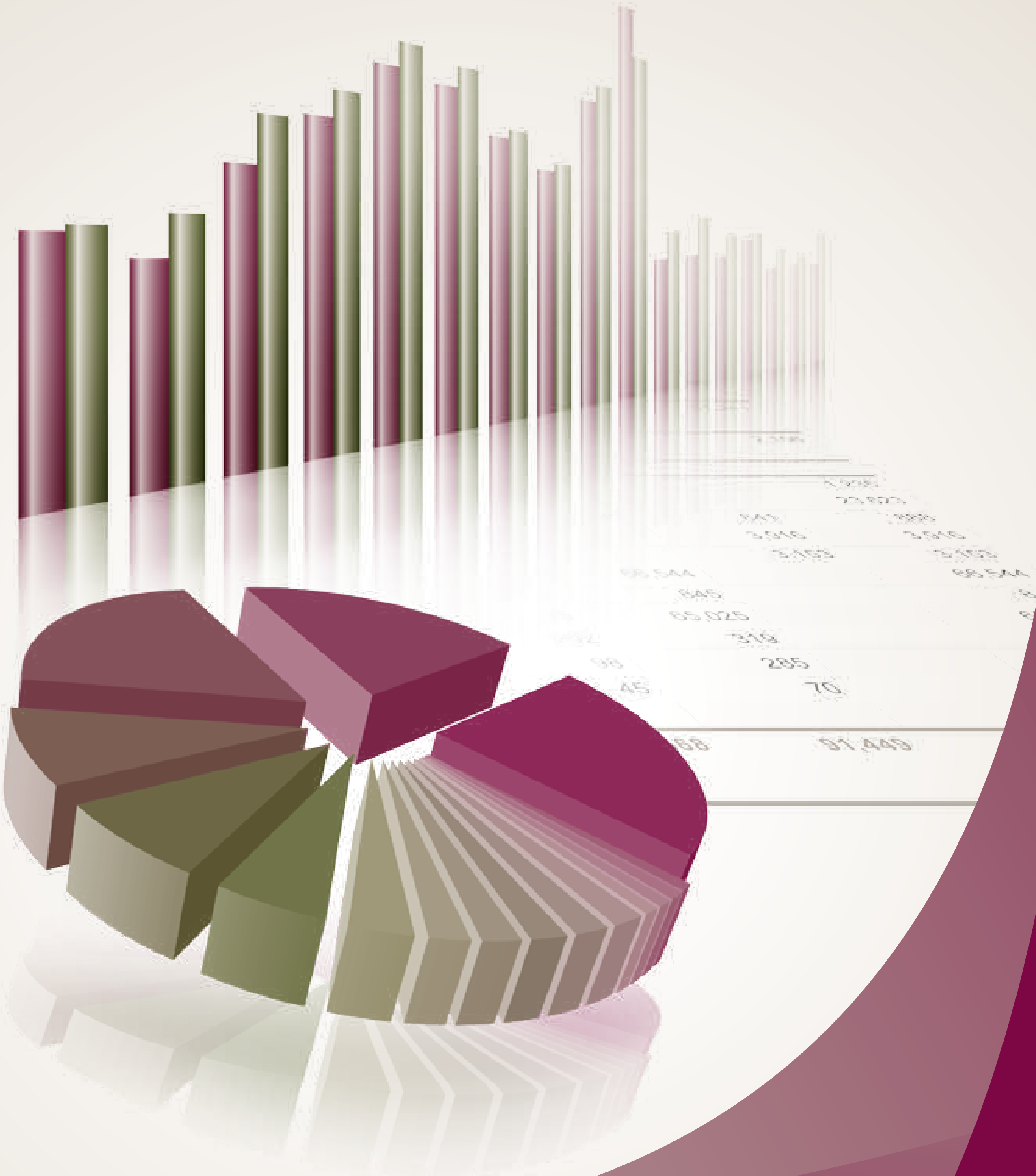
BNP Paribas Fortis SA/NV

Financial Report

First half-year 2014



Introduction

This Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2014 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 2014.

The unaudited BNP Paribas Fortis Consolidated Interim Financial Statements for the first half-year of 2014, including the 2013 comparative figures, have been prepared at 30 June 2014 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 unaudited BNP Paribas Fortis Consolidated Interim Financial Statements should be read in conjunction with the audited BNP Paribas Fortis Consolidated Financial Statements 2013, 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.

All information in the Financial Report of BNP Paribas Fortis SA/NV for the first half-year of 2014 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 2014 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 2014 and elaborates on the following key developments:

- Economic context
- Results of the first half-year of 2014 and the balance sheet as at 30 June 2014
- Status of liquidity and solvency
- Principal risks and uncertainties

Economic context

The economic recovery in the eurozone that started in the spring of 2013 continued to take hold in the first half of 2014. In Belgum, real GDP growth averaged 1.1% YoY which compares well with an average real GDP growth of 0.9% YoY in the Eurozone. The recovery, although moderate, is increasingly reliant on domestic demand, namely private consumption and business investment, and less on export growth. Domestic demand is expected to remain the most important growth engine in the period ahead. The reduced economic and political uncertainty underpins confidence among economic actors, supported also by the ongoing monetary accommodation and low inflation environment. Nevertheless, the need for debt reduction in several countries still weighs on growth prospects. Geopolitical tensions could also have a negative impact on economic activity.

Inflation is at very low levels. In June 2014, inflation in Belgium reached a low of 0.3%. This was made possible by the VAT reduction on electricity from 21% to 6% in the preceding month. Although headline inflation is in line with the eurozone, the underlying dynamics differ. For example, Belgian core inflation (excluding the volatile components of energy and food) has relatively stabilised around 1.6%, which is double the rate experienced in the eurozone. The risk of deflation, which is present in several eurozone countries, is much less pronounced in Belgium. Given the prospect of moderate growth and the ongoing competitive adjustments within the EMU, the inflation outlook remains very subdued for the coming years.

To counter this threat of a protracted period of very low inflation, the European Central Bank (ECB) took several measures in June 2014. The policy interest rate was reduced once more, by 10bp to an all-time low of 0.15%. This is the lowest central bank policy rate in the major advanced economies. Furthermore, the overnight deposit rate for commercial banks at the ECB was cut further and is now negative. The aim is to weaken the euro exchange rate. A new programme of targeted long-term refinancing operations (TLTROs) was introduced with the aim of stimulating bank lending to the private sector, which is an issue in several peripheral eurozone countries. Lastly, an ABS (asset-backed securities) purchase programme was announced. The ECB would buy ABS on the secondary market in the hope of reviving the securitisation markets and reducing longer-term interest rates even further. With this package of measures, the ECB has made it clear that interest rates will stay low for an extended period. The situation in the eurozone differs from that in the US and UK where central banks plan to gradually tighten monetary conditions.

Calm has returned to financial markets. Tensions surrounding the peripheral countries have abated as interest rate spreads between European sovereigns have returned to pre-crisis levels. In Belgium, the interest rate on 10Y OLOs declined to an exceptionally low level of less than 2% and for the first time since 2010 the spread against the 10Y Bund declined to below 50bp. Nevertheless, several risks surround financial markets. There are geopolitical tensions in Ukraine and the Middle East, there is uncertainty surrounding the Chinese economy and the gradual tightening of monetary conditions in the US. The current low volatility is therefore not cast in stone. Nevertheless, stock markets performed well in the first six months of the year, with the Bel 20 stock index gaining some 7%.

This operating environment of low growth and low interest rates is quite challenging for the banking sector. Net interest , its traditional source of income, is under downward pressure, as low interest rates depress the structural margins on deposits. Furthermore, maturing loans and bonds are being reinvested at significantly lower yields than those yet to mature. On the other hand, weak economic growth translates into weak credit demand. Bank lending to non-financial corporates declined in the first semester, despite a continued relaxation of bank lending standards and a pronounced decline in interest rates on new loans. Bank lending to households continued to grow at a moderate 2% in the first half of 2014. Lending conditions to households were roughly unchanged, except for a small tightening on mortgages, which reflects the uncertainty surrounding the overvaluation of Belgian property.

This is in line with the prudence required by the national supervisor, the National Bank of Belgium (NBB).

Apart from the operating environment, the banking sector faces several challenges from stricter regulatory requirements, such as Basel III and structural banking reforms. In Belgium, the new Banking Act of 25 April 2014 in principle prohibits proprietary trading and implements the new capital requirements under Basel III. This Act also gives new competences to the NBB with regards to macro-prudential policy, which will be pursued in close cooperation with the ECB. In order to prepare itself for its upcoming supervisory function, the ECB is currently submitting the European banks to a thorough and comprehensive asset quality review (AQR). The aim is to restore market confidence in the quality of their balance sheets, in view of the high loan loss provisions in a number of countries. Belgian banks are expected to withstand this test very well. Finally, banks are preparing themselves for new regulations on crisis management practices. A common deposit insurance scheme and the recovery and resolution directive, including the bailing in of investors and creditors, will come into force in January 2015.

Comments on the evolution of the results

BNP Paribas Fortis realised a net profit attributable to shareholders of EUR 654 million in the first half of 2014 compared to EUR 617 million in the first half of 2013.

The comparison between the results of the first half of 2014 and the first half of 2013 is significantly impacted by the change in consolidation method concerning TEB. In 2014, TEB is reported on the basis of the full consolidation method, compared to a consolidation via the equity method in the restated profit and loss account for the first half of 2013. The TEB group is fully consolidated since 20 December 2013 and was previously proportionally consolidated. The application of IFRS 11, Joint Arrangements led to its consolidation under the equity method until 20 December in the restated 2013 financial statements. Thus, the TEB group contributes to the IFRS 11 adjustments to the balance sheet as at 1 January 2013 and to the profit and loss account of the first half of 2013. Then, the TEB group is fully consolidated in the balance sheet as at 31 December 2013. The previously published figures of 2013 (with TEB consolidated under the proportional method) are presented in note 5.h Retrospective impact of IFRS 11, as well as the restated 2013 figures in accordance with IFRS 11 (with TEB reported under the equity method). This change in consolidation method has no impact on the net income attributable to equity holders but the comparative figures of first half of 2013 are restated accordingly in all other captions of the profit and loss account. Bpost Bank and the Indian leasing entity SREI, are no longer consolidated based on the proportionate method but are now reported under the equity method.

Furthermore, the branches in the UK and in Portugal are no longer part of the consolidation scope, due to a transfer to BNP Paribas in the course of 2013, while some leasing entities in the UK changed from full consolidation in 2013 to consolidation via the equity method in 2014.

The impacts of all these changes are detailed in the paragraphs below.

BNP Paribas Fortis delivered a sound business performance during the first half of 2014 in a still challenging economic and financial environment. No significant exceptional elements appeared in the first half of 2014.

Operating income increased, driven by resilient commercial and financial revenues in most entities of BNP Paribas Fortis, partly offset by higher operating expenses. The commercial revenues were supported by higher net interest income (driven by higher volumes) while commission income was under pressure. The financial revenues benefitted from a less negative own credit risk spread impact, partly offset by lower capital gains on sales of government bonds. Total expenses adjusted for scope changes were higher due to higher banking taxes despite overall good cost control. The cost of risk remained at a low level.

From a geographical point of view, based on the segment reporting of the BNP Paribas Fortis entities, 57% of the revenues were generated in Belgium, 11% in Luxembourg and 32% in other countries.

Net interest income reached EUR 2.421 million in the first half of 2014, an increase by EUR 536 million or 28% compared to the same period in 2013. The change in consolidation method for TEB had a positive impact of EUR 426 million, partly counterbalanced by the negative impact of EUR (21) million due to the transfer of the branches in the UK and in Portugal (leaving the scope) and the change in consolidation method (from full to equity method) of some leasing entities in UK. The remaining increase is supported by a good performance in Belgium, Leasing and Personal Finance, partly counterbalanced by a lower performance in Luxembourg. Higher interest revenues in Belgium were mainly due to a higher interest income on assets (mainly on mortgages thanks to margin and volume effects), lower interest costs on deposits and higher interest income in 2014 related to Structured Finance (SF), where most of the results, including net interest income, were reported as commission income in the first half of 2013 (awaiting finalization of legal documents allowing the final transfer of the loans). Interest revenues at Personal Finance benefitted from volume growth. The lower net interest income in Luxembourg resulted from reinvestment in bonds at lower return and from a lower commercial margin mainly on assets (linked to revision of client rates on mortgage loans mid 2013).

Net commission income amounted to EUR 806 million in the first half of 2014, up EUR 76 million or 10% compared to the same period in 2013. The change in consolidation method related to TEB had a positive impact of EUR 145 million, compensated by a negative impact of EUR (18) million due to the exit of the branches in the UK and in Portugal. The remaining decline in net commission income was located in Belgium and Luxembourg, partly counterbalanced by higher commission income in the foreign (CIB) Branches. Commission income in Belgium was negatively impacted by lower commissions earned on the transfer of Specialised Finance activities to CIB Belgium and by the Castle SF impact in the first half of 2013 (all results, including expenses, concerning the not yet transferred loans were reported as commission income, awaiting finalization of legal documents allowing the final transfer of the loans). The decrease in net commission income in Luxembourg resulted from lower trailer fees, lower fees on stock exchange transactions and lower fees on payment services offered to clients. Commission income at foreign (CIB) Branches benefitted from the growth plan in Germany and from the entry into scope of the branch in the Netherlands (in May 2013).

Net results on financial instruments at fair value through profit or loss were at EUR 101 million, down by EUR (12) million compared to the same period in 2013. This was mainly attributable to the change in consolidation method related to TEB, with a negative impact of EUR (59) million. The change in fair value revaluation of own debt added a positive result of EUR 44 million compared to the first half of 2013, together with a positive fair value change of loans to public institutions of EUR 34 million. The introduction of a Funding Valuation Adjustment (FVA) in Q2 2014 had a net negative impact of EUR (14) million. The evolution of the Debit Valuation Adjustment (DVA) led to a negative result of EUR (11) million in the first half of 2014, compared to the positive impact of EUR 29 million in the first half of 2013.

Net results on available-for-sale financial assets amounted to EUR 103 million in the first half of 2014, a decrease by EUR (10) million compared to the same period in 2013. The change in consolidation method related to TEB had a positive impact of EUR 18 million. The result on the sale of fixed income securities in Belgium decreased by EUR (43) million mainly due to lower capital gains on the sale of government bonds (i.e. on Belgian and Polish bonds). The result on available-for-sale assets in Luxembourg was EUR 15 million higher thanks to gains realized on the disposal of the participation in Cetrel and on the sale of French government bonds.

Net income from other activities arrived at EUR 22 million in the first half of 2014 compared to EUR 70 million in the same period in 2013. The decrease is mainly due to the change in consolidation method related to TEB (EUR (16) million) and to lower income at Leasing entities (mainly lower rental income on investment property).

Salary and employee benefit expenses amounted to EUR (1.269) million in the first half of 2014, EUR (139) million or 12% higher than in the same period in 2013. This is attributable to the change in consolidation method related to TEB (impact of EUR (170) million) partly offset by the transfer of the branches in the UK and in Portugal and the change in consolidation method of some leasing entities (impact of EUR 4 million). The remaining decrease in staff expenses is mainly driven by lower FTE in Belgium, partly counterbalanced by higher staff expenses at CIB Branches in Germany (impact growth plan) and in the Netherlands (entry into scope in May 2013).

Other operating expenses stood at EUR (819) million in the first half of 2014, EUR (174) million or 27% higher than in the same period in 2013. The change in consolidation method related to TEB added EUR (119) million, while the transfer of the branches in the UK and in Portugal and change in consolidation method of some leasing entities had a decreasing impact of EUR 16 million. Cost evolution in Belgium was mainly impacted by higher banking taxes (EUR (114) million in the first half-year of 2014 compared to EUR (62) million in the same period of 2013). Cost increase at foreign (CIB) branches was mainly driven by the growth plan in Germany and the entry in scope of the branch in the Netherlands in May

2013. Higher costs at Leasing are linked to the development plan in Germany and the transfer of the core business to the affiliate in Italy.

Depreciation charges stood at EUR (105) million in the first half of 2014, EUR (11) million higher compared to prior year and mainly explained by the change in consolidation method related to TEB (EUR (20) million).

Cost of risk amounted to EUR (160) million in the first half of 2014, compared to EUR (161) million in the first half of 2013. The change in consolidation method related to TEB (EUR (58) million) and the transfer of the branches in the UK and in Portugal and the change in consolidation method in some leasing entities, had a combined increasing impact of EUR (77) million. This increase was completely compensated by decreases in cost of risk in Belgium (due to releases of collective provisions and lower specific allowances for impairment mainly at CIB Belgium as 2013 was impacted by significant specific loan loss impairments), in the CIB branch in Spain (impacted by significant allowances for impairment in 2013) and in Luxembourg (higher releases of both specific and collective provisions).

Share of earnings of associates reached EUR 81 million in the first half of 2014, reflecting a decrease of EUR (127) million or (61%) compared to the same period in 2013. The difference in consolidation method at TEB contributed EUR (76) million. The share in result in leasing entities dropped by EUR (39) million mainly in India (due to the impact of an economic deterioration on cost of risk and on revenues) and in Italy (due to a one-off provision on real estate and the run-down of the portfolio). The contribution of BNP Paribas Investment Partners was EUR (21) million lower than in the same period of 2013, mainly due to higher exceptional positive results in 2013. The share of earnings in bpost Bank was EUR (6) million lower mainly due to higher capital gains realized in 2013. The contribution of AG insurance was EUR 28 million higher mainly supported by higher capital gains in 2014.

Net results on non-current assets came in at EUR 2 million in the first half of 2014 compared to EUR 17 million in the first half of 2013. The result in 2014 relates to some non-material transactions. The result in 2013 was impacted by the liquidation of Fortis Holding Malta (EUR 22 million) and by the adjustment in 2014 on the disposal results of the branches in the UK and in Portugal (EUR (4) million).

Income tax expenses in the first half of 2014 came in at EUR (334) million with an effective tax rate of 28%. Excluding the share of earnings of associates that is reported net of income taxes, the effective tax rate stands at 30%. Income taxes in the first half of 2013 came in at EUR (311) million with an effective tax rate of 28%. Excluding the share of earnings of associates that is reported net of income taxes, the effective tax rate stood at 35%.

Net income attributable to minority interests amounted to EUR 195 million in the first half of 2014, EUR 17 million higher than in the same period in 2013. The main drivers are the change in consolidation method related to TEB (EUR 64 million) and the increase in minority interest by 14.89% at BNP Paribas Poland following the IPO (impact EUR 1.3 million). This was partly counterbalanced by lower minority results in the Leasing entities (EUR (45) million, a.o. due to the negative result in India).

Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis amounted to EUR 276 billion at the end of June 2014, EUR 20 billion or 8% higher than at the end of 2013. Repurchase agreement activities on both assets and liabilities sides strongly increased intensified by the impact of the change in reporting of the cash pooling activity in the branch in the Netherlands.

The 2013 figures were restated in accordance with IFRS 11, Joint Arrangements. This implies that bpost Bank and the Indian leasing entity SREI, are no longer consolidated based on the proportionate method but are now reported under the equity method. These changes impact as well the year-end 2013 figures as the end of June 2014 figures and have as such no impact on the evolution of total assets and total liabilities.

End of 2013, TEB was already reported on the basis of full consolidation, due to a change in the shareholders' agreement signed on 20 December 2013.

From a geographical point of view and based on the location of the BNP Paribas Fortis companies, 65% of assets are located in Belgium, 9% in Luxembourg and 26% in other countries.

Assets

Cash and amounts due from central banks and post office banks amounted to EUR 9.0 billion, a decrease of EUR (1.0) billion compared to the end of 2013. The funding placed on the monetary reserves with the central bank in Belgium decreased by EUR (5.1) billion. This was partly counterbalanced by an increase in the funding placed on the overnight deposit facility with the Federal Reserve (EUR 3.2 billion) and the central bank of Germany (EUR 0.7 billion).

Financial assets at fair value through profit or loss increased by EUR 5.2 billion or 28% to EUR 23.6 billion at the end of June 2014. This evolution is mainly attributable to an increase in the reverse repurchase agreements activities (EUR 5.3 billion).

Available-for-sale financial assets amounted to EUR 30.8 billion at the end of June 2014, EUR 2.3 billion or 8% higher than at the end of 2013. This is mainly attributable to the increase in the corporate bonds portfolio (EUR 1.9 billion) and a net increase in the government bonds portfolio (EUR 0.3 billion). The evolution in the government bonds portfolio is mainly driven by increases in Austrian government bonds (EUR 0.7 billon), Dutch bonds (EUR 0.3 billion) and Italian bonds (EUR 0.1 billion) counterbalanced by sales and redemptions of Belgian bonds (EUR (0.7) billion) and Turkish bonds (EUR (0.2) billion).

Loans and receivables due from credit institutions amounted to EUR 18.1 billion at the end of June 2014 compared to EUR 19.4 billion at the end of 2013. The decrease of EUR (1.3) billion was driven by lower interbank loans.

Loans and receivables due from customers increased by EUR 12.5 billion or 8% to EUR 172.0 billion at the end of June 2014. This is mainly attributable to the increase in reverse repurchase agreement activities (EUR 5.5 billion) as excess funding was placed in the market via reverse repurchase agreements instead of on the deposit facility at the national bank of Belgium. Furthermore, the change in reporting of the cash pooling activity in the branch in the Netherlands contributed for EUR 6.1 billion. Securities classified as loans and receivables decreased by EUR 1.1 billion, mainly due to reimbursements in the structured credit portfolio and sales of Portuguese government bonds. In Turkey, loan growth (EUR 1.3 billion) is in line with its higher business activity. Excluding Turkey, there are also increases in mortgage loans of EUR 1.3 billion, (mainly in Belgium (EUR 1.0 billion)), consumer loans of EUR 0.5 billion, offset by less current account overdrafts (EUR (0.6) billion) and by a further decline in leasing customer loans mainly due to a run-down of activities in some leasing entities (EUR (0.4) billion).

Accrued income and other assets increased by EUR 2.2 billion or 30% to EUR 9.4 billion at the end of June 2014, mainly due to higher margin accounts of customers and banks (cash collateral).

Investments in associates amounted to EUR 3.8 billion at the end of June 2014, a slight increase of EUR 0.3 billion or 9% compared to the end of 2013, explained by increases mainly in AG Insurance and in bpost Bank. The carrying amount of the investment in bpost Bank amounts to EUR 393 million and the carrying amount of SREI amounts to EUR 83 million at the end of June 2014.

Liabilities and equity

Financial liabilities at fair value through profit or loss increased by EUR 6.2 billion or 28% to EUR 28.4 billion at the end of June 2014. The upward movement is attributable to an increase in the repurchase agreement activities by EUR 6.1 billion.

Due to credit institutions amounted to EUR 17.4 billion at the end of June 2014, which is EUR (0.5) billion or 3% lower compared to the end of 2013. The decrease was driven by repayment of the NBB Tender (EUR (1.5) billion), offset by higher interbank borrowings (EUR 0.3 billion) and an increase in repurchase agreements (EUR 0.8 billion).

Due to customers stood at EUR 169.8 billion at the end of June 2014, a significant increase of EUR 12.9 billion compared to the end of 2013. As was the case for the Loans and receivables due from customers, the strong increase on the liability side was driven by the change in reporting of the cash pooling activity in the branch in the Netherlands (EUR 6.1 billion). Furthermore, repurchase agreement activities increased by EUR 1.2 billion. The remaining increase is supported by customer deposit growth of EUR 5.6 billion in Belgium, Turkey and Luxemburg, mainly in saving accounts and current accounts.

Debt securities amounted to EUR 13.7 billion at the end of June 2014, a decrease by EUR (1.9) billion or 12% compared to the end of 2013 and mainly driven by reimbursements of certificates of deposits and limited issues of debt.

Accrued expenses and other liabilities increased by EUR 0.4 billion or 6% to EUR 7.1 billion at the end of June 2014, mainly due to increases in settlement accounts related to securities transactions.

Provisions for contingencies and charges remained stable at EUR 4,155 million at the end of June 2014 compared to EUR 4,109 million at the end of 2013 and includes mainly the provisions for employee benefits.

Subordinated debt slightly decreased by EUR (0.2) billion or 3% to EUR 6.1 billion at the end of June 2014, driven by the redemptions of subordinated certificates.

Shareholders' equity amounted to EUR 19.4 billion at the end of June 2014 compared to EUR 18.7 billion at the end of 2013. The increase of EUR 0.8 billion resulted from the positive impacts of the result of the year (EUR 654 million) and changes in assets and liabilities directly recognised in equity (EUR 439 million) partly counterbalanced by the dividends paid (EUR (387) million). The impact of the dilution in shareholding (from 99.89% to 85%) concerning BNP Paribas Poland following the IPO, amounted to EUR (17) million.

Minority interests amounted to EUR 4.9 billion at the end of June 2014 compared to EUR 4.8 billion at the end of 2013. The increase of EUR 0.1 billion resulted from the positive impacts of the result of the year (EUR 195 million) and changes in assets and liabilities directly recognised in equity (EUR 48 million) partly counterbalanced by the dividends paid (EUR (176) million). The impact of the dilution in shareholding (from 99.89% to 85%) concerning BNP Paribas Poland and following the IPO, amounted to EUR 69 million.

Liquidity and solvency

BNP Paribas Fortis liquidity position remained adequate with customer deposits standing at EUR 169 billion and customers loans at EUR 160 billion.

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

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

This section was not reviewed by the External Auditors.

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 2013.

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 5.g 'Contingent assets and liabilities' of the BNP Paribas Fortis Consolidated Interim Financial Statements 2014.

Events after the reporting period are further described in the note 5.i 'Events after the reporting period' of the BNP Paribas Fortis Interim Financial Statements for the first half year of 2014.

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 2014:

(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 2014 and of the result and cash-flows of the period then ended.

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

(c) The Board of Directors reviewed the BNP Paribas Fortis consolidated interim financial statements on 28 August 2014 and authorised their issue.

Brussels, 28 August 2014
The Board of Directors of BNP Paribas Fortis SA/NV

Composition of the Board of Directors

On 30 June 2014, 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.

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.

BEAUVOIS Didier
Executive Director; Member of the Board of Directors and of the Executive Board by cooption since 12 June 2014.

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.

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.

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.

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.

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

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

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 fifteen Directors, ten 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 2014

In millions of euros	Note	First half of 2014	Restated First half of 2013 [(1)]
Interest income	2.a	4,215	3,366
Interest expense	2.a	(1,794)	(1,481)
Commission income	2.b	1,195	1,006
Commission expense	2.b	(389)	(276)
Net gain/loss on financial instruments at fair value through profit or loss	2.c	101	113
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	2.d	103	113
Income from other activities	2.e	217	246
Expense on other activities	2.e	(195)	(176)
REVENUES		**3,453**	**2,911**
Salary and employee benefit expenses		(1,269)	(1,130)
Other operating expense		(819)	(645)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(105)	(94)
GROSS OPERATING INCOME		**1,260**	**1,042**
Cost of risk	2.f	(160)	(161)
OPERATING INCOME		**1,100**	**881**
Share of earnings of associates		81	208
Net gain/loss on non-current assets		2	17
Goodwill	4.i		
PRE-TAX INCOME		**1,183**	**1,106**
Corporate income tax	2.g	(334)	(311)
NET INCOME BEFORE DISCONTINUED OPERATIONS		**849**	**795**
Net result of discontinued operations			
NET INCOME		**849**	**795**
Net income attributable to minority interests		195	178
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**654**	**617**

[(1)] *Restated according to IFRS 11 (see notes 5h and 1a).*

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

In millions of euros	First half of 2014	Restated First half of 2013 [1]
Net income for the period	**849**	**795**
Changes in assets and liabilities recognised directly in equity	**487**	**(457)**
Items that are or may be reclassified to profit or loss	**590**	**(467)**
Items related to exchange rate movements	50	(31)
of which deferred tax	*4*	*(7)*
Changes in fair value of available-for-sale financial assets, including those reclassified as loans and receivables	235	70
of which deferred tax	*(106)*	*(24)*
Changes in fair value of available-for-sale assets reported in net income, including those reclassified as loans and receivables	(21)	(90)
of which deferred tax	*4*	*47*
Changes in fair value of hedging instruments designated as cash flow hedges	47	(51)
of which deferred tax	(32)	*26*
Changes in fair value of hedging instruments designated as cash flow hedges reported in net income	5	
of which deferred tax	*(1)*	
Items related to investment in associates	274	(365)
of which deferred tax	*(130)*	*146*
Items that will not be reclassified to profit or loss	**(103)**	**10**
Remeasurement gains (losses) related to post-employment benefit plans	(93)	21
of which deferred tax	*40*	*(8)*
Items related to investment in associates	(10)	(11)
of which deferred tax	*5*	*6*
TOTAL	**1,336**	**338**
Attributable to equity shareholders	1,093	187
Attributable to minority interests	243	151

[1] *Restated according to IFRS 11 (see notes 5h and 1a).*

Balance sheet at 30 June 2014

In millions of euros	Note	30 June 2014	Restated 31 December 2013 [1]
ASSETS			
Cash and amounts due from central banks and post office banks		9,036	10,031
Financial assets at fair value through profit or loss	4.a	23,566	18,402
Derivatives used for hedging purposes		1,621	1,231
Available-for-sale financial assets	4.b	30,784	28,497
Loans and receivables due from credit institutions	4.e	18,097	19,443
Loans and receivables due from customers	4.f	172,010	159,551
Remeasurement adjustment on interest-rate risk hedged portfolios		996	627
Held-to-maturity financial assets		1,166	1,267
Current and deferred tax assets	4.h	3,384	3,749
Accrued income and other assets	4.j	9,433	7,231
Investments in associates		3,755	3,431
Investment property		177	362
Property, plant and equipment		1,969	1,943
Intangible assets		167	142
Goodwill	4.i	323	319
Assets classified as held for sale			
TOTAL ASSETS		**276,484**	**256,226**
LIABILITIES			
Due to central banks and post office banks		1,116	136
Financial liabilities at fair value through profit or loss	4.a	28,410	22,164
Derivatives used for hedging purposes		2,972	2,078
Due to credit institutions	4.e	17,407	17,904
Due to customers	4.f	169,778	156,788
Debt securities	4.g	13,725	15,662
Remeasurement adjustment on interest-rate risk hedged portfolios		883	256
Current and deferred tax liabilities	4.h	611	694
Accrued expenses and other liabilities	4.j	7,054	6,685
Provisions for contingencies and charges		4,155	4,109
Subordinated debt	4.g	6,077	6,282
Liabilities classified as held for sale			
TOTAL LIABILITIES		**252,188**	**232,758**
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*9,605*	*9,605*
Retained earnings		*8,321*	*8,137*
Net income for the period attributable to shareholders		*654*	*637*
Total capital, retained earnings and net income for the period attributable to shareholders		**18,580**	**18,379**
Change in assets and liabilities recognised directly in equity		817	283
Shareholders' equity		**19,397**	**18,662**
Retained earnings and net income for the period attributable to minority interests		4,990	4,953
Change in assets and liabilities recognised directly in equity		(91)	(147)
Total minority interests		**4,899**	**4,806**
TOTAL CONSOLIDATED EQUITY		**24,296**	**23,468**
TOTAL LIABILITIES AND EQUITY		**276,484**	**256,226**

[1] *Restated according to IFRS 11 (see notes 5h and 1a).*

Statement of changes in shareholders' equity between 1 January 2013 and 30 June 2014

In millions of euros	Capital and retained earnings: Share capital	Capital and retained earnings: Non distributed reserves	Capital and retained earnings: Total Capital and Retained Earnings	Changes in assets and liabilities recognised directly in equity: Exchange rate	Changes in assets and liabilities recognised directly in equity: Financial Assets Available for sale and reclassified as Loans and Receivables	Changes in assets and liabilities recognised directly in equity: Derivatives used for hedging purposes	Total Share-holders' Equity
Capital and retained earnings at 31 December 2012 [(1)]	**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)	(310)	(42)	(430)
Net income for the first half year of 2013		617	617				617
Capital and retained earnings at 30 June 2013 [(1)]	**9,605**	**8,603**	**18,208**	**(191)**	**184**	**128**	**18,329**
Other movements		73	73				73
Dividends							
Changes in assets and liabilities recognised directly in equity		78	78	(144)	318	(12)	240
Net income for the second half year of 2013		20	20				20
Capital and retained earnings at 31 December 2013 [(1)]	**9,605**	**8,774**	**18,379**	**(335)**	**502**	**116**	**18,662**
Other movements		29	29				29
Dividends		(387)	(387)				(387)
Changes in assets and liabilities recognised directly in equity		(95)	(95)	26	451	57	439
Net income of 2014		654	654				654
Capital and retained earnings at 30 June 2014	**9,605**	**8,975**	**18,580**	**(309)**	**953**	**173**	**19,397**

[(1)] *Restated according to IFRS 11 (see notes 5h and 1a).*

Changes in assets and liabilities recognised directly in equity presented in the column 'non distributed reserves' 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-employment benefits in the accounting policies.

The EUR (257) million in the line 'Other movements' in the first half year of 2013 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.

Minority Interests between 1 January 2013 and 30 June 2014

In millions of euros	Capital and retained earnings	Exchange rate, Financial Assets Available for sale and reclassified as Loans and Receivables, Derivatives used for hedging purposes	Total Minority Interests
Capital and retained earnings at 31 December 2012 [1]	**4,037**	**(15)**	**4,022**
Other movements	(8)		(8)
Dividends	(108)		(108)
Changes in assets and liabilities recognised directly in equity	1	(28)	(27)
Net income for the first half year of 2013	178		178
Capital and retained earnings at 30 June 2013 [1]	**4,100**	**(43)**	**4,057**
Other movements	771		771
Dividends	(25)		(25)
Changes in assets and liabilities recognised directly in equity	(2)	(104)	(106)
Net income for the second half year of 2013	109		109
Capital and retained earnings at 31 December 2013 [1]	**4,953**	**(147)**	**4,806**
Other movements	26		26
Dividends	(176)		(176)
Changes in assets and liabilities recognised directly in equity	(8)	56	48
Net income of 2014	195		195
Capital and retained earnings at 30 June 2014	**4,990**	**(91)**	**4,899**

[1] *Restated according to IFRS 11 (see notes 5h and 1a).*

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-employment benefits in the accounting policies.

Statement of cash flows for the first half year of 2014

In millions of euros	Note	First half of 2014	Restated First half of 2013 [(1)]
Pre-tax net income of continuing activities		**1,183**	**1,106**
Pre-tax net income of discontinued activities			
Non-monetary items included in pre-tax net income and other adjustments of continuing activities		**(822)**	**(205)**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		142	128
Impairment of goodwill and other non-current assets		(4)	7
Net addition to provisions		(54)	250
Share of earnings of associates		(81)	(208)
Net income from investing activities		271	(23)
Net income from financing activities			
Other movements		(1,096)	(359)
Net increase (decrease) in cash related to assets and liabilities generated by continuing operating activities		**(1,047)**	**2,314**
Cash related to transactions with credit institutions		1,384	(4,841)
Cash related to transactions with customers		(1,118)	(693)
Cash related to transactions involving other financial assets and liabilities		(1,133)	8,038
Cash related to transactions involving non-financial assets and liabilities		(14)	(25)
Taxes paid		(166)	(165)
CASH AND EQUIVALENTS GENERATED BY CONTINUING OPERATING ACTIVITIES		**(686)**	**3,215**
CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES		**(70)**	**62**
Cash related to acquisitions and disposals of consolidated entities	5.b	(25)	(3,676)
Cash related to property, plant and equipment and intangible assets		(143)	(101)
CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES		**(168)**	**(3,777)**
CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES		**7**	**7**
Cash and equivalents related to transactions with shareholders		(437)	(288)
Cash and equivalents generated by other financing activities		(336)	(1,949)
CASH AND EQUIVALENTS RELATED TO CONTINUING FINANCING ACTIVITIES		**(773)**	**(2,237)**
CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES		**(7)**	**(36)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**62**	**9**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		**1**	**(2)**
Balance of cash and equivalent accounts of continuing activities at the start of the period		**10,527**	**9,172**
Cash and amounts due from central banks and post office banks		10,030	9,809
Due to central banks and post office banks		(136)	(593)
Demand deposits with credit institutions	4.e	2,616	2,239
Demand loans from credit institutions	4.e	(1,983)	(2,283)
Balance of cash and equivalent accounts of continuing activities at the end of the period		**8,893**	**6,354**
Cash and amounts due from central banks and post office banks		9,036	7,695
Due to central banks and post office banks		(1,116)	(275)
Demand deposits with credit institutions	4.e	2,855	2,002
Demand loans from credit institutions	4.e	(1,882)	(3,068)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		**(1,634)**	**(2,818)**
Additional information:			
Interest paid		*(2,013)*	*(2,053)*
Interest received		*4,369*	*3,470*
Dividend paid/recieved		*(589)*	*(226)*
Balance of cash and equivalent accounts of discontinued activities at the start of the period			**68**
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**

[(1)] *Restated according to IFRS 11 (see notes 5h and 1a).*

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 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. These condensed Consolidated Interim Financial Statements should be read in conjunction with the 2013 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 the application of IFRIC 21 'Levies' will be mandatory only for annual periods beginning on or after 17 June 2014.

Except as described below, the accounting policies applied are consistent with those of the 2013 Consolidated Financial Statements of BNP Paribas Fortis.

As of January 2014, the following new standards became applicable:

- IFRS 10 'Consolidated Financial Statements', without any material impact on BNP Paribas Fortis.
- IFRS 11 'Joint Arrangements', whereby the participation in Bpost bank and SREI are consolidated as from 1 January 2014 using the equity method instead of applying the proportional consolidation method. As this standard has a retrospective effect, the comparative figures as at 30 June and 31 December 2013 have been restated and are presented in Note 5.h Retrospective impact of IFRS 11.

  The comparative figures of first half of 2013 in the notes (2.a Net interest income; 2.b Commission income and expense; 2.c Net gain/loss on financial instruments at fair value through profit or loss; 2.d Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value; 2.e Net income from other activities; 2.f Cost of risk; 2.g Corporate income tax; 3.b Income by operating segment; 5.c Related parties profit and loss items) to the profit and loss account have been restated retrospectively.

  The comparative figures as at 31 December 2013 in the notes (3.b Assets and liabilities by operating segment; 4.a Financial assets, financial liabilities and derivatives at fair value through profit or loss; 4.b Available-for-sale financial assets; 4.d Measurement of the fair value of financial instruments; 4.e Interbank and money-market items; 4.f Customer items; 4.g Debt securities and subordinated debt; 4.h Current and deferred taxes; 4.i Goodwill; 4.j Accrued income/expense and other assets/liabilities; 5.c Related parties balance sheet items; 5.e Exposure to sovereign risk; 5.f Fair value of financial instruments carried at amortised cost) to the balance sheet have been restated retrospectively.

At the same date, the following amended standards became applicable:

- IAS 28 'Investments in Associates and Joint Ventures', without any material impact on BNP Paribas Fortis.
- IAS 32 'Financial Instruments: Presentation', the impact on the total consolidated balance sheet of BNP Paribas Fortis as at 30 June 2014 amounted to EUR 1.1 billion. Equity and profit and loss account are not impacted.
- IAS 39 'Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting', without any material impact on BNP Paribas Fortis.

The introduction of other standards, which are mandatory as of 1 January 2014, had no effect on the condensed Consolidated Interim Financial Statements at 30 June 2014.

BNP Paribas Fortis did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union whose application in 2014 is optional.

The disclosure requirements related to IFRS 12 'Disclosure of Interests in Other entities' will be applied in the 2014 Annual Financial Statements of BNP Paribas Fortis. Therefore they are not yet included in the financial statements of the first half year of 2014.

BNP Paribas Fortis will apply the IFRIC 21 "Levies" interpretation in the consolidated financial statements as of 1 January 2015. The application of this interpretation as at 30 June 2014 would have had an estimated impact of EUR (58.9) million on the shareholders' equity, of which EUR (62) million on the net income after tax of the first half of 2014.

1.b Segment reporting

Due to the further execution of the Industrial Plan, changes occurred in the legal and regulatory scope of BNP Paribas Fortis ('controlled perimeter'). These changes also have an 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.

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

- Belgium
- Luxembourg
- Other

Operating segments are components of BNP Paribas Fortis:

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

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

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

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

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

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

1.c Consolidation

1.c.1 Scope of consolidation

The BNP Paribas Fortis condensed Consolidated Interim Financial Statements include 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.

Companies that hold shares in consolidated companies are also consolidated.

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

1.c.2 Consolidation methods

Enterprises under the exclusive control of BNP Paribas Fortis are fully consolidated. BNP Paribas Fortis has exclusive control over a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the entity's returns.

For entities on which voting rights exist, BNP Paribas Fortis generally controls the entity if it has, directly or indirectly, the majority of the votes and in absence of other agreements that could alter these voting right powers.

For structured entities, defined by IFRS 12 'Disclosure of Interests in Other Entities' as entities that have been designed so that voting rights are not applicable or these voting rights are limited to administrative decisions, the analysis of control considers reasons before its creation, the risks assigned to the entity and the variable exposure to BNP Paribas Fortis. The evaluation of control considers all facts and circumstances in which BNP Paribas Fortis can take decisions leading to influence its returns even if contingent to certain circumstances or uncertain future events.

When assessing control, BNP Paribas Fortis only takes into account substantial rights of the entity, of its own or of third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decision about the direction of the relevant activities need to be made.

Control should be reassessed if one of the criteria determining the control has been modified.

When BNP Paribas Fortis has contractual decision-making rights, for instance when BNP Paribas Fortis acts as an asset manager, it shall determine whether it is a principal or an agent. Together with the level of exposure to the variable returns, this decision power could indicate that it acts for its own account and thus controls these entities.

When BNP Paribas Fortis has an activity with one or more partners where the control is shared through a contractual agreement indicating that decisions about the relevant activities require the unanimous consent of all parties, BNP Paribas Fortis exercises a joint control. If the joint control is exercised through a separate legal structure on behalf of which the partners have rights to the net assets, it is accounted for using the equity method. If the joint control is not exercised through a separate legal structure or the partners have rights to the assets, and obligations for the liabilities of the joint venture, BNP Paribas Fortis accounts for the assets, liabilities and income and expenses using the appropriate IFRS standards.

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'.

Whenever there is an indication of impairment, the carrying amount of the participation consolidated under the equity method (including goodwill) will be subject to an impairment test whereby the recoverable amount (equal to the higher of the value in use and market value) will be compared with its carrying amount. When needed, an impairment will be recognised under 'Share of earnings of associates' in the consolidated income statement and can be reversed afterwards.

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.

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

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 condensed 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 condensed Consolidated Interim Financial Statements.

Translation of financial statements expressed in foreign currencies

The BNP Paribas Fortis condensed 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 'First-time Adoption of International Financial Reporting Standards', 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 without keeping significant influence), the cumulative translation adjustment determined by the step-by-step method of consolidation and 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 enterprises consolidated under the equity method, 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 'Business Combinations' 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 'First-time Adoption of International Financial Reporting Standards', 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.

Recoverable amount of a cash-generating unit

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

1 As defined by IAS 36 'Impairment of Assets'.

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 'Accounting Policies, Changes in Accounting Estimates and Errors', 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 commissions (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/commissions 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

Apart from derivative instruments, financial assets at fair value through profit or loss are composed 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 'Financial Instruments: Recognition and Measurement'. 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 as well as sales of borrowed securities are initially recognised at the settlement date. For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognised between the trade date and the settlement date when the transactions are recognised, respectively, as 'Loans and Receivables' and 'Liabilities'. When reverse repurchase agreements and repurchase agreements are recognised, respectively, as 'Financial assets at fair value through profit or loss' and 'Financial liabilities at fair value through profit or loss', the repurchase commitment is recognised as a derivative financial instrument.

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.

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

1.d.4 Impairment and restructuring of financial assets

Impaired positions

Doubtful assets are defined as assets where the Bank considers that there is a risk that the debtors will be unable to honour all or part of their commitments.

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

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

A restructuring due to financial difficulties of the borrower of an asset classified in the category 'Loans and receivables' is defined as a change in the terms and conditions of the initial transaction (a.o. a loan write-off, rescheduling of principal and interest and/or modification of the contractual rate) that BNP Paribas Fortis only considers for economic and legal reasons linked to the financial difficulties of the borrower. This is because it results in a reduced obligation of the customers towards the Bank compared to the terms and conditions of the transaction before the restructuring.

At the time of restructuring, a discount which equals to the difference between the gross carrying amount of the loan and the discounted value at the initial effective interest rate (prior to the restructuring) is recognised as a reduction of the asset.

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

At the end of future accounting periods, the discount will be reversed and recognised in the income statement within the interest margin over the expected lifetime of the asset and will increase the level of calculated interest as outlined in the repayment schedule defined at the time of the restructuring. In the end, the interest amount recognised as interest income corresponds to the interest calculated at the initial loan rate.

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

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

When BNP Paribas Fortis acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas Fortis, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to 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 'Financial Instruments: Recognition and Measurement' 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.

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 'Insurance Contracts'.

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 'Financial Instruments: Recognition and Measurement', 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 condensed 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. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. The lease obligation is accounted for at amortised cost.

Operating leases

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

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

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

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 or – 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 'Share-based Payment' 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 2014

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 2014			Restated first half of 2013		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Customer items	**3,274**	**(1,002)**	**2,272**	**2,483**	**(740)**	**1,743**
Deposits, loans and borrowings	2,934	(993)	1,941	2,119	(720)	1,399
Repurchase agreements	6	(1)	5	3		3
Finance leases	334	(8)	326	361	(20)	341
Interbank items	**180**	**(213)**	**(33)**	**197**	**(205)**	**(8)**
Deposits, loans and borrowings	177	(180)	(3)	196	(199)	(3)
Repurchase agreements	3	(33)	(30)	1	(6)	(5)
Debt securities issued		**(223)**	**(223)**		**(259)**	**(259)**
Cash flow hedge instruments	**131**	**(111)**	**20**	**72**	**(39)**	**33**
Interest rate portfolio hedge instruments	**238**	**(138)**	**100**	**205**	**(131)**	**74**
Trading book	**55**	**(107)**	**(52)**	**78**	**(107)**	**(29)**
Fixed-income securities	11		11	27		27
Repurchase agreements	11	(13)	(2)	14	(8)	6
Loans / Borrowings	33	(30)	3	37	(65)	(28)
Debt securities		(64)	(64)		(34)	(34)
Available-for-sale financial assets	**308**		**308**	**302**		**302**
Held-to-maturity financial assets	**29**		**29**	**29**		**29**
TOTAL INTEREST INCOME / (EXPENSE)	**4,215**	**(1,794)**	**2,421**	**3,366**	**(1,481)**	**1,885**

2.b Commission income and expense

Net commission income and expense for the first half year of 2014 are specified in the table below:

In millions of euros	**First half of 2014**	**Restated First half of 2013**
Guarantees, commitments and credit operations	244	168
Payment services	157	88
Securities and derivatives operations	99	118
Asset management	208	210
Insurance	157	150
Intermediaries	(41)	(36)
Other	(18)	32
TOTAL NET COMMISSION INCOME AND EXPENSE	**806**	**730**

The change in consolidation method related to TEB had a positive impact of EUR 145 million on the net commission income, compensated by a negative impact of EUR (18) million due to the exit of the branches in the UK and in Portugal. The remaining decline in net commission income was located in Belgium and Luxembourg, partly counterbalanced by higher commission income in the foreign (CIB) Branches. Commission income in Belgium was negatively impacted by lower commissions earned on the transfer of Specialised Finance activities to CIB Belgium and by the Castle SF impact in the first half of 2013 (all results, including expenses, concerning the not yet transferred loans were reported as commission income, awaiting finalization of legal documents allowing the final transfer of the loans). The decrease in net commission income in Luxembourg resulted from lower trailer fees, lower fees on stock exchange transactions and lower fees on payment services offered to clients.

Commission income and expense on financial instruments not measured at fair value through profit or loss amounted to EUR 253 million income and EUR (51) million expense respectively during the first half year of 2014, compared to EUR 175 million income and EUR (45) million expense during the first half year of 2013.

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 2014	Restated First half of 2013
Trading book	**25**	**89**
Debt instruments	(69)	85
Equity instruments	91	1
Other derivatives	1	2
Repurchase agreements	2	1
Financial instruments designated at fair value through profit and loss	**30**	**11**
Impact of hedge accounting	**10**	
Hedging instruments	(300)	308
Items covered by fair value hedges	310	(308)
Remeasurement of currency positions	**36**	**13**
TOTAL	**101**	**113**

Net gains on the trading book in first half of 2014 and 2013 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 2014	Restated First half of 2013
Loans and receivables, fixed-income securities [1]	**102**	**120**
Equities and other variable-income securities	**1**	**(7)**
Dividend income	14	13
Additions to impairment provisions	(20)	(30)
Net disposal gains	7	10
TOTAL	**103**	**113**

[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 2014, this amounted to EUR 27 million compared to EUR 144 million for first half year of 2013.

2.e Net income from other activities

In millions of euros	First half of 2014			Restated first half of 2013		
	Income	Expense	Net	Income	Expense	Net
Net income from investment property	17	(6)	11	34	(11)	23
Net income from assets held under operating leases	68	(50)	18	76	(57)	19
Other income and expense	132	(139)	(7)	136	(108)	28
TOTAL NET INCOME FROM OTHER ACTIVITIES	**217**	**(195)**	**22**	**246**	**(176)**	**70**

The line 'Other income and expense' is mainly related to specific activities of some leasing entities.

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 2014	Restated First half of 2013
Net additions to impairment provisions	(178)	(216)
Recoveries on loans and receivables previously written off	22	73
Irrecoverable loans and receivables not covered by impairment provisions	(4)	(18)
TOTAL COST OF RISK FOR THE PERIOD	**(160)**	**(161)**

Cost of risk for the period by asset type

In millions of euros	First half of 2014	Restated First half of 2013
Loans and receivables due from credit institutions	8	
Loans and receivables due from customers	(195)	(145)
Available-for-sale financial assets		(3)
Held-to-maturity financial assets		
Financial instruments on trading activities	18	18
Other assets	3	(1)
Off-balance sheet commitments and other items	6	(30)
TOTAL COST OF RISK FOR THE PERIOD	**(160)**	**(161)**

Impairment provisions by asset type

In millions of euros	30 June 2014	Restated 31 December 2013
Impairment of assets		
Loans and receivables due from credit institutions (Note 4.e)	136	185
Loans and receivables due from customers (Note 4.f)	3,515	3,670
Financial instruments on trading activities	56	56
Available-for-sale financial assets (Note 4.b)	28	28
Held-to-maturity financial assets		
Other assets	2	8
TOTAL IMPAIRMENT PROVISIONS AGAINST FINANCIAL ASSETS	**3,737**	**3,947**
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
- to credit institutions		9
- to customers	121	142
Other items subject to provisions	11	62
TOTAL PROVISIONS RECOGNISED AS LIABILITIES	**132**	**213**
TOTAL IMPAIRMENT PROVISIONS	**3,869**	**4,160**

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 2014		Restated first half of 2013	
	In millions of euros	In %	In millions of euros	In %
Corporate income at standard tax rate expense in Belgium	**(374)**	**33.99%**	**(306)**	**33.99%**
Differential effect in tax rates applicable to foreign entities	40	(3.67%)	17	(2.30%)
Effect of dividends and asset disposals taxed at reduced rate	25	(2.29%)	11	(1.49%)
Tax effect linked to capitalisation of tax loss carryforward and prior temporary differences	5	(0.46%)		
Tax effect of using tax losses not capitalised	1	(0.09%)	3	(0.41%)
Other items	(31)	2.84%	(36)	4.83%
Corporate income tax expense	**(334)**	**30.32%**	**(311)**	**34.63%**
Of which				
Current tax expense	*(163)*		*(218)*	
Deferred tax expense	*(171)*		*(93)*	

3 Segment information

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 2013, but is different compared with the condensed Consolidated Interim Financial Statements of BNP Paribas Fortis for the six months ended 30 June 2013.

Due to the execution of the Industrial Plan, changes occurred in the legal and regulatory scope of BNP Paribas Fortis ('controlled perimeter'). These changes also had an 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. For this reason, the basis of segmentation, i.e. the format and content of the segment information included in the Consolidated Financial Statements for the year ending 31 December 2013 had been adjusted compared to the previous year.

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

- Belgium
- Luxembourg
- Other

The operating segment 'Belgium' mainly comprises the activities of BNP Paribas Fortis SA/NV, BPost bank/banque and Bass and Esmée Master Issuer.

The operating segment 'Luxembourg' mainly comprises the activities of BGL BNP Paribas Fortis.

The operating segment 'Other' mainly comprises BNP Paribas Bank Polska, Türk Ekonomi Bankasi (TEB), BNP Paribas Leasing Solutions, BNP Paribas Investment Partners and the foreign branches of BNP Paribas Fortis.

The comparative figures of 2013, were restated, based on the current composition.

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 operating 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.

This integration of BNP Paribas Fortis's 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 establishment of appropriate governance structures and control procedures.

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

Transactions or transfers between the operating segments are entered into under normal commercial terms and conditions as would be the case with non-related third parties. The profit and loss account and the assets and liabilities of each operating 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 CODM.

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 850 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 both for individuals and for professional and institutional clients. Ranked as the number one bank for corporates and the number two bank for resident individuals in the Grand Duchy of Luxembourg, BGL BNP Paribas is also the leader in bancassurance, providing combined offerings of insurance and banking services.

BNP Paribas Fortis in other countries

The operating segment 'Other' covers all activities carried out by BNP Paribas Fortis outside Belgium and Luxembourg. This segment mainly comprises Türk Ekonomi Bankasi (TEB), BNP Paribas Bank Polska, BNP Paribas Leasing Solutions, BNP Paribas Investment Partners and the foreign branches of BNP Paribas Fortis.

BNP Paribas Fortis operates in Turkey via Türk Ekonomi Bankasi (TEB), in which it has a 44.75% stake. Retail Banking products and services consist of debit and credit cards, personal loans, and investment and insurance products distributed through the TEB branch network and via internet and phone banking. Corporate banking services include international trade finance, asset and cash management, credit services, currency hedging, interest and commodity risk, plus factoring and leasing. Through its commercial and SME banking departments, the Bank offers an array of banking services to small and medium-sized enterprises.

In Poland, BNP Paribas Bank Polska (85% 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.

3.b Information by operating segment

Income by operating segment

In millions of euros	First half of 2014				Restated first half of 2013			
	Belgium	Luxembourg	Other	Total	Belgium	Luxembourg	Other	Total
Revenues	**1,956**	**367**	**1,130**	**3,453**	**1,891**	**389**	**631**	**2,911**
Operating expense	(1,372)	(186)	(635)	(2,193)	(1,358)	(189)	(322)	(1,869)
Cost of risk	(54)	15	(121)	(160)	(102)	6	(65)	(161)
Operating Income	**530**	**196**	**374**	**1,100**	**431**	**206**	**244**	**881**
Non Operating items	(65)		148	83	33		192	225
Pre-tax income	**465**	**196**	**522**	**1,183**	**464**	**206**	**436**	**1,106**

Assets and liabilities by operating segment

In millions of euros	30 June 2014				Restated 31 December 2013			
	Belgium	Luxembourg	Other	Total	Belgium	Luxembourg	Other	Total
Assets	**180,600**	**23,277**	**72,607**	**276,484**	**172,553**	**22,081**	**61,592**	**256,226**
of which goodwill on acquisitions during the period								
of which investments in associates and Joint ventures	*1,127*	*89*	*2,539*	*3,755*	*1,067*	*89*	*2,275*	*3,431*
Liabilities	**169,372**	**18,707**	**64,109**	**252,188**	**161,646**	**17,684**	**53,428**	**232,758**

3.c Country by country reporting

The Country-by-Country Reporting has been prepared to comply with the requirements as laid out in Article 89 of the European Union Capital Requirements Directive IV. The information is presented using the same basis as the consolidated financial statements of BNP Paribas Fortis for the period ending 30 June 2014, which are prepared in accordance with IFRSs as adopted by the European Union. The country information considers the country of incorporation or residence of branches and subsidiaries.

Country	Revenues (in millions of EUR)	FTEs	Nature of activities
Belgium	2,038	15,672	
of which: BNP Paribas Fortis NV/SA	*1,734*	*15,126*	*Credit institution*
Turkey	511	10,184	
of which: Türk Ekonomi Bankasi AS	*497*	*10,017*	*Credit institution*
Luxemburg	360	2,459	
of which: BGL BNP Paribas	*358*	*2,411*	*Credit institution*
France	143	1,225	
of which: BNP Paribas Lease Group BPLG	*86*	*1,095*	*Leasing*
Germany	108	750	
of which: Von Essen GMBH & CO. KG Bankgesellschaft	*44*	*320*	*Credit institution*
Poland	98	2,601	
of which: BNP Paribas Bank Polska S.A.	*95*	*2,595*	*Credit institution*
United Kingdom	58	46	
Spain	42	247	
The Netherlands	33	199	
Kosovo	16	579	
Other	46	217	
Total	**3,453**	**34,178**	

4 Notes to the balance sheet at 30 June 2014

4.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 as at fair value through profit or loss at the time of acquisition or issue.

Financial Assets

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

Assets designated as 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 as 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 2014			Restated 31 December 2013		
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	**3,193**	**603**	**3,796**	**3,145**	**663**	**3,808**
Treasury bills and government bonds	1,537		1,537	1,874		1,874
Other fixed-income securities	1,496	4	1,500	1,115	3	1,118
Equities and other variable-income securities	160	599	759	156	660	816
Loans and repurchase agreements	**11,124**	**1,508**	**12,632**	**5,804**	**1,700**	**7,504**
Loans		1,508	1,508	22	1,700	1,722
Repurchase agreements	11,124		11,124	5,782		5,782
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**14,317**	**2,111**	**16,428**	**8,949**	**2,363**	**11,312**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Securities portfolio	**2,154**		**2,154**	**1,832**		**1,832**
Borrowings and repurchase agreements	**15,687**	**377**	**16,064**	**9,538**	**401**	**9,939**
Borrowings		377	377		401	401
Repurchase agreements	15,687		15,687	9,538		9,538
Debt securities		**4,295**	**4,295**		**4,160**	**4,160**
Subordinated debt		**1,513**	**1,513**		**1,485**	**1,485**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**17,841**	**6,185**	**24,026**	**11,370**	**6,046**	**17,416**

Derivative Financial Instruments held for Trading

The majority of derivative financial instruments held for trading are related to transactions initiated for position management 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 interest rate 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 2014		Restated 31 December 2013	
In millions of euros	**Positive market value**	**Negative market value**	**Positive market value**	**Negative market value**
Currency derivatives	539	535	762	732
Interest rate derivatives	6,081	3,779	5,860	3,929
Equity derivatives	502	57	443	73
Credit derivatives	15	13	24	14
Other derivatives	1		1	
Trading book derivatives	**7,138**	**4,384**	**7,090**	**4,748**

4.b Available-for-sale financial assets

	30 June 2014			Restated 31 December 2013		
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	**30,179**	**(28)**	**583**	**27,926**	**(28)**	**322**
Treasury bills and Government bonds	22,860		445	22,542		344
Other fixed-income securities	7,319	(28)	137	5,384	(28)	(22)
Variable-income securities	**605**	**(467)**	**121**	**571**	**(454)**	**127**
Listed securities	26	(1)	4	35	(13)	10
Unlisted securities	579	(466)	117	536	(440)	117
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	**30,784**	**(495)**	**704**	**28,497**	**(482)**	**449**

Changes in value recognised directly in equity are as follows:

In millions of euros	30 June 2014 Fixed-income securities	30 June 2014 Equity and other variable-income securities	30 June 2014 Total	Restated 31 December 2013 Fixed-income securities	Restated 31 December 2013 Equity and other variable-income securities	Restated 31 December 2013 Total
Changes in value of securities recognised in 'available-for-sale financial assets'	**583**	**121**	**704**	**322**	**127**	**449**
Deferred tax linked to these changes in value	(47)	(8)	(55)	54	(5)	49
Group share of changes in value of available-for-sale securities owned by associates, after deferred tax and insurance policyholders' surplus reserve	730	87	817	460	83	543
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(439)		(439)	(501)		(501)
Other variations						
Changes in value of assets taken directly to equity under the heading 'Financial assets available for sale and reclassified loans and receivables'	**827**	**200**	**1,027**	**335**	**205**	**540**
Attributable to equity shareholders	761	192	953	307	195	502
Attributable to minority interests	66	8	74	28	10	38

4.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 5.d 'Structured Credit Instruments') and on the other hand to part of the sovereign bond portfolio relating to Ireland and Portugal (see note 5.e 'Exposure to sovereign risk').

4.d Measurement of the fair value of financial instruments

Valuation process

BNP Paribas Fortis follows the fundamental principle that it should have a unique, 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 of i) the direction of the transaction or its impact on the existing risks in the portfolio, ii) the nature of the counterparties, and iii) the aversion of a market participant to particular risks inherent in the instrument, the market in which it is traded, or the risk management strategy.

Additional valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that could be incurred in case of an exit transaction in the principal market. When valuation techniques are used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the existence and terms of any collateral agreement. In particular, for non- or imperfectly collateralized derivative instruments, they include an explicit adjustment to the interbank interest rate (Funding Valuation Adjustment – FVA).

Fair value generally equals the economic value, subject to limited 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 applied by BNP Paribas Fortis in order to determine 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 had increased by EUR 39 million at 30 June 2014 due to the impact of the own credit risk, compared to an increase by EUR 21 million at 31 December 2013, i.e. variance of EUR (18) million recognised in net gains/loss on financial instruments at fair value through profit or loss (note 2.c).

Funding valuation Adjustment (FVA): as from the second quarter of 2014 and to be considered as a change in accounting estimates, (see note 1.n Use of estimates in the preparation of the financial statements) related to the fair value determination of derivatives, BNP Paribas Fortis has introduced a FVA adjustment in the valuation process of non or imperfectly collaterised derivative instruments. The objective is an optimisation of the implementation of IFRS 13 'Fair value Measurement' and of the principle that all assumptions as market participants would use when pricing derivatives, should be considered. The FVA is an adjustment to take into account the future funding cost or funding benefit related to uncollaterised derivative assets or liabilities.

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 into the nature of the instruments.

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

	30 June 2014											
	Trading book				Instruments designated at fair 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	**3,107**	**75**	**11**	**3,193**	**135**	**101**	**367**	**603**	**22,873**	**7,369**	**542**	**30,784**
Treasury bills and government bonds	1,533	4		1,537					19,146	3,714		22,860
Asset Backed Securities (ABS)		48		48								
CDO / CLO		*25*		*25*								
Other Asset Backed Securities		*23*		*23*								
Other fixed-income securities	1,414	23	11	1,448		4		4	3,668	3,651		7,319
Equities and other variable-income securities	160			160	135	97	367	599	59	4	542	605
Loans and repurchase agreements		**10,758**	**366**	**11,124**		**1,508**		**1,508**				
Loans						1,508		1,508				
Repurchase agreements		10,758	366	11,124								
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**3,107**	**10,833**	**377**	**14,317**	**135**	**1,609**	**367**	**2,111**	**22,873**	**7,369**	**542**	**30,784**
Securities portfolio	**2,151**	**3**		**2,154**								
Treasury bills and government bonds												
Other fixed-income securities	2,151	1		2,152								
Equities and other variable-income securities		2		2								
Borrowings and repurchase agreements	**3,294**	**12,323**	**70**	**15,687**		**377**		**377**				
Borrowings						377		377				
Repurchase agreements	3,294	12,323	70	15,687								
Debt securities (note 4.g)						**3,614**	**681**	**4,295**				
Subordinated debt (note 4.g)						**1,502**	**11**	**1,513**				
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,445**	**12,326**	**70**	**17,841**		**5,493**	**692**	**6,185**				

	Restated 31 December 2013											
	Trading book				Instruments designated at fair 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	**1,884**	**1,259**	**2**	**3,145**	**145**	**82**	**436**	**663**	**21,000**	**6,964**	**533**	**28,497**
Treasury bills and government bonds	1,699	175		1,874					18,824	3,718		22,542
Asset Backed Securities (ABS)		24		24								
CDO / CLO		*1*		*1*								
Other Asset Backed Securities		23		*23*								
Other fixed-income securities	29	1,060	2	1,091		3		3	2,141	3,243		5,384
Equities and other variable-income securities	156			156	145	79	436	660	35	3	533	571
Loans and repurchase agreements		**5,157**	**647**	**5,804**		**1,700**		**1,700**				
Loans		22		22		1,700		1,700				
Repurchase agreements		5,135	647	5,782								
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,884**	**6,416**	**649**	**8,949**	**145**	**1,782**	**436**	**2,363**	**21,000**	**6,964**	**533**	**28,497**
Securities portfolio	**1,792**	**40**		**1,832**								
Treasury bills and government bonds												
Other fixed-income securities	1,792	14		1,806								
Equities and other variable-income securities		26		26								
Borrowings and repurchase agreements		**9,288**	**250**	**9,538**		**401**		**401**				
Borrowings						401		401				
Repurchase agreements		9,288	250	9,538								
Debt securities (note 4.g)						**3,974**	**186**	**4,160**				
Subordinated debt (note 4.g)						**1,475**	**10**	**1,485**				
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,792**	**9,328**	**250**	**11,370**		**5,850**	**196**	**6,046**				

	30 June 2014							
	Positive market value				Negative market value			
In millions of euros	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Interest rate derivatives		6,029	52	6,081		3,715	64	3,779
Currency derivatives		539		539		535		535
Credit derivatives		15		15		9	4	13
Equity derivatives		502		502		57		57
Other derivatives		1		1				
Derivatives financial instruments (excl. hedging derivatives)		**7,086**	**52**	**7,138**		**4,316**	**68**	**4,384**
Derivatives financial instruments, Hedging derivatives		**1,621**		**1,621**		**2,972**		**2,972**

	Restated 31 December 2013							
	Positive market value				Negative market value			
In millions of euros	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Interest rate derivatives		5,688	172	5,860		3,796	133	3,929
Currency derivatives		762		762		732		732
Credit derivatives		23	1	24		9	5	14
Equity derivatives		443		443		73		73
Other derivatives		1		1				
Derivatives financial instruments (excl. hedging derivatives)		**6,917**	**173**	**7,090**		**4,610**	**138**	**4,748**
Derivatives financial instruments, Hedging derivatives		**1,231**		**1,231**		**2,078**		**2,078**

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 2014, 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 at each level in the hierarchy. It describes notably instruments classified at Level 3 and the associated valuation methodologies. For main trading book instruments and derivatives classified at Level 3, further quantitative information is provided about the inputs used to derive fair value.

Level 1:

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

Level 1 includes notably equity securities and liquid bonds, short selling of these instruments, derivative instruments traded on organised markets (futures, options, etc) 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 at 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 inter alia consensus pricing services with a reasonable number of contributors that are active market makers and indicative runs from active brokers and/or dealers. Other sources such as the primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

Repurchase agreements are classified predominantly at 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, are classified at the same level as the embedded derivative would be allocated 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.

Determining whether an over-the-counter (OTC) derivative is eligible for Level 2 classification, involves judgement. Consideration is given to the origin, transparency and reliability of external data used and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axes 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 a 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.

Credit derivatives (CDS): exposures mainly comprise CDSs beyond the maximum observable maturity. Classification is driven by the lack of liquidity while observation capabilities may be available notably through consensus. Level 3 exposures also comprise CDS and Total Return Swaps (TRS) positions on securitised assets. These are priced along the same modelling techniques as the underlying bonds, taking into consideration the funding basis and specific risk premium.

Interest rate derivatives are classified at 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 extrapolation techniques. Valuation adjustments for liquidity are taken for main yield and spread positions and specialised by currency and index.

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

- Complex derivatives classified at 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 in the product, and to the range of uncertainty from the existing external consensus data.

  Inflation derivatives classified at 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 the annual inflation 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 adjustment so as 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 underlyings 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	366	70	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	0 bp - 55 bp	40 bp (a)
Interest rate derivatives	52	64	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	0.7% - 10.7%	(b)
					Volatility of the year on year inflation rate	0.4% - 1.7%	
			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)
Credit derivatives	0	4	Single name Credit Default Swaps (other than CDS on ABSs and loans indices)	Stripping, extrapolation and interpolation	Credit default spreads beyond observation limit (10 years)	10 bp to 5,500 bp	350 bp (c)
					Illiquid credit default spread curves (across main tenors)	10 bp to 3,200 bp	140 bp (c)

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

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

(c) *Weighting is not based on risks, but on alternative methodology in relation with the Level 3 instruments (PV or notional)*

Movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 1 January and 30 June 2014:

	30 June 2014						
	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
Beginning of the period	**822**	**436**	**533**	**1,791**	**388**	**196**	**584**
- purchases			7	7			
- issues						132	132
- sales			(7)	(7)			
- settlements	(6)		21	15	(12)	(12)	(24)
Reclassifications							
Transfers to level 3	11			11		437	437
Transfers from level 3	(398)			(398)	(236)	(62)	(298)
Gains or (losses) recognised in income for matured or disrupted operations in the period		(69)	(18)	(87)	(2)	1	(1)
Changes in fair value of assets and liabilities recognised directly in equity							
- exchange rate movements							
- changes in assets and liabilities recognised in equity			6	6			
End of the period	**429**	**367**	**542**	**1,338**	**138**	**692**	**830**

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 in 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 a 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 as an inducement to enter into a transaction.

In millions of euros	30 June 2014		Restated 31 December 2013	
	Potential impact on income	Potential impact on equity	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	+/-4	+/-5	+/-4	+/-5
Loans				
Repurchase agreements	+/-3		+/-4	
Derivative financial instruments	+/-133		+/-134	
Interest rate derivatives	+/-128		+/-128	
Credit derivatives	+/-5		+/-6	
Equity derivatives				
Other derivatives				
Sensitivity of Level 3 financial instruments	**+/-140**	**+/-5**	**+/-142**	**+/-5**

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 and 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.

4.e Interbank and money-market items

Loans and receivables due from credit institutions

In millions of euros	30 June 2014	Restated 31 December 2013
Demand accounts	2,856	2,618
Loans	15,126	16,976
Repurchase agreements	251	34
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT PROVISIONS	**18,233**	**19,628**
Of which doubtful loans	*214*	*276*
Provisions for impairment of loans and receivables due from credit institutions (Note 2.f)	(136)	(185)
Of which specific provisions	*(122)*	*(171)*
Of which collective provisions	*(14)*	*(14)*
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT PROVISIONS	**18,097**	**19,443**

Due to credit institutions

In millions of euros	30 June 2014	Restated 31 December 2013
Demand accounts	1,882	1,983
Borrowings	14,056	15,226
Repurchase agreements	1,469	695
TOTAL DUE TO CREDIT INSTITUTIONS	**17,407**	**17,904**

4.f Customer items

Loans and receivables due from customers

In millions of euros	30 June 2014	Restated 31 December 2013
Demand accounts	8,959	3,366
Loans to customers	149,609	148,514
Repurchase agreements	5,517	58
Finance leases	11,440	11,283
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT PROVISIONS	**175,525**	**163,221**
Of which doubtful loans	*7,066*	*7,399*
Impairment of loans and receivables due from customers (Note 2.f)	(3,515)	(3,670)
Of which specific provisions	*(2,852)*	*(2,986)*
Of which collective provisions	*(663)*	*(684)*
TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT PROVISIONS	**172,010**	**159,551**

Due to customers

In millions of euros	30 June 2014	Restated 31 December 2013
Demand deposits	67,847	58,655
Term accounts and short-term notes	38,848	36,861
Regulated Belgian savings accounts	61,819	61,242
Repurchase agreements	1,264	30
TOTAL DUE TO CUSTOMERS	**169,778**	**156,788**

4.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 4.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 2014	Restated 31 December 2013
Negotiable certificates of deposit and other debt securities	**13,514**	**15,421**
Bond issues	**211**	**241**
TOTAL DEBT SECURITIES	**13,725**	**15,662**

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

In millions of euros	30 June 2014	Amount accepted Tier 1 (1)	Amount accepted Tier 2 (1)	Restated 31 December 2013
Debt securities	4,295			4,159
Subordinated debt	1,513	241	440	1,485

Subordinated debt measured at amortised cost

In millions of euros	30 June 2014	Amount accepted Tier 1 (1)	Amount accepted Tier 2 (1)	Restated 31 December 2013
Redeemable subordinated debt	4,917		2,634	5,148
Undated subordinated debt	1,160	1,000	123	1,134
TOTAL SUBORDINATED DEBT AT AMORTISED COST	**6,077**			**6,282**

(1) *Given the eligibility criteria (including transitional provisions) and prudential adjustments, including the own credit risk and instruments amortisation.*

4.h Current and deferred taxes

In millions of euros	30 June 2014	Restated 31 December 2013
Current taxes	89	175
Deferred taxes	3,295	3,574
CURRENT AND DEFERRED TAX ASSETS	**3,384**	**3,749**
Current taxes	127	217
Deferred taxes	484	477
CURRENT AND DEFERRED TAX LIABILITIES	**611**	**694**

Change in deferred taxes over the period:

In millions of euros	30 June 2014	Restated 31 December 2013
NET DEFERRED TAXES AT START OF PERIOD	**3,097**	3,040
Profit (loss) of deferred taxes (note 2.g)	(171)	(202)
Change in deferred taxes linked to the remeasurement and reversal through profit or loss of remeasurement adjustments on available-for-sale financial assets	(335)	105
Change in deferred taxes linked to the remeasurement and reversal through profit or loss of remeasurement adjustments on hedging derivatives	(33)	30
Change in deferred taxes linked to the recognition of actuarial gains and losses for retirement benefits in non-recyclable OCI	45	(40)
Effect of exchange rate and other movements	208	164
NET DEFERRED TAXES AT END OF PERIOD	**2,811**	**3,097**

The EUR 208 million in the line 'Effect of exchange rate and other movements' is mainly related to the changes in deferred taxes linked to the remeasurement, reversal of remeasurement on 'available for sale' financial assets, hedging derivatives as well as the actuarial gains and losses for retirement benefits (recognised as non-recyclable OCI) in those entities that are consolidated using equity method.

Breakdown of deferred taxes by origin:

In millions of euros	30 June 2014	Restated 31 December 2013
Available-for-sale financial assets	(613)	(338)
Hedging derivatives	586	471
Unrealised finance lease reserve	(256)	(232)
Provisions for employee benefit obligations	229	185
Provision for credit risk	638	654
Other items	75	32
Tax loss carryforwards	2,152	2,325
NET DEFERRED TAXES	**2,811**	**3,097**
of which		
Deferred tax assets	*3,295*	*3,574*
Deferred tax liabilities	*(484)*	*(477)*

4.i Goodwill

The table below shows the changes in goodwill as at 30 June 2014:

In millions of euros	30 June 2014	Restated 31 December 2013
CARRYING AMOUNT AT START OF PERIOD	**319**	**165**
Acquisitions		195
Divestments		
Impairment losses recognised during the period		
Translation adjustments	4	(41)
Other movements		
CARRYING AMOUNT AT END OF PERIOD	**323**	**319**
Of which		
Gross value	*674*	*670*
Accumulated impairment recognised at the end of period	*(351)*	*(351)*

Goodwill by operating segment as per 30 June 2014 and 31 December 2013 is as follows:

	Carrying amount		Gross amount		Impairment recognised		Accumulated impairments	
In millions of euros	30 June 2014	Restated 31 December 2013	30 June 2014	Restated 31 December 2013	30 June 2014	Restated 31 December 2013	30 June 2014	Restated 31 December 2013
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	**136**	**135**	**148**	**147**			**(12)**	**(12)**
SADE			12	12			(12)	(12)
Leasing (BPLS)	136	135	136	135				
Fundamentum Asset Management								
BNP Paribas Fortis in other countries	**159**	**156**	**498**	**495**			**(339)**	**(339)**
Dominet			206	206			(206)	(206)
Margaret Inc.			102	102			(102)	(102)
Von Essen KG Bank			28	28			(28)	(28)
TEB Bank (Full consolidation)	159	156	159	156				
Other			3	3			(3)	(3)
TOTAL	**323**	**319**	**674**	**670**			**(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.

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

In millions of euros	30 June 2014	Restated 31 December 2013
Guarantee deposits and bank guarantees paid	2,874	1,947
Settlement accounts related to securities transactions	695	429
Collection accounts	29	35
Accrued income and prepaid expenses	489	278
Other debtors and miscellaneous assets	5,346	4,542
TOTAL ACCRUED INCOME AND OTHER ASSETS	**9,433**	**7,231**
Guarantee deposits received	1,341	1,403
Settlement accounts related to securities transactions	601	351
Collection accounts	61	44
Accrued expenses and deferred income	927	921
Other creditors and miscellaneous liabilities	4,124	3,966
TOTAL ACCRUED INCOME AND OTHER LIABILITIES	**7,054**	**6,685**

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

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.

4.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 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 set off against each other 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' relate to outstanding amounts of transactions under an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in the event 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 the event 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 on the balance sheet in accrued income or expenses and other assets or liabilities.

	30 June 2014					
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						
Financial instruments at fair value through profit or loss						
Trading securities	3,193		3,193			3,193
Loans						
Repurchase agreements	12,264	(1,140)	11,124	(5,492)	(5,505)	127
Instruments designated as at fair value through profit or loss	2,111		2,111			2,111
Derivative financial instruments (including derivatives used for hedging purposes)	8,774	(15)	8,759	(4,354)	(1,513)	2,892
Loans and receivables due from customers and credit institutions	**190,897**	**(790)**	**190,107**	**(2,870)**	**(2,855)**	**184,382**
of which repurchase agreements	*5,798*	*(30)*	*5,768*	(2,848)	*(2,855)*	*65*
Accrued income and other assets	**9,433**		**9,433**		**(2,138)**	**7,295**
of which guarantee deposits paid	*2,874*		*2,874*		*(2,138)*	*736*
Other assets not subject to offsetting	**51,757**		**51,757**			**51,757**
TOTAL ASSETS	**278,429**	**(1,945)**	**276,484**	**(12,716)**	**(12,011)**	**251,757**

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 received as collateral**	**Net amounts according to IFRS 7 §13 C (e)**
Liabilities						
Financial instruments at fair value through profit or loss						
Trading securities	2,154		2,154			2,154
Borrowings						
Repurchase agreements	16,827	(1,140)	15,687	(7,103)	(8,101)	483
Instruments designated as at fair value through profit or loss	6,185		6,185			6,185
Derivative financial instruments (including derivatives used for hedging purposes)	7,371	(15)	7,356	(4,354)	(2,104)	898
Due to customers and to credit institutions	**187,975**	**(790)**	**187,185**	**(1,259)**	**(1,411)**	**184,515**
of which repurchase agreements	*2,763*	*(30)*	*2,733*	(1,237)	*(1,411)*	*85*
Accrued expenses and other liabilities	**7,054**		**7,054**		**(1,309)**	**5,745**
of which guarantee deposits received	*1,341*		*1,341*		*(1,309)*	*32*
Other liabilities not subject to offsetting	**26,567**		**26,567**			**26,567**
TOTAL LIABILITIES	**254,133**	**(1,945)**	**252,188**	**(12,716)**	**(12,925)**	**226,547**

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)
	31 December 2013					
Assets						
Financial instruments at fair value through profit or loss						
Trading securities	3,145		3,145			3,145
Loans	22		22			22
Repurchase agreements	6,519	(737)	5,782	(3,141)	(2,394)	247
Instruments designated as at fair value through profit or loss	2,363		2,363			2,363
Derivative financial instruments (including derivatives used for hedging purposes)	8,336	(15)	8,321	(3,405)	(1,566)	3,350
Loans and receivables due from customers and credit institutions	**179,842**	**(848)**	**178,994**	**(72)**	**(38)**	**178,884**
of which repurchase agreements	*92*		*92*	*(50)*	*(38)*	*4*
Accrued income and other assets	**7,231**		**7,231**		**(1,276)**	**5,955**
of which guarantee deposits paid	*1,947*		*1,947*		*(1,276)*	*671*
Other assets not subject to offsetting	**50,368**		**50,368**			**50,368**
TOTAL ASSETS	**257,826**	**(1,600)**	**256,226**	**(6,618)**	**(5,274)**	**244,334**

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 received as collateral	Net amounts according to IFRS 7 §13 C (e)
Liabilities						
Financial instruments at fair value through profit or loss						
Trading securities	1,832		1,832			1,832
Borrowings						
Repurchase agreements	10,275	(737)	9,538	(2,966)	(5,550)	1,022
Instruments designated as at fair value through profit or loss	6,046		6,046			6,046
Derivative financial instruments (including derivatives used for hedging purposes)	6,841	(15)	6,826	(3,405)	(1,265)	2,156
Due to customers and to credit institutions	**175,540**	**(848)**	**174,692**	**(247)**	**(422)**	**174,023**
of which repurchase agreements	*725*		*725*	*(225)*	*(422)*	*78*
Accrued expenses and other liabilities	**6,685**		**6,685**		**(1,362)**	**5,323**
of which guarantee deposits received	*1,403*		*1,403*		*(1,362)*	*41*
Other liabilities not subject to offsetting	**27,139**		**27,139**			**27,139**
TOTAL LIABILITIES	**234,358**	**(1,600)**	**232,758**	**(6,618)**	**(8,599)**	**217,541**

5 Additional information

5.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 financial statements include those of BNP Paribas Fortis and its subsidiaries. Subsidiaries are enterprises under the exclusive control of BNP Paribas Fortis and are fully consolidated. BNP Paribas Fortis has exclusive control over a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the entity's returns.

The consolidated accounts are prepared in accordance with IFRS 10 Consolidated Financial Statements, IFRS 11 Joint arrangements and IAS 28 Investments in Associates.

When BNP Paribas Fortis has an activity with one or more partners where the control is shared through a contractual agreement indicating that decisions about the relevant activities require the unanimous consent of all parties, BNP Paribas Fortis exercises a joint control. If the joint control is exercised through a separate legal structure on behalf of which the partners have rights to the net assets, it is accounted for using the equity method. If the joint control is not exercised through a separate legal structure or the partners have rights to the assets, and obligations for the liabilities of the joint venture, BNP Paribas Fortis accounts for the assets, liabilities and income and expenses using the appropriate IFRS standards.

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 2013 as well as the first half year of 2014.

Name	Country	30 June 2014				31 December 2013			
		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				S4	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%	
Belgian Mobile Wallet	Belgium	Equity	42.50%	42.50%	V2	Equity	50.00%	50.00%	E2
Bnp Paribas Fortis Factor Nv SA	Belgium	Full	100.00%	100.00%		Full	100.00%	100.00%	
Bnp Paribas Lease Group (Belgique)	Belgium	Full	100.00%	25.00%		Full	100.00%	25.00%	
Bpost Banque - Bpost Bank	Belgium	Equity	50.00%	50.00%		Equity 2	50.00%	50.00%	D3
Demetris N.V.	Belgium	Equity	100.00%	100.00%		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%	
Finalia	Belgium								S4
Fortis Finance Belgium S.C.R.L.	Belgium								S1
Fortis Lease Belgium	Belgium	Full	100.00%	25.00%		Full	100.00%	25.00%	
Fortis Lease Car & Truck	Belgium				S4	Full	100.00%	25.00%	
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%	
Fscholen	Belgium	Equity	50.00%	50.00%	E1				

Changes in the scope of consolidation

New entries (E) in the scope of consolidation
E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)
E2 Incorporation
E3 Purchase, gain of control or significant inflence

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 below the qualifying thresholds (see 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 The TEB group, previously proportionally consolidated, was consolidated under the equity method in accordance with IFRS 11, then fully consolidated as of 31 December 2013 (see note 5.h)
D3 Entities previously under proportional consolidation, which become consolidated under the equity method in accordance with IFRS 11 (see note 5.h)

1 Controlled but non material entities consolidated under the equity method as associates (see note 1.c.1)

2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

		30 June 2014				31 December 2013			
Name	**Country**	**Method**	**Voting (%)**	**Interest (%)**	**Ref.**	**Method**	**Voting (%)**	**Interest (%)**	**Ref.**
Belgium									
Fv Holding N.V.	Belgium								S3
Immobilière Sauvenière S.A.	Belgium	Equity	100.00%	100.00%		Equity 1	100.00%	100.00%	
Nissan Finance Belgium N.V.	Belgium	Full	100.00%	100.00%		Full	100.00%	100.00%	V1
Belgium - Special Purpose Entities									
Bass Master Issuer Nv	Belgium	Full				Full			
Esmée Master Issuer	Belgium	Full				Full			
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%	
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%	
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%	
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									
Alleray S.A.R.L.	Luxembourg	Full	100.00%	50.00%	E1				
Societe Immobiliere De Monterey S.A.	Luxembourg	Full	100.00%	50.00%		Full	100.00%	50.00%	E2
Societe Immobiliere Du Royal Building S.A.	Luxembourg	Full	100.00%	50.00%		Full	100.00%	50.00%	E2

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)
E2 Incorporation
E3 Purchase, gain of control or significant inflence

Removals (S) from the scope of consolidation

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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
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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

Name	Country	30 June 2014				31 December 2013			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Rest of the world									
Ace Leasing B.V.	Netherlands								S4
Agrilease B.V.	Netherlands				S3	Full	100.00%	25.00%	
Albury Asset Rentals Limited	United Kingdom	Full	100.00%	25.00%		Full	100.00%	25.00%	
All In One Vermietung Gmbh	Austria	Equity	100.00%	25.00%		Equity 1	100.00%	25.00%	
All In One Vermietungsgesellschaft Fur Telekommunikationsanlagen Mbh	Germany	Equity	100.00%	25.00%		Equity 1	100.00%	25.00%	
Alpha Murcia Holding B.V.	Netherlands	Equity	100.00%	100.00%		Equity 1	100.00%	100.00%	
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 Limited	United Kingdom	Equity	100.00%	25.00%	D1	Full	100.00%	25.00%	
Bnp Paribas Bank Polska S.A.	Poland	Full	85.00%	85.00%	V3	Full	99.89%	99.89%	
Bnp Paribas Commercial Finance Limited	United Kingdom	Full	100.00%	100.00%		Full	100.00%	100.00%	
Bnp Paribas Factor Deutschland B.V.	Netherlands	Full	100.00%	100.00%		Full	100.00%	100.00%	
Bnp Paribas Factor Gmbh	Germany	Full	100.00%	100.00%		Full	100.00%	100.00%	
Bnp Paribas Factoring Coverage Europe Holding N.V.	Netherlands	Full	100.00%	100.00%		Full	100.00%	100.00%	
Bnp Paribas Finansal Kiralama A.S.	Turkey	Full	100.00%	25.89%		Full	100.00%	25.89%	
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%	30.85%		Equity	33.33%	30.85%	

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)
E2 Incorporation
E3 Purchase, gain of control or significant inflence

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 below the qualifying thresholds (see 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 The TEB group, previously proportionally consolidated, was consolidated under the equity method in accordance with IFRS 11, then fully consolidated as of 31 December 2013 (see note 5.h)
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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

		30 June 2014				31 December 2013			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.

Rest of the world

Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method		Voting (%)	Interest (%)	Ref.
Bnp Paribas Lease Group (Rentals) Limited	United Kingdom	Full	100.00%	25.00%		Full		100.00%	25.00%	
Bnp Paribas Lease Group Bplg	France	Full	100.00%	25.00%		Full		100.00%	25.00%	
Bnp Paribas Lease Group Ifn S.A.	Romania	Equity	99.94%	24.99%		Equity	1	99.94%	24.99%	
Bnp Paribas Lease Group Kft.	Hungary	Equity	33.33%	25.00%		Equity		33.33%	25.00%	
Bnp Paribas Lease Group Leasing Solutions S.P.A.	Italy	Equity	26.17%	6.54%		Equity		26.17%	6.54%	
Bnp Paribas Lease Group Lizing Rt	Hungary	Equity	100.00%	25.00%		Equity	1	100.00%	25.00%	
Bnp Paribas Lease Group Netherlands B.V.	Netherlands									S4
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	100.00%	25.00%		Equity	1	100.00%	25.00%	
Bnp Paribas Leasing Solutions Immobilier Suisse	Switzerland	Equity	100.00%	25.00%		Equity	1	100.00%	25.00%	
Bnp Paribas Leasing Solutions Limited	United Kingdom	Full	100.00%	25.00%		Full		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 Suisse Sa	Switzerland	Equity	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 Industrial Capital Europe Gmbh	Austria	Full	100.00%	12.52%		Full		100.00%	12.52%	
Cnh Industrial Capital Europe	France	Full	50.10%	12.52%		Full		50.10%	12.52%	
Cnh Industrial Capital Europe Bv	Netherlands	Full	100.00%	12.52%		Full		100.00%	12.52%	
Cnh Industrial Capital Europe Ltd	United Kingdom	Full	100.00%	12.52%		Full		100.00%	12.52%	

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)
E2 Incorporation
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Removals (S) from the scope of consolidation

S1 Cessation of activity (including dissolution, liquidation)
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V4 Increase in %

Miscellaneous

D1 Consolidation method change not related to fluctuation in voting or ownership interest
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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

		30 June 2014				31 December 2013			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Rest of the world									
Commercial Vehicle Finance Limited	United Kingdom	Full	100.00%	25.00%		Full	100.00%	25.00%	
Cronos Holding Company Limited	Bermuda	Equity	30.11%	30.00%		Equity	30.11%	30.00%	
Dominet S.A.	Poland				S1	Full	100.00%	100.00%	
Equipment Lease Bv	Netherlands								S4
Fb Transportation Capital Llc	United States	Full	100.00%	100.00%		Full	100.00%	100.00%	
Fortis Bank Malta Ltd	Malta								S1
Fortis Faktoring A.S.	Turkey								S4
Fortis Funding Llc	United States	Full	100.00%	100.00%		Full	100.00%	100.00%	
Fortis Holding Malta B.V.	Netherlands								S1
Fortis Holding Malta Ltd	Malta								S3
Fortis Lease	France	Full	100.00%	25.00%		Full	100.00%	25.00%	
Fortis Lease Deutschland Gmbh	Germany	Equity	100.00%	25.00%		Equity 1	100.00%	25.00%	
Fortis Lease Iberia Sa	Spain	Equity	100.00%	41.04%		Equity 1	100.00%	41.04%	
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	Equity	100.00%	25.00%		Equity 1	100.00%	25.00%	
Fortis Lease Polska Sp.Z.O.O.	Poland				S3	Full	100.00%	99.89%	
Fortis Lease Portugal	Portugal	Equity	100.00%	25.00%		Equity 1	100.00%	25.00%	
Fortis Lease Romania Ifn Sa	Romania	Equity	100.00%	25.00%		Equity 1	100.00%	25.00%	
Fortis Lease Uk Ltd	United Kingdom	Equity	100.00%	25.00%	D1	Full	100.00%	25.00%	
Fortis Private Equity France Fund	France								S3
Fortis Vastgoedlease B.V.	Netherlands	Equity	100.00%	25.00%	D1	Full	100.00%	25.00%	
Heffiq Heftruck Verhuur B.V. before (Barloworld Heftruck Verhuur B.V.)	Netherlands				S3	Equity	50.00%	12.25%	

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)
E2 Incorporation
E3 Purchase, gain of control or significant inflence

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 below the qualifying thresholds (see 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
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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

Name	Country	30 June 2014				31 December 2013			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Rest of the world									
Hfgl Limited	United Kingdom	Full	100.00%	25.00%		Full	100.00%	25.00%	
Humberclyde Commercial Investments Limited	United Kingdom	Full	100.00%	25.00%		Full	100.00%	25.00%	
Humberclyde Commercial Investments N°1 Limited	United Kingdom	Full	100.00%	25.00%		Full	100.00%	25.00%	
Inkasso Kodat Gmbh & Co. Kg	Germany	Equity	100.00%	100.00%		Equity 1	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 Limited	United Kingdom	Full	51.01%	12.75%		Full	51.01%	12.75%	
Mff	France	Full	51.00%	12.75%		Full	51.00%	12.75%	
Rfh Ltd.	Bermuda								S2
Same Deutz Fahr Finance	France	Full	100.00%	25.00%		Full	100.00%	25.00%	
Same Deutz Fahr Finance Limited	United Kingdom	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 Limited	India	Equity	50.00%	12.50%		Equity 2	50.00%	12.50%	D3
Teb Arval Arac Filo Kiralama A.S.	Turkey	Equity	50.00%	25.00%		Equity	50.00%	25.00%	D2
Teb Faktoring A.S.	Turkey	Full	72.25%	44.75%		Full	72.25%	44.75%	D2
Teb Holding A.S.	Turkey	Full	50.00%	50.00%		Full	50.00%	50.00%	V1&D2
Teb Portfoy Yonetimi A.S.	Turkey	Full	72.25%	36.95%		Full	72.25%	36.95%	D2

Changes in the scope of consolidation

New entries (E) in the scope of consolidation
- E1 Passing qualifying thresholds as defined by BNP Paribas Fortis (see note 1.c.1)
- E2 Incorporation
- E3 Purchase, gain of control or significant inflence

Removals (S) from the scope of consolidation
- S1 Cessation of activity (including dissolution, liquidation)
- S2 Disposal, loss of control or loss of significant influence
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Variance(V) in voting or ownership interest
- V1 Additional purchase
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Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

Name	Country	30 June 2014				Restated 31 December 2013			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Rest of the world									
Teb Sh A	Kosovo	Full	100.00%	50.00%		Full	100.00%	50.00%	V1 & D2
Teb Yatirim Menkul Degerler A.S.	Turkey	Full	72.25%	44.75%		Full	72.25%	44.75%	
The Economy Bank Nv	Netherlands	Full	72.25%	44.75%		Full	72.25%	44.75%	
Turk Ekonomi Bankasi A.S.	Turkey	Full	72.25%	44.75%		Full	72.25%	44.75%	V1 & D2
Von Essen Gmbh & Co. Kg Bankgesellschaft	Germany	Full	100.00%	100.00%		Full	100.00%	100.00%	
Rest of the world - Special Purpose Entities									
Alandes B.V.	Netherlands								S3
Astir B.V.	Netherlands				S3	Full			
Fortis Energy Leasing X 2 B.V.	Netherlands								S4
Fortis Energy Leasing X1 B.V.	Netherlands								S4
Fortis Energy Leasing Xiv B.V.	Netherlands								S4
Scaldis Capital Limited	Jersey	Full				Full 2			
Scaldis Capital Llc	United States	Full				Full 2			
Scaldis Capital Ltd	Ireland	Full				Full 2			
Tcg Fund I, L.P.	Cayman Islands	Full				Full			

Changes in the scope of consolidation

New entries (E) in the scope of consolidation

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E2 Incorporation
E3 Purchase, gain of control or significant inflence

Removals (S) from the scope of consolidation

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Miscellaneous

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2 Jointly controlled entities under proportional consolidation for prudential purposes.

Full - Full consolidation
Prop. - Proportional consolidation
Equity - Equity Method

5.b Business combinations

As part of the overall project to integrate the activities of 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 first began in 2009 and continued throughout the years until 2013.

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

The table below provides details on business combinations executed during the year 2013.

31 December 2013

Acquired subsidiaries/business	Country	Acquired %	Acquisition price	Goodwill / (Badwill)	Net cash inflow	In millions of euros – Key figures on acquisition date			
						Assets		Liabilities	
Specialised Finance (SF)	France, UK, Spain, Germany		9,510	254		Loans and receivables due from customers	9,231		
BNP Paribas The Netherlands branch	The Netherlands		287	19	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

There was no material acquisition nor divestment during the first half year of 2014 except the transfer of credits of Specialised Finance (SF) which continued during the first quarter of 2014 and was finalised by 31 March 2014.

At 31 March 2014, the remaining outstanding amount of the Specialised Finance (SF) credits transferred from BNP Paribas Group to BNP Paribas Fortis stood at EUR 7,965 million.

At 31 March 2014, the total consideration paid for the transferred SF credits amounted to EUR (9,528) 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.

At 31 March 2014, the difference between the consideration paid and the carrying value of the transferred assets is presented as an adjustment in equity, which amounts to EUR (251) million.

5.c Related parties

Parties related to BNP Paribas Fortis

Parties related to BNP Paribas Fortis as at 30 June 2014 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 2014 include the following parties:

- consolidated companies including entities consolidated under the equity method;
- BNP Paribas (and all its subsidiaries), which has control over BNP Paribas Fortis.

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.

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 5.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 companies over which BNP Paribas Fortis exercises significant influence (accounted for by the equity method).

Related parties balance sheet items:

In millions of euros	30 June 2014 Entities from the BNP Paribas Group	30 June 2014 Consolidated entities under the equity method	Restated 31 December 2013 Entities from the BNP Paribas Group	Restated 31 December 2013 Consolidated entities under the equity method
ASSETS				
Loans, advances and securities				
Demand accounts	*1,600*	*19*	*1,433*	*29*
Loans	*12,361*	*1,102*	*13,199*	*1,124*
Securities	*292*	*18*	*300*	*5*
Finance leases				
Non-trading securities held in the portfolio		*86*		*86*
Other assets	**1,010**	**81**	**649**	**90**
TOTAL	**15,263**	**1,306**	**15,581**	**1,334**
LIABILITIES				
Deposits				
Demand accounts	*1,121*	*724*	*844*	*648*
Other borrowings	*10,054*	*2,369*	*9,956*	*2,260*
Debt securities	**1,487**	**137**	**1,502**	**137**
Other liabilities	**277**	**17**	**259**	**10**
TOTAL	**12,939**	**3,247**	**12,561**	**3,055**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS				
Financing commitments given	900	4,545	677	81
Guarantee commitments given	8,030	127	7,715	210
TOTAL	**8,930**	**4,672**	**8,392**	**291**

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

The line 'financing commitments given' of EUR 4,545 million as at 30 June 2014 is mainly related to the securities given as collateral by BNP Paribas Fortis to bpost Bank.

Related parties profit and loss items:

In millions of euros	First half of 2014 Entities from the BNP Paribas Group	First half of 2014 Consolidated entities under the equity method	Restated first half of 2013 Entities from the BNP Paribas Group	Restated first half of 2013 Consolidated entities under the equity method
Interest income	194	11	207	26
Interest expense	(178)	(15)	(216)	(12)
Commission income	79	228	95	233
Commission expense	(40)	(2)	(25)	(3)
Services provided		1		1
Services received				
Lease income	1	1		
TOTAL	**56**	**224**	**61**	**245**

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

5.d 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 2014 can be detailed by accounting category as follows:

In millions of euros	30 June 2014	31 December 2013
SCI under Financial assets at fair value trough profit or loss	59	27
SCI under Loans and receivables	5,321	6,250
TOTAL	**5,380**	**6,277**

This net exposure as at 30 June 2014 can be further detailed by type of assets as follows:

In millions of euros	30 June 2014	31 December 2013
RMBS	1,384	1,465
CMBS	199	266
CLOs	723	1,038
Other ABS	3,074	3,508
TOTAL	**5,380**	**6,277**

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 4.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.

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

In millions of euros	Carrying amount as of reclassification date	30 June 2014		31 December 2013	
		Carrying value	Market or model value	Carrying value	Market or model value
Financial assets reclassified from the trading portfolio	**108**	**169**	**178**	**182**	**193**
- Into loans and receivables due from customers	108	169	178	182	193
Financial assets reclassified from the available-for-sale portfolio	**21,312**	**4,321**	**4,599**	**5,068**	**5,339**
- Into loans and receivables due from customers	21,312	4,321	4,599	5,068	5,339
Financial assets reclassified from the other assets portfolio	**2,030**	**646**	**637**	**818**	**819**
- Into loans and receivables due from customers	2,030	646	637	818	819
TOTAL PORTFOLIO RECLASSIFIED INTO LOANS AND RECEIVABLES	**23,450**	**5,136**	**5,414**	**6,068**	**6,351**

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. In 2012, similar calls took place on other Dutch mortgage-backed securities (Dolphin and Beluga) for a total amount of EUR 4.7 billion. Also in 2013, other Dutch mortgage-backed securities (Goldfish) were either called or sold back to the issuer for a total amount of EUR 3.9 billion.

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 2014	First half of 2013
Profit or loss and equity items (before tax) related to reclassified assets as recorded	(330)	(449)
Profit or loss items	**54**	**49**
- Interest income	23	34
- Gains or losses on financial assets	4	6
- Cost of risk	23	5
- Other	4	4
Equity items	**(384)**	**(498)**
Impact on Profit or loss and equity items (before tax) if assets had not been reclassified	239	232
Profit or loss items	**3**	**2**
Equity items	**236**	**230**

5.e Exposure to sovereign risk

As part of liquidity management, BNP Paribas Fortis and BNP Paribas seek to maximise the assets available for refinancing so that they can meet unexpected liquidity needs. In particular, this strategy is predicated on holding securities eligible as collateral for refinancing at 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 2014	Restated 31 December 2013
	Banking Book	Banking Book
Eurozone		
Belgium	13,107	13,798
Netherlands	3,542	3,227
France	1,030	1,079
Italy	1,142	1,070
Austria	825	104
Spain	618	556
Finland	200	196
Luxembourg	147	131
Germany	143	120
Cyprus	5	8
Countries under support		
Portugal	407	545
Ireland	131	132
Total eurozone	**21,297**	**20,966**

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*	*9.00%*
of which Portuguese sovereign securities	*30 June 2011*	*1,020*	*1,446*	*8.80%*
of which Irish sovereign securities	*30 June 2011*	*196*	*283*	*6.10%*

Exposure to Greek, Irish and Portuguese sovereign credit risk reclassified to 'loans and receivables' at 30 June 2014

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 for 20 new Greek bonds. Accounted for as 'Available-for-sale assets', these bonds were then sold during the fourth quarter of 2012, resulting in 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' is summarised in the following tables:

Breakdown by residual time to maturity:

In millions of euros	Remaining time to maturity						30 June 2014
	1 year	2 years	3 years	5 years	10 years	> 10 years	Total
Ireland							
Loans and receivables			131				**131**
Portugal							
Loans and receivables	277	31		23		57	**388**
Held-to-maturity financial assets	19						**19**

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 2014	
	Carrying value	Market or model value
Sovereign securities reclassified as loans and receivable due from customers	519	635
of which Greek sovereign securities		
of which Portuguese sovereign securities	*388*	*458*
of which Irish sovereign securities	*131*	*177*

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

In millions of euros	30 June 2014	
	Reported	Pro forma amount for the period
In profit or loss item	**20**	**20**
in revenues	**20**	**20**
of which Greek sovereign securities		
of which Portuguese sovereign securities	*17*	*17*
of which Irish sovereign securities	*3*	*3*
in cost of risk		
of which Greek sovereign securities		
as direct change in equity (before tax)	**14**	**46**
of which Greek sovereign securities		
of which Portuguese sovereign securities	*12*	*37*
of which Irish sovereign securities	*2*	*9*
Total profit and loss impact and direct changes in equity resulting from reclassified items	**34**	**66**

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

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

- These fair values are an estimate of the value of the relevant instruments as of 30 June 2014. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas Fortis as a going concern;

- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments;

- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful;

- The fair values shown below do not include the fair values of finance lease transactions, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of BNP Paribas Fortis.

In millions of euros	30 June 2014		Restated 31 December 2013	
	Carrying value [1]	Estimated fair value	Carrying value [1]	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	18,097	18,108	19,443	19,443
Loans and receivables due from customers [2]	160,977	165,507	148,698	153,564
Held-to-maturity financial assets	1,166	1,214	1,267	1,303
FINANCIAL LIABILITIES				
Due to credit institutions	17,407	17,442	17,904	17,888
Due to customers	169,778	170,639	156,788	157,523
Debt securities	13,725	13,721	15,662	15,629
Subordinated debt	6,077	5,929	6,282	6,007

(1) The carrying amount does not include the re-measurement of portfolios of financial instruments in fair value hedging relationships. At 30 June 2014, this is included under 'Remeasurement adjustment on interest-rate risk hedged portfolios' for EUR 996 million under assets, and EUR 883 million under liabilities (respectively EUR 627 million and EUR 256 million, at 31 December 2013).

(2) Finance lease excluded

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

In millions of euros	Note	Level 1	Level 2	Level 3	Total
	30 June 2014				
FINANCIAL ASSETS					
Loans and receivables due from credit institutions	4.e		17,892	216	18,108
Loans and receivables due from customers [1]	4.f	636	14,641	150,230	165,507
Held-to-maturity financial assets		512	702		1,214
FINANCIAL LIABILITIES					
Due to credit institutions	4.e		17,442		17,442
Due to customers	4.f		170,639		170,639
Debt securities	4.g		13,721		13,721
Subordinated debt	4.g		5,929		5,929

(1) Finance lease excluded

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

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

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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.

If these claims and legal proceedings were to be successful, they could eventually result in monetary consequences for BNP Paribas Fortis. Such impact remains unquantifiable at this stage.

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') filed two actions against the co-issuers of the MCS, including BNP Paribas Fortis, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, firstly claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and, secondly, claiming damages. On 23 March 2012 the Commercial Court of Brussels dismissed both actions. Certain holders then filed an appeal in June 2012 claiming damages for a provisional amount of EUR 350 million and the appointment of an expert. BNP Paribas Fortis will continue to contest this case vigorously because it considers that these claims have no merit.

Claims before the Dutch courts

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

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

BNP Paribas Fortis received on 3 February 2011 a writ of summons from the Dutch 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. On 7 July 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.

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

On 20 August 2012, BNP Paribas Fortis (and eight other defendants) received a writ of summons from the 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 of allegedly incorrect or incomplete information to the market during the period from the acquisition of ABN Amro until 17 October 2008.

Claims before the Belgian Courts

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

The examining magistrate of the Court of First Instance in Brussels in charge since 2008 of examining the case relating to events which occurred within the Fortis Group in 2007 and 2008 passed his file to the Public Prosecutor in October 2012. In November 2012 seven individuals were indicted by the examining magistrate and in February 2013 the Public Prosecutor requested the court to order a trial. As additional investigative measures have been ordered, the hearing before the court has been postponed *sine die*.

Other litigation and investigations 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). The Bank is not a party to this case.

This also includes the judgement rendered by the Court of Appeal of Amsterdam on 29 July 2014 and declaring that Fortis (today Ageas) is liable for having made misleading statements and having communicated in a misleading way in the period between 29 September and 1 October 2014. The Bank is not a party to this case.

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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.

5.h Retrospective impact of IFRS 11

As of 1 January 2014, BNP Paribas Fortis has applied IFRS 11 "Joint Arrangements", adopted on 29 December 2012 by the European Union. As this standard has a retrospective effect, the comparative financial statements as at 1 January, 30 June and 31 December 2013 have been restated.

The adoption of IFRS 11 has resulted in the BNP Paribas Fortis' use of the equity method to account for jointly controlled activities conducted via a separate legal entity in which the partners have rights to the net assets. Such activities had hitherto been proportionally consolidated.

The jointly controlled activities conducted via a separate legal entity and now consolidated using the equity method, are identified in Note 5.a Scope of Consolidation.

The TEB group is fully consolidated since 20 December 2013 and was previously proportionally consolidated. The application of IFRS 11, Joint Arrangements led to its consolidation under the equity method until 20 December in the restated 2013 financial statements. Thus, the TEB group contributes to the IFRS 11 adjustments to the balance sheet as at 1 January 2013 and to the profit and loss account of the first half of 2013. Then, the TEB group is fully consolidated in the balance sheet as at 31 December 2013.

In millions of euros	31 December 2013 As published	31 December 2013 Restated IFRS 11
ASSETS		
Cash and amounts due from central banks and post office banks	10,163	10,031
Financial assets at fair value through profit or loss	18,407	18,402
Derivatives used for hedging purposes	1,246	1,231
Available-for-sale financial assets	32,896	28,497
Loans and receivables due from credit institutions	19,460	19,443
Loans and receivables due from customers	160,519	159,551
Remeasurement adjustment on interest-rate risk hedged portfolios	627	627
Held-to-maturity financial assets	1,267	1,267
Current and deferred tax assets	3,775	3,749
Accrued income and other assets	7,243	7,231
Investments in associates	3,007	3,431
Investment property	362	362
Property, plant and equipment	2,015	1,943
Intangible assets	158	142
Goodwill	318	319
Assets classified as held for sale		
TOTAL ASSETS	**261,463**	**256,226**
LIABILITIES		
Due to central banks and post office banks	136	136
Financial liabilities at fair value through profit or loss	22,176	22,164
Derivatives used for hedging purposes	2,078	2,078
Due to credit institutions	18,669	17,904
Due to customers	160,839	156,788
Debt securities	15,918	15,662
Remeasurement adjustment on interest-rate risk hedged portfolios	256	256
Current and deferred tax liabilities	792	694
Accrued expenses and other liabilities	6,746	6,685
Provisions for contingencies and charges	4,110	4,109
Subordinated debt	6,284	6,282
Liabilities classified as held for sale		
TOTAL LIABILITIES	**238,004**	**232,758**
CONSOLIDATED EQUITY		
Share capital and additional paid-in capital	*9,605*	*9,605*
Retained earnings	*8,137*	*8,137*
Net income for the period attributable to shareholders	*638*	*637*
Total capital, retained earnings and net income for the period attributable to shareholders	**18,380**	**18,379**
Change in assets and liabilities recognised directly in equity	280	283
Shareholders' equity	**18,660**	**18,662**
Retained earnings and net income for the period attributable to minority interests	4,953	4,953
Change in assets and liabilities recognised directly in equity	(154)	(147)
Total minority interests	**4,799**	**4,806**
TOTAL CONSOLIDATED EQUITY	**23,459**	**23,468**
TOTAL LIABILITIES AND EQUITY	**261,463**	**256,226**

In millions of euros	First half of 2013 as published	First half of 2013 restated IFRS 11 consolidated using the equity method	IFRS 11 Adjustments	*of which: TEB* [(1)]	*of which: Other* [(2)]
Interest income	4,016	3,366	650	512	138
Interest expense	(1,817)	(1,481)	(336)	(253)	(83)
Commission income	1,142	1,006	136	126	10
Commission expense	(330)	(276)	(54)	(43)	(11)
Net gain/loss on financial instruments at fair value through profit or loss	118	113	5	10	(5)
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	146	113	33	24	9
Income from other activities	265	246	19	7	12
Expense on other activities	(196)	(176)	(20)	(15)	(5)
REVENUES	**3,344**	**2,911**	**433**	**368**	**65**
Salary and employee benefit expenses	(1,246)	(1,130)	(116)	(106)	(10)
Other operating expense	(742)	(645)	(97)	(80)	(17)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(108)	(94)	(14)	(10)	(4)
GROSS OPERATING INCOME	**1,248**	**1,042**	**206**	**172**	**34**
Cost of risk	(219)	(161)	(58)	(50)	(8)
OPERATING INCOME	**1,029**	**881**	**148**	**122**	**26**
Share of earnings of associates	114	208	(94)	(76)	(18)
Net gain/loss on non-current assets	17	17			
Goodwill					
PRE-TAX INCOME	**1,160**	**1,106**	**54**	**46**	**8**
Corporate income tax	(341)	(311)	(30)	(22)	(8)
NET INCOME BEFORE DISCONTINUED OPERATIONS	**819**	**795**	**24**	**24**	
Net result of discontinued operations					
NET INCOME	**819**	**795**	**24**	**24**	
Net income attributable to minority interests	202	178	24	24	
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS	**617**	**617**			

(1) *The figures are related to TEB Bank and TEB Sh A, which are for indicative purpose only.*

(2) *The figures are mainly related to bpost Bank and SREI.*

5.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 2014.

Report of the accredited statutory auditors

Introduction

We have reviewed the accompanying consolidated interim financial statements. The consolidated interim financial statements comprises the profit and loss account for the first half of 2014, the statement of net income and changes in fair value of assets and liabilities recognized directly in equity, the Balance sheet at 30 June 2014, the Statement of changes in shareholders' equity between 1 January 2013 and 30 June 2014, the Minority interests between 1 January 2013 and 30 June 2014, the Statement of cash flow for the first half year 2014 and the notes 1 to 5. The board of directors is responsible for the preparation and presentation of the consolidated interim financial statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of BNP Paribas Fortis SA/ NV are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Emphasis of Matter regarding certain pending legal proceedings

Without further qualifying our conclusion, we draw the attention to the fact that as described in note 5.g to the consolidated interim financial statements as of 30 June 2014, 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, 28 August 2014

The Joint Statutory Auditors

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

Deloitte Reviseurs d'Entreprises sc sous forme d'une scrl/ Bedrijfsrevisoren bv ovv cvba
Represented by

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