (thanks to higher trailer and performance fees and higher retrocession fees from BNP Paribas on CIB activity) and in Turkey (following growth in business and credit cards transactions).

Net results on financial instruments at fair value through profit or loss were at EUR 118 million, up by EUR 71 million compared to the same period in 2012. The change in fair value revaluation of own debt of EUR 134 million was offset by the negative fair value change of EUR (133) million on loans to public institutions. Furthermore, a positive debt valuation adjustment of EUR 29 million was booked in the first half of 2013 while in the first quarter of 2012 an indemnity of EUR (69) million was paid (following the unwinding of part of the subordinated debt Cashes).

Net results on available-for-sale financial assets amounted to EUR 146 million in the first half of 2013 compared to EUR (46) million in the same period in 2012. The positive result in 2013 was linked to sales of government bonds in Belgium (mainly

EUR 99 million on Belgian bonds and EUR 16 million on Polish bonds) and in Turkey (EUR 21 million on Turkish bonds). In 2012, the reduction of the exposure to sovereign risk led to losses on Portuguese government bonds (EUR (129) million), partly counterbalanced by gains on sale of other government bonds (i.e. EUR 65 million on German bonds, EUR 17 million on Belgian bonds, EUR 8 million on Austrian bonds, EUR 7 million on Canadian bonds).

Net income from other activities arrived at EUR 69 million in the first half year of 2013, up by EUR 61 million compared to the same period in 2012. This is mainly due to the scope change for leasing entities (full consolidation as of Q2 2012), next to the loss on disposal of investment property and impairments on investment property recorded by some leasing companies in run-down during the first half of 2012.

Operating expenses amounted to EUR (1,988) million in the first half of 2013, EUR 22 million or 1% higher than in the same period in 2012. This is mainly attributable to scope changes related to leasing entities, to some factoring entities and to branches in The Netherlands and Norway with an increasing impact of EUR (93) million. The underlying decrease in expenses is mainly driven by lower expenses in Belgium, Luxembourg and Poland, partly offset by higher expenses in other geographies (mainly Turkey). Cost evolution in Belgium was positively impacted by lower staff expenses (due to decrease in FTE's), lower IT-charges, lower banking taxes (EUR (68) million in H1 2013 compared to EUR (87) million in H1 2012), VAT recovery of EUR 14 million in 2013 and higher restructuring costs in 2012. Cost decrease in Luxembourg is linked to lower restructuring costs whereas the cost increase in Turkey is linked to growth initiatives (branches, ATM and staff).

Depreciation charges were at EUR (108) million in the first half of 2013, EUR 10 million lower versus prior year. The decrease is mainly explained by the write-off on intangible assets of EUR (6) million in H1 2012 at the branch in Portugal.

Cost of risk amounted to EUR (219) million in the first half year of 2013, EUR 64 million higher than in the first half of 2012. This is mainly attributable to lower net releases of collective provisions especially at CIB outside Belgium and at Belgian Retail banking. Specific provisions were at the same level of 2012 as higher specific provisions at CIB Branches (mainly Spain) and Turkey were counterbalanced by lower specific provisions at Belgian Retail banking.

Share of earnings of associates reached EUR 114 million in the first half year of 2013, reflecting an increase of EUR 22 million versus the same period in 2012. The change from equity method to full consolidation of the leasing entities in Q2 2012 and some factoring entities in Q2 2013 had a negative impact of EUR (11) million. BNP Paribas Investment Partners contributed EUR 50 million compared to EUR 38 million in H1 2012, partly thanks to the partial reversal of a disposal loss taken in 2012. AG insurance contributed EUR 34 million compared to EUR 17 million in H1 2012 that was impacted by impairments on Greek debt.

Net results on non-current assets came in at EUR 17 million in the first half of 2013 compared to EUR (28) million in the first half of 2012. The positive result in 2013 is impacted by the liquidation of Fortis Holding Malta (EUR 22 million) and the adjustment on the disposal result of the Portugal branch (EUR +7 million), partly counterbalanced by the adjustment on the disposal result of the UK branch (EUR (11) million). The negative result in 2012 was related to the anticipated loss on the sale of the Portugal branch (EUR (18) million), the losses on the liquidation of FB Holding Canada (EUR (8) million) and GI Finance (EUR (2) million) and a loss at BGL BNP Paribas on a receivable linked to the 2009 sale of Intertrust (EUR (5) million).

Income tax expenses in the first half of 2013 came in at EUR (341) million with an effective tax rate of 29%. Excluding the share of earnings of associates that is reported net of income taxes, the effective tax rate stands at 33%. Income taxes in the first half of 2012 amounted to EUR (87) million with an effective tax rate of 12%. The main reason of this low tax rate was the recognition of deferred tax assets (DTA) on the expected liquidation losses of FB Energy Trading of EUR 139 million. Excluding this DTA recognition and the share of earnings of associates that is reported net of income taxes, the effective tax rate stood at 36%.

Net income attributable to minority interests amounted to EUR (202) million in the first half year of 2013, EUR 109 million higher than in the same period in 2012 and mainly driven by the higher results at BGL BNP Paribas and in the Leasing entities (scope change: change from equity method to full consolidation as from Q2 2012 onwards).

Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis amounted to EUR 272 billion at the end of June 2013, at the same level as at the end of 2012. Scope changes related to the transfer of Specialised Finance activities, the first consolidation of the branch in The Netherlands and the change from equity method to full consolidation of some factoring entities, had an increasing impact of EUR 11 billion in total assets. Furthermore, repurchase agreement activities on both the assets and liabilities sides strongly increased while due to customers were supported by higher customer deposits. These increases were counterbalanced by a downward movement on the derivative instruments resulting from the compression of deals, lower balances at the central banks, lower available for sale financial assets and lower securities. Debt securities and subordinated liabilities decreased due to reimbursements.

From a geographical point of view and based on the location of the BNP Paribas Fortis companies, 72% of assets are located in Belgium, 9% in Luxembourg and 19% in other countries.

Assets

Cash and amounts due from central banks and post office banks amounted to EUR 9.2 billion, a decrease of EUR (1.8) billion compared to the end of 2012. The funding placed on the (overnight) deposit facility with the central bank decreased by EUR (5.5) billion in Belgium and by EUR (0.7) billion in Luxembourg. This was partly counterbalanced by an increase in the monetary reserves with the central bank in Belgium (EUR 1.7 billion) and by the scope impact of the branch in The Netherlands (EUR 2.3 billion).

Financial assets at fair value through profit or loss decreased by EUR (4.4) billion or 13 % to EUR 29 billion at the end of June 2013. The movement on the derivative instruments (from EUR 22.1 billion end 2012 to 12.6 billion end June 2013) had a reducing impact of EUR (9.5) billion, which, apart from the market evolutions, mainly resulted from the 'One window to the market' project. This project contained a novation phase, whereby external deals are replaced by back-to-back deals with BNP Paribas and a compression phase, whereby deals are early terminated and replaced by new deals with the same interest rate risk sensitivity, but other expected future cash flows and lower fair values. This was partly counterbalanced by an increase in the reverse repurchase agreements activities (EUR 4.5 billion) and by an increase in the trading securities (EUR 0.9 billion).

Available-for-sale financial assets amounted to EUR 33.9 billion at the end of June 2013, EUR (1.5) billion or 4% lower than at the end of 2012. This is attributable to the decline in the government bonds portfolio (EUR (1.6) billion), partly counterbalanced by an increase in the corporate bonds portfolio (EUR 0.3 billion). The movement in government bonds is mainly driven by sales and redemptions of Belgian bonds (EUR (0.8) billion), French bonds (EUR (0.5) billion) and Polish bonds (EUR (0.2) billion).

Loans and receivables due from credit institutions amounted to EUR 18.9 billion at the end of June 2013 compared to EUR 18.5 billion at the end of 2012. The slight increase can be explained by the reverse repurchase balances (EUR 0.3 billion) and by the scope impact of the branch in The Netherlands (EUR 0.2 billion).

Loans and receivables due from customers increased by EUR 10.1 billion or 6.9% to EUR 157.9 billion at the end of June 2013. This is mainly attributable to the scope change for Specialised Finance that contributed EUR 6.8 billion (of which 5.7 billion migrated loans), the first consolidation of the branch in The Netherlands (EUR 1.9 billion) and the change from equity method to full consolidation of some factoring entities (EUR 1.1 billion). Furthermore, reverse repurchase agreements increased by EUR 5.2 billion as excess funding was placed in the market via reverse repo instead of on the NBB deposit facility. Securities were EUR 4.9 billion lower mainly due to the Goldfish securities (calls and a sale in February and May 2013, EUR (3.9) billion) and other sales from the structured credit portfolio (EUR (0.5) billion). Excluding scope impacts and evolutions in reverse repo's and securities, loans were at the same level as at the end of 2012. Loan growth in Turkey in line with higher business activity was offset by a decline in loans at Leasing mainly in the non-core portfolio.

Accrued income and other assets decreased by EUR 1.3 billion or 13% to EUR 8.7 billion at the end of June 2013, mainly due to lower margin accounts on customers and banks (cash collateral).

Investments in associates amounted to EUR 3.3 billion at the end of June 2013, a slight decrease of EUR 0.2 billion or 7% compared to the end of 2012 and driven by AG Insurance.

Assets classified as held for sale decreased by EUR 1.3 billion to EUR 0.9 billion at the end of June 2013. This is linked to the classification of the Portugal and UK branches as 'Held for sale' in the frame of the restructuring of the branches within the BNP Paribas Group. The Portugal branch was transferred to BNP Paribas in May 2013.

Liabilities and equity

Financial liabilities at fair value through profit or loss increased by EUR 2.4 billion or 8 % to EUR 33.3 billion at the end of June 2013. Repurchase agreements increased by EUR 11.7 billion, partly offset by the reducing impact of EUR (8.8) billion of the movement on the derivative instruments (from EUR 18.3 billion end 2012 to 9.5 billion end June 2013), which, apart from the market evolutions, mainly resulted from the compression of deals.

Due to credit institutions amounted to EUR 19 billion at the end of June 2013, which is EUR 4.7 billion or 20% lower compared to the end of 2012. This is mainly linked to the repayment before maturity of the NBB tender (EUR (5.3) billion).

Due to customers arrived at EUR 156.3 billion at the end of June 2013, a significant increase of EUR 10 billion compared to the end of 2012. This is mainly attributable to the first consolidation of the branch in The Netherlands (EUR 5.3 billion) and the change from equity method to full consolidation of some factoring entities (EUR 0.2 billion). Excluding scope impacts and repurchase agreements (which only slightly increased by EUR 0.1 billion), deposits arrived at EUR 150.6 billion compared to EUR 146.2 billion at end 2012, an increase supported mainly by customer deposits in Belgium and Luxembourg (EUR 5.1 billion, mostly in saving accounts and current accounts).

Debt securities amounted to EUR 17.8 billion at the end of June 2013, a decrease by EUR 4.6 billion or 21% compared to the end of 2012 and mainly driven by reimbursements of certificates of deposits and limited issues of long term debt driven by a low appetite for long term saving investments from retail customers.

Accrued expenses and other liabilities decreased by EUR 1.0 billion or 12% to EUR 7.1 billion at the end of June 2013, mainly due to lower margin accounts (cash collateral).

Subordinated debt decreased by EUR 1.0 billion or 14% to EUR 6.5 billion at the end of June 2013, driven by the redemptions of subordinated certificates and subordinated borrowings (i.e. early reimbursement of a Tier 2 note of EUR 0.8 billion).

Liabilities classified as held for sale amounted to EUR 1.2 billion at the end of June 2013 compared to EUR 1.7 billion at the end of 2012. These liabilities represented the residual liabilities of the UK branch still to be transferred to BNP Paribas. The Portugal branch was transferred to BNP Paribas in May 2013.

Shareholders' equity amounted to EUR 18.3 billion at the end of June 2013 compared to EUR 18.7 billion at the end of 2012. The decrease of EUR 0.3 billion results from the dividends paid (EUR (256) million), the goodwill of Specialised Finance (EUR (269) million) and changes in assets and liabilities directly recognised in equity (EUR (447) million), partly counterbalanced by the positive impact of the result of the year (EUR 617 million).

Liquidity and solvency

BNP Paribas Fortis liquidity remained favorable with the regulatory stress test liquidity ratios exceeding expectations of the NBB. This favorable liquidity situation allows to absorb the impact of the acquired Specialised Finance lending activities.

The loan-to-deposit ratio (excluding repurchase and reverse repurchase agreements) improved slightly to 97.7% at 30 June 2013, compared to 100.9% at 31 December 2012.

BNP Paribas Fortis' solvency remained strong. At 30 June 2013, BNP Paribas Fortis' Tier 1 capital ratio stood at 14.8%, slightly lower than last year's level. The total capital ratio stood at 17.5% at the end of June 2013, well above the regulatory required minimum of 8%.

The Tier 1 capital ratio is 0.1% lower, while the total capital ratio decreased by 1 % which can mainly be explained by a decrease in Tier 2 capital of EUR (1.1) billion due to early reimbursement of one subordinated debt.

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 note 4, 'Risk Management and Capital Adequacy' of the BNP Paribas Fortis Consolidated Financial Statements 2012.

BNP Paribas Fortis is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business and following the restructuring of BNP Paribas Fortis and BNP Paribas Fortis Group at the end of September and beginning of October 2008, as further described in note 6.g 'Contingent assets and liabilities' of the BNP Paribas Fortis Interim Financial Statements for the first half year of 2013.

Events after the reporting period are further described in the note 6.i 'Events after the reporting period' of the BNP Paribas Fortis Interim Financial Statements for the first half year of 2013.

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 2013:

(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 2013 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

Brussels, 29 August 2013
The Board of Directors of BNP Paribas Fortis SA/NV

Composition of the Board of Directors

On 30 June 2013, the composition of the Board of Directors is as follows:

DAEMS Herman
Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

CHODRON de COURCEL Georges
Vice Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

JADOT Maxime
Executive Director; Chairman of the Executive Board since 01 March 2011; Member of the Board of Directors by cooption since 13 January 2011.
Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.

DIERCKX Filip
Executive Director; Vice Chairman of the Executive Board; Member of the Board of Directors since 28 October 1998.
Board Member mandate expires at the 2017 Ordinary Annual General Meeting of Shareholders.

MENNICKEN Thomas
Executive Director; Member of the Board of Directors and of the Executive Board since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

VANDEKERCKHOVE Peter
Executive Director; Member of the Board of Directors and of the Executive Board since 21 April 2011.
Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

REMY Dominique
Executive Director; Member of the Board of Directors and of the Executive Board by cooption since 30 August 2012.
Board Member mandate was confirmed on 11 December 2012 and expires at the 2016 Ordinary Annual General Meeting of Shareholders.

ABRAHAM Filip
Non-Executive Director proposed by SFPI/FPIM*; Member of the Board of Directors by cooption since 18 March 2013.
Board Member mandate was confirmed on 18 April 2013 and expires at the 2017 Ordinary Annual General Meeting of Shareholders.

BONNAFÉ Jean-Laurent
Non-Executive Director; Member of the Board of Directors since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

BOOGMANS Dirk
Independent Non-Executive Director; Member of the Board of Directors since 01 October 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

DECRAENE Stefaan
Non-Executive Director; Member of the Board of Directors since 18 April 2013.
Board Member mandate expires at the 2017 Ordinary Annual General Meeting of Shareholders.

DELWAIDE Henri
Non-Executive Director proposed by SFPI/FPIM*; Member of the Board of Directors since 11 December 2012.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

d'ASPREMONT LYNDEN Antoinette
Independent Non-Executive Director; Member of the Board of Directors since 19 April 2012.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

DUTORDOIR Sophie
Independent Non-Executive Director; Member of the Board of Directors by cooption since 30 November 2010.
Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

PAPIASSE Alain
Non-Executive Director; Member of the Board of Directors since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

VARÈNE Thierry
Non-Executive Director; Member of the Board of Directors since 14 May 2009.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

STÉPHENNE Jean
Non-Executive Director; Member of the Board of Directors since 26 April 2001.
Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

VILLEROY DE GALHAU François
Non-Executive Director; Member of the Board of Directors since 19 April 2012.
Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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

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

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 18 Directors, 13 of whom are Non-Executive Directors (three of these appointed as Independent Directors in compliance with the criteria laid down in Article 526ter of the Companies Code) and five are Executive Directors.

College of accredited Statutory Auditors:

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

BNP Paribas Fortis Consolidated Interim Financial Statements

Prepared in accordance with
IAS 34 'Interim Financial Reporting'
as adopted by the European Union

Profit and loss account for the first half year of 2013

In millions of euros	Note	First half of 2013	First half of 2012
Interest income	2.a	4,016	4,812
Interest expense	2.a	(1,817)	(2,582)
Commission income	2.b	1,142	971
Commission expense	2.b	(330)	(310)
Net gain/loss on financial instruments at fair value through profit or loss	2.c	118	47
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	2.d	146	(46)
Income from other activities	2.e	265	180
Expense on other activities	2.e	(196)	(172)
REVENUES		**3,344**	**2,900**
Operating expense		(1,988)	(1,966)
Depreciation, amortisa ion and impairment of property, plant and equipment and intangible assets		(108)	(118)
GROSS OPERATING INCOME		**1,248**	**816**
Cost of risk	2.f	(219)	(155)
OPERATING INCOME		**1,029**	**661**
Share of earnings of associates		114	92
Net gain/loss on non-current assets		17	(28)
Goodwill	5.i		
PRE-TAX INCOME		**1,160**	**725**
Corporate income tax	2.g	(341)	(87)
NET INCOME BEFORE DISCONTINUED OPERATIONS		**819**	**638**
Net result of discontinued operations	8.c		
NET INCOME		**819**	**638**
Net income attributable to minority interests		202	93
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**617**	**545**

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

In millions of euros	First half of 2013	First half of 2012
Net income for the period	**819**	**638**
Changes in assets and liabilities recognised directly in equity	**(498)**	**1,022**
Items that are or may be reclassified to profit or loss	**(510)**	**1,045**
- Items related to exchange rate movements	(115)	39
- Changes in fair value of available-for-sale financial assets	(21)	828
- Changes in fair value of available-for-sale assets reported in net income	(117)	(52)
- Deferred gains and losses on hedging instruments	(42)	37
- Changes in value of hedging instruments reported in net income		
- Items related to equity-accounted companies	(215)	193
Items that will not be reclassified to profit or loss	**12**	**(23)**
- remeasurement gains (losses) related to post-employment benefit plans	25	(23)
- Items related to equity-accounted companies	(13)	
TOTAL	**321**	**1,660**
Attributable to equity shareholders	172	1,514
Attributable to minority interests	149	146

Balance sheet at 30 June 2013

In millions of euros	Note	30 June 2013	31 December 2012
ASSETS			
Cash and amounts due from central banks and post office banks		9,220	11,040
Financial assets at fair value through profit or loss	5 a	29,113	33,479
Derivatives used for hedging purposes		1,102	1,365
Available-for-sale financial assets	5 b	33,944	35,482
Loans and receivables due from credit institutions	5 e	18,929	18,541
Loans and receivables due from customers	5.f	157,908	147,781
Remeasurement adjustment on interest-rate risk hedged portfolios		700	753
Held-to-maturity financial assets		1,270	1,485
Current and deferred tax assets	5 h	3,853	3,850
Accrued income and other assets	5 j	8,680	10,002
Investments in associates		3,313	3,561
Investment property		477	498
Property, plant and equipment		1,913	1,957
Intangible assets		126	109
Goodwill	5 i	331	347
Assets classified as held for sale	6 c	859	2,140
TOTAL ASSETS		**271,738**	**272,390**
LIABILITIES			
Due to central banks and post office banks		275	593
Financial liabilities at fair value through profit or loss	5 a	33,265	30,819
Derivatives used for hedging purposes		2,342	2,836
Due to credit institutions	5 e	19,099	23,763
Due to customers	5.f	156,291	146,245
Debt securities	5 g	17,803	22,404
Remeasurement adjustment on interest-rate risk hedged portfolios		281	561
Current and deferred tax liabilities	5 h	740	813
Accrued expenses and other liabilities	5 j	7,133	8,090
Provisions for contingencies and charges		4,137	4,093
Subordinated debt	5 g	6,518	7,536
Liabilities classified as held for sale	6 c	1,202	1,676
TOTAL LIABILITIES		**249,086**	**249,429**
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*9,605*	*9,605*
Retained earnings		*7,986*	*8,177*
Net income for the period attributable to shareholders		*617*	*313*
Total capital, retained earnings and net income for the period attributable to shareholders		**18,208**	**18,095**
Change in assets and liabilities recognised directly in equity		106	560
Shareholders' equity		**18,314**	**18,655**
Retained earnings and net income for the period attributable to minority interests		4,443	4,357
Change in assets and liabilities recognised directly in equity		(105)	(51)
Total minority interests		**4,338**	**4,306**
TOTAL CONSOLIDATED EQUITY		**22,652**	**22,961**
TOTAL LIABILITIES AND EQUITY		**271,738**	**272,390**

Statement of changes in shareholders' equity between 1 January 2012 and 30 June 2013

	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity			
In millions of euros	Share capital	Non distributed reserves	Total Capital and Retained Earnings	Exchange rate	Financial Assets Available for sale and reclassified as Loans and Receivables	Derivatives used for hedging purposes	Total Share-holders' Equity
Capital and retained earnings at 31 December 2011	**9,605**	**8,783**	**18,388**	**(257)**	**(1,951)**	**113**	**16,293**
Retrospective impact of IAS 19 revised at 31 December 2011		(311)	(311)				**(311)**
Other movements		(59)	(59)				**(59)**
Dividends		(208)	(208)				**(208)**
Changes in assets and liabilities recognised directly in equity		(22)	(22)	67	889	36	**970**
Net income for the first half year of 2012		545	545				**545**
Capital and retained earnings at 30 June 2012	**9,605**	**8,728**	**18,333**	**(190)**	**(1,062)**	**149**	**17,230**
Other movements		17	17				**17**
Dividends							
Changes in assets and liabilities recognised directly in equity		(24)	(24)	86	1,556	21	**1,639**
Net income for the second half year of 2012		(231)	(231)				**(231)**
Capital and retained earnings at 31 December 2012	**9,605**	**8,490**	**18,095**	**(104)**	**494**	**170**	**18,655**
Other movements		(257)	(257)				**(257)**
Dividends		(256)	(256)				**(256)**
Changes in assets and liabilities recognised directly in equity		9	9	(87)	(325)	(42)	**(445)**
Net income for 2013		617	617				**617**
Capital and retained earnings at 30 June 2013	**9,605**	**8,603**	**18,208**	**(191)**	**169**	**128**	**18,314**

The EUR (257) million in the line 'other movements' is mainly related to the business transfer of specialised finance from BNP Paribas Group to BNP Paribas Fortis which took place as from Q1 2013. As this transfer was accounted for by applying the 'predecessor basis of accounting method', the difference between the consideration paid and the carrying value of the transferred assets was presented as an adjusting item in equity, which amounted to EUR (269) million.

Further information can be found in the note 6.b. 'Business combinations' and note 1.c.4 'Business combinations and measurement of goodwill' in the summary of significant accounting policies.

Changes in assets and liabilities recognised directly in equity presented in the column 'non distributed reserve' are related to the remeasurement of the net defined benefit liability (asset) which are never recycled to the profit or loss account. Further information can be found in the note 1.i.4 Post-employement benefits in the accounting policies.

Minority Interests between 1 January 2012 and 30 June 2013

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity	Total Minority Interests
Capital and retained earnings at 31 December 2011	**3,124**	**(135)**	**2,989**
Retrospective impact of IAS 19 revised at 31 December 2011	(14)		(14)
Other movements	1,174		1,174
Dividends	(136)		(136)
Change in assets and liabilities recognised directly in equity		52	52
Net income for the first half year of 2012	94		94
Capital and retained earnings at 30 June 2012	**4,242**	**(83)**	**4,159**
Other movements	2		2
Dividends	(31)		(31)
Change in assets and liabilities recognised directly in equity		32	32
Net income for the second half year of 2012	144		144
Capital and retained earnings at 31 December 2012	**4,357**	**(51)**	**4,306**
Other movements	(9)		(9)
Dividends	(108)		(108)
Change in assets and liabilities recognised directly in equity	1	(54)	(53)
Net income for 2012	202		202
Capital and retained earnings at 31 June 2013	**4,443**	**(105)**	**4,338**

Changes in assets and liabilities recognised directly in equity presented under 'Capital and retained earnings' are related to the remeasurement of the net defined benefit liability (asset) which are never recycled to the profit or loss account. Further information can be found in the note 1.i.4 Post-employement benefits in the accounting policies.

Statement of cash flows for the first half year of 2013

In millions of euros	Note	First half of 2013	First half of 2012
Pre-tax net income of continuing activities		**1,160**	**720**
Pre-tax net income of discontinued activities			
Non-monetary items included in pre-tax net income and other adjustments of continuing activities		**57**	**689**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		148	172
Impairment of goodwill and other non-current assets		6	30
Net addition to provisions		310	(68)
Share of earnings of associates		(114)	(93)
Net income from investing activities		(23)	1
Net income from financing activities		(1)	
Other movements		(269)	647
Net increase (decrease) in cash related to assets and liabilities generated by continuing operating activities		**2,615**	**17,152**
Cash related to transactions with credit institutions		(4,022)	(2,392)
Cash related to transactions with customers		(1,240)	12,906
Cash related to transactions involving other financial assets and liabilities		8,109	6,726
Cash related to transactions involving non-financial assets and liabilities		(35)	1
Taxes paid		(197)	(89)
CASH AND EQUIVALENTS GENERATED BY CONTINUING OPERATING ACTIVITIES		**3,832**	**18,561**
CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES	6.c	**65**	**(4)**
Cash related to acquisitions and disposals of consolidated entities	6.b	(3,676)	184
Cash related to property, plant and equipment and intangible assets		(115)	(106)
CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES		**(3,791)**	**78**
CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES	6.c	**7**	
Cash and equivalents related to transactions with shareholders		(238)	(344)
Cash and equivalents generated by other financing activities		(1,892)	(5,890)
CASH AND EQUIVALENTS RELATED TO CONTINUING FINANCING ACTIVITIES		**(2,130)**	**(6,234)**
CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES	6.c	**(36)**	
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**(81)**	**101**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**(2)**	
Balance of cash and equivalent accounts of continuing activities at the start of the period		**10,358**	**1,667**
Cash and amounts due from central banks and post office banks		11,040	8,287
Due to central banks and post office banks		(593)	(41)
Demand deposits with credit institutions	5.e	2,355	1,969
Demand loans from credit institutions	5.e	(2,444)	(8,548)
Balance of cash and equivalent accounts of continuing activities at the end of the period		**8,163**	**14,173**
Cash and amounts due from central banks and post office banks		9,220	20,871
Due to central banks and post office banks		(275)	(282)
Demand deposits with credit institutions	5.e	2,204	1,671
Demand loans from credit institutions	5.e	(2,986)	(8,087)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**(2,195)**	**12,506**
Balance of cash and equivalent accounts of discontinued activities at the start of the period		68	4
Balance of cash and equivalent accounts of discontinued activities at the end of the period		127	
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**59**	**(4)**

Notes to the Consolidated Interim Financial Statements

Prepared in accordance with
IAS 34 'Interim Financial Reporting'
as adopted by the European Union

1 Summary of significant accounting policies applied by BNP Paribas Fortis

1.a Applicable Accounting Standards

The condensed Consolidated Interim Financial Statements of BNP Paribas Fortis for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. These condensed Consolidated Interim Financial Statements should be read in conjunction with the 2012 Consolidated Financial Statements of BNP Paribas Fortis, which have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union. Accordingly, certain provisions of IAS 39 'Financial Instruments : Recognition and Measurement' on hedge accounting have been excluded and certain recent texts have not yet undergone the approval process.

Except as described below, the accounting policies applied are consistent with those of the 2012 Consolidated Financial Statements of BNP Paribas Fortis.

In the Consolidated Interim Financial Statements at 30 June 2013, BNP Paribas Fortis applies the amendment to IFRS 7 'Financial Instruments: Disclosures' – offsetting of financial assets and financial liabilities, which was endorsed by the European Union on 29 December 2012. This amendment has no impact on the evaluation and the accounting of the transactions.

Since 1 January 2013, BNP Paribas Fortis applies IFRS 13 'Fair Value Measurement', which was endorsed by the European Union on 29 December 2012 and records now an adjustment to the model value of derivatives with respect to the own credit risk (note 5.d).

Since 1 January 2013, BNP Paribas Fortis applies the amendment to IAS 19 'Employee Benefits' adopted in June 2012 by the European Union: the retirement benefit obligations are recognised in the BNP Paribas Fortis balance sheet without adjustment of unrecognised actuarial gains or losses or other amortising items. This amendment is applied retrospectively, so the comparative figures on 1 January, 30 June and 31 December 2012 have been restated as presented in note 6.h.

The introduction of other standards, which are mandatory as of 1 January 2013, had no effect on the Consolidated Interim Financial Statements at 30 June 2013.

BNP Paribas Fortis did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union whose application in 2013 is optional.

On 29 December 2012, the European Union endorsed amendments to IAS 32 'Financial Instruments: Presentation – offsetting of financial assets and financial liabilities'; the standards IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and the amended standards IAS 28 'Investments in Associates and Joint Ventures' which become applicable at the latest as from the financial year starting 1 January 2014. BNP Paribas Fortis is currently analysing the potential impact of the application of these standards to the Consolidated Financial Statements.

1.b Segment Reporting

The organisation, operating model and governance structure of BNP Paribas Fortis changed significantly following the acquisition of a 75% share in BNP Paribas Fortis by BNP Paribas and the commencement of the integration project, as set out in the Industrial Plan. These changes also have a major impact on the way performance is assessed and resources of the segments are allocated and on the format and content of BNP Paribas Fortis' segment reporting.

We consider 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 operating segments based on geographical components, namely:

- BNP Paribas Fortis in Belgium
- BNP Paribas Fortis in Luxembourg
- Other countries

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, with the presence of significant minority shareholders, and in the context of the regulatory scope ('controlled perimeter') of BNP Paribas Fortis, operating segments based on geographical areas and regulatory environments 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 on normal commercial terms and conditions as would be available to unrelated third parties.

The basis of segmentation and the basis of measurement of segment profit or loss is unchanged compared to the BNP Paribas Fortis Consolidated Financial Statements 2012.

1.c Consolidation

1.c.1 Scope of consolidation

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

Subsidiaries are consolidated from the date on which BNP Paribas Fortis obtains effective control. Entities acquired with a view to their subsequent disposal are included in the consolidated financial statements until the date of disposal.

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

- the activities of the SPE are being conducted exclusively on behalf of BNP Paribas Fortis, such that BNP Paribas Fortis obtains benefits from those activities

- BNP Paribas Fortis has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws)

- BNP Paribas Fortis has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks inherent in the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings (calculated on an annual basis), to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation

- BNP Paribas Fortis retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if BNP Paribas Fortis remains exposed to the initial losses on a portfolio of assets held by the SPE.

1.c.2 Consolidation methods

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

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

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

Enterprises over which BNP Paribas Fortis exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist where BNP Paribas Fortis holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and BNP Paribas Fortis effectively exercises significant influence. This applies to companies developed in partnership with other groups, where BNP Paribas Fortis participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or management staff, and provides technical assistance to support the development of the enterprise.

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

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

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

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

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

1.c.3 Consolidation procedures

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

Elimination of intragroup balances and transactions

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

Translation of financial statements expressed in foreign currencies

The BNP Paribas Fortis Consolidated Interim Financial Statements are prepared in euros.

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

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

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

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

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

1.c.4 Business combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method.

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

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

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

Any contingent consideration is included in the consideration transferred at its acquisition-date fair value as soon as control is obtained. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

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

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while badwill is recognised immediately in profit or loss, on the acquisition date Minority interests are measured for their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, BNP Paribas Fortis can elect to measure the 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.

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

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

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

Measurement of goodwill

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

Cash-generating units

BNP Paribas Fortis has divided all its activities into cash-generating units[1], representing the reporting entities or groups of reporting entities of BNP Paribas Fortis. This split is consistent with the organisational structure and management methods of BNP Paribas Fortis, and reflects the independence of each reporting entity or group of reporting entities 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.

1 As defined by IAS 36.

Recoverable amount of a cash-generating unit

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

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

Value-in-use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by the Executive Committee and from analyses of changes in the relative positioning of the unit's activities on its 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 in question.

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 by the transferring entity at the date of the transfer. Consequently, no new goodwill (other than the existing goodwill relating to either of the combining entities) is recognised. Any difference between the consideration paid/transferred and the share in the net assets measured at the predecessor carrying amount is presented as an adjustment in equity. This predecessor basis of accounting for the business combinations under common control is applied prospectively from the date of the acquisition.

1.d Financial Assets and Financial Liabilities

1.d.1 Loans and receivables

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

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

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

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

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

1.d.2 Securities

Categories of securities

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

Financial assets at fair value through profit or loss

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

- financial assets held for trading purposes
- financial assets that BNP Paribas Fortis has designated, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.d.10 'Financial assets and liabilities designated at fair value through profit or loss (FVO)'.

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

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

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

Loans and receivables

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

Held-to-maturity financial assets

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

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

Available-for-sale financial assets

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

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

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

Repurchase agreements and securities lending/ borrowing

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

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

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

Date of recognition for securities transactions

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

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

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

1.d.3 Foreign currency transactions

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by 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[2] expressed in foreign currencies

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

Non-monetary assets and liabilities expressed in foreign currencies

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

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

1.d.4 Impairment and restructuring of financial assets

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

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after

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

inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by BNP Paribas Fortis, with the probability of drawdown taken into account in any assessment of financing commitments.

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

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

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

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

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

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

Impairment of available-for-sale financial assets

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

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

Apart from the identification criteria, BNP Paribas Fortis has determined three indications of impairment, namely: a significant decline in price, defined as a fall of more than 50% on the acquisition price; a prolonged decline over two consecutive years; or a decline of at least 30% on average over an observation period of one year. BNP Paribas Fortis believes that a period of two years is required for a moderate decline in price below the purchase cost to be regarded as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but rather as a lasting phenomenon which justifies an impairment.

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

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

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

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

Restructuring of assets classified in the 'Loans and receivables' category

The restructuring of an asset classified in loans and receivables is considered to be a troubled debt restructuring when the Bank, for economic or legal reasons related to the borrower's financial difficulties, agrees to a modification of terms of the original transaction that it would not otherwise consider, resulting in the borrower's contractual obligation to the Bank, measured at present value, being reduced compared with the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate.

The decrease in the asset value is recognised in profit and loss under 'Cost of risk'.

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in profit or loss under 'Cost of risk'.

1.d.5 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

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

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

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

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

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

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

1.d.6 Issues of debt securities

Financial instruments issued by BNP Paribas Fortis are qualified as debt instruments if, in issuing the instruments, BNP Paribas Fortis has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if BNP Paribas Fortis may be obliged 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.

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

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

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

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

Own equity instruments held by 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 the 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 initially against minority interests, with any surplus offset against retained earnings attributable to the shareholders of BNP Paribas Fortis. 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 interest in a fully consolidated subsidiary of BNP Paribas Fortis is recognised in the accounts of BNP Paribas Fortis as a change in shareholders' equity.

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

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

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

1.d.8 Derivative instruments and hedge accounting

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

Derivatives held for trading purposes

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

Derivatives and hedge accounting

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

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

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

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

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

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

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

- The hedging instruments used consist exclusively of 'plain vanilla' swaps

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

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

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

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

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

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

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

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

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

Embedded derivatives

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

1.d.9 Determination of fair value

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 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, interpolation techniques). They maximise the use of observable inputs and minimise 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 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 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 significant volume in identical or similar instruments 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 and which are regularly calibrated or corroborated with information from active markets.

- Level 3: fair values are determined using valuation techniques for which significant inputs are unobservable or which 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 are 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 are also a matter of judgment.

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

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

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

Financial assets or financial liabilities can be designated 'at fair value', with changes in fair value recognised in profit or loss, in the following cases:

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

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

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

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

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

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

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

1.d.12 Cost of risk

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

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

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 plus 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.

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

1.d.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, 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.

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

1.e Accounting Standards specific to Insurance Business

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

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

1.e.1 Assets

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

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

1.e.2 Liabilities

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

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

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

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

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

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

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

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

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

1.e.3 Profit and loss account

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

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

1.f Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise assets used in operations and investment property.

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

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

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

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

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

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

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

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. 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 under '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 under 'Net gain/loss on non-current assets'.

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

1.g Leases

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

1.g.1 Lessor accounting

Leases contracted by 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.

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

Operating leases

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

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

1.g.2 Lessee accounting

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

Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

Operating leases

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

1.h Non-Current Assets held for Sale and Discontinued Operations

Where BNP Paribas Fortis decides to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately in the balance sheet, on the line 'Non-current assets held for sale'. Any liabilities associated with these assets are also shown separately in the balance sheet, on the line 'Liabilities associated with non-current assets held for sale'.

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

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

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

All 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.i Employee Benefits

Employee benefits are classified in one of four categories:

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

1.i.1 Short-term benefits

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

1.i.2 Long-term benefits

These are benefits, other than 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 income statement and not in equity.

1.i.3 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 either as a result of 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.

1.i.4 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 on BNP Paribas Fortis and do not require a provision. The amount of employer's contributions payable during the period is recognised as an expense.

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

The net liability recognized 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 such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate.

Where the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for 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 is comprised of 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 other comprehensive income and are never reclassified to profit or loss. They include actuarial gains or losses, the return on the plan assets and any change in the effect of the asset ceiling (excluding amount included in net interest on the defined benefit liability – asset).

1.j Share-Based Payment

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

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

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

1.j.1 Stock option and share award plans

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

Stock option and share award expense are recorded in salaries and employee benefits, with the credit entry posted to shareholders' equity. They are calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.

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

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

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

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

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

1.k Provisions Recorded under Liabilities

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

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

1.l Current and Deferred Taxes

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

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

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

1.m Statement of Cash Flows

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

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the operations of BNP Paribas Fortis, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

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

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

1.n Use of Estimates in the preparation of the Financial Statements

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

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

This applies in particular to:

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

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

2 Notes to the profit and loss account for the first half year of 2013

2.a Net interest income

BNP Paribas Fortis includes under 'Interest income' and 'Interest expense' all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of a derivative instrument. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under 'Net gain/loss on financial instruments at fair value through profit or loss'.

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

	First half of 2013			First half of 2012		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Customer items	**3,014**	**(974)**	**2,040**	**3,120**	**(1,151)**	**1,969**
Deposits, loans and borrowings	2,650	(954)	1,696	2,885	(1,132)	1,753
Repurchase agreements	3		3	7	(7)	
Finance leases	361	(20)	341	228	(12)	216
Interbank items	**204**	**(273)**	**(69)**	**334**	**(343)**	**(9)**
Deposits, loans and borrowings	201	(264)	(63)	325	(292)	33
Repurchase agreements	3	(9)	(6)	9	(51)	(42)
Debt securities issued		**(276)**	**(276)**		**(411)**	**(411)**
Cash flow hedge instruments	**82**	**(56)**	**26**	**136**	**(96)**	**40**
Interest rate portfolio hedge instruments	**205**	**(131)**	**74**	**446**	**(452)**	**(6)**
Trading book	**85**	**(107)**	**(22)**	**142**	**(129)**	**13**
Fixed-income securities	34		34	39		39
Repurchase agreements	14	(8)	6	60	(32)	28
Loans / Borrowings	37	(65)	(28)	43	(85)	(42)
Debt securities		(34)	(34)		(12)	(12)
Available-for-sale financial assets	**397**		**397**	**579**		**579**
Held-to-maturity financial assets	**29**		**29**	**56**		**56**
TOTAL INTEREST INCOME / (EXPENSE)	**4,016**	**(1,817)**	**2,199**	**4,813**	**(2,582)**	**2,231**

2.b Commission income and expense

Net commission income and expense for the first half year of 2013 are specified in the table below:

In millions of euros	First half of 2013	First half of 2012
Guarantees, commitments and credit operations	176	119
Payment services	127	117
Securities and deriva ives operations	120	98
Asset management	220	194
Insurance	156	152
Intermediaries	(36)	(85)
Other	49	66
TOTAL NET COMMISSION INCOME AND EXPENSE	**812**	**661**

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

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

In millions of euros	First half of 2013	First half of 2012
Trading book	**89**	**214**
Debt instruments	85	116
Equity instruments	1	89
Other derivatives	2	2
Repurchase agreements	1	7
Financial instruments designated at fair value through profit and loss	**11**	**(210)**
Impact of hedge accounting	**11**	**(16)**
Hedging instruments	322	(325)
Items covered by fair value hedges	(311)	309
Remeasurement of currency positions	**7**	**59**
TOTAL	**118**	**47**

Net gains on the trading book in first half of 2013 and 2012 include a non-material amount related to the ineffective portion of cash flow hedges.

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

In millions of euros	First half of 2013	First half of 2012
Loans and receivables, fixed-income securities [1]	**151**	**(42)**
Equities and other variable-income securities	**(5)**	**(4)**
Dividend income	13	8
Additions to impairment provisions	(30)	(29)
Net disposal gains	12	17
TOTAL	**146**	**(46)**

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

Upon sale of the available-for-sale securities, or where there is objective evidence of impairment, the unrealised gains or losses on these securities previously recorded under 'Change in assets and liabilities recognised directly in shareholders' equity' are transferred to the profit and loss account. For the first half year of 2013, this amounted to a gain of EUR 178 million compared to EUR 78 million for the first half year of 2012.

2.e Net income from other activities

	First half of 2013			First half of 2012		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities						
Net income from investment property	34	(11)	23	30	(48)	(18)
Net income from assets held under operating leases	88	(63)	25	46	(34)	12
Net income from property development activities						
Other income and expense	143	(122)	21	104	(90)	14
TOTAL NET INCOME FROM OTHER ACTIVITIES	**265**	**(196)**	**69**	**180**	**(172)**	**8**

The increases in the lines 'Net income from assets held under operating leases' and 'Other income and expense' are related to the acquisition of BNP Paribas Leasing Solutions by BGL BNP Paribas which occurred in the second quarter of 2012.

2.f Cost of risk

Cost of risk represents the net amount of impairment losses recognised in respect of credit risks inherent in the banking intermediation activities, plus any increase in credit risk on over-the-counter derivatives with doubtful counterparties.

Cost of risk for the period

In millions of euros	First half of 2013	First half of 2012
Net additions to impairment provisions	(274)	(159)
Recoveries on loans and receivables previously written off	74	19
Irrecoverable loans and receivables not covered by impairment provisions	(19)	(15)
TOTAL COST OF RISK FOR THE PERIOD	**(219)**	**(155)**
of which losses on Greek sovereign debt		*(16)*

Cost of risk for the period by asset type

In millions of euros	First half of 2013	First half of 2012
Loans and receivables due from credit institutions		(10)
Loans and receivables due from customers	(203)	(134)
Available-for-sale financial assets	(3)	2
Held-to-maturity financial assets		(3)
Financial instruments on trading activi ies	18	(29)
Other assets		(1)
Off-balance sheet commitments and other items	(31)	20
TOTAL COST OF RISK FOR THE PERIOD	**(219)**	**(155)**

Impairment provisions by asset type

In millions of euros	30 June 2013	31 December 2012
Impairment of assets		
Loans and receivables due from credit institutions (Note 5.f)	249	246
Loans and receivables due from customers (Note 5.g)	3,560	3,592
Financial instruments on trading activities	54	79
Available-for-sale financial assets (Note 5.c)	39	37
Held-to-maturity financial assets (Note 5.i)		
O her assets	7	7
TOTAL IMPAIRMENT PROVISIONS AGAINST FINANCIAL ASSETS	**3,909**	**3,961**
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
- to credit institutions	5	2
- to customers	123	107
O her items subject to provisions	79	18
TOTAL PROVISIONS RECOGNISED AS LIABILITIES	**207**	**127**
TOTAL IMPAIRMENT PROVISIONS	**4,116**	**4,088**

2.g Corporate income tax

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

	First half of 2013		First half of 2012	
	In millions of euros	In %	In millions of euros	In %
Corporate income at standard tax rate expense in Belgium	**(356)**	**33.99%**	**(213)**	**33.99%**
Differential effect in tax rates applicable to foreign entities	38	(3.5%)	24	(3.90%)
Effect of dividends and asset disposals taxed at reduced rate	11	(1.0%)	6	(0.98%)
Tax effect linked to capitalisation of tax loss carryforward and prior temporary differences		- %	134	(21.79%)
Tax effect of using tax losses not capitalised	3	(0.3%)	16	(2.60%)
Other items	(37)	3.4%	(54)	8.45%
Corporate income tax expense	**(341)**	**32.6%**	**(87)**	**13.18%**
Of which				
Current tax expense	*(233)*		*(113)*	
Deferred tax expense	*(108)*		*26*	

3 Segment information

It is considered 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 operating segments based on geographical components, being:

- BNP Paribas Fortis in Belgium
- BNP Paribas Fortis in Luxembourg
- BNP Paribas Fortis in other countries

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

The Board of Directors of BNP Paribas Fortis is, within the meaning of IFRS 8, Operating Segments, deemed to be the CODM, 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.

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

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

However, BNP Paribas Fortis group and the legal entities that are part of this group continue to exercise management control over the full legal and regulatory scope (the 'controlled perimeter'), including the setting up of appropriate governance structures and control processes.

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

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

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

The profit and loss account and the assets and liabilities of each segment are drawn up in conformity with the accounting policies adopted for preparing and presenting the BNP Paribas Fortis Consolidated Financial Statements, as this is the approach used for reporting to the chief operating decision maker.

3.a Operating segments

BNP Paribas Fortis 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 3.7 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through an extensive network of more than 900 branches, plus other channels such as ATMs, online banking facilities (including mobile banking) and phone 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 & Public Banking, Belgium (CPBB) provides, a comprehensive range of local and international financial services to Belgian enterprises, public entities and local authorities. The offering includes domestic banking products, specialist financial skills, and securities, insurance and real estate services. Skills include specialist trade services, cash management, factoring and leasing, as well as M&A and capital markets activities. A central team of corporate bankers, relationship managers and skills officers ensures that BNP Paribas Fortis stays close to the market. This team, combined with the European network of business centres managed within Corporate & Investment Banking, enables the Bank to offer unified commercial services to its Belgian clients locally and abroad.

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

BNP Paribas Fortis 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 not only for individuals but also 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.

BNP Paribas Fortis in other countries

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

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

BNP Paribas Fortis operates in Turkey via Turk Ekonomi Bankasi (TEB), in which it has a 44.58% stake. Retail Banking product 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.

Branches of BNP Paribas Fortis SA/NV located outside Belgium are also reported under this segment.

3.b Information by operating segment

Income by operating segment

In millions of euros	First half of 2013				First half of 2012			
	BNP Paribas Fortis in Belgium	BNP Paribas Fortis in Luxembourg	BNP Paribas Fortis in other Countries	Total	BNP Paribas Fortis in Belgium	BNP Paribas Fortis in Luxembourg	BNP Paribas Fortis in other Countries	Total
Revenues	**2,042**	**353**	**949**	**3,344**	**1,931**	**276**	**694**	**2,901**
Operating expense	(1,405)	(189)	(502)	(2,096)	(1,465)	(205)	(420)	(2,090)
Cost of risk	(105)	5	(119)	(219)	(148)	4	(11)	(155)
Operating Income	**532**	**169**	**328**	**1,029**	**318**	**75**	**263**	**656**
Non Operating items	66	17	48	131	27	11	26	64
Pre-tax income	**598**	**186**	**376**	**1,160**	**345**	**86**	**289**	**720**

Assets and liabilities by operating segment

In millions of euros	30 June 2013				31 December 2012			
	BNP Paribas Fortis in Belgium	BNP Paribas Fortis in Luxembourg	BNP Paribas Fortis in other Countries	Total	BNP Paribas Fortis in Belgium	BNP Paribas Fortis in Luxembourg	BNP Paribas Fortis in other Countries	Total
Assets	**196,529**	**24,234**	**50,975**	**271,738**	**201,123**	**24,104**	**47,027**	**272,254**
of which goodwill on acquisitions during the period						*146*		*146*
of which investments in associates and Joint ventures	*2,456*	*252*	*605*	*3,313*	*2,719*	*262*	*580*	*3,561*
Liabilities	**184,685**	**19,477**	**44,924**	**249,086**	**188,437**	**19,459**	**41,032**	**248,928**

4 Supervision and solvency

Framework

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

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

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

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

Breakdown of regulatory capital

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

The table below details the composition of the regulatory capital of BNP Paribas Fortis:

In millions of euros	30 June 2013	31 December 2012
Shareholders' equity (prudential)	**19,656**	**19,974**
Share Capital, retained earnings and similar	18,208	18,095
Regulatory deductions on share capital and retained earnings	(373)	(331)
Super subordinated notes and similar securities	1,821	2,210
Minority interests before appropriation of income	**4,242**	**4,125**
Retained earnings and net income for the period attributable to MI	4,443	4,357
Regulatory deductions on minority interests	(201)	(232)
Regulatory deductions and other items	**(5,390)**	**(5,561)**
Intangible assets deduc ions	(457)	(456)
of which goodwill	*(331)*	*(347)*
Other regulatory items	(4,933)	(5,105)
of which deduction from Tier 1 capital at 50%	*(1,946)*	*(2,060)*
TIER 1 CAPITAL	**18,508**	**18,538**
TIER 2 CAPITAL	**5,479**	**6,570**
of which positive difference between provisions and expected losses over 1 year	*343*	*331*
Tier 2 regulatory deductions	**(2,020)**	**(2,136)**
REGULATORY CAPITAL	**21,967**	**22,972**

The comparative figures of 31 December 2012 have been restated in accordance with the amendment to IAS 19 'Employee Benefits'. Further details can be found in the note 6h 'Restatement due to amendments to IAS 19 Employee Benefits'.

The table below shows the key capital indicators:

In millions of euros	30 June 2013	31 December 2012
Tier 1 capital	18,508	18,538
Total capital	21,967	22,972
Risk weighted commitments		
Credit risk	114,115	112,830
Market risk	2,263	2,198
Operational risk	8,802	9,048
TOTAL RISK WEIGHTED COMMITMENTS	**125,180**	**124,076**
Tier 1 ratio	14.8%	14.9%
Total capital ratio	17.5%	18.5%

Internal Capital Adequacy Assessment Process (ICAAP)

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

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

5 Notes to the balance sheet at 30 June 2013

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

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

Financial Assets

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

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

Financial Liabilities

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

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

	30 June 2013			31 December 2012		
In millions of euros	Trading book	Assets designated at fair value through profit or loss	TOTAL	Trading book	Assets designated at fair value through profit or loss	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS						
Securities portfolio	**3,109**	**692**	**3,801**	**2,185**	**662**	**2,847**
Treasury bills and government bonds	1,245		1,245	1,228		1,228
Other fixed-income securities	1,549	10	1,559	765	9	774
Equities and other variable-income securities	315	682	997	192	653	845
Loans and repurchase agreements	**10,948**	**1,722**	**12,670**	**6,657**	**1,906**	**8,563**
Loans	19	1,722	1,741	208	1,906	2,114
Repurchase agreements	10,929		10,929	6,449		6,449
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**14,057**	**2,414**	**16,471**	**8,842**	**2,568**	**11,410**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Securities portfolio	**358**		**358**	**335**		**335**
Borrowings and repurchase agreements	**16,599**	**516**	**17,115**	**4,899**	**551**	**5,450**
Borrowings		516	516	31	551	582
Repurchase agreements	16,599		16,599	4,868		4,868
Debt securities		**4,371**	**4,371**		**4,425**	**4,425**
Subordinated debt		**1,923**	**1,923**		**2,306**	**2,306**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**16,957**	**6,810**	**23,767**	**5,234**	**7,282**	**12,516**

The decrease in the line 'Subordinated debt' is related to the call of Nitsh II loan (nominal amount EUR 375 million) that occurred in the beginning of June 2013.

Derivative Financial Instruments held for Trading

The majority of derivative financial instruments held for trading are related to transactions initiated for trading purposes. BNP Paribas Fortis actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps and structured transactions with exotic pay-offs. The net position is in all cases subject to limits.

Trading book derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which BNP Paribas Fortis has not documented a hedging relationship and as a consequence are classified as assets or liabilities held at fair value through profit or loss. These derivatives do not qualify for hedge accounting under IFRS. The positive or negative fair value of derivative instruments classified in the trading book represents the replacement value of these instruments. This value may fluctuate significantly in response to changes in market parameters such as interest rates or exchange rates.

	30 June 2013		31 December 2012	
In millions of euros	Positive market value	Negative market value	Positive market value	Negative market value
Currency derivatives	601	526	743	742
Interest rate derivatives	11,671	8,768	20,872	17,265
Equity derivatives	357	192	354	231
Credit derivatives	8	11	55	22
Other derivatives	5	1	45	43
Trading book derivatives	**12,642**	**9,498**	**22,069**	**18,303**

5.b Available-for-sale financial assets

	30 June 2013			31 December 2012		
In millions of euros	Net	of which provisions for impairments recognised in the profit and loss account	of which changes in value recognized directly in equity	Net	of which provisions for impairments recognised in the profit and loss account	of which changes in value recognized directly in equity
Fixed-income securities	**33,122**	**(39)**	**344**	**34,440**	**(37)**	**649**
Treasury bills and Government bonds	25,187		348	26,810		711
Other fixed-income securities	7,935	(39)	(5)	7,630	(37)	(62)
Variable-income securities	**822**	**(485)**	**129**	**1,042**	**(473)**	**123**
Listed securities	31	(15)	5	34	(18)	8
Unlisted securities	791	(470)	124	1,008	(455)	115
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**33,944**	**(524)**	**473**	**35,482**	**(510)**	**772**

Changes in value recognised directly in equity are as follows:

In millions of euros	30 June 2013 Fixed-income securities	30 June 2013 Equity and other variable-income securities	30 June 2013 Total	31 December 2012 Fixed-income securities	31 December 2012 Equity and other variable-income securities	31 December 2012 Total
Changes in value of securities recognised in 'available-for-sale financial assets'	**344**	**129**	**473**	**649**	**123**	**772**
Deferred tax linked to these changes in value	67	(4)	63	(7)	(4)	(11)
Group share of changes in value of available-for-sale securities owned by associates, after deferred tax and insurance policyholders' surplus reserve	221	27	248	418	30	448
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(596)		(596)	(683)		(683)
Other variations	3		3	4		4
Changes in value of assets and liabilities taken directly to equity under the heading 'Financial assets available for sale and reclassified loans and receivables'	**39**	**152**	**191**	**381**	**149**	**530**
Attributable to equity shareholders	24	145	169	353	141	494
Attributable to minority interests	15	7	22	28	8	36

5.c Financial instruments reclassified as loans and receivables

BNP Paribas Fortis has opted to transfer certain financial assets from 'available-for-sale investments', 'financial assets held for trading' and 'other assets' to 'loans and receivables'. The reclassification of these financial assets reflects the change in the intent and ability of BNP Paribas Fortis to hold them in the foreseeable future.

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

Financial assets that have been reclassified as loans and receivables relate, to a significant extent, on the one hand to the structured credit instruments (see note 6.e 'Structured Credit Instruments') and on the other hand to part of the sovereign bond portfolio relating to Greece, Ireland and Portugal (see note 6.f 'Exposure to sovereign risk').

5.d Measurement of the fair value of financial instruments

Valuation process

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

Economic value is composed of mid-market value and additional 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 for 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.

Additional valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that could be incurred upon transacting in the principal market. These valuation adjustments are added to the mid-market value in order to obtain the economic value. Funding assumptions are an integral part of the mid-market valuation through the use of the appropriate discount rate. This notably takes into account the existence and terms of any collateral agreement and the effective funding conditions of the instrument.

Fair value generally equals the economic value, subject to limited additional adjustments, such as own credit adjustments, which are specifically required by IFRS standards.

The main valuation adjustments are presented in the section below.

Additional Valuation adjustments

Additional 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 of a price taker and symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price.

BNP Paribas Fortis assumes that the best estimate of an exit price is the bid or offer price, unless there is evidence that another point in the bid/offer range would provide a more representative exit price.

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

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

Credit valuation adjustment (CVA): the CVA adjustment applies to valuations and market quotations whereby the creditworthiness 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 observation of CVA remains judgemental due to i) the absence or lack of price discovery on 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 used for regulatory purposes. The model attempts to estimate the cost of an optimal risk management strategy based on i) the implicit incentives and constraints inherent in the regulations in force and their evolution, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes.

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

Thus, the carrying value of liabilities designated as at fair value though profit or loss has decreased by EUR (12) million as at 30 June 2013, compared with a reduction in value of EUR (75) million as at 31 December 2012, i.e. a EUR (63) million variance recognised in net gains/loss on financial instruments at fair value through profit or loss (note 2.c)

Similarly, the fair value of derivative instruments on the liabilities side of the balance sheet is reduced by EUR (29) million as at 30 June 2013, and this adjustment is recognised in the same profit or loss line item.

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, 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 on the nature of the instruments.

For derivatives, fair values are broken down by dominant risk factor, namely interest rates, foreign exchange, credit and equity. Derivatives used for hedging purposes are mainly interest rate derivatives.

30 June 2013												
	Trading book				Instruments designated at faire value through profit or loss				Available for sale assets			
In millions of euros	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Securities portfolio	**2,929**	**180**		**3,109**	**127**	**84**	**481**	**692**	**25,934**	**7,222**	**788**	**33,944**
Treasury bills and government bonds	1,107	138		1,245					21,479	3,708		25,187
Asset Backed Securities (ABS)		26		26								
CDO / CLO		*1*		*1*								
Other Asset Backed Securit es		25		*25*								
Other fixed-income securities	1,507	16		1,523		10		10	4,424	3,511		7,935
Equities and other variable-income securities	315			315	127	74	481	682	31	3	788	822
Loans and repruchase agreements		**10,633**	**315**	**10,948**		**1,722**		**1,722**				
Loans		19		19		1,722		1,722				
Repurchase agreements		10,614	315	10,929								
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2,929**	**10,813**	**315**	**14,057**	**127**	**1,806**	**481**	**2,414**	**25,934**	**7,222**	**788**	**33,944**
Securities portfolio	**338**	**20**		**358**								
Treasury bills and government bonds												
Other fixed-income securities	338	5		343								
Equities and other variable-income securities		15		15								
Borrowings and repurchase agreements		**16,280**	**319**	**16,599**		**516**		**516**				
Borrowings						516		516				
Repurchase agreements		16,280	319	16,599								
Debt securities (note 5.g)					**82**	**4,236**	**53**	**4,371**				
Subordinated debt (note 5.g)					**691**	**1,232**		**1,923**				
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**338**	**16,300**	**319**	**16,957**	**773**	**5,984**	**53**	**6,810**				

31 December 2012												
	Trading book				Instruments designated at faire value through profit or loss				Available for sale assets			
In millions of euros	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Securities portfolio	**1,452**	**733**		**2,185**	**106**	**82**	**474**	**662**	**27,571**	**6,905**	**1,006**	**35,482**
Treasury bills and government bonds	637	591		1,228					22,831	3,979		26,810
Asset Backed Securities (ABS)		2		2								
CDO / CLO												
Other Asset Backed Securit es		*2*		*2*								
Other fixed-income securities	623	140		763		9		9	4,707	2,923		7,630
Equities and other variable-income securities	192			192	106	73	474	653	33	3	1,006	1,042
Loans and repruchase agreements		**6,657**		**6,657**		**1,906**		**1,906**				
Loans		208		208		1,906		1,906				
Repurchase agreements		6,449		6,449								
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,452**	**7,390**		**8,842**	**106**	**1,988**	**474**	**2,568**	**27,571**	**6,905**	**1,006**	**35,482**
Short selling of borrowed securities	**218**	**117**		**335**								
Treasury bills and government bonds												
Other fixed-income securities	218	112		330								
Equities and other variable-income securities		5		5								
Borrowings and repurchase agreements		**4,899**		**4,899**		**551**		**551**				
Borrowings		31		31		551		551				
Repurchase agreements		4,868		4,868								
Debt securities (note 5.g)					**170**	**4,237**	**18**	**4,425**				
Subordinated debt (note 5.g)					**658**	**1,648**		**2,306**				
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**218**	**5,016**		**5,234**	**828**	**6,436**	**18**	**7,282**				

In millions of euros	30 June 2013							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Interest rate derivatives		11,368	303	11,671		8,577	191	8,768
Currency derivatives		601		601		526		526
Credit derivatives		8		8		11		11
Equity derivatives		357		357		192		192
Other derivatives		5		5		1		1
Derivatives financial instruments (excl. hedging derivatives)		**12,339**	**303**	**12,642**		**9,307**	**191**	**9,498**
Derivatives financial instruments, Hedging derivatives		**1,102**		**1,102**		**2,342**		**2,342**

In millions of euros	31 December 2012							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Interest rate derivatives		20,467	405	20,872		17,025	240	17,265
Currency derivatives		743		743		742		742
Credit derivatives		55		55		22		22
Equity derivatives		354		354		231		231
Other derivatives		45		45		43		43
Derivatives financial instruments (excl. hedging derivatives)		**21,664**	**405**	**22,069**		**18,063**	**240**	**18,303**
Derivatives financial instruments, Hedging derivatives		**1,365**		**1,365**		**2,836**		**2,836**

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 end of the reporting period.

During the first half of 2013, transfers between Level 1 and Level 2 were not significant.

Description of 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 in 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, ...) and participations in funds, for which the net asset value is calculated on a daily basis.

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, participations in funds 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; and the classification is primarily based on the observability and liquidity of the repo market for each type of collateral.

Debts issued designated at fair value through profit and loss, attract the same level that the embedded derivative would take in isolation. Own credit spread is an observable input.

Derivatives: the Level 2 derivatives are composed of the following instruments:

- Vanilla instruments such as interest rates swaps, caps/floors and swaptions, credit default swaps, foreign exchange (FX) forwards and options.

- Structured derivatives such as exotic FX and interest rate options.

Derivatives are classified in the Level 2 category 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 complex or proprietary valuation techniques but is directly evidenced through regularly back-testing using external market-based data.

The determination of whether an over-the-counter (OTC) derivative is eligible to 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, such that the classification by level remains consistent with the valuation adjustment policy.

Level 3:

This level comprises unlisted securities, repurchase agreements and interest rate derivatives.

Unlisted private equities are classified as Level 3.

Repurchase agreements: mainly long term or structured repurchase agreements. 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 the available data such as the implied basis of 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 to the modelling choices and amount of data available.

Interest rate 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 emerging interest rates markets. The valuation technique is standard, and uses external market information and extrapolations techniques. Valuation adjustments for liquidity are taken for main yield and spread positions and specialised by currency and index.

- Vanilla derivatives (like interest rate swaps, currency rate swaps, ...) are subject to additional valuation adjustments linked to uncertainty on liquidity, specialised by nature of underlying and liquidity bands.

- Complex derivatives classified in Level 3 comprise inflation derivatives and volatility swaps.

  Volatility swaps involve material model risk as it is difficult to infer volatility information from the market-traded instruments. The valuation adjustment framework is calibrated to the uncertainty inherent to 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, the products are classified as Level 3 due to the lack of liquidity and some uncertainties inherent in the calibration.

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

For the products discussed above, the following table provides the range of values of main unobservable inputs. The ranges displayed correspond to a variety of different underlying 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.

Risk classes	Balance Sheet valuation Assets	Liability	Main product types composing the Level 3 stock within the risk class	Valuation technique used for the product types considered	Main unobservable inputs for the product types considered	Range of unobservable input across Level 3 population considered	Weighted average
Repurchase agreements	315	319	Long-term repo and reverse-repo agreements	Proxy techniques, based amongst other on the funding basis of a benchmark bond pool, that is actively traded and representative of the repo underlying	Long-term repo spread on corporate bonds (High Yield, High Grade) and on ABSs	13bp-83bp	67bp (a)
Interest rate derivatives	303	191	Floors and caps on inflation rate or on the cumulative inflation (such as redemption floors), predominantly on European inflation	Inflation pricing model	Volatility of cumulative inflation	1%-11%	
					Volatility of the year on year inflation rate	0.3%-2.3%	(b)
			Forward Volatility products such as volatility swaps mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.3%-0.8%	(b)

(a) *Weights based on relevant risk axis at portfolio level*

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

Movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 31 December 2012 and 30 June 2013:

	Financial Assets				Financial Liabilities		
In millions of euros	**Financial instruments at fair value through profit or loss held for trading**	**Financial instruments designated as at fair value through profit or loss**	**Available-for-sale financial assets**	**TOTAL**	**Financial instruments at fair value through profit or loss held for trading**	**Financial instruments designated as at fair value through profit or loss**	**TOTAL**
Situation on 31 December 2012	**405**	**474**	**1,006**	**1,885**	**240**	**18**	**258**
- purchases	453		7	460			
- issues					382		382
- sales			(247)	(247)			
- settlements						6	6
Reclassifications							
Transfers to level 3	42		80	122	5	28	33
Transfers from level 3			(33)	(33)			
Gains or (losses) recognised in income	(282)	7	(28)	(303)	(117)	1	(116)
Changes in fair value of assets and liabilities recognised directly in equity							
- exchange rate movements			(2)	(2)			
- changes in assets and liabilities recognised in equity			5	5			
Other							
Situation on 30 June 2013	**618**	**481**	**788**	**1,887**	**510**	**53**	**563**

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

The Level 3 financial instruments may be hedged by other Level 1 and Level 2 instruments, the gains and losses on 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 likely 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 judgements 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 are predominantly derived 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 the sensitivities, BNP Paribas Fortis either re-valued the financial instruments using reasonably possible inputs, or applied assumptions based on the additional valuation adjustment policy.

For derivative exposures, the sensitivity measurement is based on the additional credit valuation and the parameter and model uncertainty additional adjustments related to Level 3.

Two scenarios were considered: a favourable scenario where all or portion of the additional valuation adjustment is not considered by market participants and an unfavourable scenario where market participants would require as much as twice the additional valuation adjustments considered by BNP Paribas Fortis for entering into a transaction.

In millions of euros	**30 June 2013**	
	Potential impact on income	**Potential impact on equity**
Treasury bills and government bonds		
Asset Backed Securities (ABS)		
CDO / CLO		
Other Asset Backed Securities		
Other fixed-income securities		
Equities and other variable-income securities		+/-8
Loans		
Repurchase agreements		
Derivative financial instruments	+/-174	
Interest rate derivatives	*+/-174*	
Credit derivatives		
Equity derivatives		
Other derivatives		
Sensitivity of Level 3 financial instruments	**+/-174**	**+/-8**

Deferred margin on financial instruments measured using techniques developed internally and based on partly non-observable inputs in active markets

Deferred margin on financial instruments ('Day One Profit') only concerns the scope of market activities eligible for Level 3.

The day one profit is calculated after setting aside reserves for uncertainties as described previously and taken back to profit or loss over the expected period for which the inputs will be non-observable.

The unamortised amount is included under 'Financial instruments held for trading purposes at fair value through profit or loss' as a reduction in the fair value of the relevant complex transactions.

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

5.e Interbank and money-market items

Loans and receivables due from credit institutions

In millions of euros	30 June 2013	31 December 2012
Demand accounts	2,205	2,356
Loans	16,223	15,974
Repurchase agreements	750	457
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT PROVISIONS	**19,178**	**18,787**
Of which doubtful loans	*399*	*364*
Provisions for impairment of loans and receivables due from credit institutions (Note 2.f)	(249)	(246)
Of which specific provisions	*(233)*	*(235)*
Of which collective provisions	*(16)*	*(11)*
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT PROVISIONS	**18,929**	**18,541**

Due to credit institutions

In millions of euros	30 June 2013	31 December 2012
Demand accounts	2,986	2,444
Borrowings	15,391	20,893
Repurchase agreements	722	426
TOTAL DUE TO CREDIT INSTITUTIONS	**19,099**	**23,763**

5.f Customer items

Loans and receivables due from customers

In millions of euros	30 June 2013	31 December 2012
Demand accounts	3,020	2,094
Loans to customers	141,699	136,263
Repurchase agreements	5,398	243
Finance leases	11,351	12,773
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT PROVISIONS	**161,468**	**151,373**
Of which doubtful loans	*7,262*	*7,010*
Impairment of loans and receivables due from customers (Note 2.f)	(3,560)	(3,592)
Of which specific provisions	*(2,897)*	*(2,970)*
Of which collective provisions	*(663)*	*(622)*
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT PROVISIONS	**157,908**	**147,781**

Due to customers

In millions of euros	30 June 2013	31 December 2012
Demand deposits	59,208	50,648
Term accounts and short-term notes	33,484	34,067
Regulated Belgian savings accounts	63,448	61,489
Repurchase agreements	151	41
TOTAL DUE TO CUSTOMERS	**156,291**	**146,245**

The increase in "loans to customers" is mainly explained by the specialised finance (SF) activities, which is further explained in the note 6.b Business combinations.

5.g Debt securities and subordinated debt

This note covers all debt securities and subordinated debt measured at amortised cost. Debt securities and subordinated debt measured at fair value through profit or loss are presented in note 5.a 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'.

Debt securities measured at amortised cost

In millions of euros	30 June 2013	31 December 2012
Negotiable certificates of deposit	15,537	19,712
Bond issues	2,266	2,692
TOTAL DEBT SECURITIES	**17,803**	**22,404**

Subordinated debt measured at amortised cost

In millions of euros	30 June 2013	31 December 2012
Redeemable subordinated debt	5,392	6,393
Undated subordinated debt	1,126	1,143
TOTAL SUBORDINATED DEBT AT AMORTISED COST	**6,518**	**7,536**

5.h Current and deferred taxes

In millions of euros	30 June 2013	31 December 2012
Current taxes	129	120
Deferred taxes	3,724	3,730
CURRENT AND DEFERRED TAX ASSETS	**3,853**	**3,850**
Current taxes	265	223
Deferred taxes	475	589
CURRENT AND DEFERRED TAX LIABILITIES	**740**	**812**

Change in deferred taxes over the period:

In millions of euros	30 June 2013	31 December 2012
NET DEFERRED TAXES AT START OF PERIOD	**3,141**	**3,970**
Profit (loss) of deferred taxes (note 2 g)	(108)	237
Change in deferred taxes linked to the remeasurement and reversal through-profit or loss of remeasurement adjustments on available-for-sale financial assets	187	(1,346)
Change in deferred taxes linked to the remeasurement and reversal through-profit or loss of remeasurement adjustments on hedging derivatives	23	(34)
Change in deferred taxes linked to the recogni ion of actuarial gains and losses for retirement benefits in non-recyclable OCI	(3)	174
Effect of exchange rate and o her movements	9	140
NET DEFERRED TAXES AT END OF PERIOD	**3,249**	**3,141**

Breakdown of deferred taxes by origin:

In millions of euros	30 June 2013	31 December 2012
Available-for-sale financial assets	(355)	(559)
Hedging deriva ives	560	662
LR - leasing: direct financing lease	(227)	(287)
Provisions for employee benefit obligations	141	130
Provision for credit risk	601	604
Tangible, intangible assets and goodwill	176	51
Other items	(3)	2
Tax loss carryforwards	2,356	2,538
NET DEFERRED TAXES	**3,249**	**3,141**
of which		
Deferred tax assets	*3,724*	*3,730*
Deferred tax liabilities	*(475)*	*(589)*

5.i Goodwill

The table below shows the changes in goodwill as at 30 June 2013:

In millions of euros	30 June 2013	31 December 2012
CARRYING AMOUNT AT START OF PERIOD	**347**	**192**
Acquisitions		150
Divestments		
Impairment losses recognised during the period		
Translation adjustments	(16)	2
Other movements		3
CARRYING AMOUNT AT END OF PERIOD	**331**	**347**
Of which		
Gross value	*682*	*698*
Accumulated impairment recognised at the end of period	*(351)*	*(351)*

Goodwill by operating segment as per 30 June 2013 and 31 December 2012 is as follows:

	Carrying amount		Gross amount		Impairment recognised		Accumulated impairments	
In millions of euros	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**
BNP Paribas Fortis in Belgium	**28**	**28**	**28**	**28**				
Alpha Crédit	22	22	22	22				
Fortis Commercial Finance	6	6	6	6				
BNP Paribas Fortis in Luxembourg	**141**	**146**	**153**	**158**			**(12)**	**(12)**
SADE			12	12			(12)	(12)
Leasing (BPLS)	141	146	141	146				
Fundamentum Asset Management								
BNP Paribas Fortis in other countries	**162**	**173**	**501**	**512**			**(339)**	**(339)**
Dominet			206	206			(206)	(206)
Margaret Inc.			102	102			(102)	(102)
Von Essen KG Bank			28	28			(28)	(28)
TEB Bank	162	173	162	173				
Other			3	3			(3)	(3)
TOTAL	**331**	**347**	**682**	**698**			**(351)**	**(351)**

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

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

5.j Accrued income/expense and other assets/liabilities

In millions of euros	30 June 2013	31 December 2012
Guarantee deposits and bank guarantees paid	3,134	4,515
Settlement accounts related to securities transactions	377	372
Collection accounts	68	42
Accrued income and prepaid expenses	541	361
Other debtors and miscellaneous assets	4,560	4,712
TOTAL ACCRUED INCOME AND OTHER ASSETS	**8,680**	**10,002**
Guarantee deposits received	2,680	4,320
Settlement accounts related to securities transactions	243	227
Collection accounts	53	52
Accrued expenses and deferred income	831	718
Other creditors and miscellaneous liabilities	3,326	2,773
TOTAL ACCRUED INCOME AND OTHER LIABILITIES	**7,133**	**8,090**

The line 'Settlement accounts related to securities transactions' contains temporary balancing amounts between trade date and settlement date for purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention that are recognised on the trade date, i.e. the date when BNP Paribas Fortis becomes a party to the contractual provisions of the instrument. However, the temporary sales of securities and sales of borrowed securities are initially recognised at the settlement date.

Guarantee deposits and bank guarantees paid / received include mainly the margin calls related to the operations on derivatives and repurchase and reverse repurchase agreements.

5.k Netting of financial assets and liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information, required by the amendment to IFRS 7 'Financial Instruments - Disclosures' applicable as of 1 January 2013, 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 'Financial Instruments: Presentation' as regards offsetting.

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

The 'impacts of master netting agreements and similar agreements' are relative to outstanding amounts of transactions amoung a 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 2013					
In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts according to IFRS 7 §13 C (e)
Assets						
Cash and amounts due from central banks	**9,220**		**9,220**			**9,220**
Financial instruments at fair value through profit or loss						
Trading securities	3,109		3,109			3,109
Loans	19		19			19
Repurchase agreements	12,328	(1,399)	10,929	(6,164)	(3,941)	824
Instruments designated as at fair value through profit or loss	2,414		2,414			2,414
Derivative financial instruments (including derivatives used for hedging purposes)	13,758	(15)	13,744	(8,839)	(2,509)	2,396
Loans and receivables due from customers and credit institutions	**177,897**	**(1,060)**	**176,837**	**(3,457)**	**(2,217)**	**171,163**
of which repurchase agreements	*6,148*		*6,148*	(3,457)	*(2,217)*	*474*
Accrued income and other assets	**8,680**		**8,680**		**(1,593)**	**7,087**
of which guarantee deposits paid	*3,134*		*3,134*		*(1,593)*	*1,541*
Other assets not subject to offsetting	**46,786**		**46,786**			**46,786**
TOTAL ASSETS	**274,212**	**(2,474)**	**271,738**	**(18,460)**	**(10,260)**	**243,018**

In millions of euros	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments given as collateral	Net amounts according to IFRS 7 §13 C (e)
Liabilities						
Due to central banks	**275**		**275**			**275**
Financial instruments at fair value through profit or loss						
Trading securities	358		358			358
Borrowings						
Repurchase agreements	17,998	(1,399)	16,599	(9,141)	(6,424)	1,034
Instruments designated as at fair value through profit or loss	6,810		6,810			6,810
Derivative financial instruments (including derivatives used for hedging purposes)	11,855	(15)	11,840	(8,839)	(1,534)	1,467
Due to customers and to credit institutions	**176,451**	**(1,060)**	**175,390**	**(480)**	**(326)**	**174,584**
of which repurchase agreements	*873*		*873*	*(480)*	*(326)*	*67*
Accrued expenses and other liabilities	**7,133**		**7,133**		**(2,550)**	**4,583**
of which guarantee deposits received	*2,680*		*2,680*		*(2,550)*	*130*
Other liabilities not subject to offsetting	**30,681**		**30,681**			**30,681**
TOTAL LIABILITIES	**251,561**	**(2,474)**	**249,086**	**(18,460)**	**(10,834)**	**219,792**

	31 December 2012					
In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts according to IFRS 7 §13 C (e)
Assets						
Cash and amounts due from central banks	**11,040**		**11,040**			**11,040**
Financial instruments at fair value through profit or loss						
Trading securities	2,185		2,185			2,185
Loans	208		208			208
Repurchase agreements	7,261	(812)	6,449	(2,403)	(3,436)	610
Instruments designated as at fair value through profit or loss	2,568		2,568			2,568
Derivative financial instruments (including derivatives used for hedging purposes)	23,449	(15)	23,434	(16,289)	(4,217)	2,928
Loans and receivables due from customers and credit institutions	**167,534**	**(1,212)**	**166,322**	**(260)**	**(371)**	**165,691**
of which repurchase agreements	*700*		*700*	*(260)*	*(371)*	*69*
Accrued income and other assets	**10,002**		**10,002**		**(3,037)**	**6,965**
of which guarantee deposits paid	*4,515*		*4,515*		*(3,037)*	*1,478*
Other assets not subject to offsetting	**50,181**		**50,181**			**50,181**
TOTAL ASSETS	**274,428**	**(2,038)**	**272,390**	**(18,951)**	**(11,061)**	**242,378**

In millions of euros	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments given as collateral	Net amounts according to IFRS 7 §13 C (e)
Liabilities						
Due to central banks	**593**		**593**			**593**
Financial instruments at fair value through profit or loss						
Trading securities	335		335			335
Borrowings	31		31			31
Repurchase agreements	5,680	(812)	4,868	(2,429)	(2,367)	72
Instruments designated as at fair value through profit or loss	7,282		7,282			7,282
Derivative financial instruments (including derivatives used for hedging purposes)	21,154	(15)	21,139	(16,289)	(3,024)	1,826
Due to customers and to credit institutions	**171,220**	**(1,212)**	**170,008**	**(233)**	**(212)**	**169,563**
of which repurchase agreements	*467*		*467*	*(233)*	*(212)*	*22*
Accrued expenses and other liabilities	**8,090**		**8,090**		**(4,207)**	**3,883**
of which guarantee deposits received	*4,320*		*4,320*		*(4,207)*	*113*
Other liabilities not subject to offsetting	**37,082**		**37,082**			**37,082**
TOTAL LIABILITIES	**251,467**	**(2,038)**	**249,429**	**(18,951)**	**(9,810)**	**220,668**

6 Additional information

6.a Scope of consolidation

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

The Consolidated Interim Financial Statements include those of BNP Paribas Fortis and its subsidiaries. Subsidiaries are those companies where BNP Paribas Fortis, directly or indirectly, has the power to govern the financial and operating policies and as such obtain benefits from its activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to BNP Paribas Fortis and are no longer consolidated from the date that control ceases.

The consolidated accounts are prepared in accordance with IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates', IAS 31 'Interests in Joint Ventures', and in accordance with SIC12 'Consolidation - Special Purpose Entities' (SPEs), by which BNP Paribas Fortis must consolidate the SPE when the substance of the relationship indicates that BNP Paribas Fortis controls the SPE and retains a significant beneficial interest in the SPE's activities.

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

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

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

The tables below include also the scope changes during the year 2012 as well as the first half year of 2013.

Name	Country	30/06/2013				31/12/2012			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Consolidating company									
BNP Paribas Fortis	Belgium								
Belgium									
Ace Equipment Leasing	Belgium	Full	100,00%	25,00%		Full	100,00%	25,00%	
Ace Leasing	Belgium	Full	100,00%	25,00%		Full	100,00%	25,00%	
Ag Insurance	Belgium	Equity	25,00%	25,00%		Equity	25,00%	25,00%	
Alpha Card S.C R L.	Belgium	Equity	49,99%	49,99%		Equity	49,99%	49,99%	
Alpha Crédit S A.	Belgium	Full	100,00%	100,00%		Full	100,00%	100,00%	
Bnp Paribas Fortis Factor	Belgium								S4
Bnp Paribas Fortis Factor Nv SA	Belgium	Full	99,99%	99,99%		Full	100,00%	100,00%	
Bnp Paribas Lease Group	Belgium	Full	100,00%	25,00%		Full	100,00%	25,00%	
Bpost Banque - Bpost Bank	Belgium	Prop.	50,00%	50,00%		Prop.	50,00%	50,00%	
Demetris N.V.	Belgium	Equity (1)	99,99%	99,99%		Equity (1)	100,00%	100,00%	
Eos Aremas Belgium S A./N.V.	Belgium	Equity	49,97%	49,97%		Equity	49,97%	49,97%	
Es-Finance	Belgium	Full	100,00%	100,00%		Full	100,00%	100,00%	V1
Europay Belgium	Belgium								S3
Finalia	Belgium				S4	Full	100,00%	100,00%	V1
Fortis Finance Belgium S.C.R.L.	Belgium				S1	Full	100,00%	100,00%	
Fortis Lease	Belgium	Full	100,00%	25,00%		Full	100,00%	25,00%	
Fortis Lease Car & Truck	Belgium	Full	100,00%	25,00%		Full	100,00%	25,00%	
Fortis Lease Group Services	Belgium								S3
Fortis Private Equity Belgium N.V.	Belgium	Full	100,00%	100,00%		Full	100,00%	100,00%	
Fortis Private Equity Expansion Belgium N.V.	Belgium	Full	100,00%	100,00%		Full	100,00%	100,00%	
Fortis Private Equity Venture Belgium S.A.	Belgium	Full	100,00%	100,00%		Full	100,00%	100,00%	
Fv Holding N.V.	Belgium				S3	Equity	40,00%	40,00%	
Immobilière Sauvenière S A.	Belgium	Equity (1)	99,99%	99,99%		Equity (1)	100,00%	100,00%	
Nissan Finance Belgium N.V.	Belgium	Full	100,00%	100,00%	V1	Full	100,00%	81,25%	
Belgium - Special Purpose Entities									
Bass Master Issuer Nv	Belgium	Full				Full			
Esmée Master Issuer	Belgium	Full				Full			

Changes in the scope of consolidation

New entries (E) in the scope of consolidation
E1 Passing qualifying thresholds as defined by the Group (cf. note 1.c.1)
E2 Incorporation
E3 Purchase or change of control

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 (cf.note 1.c.1)
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
D2 Integration in the TEB Holding Group

(1) Non-material subsidiaries consolidated via equity method
(2) As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	30/06/2013 Method		Voting (%)	Interest (%)	Ref.	31/12/2012 Method		Voting (%)	Interest (%)	Ref.
Luxembourg											
Bgl Bnp Paribas	Luxembourg	Full		50,00%	50,00%		Full		50,00%	50,00%	
Bgl Bnp Paribas Factor S.A.	Luxembourg	Full		100,00%	50,00%		Full		100,00%	50,00%	E1
Bnp Paribas Fortis Funding S.A.	Luxembourg	Full		100,00%	100,00%		Full		100,00%	100,00%	
Bnp Paribas Lease Group Luxembourg S.A.	Luxembourg	Full		100,00%	50,00%		Full		100,00%	50,00%	V1
Bnp Paribas Leasing Solutions	Luxembourg	Full		50,00%	25,00%		Full		50,00%	25,00%	
Cardif Lux Vie	Luxembourg	Equity		33,33%	16,67%		Equity		33,33%	16,67%	
Cofhylux S A.	Luxembourg	Full		100,00%	50,00%		Full		100,00%	50,00%	
Fb Energy Trading S.A R L.	Luxembourg										S1
Fundamentum Asset Management	Luxembourg										S3
Paribas Trust Luxembourg Sa	Luxembourg	Full		100,00%	50,00%		Full		100,00%	50,00%	
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg	Full		100,00%	50,00%		Full		100,00%	50,00%	
Luxembourg - Special Purpose Entities											
Aura Capital Investment Sa	Luxembourg										S1
Delphinus Titri 2010 Sa	Luxembourg										S1
Royale Neuve Finance S.A R L.	Luxembourg										S3
Royale Neuve Investments Sarl	Luxembourg										S1
Rest of the world											
All In One	Austria	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	
All In One Gmbh	Germany	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	
Alpha Murcia Holding B.V.	Netherlands	Equity	(1)	100,00%	100,00%		Equity	(1)	100,00%	100,00%	E2
Aprolis Finance	France	Full		51,00%	12,75%		Full		51,00%	12,75%	
Arius	France	Full		100,00%	25,00%		Full		100,00%	25,00%	
Artegy	France	Full		100,00%	25,00%		Full		100,00%	25,00%	
Artegy Ltd	United Kingdom	Full		100,00%	25,00%		Full		100,00%	25,00%	
Bnp Paribas Bank Polska S.A.	Poland	Full		99,89%	99,89%		Full		99,87%	99,87%	
Bnp Paribas Commercial Finance Limited	United Kingdom	Full		100,00%	100,00%		Equity	(1)	100,00%	100,00%	
Bnp Paribas Factor Gmbh	Germany	Full		100,00%	100,00%		Equity	(1)	100,00%	100,00%	

Changes in the scope of consolidation

New entries (E) in the scope of consolidation
E1 Passing qualifying thresholds as defined by the Group (cf. note 1.c.1)
E2 Incorporation
E3 Purchase or change of control

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 (cf.note 1.c.1)
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
D2 Integration in the TEB Holding Group

(1) Non-material subsidiaries consolidated via equity method
(2) As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	30/06/2013 Method		Voting (%)	Interest (%)	Ref.	31/12/2012 Method		Voting (%)	Interest (%)	Ref.
Bnp Paribas Fortis Yatirimlar Holding Anonim Sirketi	Turkey	Full		100,00%	100,00%		Full		100,00%	100,00%	
Bnp Paribas Investment Partners	France	Equity		33,33%	30,78%		Equity		33,33%	30,78%	
Bnp Paribas Lease Gp Bplg	France	Full		100,00%	25,00%		Full		100,00%	25,00%	
Bnp Paribas Lease Gp Zrt	Hungary	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	
Bnp Paribas Lease Group Ifn Sa	Romania	Equity	(1)	99,94%	24,99%		Equity	(1)	99,94%	24,99%	
Bnp Paribas Lease Group Plc	United Kingdom	Full		100,00%	25,00%		Full		100,00%	25,00%	
Bnp Paribas Lease Group Sp.Z.O.O	Poland	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	
Bnp Paribas Leasing Solutions Immobilier Suisse	Switzerland	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	
Bnp Paribas Leasing Solutions N.V.	Netherlands	Full		100,00%	25,00%		Full		100,00%	25,00%	
Bnp Paribas Leasing Solutions S P.A.	taly	Equity		26,17%	6,54%		Equity		26,17%	6,54%	
Bnp Paribas Leasing Solutions Suisse	Switzerland	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	
Claas Financial Services	France	Full		60,11%	15,03%		Full		60,11%	15,03%	
Claas Financial Services Inc	United States	Full		100,00%	15,03%		Full		100,00%	15,03%	
Claas Financial Services Ltd	United Kingdom	Full		51,00%	12,75%		Full		51,00%	12,75%	
Cnh Capital Europe Gmbh	Austria	Full		100,00%	12,52%		Full		100,00%	12,52%	
Cnh Capital Europe	France	Full		50,10%	12,52%		Full		50,10%	12,52%	
Cnh Capital Europe Bv	Netherlands	Full		100,00%	12,52%		Full		100,00%	12,52%	
Cnh Capital Europe Ltd	United Kingdom	Full		100,00%	12,52%		Full		100,00%	12,52%	
Cronos Holding Company Limited	Bermuda	Equity		30,11%	30,00%		Equity		30,11%	30,00%	
Dominet S A.	Poland	Full		100,00%	100,00%		Full		100,00%	100,00%	
Fb Transportation Capital Llc	United States	Full		100,00%	100,00%		Full		100,00%	100,00%	
Fortis Bank Malta Ltd	Malta		(1)			S1	Equity	(1)	100,00%	100,00%	
Fortis Commercial Finance Deutschland Bv	Netherlands	Full		100,00%	100,00%		Equity	(1)	100,00%	100,00%	
Fortis Commercial Finance Holding Nv	Netherlands	Full		100,00%	100,00%		Full		100,00%	100,00%	
Fortis Faktoring A.S.	Turkey					V2 & D2	Equity	(1)	100,00%	100,00%	
Fortis Funding Llc	United States	Full		100,00%	100,00%		Full		100,00%	100,00%	
Fortis Holding Malta B.V.	Netherlands					S3	Full		100,00%	100,00%	
Fortis Holding Malta Ltd	Malta					S3	Full		100,00%	100,00%	
Fortis Lease	France	Full		100,00%	25,00%		Full		100,00%	25,00%	
Fortis Lease Deutschland	Germany	Equity	(1)	100,00%	25,00%		Equity	(1)	100,00%	25,00%	

Changes in the scope of consolidation

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E2 Incorporation
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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 (cf.note 1.c.1)
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
D2 Integration in the TEB Holding Group

(1) Non-material subsidiaries consolidated via equity method
(2) As from 31/12/2012 no longer excluded from the prudential scope of consolidation

		30/06/2013				31/12/2012			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Fortis Lease Iberia	Spain	Equity (1)	100,00%	41,04%		Equity (1)	100,00%	41,04%	
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	Equity (1)	100,00%	25,00%		Equity (1)	100,00%	25,00%	
Fortis Lease Polska Sp Z.O.O.	Poland	Full	100,00%	99,89%		Full	100,00%	99,87%	
Fortis Lease Portugal	Portugal	Equity (1)	100,00%	25,00%		Equity (1)	100,00%	25,00%	
Fortis Lease Romania Ifn Sa	Romania	Equity (1)	100,00%	25,00%		Equity (1)	100,00%	25,00%	
Fortis Lease Uk (1) Ltd	United Kingdom								S1
Fortis Lease Uk Ltd	United Kingdom	Full	100,00%	25,00%		Full	100,00%	25,00%	
Fortis Lease Uk Retail Limited	United Kingdom	Full	100,00%	25,00%		Full	100,00%	25,00%	
Fortis Private Equity France Fund	France				S3	Full	99,90%	99,84%	
Fortis Proprietary Investment Ltd	Ireland								S1
Inkasso Kodat GmbH & Co.	Germany	Equity	100,00%	100,00%	E1				
Jcb Finance	France	Full	100,00%	12,53%		Full	100,00%	12,53%	
Jcb Finance Holdings Ltd	United Kingdom	Full	50,10%	12,53%		Full	50,10%	12,53%	
Manitou Finance Ltd	United Kingdom	Full	51,01%	12,75%		Full	51,00%	12,75%	
Mff Sas	France	Full	51,00%	12,75%		Full	51,00%	12,75%	
Same Deutz Fahr Finance	France	Full	100,00%	25,00%		Full	100,00%	25,00%	
Société Alsacienne De Développement Et D'Expansion	France	Full	100,00%	50,00%		Full	100,00%	50,00%	
Srei Equipment Finance Private Limited	India	Prop.	50,00%	12,50%		Prop.	50,00%	12,50%	
Tcg Fund I, L P.	Cayman Islands	Full	99,66%	99,66%		Full	99,66%	99,66%	
Teb Holding A.S.	Turkey	Prop.	50,00%	50,00%		Prop.	50,00%	50,00%	
Von Essen Gmbh & Co. Kg Bankgesellschaft	Germany	Full	100,00%	100,00%		Full	100,00%	100,00%	

Changes in the scope of consolidation

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- V1 Additional purchase
- V2 Partial disposal
- V3 Dilution
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Miscellaneous
- D1 Consolidation method change not related to fluctuation in voting or ownership interest
- D2 Integration in the TEB Holding Group

(1) Non-material subsidiaries consolidated via equity method
(2) As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	30/06/2013 Method	30/06/2013 Voting (%)	30/06/2013 Interest (%)	30/06/2013 Ref.	31/12/2012 Method	31/12/2012 Voting (%)	31/12/2012 Interest (%)	31/12/2012 Ref.
Rest of the world - Special Purpose Entities									
Alandes B.V.	Netherlands	Full (2)				Full (2)			
Astir B.V.	Netherlands	Full				Full			
Black Kite Investments Limited	Ireland								S1
Scaldis Capital Limited	Jersey	Full (2)				Full (2)			
Scaldis Capital Llc	United States	Full (2)				Full (2)			
Scaldis Capital Ltd	Ireland	Full (2)				Full (2)			

Changes in the scope of consolidation

New entries (E) in the scope of consolidation
- E1 Passing qualifying thresholds as defined by the Group (cf. note 1.c.1)
- E2 Incorporation
- E3 Purchase or change of control

Removals (S) from the scope of consolidation
- S1 Cessation of activity (including dissolution, liquidation)
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- V1 Additional purchase
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- V4 Increase in %

Miscellaneous
- D1 Consolidation method change not related to fluctuation in voting or ownership interest
- D2 Integration in the TEB Holding Group

(1) Non-material subsidiaries consolidated via equity method
(2) As from 31/12/2012 no longer excluded from the prudential scope of consolidation

6.b Business combinations

As part of the overall project to integrate BNP Paribas Fortis into the BNP Paribas Group, initiatives have been launched to re-organise and integrate certain activities of BNP Paribas Fortis and BNP Paribas by transferring and re-allocating assets between various Group entities. Implementation of this project, which began in 2009, continued in 2013.

The integration transactions approved in 2009, executed in 2010 and the additional integration transactions approved in 2010, executed in 2010, 2011, 2012 and 2013 are described in the BNP Paribas Fortis' Annual Reports of 2009, 2010, 2011 and 2012.

In the first half year of 2013, the following businesses/activities transfers, which were described in the Annual Report of 2012, were implemented:

Specialised Finance (SF)

The transaction aims at re-organising the Specialised Finance activities within the BNP Paribas Group, which implies that, on the one hand, certain existing Specialised Finance credits are sold by BNP Paribas to BNP Paribas Fortis, and on the other hand, the activities of certain Specialised Finance businesses are dealt with through the competence center located in Brussels since the beginning of the year. The related new business is booked within BNP Paribas Fortis.

The transfer of existing SF credits started as from January 2013, and will continue to be carried out throughout the whole year of 2013.

At 30 June 2013, the consideration paid for the transferred SF credits amounted to EUR 5,900 million. As the acquisition occurred between entities under common control, BNP Paribas Fortis applied the 'predecessor basis of accounting method' as described in Note 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

Under this method, BNP Paribas Fortis, as acquiring party, recognised the acquired assets at their carrying value instead of fair value; the carrying value was determined by the transferring entity at the date of the transfer.

The difference between the consideration paid and the carrying value of the transferred assets is presented as an adjustment in equity, which amounted to EUR (268.7) million at 30 June 2013.

Branches

The transaction relates to the (partial) restructuring of the European branch network of BNP Paribas and BNP Paribas Fortis, with as objective to optimise certain aspects of the BNP Paribas Group structure by means of creation of an efficient geographic structure in Europe for CIB (Corporate & Investment Banking) as a whole, and at the same time, offering the CIB of BNP Paribas Fortis attractive business opportunities.

1) Acquisition of a Dutch branch

In the context aforementioned, the transfer of activities of the BNP Paribas Dutch branch to the new BNP Paribas Fortis Dutch branch was completed on 26 May 2013. The purchase price amounted to EUR 286.6 million.

2) Disposal of a Portuguese branch

In like manner, the transfer of activities from the BNP Paribas Fortis Portuguese branch to the BNP Paribas Portuguese branch was completed on 10 May 2013. The sale price amounted to EUR 37.9 million.

The tables below provide details on business combinations executed during the first half year of 2013 and during the year 2012.

30 June 2013			In millions of euros							
Acquired Business	Country	Acquired %	Acquisition price	Goodwill (Badwill)	Net cash inflow	Key figures on acquisition date				
						Assets		Liabilities		
Specialised Finance (SF)	France, UK, Spain, Germany	Business transfer	5,900	269		Loans and receivables due to customers	5,636		
BNP Paribas The Netherlands branch	The Netherlands	Business transfer	287	(1)	2,498	Loans and receivables due from credit institutions	2,320	Due to credit institutions	1,293
						Loans and receivables due from customers	1,659	Due to customers	5,069

31 December 2012			In millions of euros						
Acquired subsidiaries/business	Country	Acquired %	Acquisition price	Goodwill (Badwill)	Net cash inflow	Key figures on acquisition date			
						Assets		Liabilities	
BNP Paribas Leasing Solutions (BPLS)	Luxembourg	16.67%	383	146	(69)	Loans and receivables due from customers	18.675	Due to credit institutions	10.134
						Loans and receivables due from credit institutions	1.513	Accrued expenses and other liabilities	9.220
BNP Paribas The Norwegian branch	Norway	Business transfer	84	(21)	(44)	Loans and receivables due from customers	1.077	Due to credit institutions	672
								Due to customers	559

In 2012, the main acquisitions included the additional shareholding acquired by BGL BNP Paribas in BNP Paribas Leasing Solutions (BPLS) on 30 March 2012, and the transfer of activities from the BNP Paribas Norwegian branch to the new BNP Paribas Fortis Norwegian branch.

There were no material disposals in 2012.

Details of these transactions can be found in the BNP Paribas Fortis 2012 Annual Report, note 8.b 'Business combinations'.

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

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

The assets and liabilities still classified as held-for-sale at 30 June 2013 related to contracts for which the sale had not yet taken place because of legal and operational constraints, mainly referring to not-yet-transferred assets and liabilities of the BNP Paribas Fortis Branch in the UK.

As part of the overall project to integrate BNP Paribas Fortis into the BNP Paribas Group, initiatives have been launched to re-organise and integrate certain activities of BNP Paribas Fortis and BNP Paribas by transferring and re-allocating assets between various Group entities. Implementation of this project, which began in 2009, continued in 2013.

In this context, BNP Paribas Fortis decided to sell the Corporate and Transaction Banking Europe (CTBE) activities of the BNP Paribas Fortis branches in Portugal and the UK to the BNP Paribas branches in these countries. This transaction is part of a general approach, approved by the BNP Paribas Fortis Board of Directors, to swap activities of branches between BNP Paribas Fortis and BNP Paribas. Businesses to be acquired by BNP Paribas relate to activities of the BNP Paribas Fortis branches in Portugal, UK and Spain and businesses to be acquired by BNP Paribas Fortis relate to activities of the BNP Paribas branches in Norway and the Netherlands.

The transactions relating to the BNP Paribas Fortis branches in Portugal and the UK qualify as a disposal group as defined in IFRS 5, non current assets held for sale and discontinued operations.

The assets and liabilities included in this disposal group are reclassified and presented in separate line items 'Assets classified as held for sale' and 'Liabilities classified as held for sale', respectively, in the consolidated balance sheet as at 31 December 2012 and at 30 June 2013.

The disposal group is measured at the lower of its carrying amount and fair value less cost to sell. The result of the measurement at fair value less cost to sell amounts to a loss of EUR 105 million, reported under 'Net gain/loss on non-current assets' in the consolidated income statement as at 31 December 2012.

In 2013 a net reversal of EUR 5 million reported under 'Net gain/loss on non-current assets' led to a remaining cumulative expected loss of EUR 100 million as at 30 June 2013.

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

The comparative figures of 31 December 2012 of BNP Paribas Fortis UK have been restated in accordance with the amendment to IAS 19 'Employee benefits'. Further details can be found in the note 6h 'Restatement due to amendments to IAS 19 employee benefits'.

Major classes of assets and liabilities classified as held for sale

BNP Paribas Fortis holds various assets and liabilities as at 30 June 2013 related to the disposal of the activities of the BNP Paribas Fortis branch in the UK that are held for sale rather than for continuing use. At 31 December 2012 the assets and liabilities held for sale were also related to the disposal of the activities of BNP Paribas Fortis branch in the UK, as well as to the disposal of the activities of BNP Paribas Fortis in Portugal. These transactions are all part of the integration transactions with BNP Paribas.

The assets and liabilities classified as held for sale as at 30 June 2013 and 31 December 2012 are shown below.

In millions of euros	30 June 2013	31 December 2012
ASSETS		
Cash and amounts due from central banks and post office banks	2	2
Financial assets at fair value through profit or loss	82	161
Derivatives used for hedging purposes		
Available-for-sale financial assets		101
Loans and receivables due from credit institutions	182	119
Loans and receivables due from customers	547	1,701
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		8
Accrued income and other assets	140	144
Investments in associates		
Investment property		
Property, plant and equipment	6	8
Intangible assets		
Goodwill		
Expected loss on sale	(100)	(104)
TOTAL ASSETS	**859**	**2,140**
LIABILITIES		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	87	137
Derivatives used for hedging purposes		
Due to credit institutions	85	83
Due to customers	850	1,252
Debt securities	5	12
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities	6	11
Accrued expenses and other liabilities	160	156
Provisions for contingencies and charges	9	25
Subordinated debt		
TOTAL LIABILITIES	**1,202**	**1,676**

Transactions with BNP Paribas

The tables below show the composition of assets classified as held for sale and liabilities classified as held for sale for the entities that are part of the integration transactions with BNP Paribas and that have been approved but not yet fully executed as of 30 June 2013.

	30 June 2013	
In millions of euros	BNP Paribas Fortis Portugal	BNP Paribas Fortis UK
ASSETS		
Cash and amounts due from central banks and post office banks	2	
Financial assets at fair value through profit or loss	(1)	83
Derivatives used for hedging purposes		
Available-for-sale financial assets		
Loans and receivables due from credit institutions	38	144
Loans and receivables due from customers		547
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets		140
Investments in associates		
Investment property		
Property, plant and equipment		6
Intang ble assets		
Goodwill		
Expected loss on sale		(100)
TOTAL ASSETS	**39**	**820**
LIABILITIES		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss		87
Derivatives used for hedging purposes		
Due to credit institutions		85
Due to customers		850
Debt securities		5
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		6
Accrued expenses and other liabilities		160
Provisions for contingencies and charges		9
Subordinated debt		
TOTAL LIABILITIES		**1,202**

In millions of euros	31 December 2012 BNP Paribas Fortis Portugal	BNP Paribas Fortis UK
ASSETS		
Cash and amounts due from central banks and post office banks	1	1
Financial assets at fair value through profit or loss	45	116
Derivatives used for hedging purposes		
Available-for-sale financial assets	100	1
Loans and receivables due from credit institutions	1	118
Loans and receivables due from customers	471	1,231
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets	1	7
Accrued income and other assets	4	139
Investments in associates		
Investment property		
Property, plant and equipment		8
Intangible assets		
Goodwill		
Expected loss on sale	(12)	(93)
TOTAL ASSETS	**611**	**1,528**
LIABILITIES		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	17	120
Derivatives used for hedging purposes		
Due to credit institutions	1	82
Due to customers	66	1,186
Debt securities		12
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		11
Accrued expenses and other liabilities	9	147
Provisions for contingencies and charges	3	22
Subordinated debt		
TOTAL LIABILITIES	**96**	**1,580**

6.d Related parties

Parties related to BNP Paribas Fortis

Parties related to BNP Paribas Fortis as at 30 June 2013 include:

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

Consequently, parties related to BNP Paribas Fortis as at 30 June 2013 include the following parties:

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

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

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

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

There has been no significant change in transactions between BNP Paribas Fortis and the Belgian State, the SFPI/FPIM, the National Bank of Belgium or other Belgian State-controlled entities in comparison with those described in Note 8.e 'Related parties' of the Annual Report 2012.

Transactions with other related parties

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

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

Related parties balance sheet items:

In million of euros	30 June 2013 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	31 December 2012 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
ASSETS						
Loans, advances and securities						
Demand accounts	*994*	*1*	*14*	*1,334*	*1*	*26*
Loans	*12,877*	*600*	*1,203*	*13,527*	*628*	*1,719*
Securities	*310*		*18*	*332*		*21*
Finance leases						
Non-trading securities held in the portfolio	*5*	*166*	*86*	*93*		*88*
Other assets	**560**	**6**	**92**	**519**	**3**	**100**
TOTAL	**14,746**	**773**	**1,413**	**15,805**	**632**	**1,954**
LIABILITIES						
Deposits						
Demand accounts	*1,599*	*166*	*476*	*1,253*	*22*	*753*
Other borrowings	*11,083*		*2,178*	*11,795*	*1*	*1,773*
Debt securities	**1,501**	**65**	**10**	**1,540**	**62**	**10**
Other liabilities	**95**	**1**	**11**	**85**	**1**	**11**
TOTAL	**14,278**	**232**	**2,675**	**14,673**	**86**	**2,547**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS						
Financing commitments given	488		186	527	7	791
Guarantee commitments given	14,885	72	158	15,788	101	127
TOTAL	**15,373**	**72**	**344**	**16,315**	**108**	**918**

BNP Paribas Fortis also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.). These transactions have been excluded.

Related parties profit and loss items:

In million of euros	First half of 2013 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	First half of 2012 Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	207	7	9	265	10	25
Interest expense	(223)		(12)	(295)		(17)
Commission income	95	1	232	94		225
Commission expense	(25)		(3)	(28)		(13)
Services provided				38		6
Services received				10	1	2
Lease income						
TOTAL	**54**	**8**	**226**	**84**	**11**	**228**

BNP Paribas Fortis also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.). These transactions have been excluded.

6.e Structured Credit Instruments

BNP Paribas Fortis holds structured credit instruments (SCIs) as part of its investment portfolio. SCIs are securities created by repackaging cash flows from financial products. They encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised loan obligations (CLOs). The exposure to structured credit instruments is categorised in the Consolidated Interim Financial Statements as 'available-for-sale financial assets', 'investments reclassified as loans and receivables' and 'financial assets at fair value through profit or loss'. In 2012, the remaining structured credit instruments classified as available-for-sale were sold.

The net exposure to global structured credit instruments as at 30 June 2013 can be detailed by accounting category as follows:

In million of euros	30 June 2013	31 December 2012
SCI under Available-for-sale financial assets		
SCI under Financial assets at fair value trough profit or loss	29	33
SCI under Loans and receivables	7,228	12,036
TOTAL	**7,257**	**12,069**

This net exposure as at 30 June 2013 can be further detailed by type of assets as follows:

In million of euros	30 June 2013	31 December 2012
RMBS	1,547	5,574
CMBS	380	549
CLOs	1,459	1,890
Other ABS	3,871	4,056
TOTAL	**7,257**	**12,069**

On 12 May 2009, a substantial part of the retained SCI portfolio was transferred to investments reclassified as loans and receivables, applying the amendments to IAS 39 'Financial Instruments: Recognition and Measurement', and IFRS 7 'Financial Instruments: Disclosures' (see note 5.c 'Financial instruments reclassified as loans and receivables'). This reclassification related to financial assets that were previously recognised as available-for-sale investments, assets held for trading and other assets.

Part of this portfolio carried a guarantee by the Belgian State on the second level of loss. Beyond a first tranche of final loss (EUR (3.5) billion), the Belgian State guaranteed on demand a second loss tranche of up to EUR (1.5) billion. In December 2012, this guarantee was renegotiated with the Belgian State, and was terminated.

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

In millions of euros	Carrying amount as of reclassi-fication date	30 June 2013 Carrying Value	30 June 2013 Market or model value	31 December 2012 Carrying Value	31 December 2012 Market or model value
Financial assets reclassified from the trading portfolio	**108**	**168**	**174**	**183**	**186**
- Into loans and receivables due from customers	108	168	174	183	186
Financial assets reclassified from the available-for-sale portfolio	**21,312**	**5,942**	**6,254**	**6,841**	**7,126**
- Into loans and receivables due from customers	21,312	5,942	6,254	6,841	7,126
Financial assets reclassified from the other assets portfolio	**2,030**	**1,118**	**1,124**	**1,112**	**1,077**
- Into loans and receivables due from customers	2,030	1,118	1,124	1,112	1,077
TOTAL PORTFOLIO RECLASSIFIED INTO LOANS AND RECEIVABLES	**23,450**	**7,228**	**7,552**	**8,136**	**8,389**

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

In September 2010, Dutch mortgage-backed notes (Dolphin notes) were called at nominal value for an amount of EUR 4.1 billion. These notes were previously recorded as SCIs under loans and receivables. Similar calls took place on other Dutch mortgage-backed securities: in 2012 for a total amount of EUR 4.7 billion (Dolphin & Beluga) and in 2013 for a total amount of EUR 2.6 billion (Goldfish).

Other sales and reimbursements since the reclassification date explain the further decreases in the portfolio over time.

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

In millions of euros	First half of 2013	First half of 2012
Profit or loss and equity items (before tax) related to reclassified assets as recorded	**(449)**	**(1,063)**
Profit or loss item	**49**	**119**
- Interest income	34	111
- Gains or losses on financial assets	6	1
- Cost of risk	5	4
- Other	4	3
Equity items	**(498)**	**(1,182)**
Impact on Profit or loss and equity items (before tax) if assets had not been reclassified	**232**	**772**
Profit or loss items	**2**	**16**
Equity items	**230**	**756**

More information on structured credit instruments and their impairment process are included in the Annual Report 2012 (note 8.g).

6.f Exposure to sovereign risk

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

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

In millions of euros	30 June 2013	31 December 2012
	Banking Book	Banking Book
Eurozone		
Belgium	16,627	17,038
Netherlands	3,230	3,249
France	1,227	1,685
Italy	1,099	1,150
Spain	589	618
Finland	201	290
Germany	169	123
Austria	102	105
Luxembourg	95	46
Slovakia	29	29
Cyprus	7	7
Slovenia	5	38
Countries under support		
Portugal	575	575
Ireland	178	176
Greece		
Total eurozone	**24,133**	**25,129**

Reclassification of debt securities issued by Greece, Ireland and Portugal at 30 June 2011

The lack of liquidity seen during the first half of 2011 in the markets for public debt instruments issued by Greece, Ireland and Portugal prompted BNP Paribas Fortis to cease classifying these securities as available-for-sale assets.

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

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

Exposure to Greek, Irish and Portuguese sovereign credit risk reclassified to 'loans and receivables' at 30 June 2013

Further to the agreement on 21 February 2012 between the representatives of the Greek government, private-sector investors (PSIs) and the Eurogroup, on 12 March 2012, 31.5% of the principal amount of the Greek debt, reclassified to Loans and receivables at 30 June 2011 were exchanged to 20 new Greek bonds (accounted for as 'Available-for-sale assets', these bonds were then sold during the fourth quarter of 2012, resulting a gain of EUR 11.2 million). The remaining 53.5% of the principal amount was waived and 15% redeemed.

The financial assets position relating to sovereign securities of Portugal and Ireland reclassified to 'loans and receivables' are summarised in the following tables:

Breakdown by residual time to maturity:

In millions of euros	Remaining time to maturity						30 June 2013
	1 year	2 years	3 years	5 years	10 years	> 10 years	Total
Ireland							
Loans and receivables	3		17		158		**178**
Portugal							
Loans and receivables	143		61	233	22	96	**555**
Held-to-maturity financial assets					20		**20**

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

On the balance sheet:

In millions of euros	30 June 2013	
	Carrying value	market or model value
Sovereign securities reclassified as-loans and receivable due from customers	**733**	**810**
of which Greek sovereign securities		
of which Portuguese sovereign securities	*555*	*585*
of which Irish sovereign securities	*178*	*225*

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

In millions of euros	30 June 2013	
	Reported	Pro forma amount for the period
In profit or loss item	8	8
in revenues	8	8
of which Greek sovereign securities		
of which Portuguese sovereign securities	3	3
of which Irish sovereign securities	5	5
in cost of risk		
of which Greek sovereign securities		
as direct change in equity (before tax)	14	20
of which Greek sovereign securities		
of which Portuguese sovereign securities	12	14
of which Irish sovereign securities	2	6
Total profit and loss impact and direct changes in equity resulting from reclassified items	22	28

6.g Contingent assets and liabilities

Legal proceedings

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 having consulted its legal advisors, it is probable that a payment will have to be made by BNP Paribas Fortis and when the amount can be reasonably estimated.

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

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis N.V.' and currently 'Ageas SA/NV' hereafter 'Ageas') at the end of September and the beginning of October 2008, a number of groups representing shareholders, and other parties, initiated (or threatened to initiate) legal action against various entities of the former Fortis group and/or certain members of their Board of Directors and management. These legal actions include inter alia the following:

MCS Noteholders claim against Ageas, BNP Paribas Fortis and others

Certain holders of Mandatory Convertible Securities (hereafter 'MCS') notes filed two actions against the co-issuers of the MCS, including BNP Paribas Fortis, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, firstly claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and, secondly, claiming damages. On 23 March 2012 the Commercial Court of Brussels dismissed both actions. Certain holders then filed an appeal in June 2012. BNP Paribas Fortis is of the opinion that, as with the first instance action, these claims have no merit.

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

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

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

BNP Paribas Fortis received on 3 February 2011 a writ of summons from the Dutch association of shareholders 'VEB NCVB'. This association alleges that BNP Paribas Fortis, Ageas, Merrill Lynch and others are jointly and severally liable in connection with the alleged shortcomings of the prospectus. VEB NCVB is seeking declaratory relief that the statements and alleged omissions in the prospectus were misleading to all who purchased Fortis shares between 24 September 2007 and 3 October 2008 and that as a consequence BNP Paribas Fortis is jointly, with other banks and officers liable for the damages sustained by those shareholders. As these are Dutch legal proceedings relating to a declaration sought by an association, no actual claim for damages can be made at this stage. However, these proceedings may potentially lead to future individual damage claims.

On July 7, 2011 BNP Paribas Fortis received a writ of summons from a Dutch foundation named 'Stichting Investor Claims against Fortis'. This action addresses the same subject matter and is largely based on the same allegations. Ageas and Merrill Lynch are co-defendants.

On 20 August 2012, BNP Paribas Fortis (and 8 other defendants) received a writ of summons from the same foundation 'Stichting Investor Claims against Fortis' and other investors, seeking to have the defendants declared jointly and severally liable for the payment of damages arising inter alia, in so far as BNP Paribas Fortis is concerned, from the communication allegedly incorrect or incomplete information to the market during the period from the acquisition of ABN Amro Bank until 17 October 2008.

Claims by Deminor International and others against BNP Paribas Fortis and Merrill Lynch

Deminor and a group of other retail and institutional investors in Fortis shares began in June 2012 a legal action in forced intervention before the Commercial Court of Brussels in order to obtain damages from BNP Paribas Fortis and Merrill Lynch in their role as overall coordinator of the rights issue of Fortis in September 2007, as described above. The claimants allege that the banks breached their duty as financial advisors, including with respect to the information to be provided to investors in the prospectus issued by BNP Paribas Fortis. A similar action was started by another group of retail investors in BNP Paribas Fortis shares in April 2013 before the same court.

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

Other litigations and investigations are pending in relation to the restructuring of the Fortis Group.

This includes, inter alia, an inquiry into the management and course of events at Fortis ordered by the Dutch 'Ondernemingskamer' (Entreprise Chamber) whose report was filed in June 2010. After the filing of the report, the Court decided in April 2012 that improper management had occurred in 2007 and 2008 at Fortis NV (today Ageas SA/NV).

This also includes the fact that in Brussels the examining magistrate in charge since 2008 of examining the case relating to events which occurred within the Fortis Group in 2007 and 2008 passed his file up to the Public Prosecutor in October 2012. In November 2012 several individuals were indicted by the examining magistrate and in February 2013 the Public Prosecutor requested the judiciary to order a trial.

The possibility cannot be ruled out that the outcome of such litigations and/or investigations might also have an impact on BNP Paribas Fortis.

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. BNP Paribas Fortis believes that any issues that have been identified do not represent a systemic problem for BNP Paribas Fortis or its businesses.

6.h Restatement due to amendments to IAS 19 Employee benefits

As of 1 January 2013, in accordance with the amendment to IAS 19 'Employee Benefits' adopted on 6 June 2012 by the European Union, the retirement benefit obligations have been recognised in the balance sheet of BNP Paribas Fortis without adjustment of unrecognised actuarial gains or losses or other amortising items. For comparative purposes, the published figures of the balance sheet, profit and loss account, statement of changes in shareholders' equity, and minority interests in the Annual Report of 2012 have been restated accordingly.

The impact of the restatement can be found in the following tables:

In millions of euros	31 December 2012 as published	31 December 2012 restated IAS19
ASSETS		
Cash and amounts due from central banks and post office banks	11,040	11,040
Financial assets at fair value through profit or loss	33,479	33,479
Derivatives used for hedging purposes	1,365	1,365
Available-for-sale financial assets	35,482	35,482
Loans and receivables due from credit institutions	18,541	18,541
Loans and receivables due from customers	147,781	147,781
Remeasurement adjustment on interest-rate risk hedged portfolios	753	753
Held-to-maturity financial assets	1,485	1,485
Current and deferred tax assets	3,698	3,850
Accrued income and other assets	10,008	10,002
Investments in associates	3,561	3,561
Investment property	498	498
Property, plant and equipment	1,957	1,957
Intangible assets	109	109
Goodwill	347	347
Assets classified as held for sale	2,150	2,140
TOTAL ASSETS	**272,254**	**272,390**
LIABILITIES		
Due to central banks and post office banks	593	593
Financial liabilities at fair value through profit or loss	30,819	30,819
Derivatives used for hedging purposes	2,836	2,836
Due to credit institutions	23,763	23,763
Due to customers	146,246	146,246
Debt securities	22,404	22,404
Remeasurement adjustment on interest-rate risk hedged portfolios	561	561
Current and deferred tax liabilities	824	812
Accrued expenses and other liabilities	8,090	8,090
Provisions for contingencies and charges	3,593	4,093
Subordinated debt	7,536	7,536
Liabilities classified as held for sale	1,663	1,676
TOTAL LIABILITIES	**248,928**	**249,429**
CONSOLIDATED EQUITY		
Share capital and additional paid-in capital	9,605	9,605
Retained earnings	8,533	8,177
Net income for the period attributable to shareholders	307	313
Total capital, retained earnings and net income for the period attributable to shareholders	**18,445**	**18,095**
Change in assets and liabilities recognised directly in equity	562	561
Shareholders' equity	**19,007**	**18,656**
Retained earnings and net income for the period attributable to MI	4,370	4,356
Change in assets and liabilities recognised directly in equity	(51)	(51)
Total minority interests	**4,319**	**4,305**
TOTAL CONSOLIDATED EQUITY	**23,326**	**22,961**
TOTAL LIABILITIES AND EQUITY	**272,254**	**272,390**

In millions of euros	First half of 2012 as published	First half of 2012 restated IAS 19
Interest income	4,813	4,812
Interest expense	(2,582)	(2,582)
Net interest margin	2,231	2,230
Commission income	971	971
Commission expense	(310)	(310)
Net commission	661	661
Net gain/loss on financial instruments at fair value through profit or loss	47	47
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	(46)	(46)
Income from other activi ies	180	180
Expense on other activities	(172)	(172)
REVENUES	**2,901**	**2,900**
Operating expense	(1,972)	(1,966)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(118)	(118)
GROSS OPERATING INCOME	**811**	**816**
Cost of risk	(155)	(155)
OPERATING INCOME	**656**	**661**
Share of earnings of associates	93	92
Net gain/loss on non-current assets	(29)	(28)
Goodwill		
PRE-TAX INCOME	**720**	**725**
Corporate income tax	(85)	(87)
NET INCOME BEFORE DISCONTINUED OPERATIONS	**635**	**638**
Net result of discontinued operations		
NET INCOME	**635**	**638**
Net income attributable to minority interests	94	93
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS	**541**	**545**

6.i Events after the reporting period

There have been no material events since the balance sheet date that would require adjustments to the Consolidated Interim Financial Statements as at 30 June 2013.

Report of the accredited statutory auditors

Introduction

We have reviewed the accompanying consolidated interim balance sheet of BNP Paribas Fortis SA/NV (the “Company”) and its subsidiaries as of 30 June 2013 and the related consolidated profit and loss account, the consolidated statement of net income and changes in fair value of assets and liabilities recognised directly in equity, the consolidated statement of changes in shareholders’ equity, the minority interests, and the consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review..

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements for the six-month period ended 30 June 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 - “Interim Financial Reporting”, as adopted by the European Union.

Emphasis of Matter

Without further qualifying our opinion, we draw the attention to the fact that as described in note 6.g to the accompanying consolidated interim financial statements as at 30 June 2013, as a result of 2008 events having impacted the Fortis group, a number of claimants have initiated legal actions against the former Fortis group, including the Company and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the consolidated interim financial statements.

Brussels, 29 August 2013

The statutory auditors

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

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

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