ANNUAL 2019 REPORT

BGL BNP PARIBAS

The bank for a changing world

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CONSOLIDATED KEY FIGURES

01

In millions of euros	2019 *IFRS 9*	2018 *IFRS 9*	2017 *IAS 39*
PROFIT AND LOSS ACCOUNT			
Revenues	1,515.1	1,447.0	1,345.3
Overhead costs	(792.4)	(763.9)	(683.5)
Cost of risk	(101.3)	(60.4)	(35.5)
Net profit attributable to equity holders of the parent	**345.0**	**338.9**	**365.8**

BALANCE SHEET			
Balance sheet total	56,578.5	54,597.2	49,630.9
Loans and receivables due from customers	33,963.6	31,707.4	28,553.8
Due to customers	**33,239.7**	31,287.1	26,238.5

	2019 *IFRS 9* Basel III (phased in)	2018 *IFRS 9* Basel III (phased in)	2017 *IAS 39* Basel III (phased in)
Regulatory capital	6,020.9	5,909.3	5,710.3
Risk-weighted assets	26,539.5	26,208.0	24,599.1
Solvency ratio Basel III	22.7%	22.6%	23.2%

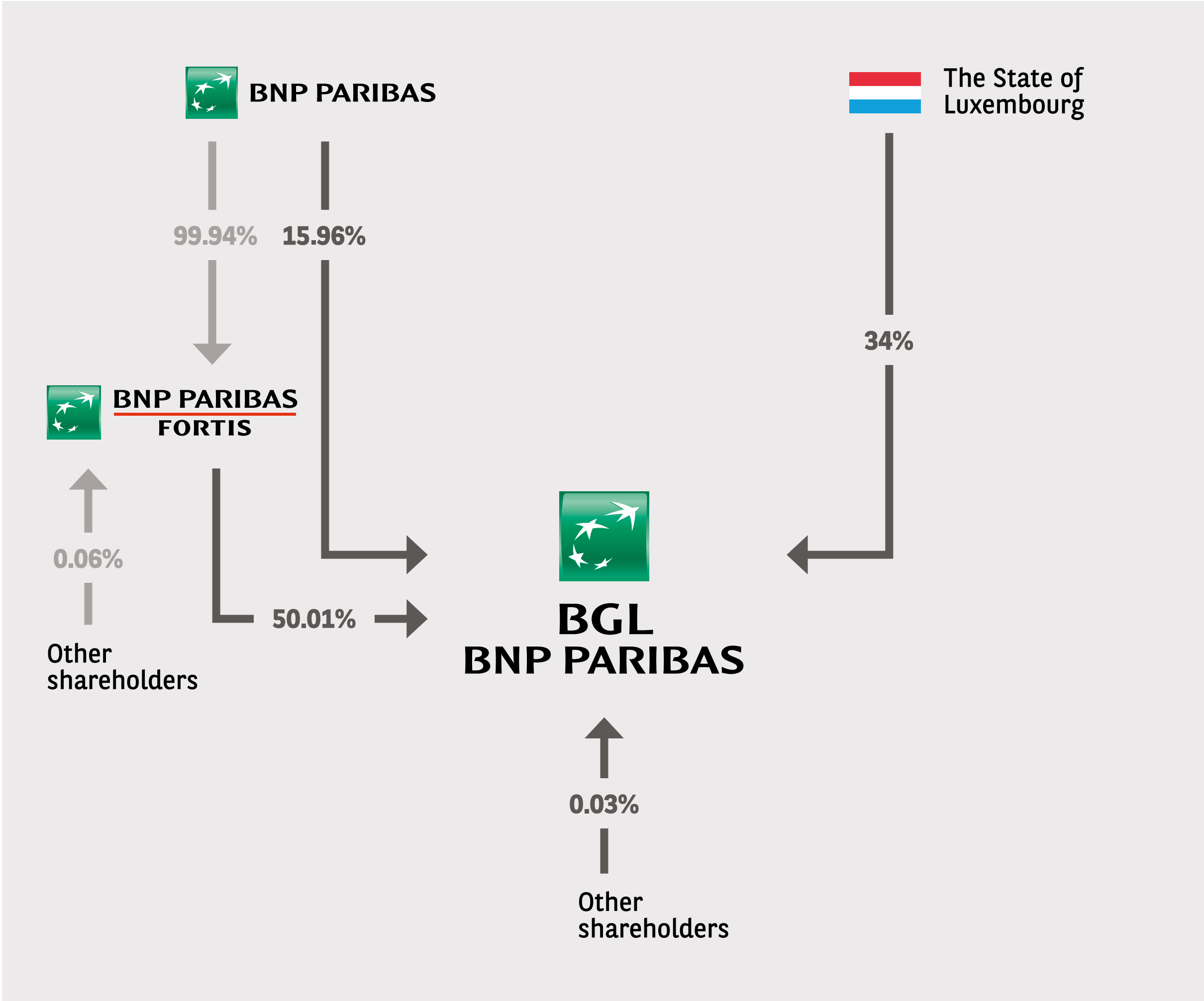
RATINGS (MARCH 2020)	Moody’s	Standard & Poor’s	Fitch
Short term	P-1	A-1	F1
Long term	A2	A+	A+

BGL BNP PARIBAS AND ITS SHAREHOLDERS

02

Shareholding structure

As at 31 December 2019



02 BGL BNP Paribas and its shareholders

THE BNP PARIBAS GROUP IN LUXEMBOURG

03

With some **3,800 employees**, the divisions and business lines of the BNP Paribas Group in Luxembourg respond to the needs of individuals and businesses, investors and also corporate and institutional clients in the business areas of **Retail Banking & Services, International Financial Services** and **Corporate & Institutional Banking**.

Retail Banking & Services: a product range for both individual and business clients

Business lines

- The BGL BNP Paribas **Retail & Corporate Banking business line** provides – variously through Retail Banking, Corporate Banking, Private Banking Luxembourg – a broad range of financial products and services, including current accounts, savings products and insurance products, plus specialised services for professionals and companies, such as leasing.

  Its commercial network is made of 41 branches, 4 Private Banking sites for high-net-worth residents of the Grand Duchy, 6 business centres that provide services exclusively to professional clients, plus 1 business centre dedicated to liberal professions.

- Leasing:

  BNP Paribas Leasing Solutions Luxembourg SA is the local market leader for financial leasing, providing attractive equipment financing solutions to its professional clients.

  Arval offers vehicle operating lease services to individuals and to businesses, specialising in providing optimal solutions for managing company car fleets.

International Financial Services: a comprehensive offer for investors

Business lines

- **BNP Paribas Wealth Management** provides tailored asset and wealth management solutions, in addition to high-end specialist services such as investment advice, discretionary wealth management mandates, wealth organisation and succession planning, finance and daily banking services as well as asset diversification expertise.

- Asset Management:

  BNP Paribas Asset Management offers a full range of financial management services to institutional clients and distributors throughout the world.

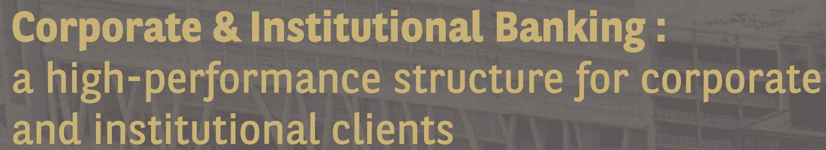
- Insurance:

  As an insurer with a deep commitment to its clients, partners and employees, the company provides high-quality solutions and services that contribute to sustainable and responsible growth. In Luxembourg and the Greater Region,

  Cardif Lux Vie provides bancassurance and brokerage networks with high-added-value life insurance, savings and pension solutions for both private individuals and businesses. For wealthy clients operating in an international context, the company offers tailor-made and sustainable solutions in open architecture through a broad network of elite partners.

- Real estate service:

  BNP Paribas Real Estate draws on the expertise of six real estate business lines – Property Management, Valuation, Consulting, Transactions, Property Development and Investment Management – in order to provide clients with tailored solutions.



Corporate & Institutional Banking : a high-performance structure for corporate and institutional clients

The **Corporate and Institutional Banking Luxembourg (CIB)** business line offers products and services related to the capital and financing markets in Luxembourg mainly to corporate and institutional clients.

CIB comprises three main businesses:

- CIB CBK aims to meet the day-to-day account-related requirements of Institutional clients;
- Asset & Leasing Solutions which arranges financing for tangible assets;
- Prime Solutions & Financing which specialises in providing collateralised investment solutions for Institutional clients.

In addition, the Financial Institution Coverage department provides customer-relations assistance to the different business lines.

Lastly, **BNP Paribas Securities Services** in Luxembourg offers clients its long-standing expertise and unique skills in investment funds management, international bond issuance, custodian and transfer agent services and the technical systems and knowhow which underpin these activities.

This leader also brings its unique know-how to customers with regard to market transactions, investor services, risk management and portfolio optimization.

BGL BNP PARIBAS

HISTORY OF BGL BNP PARIBAS

04

1919

Founded in 1919 under the name of **Banque Générale du Luxembourg** (BGL).

Founders: Société Générale de Belgique in conjunction with a group of private investors i n Luxembourg and Belgium..

1998

Fortis Group becomes the reference shareholder of the Bank (53.2%) following the **launch of a public take-over bid for shares** of the Générale de Banque.

2005

Banque Générale du Luxembourg changes its name and operates under the name of **Fortis Bank Luxembourg**.

2009

The BNP Paribas Group acquires a majority stake in BGL (65.96%) alongside the Luxembourg State which remains a significant shareholder (34%).

1984

The shares of Banque Générale du Luxembourg are **listed on the Luxembourg Stock Exchange**.

2000

Banque Générale du Luxembourg and Fortis strengthen their **strategic partnership**.

2008

BGL

The Luxembourg State acquires a 49.9% shareholding of the Bank which operates under the name of **BGL.**

2009

BGL adopts the name **BGL BNP Paribas**.

EXECUTIVE COMMITTEE

From left to right:
Marc Lenert, Thierry Schuman, François Dacquin, Luc Henrard, Anne-Sophie Dufresne, Geoffroy Bazin, Delphine du Retail (Corporate Secretary), Louis de Looz-Corswarem, Fabrice Cucchi

DIRECTORS AND OFFICERS

05

Board of Directors

Étienne Reuter, Chairman of the Board of Directors

ÉTIENNE REUTER
Director of the General Inspection for Finance, Luxembourg
Chairman

THIERRY LABORDE
Deputy Chief Operating Officer of BNP Paribas, Paris
Vice-Chairman

HRH THE PRINCE GUILLAUME OF LUXEMBOURG
Luxembourg
Director

JEAN-MARIE AZZOLIN
Staff Representative, Palzem
Director

GEOFFROY BAZIN
Chairman of the Executive Committee
Director

DIDIER BEAUVOIS
Member of the Management Committee and the Executive Committee of BNP Paribas Fortis, Brussels
Director

FRANCIS CAPITANI
Staff Representative, Dudelange
Director

JEAN CLAMON
Engineer, Corporate Director, Paris
Director

ANNA DARESTA
Staff Representative, Sanem
Director

GABRIEL DI LETIZIA
Staff Representative, Bergem
Director

JEAN-PAUL FRIEDRICH
Staff Representative, Dudelange
Director

MAXIME JADOT
Chairman of the Management Committee and the Executive Committee of BNP Paribas Fortis, Brussels
Director

JOSIANE KREMER
Staff Representative, Roodt/Septfontaines
Director

VINCENT LECOMTE
Co-CEO BNP Paribas Wealth Management, Paris
Director

ERIC MARTIN
Corporate Director, Paris
Director

JEAN MEYER
Doctor of law, Attorney, Oberanven
Director
(until 31 July 2019)

BAUDOUIN PROT
Corporate Director, Paris
Director

DENISE STEINHÄUSER
Staff Representative, Junglinster
Director

CARLO THELEN
Economist, Luxembourg
Director

TOM THEVES
First Advisor to the Government, Luxembourg
Director

CARLO THILL
Economist, Leudelange
Director

MICHEL WURTH
Economist, Sandweiler
Director *(until 23 October 2019)*

GUYLAINE DYÈVRE
Secretary of the Management Board of BNP Paribas, Paris, Director
(since 24 October 2019)
(Ongoing approval procedure)

Honorary chairman

MARCEL MART
Former President of the Court of Auditors of the European Communities, Luxembourg
(Diseased on 15 November 2019)

Honorary vice chairman

XAVIER MALOU
Honorary Director of Generale Bank
Brussels

Bureau of the Board of Directors

ÉTIENNE REUTER
Chairman of the Board of Directors
Chairman

THIERRY LABORDE
Vice-Chairman of the Board of Directors
Member

GEOFFROY BAZIN
Chairman of the Executive Committee
Member

Risk committee

JEAN CLAMON
Director
Chairman

DIDIER BEAUVOIS
Director
Member

JEAN MEYER
Director
Member *(until 31 July 2019)*

ÉTIENNE REUTER
Chairman of the Board of Directors
Member

ÉRIC MARTIN
Director
Member *(since 5 September 2019)*

Audit committee

JEAN CLAMON
Director
Chairman

DIDIER BEAUVOIS
Director
Member

JEAN MEYER
Director
Member *(until 31 July 2019)*

TOM THEVES
Director
Member

CARLO THELEN
Director *(since 5 September 2019)*

Executive committee

GEOFFROY BAZIN
Chairman

FABRICE CUCCHI
Chief Innovation & Transformation Officer
Member

FRANCOIS DACQUIN
Wealth Management
Member

ANNE-SOPHIE DUFRESNE
Corporate Banking *(since 16 May 2019)*
Member

CARLO LESSEL
Finance
Member *(until 8 July 2019)*

THIERRY SCHUMAN
Clients and Strategic Partnerships
Member

LOUIS DE LOOZ-CORSWAREM
Human Resources
Member

LUC HENRARD
Risk
Member

MARC LENERT
Chief Operating Officer
Membre

CHRISTIAN KEUP
Chief Administration Officer
Member *(until 20 December 2019)*

Corporate Secretariat

MATHILDE JAHAN
Corporate Secretary
(until 31 October 2019)

DELPHINE DU RETAIL
Corporate Secretary
(since 1 November 2019)

Nomination committee

ÉRIC MARTIN
Director
Chairman

THIERRY LABORDE
Vice-chairman of the Board of Directors
Member

MICHEL WURTH
Director
Member
(until 23 October 2019)

ÉTIENNE REUTER
Chairman of the Board of Directors
Member

Remuneration committee

THIERRY LABORDE
Vice-chairman of the Board of Directors
Chairman

MICHEL WURTH
Director
Member
(until 23 October 2019)

ÉTIENNE REUTER
Chairman of the Board of Directors
Member

DENISE STEINHÄUSER
Director
Member

CARLO THELEN
Director
Member

External auditor

DELOITTE AUDIT SÀRL

Internal auditor

OLIVIER THIRY

Management of the subsidiaries

LUXEMBOURG

BNP PARIBAS LEASINGSOLUTIONS SA
CHARLOTTE DENNERY
Chief Executive Officer

BNP PARIBAS LEASE GROUPLUXEMBOURG SA
VINCENT HAINAUT
General Manager

GLOBAL GENERAL PARTNER S.A.
CRISTIAN BRUCCULERI
Board Member & Conducting Officer

FRÉDÉRIQUE MOUSSET
Conducting Officer

STATEMENT BY THE BOARD OF DIRECTORS

06

(in accordance with the Transparency Law of 11 January 2008)

The Board of Directors declares that, to the best of its knowledge, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, give a true and fair view of the assets and liabilities, financial position and profit or loss of BGL BNP Paribas SA and the companies included in the scope of the consolidation as at 31 December 2019, and that the management report fairly presents the evolution, earnings and position of BGL BNP Paribas SA and the companies included in the scope of consolidation, as well as a description of the principal risks and uncertainties that they face.

Luxembourg, 10 March 2020

MANAGEMENT REPORT BY THE BOARD OF DIRECTORS

07

Preamble

Trade tensions, the risk of a hard Brexit and mounting concern about the global economic slowdown all made uncertainty the defining feature of 2019. Global trade was the primary casualty of this uncertain international context. Countries with the greatest reliance on exports, such as Germany, were particularly affected by the economic slowdown. This led to an even more accommodative stance by the European Central Bank, while the US Federal Reserve changed course and cut the federal funds rate on several occasions. Uncertainty seemed to diminish towards the end of the year, though, in particular as regards trade tensions. This contributed to a strong performance on global equity markets in the fourth quarter.

In the eurozone, the slowdown in growth (from almost 1.9% in 2018 to nearly 1% in 2019), coupled with a significant deterioration in leading indicators in the manufacturing sector, caused medium-term inflation forecasts to be downgraded. Core inflation, which excludes food and energy prices, proved sluggish and is likely to rise more slowly than initially thought. This prompted the European Central Bank to announce a number of sweeping measures on 12 September 2019. These included cutting the rate on the deposit facility by an additional 10 basis points to -0.50%; introducing a two-tier system for remunerating reserves in which part of the excess liquidity held by banks is exempt from the negative deposit facility rate; resuming asset purchases of EUR 20 billion per month from November 2019, and making major changes to its forward guidance. The latter now indicates that monetary policy should remain highly accommodative until there is a sustained convergence of inflation towards the European Central Bank's target inflation rate of close to but under 2%.

Growth also slowed in the United States. Nonetheless, unemployment is still at the lowest level seen since the late 1960s and wages grew by over 3% in 2019 although wage growth slowed in December. Nevertheless core inflation did not reach the 2% target according to the Federal Reserve's preferred measure. Faced with this economic slowdown, moderate inflation and severe uncertainty, the Fed cut its official rate three times in 2019.

Long yields have fallen sharply since the start of 2019 in both the eurozone and the United States. Over the summer in particular, the global economic slowdown, coupled with the prospect of widespread easing of central bank monetary policy and mounting uncertainty, kept demand for safe-haven assets high. Long yields rallied somewhat late in the year, especially as trade tensions between the United States and China subsided, although they stayed well below the levels seen at the start of the year.

In Luxembourg, Statec is counting on a growth rate of 2.8% for 2019, compared with 3.1% in 2018. Despite this slight deceleration in GDP growth, the employment growth rate remains high at 3.7% for 2019, which is unchanged relative to 2018. The unemployment rate continued to trend gradually lower, reaching 5.3% towards the end of 2019. Inflation was up slightly on the previous year, averaging 1.7% versus 1.5% in 2018. As regards wages, the latest round of wage indexation did not occur in 2019 but ended up being pushed back to January 2020.

Consolidated management report

The following issues are key to the interpretation of BGL BNP Paribas Group's financial statements:

- On the one hand, the consolidation scope was widened to include eight new entities within Leasing International:
  - two entities (BNP Paribas Leasing Solution AS and RD Leasing IFN SA), operating in Norway and Romania respectively, were acquired in late 2018,
  - an entity operating in Italy (BNL Leasing SPA), part of the Leasing International business line, has been consolidated by the equity method since the second quarter of 2019,
  - the partial sale of an entity in France (Arius SA) resulted in its name being changed to BNPP 3 Step IT and five subsidiaries being created in late 2019 to manage its activities in a number of countries: Germany, Italy, United Kingdom, Netherlands and Belgium.
- On the other hand, BGL BNP Paribas acquired ABN AMRO Bank (Luxembourg) SA on 3 September 2018. Following the takeover, the entity was renamed BNP Paribas Wealth Management Luxembourg SA and merged into the Bank on 1 November 2018.
- Lastly, the real estate participating interest Elimmo SARL was removed from the consolidation scope for threshold reasons at the end of 2019.

  These movements contributed EUR 11.7 million to the net income attributable to equity holders of the parent.

- Moreover, the new IFRS 16 accounting standard entered into force on 1 January 2019. Given that this does not have a material impact on the financial statements, the BGL BNP Paribas Group has chosen not to restate the comparative financial statements for 2018, as permitted by the standard.

Consolidated results

Profit and loss account	2019	2018	Changes	
In millions of euros			Value	%
Revenues	**1,515.1**	**1,447.0**	**68.0**	**5%**
Operating expenses	(792.4)	(763.9)	(28.5)	4%
Gross operating income	**722.7**	**683.1**	**39.6**	**6%**
Cost of risk	(101.3)	(60.4)	(40.9)	68%
Operating income	**621.4**	**622.7**	**(1.3)**	**0%**
Share of earnings of associates	14.4	1.1	13.3	n/a
Net gains on other fixed assets	0.1	0.6	(0.5)	-80%
Changes of value in goodwill	0.9	-	0.9	n/a
Pre-tax income	**636.7**	**624.3**	**12.4**	**2%**
Corporate income tax	(147.5)	(124.5)	(23.0)	18%
NET INCOME	**489.2**	**499.8**	**(10.6)**	**-2%**
OF WHICH : NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**345.0**	**338.9**	**6.1**	**2%**

Analysis of the profit and loss account and balance sheet

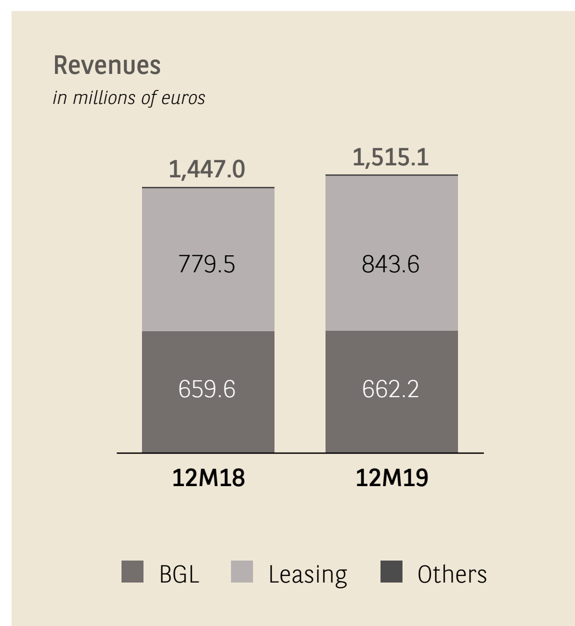
Revenues were **EUR 1.5151 billion** at 31 December 2019 versus EUR 1.4470 billion at the end of 2018 (an increase of EUR 68.0 million or 5%).

Net interest income was EUR 1.1771 billion as at 31 December 2019 versus EUR 1.1065 billion as at 31 December 2018 (an increase of EUR 70.6 million or 6%).

For banking activities, net interest income rose by EUR 21.5 million or 5%. Net interest income for client-related activities rose by EUR 13.4 million or 5% as a result of the integration of former BNP Paribas Wealth Management Luxembourg SA business activities worth EUR 6.2 million and higher volumes of deposits and loans. Despite the low interest rate environment, markets and treasury activities managed to record an increase of EUR 6.7 million thanks to a review of the balance sheet position reinvestment strategy.

Net interest income for Leasing International activities continued to rise, posting an increase of EUR 48.8 million or 7%, of which EUR 8.3 million were connected to the expansion of the consolidation scope. Restated for this impact, there was a rise of EUR 40.5 million or 6%, thanks to continued business development in agriculture and technology in countries such as Italy, the UK and Belgium. However, this growth was lowered by EUR 3.0 million as a result of unfavourable exchange rate movements for some entities located outside of the eurozone.

Net commission income rose by EUR 15.8 million, or 10%, from EUR 162.9 million on 31 December 2018 to EUR 178.7 million in 2019. The Bank recorded fee growth of EUR 5.6 million (4%). The integration of former BNP Paribas Wealth Management Luxembourg SA clients contributed significantly to this growth, whereas the sluggishness of the financial markets in late 2018 and early 2019 kept asset management fee receipts low. Leasing International posted a fee increase of EUR 10.4 million (57%), which was driven by the development of new products and the uptick in business in France, Romania and Italy in particular.



Net gain on financial instruments at fair value through profit or loss rose by EUR 29.9 million to EUR 60.1 million versus EUR 30.1 million as at 31 December 2018. In 2018, the Bank was penalised when revaluation lowered the value of its securities portfolio by EUR 14.8 million; in 2019, revaluation added EUR 1.5 million. As regards Leasing international, the revaluation of the participating interest it holds in SREI INFRASTRUCTURE FINANCE LIMITED in India lowered the line item by EUR 6.7 million in 2019 compared with EUR 13.2 million a year earlier.

Net gain on financial instruments valued through equity produced a realised gain of EUR 13.1 million in 2019 versus EUR 62.2 million in 2018, i.e. a fall of EUR 49.0 million. The Bank also received an interim dividend of EUR 51.8 million from BNP Paribas Asset Management Holding SA in 2018, and realised net capital gains of EUR 8.1 million on the sale of government and bank bonds. In 2019, the dividend received by BNP Paribas Asset Management Holding SA was just EUR 4.8 million and capital gains on the sale of securities was EUR 4.2 million. Leasing International operations added EUR 4.2 million to this line item, which was up EUR 2.0 million or 89% on the previous year. Leasing International indeed benefited from higher dividend income on its non-consolidated participating interests in 2019.

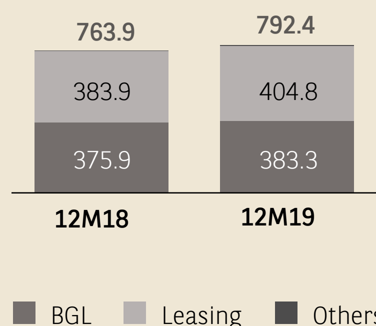
Income and expenses from other activities amounted to EUR 86.1 million net versus EUR 85.3 million in 2018, which represents a small increase of EUR 0.8 million or 1%. This item mainly consists of net income on investment properties at the Bank and in certain Leasing International entities, together with income from the management of IT environments and fleets of industrial rolling stock by specialised entities within Leasing International.

General expenses were EUR 792.4 million as at 31 December 2019 versus EUR 763.9 million at the end of the previous financial year, which represents an increase of EUR 28.5 million or 4%.

For banking activities, overheads were up EUR 7.3 million or 2%. Staff costs increased by EUR 13.6 million or 6%. In 2019, the Bank set aside a provision of EUR 18.8 million (versus EUR 9.0 million in 2018) for the introduction of a voluntary early retirement plan. The integration of the operations of the former BNP Paribas Wealth Management Luxembourg SA added another EUR 1.0 million. The rest of the change can be attributed to the increase in the average headcount and the wage indexation in place since August 2018. As at 31 December 2019, the headcount at the end of the year was nevertheless 4% lower than it had been at the same point a year earlier, as the full-time equivalent workforce stood at 2,195.0.

Other overheads fell by EUR 6.1 million or 5%. In 2019, this line item was affected by a drop in transformation costs of EUR 2.7 million (-25%) and a fall in the contribution to the various regulatory funds of EUR 2.4 million (-15%). On the other hand, the application of the new IFRS 16 standard resulted in the reclassification of certain rental charges (EUR -1.6 million), which now appear under depreciation, amortisation and impairment of property, plant and equipment and intangible assets. Lastly, costs linked to the operations of the former BNP Paribas Wealth Management Luxembourg SA, consolidated since September 2018, led to a reduction of EUR 0.5 million. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets fell by EUR 0.2 million or 1%.

General expenses
in millions of euros



BGL Leasing Others

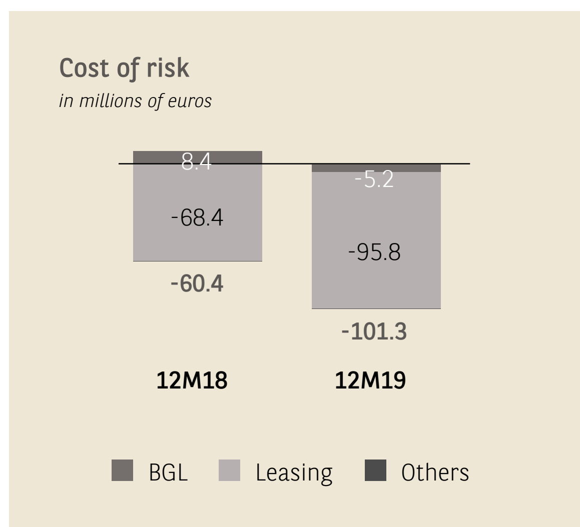
Leasing International overheads rose by EUR 20.9 million or 5%, EUR 5.2 million of which related to changes in the consolidation scope. Staff costs rose by EUR 14.4 million (6%) and other overheads saw a slight fall of EUR 0.6 million (0%). While transformation costs dropped by EUR 4.0 million, expenses rose in connection with ongoing investments and recruitment necessitated by the commercial development plan. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 17.5 million as at 31 December 2019, which was EUR 7.0 million (67%) higher than the previous year as a result of the new IFRS 16.

Gross operating income rose by EUR 39.6 million or 6% to EUR 722.7 million.

Cost of risk amounted to EUR -101.3 million versus EUR -60.4 million in 2018.

At Bank level, a net provision for cost of risk of EUR 5.2 million was recorded as at 31 December 2019, compared with a net release of EUR 8.4 million in the previous year, mainly recorded under collective provisions. At Leasing International, there was a net provision for cost of risk of EUR 95.8 million, up EUR 27.4 million on previous year, reflecting the growth in loan outstandings and an increased cost of risk in specific cases such as those in the UK.

Share of earnings of associates stood at EUR 14.4 million versus EUR 1.1 million in 2018.



The contribution from life insurance in Luxembourg (Cardif Lux Vie SA) in which the Bank holds a 33% stake) was EUR 14.9 million, up EUR 6.9 million compared with 2018.

The contribution of Leasing International stood at EUR -0.6 million versus EUR -7.1 million in 2018 thanks to an improved cost of risk on a run-down entity.

The **income tax charge** increased by EUR 23.0 million or 18% on the previous year, rising from EUR 124.5 million in 2018 to EUR 147.5 million in 2019.

At Bank level, it fell by EUR 35.7 million. Figures for 2018 were penalized by the EUR 39.0 million tax charge linked to the positive revaluation of the participating interest in BNP Paribas Leasing Solutions S.A. in the statutory financial statements. This line item came in EUR 7.7 million lower in 2019 owing to the decreased tax rate applicable in Luxembourg from 1 January 2019. At the level of Leasing International, the income tax charge increased by EUR 58.6 million. In 2018, this line item was positively affected by the recognition of previously unrecognised tax losses worth EUR 26.0 million and tax cuts in several regions worth EUR 20.2 million. In 2019, the downgrading of the future tax charge led to a reduction of EUR 12.3 million in the recognised tax loss carryforward amount.

Lastly, after the deduction of net income attributable to minority interests, **net income attributable to equity shareholders** for the 2019 financial year was EUR 345.0 million versus EUR 338.9 million in 2018, which is a rise of EUR 6.1 million or 2%.

Balance sheet

As at 31 December 2019, the balance sheet total stood at EUR 56.6 billion versus EUR 54.6 billion as at 31 December 2018, which was an increase of 4%.

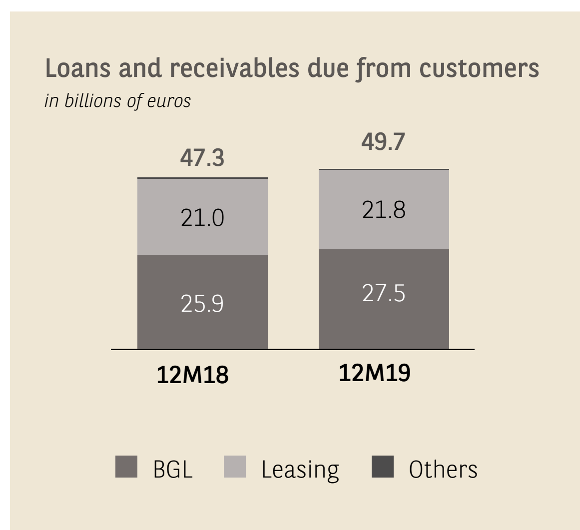
On the asset side, **cash and amounts due from central banks** stood at EUR 0.5 billion versus EUR 0.7 billion as at 31 December 2018. This item consists mainly of short-term deposits with Banque Centrale du Luxembourg.

Financial instruments at fair value through profit or loss were EUR 0.9 billion as at 31 December 2019 versus EUR 1.3 billion as at 31 December 2018. This item mainly comprises the Bank's securities portfolios, which do not meet the IFRS 9 criteria for classification as instruments at fair value through equity or at amortized costs.

Financial assets at fair value through equity amounted to EUR 1.8 billion versus EUR 1.5 billion as at 31 December 2018. This item mainly comprises the bond portfolio held by the Bank, composed mostly of sovereign and supranational securities and bank bonds.

As at 31 December 2019, the growth of the bond portfolio was primarily due to the purchase of sovereign and supranational securities, bank bonds and a security issued by a public entity, totalling EUR 733 million. On the other hand, the sale of government bonds and the redemption of supranational securities reduced the line item total by EUR 395 million.

Loans and receivables at amortised cost were up EUR 2.4 billion to EUR 49.7 billion as at 31 December 2019.



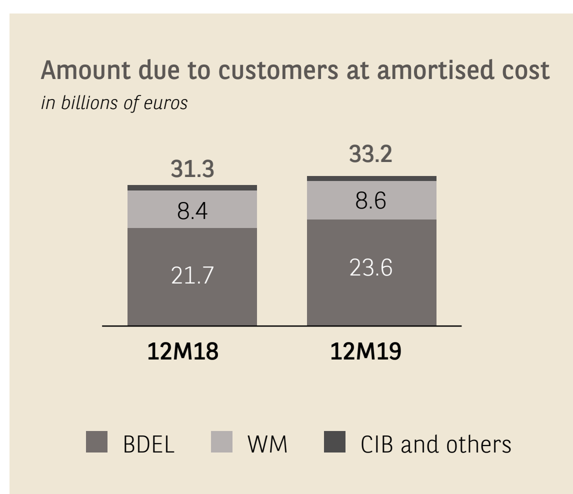
- Loans and receivables due from credit institutions amounted to EUR 15.7 billion, up EUR 0.2 billion.
- Loans and receivables due from customers rose by EUR 2.3 billion to EUR 34.0 billion. For banking activities, the outstanding amount rose by EUR 1.3 billion or 11% versus 31 December 2018. This growth came from mortgages (EUR 0.5 billion or 9%) and loans to businesses (EUR 0.7 billion) in particular. For leasing activities, Loans and receivables due from customers rose by EUR 0.9 billion or 5% to EUR 20.5 billion.

Debt securities at amortised cost were down EUR 364 million or 24% to EUR 1.1 billion as at 31 December 2019. This decrease, which was entirely at Bank level, mainly resulted from the redemption of bonds issued by governments, banks and public entities for EUR 360 million.

On the **liabilities** side, **Financial instruments at fair value through profit or loss** stood at EUR 271 million, down EUR 20 million or 7% on the previous year. This decrease largely resulted from the maturing of certain EMTN (Euro Medium Term Notes) measured at fair value.

Debt at amortised cost totalled EUR 45.3 billion as at 31 December 2019, up EUR 2.0 billion or 5%.

- **Amount due to credit institutions at amortised cost** were stable at EUR 12.1 billion as at 31 December 2019. This item mainly consists of deposits with the BNP Paribas Group.
- **Amount due to customers at amortised cost** rose from EUR 31.3 billion as at 31 December 2018 to EUR 33.2 billion as at 31 December 2019, which represents a growth of 6%. This growth was seen across all of the Bank's business lines.



Corporate Banking in Luxembourg saw growth in deposits at the end of the period; these rose by EUR 1.2 billion or 10% compared with the situation as at 31 December 2018. Meanwhile, deposits in Retail Banking rose by EUR 0.5 billion or 7%. Wealth Management saw deposits increase by EUR 0.2 billion or 2% in 2019.

Debt securities fell 36% from EUR 1.1 billion at 31 December 2018 to EUR 0.7 billion at 31 December 2019, primarily as a result of an issue with a par value of EUR 300 million reaching maturity.

Capital

As at 31 December 2019, excluding income for the current period and after deductions in accordance with prudential rules, **regulatory capital** in accordance with Basel III stood at EUR 6.0 billion and the **solvency ratio** was 22.7%, versus EUR 5.9 billion and 22.6% respectively as at 31 December 2018.

Risk management within the Bank

The Bank's risk management policy is explained in more detail in the BGL BNP Paribas Pillar 3 report of Basel 3 as at 31 December 2019. The aim of this policy is to implement all measures necessary to respond to obligatory requirements on governance issues. In addition to the central risk management functions of the Bank with responsibility for coordinating risk monitoring, each business line has a permanent control function focused on its specific business area and with primary responsibility for any risks taken within the scope of the business line's activities.

Risk monitoring and management is handled centrally by specific committees that meet at regular intervals.

Credit risks are monitored by the weekly Central Credit Committee, market risks by the quarterly Capital Market Risk Committee, interest rate and liquidity risks by the monthly Asset & Liability Committee and operational risks by the half-yearly Internal Control Committee. On top of this comes the Operational Risk Steering Committee, which meets twice a month and is responsible for the close operational monitoring of all day-to-day risks and malfunctions. Dependent on the subject, the Risk Committee or the Audit Committee, which are bodies established by the Board of Directors, receive a summary presentation of all risks managed by the specific committees cited above. The Bank has thus implemented robust risk management systems that comply with regulatory requirements.

Corporate governance and non-financial disclosure

Non-financial disclosure, in accordance with Article 68a of the Law of 19 December 2002 regarding the trade and companies register and the accounting and annual financial statements of companies, as amended, and corporate governance disclosure, in accordance with Article 70a of the Law of 17 June 1992 regarding the financial statements of credit institutions, as amended, can be consulted on the Bank's website.

https://www.bgl.lu/en/bank/pages/about-bgl-bnp-paribas/knowing-us/financial-and-legal-information/financial-results.htm

The Bank's activities

Retail and Corporate Banking (BDEL)

The Retail and Corporate Banking business line in Luxembourg provides – variously through Retail Banking, Corporate Banking and Private Banking Luxembourg – a broad range of financial products and services to its retail, professional and corporate clients, including current accounts, savings and bancassurance products, plus specialised services for professionals and companies.

The commercial network comprises 41 branches, 4 [1)] Private Banking Centres across the country catering to high-net-worth clients residing in Luxembourg, 5 [1)] Corporate Business Centres serving SMEs (small and medium-sized enterprises) and a Business Centre dedicated to liberal professions. To meet the ever-increasing needs of its clients and prospects and to offer services and advice tailored to their expectations and requirements, the Bank continued its efforts to upgrade its distribution model by opening one Expertise Centre focused on mortgages and another focused on investment.

Retail Banking (BDL) is the partner of choice for retail clients, whether they are carrying out routine banking operations or setting major life plans in motion.

From credit, investment, savings and insurance solutions to day-to-day banking, it offers one of the widest ranges of retail banking products in Luxembourg, including private leasing.

[1)] As at 31 December 2019

One key development in 2019 was the introduction of the advocacy programme along with the net promoter system (NPS) measuring tool designed to collect client feedback. Part of a BNP Paribas Group initiative, this programme aims to deliver ongoing improvements to the Bank's services by ensuring that it is in step with its clients' wishes and expectations.

To meet its clients'new expectations and a growing demand for remote services, Retail Banking also continued to expand its digital and mobile services. For example, it launched the fully digital free service Genius, accessible via the Web Banking app, which is designed to help clients manage their accounts on a day-to-day basis. The Client Service division offers secure telephone support to assist clients with routine banking operations.

In terms of innovation, *Retail Banking* launched *Apple Pay* in Luxembourg (at launch, it was the only entity in the country offering this service). As a result, bank clients now have access to an innovative, simple, fast and secure new means of making payments in store or online in addition to the smartwatch payment option introduced a little earlier in the year.

Lastly, *Retail Banking* played an active role in the development of the local economy through a number of initiatives that fall within the purview of the Bank's responsible growth strategy, including via a range of ecologically responsible products such as the *Generalpart* and *Parvest SRI* funds. Moreover, to meet the specific needs of social entrepreneurs, the Bank launched the *Act for Impact* initiative offering specific banking guidance and innovative solutions to help social enterprises in Luxembourg get started and grow.

Corporate Banking (BEL) is Luxembourg's reference banking partner for SMEs, large firms, the public sector, social organisations, real estate and start-up professionals.

It offers a wide array of banking products and solutions for the *Corporate* segment, in addition to the full range of banking and market products available within the BNP Paribas Group.

It includes all the Coverage teams focused on client relations, as well as specialists in areas such as *Trade*, *Cash Management*, *Forex*, *Escrow Accounts* and *Real Estate*.

Through the BNP Paribas Group's *One Bank for Corporates* network, the Bank also offers a wide spectrum of financial services to Luxembourg companies that are seeking to build an international presence or that already have foreign subsidiaries.

Lastly, *Corporate Banking* welcomes and assists international clients looking to develop its business activities in Luxembourg.

Private Banking Luxembourg (BPL) provides clients who live in Luxembourg or the Greater Region with integrated and customised financial and wealth management solutions through its various Private Banking Centres across Luxembourg including the Villa, located on Boulevard Royal in Luxembourg City. In addition to the strong links *Private Banking Luxembourg* maintains with the branch network, close collaboration with the various Corporate Business Centres for SME clients shows the importance of the entrepreneur approach to the Bank, which offers an array of bespoke solutions aimed at this client segment.

A promising market outlook ensured strong growth for discretionary asset management mandates, advisory management services and the various forms of financing in addition to transactional activities, which reflect the Bank's investment advice. This highlights clients' appetite for and trust in the wide range of financial solutions and services offered by the Bank.

Further highlights of 2019 were the launch of *Private Banking Luxembourg* on social media (a LinkedIn account has now been set up) and the overhaul of the Private Banking public website with a view to boosting the entity's image and visibility.

The final point to note is the creation of *Cercle d'Villa*, which provides evening conferences featuring presentations on specific themes to ensure the retention of wealth management clients.

2019: celebrating the Bank's centenary

BGL BNP Paribas celebrated its 100th anniversary on 17 June 2019 at an official ceremony with HRH Grand Duke Henri in attendance. The evening's programme included speeches by the Chair of the Board of Directors Etienne Reuter, Prime Minister and Minister of State Xavier Bettel and Chief Executive Officer of BNP Paribas Jean-Laurent Bonnafé, as well as discussions with the Chair of the Executive Committee Geoffroy Bazin. Pascal Picq, paleoanthropologist and lecturer at the Collège de France, also spoke at the event.

In addition to the official ceremony, the festivities to mark the Bank's 100th anniversary included client receptions and an evening event for staff. To round off the centenary year, a conference on corporate commitment and sustainable finance was held in the autumn under the patronage of Finance Minister Pierre Gramegna, featuring a memorable presentation by Bertrand Piccard, President of the Solar Impulse Foundation.

The articles of incorporation of the Banque Générale du Luxembourg were signed on 29 September 1919 after overlapping initiatives by Société Générale de Belgique and two Luxembourg lawyers, Alphonse Weicker and Léandre Lacroix. The Bank held fast to this commitment over the decades by constantly developing its business and establishing a branch network covering the entire country. Partner of choice for a client base composed of individuals, professionals and companies whose plans and investments it backs, BGL BNP Paribas is now an integral part of the socio-economic fabric and one of the country's leading banks. It has made a significant contribution to the growth of Luxembourg's financial sector and plays a major role in financing the Luxembourg economy.

Wealth Management (WM)

Operating under the BNP Paribas Wealth Management banner, the Wealth Management business line offers international clients tailored asset and financial management solutions, in addition to a suite of high-quality services.

Assets under management at BNP Paribas Wealth Management continued to rise in 2019, benefiting from strong market performance and buoyant inflows. This performance was in particular boosted by the *Ultra High Net Worth Individuals*, which is the primary growth driver for the Wealth Management business line in Luxembourg.

Against the backdrop of persistently low or even negative interest rates, and thanks to a large and tailored range of financing solutions, loan outstandings continued to rise in 2019. The Bank's asset management range also responded to clients' expectations in terms of assistance. As a result, assets under management for both discretionary and advisory mandates continued to rise. These increases were made possible, in particular, by the teams' tireless work to ensure the quality of the client relationship.

BNP Paribas Wealth Management is pursuing its efforts to rapidly expand its range of Private Equity and Private Real Estate diversification solutions which represents a major element in the BNP Paribas Wealth Management's offer. On the digital front, two high value-added services gained new features: *Store & Share* (an e-vault for personal and bank use) and *Wealth Aggregator* (an account consolidation tool for clients with accounts at multiple banks).

Faced with a fast changing industry and profound social and environmental challenges, the BNP Paribas Group held fast to its commitment to sustainable growth and continued to guide its clients through this essential transition. In keeping with these commitments, BNP Paribas Wealth Management has developed a range of investments with a positive impact. This enables clients who wish to do so to access specialist guidance to bring their impact profile into line with their convictions through the interactive *myImpact* questionnaire. Other tools made available include a simple and easy-to-read table showing the positive impact of each investment solution. Such tools also enable private bankers to open up a conversation with their clients about positive-impact investing and to guide them towards sustainable investments.

BGL BNP Paribas named *Best Bank* in Luxembourg for fourth year in a row

The magazine Euromoney named BGL BNP Paribas Best Bank in Luxembourg at the Euromoney Awards for Excellence 2019 prizegiving ceremony, which was held in London on 10 July 2019.

It was the fourth year in a row that BGL BNP Paribas had been honoured with the title.

Euromoney also named the BNP Paribas Group World's *Best Bank for Corporate Responsibility*.

Corporate and Institutional Banking Luxembourg (CIB))

The Corporate and Institutional Banking Luxembourg business line offers products and services related to the capital and financing markets in Luxembourg to the Bank's corporate and institutional clients.

Asset & Leasing Solutions arranges financing for tangible assets such as ships and aircraft. In 2019, the business once again confirmed its status as a priviledged and renowned partner to the Luxembourg marketplace in this highly specialised segment.

Prime Solutions and Financing, which uses the BNP Paribas Group's Global Markets platform, continued to develop strategic equity products for Luxembourg corporate and institutional clients.

CIB Correspondent Banking provides institutional clients with services such as account management, bank guarantees and general financing.

Alongside these three activities, the *Financial Institutions Coverage* division, which assists business lines in their client relationships, markets the products and services offered by BNP Paribas Group.

BNP Paribas Leasing Solutions

In close collaboration with the Bank, the various leasing entities of the BNP Paribas Group, including BNP Paribas Lease Group Luxembourg S.A. (a fully owned subsidiary of BGL BNP Paribas) and BNP Paribas Leasing Solutions S.A. (a subsidiary in which BGL BNP Paribas owns a 50% stake), operate under the BNP Paribas Leasing Solutions banner to offer a range of leasing solutions for corporate and professional clients covering everything from equipment financing to outsourcing of vehicle fleets and long-term leases.

BNP Paribas Leasing Solutions is one of Europe's leading leasing and finance specialists, mainly covering two major types of equipment:

- Rolling stock: agricultural machinery, construction and material handling machinery, and utility and industrial vehicles;
- Technological hardware: IT, office, telecoms, medical and specialist technological systems.

BNP Paribas Leasing Solutions provides its clients and partners with value-creating solutions, and strives to act as a business catalyst.

In 2019, BNP Paribas Leasing Solutions continued to expand its geographical coverage so as to assist its major partners in new regions, including the Nordic countries. After launching in Norway in 2018, commercial operations were undertaken for the first time in Sweden and Denmark in 2019.

Deeply rooted in Europe, the leasing business line now operates in Austria, Belgium, Denmark, France, Germany, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland and the UK.

BNP Paribas Leasing Solutions also has a presence in Turkey and offers equipment financing solutions in China through its investment in Jiangsu Financial Leasing.

Staff at the leasing business line are all committed to providing a high-quality service based on five core values: expertise, simplicity, responsiveness, innovation and responsibility.

Moreover, the introduction of entirely virtual client and partner journeys – from financing requests to the electronic signature of contracts – has enabled the leasing business line to respond to client requests more quickly and efficiently. In recognition of BNP Paribas Leasing Solutions' operations in this field, it has also received *Leasing Life* magazine's *Digital Innovation* prize for two years in a row.

2019 brought a new commercial partnership with 3stepIT. Officially launched on 1 October 2019, the new joint company BNP Paribas 3 Step IT offers comprehensive and long-lasting lifecycle management solutions for technological hardware. The services it offers are tailored to meet the needs of companies seeking more flexible and responsible product as a service financing solutions.

BNP Paribas Group in Luxembourg certified *Top Employer* for the fourth time

In 2019, BGL BNP Paribas received the *Top Employer* label for the fourth year running. This accolade is testament to the Bank's ongoing efforts to ensure that its HR practices are constantly evolving to keep pace with the company's development and to continue to meet the needs of the business and the expectations of staff.

Issued by the *Top Employer* Institute, an independent body of international renown, this certification recognises companies that have established excellent working conditions for their staff. Three themes were singled out for specific praise: forward-looking workforce management, onboarding of new staff and career management.

Human Resources

In 2019, the Bank's firm belief that the strength of a company lies in the commitment of its workforce prompted the creation of a new governance body known as the Management Committee. Comprising representatives from the Bank's various departments, the committee aims to boost commitment among staff by running various participatory initiatives based on the idea of giving employees a voice.

In parallel, the Bank set up a new platform for communication between management and employees in 2019 in the form of Restons Connectés (Let's Stay Connected) conferences. These quarterly conferences, which are open to all staff and broadcasted live, are designed as opportunities to address issues raised by staff and to answer any questions they may have.

Furthermore, in a period of transformation for the economy as a whole, BGL BNP Paribas continues to prioritise responsible workforce management. To meet its new skills requirements and boost the employability of its staff, the Bank relies on both continuous professional development and internal mobility.

On the internal mobility front, the Bank endeavours to ensure a steady flow of people and skills within the organisation while also seeking to offer staff members inspiring and varied opportunities for career development. The About Me career management portal is key in this regard. About Me uses information provided by employees themselves about their skills and aspirations to send them personalised career suggestions. In 2019, the Bank also enhanced its mobility system by creating a cross-departmental team focused on assisting staff members with setting professional goals.

BGL BNP Paribas continued to invest in training and hopes to develop a culture of continuous learning. To that end, the Bank decided to roll out Personal Development Plans to all staff in 2019.

Drawing on its knowledge of the issues staff members face, BGL BNP Paribas devised a concrete solution to a daily source of stress for many of them: traffic. Specifically, the Bank opened a remote working hub in 2019 in Bettembourg near to the French border. This site is the first stage in the development of new, more agile and more flexible working methods.

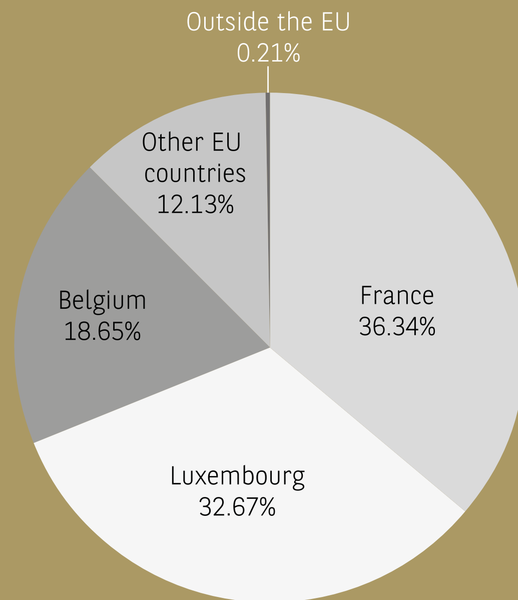
The driving force behind all of these efforts was BGL BNP Paribas' desire to offer its employees a high-quality working environment, underpinned by respect, in which everyone can give the very best version of him/herself to boost client satisfaction.

More than ever during these changing times, the Board of Directors recognises and appreciates the extreme importance of its human capital, which includes all of the Bank's employees. The Board wishes to express its recognition for the continuous work and commitment shown by everyone throughout 2019. It also wishes to highlight the extremely responsible and constructive working relationship with all of the social partners and thanks them for their day-to-day cooperation.

Staffing situation within BGL BNP Paribas

As at 31 December 2019, the total number of Bank employees in Luxembourg was 2,375, including 1,181 women (49.73%) and 1,194 men (50.27%). In 2019, the Bank hired 99 new employees (49 fixed-term contracts and 50 permanent contracts). The percentage of employees working part time was 28%.

27 nationalities are represented within the Bank, with the following breakdown by country:



Outlook for 2020

The highlights of the year will be the end of the BGL 2020 plan that began in 2017 and the start of the Ambition 2024: Lëtz Do It plan. Amid the prevailing uncertainty and limitations linked to factors such as persistently low or even negative rates, the new plan aims to bring about a profound change in terms of business models, operating models and business infrastructure. It draws upon Agile principles and the Agile, Client-Centric and Employee-Centric organisational paradigms to promote client satisfaction and the commitment of staff members.

The Bank will continue to support its clients as the Brexit process unfolds.

These changes bring new challenges for BGL BNP Paribas that the Bank will meet by relying on its knowledge of the local market, its membership of an international group and its human capital. The Bank's collaboration with other BNP Paribas Group entities in Luxembourg means that it is uniquely positioned on the Luxembourg financial market and able to draw on numerous catalysts for growth.

In 2020, BGL BNP Paribas will also continue to demonstrate its deep commitment to sustainable development, responsible finance and support for the local economy.

The Bank's ability to build internal and external partnerships will enable it to accomplish its goals, which include the well-being of its staff, the satisfaction of its clients and the commitment it shows to all stakeholders.

Luxembourg, 10 March 2020
The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

08

Report on the Audit

To the Board of Directors
of BGL BNP Paribas S.A.

Report of the réviseur d'entreprises agréé

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BGL BNP Paribas and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies adopted by the Group.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibilities under the EU Regulation N° 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Customer loans valuation

BGL BNP Paribas recognises impairment losses to hedge the credit risks inherent to its banking intermediation activities.

These impairment losses are determined in accordance with IFRS 9 and the expected credit losses model.

The measurement of expected credit losses on customer loan portfolios requires management to exercise judgement, in particular in order to:

- assess the significant deterioration of credit risk to classify outstandings in stage 1, stage 2, or stage 3;
- estimate the amount of expected losses according to the different stages;
- prepare macro-economic projections which are integrated into both the criteria for recognising deterioration and in the measurement of expected losses.

At December 31, 2019, total outstanding customer loans exposed to credit risk amounted to EUR 34 billion; total impairment losses stood at EUR 672 million.

We deemed the assessment of credit risk and the measurement of impairment losses to be a key audit matter insofar as management is required to exercise judgement and make estimates to assess credit risk, in particular as regards loans granted to companies and individuals, given the potentially substantial amounts of the outstanding loans concerned.

OUR ANSWER

We concentrated our work on the most significant exposures and/ or portfolios covering the different business lines of the Group (corporate lending, personal finance and lending to Wealth Management clients).

We assessed the relevance of BGL BNP Paribas' internal control system and tested the manual and computerised controls for assessing credit risk and measuring expected losses. These tests covered among other things, checks on the monitoring of non performing loans, checks on the review of the valuation and the recording of guarantees and file reviews identified as being at risk (Watchlist).

During our work, we focused on:

- Classification of outstanding by stage: we assessed the relevance and the correct application of the indicators used by the various business lines to measure significant increases in credit risk;
- Measurement of expected losses (stages 1, 2 and 3):
  - assisted by our credit risk experts and relying on the internal system for independent validation of the BNP Group's models, we assessed the methodologies as well as the assumptions underlying the macro-economic projections used by BGL BNP Paribas across the various scopes, the proper integration of said projections into the information system and the effectiveness of the data quality controls;
  - based on a sample, we have carried out detailed testing on valuation of loans and receivables due from customers;
  - we carried out analytical reviews in order to explain variations observed for loans and receivables due from customers;
  - for exposures considered as low risk, we have tested the consistency between the internal rating and the absence of specific provisioning;
  - with regard to impairment losses specific to outstanding loans for BDEL and WM classified In stage 3, we verified that a periodic review of the counterparties under surveillance had been carried out by BGL BNP Paribas and based on a sample, assessed the assumptions and data used by management to estimate impairment.

We have also been assisted by our information systems specialists in the areas requiring an expertise to validate the integrity and completeness of the data.

In addition, we examined the disclosures in the notes to the consolidated financial statements with respect to credit risk and particularly the new disclosures required as a result of the application of IFRS 9.

KEY AUDIT MATTER

General IT Controls

The reliability and security of information technology systems play a key role in the preparation of BGL BNP Paribas' consolidated financial statements.

We thus deemed the assessment of the general IT controls and the application controls specific to the information processing chains that contribute to the preparation of accounting and financial information to be a key audit matter.

In particular, a system for controlling access rights to IT systems and authorisation levels based on employee profiles represents a key control for limiting the risk of inappropriate changes to applications' settings or underlying data.

OUR ANSWER

For the main systems used to prepare accounting and financial information, assisted by our IT specialists, our work notably consisted in:

- Obtaining an understanding of the systems, processes and controls which underpin accounting and financial data;
- Assessing the general IT controls (application and data access management, application changes/developments management and IT operations management) on material systems (in particular, accounting, consolidation and automatic reconciliation applications, operational applications of which certain information are flowing into the accounting frame);
- Assessing the specific application controls (including revenue calculations and automatic reconciliations for commission income and interest income);
- Examining the control for the authorisation of manual accounting entries;
- Performing additional audit procedures, where appropriate;
- Verification of the integrity of the data used for the audit work.

KEY AUDIT MATTER	OUR ANSWER
Litigation and operational risk As of December 31, 2019 the total provision for litigation and claims corresponds to EUR 30,5 million. The Banks's governance and internal control environment is designed to identify, validate and monitor litigations and related provisions. In this context, the business lines and the legal and operational risk department are monitoring on a continuing basis consistency of the provisions allocated to the different identified claims. We deemed the identification of the provisions related to litigations to constitute a key audit matter insofar as the estimate of the provision requires professional judgement. Management Information relating to contingent liabilities are disclosed in note 8.j of these consolidated financial statements.	We observed the internal control environment of the Bank in regards to the detection, the estimate and the follow up of the litigations and the provisions through interviews with the legal department and the operational risk department. We have reviewed the minutes of the different business committees, the provisioning Committee for Operational Risk as well as the litigation detailed descriptive memo given by the legal department. We have also circularised all the lawyers of the Bank as of December 31, 2019 to ensure the accuracy and the consistency of the follow up of the litigations and the provisions.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the Réviseur d'Entreprises Agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report this fact. We have nothing to report in this regard.

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Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the Réviseur d'Entreprises Agréé that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the Réviseur d'Entreprises Agréé to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the Réviseur d'Entreprises Agréé. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as Réviseur d'Entreprises Agréé by the General Meeting of the Shareholders and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website https://www.bgl.lu/fr/banque/pages/a-propos-de-bgl-bnp-paribas/nous-connaitre/donnees-financieres-et-juridiques/resultats-financiers.htm, is the responsibility of the Board of Directors. The information required by Article 70bis Paragraph (1) Letters c) and d) of the Law of June 17, 1992 relating to the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

For Deloitte Audit,
Cabinet de Révision Agréé

Martin Flaunet,
Réviseur d'Entreprises Agréé
Partner

March 10, 2020

Consolidated financial statements
prepared according to the IFRS accounting standards adopted by the European Union

The consolidated financial statements of the BGL BNP Paribas Group are presented for the years 2019 and 2018.

The figures in the tables of these financial statements may, in some cases, differ to an immaterial extent, due to rounding. These differences do not in any way affect the true and fair presentation of the Group's consolidated accounts.

Consolidated profit and loss account

In millions of euros	*Notes*	2019	2018 [1]
Interest and similar income	*3.a*	1,505.9	1,406.2
Interest and similar expense	*3.a*	(328.9)	(299.7)
Commission (income)	*3.b*	235.6	221.9
Commission (expense)	*3.b*	(56.9)	(59.0)
Net gain on financial instruments at fair value through profit or loss	*3.c*	60.1	30.1
Net gain on financial instruments at fair value through equity	*3.d*	13.1	62.2
Income on other activities	*3.e*	775.9	657.7
Expense on other activities	*3.e*	(689.8)	(572.4)
REVENUES		**1,515.1**	**1,447.0**
Staff costs	*7.a*	(495.1)	(467.1)
Other operating expense	*3.f*	(253.2)	(259.3)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*5.l*	(44.1)	(37.5)
GROSS OPERATING INCOME		**722.7**	**683.1**
Cost of risk	*3.g*	(101.3)	(60.4)
OPERATING INCOME		**621.4**	**622.7**
Share of earnings of associates	*3.h*	14.4	1.1
Net gain or loss on other fixed assets	*3.i*	0.1	0.6
Goodwill	*5.m*	0.9	-
PRE-TAX INCOME		**636.7**	**624.3**
Corporate income tax	*3.j*	(147.5)	(124.5)
NET INCOME		**489.2**	**499.8**
Minority interests		144.2	160.9
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**345.0**	**338.9**

[1] In the context of the application of IFRS 16 and in order to ensure comparability with the figures for 2019, the expenses related to vehicle leasing for employees for 2018 have been reclassified from "Other operating expenses" to "Staff costs" for an amount of EUR 5.1 million.

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

In millions of euros	2019	2018
Net income	**489.2**	**499.8**
Changes in assets and liabilities recognised directly in equity	**31.4**	**(16.4)**
Items that may be reported in income	**14.2**	**(58.5)**
Items related to exchange rate movements	10.7	(30.9)
Changes in fair value of financial instruments at fair value through equity	(14.2)	(22.5)
Changes in fair value recognised in equity	*(10.0)*	*(14.6)*
Changes in fair value reported in net income	*(4.2)*	*(8.0)*
Changes in fair value of hedging instruments	11.5	(1.0)
Changes in fair value recognised in equity	*11.8*	*(0.9)*
Changes in fair value reported in net income	*(0.2)*	*(0.1)*
Income tax	1.8	6.1
Changes in fair value of items related to equity associates, net of tax	4.3	(10.2)
Items not reported in income	**17.2**	**42.1**
Changes in fair value of financial instruments designated at fair value option through equity	20.0	6.2
Debt remeasurement effect arising from own credit risk	(3.9)	3.4
Remeasurement gains (losses) related to post-employment benefit plans	3.9	20.5
Income tax	(3.6)	10.7
Changes of fair value in items related to equity associates, net of tax	0.8	1.3
TOTAL	**520.7**	**483.4**
Attributable to equity shareholders of the parent	364.2	299.7
Attributable to minority interests	156.5	183.7

Consolidated balance sheet

In millions of euros	*Notes*	31 December 2019	31 December 2018
ASSETS			
Cash and amounts due from central banks		542.0	745.2
Financial instruments at fair value through profit or loss		930.1	1,273.7
Securities	*5.a*	624.7	969.2
Loans and repurchase agreements	*5.a*	151.1	113.1
Derivatives	*5.a*	154.3	191.4
Derivatives used for hedging purposes	*5.b*	187.3	115.9
Financial assets at fair value through equity		1,829.4	1,481.6
Debt securities	*5.c*	1,519.9	1,165.9
Equity instruments	*5.c*	309.5	315.6
Financial assets at amortized cost		50,828.5	48,778.6
Loans and receivables due from credit institutions	*5.e*	15,717.1	15,559.5
Loans and receivables due from customers	*5.e*	33,963.6	31,707.4
Debt securities	*5.e*	1,147.8	1,511.7
Current and deferred tax assets	*5.i*	151.9	178.9
Accrued income and other assets	*5.j*	802.3	782.2
Investments in associates	*5.k*	194.1	152.8
Property, plant and equipment and investment property	*5.l*	888.7	866.5
Intangible assets	*5.l*	37.5	33.7
Goodwill	*5.m*	186.8	188.1
TOTAL ASSETS		**56,578.5**	**54,597.2**
LIABILITIES			
Financial instruments at fair value through profit or loss		271.4	291.4
Deposits and repurchase agreements	*5.a*	113.9	102.5
Issued debt securities	*5.a*	114.0	131.7
Derivatives	*5.a*	43.6	57.2
Derivatives used for hedging purposes	*5.b*	45.8	8.5
Financial liabilities at amortized cost		46,105.5	44,529.2
Due to credit institutions	*5.g*	12,058.0	12,026.0
Due to customers	*5.g*	33,239.7	31,287.1
Issued debt securities	*5.h*	707.8	1,105.0
Subordinated debt	*5.h*	100.0	111.1
Remeasurement adjustment on interest-rate risk hedged portfolios		100.9	60.5
Current and deferred tax liabilities	*5.i*	393.1	452.7
Accrued expenses and other liabilities	*5.j*	1,421.5	1,249.6
Provisions for contingencies and charges	*5.n*	176.6	158.6
TOTAL LIABILITIES		**48,514.9**	**46,750.5**
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital		*6,540.7*	*6,403.2*
Net income for the period, attibutable to shareholders		*345.0*	*338.9*
Total capital, retained earnings and net income for the period, attibutable to shareholders		**6,885.7**	**6,742.1**
Changes in assets and liabilities recognised directly in equity		(16.9)	(36.0)
TOTAL CONSOLIDATED EQUITY		**6,869.0**	**6,706.1**
Retained earnings and net income attributable to minority interests		1,258.7	1,216.9
Changes in assets and liabilities recognised directly in equity		(64.1)	(76.3)
Total minority interests	*8.c*	**1,194.6**	**1,140.6**
TOTAL CONSOLIDATED EQUITY		**8,063.6**	**7,846.7**
TOTAL LIABILITIES AND EQUITY		**56,578.5**	**54,597.2**

Statement of changes in consolidated equity from 1 January 2018 to 31 December 2019

Attributable to shareholders

	Capital and retained earnings			Change in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss			
In millions of euros	Capital and additional paid-in capital	Undistributed reserves	Total capital and retained earnings	Financial instruments designated at fair value option through equity	Own-credit valuation adjustment of debt securities designated as at fair value through profit or loss	Remeasurement gains (losses) related to postemployment benefi ts plans	Total
As at 1 January 2018	**3,474.6**	**3,088.9**	**6,563.6**	**3.5**	**3.1**	**(24.9)**	**(18.3)**
Dividends	-	(145.0)	(145.0)	-	-	-	-
Changes in the scope of consolidation	-	(16.7)	(16.7)	-	-	-	-
Other movements	-	1.3	1.3	-	-	-	-
Changes in assets and liabilities recognised directly in equity	-	-	-	(11.9)	2.4	12.3	2.8
Net income for 2018	-	338.9	338.9	-	-	-	-
As at 31 December 2018	**3,474.6**	**3,267.5**	**6,742.1**	**(8.4)**	**5.5**	**(12.6)**	**(15.5)**
Dividends	-	(207.9)	(207.9)	-	-	-	-
Changes in the scope of consolidation	-	5.9	5.9	-	-	-	-
Other movements	-	0.7	0.7	-	-	-	-
Changes in assets and liabilities recognised directly in equity	-	-	-	12.8	(2.8)	1.5	11.5
Net income for 2019		345.0	345.0				
As at 31 December 2019	**3,474.6**	**3,411.2**	**6,885.8**	**4.4**	**2.7**	**(11.1)**	**(4.0)**

	Changes in assets and liabilities recognised directly in equity that will be reclassified toprofit or loss				
In millions of euros	Exchange rates	Financial assets designated at fair value through equity	Derivatives used for hedging purposes	Total	**Total equity attributable to equityholders of the parent**
As at 1 January 2018	**(77.2)**	**67.0**	**31.7**	**21.6**	**6,566.8**
Dividends	-	-	-	-	**(145.0)**
Changes in the scope of consolidation	-	-	-	-	**(16.7)**
Other movements	-	-	-	-	**1.3**
Changes in assets and liabilities recognised directly in equity	(14.4)	(26.8)	(0.8)	(42.0)	**(39.2)**
Net income for 2018	-	-	-	-	**338.9**
As at 31 December 2018	**(91.6)**	**40.2**	**30.9**	**(20.5)**	**6,706.1**
Dividends	-	-	-	-	**(207.9)**
Changes in the scope of consolidation	-		-	-	**5.9**
Other movements		-	-	-	**0.7**
Changes in assets and liabilities recognised directly in equity	4.4	(5.9)	9.1	7.6	**19.1**
Net income for 2019				-	**345.0**
As at 31 December 2019	**(87.2)**	**34.3**	**40.0**	**(12.8)**	**6,869.0**

At 31 December 2019, undistributed reserves included reserves not available for distribution according to Luxembourg regulation for a net amount of EUR 390.8 million (compared with EUR 470.6 million at 31 December 2018.

Minority interests

In millions of euros	Retained earnings	Changes in assets and liabilities recognised directly in equity that will be not reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	Total minority interests
As at 1 January 2018	**1,456.0**	**(8.3)**	**(90.9)**	1,356.8
Dividends	(127.1)	-	-	(127.1)
Interim dividend payments	(60.0)	-	-	(60.0)
Commitment to repurchase minority shareholders' interests	(4.5)	-	-	(4.5)
Reduction of capital	(195.2)	-	-	(195.2)
Changes in the scope of consolidation	(15.1)	-	-	(15.1)
Other movements	1.9	-	-	1.9
Changes in assets and liabilities recognised directly in equity	-	39.3	(16.3)	23.0
Net income for 2018	160.9			160.9
As at 31 December 2018	**1,216.9**	**31.0**	**(107.2)**	1,140.7
Dividends	(66.7)	-	-	(66.7)
Interim dividend payments	(42.6)	-	-	(42.6)
Commitment to repurchase minority shareholders' interests	(5.4)	-	-	(5.4)
Changes in the scope of consolidation	12.9	-	-	12.9
Other movements	(0.7)	-	-	(0.7)
Changes in assets and liabilities recognised directly in equity	-	5.7	6.5	12.2
Net income for 2019	144.2	-	-	144.2
As at 31 December 2019	**1,258.7**	**36.7**	**(100.7)**	1,194.7

Consolidated cash flow statement

In millions of euros	2019	2018
Pre-tax income	**624.3**	**654.6**
Non-monetary items included in pre-tax income and other adjustments	**198.1**	**261.2**
Net depreciation/amortisation on property, plant and equipment and intangible assets	132.3	121.2
Impairment of goodwill and other fixed assets	(3.4)	(3.8)
Net addition to provisions	118.3	69.2
Share of earnings of associates	(14.4)	(1.1)
Net expense from investing activities	(0.1)	(0.6)
Net income from financing activities	0.0	0.1
Other movements	(34.8)	76.1
Net decrease in cash related to assets and liabilities generated by operating activities	**(1,008.2)**	**(103.5)**
Net decrease in cash related to transactions with customers and credit institutions	(1,269.2)	(978.6)
Net increase in cash related to transactions involving other financial assets and liabilities [1]	493.4	1.057.5
Net decrease in cash related to transactions involving non-financial assets and liabilities	(81.0)	(57.9)
Taxes paid	(151.4)	(124.4)
Net increase (decrease) in cash generated by operating activities	**(173.4)**	**782.0**
Net increase (decrease) related to financial assets and particpating interests	(11.4)	431.5
Net decrease related to property, plant and equipment and intangible assets	(24.9)	(19.0)
Net increase (decrease) in cash related to investing activities	**(36.2)**	**412.5**
Decrease in cash related to transactions with shareholders	(294.0)	(527.4)
Net decrease in cash related to financing activities	**(294.0)**	**(527.4)**
Effect of movement in exchange rates	2.1	(2.6)
NET CHANGES IN CASH	**(501.5)**	**664.5**
Balance of cash and cash equivalent accounts at the start of the period	**1,509.3**	**844.8**
Balance of cash and cash equivalent accounts at the end of the period	**1,007.8**	**1,509.3**

ADDITIONAL INFORMATION

In millions of euros	2019	2018
Composition of cash and cash equivalents	**1,007.8**	**1,509.3**
Cash and amounts due from central banks	542.0	745.2
Due to central banks	(0.1)	-
Demand deposits with credit institutions	978.4	1,471.3
Demand loans from credit institutions	(512.7)	(707.2)
Deduction of receivables and accrued interest on cash and cash equivalents	0.3	(0.0)

In millions of euros	2019	2018
Additional Information		
Interests paid	(329.5)	(294.4)
Interests received	1,524.6	1,431.0
Dividends paid	(317.2)	(332.1)
Dividends received	39.3	50.2

[1] This item includes debt securities and subordinated debt detailed in note 5.h.

NOTES TO THE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

09

General remarks

BGL BNP Paribas SA, parent company of the BGL BNP Paribas Group, was founded on 29 September 1919 under the name Banque Générale du Luxembourg. It took the legal form of a société anonyme (public limited company), operating under Luxembourg law, on 21 June 1935. The Bank's name was changed to "BGL BNP Paribas" following the decision taken by the Extraordinary General Meeting of 11 June 2009, with effect from 21 September 2009.

The object of the BGL BNP Paribas Group (hereinafter referred to as the "Group") is to carry out any banking and financial operations of any kind, to render any services, to acquire participating interests, and to undertake any commercial, industrial or other operations, involving movable or immovable assets, on its own behalf and on that of third parties, directly or indirectly linked to its corporate object or that might facilitate the accomplishment thereof. It may pursue its object in the Grand Duchy of Luxembourg and abroad.

The BNP Paribas Group is the majority shareholder of BGL BNP Paribas. It controls 65.97% of the capital of BGL BNP Paribas, both directly and indirectly through BNP Paribas Fortis SA.

The State of Luxembourg is a significant shareholder in the Group, with 34% of the capital.

The Group is included in the consolidated financial statements of BNP Paribas Fortis SA., its main shareholder (50.01%). The consolidated financial statements of BNP Paribas Fortis SA are available at its registered office at 3 Montagne du Parc, B-1000 Brussels.

The BNP Paribas Group is the largest grouping of entities in which BGL BNP Paribas is integrated as a consolidated subsidiary. The consolidated financial statements of the BNP Paribas Group are available at its registered office at 16 boulevard des Italiens, F-75009 Paris.

The Group's accounting year runs from 1 January to 31 December of the same year.

1. Summary of accounting principles applied by the Group

1.a Accounting standards

The BGL BNP Paribas Group's ("BGL") consolidated financial statements have been prepared in accordance with international accounting standards (International Financial Reporting Standards – IFRS) as adopted by the European Union) [1].

Information on the nature and extent of risks associated with financial instruments, as required by IFRS 7 "Financial Instruments: disclosures", and information on regulatory capital as required by IAS 1 "Presentation of financial statements", is presented in Pillar 3. This information, which forms an integral part of the notes to the Group's consolidated financial statements, is covered by the Statutory Auditors' opinion on the financial statements, and is marked "audited" to identify it in the Pillar 3 report.

New applicable and revised standards

1.a.1 IFRS 16 "leases"

Since 1 January 2019, the Group applies IFRS 16 "Leases", adopted by the European Union on 31 October 2017.

IFRS 16 supersedes IAS 17 "Leases" and the interpretations relating to the accounting of such contracts. It defines new accounting principles applicable to lease contracts for the lessee, that rely, on both the identification of an asset and on the control of the right to use the identified asset by the lessee.

The standard requires the recognition in the balance-sheet of the lessee of all lease contracts, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right-ofuse assets are amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the lease period. The main change induced by this new standard is related to contracts which, under IAS 17, met the definition of operating leases, and as such, did not require recognition of the leased assets in the balance sheet.

[1] The full list of accounting standards adopted by the European Union can be consulted on the website of the European Commission at the following address: https ://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

The main impact in the profit and loss account is the replacement of rental expenses previously accounted for on a linear basis in operating expenses by additional interest expenses in Revenues in relation with lease liabilities, and the recognition of additional amortizing expenses in relation with rights-of-use.

Detailed accounting principles applicable by the Group as lessee are presented in note 1.g.2. The detail of the impacts of the first application of the standard is presented in note 2.

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

The IFRS Interpretation Committee received a question concerning the determination of a lease term of two types of cancellable or renewable contracts:

- Contracts that does not specify a particular contractual term, cancellable at any time with a notice period by either the lessee and the lessor without penalty to pay;
- Contracts concluded for an initial short period (normally 12 months), renewable indefinitely by tacit renewal for the same period, unless the lessor and the lessee gives notice to the contrary;

At the end of its meeting of 26 November last, IFRIC confirmed its reading of IFRS 16 by stating that the enforceability of the two types of contract may extend beyond the notice period if either party has an economic incentive not negligible to not terminate the lease. IFRIC also confirmed that if anv entity expects to use non-removable leasehold improvement after the date on which the contract can be terminated, the existence of such improvements indicates that the entity may incur a significant economic penalty in the event of termination In such cases, the period used to calculate the right of use corresponds to the period of expected utility of the leasehold improvements.

1.a.2 IFRIC 23 Uncertainty over income tax treatments

The Group has applied IFRIC 23 since 1 January 2019. In accordance with this standard, any provisions for uncertainty over income tax treatments are reclassified under "Current and deferred tax liabilities". The BGL Group has not applied this standard when drawing up its consolidated financial statements for 2019.

1.a.3 Amendments to IFRS 9, IAS 39 and IFRS 7

The Group opted for early adoption of Prepayment Features with Negative Compensation (Amendments to IFRS 9), which it has applied since 1 January 2018.

In September 2019, the IASB published amendments to IAS 39 and IFRS 7 adjusting hedge accounting requirements so that hedges affected by interest rate benchmark reform can continue despite the uncertainty surrounding the period in which hedged and hedging instruments are transitioned to new interest rates. These amendments, adopted by the European Commission on 15 January 2020, must be applied for annual financial statements from 1 January 2020. Early application is permitted and the Group chose to make use of this option in order to maintain its existing hedging relationships.

The Group has documented its hedging relationships as regards the benchmark interest rates covered by the reform (principally the Eonia, Euribor and Libor rates). In terms of these hedging relationships, hedged and hedging instruments will be gradually amended to incorporate the new interest rates. The Group believes that the amendments to IAS 39 and IFRS 7 are applicable provided that the contractual terms and conditions of hedged and hedging instruments have not yet been amended (e.g. through the inclusion of a fallback clause) and, if they have been amended, provided that the terms and conditions and date of the transition to new benchmark interest rates have not been clearly stipulated.

The Group has launched a transition project involving all business lines and functions. The purpose of this project is to provide a framework for and implement the process of transitioning from the old benchmark interest rates (mainly Libor and Eonia) to the new interest rates across all of the relevant jurisdictions and currencies, while also reducing the risks associated with this transition and meeting the deadlines set by the competent authorities. The BNP Paribas SA Group contributed to collaborative work carried out by central banks and regulators.

The notional amount of hedging instruments documented in the hedging relationships affected by benchmark interest rate reform are set out in appendix 5b (Derivatives used for hedging purposes).

1.a.4 Others

The entry into force of the other standards, amendments and interpretations, which became

mandatory on 1 January 2019, had no effect on the 2019 financial statements.

With the exception of the amendments to IFRS 9, IAS 39 and IFRS 7 mentioned above, the Group chose not to pursue the early adoption of the new standards, amendments and interpretations adopted by the European Union when application in 2019 was optional.

1.b Consolidation principles

1.b.1 Scope of consolidation

The consolidated financial statements of BGL include entities under the exclusive or joint control of the Group, or over which the Group exercises significant influence, with the exception of those whose consolidation is regarded as immaterial in drawing up the financial statements of the Group. Companies that hold shares in consolidated companies are also consolidated.

A subsidiary is consolidated from the date on which the Group obtains effective control of it. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

1.b.2 Consolidation methods

Exclusive control

Companies controlled by the Group are fully consolidated. The Group is considered to control a subsidiary when it is exposed, or has rights, to variable returns owing to its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Where entities are governed by voting rights, the Group is generally deemed to control the entity if it holds the majority of the voting rights directly or indirectly and there are no contractual provisions that alter the the power of these voting rights or if the power to direct the relevant activities of the entity is conferred on it by contractual agreements.

Structured entities are entities established so that they are not governed by the voting rights, such as when those voting rights relate to administrative decisions while the management of relevant activities is governed through contractual arrangements. They often have characteristics such as circumscribed activities, a specific and well-defined purpose and insufficient equity to enable them to finance their activities without recourse to subordinate financial support.

For these entities, the control analysis encompasses the purpose and design of the entity, the risks to which they are designed to be exposed and the extent to which the Group is exposed to the related variability of returns. The control assessment encompasses all relevant facts and circumstances that may be used to determine the Group's practical ability to make decisions that could significantly affect the returns it receives, even if such decisions are contingent on uncertain future events or circumstances.

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

The control analysis must be reassessed whenever one of the criteria used to measure control is changed.

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

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

For fully consolidated funds, units held by third-party investors are recorded as liabilities at fair value when units issued by these funds are redeemable at fair value at the holder's discretion.

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

Joint control

Where the Group carries out an activity with one or more partners, sharing control by virtue of a contractual agreement which requires unanimous

consent on relevant activities (those that significantly affect the entity's returns), the Group exercises joint control over the activity. Where the jointly controlled activity is conducted via a separate legal structure in which the partners have rights to the net assets, this joint venture is accounted for using the equity method. Where the jointly controlled activity is not conducted via a separate legal vehicle or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, the Group accounts for its assets, liabilities, revenues and expenses in accordance with the applicable IFRSs.

Significant influence

Enterprises over which the Group exercises significant influence or associates are accounted for by the equity method. Significant influence is the power to participate in an entity's financial and operating policy decisions, without exercising control. Significant influence is presumed to exist if the Group directly or indirectly holds 20% or more of an entity's voting rights. Investments below this threshold can be included in the scope of consolidation if the Group exercises significant effective influence. This is, for instance, the case for companies developed in partnership with other associates in which the BGL BNP Paribas Group participates in the strategic decisions of the enterprise by being represented in the management bodies, or by influencing the operational management of the company associated with the provision of management systems or management personnel, or provides technical cooperation for the development of this company.

Changes in equity of associates, are recognised on the assets side of the consolidated balance sheet under the heading "Investments in associates" and in liabilities of the consolidated balance sheet under the relevant component of shareholders' equity. Goodwill recorded on associates is also shown under "Investments in associates".

As soon as there is an indication of impairment, the carrying value of investments in associates (including goodwill) is subjected to an impairment test by comparing its recoverable amount (equal to the higher of its value in use and market value, net of disposal costs) with its carrying amount. Where appropriate, an impairment loss is recognised under "Share of earnings of associates" in the consolidated profit or loss account and can be reversed later.

If the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group discontinues including its share of further losses. The investment is then reported at nil value. Provisions to cover additional losses with regard to a fully consolidated associate are only created when the Group has entered into a legal or constructive obligation, or when it has made payments on behalf of the associate.

When the Group holds a participating interest in an associated company, directly or indirectly via an entity that is a venture capital entity, a mutual fund, an investment company with variable capital or a similar entity such as an investment-linked insurance fund, it can choose to measure this participating interest at fair value through profit or loss.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain on fixed assets".

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

1.b.3 Consolidation rules

Elimination of intragroup transactions

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

Translation of accounts expressed in foreign currencies

The consolidated accounts of BGL BNP Paribas are prepared in euro.

The financial statements of companies whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and nonmonetary, are translated using the spot exchange

rate at the balance sheet date. Income and expense items are translated at the average rate over the period.

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

Differences arising from the translation of balance sheet items and profit and loss items are recorded in equity under "Exchange rates", for the portion attributable to the Group, and in "Minority interests" for the portion attributable to third parties.

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

Should the percentage of interest change without leading to a modification in the nature of the investment, the difference is reallocated between the portion attributable to shareholders and that attributable to minority interests; For enterprises consolidated under the equity method, the portion related to the interest sold is recognised in the profit and loss account.

1.b.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 on the acquisition date, except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell.

The contingent liabilities of the acquiree are only recognized in the consolidated balance sheet to the extent that they represent a current obligation at the date of the acquisition, and where their fair value can be reliably estimated.

The acquisition cost is the fair value or its equivalent, on the date on which assets are exchanged, liabilities incurred or assumed, or equity instruments issued to obtain control of the acquiree. The costs directly attributable to the business combination are treated as a separate transaction and recognised through profit and loss.

Any additional costs are included in the acquisition cost, as soon as control is obtained, at fair value on the acquisition date. Subsequent changes in the value of any additional costs, qualifying as a financial liability, are recognised in the profit and loss account.

The Group has a period of 12 months from the acquisition date to finalise the accounting for the business combinations under consideration.

Goodwill represents the difference between the acquisition cost and the acquirer's proportionate interest in the fair value, or its equivalent, of the identifiable assets and liabilities on the acquisition date. On this date, positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss.

Goodwill is recognised in the functional currency of the acquiree and translated using the spot exchange rate at the end of the reporting period.

When the Group takes control of an entity, any interest previously held in the latter is remeasured at fair value through profit or loss. When a business combination has been achieved through several exchange transactions (step acquisition), goodwill is determined by reference to fair value on the date on which the Group takes control.

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

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

Measurement of goodwill

The Group tests goodwill for impairment on a regular basis.

Cash-generating units

The Group has broken down all its activities into cash-generating units, representing similar business lines. This breakdown is consistent with the way in which the Group's business lines are organised and managed, and reflects the independent nature of each unit in terms of results generated and management approach. This breakdown is reviewed

on a regular basis, to take account of events likely to affect the composition of cash-generating units, such asacquisitions, disposals and major reorganisations etc.

Impairment tests for cash-generating units

Impairment tests of goodwill allocated to each cash-generating unit [1] are carried out whenever there is an indication that a unit may be impaired, and in any event at least once a year. The carrying amount of the cash-generating unit is then compared to 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 defined as the higher of its fair value less costs of disposal and its value in use.

The fair value is the price that would be received if a cash-generating unit were sold under the prevailing market conditions on the measurement date. This is determined mainly by reference to the actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable listed companies.

Value in use is based on an estimate of future cash flows that will be generated by the cash-generating unit, derived from annual forecasts prepared by the unit's management and approved by the senior management of the Group, and from analyses of long-term changes in the relative positioning of the unit's activities in their market. These cash flows are discounted at a rate that reflects the level of return expected by an investor from an investment in the business sector and the geographical region in question.

1.c Translation of foreign currency transactions

The method used to account for and measure the foreign exchange risk inherent to the assets and liabilities relating to foreign currency transactions entered into by the Group depends on whether these assets and liabilities are considered to be monetary or non-monetary.

Monetary assts 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. Exchange differences are recognised through profit or loss, except for any exchange differences relating to financial instruments that qualify as cash flow hedges or net foreign currency investment hedges, which are recognised through equity.

Non-monetary assets 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, in the first instance, measured using the exchange rate on the transaction date, i.e. the date on which the non-monetary asset is first recognised. In the latter case, they are subsequently measured at the exchange rate prevailing on the reporting date.

Exchange differences on non-monetary assets expressed in foreign currencies and measured at fair value (equity instruments) are recognised in the profit or loss account if the asset is classified under "Financial instruments at fair value through profit or loss", and in equity if the asset is classified under "Financial assets at fair value through equity."

1.d Net interest margin, commissions and income from other activities

1.d.1 Net interest margin

Income and expenses arising from financial debt instruments measured at amortised cost and at fair value through equity 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 throughout the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability on the balance sheet. The effective interest rate calculation takes into account all commissions received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.

Commissions considered as an additional component of interest are included in the effective interest rate and are recognised in the profit and loss account

[1] The term used in IAS 36 to denote similar business lines is "cash-generating unit".
[2] Monetary assets and liabilities are assets and liabilities to be received or paid for in fixed or determinable amounts of cash.

under "Interest and similar income and expenses". This category specifically includes fees for financing commitments when it is more likely than not that the loan will be taken out; the fees received for financing commitments are deferred until the loan is drawn and are then included in the effective interest rate calculation and spread over the life of the loan. This category also includes syndication fees for the share of fees equating to the income of other syndication participants.

This item also includes income from financial instruments not held for trading purposes with characteristics that do not permit recognition at amortised cost or at fair value through equity, as well as income from financial instruments that the Group has designated as measured at fair value through profit or loss. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under "Net gain on financial instruments at fair value through profit or loss".

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

1.d.2 Commissions and income from other activities

Commissions received for the provision of banking and similar services (except those arising from the effective interest rate), revenues from property development and revenues from services provided in connection with lease contracts fall under the scope of IFRS 15 Revenues from Contracts with Customers.

This standard defines a single five-step model for revenue recognition. In particular, these five steps allow for the identification of the distinct performance obligations included in the contracts and for the allocation of a transaction price to each one. Revenues relating to each performance obligation is recognised when the performance obligation is fulfilled, i.e. when control of an asset has been transferred or a service has been rendered.

The price for a service may include a variable element. Variable amounts can only be recognised to profit or loss if it is highly likely that the amounts recognised will not require significant downwards revision.

Commissions

The Group recognises commission income and expenses in profit and loss as follows:

- If an ongoing service is provided to the client, then fees are recognised in stages to match provision of the service. Such commissions include: certain transaction fees with clients when services are provided on an ongoing basis; fees for financing commitments not included in the interest margin as there is little likelihood of them leading to a loan drawing; financial guarantee fees; clearing fees for financial instruments; fees relating to trust and similar activities; custody fees for securities; etc;
- Commissions received in respect of financial guarantee commitments are considered to represent the commitment's initial fair value. The resulting liability is subsequently amortised over the term of the commitment, under commission income;
- In other cases, commissisons are recognised when the service is provided. Such commissions include: distribution fees received; syndication arrangement fees; advisory fees; etc.

Income and expenses from other activities

Income from services related to operating leases is recognised in "Income from other activities" in the consolidated profit and loss account.

The Group records them in profit or loss as the service is rendered, i.e. in proportion to the costs incurred for maintenance.

1.e Financial assets and financial liabilities

Financial assets are classified at amortised cost, fair value through equity or fair value through profit or loss based on the business model and for the asset and the asset's contractual characteristics of the instruments upon initial recognition.

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

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets carried out within a time frame established by the

regulations or an agreement in a particular market are recognised in the consolidated balance sheet on the settlement date.

1.e.1 Financial assets at amortised cost

Financial assets are classified at amortised cost if both of the following conditions are met: the instrument is held within a business model whose objective is to hold it in order to collect contractual cash flows (the "hold to collect" business model), and cash flows are solely payments of principal and interest on the principal amount outstanding.

Business model criterion

The financial assets are held in order to collect cash flows from the receipt of contractual payments over the lifetime of the instrument.

Disposing of instruments close to the maturity date, or as a result of an increase in the credit risk of the counterparty is consistent with a hold to collect business model.

In this regard, the bank authorises the sale of securities approaching maturity under the following conditions:

- If the residual term of the security at the date of initial recognition is under 2 years, it may be sold in the 3 months leading up to its maturity date;
- If the residual term of the security at the date of initial recognition is between 2 and 5 years inclusive, it may be sold in the 6 months leading up to its maturity date;
- If the residual term of the security at the date of initial recognition is between 5 and 10 years inclusive, it is acceptable to sell it in the 9 months leading up to its maturity date;
- If the residual term of the security at the date of initial recognition is over 10 years, it is possible to sell it in the 12 months leading up to its maturity date.

Sales made as a result of regulatory constraints or in order to manage the concentration of credit risk (without an increase in credit risk) are also compatible with this business model, when such sales are infrequent and of insignificant value.

Any desire to sell a security for a reason other than its maturity must be documented and escalated to a dedicated committee prior to the sale so that the committee can ensure that sales are not material and give formal approval. In such cases, quantitative indicators such as the annual turnover of the portfolio (total sales over the year divided by the portfolio's assets under management at the end of the previous year) and the duration of the portfolio will be taken into account when deciding whether to authorise or block the sale. For reference, the turnover (sales for all reasons) that would have been deemed acceptable for 2019 was 15% of assets under management, although no sales were carried out.

Cash flow riterion

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

The criterion is not satisfied by contractual terms that expose the holder to risks or volatility in the contractual cash flows that are not consistent with a non structured or basic lending arrangement. Nor is the criterion met if there is any leverage that increases the variability of the contractual cash flows.

Interest represents consideration for the time value of the money, the credit risk, any other potential risks (e.g. liquidity risk), costs (e.g. administration fees), and a profit margin consistent with that of a basic lending arrangement. The cash flow criterion may still be satisfied if interest is negative.

So, for example, if a variable financial asset's interest rate is periodically reset but the frequency of that reset does not match the length of time for which the interest rate is established, then the time value of the money can be assumed altered and, depending upon the extent of this alteration, the cash flow criterion may not be satisfied. Some of the Group's financial assets show a mismatch between the frequency with which the rate is revised and its maturity, and rates determined based on averages. The Group has developed a consistent approach to analyse this issue.

Some contractual clauses may modify the timing or amount of cash flows. Early repayment clauses do not call into question the cash flow criterion if the repayment substantially represents the outstanding principal and related interest. It may also include reasonable compensation for the early termination of the contract. Actuarial penalties corresponding to the

discounted difference between the contractual cash flows remaining on the loan and their replacement with a similar counterparty or on the interbank market for an equivalent maturity are also considered to be reasonable, including where the penalty may be positive or negative (i.e. symmetric penalty). Clauses relating to a switch from a variable to fixed rate do not undermine the cash flow criterion if the fixed rate is determined from the outset, or if it represents the time value of money for the term to maturity of the loan on the date on which the clause is exercised.

In the particular case of financial assets that are contractually linked to payments received on a portfolio of underlying assets and include a subordination ranking for payments of cash flows between investors (tranches), thus creating concentrations of credit risk, a specific analysis is carried out. The contractual characteristics of the tranche and of the portfolios of underlying financial instruments must satisfy the cash flow criterion, and the credit risk exposure inherent in the tranche must be lower than or equal to the credit risk exposure of the portfolio of underlying financial instruments.

Certain loans may qualify as "non-recourse" either contractually or in substance when they are granted to an ad-hoc entity. This is especially true of many loans intended to finance specific projects or assets. The cash flow criterion is met insofar as these loans do not constitute direct exposure to the assets pledged as collateral. In practice, the simple fact that financial assets gives rise to payments corresponding to principal and interest is not sufficient to conclude that a non-recourse instrument meets the cash flow criterion. In such cases, the specific underlying assets to which the limited recourse relates must be analysed using the "look-through" approach. If these assets do not meet the cash flow criteria themselves, the existing credit enhancement must be calculated. The factors that must be analysed include the structure and scale of the operation, the capital structure of the borrowing entity, the expected source of the repayment and the price volatility of the underlying asset.

The "Financial assets at amortised cost" category includes loans granted by the Group, as well as reverse repurchase agreements and securities used for ALM Treasury activities, which are held with a view to collecting the contractual cash flows, and meet the cash flow criterion.

Recognition

At initial recognition, financial assets are recognised at fair value including any directly attributable transaction costs and fees linked to arranging the loans.

They are subsequently measured at amortised cost, including interest accrued and not yet due, and deducting any interest and principal repayments made in the intervening period. These financial assets are also subject from inception to an impairment calculation for expected credit losses (note 1.e.5).

Interest is calculated using the effective interest rate.

1.e.2 Financial assets at fair value through equity

Debt instruments

Debt instruments are classified at fair value through equity if both of the following criteria are met:

- Business model criterion: The financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the "hold to collect and sell" business model). The sale of the financial assets is not incidental, but an integral part of the business model.
- Cash flow criterion: The principles are identical to those applicable to financial assets at amortised cost.

This category specifically includes securities held as part of ALM Treasury activities with a view to collecting contractual cash flows or selling the securities, and which respect the cash flow criterion.

At initial recognition, the financial assets are recognised at fair value including any directly attributable transaction costs. They are subsequently measured at fair value, with any changes in fair value recognised in a specific heading of equity entitled "Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss". Equally, expected losses, which are calculated using the same methods as those applicable to debt instruments at amortised cost and recognised in cost of risk, are classified under this specific item of other comprehensive income. Upon disposal, amounts previously recognised in other comprehensive income are reclassified in profit or loss.

In addition, interest is recognised in the profit and loss account using the effective interest rate determined at inception of the contract.

Equity instruments

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

Puttable fund units do not meet the definition of equity instruments. They do not meet the cash flow criterion either, and thus are recognized at fair value through profit or loss.

1.e.3 Financing and guarantee commitments

Financing and guarantee commitments that are not recognised as derivatives at fair value through profit or loss are presented in the note relating to the commitments given or received. When not recognised at fair value through profit or loss, each of them is subject to a form of impairment for expected credit losses. These provisions are presented under "Provisions for contingencies and charges".

1.e.4 Impairment of financial assets at amortised cost and debt instruments at fair value through equity

The credit risk impairment model is based on expected losses.

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

General model

The Group identifies three "stages", each of which corresponds to a specific situation regarding the development of counterparty credit risk since initial recognition of the asset.

- 12-month expected credit losses (stage 1): if, at the reporting date, the credit risk of the financial instrument has not increased significantly since initial recognition, this instrument is subject to a provision for impairment for an amount equal to 12-month expected credit losses (resulting from the risk of default in the coming 12 months;
- Credit losses at maturity for assets that are not impaired (stage 2): the provision for impairment is measured at an amount equal to the lifetime expected credit losses (to maturity) if the credit risk of the financial instrument has increased significantly since its initial recognition and the asset is not impaired;
- Expected credit losses at maturity for impaired financial assets (stage 3): when an asset is impaired, the impairment provision is also assessed for an amount equal to the expected credit losses at maturity.

This general model is applied to all instruments subject to the impairment requirements of IFRS 9, except assets written down at the time of their acquisition or issue, and instruments for which a simplified model is used.

Simplified model

The simplified model consists in not measuring the significant increase in credit risk and recognising the lifetime expected credit loss from the first reporting date following the initial recognition of the asset. The expected credit loss in such cases is based on the historic default rate for the portfolio in question. This model is applicable to all credit positions acquired in 2018 through the acquisition of companies, positions considered to be unusually loss-making, lease receivables and commercial receivables, and part of the scope of Leasing International. For the latter, the bank checks that the difference in method is not material.

The approach to expected credit losses is applied symmetrically under IFRS 9, i.e. if expected credit losses at maturity have been recognised during a previous reporting period, and if at the reporting date for the current period there is no longer a significant increase in credit risk for the financial instrument since its initial recognition, the provision is once again calculated on the basis of the 12-month expected credit losses.

Interest income on assets classified in stage 1 and stage 2 is calculated on the gross book value. For stage 3 assets, interest income is calculated on the basis of the amortised cost of the loan, i.e. the gross book value net of the impairment provision.

Definition of default

The definition of default is aligned with that of the Basel Agreement, with a rebuttable presumption that default has occurred at the latest when a loan payment is 90 days overdue.

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

Impaired doubtful financial assets

Definition

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

On an individual level, an objective indication of an impairment loss includes observable data regarding the following events: the existence of outstanding payments more than 90 days overdue; knowledge or indications that the counterparty is experiencing significant financial difficulties, such that a risk an be considered to have arisen, whether or not any payments are overdue; and concessions granted on credit terms that would not have been granted in the absence of financial difficulties of the borrower (see the section "Restructuring of financial assets").

Significant increase in credit risk

The significant increase in credit risk can be assessed on an individual or collective basis (grouping together financial instruments on the basis of shared credit risk characteristics), taking into account all reasonable and justifiable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument on the date of initial recognition.

The extent of any deterioration is in particular measured by comparing the probability of default or ratings of the financial instruments on the date of initial recognition with those on the reporting date as well as on quantitative tests.

In addition, under the standard there is also a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

As regards refutable assumptions, the Risk department carries out a quarterly analysis of the cases in which delays of over 30 or 90 days have not triggered a shift to the next level up and exercises its judgement to confirm or correct the type of impairment calculated for each case concerned.

The principles applied in assessing a significant increase in credit risk are detailed in note 3.g (Cost of risk).

Measurement of expected credit losses

Expected credit losses are defined as an estimate of credit losses, i.e. the present value of any cash shortfall, weighted by the probability of these losses occurring during the expected lifetime of the financial instruments. They are calculated individually for each exposure.

In practice, for exposures classified as stage 1 or stage 2, expected credit losses are calculated as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD), discounted at the effective interest rate of the exposure. They are based on the risk of default in the coming 12 months (stage 1) or the risk of default during the lifetime of the facility (stage 2). In the specialised consumer credit business line, given the characteristics of the portfolios, the method used is based on both default probabilities and updated loss rates post default. Parameters are calculated on a statistical basis for homogenous groups.

For outstanding amounts classified as stage 3, expected credit losses are calculated based on the cash shortfall over the lifetime of the instrument discounted at the effective interest rate. Cash shortfalls represent the difference between the cash flows that are contractually due and the expected cash flows, i.e. that are likely to be received.

The methodology that has been developed is based on existing concepts and frameworks (notably the Basel framework) for exposures for which capital requirements for credit risk are calculated according to the IRBA.. The PD and LGD risk parameters are derived from the "through-the-cycle" (TTC) parameters used to calculate capital requirements. To account for both the "point-in-time" (PIT) and forward-looking aspects of the parameters, the bank applies an index (PIT Index) that enables TTC parameters to be converted to PIT data and projections to be made for these parameters in three economic scenarios: the base scenario, the negative scenario and the positive scenario. This framework is also applied to portfolios

for which capital requirements for credit risk are calculated according to the Standardised approach. In addition, the Basel framework has been adjusted in order to be compliant with IFRS 9 requirements, in particular as regards the inclusion of forecast information.

Maturity

All contractual conditions over the lifetime of the financial instrument (including early repayment, extensions and similar options) are taken into account. In the rare cases where the expected lifetime of the financial instrument cannot be reliably estimated, the time to contractual maturity must be used. The Standard states that the maximum contractual period represents the maximum period to be considered when calculating expected credit losses. However, for authorised overdrafts and credit lines, in accordance with the exception permitted under IFRS 9 for these products, the maturity used in the calculation of expected credit losses is the period during which the entity is exposed to the credit risk, which may extend beyond the contractual maturity (notice period). For authorised overdrafts and credit lines granted to counterparties other than retail clients, the contractual maturity may be used, in particular when these items are managed individually and the next credit review occurs when the contract reaches maturity.

Probability of default (PD)

The probability of default is an estimate of the probability of a default arising over a given time horizon.

Measurement of expected credit losses requires an estimate of the probability of default at one year and at maturity.

The PD at one year are derived from regulatory PD based on long-term averages through the cycle, in order to reflect current conditions (point in time – PIT).

The PD at maturity are defined using migration matrices showing the expected development of the internal rating of the exposure to maturity and the associated PD.

Loss given default (LGD)

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

The estimate of expected cash flows takes into account cash flows resulting from the sale of collateral held and other credit enhancements, provided these are included in the contractual conditions and not recognised separately by the entity (e.g., a mortgage guarantee related to a property loan), net of the costs of obtaining and selling this collateral.

The LGD used for the requirements of IFRS 9 is derived from the Basel framework parameters for LGD. It is restated for the impact of the "bottom-of-the cycle" and for margins of conservatism, in particular regulatory, except for margins for model uncertainty.

Exposure at default (EAD)

The exposure at default of an instrument is the expected residual amount due by the debtor at the time of default. This amount is defined on the basis of the expected repayment profile and takes into account the contractual repayment schedule, expected early repayments and expected drawdowns on the credit lines, by type of exposure.

The inclusion of forecast information

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

The principles applied to the inclusion of economic scenarios in the calculation of expected credit losses are detailed in note 3.g (Cost of risk).

Write-offs

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

If the amount of the loss at write-off is higher than the accumulated provision for impairment, the difference is recorded as an additional loss of value in "Cost of risk". Any amount recovered after derecognition of the financial asset (or part of this asset) in the balance sheet is recorded as income in "Cost of risk".

Amounts recovered from enforcement of the collateral

When a loan is secured by a financial or non-financial asset received as a guarantee and the counterparty defaults, the Group may decide to exercise the guarantee and, dependent on the jurisdiction, may then become the owner of the asset. In such a situation, the loan is derecognised against the asset received as guarantee.

Once beneficial title to the asset is established, it is recognised at fair value and classified in the consolidated balance sheet on the basis of its intended business model.

Restructuring of financial assets as a result of financial difficulties

The restructuring of an asset as a result of financial difficulties experienced by the borrower is viewed as a modification to the terms and conditions governing the initial transaction that the Group is only considering for economic or legal reasons linked to the borrower's financial difficulties.

For restructurings not resulting in derecognition of the financial asset, the restructured asset is subject to an adjustment of its gross carrying amount, to reduce it to the discounted amount, at the original effective interest rate of the asset, of the new expected future flows. The modification in the value of the asset is recognised in profit and loss under "Cost of risk".

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

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

Modifications of financial assets that are not due to the borrower's financial difficulties (i.e. commercial renegotiations) are generally analysed as the early prepayment of the former financial asset, which is then derecognised, followed by the set-up of a new financial asset at market conditions.

A commitment is no longer considered restructured once all of the following cumulative conditions are met:

- If analysis of the counterparty shows that it is no longer in financial difficulty and able to meet its commitments, in which case its status is "performing";
- If the commitment has undergone a two-year probation period from the date on which the restructured facility was classed as coming from a performing third party;
- if the commitment has given rise to regular and substantial principal repayments for at least half of the two-year probation period. This condition does not apply to interest-only loans if the other conditions are met;
- If there were no further material payment delays of over 30 days or additional restructuring measures during the probation period.

1.e.5 Cost of risk

Cost of risk includes the following elements of profit or loss:

- movements in provisions for impairment covering expected credit losses at 12 months and at maturity (stage 1 and stage 2) relating to debt instruments measured at amortised cost or at fair value through equity, to loan commitments and financial guarantees that are not recognised at fair value, lease receivables, contract assets and trade receivables;
- impairment gains and losses of financial assets for which there is an objective indication of a loss of value (stage 3), losses on irrecoverable loans and amounts recovered on loans written off.

The cost of risk also includes expenses relating to fraud and to disputes inherent to the financing business.

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

Trading book and other financial assets at fair value through profit or loss

The trading book includes instruments held for trading purposes, including derivatives.

Other financial assets at fair value through profit or loss are debt instruments not held for trading purposes that do not fulfil the criteria of the "hold to collect" or "hold to collect and sell" business models or thecash-flow criterion . This category also includes equity instruments for which the fair value through shareholders' equity option has not been retained. These financial instruments are recognised at fair value with initial transaction fees recognised directly in the consolidated profit and loss account. On the reporting date, any changes in fair value are presented in the consolidated profit and loss account under "Net gain/(loss) on financial instruments at fair value through profit or loss". Income, dividends and realised gains and losses on disposals in the trading book are treated in the same way.

Financial liabilities valued using the fair value option through profit or loss

The Group uses this option in the following two cases:

- when they are hybrid financial instruments containing one or more embedded derivatives that otherwise would have been separated and recognised separately. An embedded derivative is one for which the economic characteristics and risks are not closely linked to those of the host contract;
- when use of this option allows for the elimination of, or a significant reduction in, an inconsistency in the measurement and recognition of assets and liabilities that would otherwise result from their classification in separate accounting categories.

Changes in fair value resulting from changes in own credit risk are recognised in a separate line in equity.

Liabilities measured at fair value through profit or loss currently held by the Group mainly comprise issues of debt instruments hedged by derivatives.

The carrying amounts of these instruments amounted to EUR 114.0 million at the end of December 2019, with a redemption value of EUR 107.4 million.

1.e.7 Financial liabilities and equity instruments

A financial instrument issued or its different components are classified as financial liabilities or an equity instrument in accordance with the economic substance of the legal contract.

Financial instruments issued by the Group are qualified as debt instruments if there is a contractual obligation for the Group company issuing these instruments to deliver cash or a financial asset to the holder of the securities. The same applies if the Group is required to exchange financial assets or liabilities with another entity under potentially unfavourable conditions, or to deliver a variable number of its own shares.

Equity instruments arise from contracts representing a residual interest in the assets of an entity after deduction of all its liabilities.

Issued debt securities and subordinated debt

Debt securities and subordinated debt are recognised at amortised cost if not recognised at fair value through profit or loss.

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

Equity instruments

The term "own shares" refers to shares of the consolidating company BNP Paribas SA and of its fully consolidated subsidiaries. External costs that are directly attributable to the issue of new shares are deducted from equity, net of any related taxes.

Own shares held by the Group are netted against consolidated equity, irrespective of the reason for holding them, and any related profit or loss is eliminated from the consolidated profit and loss account.

As shares issued by fully controlled subsidiaries of the Group are treated in the same way as shares issued by the consolidating company, when the Group purchases securities issued by these subsidiaries, the difference between the acquisition price and the share of net

assets acquired is recognised in consolidated retained earnings, Attributable to shareholders. Similarly, where applicable, the value of any debt representing put options granted to minority shareholders in these subsidiaries, and any change in this value, is included in minority interests and, failing that, in consolidated retained earnings, Attributable to shareholders. Until these options are exercised, the profit or loss linked to minority interests is included in minority interests in the consolidated profit and loss account. A fall in the percentage interest held by the Group in a fully consolidated subsidiary is treated in the accounts as a movement in equity.

Distributions on financial instruments classified as equity instrument are recognised directly as a deduction to equity. Similarly, transaction costs in relation to an instrument classified as equity are recognised as a deduction to equity.

Depending on the method of settlement, derivatives on own shares are recognised as follows:

- as equity instruments if settlement results in the physical delivery of a fixed number of own shares for a fixed amount of cash or other financial asset; in this case, the instruments are not revalued;
- as derivatives if settled in cash or with the option of the physical delivery of own shares or cash. In this case, any changes in value are recognised in profit or loss.

In addition, if the contract includes an obligetion, even if only conditional, for the Bank to repurchase its own shares, a debt is recognised at its present value against equity.

1.e.8 Hedge accounting

The Group has chosen the option permitted under the standard to maintain the hedge accounting principles under IAS 39 until the new macro hedging standard comes into force. Moreover, IFRS 9 does not explicitly address the fair value hedge of the interest rate risk on a portfolio of financial assets or liabilities. The provisions of IAS 39 for these portfolio hedges, as adopted by the European Union, continue to apply.

Derivatives entered into as part of a hedging relationship are categorised according to the purpose of the hedge.

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

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

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

In accordance with this documentation , the Group carries out prospective and retrospective testing of the effectiveness of hedges at inception and at least quarterly thereafter. Retrospective tests of effectiveness aim to ensure that the relationship between the actual changes in value or cash flows of the hedging instruments and those of the hedged instruments are within a range of 80% to 125%. Prospective tests aim to ensure that the expected changes in value or cash flows of the hedging instruments over the remaining life of the hedge adequately offset those of the hedged instruments. Highly probable transactions are identified on the basis of historical data for similar transactions.

In application of IAS 39 adopted by the European Union (excluding certain provisions concerning accounting for portfolio hedging), fair value hedges of the interest rate risk on a portfolio of assets or liabilities are used. In this context:

- the risk that is hedged is the interest rate risk linked to the interbank rate component included in interest rates on commercial credit transactions offered to customers, savings accounts and demand deposits;
- for each maturity band, the instruments considered as hedged correspond to a fraction of the position made up of the gaps related to the hedged underlyings;
- only simple interest rate swaps are used as hedging instruments;
- prospective hedge effectiveness is ensured by the fact that at inception the impact of all hedging instruments must be to reduce the interest rate risk of the portfolio of hedged underlyings. On a

retrospective basis, these instruments no longer qualify as hedges if the underlyings specifically linked to them for each maturity band become insufficient (as a result of early repayments of loans or deposit withdrawals).

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

In a fair value hedging relationship, derivatives are revalued at fair value on the balance sheet, with changes in fair value recognised in the profit and loss statement under "Net gain/loss on financial instruments at fair value through profit or loss", symmetrically with the revaluation of the hedged items to reflect the hedged risk. On the balance sheet, the revaluation of the hedged component is recognised either in accordance with the classification of the hedged item in the case of a hedge of identified assets or liabilities, or under "Remeasurement adjustment on interest-rate risk hedged portfolios» in the case of a portfolio hedging relationship.

If a hedging relationship is interrupted or no longer fulfils the effectiveness criteria, hedging derivatives are transferred to the trading book and recognised in accordance with the principles applicable to this category. As regards identified fixed income instruments that are initially hedged, the revaluation amount recognised on the balance sheet is amortised at the effective interest rate over their remaining life of the instrument. As regards portfolios of fixed income instruments that are initially hedged against interest rate risk, the adjustment is amortised on a straightline basis over the remainder of the original term of the hedge. If the hedged items no longer appear on the balance sheet, in particular due to early redemptions, the adjustment is immediately transferred to the profit and loss account.

In a future cash flow hedging relationship, derivatives are revalued at fair value on the balance sheet, with changes recorded in equity under "Changes in fair value recognised directly in equity". The amounts recognised in equity for accrued interest over the life of the hedge are transferred to the profit and loss account under "Interest and similar income and charges" as and when the cash flows from the hedged item affect profit or loss. The hedged items continue to be recognised in accordance with the principles applicable to the category to which they belong.

If the hedging relationship is interrupted or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in equity in respect of the revaluation of the hedging instrument remain in equity until the hedged transaction itself affects profit or loss, or until it becomes clear that the transaction will not occur. These amounts are then transferred to the profit and loss account.

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

Whatever hedging strategy is used, any ineffective portions of the hedges are posted to the profit and loss account under "Net gain or loss on financial instruments at fair value through profit or loss".

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

1.e.9 Determination of fair value

Fair value is the price that would be received on the sale of an asset or paid to transfer a liability in a transaction conducted under normal market conditions between market participants in the principal market or most advantageous market, on the measurement date.

The Group determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black & Scholes model, and interpolation techniques). They maximise the use of observable data and minimise the use of unobservable data. They are calibrated to reflect current market conditions, and valuation adjustments are applied as appropriate when factors such as model, liquidity and credit risk are not captured by the valuation techniques or the parameters used but are nevertheless considered by market participants when determining fair value.

Fair value must be determined for each financial asset or liability individually but a portfolio-based measurement can be elected when certain conditions are met. Accordingly, the Group makes use of this exception when a group of financial assets and liabilities and other contracts within the scope of the standard relating to financial instruments is managed on the basis of net exposure to similar market and credit risks that offset one another, in accordance with the duly documented internal risk management strategy.

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

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

The level in the fair value hierarchy within which the asset or liability is categorised is based on the most significant parameter when determining the fair value of the instrument.

For financial instruments disclosed in Level 3 of the fair value hierarchy, a difference between the transaction price and the fair value may arise. This margin ("Day One Profit") is deferred and recorded in the profit and loss account over the period during which the valuation parameters are expected to remain unobservable. When originally unobservable parameters become observable, or when the valuation can be substantiated through a comparison with recent similar transactions in an active market, the unrecognised portion of the margin is then posted in profit or loss.

1.e.10 Derecognition of financial assets or financial liabilities

Derecognition of financial assets

The Group derecognises all or part of a financial asset when the contractual rights to the asset's cash flows expire or when the Group transfers the contractual rights to the cash flows from the financial asset and almost all of the risks and rewards related to ownership of the asset in question. Unless all of these conditions are met, the Group retains the asset on its balance sheet and recognises a liability for the obligations created at the time of the asset's transfer.

Derecognition of financial liabilities

The Group derecognises all or part of a financial liability when all or part of the liability ceases to exist.

Repurchase agreements and securities lending/borrowing

Securities temporarily sold as part of a repurchase agreement continue to be recorded on the Group's balance sheet, in their original portfolio. The corresponding liability is recognised at amortised cost under the appropriate "Financial Liabilities at amortised cost" heading, with the exception of repurchase agreements contracted for the Group's trading purposes, where the corresponding liability is classified under "Financial instruments at fair value through profit or loss".

Securities temporarily acquired as part of a reverse repurchase agreement are not recognised on the Group's balance sheet. The corresponding receivable is recognised at amortised cost under the appropriate "Financial assets at amortised cost" heading, with the exception of reverse repurchase agreements contracted for the Group's trading purposes, where the corresponding receivable is recognised under "Financial instruments at fair value through profit or loss".

Securities lending transactions do not result in derecognition of the lent securities, and securities borrowing transactions do not result in recognition of the borrowed securities on the balance sheet. In the case where borrowed securities are subsequentl sold by the Group, the obligation to deliver the borrowed securities on maturity is recognised in the form of a financial liability in the balance sheet under "Financial instruments at fair value through profit or loss".

1.e.11 Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when and only when, the Group has a legally enforceable right to set off the recognised amounts and intends

either to set- tle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives whose principles of operation meet both criteria required by the standard, are offset on the balance sheet.

1.f PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown on the Group's balance sheet include both tangible and intangible fixed assets for operations as well as investment property. Rights of use relating to leased assets (see Section 1.g.2) are presented under fixed asset items corresponding to similar assets held.

Fixed assets used in operations are those used in the provision of services or for administrative purposes. Non-property assets leased by the Group are included in this category.

The investment property category comprises property assets held to generate rental income and capital gains.After initial recognition, the Bank, which has chosen the cost model, must value all of its investment properties according to the provisions of IAS 16 that relate to this model.

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

Software developed internally, when it fulfils the capitalisation criteria, is capitalised at direct development cost, which includes external costs and staff costs directly attributable to the project.

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

The depreciable amount of property, plant and equipment and intangible assets is determined after deducting the residual value of the asset. Only assets leased by the Group are presumed to have a residual value, as the useful life of fixed assets used in operations is generally the same as their expected economic life.

Property, plant and equipment and intangible assets are amortised using the straight-line method over the asset's expected useful life for the company. Depreciation and amortisation expenses are recognised in the profit and loss account under "Depreciation, amortisation and impairment of property, plant and equipment and intangible assets".

When an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or produce economic benefits at a different frequency, each component is recognised separately and appreciated using a method appropriate to that component. The componentbased approach has been adopted for property used in operations and for investment property.

The depreciation periods used for office property are 50 years for the shell, 15 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 for developments primarily linked to providing services to customers. Furniture is amortized over 5 to 10 years.

Software maintenance costs are recognised as expenses in the profit and loss account as they are incurred. On the other hand, expenses contributing to the upgrading of software functionalities or to extending its useful life are added to the initial acquisition or production costs.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment on the reporting 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 asset's new recoverable value is compared with the asset's 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 to the estimated recoverable amount or if there is no longer any indication of impairment. Impairment losses are recognised in 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 on other fixed assets".

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

1.g Leases

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

1.g.1 Group company as lessor in the leasing contract

Leases contracted by the Group 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 incidental to ownership of an asset to the lessee. It is treated as a loan granted to the lessee in order 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 the interest on the loan, and is recorded in the profit and loss account under "Interest and other income". The lease payments are spread over the term of the finance lease, and are allocated to the reduction of the principal and to interest such that the net income reflects a constant rate of return on the net investment outstanding on the lease. The rate of interest used is the interest rate implicit in the lease.

The provisions established for these receivables follow the same rules as described for financial assets recognised at amortised cost.

Operating leases

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

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

1.g.2 Group company as lessee in the leasing contract

Leases entered into by the Group, with the exception of agreements with a term of 12 months or less, low-value leases and BGL car leases analysed and recognised in accordance with IAS 19, are recognised under balance sheet assets as right-of-use assets, and under liabilities as financial liabilities for lease payments and other payments during the lease term. The right of use is amortised on a straight-line basis and financial liabilities are amortised on an actuarial basis over the lease period. Dismantling costs corresponding to specific and sizeable equipment are included in the initial right of use, with a corresponding entry under liability provisions. The Group has chosen to exempt all entities whose total annual rental payments amount to less than EUR 500,000 from the application of IFRS 16.

The key assumptions used in valuing rights of use and lease liabilities are as follows:

- Lease terms correspond to the non-cancellable period of contracts, plus any renewal options that the Group is considered reasonably certain to exercise as well as an additional term linked to the useful life of leasehold improvements;
- For contracts that are tacitly renewed and do not have a fixed term, rights of use and lease liabilities are recognised on the basis of the notice period, provided that this period exceeds 12 months. For contracts with an initial fixed term of at least one year, and which are tacitly renewed for this period or another fixed period, until notice of termination is provided, the related rights of use and liabilities are recognised at each renewal date;
- For each asset, the discount rates applied to the calculation of the right of use and lease liabilities are determined as the implicit rate of the contract, if available, or more generally based on the lessees' marginal borrowing rate on the date of signature..

  If the contract is amended, the lease commitment is recalculated based on the new remaining lease term and the right-of-use asset and lease liability are recalculated.

  At least once per year, the Group ensures that it is not aware of any indications of a loss of value on its

right-of-use assets. Should it find such indications, the Group will impair the relevant assets.

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

When the Group decides to sell non-current assets or a group of assets and liabilities and it is highly probable that the sale will occur within 12 months, these assets are shown separately on the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately on the line "Liabilities linked to non-current assets held for sale". Where the Group is planning a sale and is highly likely to lose control of a subsidiary within one year, it must classify all of this subsidiary's assets and liabilities as being held for sale.

Once classified in this category, non-current assets or the group of assets and liabilities are measured at the lower of carrying amount and the 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 recognised for this purpose may be reversed.

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

In this case, any gains or losses relating to these transactions are presented separately in the profit and loss account under "Post-tax gain/loss on discontinued operations and assets held for sale". This item includes the post-tax profit or loss of discontinued operations, the post-tax gain or loss arising from the measurement of fair value (less selling costs), and the post-tax gain or loss on disposal.

1.i Employee benefits

Group employee benefits are classified under four categories:

- short-term benefits such as salaries, annual leave, incentive bonuses, profit-sharing and additional payments;
- long-term benefits includingpaid leave, longservice payments and certain deferred cash payments;
- termination benefits;
- post-employment benefits, which in France relate specifically to additional banking sector retirement benefits and end-of-service bonuses, and in other countries to retirement schemes, in some cases backed by pension funds.

Short-term benefits

Short-term employee benefits (other than termination benefits and equity compensation benefits) are those which fall wholly due within the 12 months following the end of the year in which the staff members rendered the corresponding services.

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

Long-term benefits

Long-term benefits are all benefits that are not shortterm benefits, post-employment benefits or termination benefits. This relates, in particular, to compensation deferred for more than 12 months, paid in cash 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 assessment method is similar to that used for defined benefit post-employment benefits, except that the revaluation items are recognised in the profit and loss account and not in equity.

Termination benefits

Termination benefits are the benefits payable to a staff member in return for termination of the employment contract, either as a result of the Group terminating the employment contract before the legal retirement age, or by the staff member's voluntary departure in return for compensation. Termination benefits payable more than twelve months after the reporting date are discounted to present value.

Post-employment benefits

In keeping with generally accepted principles, the Group makes a distinction between defined contribution plans and defined benefit plans.

Defined contribution plans do not give rise to an obligation for the company and therefore do not

require a provision. The amount of the employer's contributions payable during the period is recognised as an expense.

Only defined benefit plans give rise to an obligation for the company, which must theref ore be assessed and provisioned.

The classification of plans into either of the two categories is based on the plan's economic substance, which is reviewed to determine whether or not the Group has a constructive obligation to pay the agreed benefits to employees.

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

The net liability recognised with respect to postemployment 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 the company, while using the projected unit credit method. This assessment method takes into account various parameters, specific to each country or Group division, such as demographic assumptions, early retirement, wage increases, a discounting rate and the inflation rate.

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

The annual expense recognised in the profit and loss account under "staff costs", with respect to defined benefit plans includes the current service cost (the rights vested by each employee during the period in return for services rendered), the net interest 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 equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

1.j Share-based payments

Share-based payments are payments based on shares issued by BNP Paribas SA, wether they are settled by the delivery of shares or by a payment of cash, the amount of which depends on the evolution of the value of the shares.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the sharebased payment granted to the employee.

BGL BNP Paribas may award employees options in a share ownership plan, deferred compensation paid in shares issued by BNP Paribas SA or in cash indexed to the value of the BNP Paribas share, and offer employees the possibility to subscribe for BNP Paribas SA shares issued for this purpose at a discount linked to a lock-up period for the subscribed shares.

Deferred variable compensation paid in cash and indexed to the value of the share price

This compensation is recognised as an expense in the reporting period in which the employee provides the corresponding services.

When a share-based payment of deferred variable compensation is explicitly subject to a vesting condition linked to presence, services are presumed to have been received during the vesting period and the corresponding compensation expense is recorded pro rata temporis over this period in staff costs with a compensating liability entry. The expense is adjusted to reflect any non-compliance with presence or performance conditions, and any change in the value of the BNP Paribas share.

If the compensation is not conditional on the staff member's presence, the expense is recognised in full with a compensating liability entry, which is subsequently revalued at each reporting date up until the date of payment, based on any potential performance conditions and any change in the value of the BNP Paribas share.

1.k Provisions recorded under liabilities

Provisions recorded under liabilities on the Group's balance sheet, other than those relating to financial instruments, employee benefits, mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an out- flow of resources representing economic benefits will be required to settle an obligation arising from a past event, and it is possible to reliably estimate the value of the obligation. The amount of such obligations is discounted in order to determine the provision amount, provided that this discounting will have a material impact.

In assessing tax provisions, the Group applies IFRIC 23 Interpretation.

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 the Group operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of assets and liabilities in the balance sheet and their tax bases.

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

- taxable temporary differences on the initial recognition of goodwill;
- taxable temporary differences on investments in companies under exclusive or joint control, insofar as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed 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 that is expected to apply over the period in which 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 reporting date for the period. They are not discounted.

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

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

When tax credits on revenue from receivables and securities are used to settle the 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 Cash flow statement

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

Changes in cash related to operating activities reflect cash flows generated by the Group's operations, including those related to transferable debt instruments.

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

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

1.n Use of estimates in the preparation of the financial statements

Preparing the Group's financial statements requires managers of business lines and 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 on 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 on which the financial statements are drawn up when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly

from those estimates, mainly as a result of market conditions, which may have a material impact on the financial statements.

This applies in particular to the following:

- analysis of the cash flow criterion for certain financial assets;
- the calculation of expected credit losses. More specifically, this relates to determining whether there has been a significant increase in credit risk, the models and assumptions used to measure expected credit losses, and assessment of the various economic scenarios and their weighting;
- analysis of renegotiated loans in order to determine whether they are to be kept on the balance sheet or derecognised;
- analysis of whether a market is active and the use of internal models to calculate the fair value of financial instruments not listed on an active market classified in "Financial assets at fair value through equity" or as an asset or liability in "Financial instruments 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 within the notes to the financial statements;
- assumptions used to assess the sensitivity of the market value of financial instruments to each type of market risk, as well as the sensitivity of such valuations to key unobservable parameters, as presented in the notes to the financial statements;
- appropriateness of the classification of certain hedges using derivatives and the measurement of hedge effectiveness;
- impairment tests performed on intangible assets and on right-of-use assets resulting from the application of IFRS 16;
- deferred tax assets;
- measurement of tax treatment uncertainty and of other provisions for contingencies and charges. In particular, while investigations and litigations are ongoing, it is difficult to foresee their outcome and potential impact. Provisions are estimated taking into account all information available on the date the financial statements are prepared, in particular, the nature of the dispute, the underlying facts and ongoing legal proceedings and decisions, including those made in relation to similar cases. The Group may also seek advice from experts and independent consultants in exercising its judgement.

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

2. Effects of IFRS 16 application

On 1 January 2019, the Group applied the new accounting standard IFRS 16 "Leases". The Group decided to apply the simplified retrospective method for recognising the cumulative impact of the standard under equity. This equity impact results from the difference between:

- a right of use and its amortisation determined as if the standard had been applied at the start date of the lease, discounted to the initial application date of the standard;
- a discounted lease liability at the date of initial application.

The discount rate used for both the right of use and the lease liability is the marginal borrowing rate, for a term corresponding to the remaining term of the contracts at the date the standard was first applied.

The Group has decided to exempt the following items from the application of IFRS 16:

- Contracts with a term of 12 months or less, pursuant to the accounting exemption provided for in the standard;
- Group entities whose annual rental payments total less than EUR 500,000 each. At 1 January 2019, this represented a commitment of EUR 12.4 million, and annual rental payments for these leases amounted to EUR 2.4 million.

Most of the leases identified are real estate leases and vehicle leases. Vehicle leases are generally accounted for under IFRS 16. However, detailed analysis of the contracts governing BGL BNP Paribas SA's car leasing arrangements (the entity that holds most of the Group's cars) showed that these contracts do not meet the definition of a lease set out in IFRS 16, to the extent that BGL BNP Paribas SA neither controls nor benefits from the vehicles covered by these contracts, and is not subject to the associated risks. Car leases are more accurately defined as employee benefits, rather than a lease under IFRS 16. As such, these contracts have been accounted for under IAS 19 rather than IFRS 16.

The Group has chosen not to apply the initial accounting exemption for deferred tax assets (DTA) and deferred tax liabilities (DTL) provided for by paragraphs 15 and 24 of IAS 12 "Income taxes". As a result, separate deferred tax assets and deferred tax liabilities have been recognised in total rights of use and lease liabilities on the balance sheet.

The main impacts on the balance sheet are a negative impact of EUR 0.2 million (net of tax) on equity, due to the application of the simplified retrospective method, an increase in fixed assets of EUR 43.5 million and shares in SMEs totalling EUR 0.2 million, as well as the recognition of a lease liability of EUR 44.1 million and an increase in deferred tax liabilities of EUR 0.1 million, following the offsetting of separate DTA and DTL according to the detailed rules set out in Section 1.l Current and deferred taxes.

A presentation of the value of the recognised right-of-use assets and the associated depreciation and impairment by the type of assets covered by the leases can be found in Note 5.l. Property, plant, equipment and intangible assets. The lease liability relating to right-of-use assets on land and building and other assets was EUR 41.5 million as at 31 December 2019. The impact of IFRS 16 on the income and loss account was not material at 31 December 2019.

The following table presents the balance sheet items that were adjusted following the application of IFRS 16.

In millions of euros	31 December 2018	Effect of the IFRS 16 application	1 January 2019
ASSETS			
Current and deferred tax assets	178.9	(0.0)	178.9
Accrued income and other assets	782.2	-	782.2
Property, plant and equipment and investment property	866.5	43.5	910.1
of which : Gross value	*1,785.3*	*84.7*	*1,870.1*
of which : Accumulated depreciation or amortisation and impairment	*(918.8)*	*(41.2)*	*(960.0)*
Shares in SMEs	152.8	0.2	153.1
TOTAL EFFECT ON ASSETS		**43.8**	
LIABILITIES			
Due to credit institutions	*12,026.0*	0.0	12,026.0
Current and deferred tax liabilities	*452.7*	(0.1)	452.6
Accrued expenses and other liabilities	*1,249.6*	44.1	1,293.7
TOTAL EFFECT ON LIABILITIES		**44.0**	
EQUITY			
Shareholders' equity	6,706.1	(0.2)	6,705.9
Minority interests	1,140.6	(0.0)	1,140.6
TOTAL EFFECT ON EQUITY		**(0.2)**	
TOTAL EFFECT ON LIABILITIES		**43.8**	

3. Notes to the profit and loss account

3.a Net interest margin

The Group includes in “Interest and similar income” and “Interest and similar charges” the income from financial instruments measured at amortised cost (interest, fees and commissions) calculated using the effective interest method, as well as income from financial instruments measured at fair value through equity.

These items also include income from financial instruments not held for trading purposes with characteristics that do not permit recognition at amortised cost or at fair value through equity, as well as financial instruments that the Group has designated as measured at fair value through profit or loss. The change in fair value on these financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under “Net gain or loss on financial instruments at fair value through profit or loss”.

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

In millions of euros	2019 Income	Expense	Net	2018 Income	Expense	Net
Financial instruments at amortised cost	**1,424.2**	**(322.1)**	**1,102.1**	**1,328.2**	**(292.4)**	**1,035.8**
Deposits, loans and borrowings	560.1	(238.6)	321.5	515.2	(216.4)	298.8
Repurchase agreements	1.1	(1.5)	(0.4)	1.1	(4.4)	(3.3)
Finance leases	833.4	(69.6)	763.8	769.8	(59.9)	709.9
Debt securities	29.6	-	29.6	42.2	-	42.2
Issued debt securities and subordinated debt	-	(12.4)	(12.4)	-	(11.8)	(11.8)
Financial instruments at fair value through equity	**18.6**	**-**	**18.6**	**17.4**	**-**	**17.4**
Debt securities	18.6	-	18.6	17.4	-	17.4
Financial instruments at fair value through profit or loss (trading portfolio excluded)	**10.0**	**(0.1)**	**9.9**	**9.2**	**(0.5)**	**8.7**
Cash flow hedge instruments	**19.6**	**(1.1)**	**18.5**	**17.0**	**(2.6)**	**14.4**
Interest rate portfolio hedge instruments	**33.6**	**(5.1)**	**28.5**	**34.3**	**(4.2)**	**30.1**
Lease liabilities	**-**	**(0.4)**	**(0.4)**	**-**	**-**	**-**
TOTAL	**1,505.9**	**(328.9)**	**1,177.0**	**1,406.2**	**(299.7)**	**1,106.5**

Total interest income on individually impaired receivables amounted to EUR 5.0 million in 2019, down from EUR 5.7 million in 2018.

3.b Commissions

In millions of euros	2019 Income	Expense	Net	2018 Income	Expense	Net
Credit operations for customers	35.3	(7.1)	28.2	32.2	(7.0)	25.2
Means of payment and account keeping	52.0	(14.1)	37.9	50.9	(14.1)	36.8
Securities, investment funds and UCITS	59.5	-	59.5	54.4	(0.1)	54.3
Commissions on securities and derivatives transactions	34.2	(6.5)	27.7	31.7	(4.5)	27.2
Insurance activities	25.2	-	25.2	25.6	-	25.6
Other commissions	29.4	(29.2)	0.2	27.1	(33.3)	(6.2)
TOTAL	**235.6**	**(56.9)**	**178.7**	**221.9**	**(59.0)**	**162.9**

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

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

These elements of profit or loss include dividends on these instruments and exclude interest income and expenditure on financial instruments designated at fair value option and on instruments for which cash flows are not solely payments of principal and interest on the principal amount outstanding or for which the business model is not “hold to collect” or “hold to collect and sell”, which is presented in the “Net interest margin” (note 3.a).

In millions of euros	2019	2018
Trading book	**60.3**	**56.8**
Interest rate and credit instruments	1.8	(1.2)
Equity financial instruments	3.9	7.8
Foreign exchange financial instruments	58.1	54.0
Loans and repurchase agreements	(3.5)	(3.7)
Instruments designated at fair value option	**1.0**	**3.5**
Other financial instruments at fair value through profit or loss	**(1.4)**	**(30.1)**
Debt instruments	3.2	(12.8)
Equity instruments	(4.6)	(17.2)
Impact of hedge accounting	**0.2**	**(0.1)**
Fair value hedging derivatives	30.5	21.4
Hedged items in fair value hedge	(30.3)	(21.5)
TOTAL	**60.1**	**30.1**

Gains and losses on financial instruments measured at fair value option through profit or loss mainly relate to instruments for which changes in value are likely to be offset by changes in the value of instruments in the trading book, which hedge them economically.

Net gains on trading books include a non-material amount for 2019 and 2018, relating to the ineffective portion of cash flow hedges.

Potential contributing factors to the ineffective portion include differences between hedging instruments and hedged instruments, specifically due to differences in the characteristics of the instruments, such as the frequency and date of interest rate index revisions, the frequency of payments and discount curves used, or when the derivative instruments have a non-zero market value at the date the hedging relationship is recorded. Value adjustments for counterparty risk applicable to hedging instruments are also sources of ineffectiveness.

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

In millions of euros	2019	2018
Net gain/loss on debt instruments at fair value through equity	**4.2**	**8.1**
Debt securities [1]	4.2	8.1
Net gain/loss on equity instruments at fair value through equity	**9.0**	**54.1**
Dividend income	9.0	54.1
TOTAL	**13.1**	**62.2**

Unrealised gains on debt securities, previously recorded under "Changes in assets and liabilities recognised directly in equity available for reclassification to profit or loss" and recognised through profit or loss, represented a net gain of EUR 4.2 million in 2019 versus EUR 8.1 million in 2018.

[1] Interest income from debt securities is included in "Net interest margin" (see note 3.a) and impairment losses in potential issuer default are included in "Cost of risk" (see note 3 g).

3.e Income and expenses from other activities

In millions of euros	Income	Expense	2019 Net	Income	Expense	2018 Net
Income and expenses from investment property	35.9	(10.9)	25.0	34.5	(10.6)	23.9
Income and expenses from assets held under operating leases	152.0	(116.9)	35.1	143.4	(107.8)	35.6
Other income and expense	588.0	(562.0)	26.0	479.8	(454.0)	25.8
TOTAL	**775.9**	**(689.8)**	**86.1**	**657.7**	**(572.4)**	**85.3**

Other income and expenses primarily include purchases and sales of goods and services related to finance-lease transactions.

3.f Other operating expenses

In millions of euros	2019	2018 *
Taxes and contributions [1]	(33.0)	(34.8)
External services and other operating expenses	(220.2)	(224.5)
TOTAL	**(253.2)**	**(259.3)**

** In the context of the application of IFRS 16 and in order to ensure comparability with the figures for 2019, the expenses related to vehicle leasing for employees for 2018 have been reclassified from "Other operating expenses" to "Staff costs" for an amount of EUR 5.1 million.*

3.g Cost of risk

The general model for impairment assessment used by the Group and described in note 1.e.5 is based on the following two stages:

- an assessment to determine if there has been a significant increase in credit risk since initial recognition, and
- measurement of the impairment provision based on the 12-month expected credit loss or the lifetime expected credit loss (i.e. expected credit loss at maturity).

These two stages should be based on forecast information.

Significant increase in credit risk

The assessment of a significant increase in credit risk is carried out for each instrument individually based on indicators and thresholds that will vary dependent on the nature of the exposure and type of counterparty.

The internal rating system is described in the "Credit and counterparty risk" section of the Pillar 3 document.

Facilities granted to large corporate clients (including corporate SMEs), financial institutions and sovereign states, and bonds

The indicator used to measure any significant increase in credit risk is the internal credit rating of the counterparty.

The deterioration in credit quality is considered significant and the facility (or bond) is classified as stage 2 if the difference between the counterparty's internal rating at origination and at the reporting date is greater than or equal to three notches, e.g. if the rating changes from note 4 to note 5.

The simplified assessment of "low credit risk" authorised by IFRS 9 (whereby bonds with an internal investment grade rating at the reporting date are considered as stage 1, and those with an internal rating of non-investment grade at the reporting date are considered as stage 2) is only used for debt securities for which an internal rating is not available at initial recognition.

[1] The contributions to the European resolution fund, including exceptional contributions, were EUR -17.3 million for the financial year 2019 versus EUR -19.1 million for the financial year 2018.

Facilities granted to SME and retail customers

For exposures in connection with SMEs, the indicator used to asses any significant increase in credit risk is also the internal credit rating of the counterparty. Given higher volatility in the internal rating scale used, the deterioration is considered significant and the facility classified as stage 2 if the difference between the counterparty's internal rating at origination and on the reporting date is greater than or equal to six notches.

For retail customers, two other indicators of an increase in credit risk may be used.

- *Probability of default (PD)*: the change in probability of default at one year is considered a reasonable approximation of the change in probability of default at maturity. The deterioration in credit risk is considered significant and the facility classified as stage 2 if the ratio (PD at one year from the reporting date/PD at origination) is greater than 4.

In addition, for all portfolios:

- The facility is presumed to be stage 1 when its internal rating is equal or less than 4- (or its PD at one year is less than or equal to 0.25%) at the reporting date, as changes in the PD linked to downgrades for ratings of this magnitude are low and therefore not considered to be "significant".
- When the internal rating is superior or equal to 9+ (or when the PD at one year is over 10%) at the reporting date, given the Group's loan issuance practices, the deterioration is considered significant and the facility is automatically classified in stage 2 (provided that the facility is not impaired).

A significant increase in credit risk since initial recognition is assumed and the asset classified in stage 2 when a payment is more than 30 days overdue.

Forecast information

The Group takes account of forecast information in its assessment of any significant increase in credit risk and its estimate of expected credit losses (ECL).

In addition to rules based on comparison of the risk parameters at the date of initial recognition and at the reporting date, the assessment of any significant increase in credit risk also relies on forecast information such as macroeconomic parameters for sectors or regions, which may potentially increase the credit risk of certain exposures. This information may lead to a tightening of the criteria for a move into stage 2, and therefore increase the amount of expected credit losses for exposures considered particularly vulnerable as regards these forecast parameters.

For the measurement of expected credit losses, the Group has chosen to use three macroeconomic scenarios covering a broad range of potential future economic conditions:

- a base scenario in line with the scenario used in the budget process;
- an adverse scenario corresponding to the scenario used in the quarterly stress tests carried out by the Group;
- a favourable scenario to reflect situations when economic performance is better than expected.

The link between the macroeconomic scenarios and measurement of ECL is mainly established by modelling migration matrices for internal ratings (or risk parameters). The probabilities of default determined using this method for various macroeconomic scenarios allow for the measurement of expected losses for each scenario.

The weighting applied to the expected credit losses calculated in each of the scenarios is as follows:

- 50% for the base scenario;
- the weighting of the two alternative scenarios depends on the position in the economic cycle. In the approach adopted, the adverse scenario is given a higher weighting at the top of the cycle than at the bottom, in anticipation of a potential downturn in the economy.

In addition, where relevant, the measurement of impairment provisions may take into account potential asset sales.

Description of the macroeconomic scenarios

Three macroeconomic scenarios have been defined over a projection horizon of three years. They are as follows:

- a base scenario representing the most likely economic situation over the forecast period. This scenario is updated quarterly. It is defined by the Group economic research team together with various experts of the Group. Projections are made for each of the Group's major markets

based on the key macroeconomic variables (GDP and its components, the unemployment rate, the consumer price index, interest rates, exchange rates, the oil price, real estate prices, etc.) that are critical for modelling the risk parameters used in the stress tests;

- an adverse scenario reflecting the impact of the risks threatening the base scenario materialising, resulting in a much more unfavourable economic situation than in the reference scenario. The starting point is to apply a shock to GDP. This shock is applied in varying degrees, but simultaneously across the different economies if the crisis under consideration is global. The assumptions used are generally consistent with those proposed by regulators. The other variables (unemployment rate, inflation, interest rates) are defined on the basis of established econometric relationships and expert judgement.
- a favourable scenario reflecting the impact of the upside risks in the economy materialising, resulting in a much more favourable economic situation. In order to arrive at an unbiased estimate for impairments, the favourable scenario is defined in such a way that the probability of occurrence of the shock applied to GDP (on average through the cycle) is equal to the probability of occurrence of the corresponding shock in the adverse scenario. The size of the shocks applied is generally 80%-95% of the size of the adverse shocks. Other variables (unemployment rate, inflation, interest rates) are defined in the same way as in the adverse scenario.

Cost of risk for the period

Cost of risk for the period

In millions of euros	2019	2018
Net additions to impairments	(93.8)	(50.9)
Recoveries on loans and receivables previously written off	8.5	4.6
Losses on irrecoverable loans	(16.0)	(14.1)
TOTAL	**(101.3)**	**(60.4)**

A new risk model for banking operations will be rolled out over the first half of 2020. In 2019, the European Central Bank authorised the bank to review its risk model for retail clients. According to the pro-forma simulations carried out, with constant parameters and scope, the cost of risk for this client segment should be raised by 5 basis points.

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

In millions of euros	2019	2018
Financial assets at amortised cost	(99.7)	(66.6)
of which: Loans and receivables	*(99.7)*	*(68.0)*
of which: Debt securities	*0.0*	*1.4*
Other assets	(1.1)	0.5
Financing and guarantee commitments and other items	(0.5)	5.7
TOTAL	**(101.3)**	**(60.4)**
Cost of risk on unimpaired assets and commitments	(14.3)	4.4
of which: Stage 1	*(11.3)*	*(9.8)*
of which: Stage 2	*(3.0)*	*14.2*
Cost of risk on impaired assets and commitments - Stage 3	(86.9)	(64.9)
TOTAL	**(101.3)**	**(60.4)**

Credit risk impairment

Changes in impairment for the period by accounting category and asset type

In millions of euros	31 December 2018	Net additions to impairments	Impairments used	Exchange rate movements and other movements	31 December 2019
ASSETS IMPAIRMENT					
Financial assets at amotised cost	642.1	92.5	(59.3)	(3.0)	672.3
of which: Loans and receivables	*642.1*	*92.5*	*(59.3)*	*(3.0)*	*672.3*
of which: Debt securities	*0.0*	*0.0*	-	-	*0.0*
Other assets	2.8	0.8	-	0.1	3.7
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**644.9**	**93.3**	**(59.3)**	**(2.9)**	**676.0**
of which: Stage 1	*78.6*	*9.6*	-	*(0.1)*	*88.1*
of which: Stage 2	*89.9*	*2.3*	*(3.6)*	*0.3*	*88.8*
of which: Stage 3	*476.5*	*81.4*	*(55.7)*	*(3.1)*	*499.1*
PROVISIONS RECOGNISED AS LIABILITIES					
Provisions for financing and guarantee commitments	15.8	1.2	-	(0.0)	17.0
Other impairments	1.1	(0.7)	-	(0.3)	0.1
TOTAL PROVISONS RECOGNISED FOR CREDIT COMMITMENTS	**16.9**	**0.5**	**-**	**(0.3)**	**17.1**
of which: Stage 1	*8.2*	*1.7*	-	*(0.0)*	*9.9*
of which: Stage 2	*2.4*	*0.8*	-	*(0.0)*	*3.2*
of which: Stage 3	*6.3*	*(2.0)*	-	*(0.3)*	*4.1*
TOTAL	**661.8**	**93.8**	**(59.3)**	**(3.2)**	**693.1**

Changes in impairment for the period for financial assets at amortised cost

In millions of euros	Impairment on assets subject to 12-month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on impaired assets (Stage 3)	TOTAL
At 31 December 2018	78.6	89.9	473.7	**642.2**
Net additions to impairment	**9.6**	**2.3**	**80.6**	**92.5**
Financial assets purchased or originated during the period	37.5	29.0	0.0	**66.6**
Financial assets derecognised during the period [1]	(8.1)	(13.2)	(20.7)	**(42.0)**
Transfer to stage 2	(3.2)	37.7	(3.4)	**31.2**
Transfer to stage 3	(0.9)	(4.3)	78.5	**73.3**
Transfer to stage 1	2.3	(30.7)	(2.6)	**(31.0)**
Other additions/reversals without stage transfer [2]	(18.1)	(16.3)	28.7	**(5.7)**
Use of impairments	**-**	**(3.6)**	**(55.7)**	**(59.3)**
Changes in the scope of consolidation, of exchange rate movements and other items	**(0.1)**	**0.3**	**(3.1)**	**(2.9)**
At 31 December 2019	88.1	88.8	495.4	**672.3**

Changes in impairment for financial assets at fair value through equity

There were no significant changes over the period in terms of impairment for financial assets at fair value through equity.

Changes in provisions for off-balance-sheet commitments over the period

In millions of euros	Impairment on assets subject to 12- month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on impaired assets (Stage 3)	TOTAL
At 31 December 2018	8.2	2.4	5.2	**15.8**
Net additions to impairment	**1.7**	**0.8**	**(1.3)**	**1.2**
Financial assets purchased or originated during the period	3.8	0.6	-	**4.5**
Financial assets derecognised during the period [1]	(1.9)	(0.8)	(0.0)	**(2.7)**
Transfer to stage 2	(0.2)	1.6	-	**1.4**
Transfer to stage 3	(0.0)	-	0.0	**0.0**
Transfer to stage 1	0.3	(0.6)	(0.0)	**(0.3)**
Other additions/reversals without stage transfer [2]	(0.4)	(0.0)	(1.3)	**(1.7)**
Use of impairments	**-**	**-**	**-**	**-**
Changes in the scope of consolidation, effect of exchange rate movements and other items	**(0.0)**	**(0.0)**	**0.0**	**(0.0)**
At 31 December 2019	9.9	3.2	3.9	**17.0**

The Group has no POCI (purchased or originated credit-impaired) financial assets.

[1] Including disposals
[2] Including amortisation. There is no impact linked to the implementation of new risk models.

3.h Share of earnings of associates

This net income includes the contribution from leasing activities of EUR -0.6 (EUR -7.1 million in 2018) and from Cardif Lux Vie of EUR 14.9 million (EUR 8.0 million in 2018).

3.i Net gain on other fixed assets

In millions of euros	2019	2018
Net gain or loss on investment disposals	0.2	0.5
Net gain or loss as from disposals of property, plant and equipment	(0.1)	0.1
TOTAL	**0.1**	**0.6**

3.j Corporate income tax

	2019		2018	
Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Luxembourg	**In millions of euros**	**Tax rate**	**In millions of euros**	**Tax rate**
Theoretical income tax expense on pre-tax income [1)]	**(157.0)**	**25.3%**	**(164.1)**	**26.3%**
Impact of tax exempt interest and dividends	9.0	-1.5%	26.5	-4.3%
Impact of income from tax exempt investments	3.6	-0.6%	2.7	-0.4%
Impact of using tax losses for which no deferred tax asset was previously recognised	(10.5)	1.7%	28.4	-4.6%
Impact of tax rate adjustment on temporary differences	11.1	-1.8%	16.0	-2.6%
Impact of differently taxed foreign profits	(11.0)	1.8%	(8.6)	1.4%
Other items	7.2	-1.2%	(25.3)	4.1%
Corporate income tax expense	**(147.5)**	**23.7%**	**(124.5)**	**20.0%**
of which:				
Current tax expense for the year to 31 December	*(146.3)*		*(200.9)*	
Net deferred tax income (expense) for the year to 31 December (note 5.i)	*(1.2)*		*76.4*	

[1)] Adjusted for share of earnings of associates and goodwill

4. Sector information

The Group is an international financial services provider. It offers products and services and carries out its activities primarily in the Grand Duchy of Luxembourg and within the Greater Region.

BGL BNP Paribas also holds a majority stake in the leasing activities of BNP Paribas.

The Group's sector information reveals the overall economic contribution from each of the core businesses, with the objective being to attribute all of the items on the balance sheet and in the profit and loss account to each core business for which its Management is wholly responsible.

The Group is composed of four core operational businesses:

- **Retail and Corporate Banking Luxembourg** (BDEL): This core business covers the network of retail branches, and Direct Banking and Private Banking activities in Luxembourg, as well as the activities of companies in Luxembourg and the Greater Region. BDEL offers its financial services to individuals and professionals through both its physical distribution network and remote digital access. The financing activities related to BNP Paribas Lease Group Luxembourg SA is also included in the scope of this business.
- **Leasing International** : This core business includes the leasing activities of the BNP Paribas Group held by the Luxembourg holding company BNP Paribas Leasing Solutions SA. These activities mainly consist of international financial leasing services. BNP Paribas Leasing Solutions uses multiple channels (direct sales, sales via referrals, sales via partnerships and banking networks) to offer businesses and professionals a wide array of leasing solutions ranging from equipment financing to the outsourcing of vehicle fleets.
- **Corporate and Institutional Banking** (CIB) : This core business offers products and services related to the capital and financing markets in Luxembourg to the Bank's corporate and institutional customers.
- **International Financial Services** (IFS) : this core business includes Wealth Management, which provides wealth management services for international private clients, as well as Cardif Lux Vie SA, which offers pension savings and life insurance products as well as protection products and group insurance.

Other activities include income derived from equity investment, as well as elements related to the support functions that cannot be allocated to a specific business segment as well as activities of certain strategic participating interests. They also include non-recurring items arising from the application of the rules for business combinations. In order to provide consistent and relevant economic information for each of the core operational businesses, costs related to major regulatory programmes and contributions to the Single Resolution Fund are included in this sector.

Sector information is prepared in accordance with the accounting principles used for the consolidated financial statements of the BNP Paribas Group and by application of appropriate allocation rules.

Inter-sector transactions are carried out under normal market conditions.

Allocation rules

Sector-based reporting applies balance sheet allocation rules, squaring mechanisms per sector, a fund transfer pricing system, rebilling of support and operations expenses and overhead allocation.

The balance sheet allocation and squaring methodology seek to report sector information reflecting the operating model.

In the operating model, the core businesses do not act as their own treasurer in bearing interest rate risk and oreign exchange risk by funding their own assets with their own liabilities, or by having direct access to the financial markets. This is reflected in the fund transfer pricing system, which transfers interest rate risk and foreign exchange risk from the various sectors to the departments assuming the role of central bankers within the bank by monitoring total assets and liabilities.

Support departments (support functions, control functions, operations and IT) provide services to the business lines and activities. These services include mainly human resources, information technology, payment services, settlement of security transactions, Know your customer, control (Compliance, Internal Audi, Risk), and financial monitoring. The costs and revenues of these departments are charged to the core businesses on the basis of Rebilling Agreements reflecting the economic consumption with respect to the products and services provided. These agreements

ensure that the costs and revenues are fully charged to the Group's commercial activities based on actual usage.

The breakdown of the Group's entities by core business is based on the core business to which they report, with the exception of BGL BNP Paribas SA, which is subject to a specific breakdown.

Income of core business

In millions of euros						2019
	BDEL	Leasing International	Corporate & Institutional Banking	International Financial Services	Others	Total
Revenues	**357.0**	**843.6**	**21.9**	**146.5**	**146.0**	**1,515.1**
Operating expense	(257.5)	(404.8)	(7.4)	(113.2)	(9.5)	**(792.4)**
Cost of risk	(8.3)	(95.8)	-	2.8	0.0	**(101.3)**
Operating income	**91.2**	**343.0**	**14.5**	**36.1**	**136.5**	**621.4**
Non-operating items	0.2	0.2	-	14.9	(0.0)	**15.3**
Pre-tax income	**91.5**	**343.2**	**14.5**	**51.0**	**136.5**	**636.7**

In millions of euros						2018
	BDEL	Leasing International	Corporate & Institutional Banking	International Financial Services	Others	Total
Revenues	**332.9**	**779.5**	**29.1**	**124.4**	**181.1**	**1,447.0**
Operating expense	(241.0)	(383.9)	(8.9)	(121.4)	(8.7)	**(763.9)**
Cost of risk	5.9	(68.4)	0.6	0.4	1.1	**(60.4)**
Operating income	**97.8**	**327.2**	**20.8**	**3.4**	**173.5**	**622.7**
Non-operating items	0.4	(6.8)	0.0	8.0	0.0	**1.7**
Pre-tax income	**98.2**	**320.4**	**20.8**	**11.5**	**173.5**	**624.3**

Assets and liabilities by core business

In millions of euros	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
BDEL	11,332.8	24,910.8	10,359.8	22,855.5
Leasing International	2,770.3	21,686.0	22,859.1	20,854.0
Corporate & Institutional Banking	135.6	681.7	564.3	825.7
International Financial Services	2,476.8	8,638.9	2,053.6	8,438.0
Others	18,863.1	661.2	18,760.4	1,623.9
TOTAL GROUP	**56,578.5**	**56,578.5**	**54,597.2**	**54,597.2**

5. Notes to the balance sheet

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

Financial assets and liabilities at fair value through profit or loss (excluding derivatives)

Financial assets and liabilities at fair value through profit or loss (excluding derivatives) consist mainly of issues for the Group's own account made to fulfil client demand, transactions negotiated for trading, instruments that the Group is not permitted to classify as hedging instruments under accounting regulations, and instruments not held for trading purposes with characteristics that do not permit recognition at amortised cost or at fair value through equity.

	31 December 2019			
In millions of euros	Trading book	Financial instruments designated at fair value option	Other financial assets at fair value through profit or loss	Total
Securities portfolio	1.8	-	622.9	624.7
Debt securities	-	-	*583.8*	*583.8*
Equity instruments	*1.8*	-	*39.1*	*40.9*
Loans and repurchase agreements	95.8	-	55.3	151.1
Financial assets at fair value through profit or loss	**97.6**	**-**	**678.2**	**775.8**
Deposits and repurchase agreements	113.9	-	-	113.9
Issued debt securities (note 5.h)	-	114.0	-	114.0
of which: Subordinated debt	-	*86.9*	-	*86.9*
of which: Unsubordinated debt	-	*27.1*	-	*27.1*
Financial liabilities at fair value through profit or loss	**113.9**	**114.0**	**-**	**227.9**

	31 December 2018			
In millions of euros	Trading book	Financial instruments designated at fair value option	Other financial assets at fair value through profit or loss	Total
Securities portfolio	355.1	-	614.1	969.2
Debt securities	-	-	*563.3*	*563.3*
Equity instruments	*355.1*	-	*50.7*	*405.8*
Loans and repurchase agreements	59.2	-	54.0	113.1
Financial assets at fair value through profit or loss	**414.3**	**-**	**668.0**	**1,082.3**
Deposits and repurchase agreements	102.5	-	-	102.5
Issued debt securities (note 5.h)	-	131.7	-	131.7
of which: Subordinated debt	-	*83.6*	-	*83.6*
of which: Unsubordinated debt	-	*48.1*	-	*48.1*
Financial liabilities at fair value through profit or loss	**102.5**	**131.7**	**-**	**234.2**

The details of these headings are presented in note 5.d.

Financial liabilities at fair value option

Financial liabilities at fair value option through profit or loss consist mainly of issues created and structured on behalf of clients, where the risk exposure is managed alongside the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in value are likely to be offset by changes in the value of economic hedging derivatives.

The redemption value of debts measured at fair value option through profit or loss amounted to EUR 109.5 million as at 31 December 2019 versus EUR 129.9 million as at 31 December 2018.

Other financial assets measured at fair value through profit or loss

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

- Debt instruments which do not fulfil the criteria of IFRS 9 for classification as instruments at fair value through equity or at amortised cost.their business model is not "hold to collect" or "hold to collect and sell"; and/or
  - their cash flows do not relate solely to payments of principal and interest on the principal amount outstanding.
  - Their cash flows are not solely repayments of principal and interest on the principal amount
- Equity instruments that the Group did not choose to classify as at "fair value through equity".

Derivatives held for trading

The majority of derivatives held for trading are related to financial assets and liabilities, which do not qualify for hedge accounting under IFRS.

Some derivatives held in the trading book relate to transactions initiated by investment management activities. They may result from market-making or arbitrage activities.

The positive or negative fair value of derivatives 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).

	31 December 2019		31 December 2018	
In millions of euros	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rates derivatives	36.4	29.7	30.7	23.1
Foreign exchange derivatives	21.1	11.1	19.3	13.2
Equity derivatives	96.8	2.7	141.4	20.8
Derivatives	**154.3**	**43.6**	**191.4**	**57.2**

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

	31 December 2019			31 December 2018		
In millions of euros	Exchange -traded	Over-the counter	Total	Exchange -traded	Over-the counter	Total
Interest rates derivatives	-	10,702.6	10,702.6	-	6,653.3	6,653.3
Foreign exchange derivatives	-	5,729.6	5,729.6	-	4,816.8	4,816.8
Equity derivatives	29.5	541.7	571.2	344.1	556.1	900.2
Derivatives	**29.5**	**16,974.0**	**17,003.5**	**344.1**	**12,026.2**	**12,370.3**

5.b Hedging derivatives

The table below shows the notional amounts and fair value of derivatives used for hedging purposes.

	31 December 2019			31 December 2018		
In millions of euros	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Fair value hedges	**5,866.9**	**129.6**	**42.3**	**4,005.0**	**73.2**	**7.4**
Interest rate derivatives	5,866.9	129.6	42.3	4,005.0	73.2	7.4
Cash flow hedges	**2,639.0**	**57.7**	**3.5**	**1,850.0**	**42.7**	**1.0**
Interest rate derivatives	2,639.0	57.7	3.5	1,850.0	42.7	1.0
Derivatives used for hedging purposes	**8,505.9**	**187.3**	**45.8**	**5,855.0**	**115.9**	**8.5**

The table below shows the list of hedging relationships for identified instruments, and the list of portfolios of financial instruments still hedged as at 31 December 2019:

In millions of euros, at 31 December 2018	Hedging instruments			
	Notional amounts of hedging instruments	Positive fair value	Negative fair value	Changes in fair value of hedging instruments used as the basis for recognising hedge ineffectiveness for the period
Fair value hedges of identified instruments	**680.8**	**-**	**28.9**	**(14.4)**
Interest-rate derivatives hedging the interest rate risk related to	680.8	-	28.9	(14.4)
Securities	680.8	-	28.9	(14.4)
Interest rate risk hedged portfolios	**5,186.1**	**129.6**	**13.4**	**101.0**
Interest-rate derivatives hedging the interest rate risk related to	5,186.1	129.6	13.4	101.0
Deposits	5,186.1	129.6	13.4	101.0
TOTAL FAIR VALUE HEDGE	**5,866.8**	**129.6**	**42.3**	**86.6**

In millions of euros, at 31 December 2018	Hedged instruments					
	Carrying amount of hedged instrument-asset	Carrying amount of hedged instrument-liability	Cumulated amount of hedged instruments revaluation-asset	Cumulated amount of hedged instruments revaluation-liability	Changes in fair value of hedged instruments used a the basis for recognising hedge ineffectiveness	Ineffectiveness recognised in profit or loss
Fair value hedges of identified instruments	**698.1**	**-**	**14.4**	**-**	14.4	(0.0)
Interest-rate derivatives hedging the interest rate risk related to	698.1	-	14.4	-	14.4	(0.0)
Securities	698.1	-	14.4	-	14.4	(0.0)
Interest rate risk hedged portfolios	**-**	**40.5**	**-**	**100.9**	(100.9)	0.1
Interest-rate derivatives hedging the interest rate risk related to	-	5,280.3	-	100.9	(100.9)	0.1
Deposits	-	5,280.3	-	100.9	(100.9)	0.1
TOTAL FAIR VALUE HEDGE	**698.1**	**5,280.3**	**14.4**	**100.9**	**(86.6)**	**0.1**

The total notional amount of derivatives used to hedge future income was EUR 2.639 billion as at 31 December 2019. Total changes in value recognised directly in equity amounted to EUR 49.7 million. Inefficiencies linked to hedging of future income being recognised in profit and loss are negligible for 2019.

The table below shows the breakdown of the notional amounts of derivatives used for hedging, by date of maturity:

	Maturity date		
In millions of euros, at 31 December 2019	Less than 1 year	Between 1 and 5 years	More than 5 years
Fair value hedges	**410.0**	**3,182.4**	**2,274.5**
Interest rate derivatives	410.0	3,182.4	2,274.5
Cash flow hedges	**310.0**	**1,529.0**	**800.0**
Interest rate derivatives	310.0	1,529.0	800.0

5.c Financial assets at fair value through equity

In millions of euros	31 December 2019		31 December 2018	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	**1,519.9**	**18.1**	**1,165.9**	**32.3**
Government	477.2	16.4	414.7	29.3
Other public administrations	587.0	4.7	473.9	6.3
Credit institutions	454.1	(2.9)	274.6	(3.3)
Others	1.6	(0.0)	2.8	(0.0)
Equity securities	**309.5**	**34.2**	**315.6**	**14.2**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**1,829.4**	**52.3**	**1,481.5**	**46.5**

The option to recognise certain equity instruments at fair value through equity was retained for equity securities held primarily within the framework of strategic partnerships and securities required to carry out certain activities. These investments are intended to be held for the medium to long term, without any initial speculation objective.

5.d Measurement of the fair value of financial instruments

Valuation process

The Group has chosen to implement the fundamental principle that it should have a unique and integrated processing chain for producing and con- trolling the valuations of financial instruments that are used for the purpose of daily risk management and financial reporting. This process is based on a single 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 that does not take account of: the direction of the transaction or its impact on the existing risks in the portfolio; the nature of the counterparties; the aversion of a market participant to particular risks inherent in the instrument; the market on which the instrument is traded; or the risk management strategy.

Additional valuation adjustments take into account the valuation uncertainties and market and credit risk premiums to reflect the costs that could lead to withdrawal from the main market. Where valuation techniques are used to calculate the fair value, the assumptions about the cost of financing future expected cash flows are an integral part of the mid-market valuation, particularly through the use of appropriate discount rates. These assumptions reflect the Bank's expectations of what a market participant would hold as actual conditions to refinance the instrument. They take into account, where appropriate, the terms of collateral agreements.

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

The main additional valuation adjustments are presented in the section below.

Additional valuation adjustments

Additional valuation adjustments used by the Group for determining fair values are as follows:

Bid/offer adjustments: the bid/offer range reflects the marginal exit cost for a price taker (potential customer). It represents symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price.

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

Value adjustment for counterparty risk (Credit Valuation Adjustment – CVA): the CVA applies to valuations and market listings whereby the creditworthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that the Group 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 financial intermediary market. However, the observability of the CVA is a matter of judgement owing to:

- the possible absence or lack of price information on the financial intermediary market;
- the influence of the regulatory landscape regarding counterparty risk on the market participants' pricing behaviour; and
- the absence of a dominant business model for managing counterparty risk.

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

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

As such, the carrying amount of debt securities measured using the fair value option was EUR 3.6 million lower as at 31 December 2019, compared with a reduction in value of EUR 7.5 million as at 31 December 2018. This constituted a variation of EUR 3.9 million recognised directly in equity and not available for reclassification to profit or loss.

Funding Valuation Adjustment (FVA): In the context of non-collateralised or imperfectly collateralised derivatives, this valuation method contains an explicit adjustment in relation to the interbank interest rate in the event that the Bank had to refinance the instrument on the market.

The change in the fair value cost of financing derivatives was not significant as at 31 December 2019.

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

As explained in the summary of accounting principles (note 1.e.9), financial instruments measured at fair value are classified in a hierarchy consisting of three levels.

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

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

In millions of euros												31 December 2019
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	**1.8**	**-**	**-**	**1.8**	**4.1**	**484.0**	**134.8**	**622.9**	**1,641.6**	**1.6**	**186.2**	**1,829.4**
Governments	-	-	-	**-**	-	244.5	-	**244.5**	477.2	-	-	**477.2**
Asset Backed Securities	-	-	-	**-**	-	28.2	-	**28.2**	-	-	-	**-**
Other debt securities	-	-	-	**-**	-	210.1	101.0	**311.2**	1,041.1	1.6	-	**1,042.7**
Equities and other equity securities	1.8	-	-	**1.8**	4.1	1.2	33.8	**39.1**	123.3	-	186.2	**309.5**
Loans and repurchase agreements	**-**	**29.3**	**66.5**	**95.8**	**-**	**-**	**55.3**	**55.3**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	-	55.3	**55.3**	-	-	-	**-**
Repurchase agreements	-	29.3	66.5	**95.8**	-	-	-	**-**	-	-	-	**-**
Financial assets at fair value	**1.8**	**29.3**	**66.5**	**97.6**	**4.1**	**484.0**	**190.1**	**678.2**	**1,641.6**	**1.6**	**186.2**	**1,829.4**
Deposits and repurchase agreements	**-**	**113.9**	**-**	**113.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	-	-	-	**-**	-	-	-	**-**	-	-	-	-
Repurchase agreements	-	113.9	-	**113.9**	-	-	-	**-**	-	-	-	-
Issued debt securities (note 5.h)	**-**	**-**	**-**	**-**	**-**	**114.0**	**-**	**114.0**	**-**	**-**	**-**	**-**
Subordinated debt (note 5.h)	-	-	-	**-**	-	86.9	-	**86.9**	-	-	-	-
Non subordinated debt (note 5.h)	-	-	-	**-**	-	27.1	-	**27.1**	-	-	-	-
Financial liabilities at fair value	**-**	**113.9**	**-**	**113.9**	**-**	**114.0**	**-**	114.0	**-**	**-**	**-**	**-**

In millions of euros												31 December 2018
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	355.1	-	-	355.1	12.2	524.0	77.9	614.1	1,278.4	2.8	200.3	1,481.5
Governments	-	-	-	**-**	-	246.0	-	**246.0**	414.7	-	-	**414.7**
Asset Backed Securities	-	-	-	**-**	-	42.7	-	**42.7**	-	-	-	**-**
Other debt securities	-	-	-	**-**	-	211.6	63.0	**274.7**	748.4	2.8	-	**751.3**
Equities and other equity securities	355.1	-	-	**355.1**	12.2	23.7	14.9	**50.8**	115.3	-	200.3	**315.6**
Loans and repurchase agreements	**-**	**26.4**	**32.8**	**59.2**	**-**	**-**	**54.0**	**54.0**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	-	54.0	**54.0**	-	-	-	**-**
Repurchase agreements	-	26.4	32.8	**59.2**	-	-	-	**-**	-	-	-	**-**
Financial assets at fair value	**355.1**	**26.4**	**32.8**	**414.3**	**12.2**	**524.0**	**131.9**	**668.1**	**,278.4**	**2.8**	**200.3**	**1,481.5**
Deposits and repurchase agreements	**-**	**102.5**	**-**	**102.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	-	-	-	**-**	-	-	-	**-**	-	-	-	-
Repurchase agreements	-	102.5	-	**102.5**	-	-	-	**-**	-	-	-	-
Issued debt securities (note 5.h)	**-**	**-**	**-**	**-**	**-**	**131.7**	**-**	**131.7**	**-**	**-**	**-**	**-**
Subordinated debt (note 5.h)	-	-	-	**-**	-	83.6	-	**83.6**	-	-	-	-
Non subordinated debt (note 5.h)	-	-	-	**-**	-	48.1	-	**48.1**	-	-	-	-
Financial liabilities at fair value	**-**	**102.5**	**-**	**102.5**	**-**	**131.7**	**-**	131.7	**-**	**-**	**-**	**-**

In millions of euros	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
POSITIVE FAIR VALUE								
Foreign exchange derivatives	-	21.1	-	21.1	-	19.3	-	19.3
Interest rate derivatives	-	36.4	-	36.4	-	30.7	-	30.7
Equity derivatives	-	96.8	-	96.2	-	141.4	-	141.4
Positive fair value of derivatives (not used for hedging purposes)	**-**	**154.3**	**-**	**154.3**	**-**	**191.4**	**-**	**191.4**
Positive fair value of derivatives used for hedging purposes	**-**	**187.3**	**-**	**187.3**	**-**	**115.9**	**-**	**115.9**
NEGATIVE FAIR VALUE								
Foreign exchange derivatives	-	11.1	-	11.1	-	13.2	-	13.2
Interest rate derivatives	-	29.7	-	29.7	-	23.1	-	23.1
Equity derivatives	-	2.7	-	2.7	-	20.8	-	20.8
Negative fair value of derivatives (not used for hedging purposes)	**-**	**43.6**	**-**	**43.6**	**-**	**57.2**	**-**	**57.2**
Negative fair value of derivatives used for hedging purposes	**-**	**45.8**	**-**	**45.8**	**-**	**8.5**	**-**	**8.5**

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. Transfers are recognised as if they had taken place at the end of the period.

During the financial year 2019, there were no transfers between Level 1 and Level 2.

Description of main instruments in each level

This section provides a description of the classification criteria for each level in the hierarchy, and the main instruments classified in therein. It describes notably instruments classified in Level 3 and the associated valuation methods.

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

Level 1

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

Level 1 includes notably equity securities and liquid bonds, short selling of these instruments, derivatives traded on organised markets (e.g. futures) and fund units and UCITS, for which the net asset value is calculated on a daily basis.

Level 2

Level 2 securities are composed of securities that are less liquid than the Level 1 bonds. They are predominantly government bonds, corporate debt securities, Asset Backed Securities (ABS) and Student Loans, Mortgage Backed Securities (MBS) not using a cash flow modelling method, fund shares and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers, but these prices do not represent directly tradable prices. This comprises, amongst others, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative prices 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 in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral.

Debts issued designated at fair value option, are classified in the same level as the one that would apply to the embedded derivative taken individually. Own credit spread is an observable input.

Derivatives classified in Level 2 comprise mainly the following instruments:

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

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

- Fair value is predominantly derived from prices or list- ings 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 determined on the basis of more complex or proprietary valuation techniques but is directly ver- ified through regular comparison with external market parameters.

Determining whether an over-the-counter (OTC) derivative is eligible for Level 2 classification is a matter of 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 therefore follows that the Level 2 classification criteria involve multiple analysis axes within an "observation zone" whose limits are determined by a predefined list of product categories and the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable additional valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

Level 3

Level 3 securities mainly comprise units of funds and unlisted equities.

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

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

Equities and other unlisted variable-income securities classified in Level 3 are measured using one of the following methods: share of revalued net assets, multiples from comparable companies, discounted cash flow, multi-criteria approach.

Repurchase agreements, mainly long term on bonds and equity financial instruments: the valuation of these transactions requires internal methodologies given their specificity and lack of activity and unavailability of price information in the long-term repo market.

Debts issued designated at fair value option, are classified in the same level as the one that would apply to the embedded derivative taken individually. Own credit spread is an observable input.

Derivatives

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

Structured derivatives classified in Level 3 predominantly comprise hybrid products (FX/interest rate hybrids and equity hybrids), credit correlation products, products sensitive to early repayment, some options on baskets of stocks, and some interest rate options.

Table of movements in Level 3 financial instruments

For Level 3 financial instruments, there was no movement between 31 December 2018 and 31 December 2019.

Financial assets

In millions of euros	Financial assets			
	Financial instruments at fair value through profit or loss held for trading	**Financial instruments at fair value through profit or loss not held for trading**	**Financial instrumentsts at fair value through equity**	**TOTAL**
At 31 December 2018	**32.8**	**131.9**	**200.3**	**365.0**
Purchases	-	70.5	-	**70.5**
Sales	-	(4.4)	-	**(4.4)**
Settlements	35.8	(17.5)	-	**18.3**
Others	-	-	(25.3)	**(25.3)**
Gain (or loss) recognised in profit or loss with respect to transactions expired or terminated during the period	-	4.5	-	**4.5**
Gain (or loss) recognised in profit or loss with respect to unexpired instruments at the end of the period	-	5.1	-	**5.1**
Changes in fair value of assets and liabilities recognised in equity	-	-	11.2	**11.2**
At 31 December 2019	**68.6**	**190.1**	**186.2**	**444.9**

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

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

Sensitivity of the fair value of Level 3 financial instruments to reasonably possible changes to assumptions

The table below provides a summary of financial assets and liabilities classed as Level 3 for which changes to assumptions affecting one or more non-observable data points would lead to a significant change in fair value.

These amounts seek to illustrate the uncertainty interval inherent to using one's judgement to estimate Level 3 parameters or to choose valuation techniques. They reflect the valuation uncertainty that exists on the valuation date and, while they are mainly the result of portfolio sensitivities on the valuation date, they cannot be used to predict or deduce future changes in fair value, nor do they account for the effect of extreme market conditions on the value of the portfolio.

To estimate these sensitivities, the Group has either valued the financial instruments using reasonably possible parameters or applied assumptions based on its valuation adjustment policy.

To simplify matters, the sensitivity of the value of securities (excluding securitisation positions) is measured using a uniform variation of 1% of the price. More specific variations have been calibrated for each of the Level 3 securitised exposure classes based on the intervals of envisaged non-observable parameters

	31 December 2019		31 December 2018	
In millions of euros	Potential impact on income	Potential impact on equity	Potential impact on income	Potential impact on equity
Debt securities	+/-1.0	-	+/-0.6	-
Equities and other equity securities	+/-0.3	+/-1.9	+/-0.1	+/-2.0
Loans and repurchase agreements	+/-1.2	-	+/-0.3	-
Sensitivity of Level 3 financial instruments	**+/-2.6**	**+/-1.9**	**+/-1.1**	**+/-2.0**

5.e Financial assets at amortised costs

Detail of loans and receivables by nature

	31 December 2019			31 December 2018		
In millions of euros	Gross value before impairment	Impairment (note 3.g)	Carrying amount	Gross value before impairment	Impairment (note 3.g)	Carrying amount
Loans and receivables due from credit institutions	**15,717.2**	**(0.2)**	**15,717.1**	**15,559.8**	**(0.3)**	**15,559.5**
Demand accounts	978.4	(0.2)	978.2	1,471.5	(0.2)	1,471.3
Loans [1]	6,749.9	(0.0)	6,749.9	6,789.1	(0.1)	6,789.0
Repurchase agreements	7,988.9	-	7,988.9	7,299.2	-	7,299.2
Loans and receivables due from customers	**34,635.7**	**(672.1)**	**33,963.6**	**32,349.2**	**(641.8)**	**31,707.4**
Ordinary debit accounts	1,016.5	(77.3)	939.2	1,013.3	(74.1)	939.2
Loans to customers	18,580.4	(190.2)	18,390.2	17,055.6	(192.1)	16,863.5
Finance leases	15,038.8	(404.6)	14,634.2	14,280.3	(375.6)	13,904.7
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	**50,352.9**	**(672.3)**	**49,680.7**	**47,909.0**	**(642.1)**	**47,266.9**

[1] Loans and advances to credit institutions include term deposits made with central banks.

Detail of debt securities

In millions of euros	31 December 2019 Gross value before impairment	Impairment (note 3.g)	Carrying amount	31 December 2018 Gross value before impairment	Impairment (note 3.g)	Carrying amount
Governments	382.8	(0.0)	382.8	496.5	(0.0)	496.5
Other public administrations	689.4	(0.0)	689.4	763.4	(0.0)	763.4
Credit institutions	63.2	(0.0)	63.2	238.1	(0.0)	238.1
Others	12.3	(0.0)	12.3	13.7	(0.0)	13.7
TOTAL DEBT SECURITIES AT AMORTISED COST	**1,147.8**	**(0.0)**	**1,147.8**	**1,511.7**	**(0.0)**	**1,511.7**

Detail of loans and receivables and debt securities by stage

In millions of euros	31 December 2019 Gross value before impairment	Impairment (note 3.g)	Carrying amount	31 December 2018 Gross value before impairment	Impairment (note 3.g)	Carrying amount
Loans and receivables due from credit institutions	**15,717.2**	**(0.2)**	**15,717.1**	**15,559.8**	**(0.3)**	**15,559.5**
Stage 1	15,716.0	(0.0)	15,716.0	15,558.5	(0.1)	15,558.4
Stage 2	1.1	(0.0)	1.1	0.1	-	0.1
Stage 3	0.2	(0.2)	-	1.2	(0.2)	1.1
Loans and receivables due from customers	**34,635.7**	**(672.1)**	**33,963.6**	**32,349.2**	**(641.8)**	**31,707.4**
Stage 1	30,839.8	(88.1)	30,751.7	28,795.3	(78.4)	28,716.8
Stage 2	2,839.8	(88.8)	2,751.0	2,649.0	(89.9)	2,559.1
Stage 3	956.1	(495.2)	460.9	904.9	(473.5)	431.4
Debt securities	**1,147.8**	**(0.0)**	**1,147.8**	**1,511.7**	**(0.0)**	**1,511.7**
Stage 1	1,147.8	(0.0)	1,147.8	1,511.8	(0.0)	1,511.7

Breakdown of finance leases

In millions d'euros	31 December 2019	31 December 2018
Gross investment	**16,014.1**	**15,009.0**
Receivable within 1 year	*5,427.2*	*5,008.9*
Receivable after 1 year but within 5 years	*10,074.4*	*9,439.5*
Receivable beyond 5 years	*512.5*	*560.6*
Unearned interest income	(976.4)	(728.8)
Net investment before impairment	**15,037.6**	**14,280.2**
Receivable within 1 year	*4,999.7*	*4,707.1*
Receivable after 1 year but within 5 years	*9,584.0*	*9,061.8*
Receivable beyond 5 years	*454.0*	*511.2*
Impairments	(404.6)	(375.6)
Net investment after impairment	**14,633.1**	**13,904.5**

5.f Impaired financial assets (stage 3)

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

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

Detail of impaired assets (stage 3)

	31 December 2019			
	Stage 3 assets			
In millions of euros	Gross value	Impairment	Net	Collateral received
Loans and receivables due from credit institutions (note 5.e)	0.2	(0.2)	-	0.5
Loans and receivables due from customers (note 5.e)	956.1	(495.2)	460.9	385.4
Total amortised-cost impaired assets (stage 3)	**956.3**	**(495.4)**	**460.9**	**385.9**
Financing commitments given	6.2	(0.6)	5.6	0.2
Guarantee commitments given	4.6	(3.3)	1.3	0.8
Total off-balance sheet impaired commitments (stage 3)	**10.8**	**(3.9)**	**6.9**	**1.1**
TOTAL	**967.1**	**(499.3)**	**467.8**	**387.0**

	31 December 2018			
	Stage 3 assets			
In millions of euros	Gross value	Impairment	Net	Collateral received
Loans and receivables due from credit institutions (note 5.e)	1.2	(0.2)	1.0	-
Loans and receivables due from customers (note 5.e)	904.9	(473.5)	431.4	347.6
Total amortised-cost impaired assets (stage 3)	**906.2**	**(473.7)**	**432.4**	**347.6**
Financing commitments given	14.8	(0.7)	14.1	4.2
Guarantee commitments given	6.2	(4.5)	1.7	1.3
Total off-balance sheet impaired commitments (stage 3)	**21.0**	**(5.2)**	**15.8**	**5.5**
TOTAL	**927.2**	**(478.9)**	**448.2**	**353.2**

The table below provides data on variations in gross stage 3 assets:

Gross value	Stage 3 assets
In millions of euros	31 December 2019
Carrying value at start of period	**906.2**
Transfer to stage 3	396.7
Transfer to stage 1 and stage 2	(59.6)
Whrite-offs	(71.1)
Other changes	(215.9)
Carrying value at end of period	**956.3**

Breakdown of financial assets subjet to impairment per stage and internal note

The following table presents the carrying amounts for financial assets subject to impairment for credit risk, broken down by impairment stage and by BGL BNP Paribas internal rating in the prudential scope.

Financial assets subject to impairment are recorded in the following accounting categories:

- central banks (excluding cash accounts);
- debts securities at fair value through equity or at amortised cost;
- loans and receivables at amortised cost;
- financing commitments and guarantee commitments (off-balance sheet).

								31 December 2019
	Gross value						Impairment	Carrying value
	BGL BNP Paribas rating or equivalent					Total		
In millions of euros	1 to 3	4 to 5	6 to 8	9 to 10	Default			
Central banks	**516.8**	**-**	**-**	**-**	**-**	**516.8**	**-**	**516.8**
Stage 1	516.8	-	-	-	-	516.8	-	516.8
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Debt securities at fair value through equity	**1,444.6**	**-**	**75.3**	**-**	**-**	**1,519.9**	**(0.0)**	**1,519.9**
Stage 1	1,444.6	-	73.7	-	-	1,518.3	(0.0)	1,518.3
Stage 2	-	-	1.6	-	-	1.6	-	1.6
Stage 3	-	-	-	-	-	-	-	-
Loans and receivables at amortised cost	**18,507.4**	**9,866.9**	**20,804.0**	**218.4**	**956.3**	**50,353.0**	**(672.3)**	**49,680.7**
Stage 1	18,507.4	9,666.7	18,382.2	-	-	46,556.3	(88.1)	46,468.2
Stage 2	-	200.2	2,421.9	218.4	-	2,840.4	(89.1)	2,751.3
Stage 3	-	-	-	-	956.3	956.3	(495.1)	461.2
Debt securities recognised at amortised cost	**1,095.8**	**52.0**	**-**	**-**	**-**	**1,147.8**	**(0.0)**	**1,147.8**
Stage 1	1,095.8	52.0	-	-	-	1,147.8	(0.0)	1,147.8
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Financing and guarantee commitments	**1,644.7**	**2,166.2**	**2,946.3**	**11.9**	**10.8**	**6,779.9**	**(17.0)**	**6,762.9**
Stage 1	1,644.7	2,146.1	2,760.0	-	-	6,550.8	(9.9)	6,540.9
Stage 2	-	19.6	186.4	11.9	-	218.3	(3.2)	215.1
Stage 3	-	-	-	-	10.8	10.8	(3.9)	6.9
TOTAL	**23,209.2**	**12,085.1**	**23,825.7**	**230.2**	**967.1**	**60,317.4**	**(689.3)**	**59,628.1**

5.g Liabilities at amortised cost due to credit institutions and customers

Due to customers and due to credit institutions

In millions of euros	31 December 2019	31 December 2018
Due to credit institutions	**12,058.0**	**12,026.0**
Demand accounts	512.7	707.2
Interbank borrowings [1]	11,545.2	11,318.8
Due to customers	**33,239.7**	**31,287.1**
Ordinary credit accounts	19,205.1	18,028.1
Savings accounts	6,204.6	6,407.0
Term and similar accounts	7,830.0	6,852.0
TOTAL	**45,297.7**	**43,313.1**

5.h Debts securities and subordinated debt

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

Debt measured at fair value though profit or loss (note 5.a)

			"Non cash" changes				
In millions of euros	31 December 2018	Cash flow	Currency impact	Changes in fair value	Other changes	Total "non cash"	31 December 2019
Debt with a maturity of more than 1 year on issue							
Negociable debt securities	40.5	(20.5)	0.2	(0.7)	(0.0)	(0.5)	19.5
Bond issues	7.6	-	-	-	-	-	7.6
Debt securities	**48.1**	**(20.5)**	**0.2**	**(0.7)**	**(0.0)**	**(0.5)**	**27.1**
Redeemable subordinated debt	83.6	-	-	3.4	(0.1)	3.3	86.9
Subordinated debt	**83.6**	**-**	**-**	**3.4**	**(0.1)**	**3.3**	**86.9**

Debt measured at amortised cost

			"Non cash" changes				
In millions of euros	31 December 2018	Cash flow	Currency impact	Changes in fair value	Other changes	Total "non cash"	31 December 2019
Debt with a maturity of less than 1 year on issue							
Negociable debt securities	732.3	(95.9)	13.9	-	-	13.9	650.3
Debt with a maturity of more than 1 year on issue							
Negociable debt securities	325.2	(300.0)	-	-	(0.2)	(0.2)	25.0
Bond issues	47.5	(15.2)	0.3	-	(0.1)	0.2	32.5
Debt securities	**1,105.0**	**(411.1)**	**14.2**	**-**	**(0.3)**	**13.9**	**707.8**
Redeemable subordinated debt	111.1	(11.0)	-	-	(0.1)	(0.1)	100.0
Subordinated debt	**111.1**	**(11.0)**	**-**	**-**	**(0.1)**	**(0.1)**	**100.0**

[1] Interbank borrowings from credit institutions include term borrowings from central banks.

5.i Current and deferred taxes

In millions of euros	31 December 2019	31 December 2018
Current taxes	44.2	47.8
Deferred taxes [1]	107.7	131.1
Current and deferred tax assets	**151.9**	**178.9**
Current taxes [2]	88.6	127.7
Deferred taxes [1] [2]	304.5	325.0
Current and deferred tax liabilities	**393.1**	**452.7**

Change in deferred tax by nature over the period

In millions of euros	31 December 2018	Changes recognised in profit or loss	Changes recognised in recyclable equity	Changes recognised in non recyclable equity	Changes in the consolidation scope, exchange rates and other movements	31 December 2019
Financial instruments	(19.7)	21.0	1.8	(2.4)	(0.8)	(0.1)
Provisions for employee benefit obligations	15.5	(3.5)	-	(1.2)	(0.2)	10.7
Unrealised finance lease reserve	(149.2)	(14.7)	-	-	4.3	(159.6)
Provisions for credit risk	52.9	4.4	-	-	(0.1)	57.2
Loss carried forward	42.7	(12.3)	-	-	(0.8)	29.6
Property, plant, equipment	(31.0)	2.9	-	-	-	(28.1)
Lump-sum provision	(46.1)	-	-	-	-	(46.1)
Provisions for the contribution to the resolution and deposit guarantee schemes	(20.5)	4.3	-	-	-	(16.2)
Earnings on capital gains to be immunized according to art.54 LIR	(54.1)	2.7	-	-	-	(51.4)
Other items	15.6	(5.9)	-	-	(2.4)	7.3
TOTAL NET DEFERRED TAXES	**(193.9)**	**(1.2)**	**1.8**	**(3.6)**	**0.1**	**(196.8)**
of which: Deferred tax assets	*131.1*	-	-	-	-	*107.7*
of which: Deferred tax liabilities	*(325.0)*	-	-	-	-	*(304.5)*

[1] Variations for the period include the effects of the first-time application of IFRS 16 (see note 2).

[2] Since 1 January 2019, the Bank has opted for the combined scheme as provided for by the Law of 17 June 1992, as amended, which takes the form of a transfer on the liabilities side of EUR 24.1 million from deferred taxes to current taxes upon initial application.

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

In millions of euros	31 December 2019	31 December 2018
Guarantee deposits and bank guarantees paid	1.0	16.6
Collection accounts	49.0	44.6
Accrued income and prepaid expenses	151.5	118.3
Other debtors and miscellaneous assets	600.8	602.8
TOTAL ACCRUED INCOME AND OTHER ASSETS	**802.3**	**782.2**
Guarantee deposits received	193.7	91.3
Collection accounts	63.0	38.7
Accrued expense and deferred income	325.3	292.6
Lease liabilities [1)]	41.5	-
Other creditors and miscellaneous liabilities	797.8	826.9
TOTAL ACCRUED EXPENSE AND OTHER LIABILITIES	**1,421.5**	**1,249.6**

5.k Investments in joint ventures and associates

The Group's investments in associates are all accounted for using the equity method. As at 31 December 2019, the Group had no joint ventures.

The main associates of the Group are identified below.

Investments in equity associates

In millions of euros	Country	Activity	% interest	31 December 2019	31 December 2018
Associates					
Cardif Lux Vie SA	Luxembourg	Assurances	33.33%	147.5	113.2
BNP Paribas Leasing Solutions SPA	Italy	Leasing	13.09%	16.7	36.2
BNL Leasing SPA	Italy	Leasing	13.09%	26.1	-

[1)] Changes over the period include the effect of IFRS 16 first time adoption (cf. note 2).

The cumulative financial data relating to associates is detailed in the table below:

in millions of euros	2019			31 December 2019
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates
Associates [1]	**14.4**	**5.1**	**19.5**	**194.1**
Cardif Lux Vie SA	14.9	4.3	19.2	147.5
BNP Paribas Leasing Solutions SPA	0.1	(0.0)	0.1	16.7
BNL Leasing SPA	(0.7)	0.0	(0.7)	26.1
Others	0.0	0.8	0.9	3.7
TOTAL ASSOCIATES	**14.4**	**5.1**	**19.5**	**194.1**

in millions of euros	2018			31 December 2018
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates
Associates [1]	**1.1**	**(8.9)**	**(7.8)**	**152.8**
Cardif Lux Vie SA	8.0	(10.5)	(2.5)	113.2
BNP Paribas Leasing Solutions SPA	(7.1)	0.3	(6.8)	36.2
BNL Leasing SPA	-	-	-	-
Others	0.1	1.3	1.4	3.4
TOTAL ASSOCIATES	**1.1**	**(8.9)**	**(7.8)**	**152.8**

The Group does not believe that it holds significant joint ventures or associates within the meaning of IFRS 12. The increased significance of joint ventures and associates is based on the contribution of these investments to the balance sheet and the Group's equity, as well as net profit excluding non-recurring items.

5.l Property, plant, equipment and intangible assets

In millions of euros	31 December 2019			31 December 2018		
	Gross value	Accumulated depreciation or amortisation and impairment losses	Carrying amount	Gross value	Accumulated depreciation or amortisation and impairment losses	Carrying amount
Investment property	**315.4**	**(141.8)**	**173.6**	**341.5**	**(149.2)**	**192.3**
Land and buildings [1]	473.1	(204.9)	268.2	390.8	(148.8)	242.0
Equipment, furniture and fixtures	329.3	(254.2)	75.1	326.9	(245.3)	81.6
Plant and equipment leased as lessor under operating leases	682.5	(325.7)	356.8	638.1	(307.0)	331.1
Fixed assets [1]	79.5	(64.6)	14.9	88.1	(68.5)	19.6
Property, plant and equipment	**1,564.4**	**(849.4)**	**715.0**	**1,443.8**	**(769.6)**	**674.2**
of which: Right of use of underlying property, plant and equipment	*87.8*	*(47.1)*	*40.7*	-	-	-
Purchased software	156.3	(144.3)	12.0	149.2	(139.0)	10.2
Internally developped software	13.0	(7.8)	5.1	10.4	(5.2)	5.2
Other intangible assets	27.5	(7.2)	20.3	35.1	(16.8)	18.4
Intangible assets	**196.8**	**(159.3)**	**37.5**	**194.7**	**(161.0)**	**33.7**

[1] Including controlled but non material entities consolidated under the equity method (see note 1.b).
[2] Changes over the period include the effect of IFRS 16 first time adoption (cf. note 2).

Investment property

Investment property includes residential and commercial buildings, as well as mixed-use buildings and are recorded in the balance sheet for EUR 173.6 million compared with EUR 192.3 million in 2018.

The estimated fair value, using internal models (Level 3) of these investment properties amounted to EUR 258.8 million at 31 December 2019 compared with EUR 260.8 million as at 31 December 2018.

Most investment properties are periodically assessed by an independent expert. The assessment is based primarily on:

- Indications in the market based on unit prices of similar properties. In this case, account is taken of all market parameters available at the valuation date (loca- tion, market conditions, nature of the construction, maintenance status, assignment, etc.);
- The capitalisation of the estimated rental value.

Operating leases

Operating leases and investment property transactions are in certain cases subject to agreements providing for the following minimum future payments:

In millions of euros	31 December 2019	31 December 2018
Payments receivable within 1 year	20.5	61.0
Payments receivable after 1 year but within 5 years	41.0	33.5
Payments receivable beyond 5 years	13.3	14.9
Future minimum lease payments receivable under non-cancellable leases	**74.7**	**109.4**

Future minimum lease payments receivable under non-cancellable leases are payments that the lessee is required to make during the lease term.

Other fixed assets

Other fixed assets include assets under construction amounting to EUR 1.4 million (EUR 5.7 million as at 31 December 2018).

The value of the asset has been reallocated in both the investment properties and the property, plant and equipment.

Intangible assets

Other intangible assets comprise leasehold rights, goodwill and trademarks required by the Group.

Depreciation, amortisation and impairment

Net depreciation and amortisation expense booked in 2019 amounted to EUR 44.0 million versus EUR 37.4 million in 2018.

The net increase in the impairment losses on property, plant, equipment and intangible assets taken to the profit and loss account is virtually nil for 2019 as it was in 2018.

5.m Goodwill

In millions of euros	31 December 2019	31 December 2018
Carrying amount at start of period	**188.1**	**132.6**
Acquisitions	-	56.6
Goodwill	(0.1)	(1.0)
Other movements	(1.3)	(0.1)
Carrying amount at and of period	**186.8**	**188.1**
of which:		
Gross value	*187.4*	*188.8*
Accumulated impairment recognised at the end of period	*(0.6)*	*(0.6)*

Goodwill is exclusively related to the integration of leasing activities under the business combination method of common control. It is therefore equivalent to the goodwill previously recognised by the BNP Paribas Group in these companies.

EUR 39.2 million of goodwill was recognised at BGL BNP Paribas in 2018 following the acquisition of BNP Paribas Wealth Management Luxembourg SA. Furthermore, Leasing International recognised goodwill of EUR 17.4 million following the acquisition of BNPP Leasing Solution AS.

Valuation of goodwill

Goodwill impairment tests are based on three different methods: observation of transactions related to comparable businesses; share price data for listed companies with comparable businesses; and discounted future cash flows (DCF) («discounted cash flow method» - DCF).

If one of the two comparables based methods indicates the need for impairment, the DCF method is used to validate the results and determine the amount of impairment required.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the five-year forecast period are based on a perpetuity growth rate and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The key parameters that are sensitive to the assumptions made are the cost/income ratio, the cost of capital and the perpetuity growth rate.

Cost of capital is determined on the basis of a riskfree rate, an observed market risk premium weighted by a risk factor based on comparables specific to each homogeneous group of businesses. The values of these parameters are obtained from external information sources.

The cost/income ratio is calculated as the relationship between management fees and income.

Allocated capital is determined for each homogeneous group of businesses based on the Common Equity Tier One regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 8.5%.

The perpetuity growth rate used is 2% for mature economies.

The following table shows the sensitivity of the valuations of the cash generating unit, Leasing Solutions, to changes in the value of parameters used in the DCF method: the cost of capital, the cost/income ratio, and the perpetuity growth rate.

Sensitivity of the valuation of the Leasing Solutions CGU to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio and a 50 basis-point change in the perpetuity growth rate

In millions of euros at 31 December 2019	Leasing Solutions
Cost of capital	**9.1%**
Adverse change of +10 basis points	(61.6)
Positive change of -10 basis points	63.4
Cost/income ratio	**45.6% - 49.8%**
Adverse change of +1%	(111.4)
Positive change of -1%	111.4
Growth rate to perpetuity	**2.0%**
Adverse change of -50 basis points	(226.9)
Positive change of +50 basis points	261.0

Even when retaining the three worst changes in the table for the impairment test, there would be no need to depreciate the goodwill of the cash generating unit Leasing Solutions

Sensitivity of the valuation of the Wealth Management CGU to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio and a 50 basis-point change in the perpetuity growth rate

In millions of euros at 31 December 2018	WM Wealth Management
Cost of capital	**8.6%**
Adverse change of +10 basis points	(4.7)
Positive change of -10 basis points	4.8
Cost/income ratio (1)	**75.7% - 77.6%**
Adverse change of +1%	(13.3)
Positive change of -1%	13.3
Growth rate to perpetuity	**2.0%**
Adverse change of -50 basis points	(13.6)
Positive change of +50 basis points	15.8

Even when retaining the three worst changes in the table for the impairment test, there would be no need to depreciate the goodwill of the Wealth Management CGU.

(1) Since 2018.

5.n Provisions for contingencies and charges

Changes in provisions by type

In millions of euros	31 December 2018	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Exchange rate movements and other movements	31 December 2019
Provisions for employee benefits	81.0	34.6	(19.8)	(2.2)	6.3	99.9
of which: Post-employment benefits (note 7.b)	*23.5*	*5.0*	*(6.6)*	*(2.2)*	*4.0*	*23.8*
of which: Provision for other long-term benefits (note 7.c)	*39.4*	*5.2*	*(4.1)*	*-*	*0.0*	*40.5*
of which: Provision for early retirement plans and headcount adaptation plan (note 7.d)	*16.7*	*21.3*	*(7.9)*	*-*	*2.3*	*32.4*
of which: Provision for share-based payments	*1.4*	*3.2*	*(1.2)*	*-*	*0.0*	*3.3*
Provisions for credit commitments (note 3.g)	16.9	0.5	-	-	(0.3)	17.1
Provisions for litigations	32.7	1.6	(1.4)	-	(2.4)	30.5
Other provisions for contingencies and charges	28.1	7.9	(6.0)	-	(0.9)	29.1
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	**158.6**	**44.6**	**(27.1)**	**(2.2)**	**2.7**	**176.6**

5.o Offsetting of financial assets and liabilitiess

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

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

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

Regarding master netting agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in accrued income or expenses and other assets or liabilities.

In millions of euros, at 31 December 2019	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as collateral	Net amounts
ASSETS						
Financial instruments at fair value through profit or loss						
Securities	624.7	-	624.7		-	624.7
Loans and repurchase agreements	151.1	-	151.1	(36.5)	(59.3)	55.3
Derivatives (including derivatives used for hedging purposes)	341.6	-	341.6	(83.2)	(92.8)	165.6
Financial assets at amortised cost	50,828.5	-	50,828.5	-	(7,938.7)	42,889.8
of which: Repurchase agreements	*7,988.9*	-	*7,988.9*	-	*(7,938.7)*	*50.3*
Accrued income and other assets	802.3	-	802.3	-	-	802.3
of which: Guarantee deposits given	*1.0*	-	*1.0*	-	-	*1.0*
Other assets not subject to offsetting	3,830.4	-	3,830.4	-	-	3,830.4
TOTAL ASSETS	**56,578.5**	**-**	**56,578.5**	**(119.7)**	**(8,090.7)**	**48,368.1**

In millions of euros, at 31 December 2019	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amounts
LIABILITIES						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreements	113.9	-	113.9	(36.5)	(77.2)	0.1
Issued debt securities	114.0	-	114.0	-	-	114.0
Derivatives (including derivatives used for hedging purposes)	89.4	-	89.4	(83.2)	-	6.2
Financial liabilities at amortised cost	45,297.7	-	45,297.7	-	-	45,297.7
Accrued expense and other liabilities	1,421.5	-	1,421.5	-	(92.8)	1,328.7
of which: Guarantee deposits received	*193.7*	-	*193.7*	-	*(92.8)*	*100.9*
Other liabilities not subject to offsetting	1,478.6	-	1,478.6	-	-	1,478.6
TOTAL LIABILITIES	**48,514.9**	**-**	**48,514.9**	**(119.7)**	**(170.0)**	**48,225.2**

In millions of euros, at 31 December 2018	Gross amounts of financial asset	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as collateral	Net amounts
ASSETS						
Financial instruments at fair value through profit or loss						
Securities	969.2	-	969.2		-	969.2
Loans and repurchase agreements	263.0	(149.9)	113.1	(32.4)	(26.4)	54.3
Derivatives (including derivatives used for hedging purposes	307.2	-	307.2	(55.2)	(48.9)	203.1
Financial assets at amortised cost	48,778.6	-	48,778.6	-	(7,243.8)	41,534.8
of which: Repurchase agreements	*7,299.2*	-	*7,299.2*	-	*(7,243.8)*	*55.4*
Accrued income and other assets	782.2	-	782.2	-	-	782.2
of which: Guarantee deposits given	*16.6*	-	*16.6*	-	-	*16.6*
Other assets not subject to offsetting	3,646.8	-	3,646.8	-	-	3,646.8
TOTAL ASSETS	**54,747.1**	**(149.9)**	**54,597.2**	**(87.6)**	**(7,319.1)**	**47,190.5**

In millions of euros, at 31 December 2018	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amounts
LIABILITIES						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreements	252.5	(149.9)	102.5	(32.4)	(70.1)	-
Issued debt securities	131.7	-	131.7	-	-	131.7
Derivatives (including derivatives used for hedging purposes)	65.6	-	65.6	(55.2)	-	10.4
Financial liabilities at amortised cost	43,313.1	-	43,313.1	-	-	43,313.1
Accrued expenses and other liabilities	1,249.6	-	1,249.6	-	(48.9)	1,200.7
of which: Guarantee deposits received	*91.3*	-	*91.3*	-	*(48.9)*	*42.4*
Other liabilities not subject to offsetting	1,887.9	-	1,887.9	-	-	1,887.9
TOTAL LIABILITIES	**46,900.3**	**(149.9)**	**46,750.4**	**(87.6)**	**(119.0)**	**46,543.8**

5.p Transfers of financial assets

There was no transfer of financial assets in 2018 and 2019.

In 2019, as in 2018, the Group made no transfers leading to the partial or full derecognition of financial assets, where it has a continuing involvement in those assets.

5.q Share capital and related reserves

As at 31 December 2019 and as at 31 December 2018 the subscribed and paid-up capital amounted to EUR 713.1 million, represented by 27,976,574 shares. BGL BNP Paribas does not hold any own shares. (See note 8.a).

As at 31 December 2019 and as at 31 December 2018, the additional paid-in capital was EUR 2,761.6 million.

6. Financing commitments and guarantee commitments

6.a Financing commitments given or received

Contractual value of financing commitments given and received by the Group

In millions of euros	31 December 2019	31 December 2018
Financing commitments given		
to credit institutions	**0.9**	**11.4**
to customers	**4,774.9**	**4,516.2**
Opening of confirmed credits	4,681.1	4,414.3
Other commitments given to customers	93.8	101.9
TOTAL FINANCING COMMITMENTS GIVEN	**4,775.8**	**4,527.5**
of which: Stage 1	*4,637.4*	*4,371.8*
of which: Stage 2	*132.3*	*140.8*
of which: Stage 3	*6.2*	*14.8*
Financing commitments received		
from credit institutions	1,242.8	1,587.3
TOTAL FINANCING COMMITMENTS RECEIVED	**1,242.8**	**1,587.3**

6.b Guarantee commitments given by signature

In millions of euros	31 December 2019	31 December 2018
Guarantee commitments given:		
to credit institutions	661.6	546.6
to customers	1,342.5	1,327.9
- Sureties provided to administrative and tax authorities, other sureties	*1,261.3*	*1,248.7*
- Other guarantees to customers	*81.2*	*79.2*
TOTAL GUARANTEE COMMITMENTS GIVEN:	**2,004.1**	**1,874.4**
of which :Stage 1	*1,913.4*	*1,754.3*
of which :Stage 2	*86.0*	*113.9*
of which :Stage 3	*4.6*	*6.2*

6.c Other guarantee commitments

Financial instruments given as collateral

In millions of euros	31 December 2019	31 December 2018
Financial instruments (negotiable securities and private receivables) lodged with central banks and eligible for use at any time as collateral for refinancing transactions after haircut	**769.3**	**1,357.0**
used as collateral with central banks	-	-
available for refinancing transactions	769.3	1,357.0
Securities sold under repurchase agreements	**112.6**	**101.9**
Other financial assets pledged as collateral for transactions with credit institutions et financial customers	**13.5**	**22.3**

The fair value of financial instruments given by the Group as collateral or transferred under repurchase agreements and which the beneficiary is authorised to sell or reuse as collateral amounted to EUR 121.3 million as at 31 December 2019 (versus EUR 120.1 million as at 31 December 2018).

Financial instruments received as collateral

In millions of euros	31 December 2019	31 December 2018
Financial instruments received as collateral (excluding repurchase agreements)	**2,632.9**	**2,229.8**
of which : Instruments that the Group is authorised to sell and reuse as collateral	*210.1*	*126.7*
Securities received under repurchase agreements	**7,965.6**	**7,270.2**

6.d Composition of the collateral posted and received (EU CCR5-B)

	31 December 2019	
	Collateral used in SFTss [1]	
In millions of euros	Fair value of collateral received	Fair value of collateral posted
Cash - euro	41.5	8,020.7
Cash - other currencies	72.3	66.4
Sovereign debt - euro	8,260.9	114.7
Shares	71.0	6.6
TOTAL	**8,445.7**	**8,208.5**

[1] Securities Financing Transactions (SFTs): repurchase agreements and securities lending/borrowing.

7. Salaries and employee benefits

7.a Staff costs

In millions of euros	2019	2018 *
Fixed and variable remuneration, incentive bonuses and profit-sharing	(373.9)	(358.1)
Retirement bonuses, pension costs and other social security taxes	(116.0)	(105.1)
Payroll taxes	(5.2)	(4.0)
TOTAL STAFF COSTS	**(495.1)**	**(467.1)**

** In the context of the application of IFRS 16 and in order to ensure comparability with the figures for 2019, the expenses related to vehicle leasing for employees for 2018 have been reclassified from "Other operating expenses" to "Staff costs" for an amount of EUR 5.1 million.*

7.b Post-employment benefits

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to paying a fixed amount, stated as a percentage of the beneficiary's annual salary, for example, to an external entity handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of contributions from employees and/or the employer and to bear the cost of benefits itself – or to guarantee the final amount subject to future events – it is described as a defined-benefit plan. The same applies if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and from future changes in the benefits.

Main defined-contribution pension plans of the Group

The Group contributes to various nationwide schemes and supplementary retirement plans, outsourced with several pension funds. By means of a company agreement, BGL BNP Paribas S.A. has set up a funded pension scheme. As such, upon retirement, employees will receive an amount that is added to the pension provided by the national schemes.

As the defined-benefit plans were closed to new employees several years ago, the latter have access to defined contribution pension plans. As part of these plans, the company's commitment is primarily to pay a percentage of the beneficiary's annual salary to the pension plan.

The amounts paid under previous defined contribution employment schemes totalled EUR 22.0 million for 2019 versus EUR 18.7 million for 2018.

Main defined-benefit pension plans for Group entities

The remaining defined benefit plans are valued by independent firms using actuarial techniques, applying the projected unit credit method, in order to determine the expense arising from rights vested by employees and benefits payable to retired employees. The demographic and financial assumptions used to determine the present value of these obligations and of plan assets take into account economic conditions specific to each country and group company.

For all of the plans involved, uncovered commitments are carried in the balance sheet of the Group.

Commitments relating to defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros	Present value of defined-benefit obligations	Fair value of plan assets	Fair value of reimbursement rights	Net obligation	*of which asset recognised in the balance sheet for defined-benefit plans*	*of which obligation recognised in the balance sheet for defined-benefit plans*
31 December 2019						
France	24.9	(19.4)	-	5.5	-	*5.5*
Luxembourg	67.7	(60.9)	(1.1)	5.7	*(1.1)*	*6.8*
United-Kingdom	98.8	(110.5)	-	(11.7)	*(11.7)*	-
Others	23.0	(11.5)	(2.9)	8.6	*(2.9)*	*11.5*
TOTAL	**214.4**	**(202.3)**	**(4.0)**	**8.1**	***(15.7)***	***23.8***
31 December 2018						
France	24.2	(19.0)	-	5.2	-	*5.2*
Luxembourg	67.2	(60.3)	(0.9)	6.0	*(0.9)*	*6.9*
United-Kingdom	87.3	(91.2)	-	(3.9)	*(4.6)*	*0.7*
Others	20.4	(9.7)	(2.9)	7.8	*(2.9)*	*10.7*
TOTAL	**199.1**	**(180.2)**	**(3.8)**	**15.1**	***(8.4)***	***23.5***

Change in the present value of the defined-benefit obligation

In millions of euros	2019	2018
Present value of defined-benefit obligation at start of period	**199.1**	**233.0**
Current service cost	4.2	4.9
Interest cost	3.8	3.8
Actuarial loss (gain) on change in demographic assumptions	(0.9)	(3.9)
Actuarial loss (gain) on change in financial assumptions	17.9	(13.9)
Actuarial loss (gain) on experience gaps	(2.5)	(7.9)
Benefits paid directly by employer	(0.9)	(0.6)
Benefits paid from assets/reimbursement rights	(11.8)	(19.4)
Effect of changes in exchange rates	5.5	(0.9)
Effect of changes in the consolidation scope	0.4	(0.4)
Other changes	(0.4)	4.4
Present value of defined-benefit obligation at end of period	**214.4**	**199.1**

Change in the fair value of plan assets

In million of euros	2019	2018
Fair value of plan assets at start of period	**180.2**	**198.8**
Interest income on assets	3.1	2.8
Actuarial gain or loss over the period	19.0	(5.4)
Contributions by the Group	5.4	4.5
Benefits paid from plan assets	(11.5)	(19.3)
Effect of changes in exchange rates	6.0	(1.0)
Effect of changes in the consolidation scope	0.1	(0.4)
Other changes	-	0.2
Fair value of plan assets at end of period	**202.3**	**180.2**

Change in the fair value of reimbursement rights

In million of euros	2019	2018
Fair value of reimbursement rights at start of period	**3.8**	**3.7**
Interest income on reimbursement rights	0.1	0.1
Actuarial gain on assets	-	0.1
Contributions by the Group	0.1	0.1
Benefits paid from assets	(0.3)	(0.1)
Effect of changes in the consolidation scope	0.3	
Other changes	-	(0.1)
Fair value of reimbursement rights at end of period	**4.0**	**3.8**

Components of the cost of defined-benefit plans

In millions of euros	2019	2018
Service costs	**4.2**	**8.7**
Current service cost	4.2	4.9
Past service cost	-	3.8
Net financial expense	**0.6**	**0.9**
Interest cost	3.8	3.8
Interest income on plan assets	(3.1)	(2.8)
Interest income on reimbursement rights	(0.1)	(0.1)
Total recorded in "Staff costs"	**4.8**	**9.6**

Other items recognised directly in equity

In millions of euros	2019	2018
Other items recognised directly in equity	**4.5**	**20.4**
Actuarial (loss)/gain on plan assets and reimbursement rights	19.0	(5.3)
Actuarial (loss)/gain of demographic assumptions on the present value of obligations	0.9	3.9
Actuarial (loss)/gain of financial assumptions on the present value of obligations	(17.9)	13.9
Experience (loss)/gain on obligations	2.5	7.9

Main actuarial assumptions used to calculate obligations at end of period

In the eurozone and the United Kingdom, the Group discounts its obligations using the yields of high quality corporate bonds, with a term consistent with the duration of the obligations.

The rates used are as follows:

	31 December 2019		31 December 2018	
In percentage	Discount rate	Future salary growth rate [1]	Discount rate	Future salary growth rate [1]
France	0.80%	1.70%-2.95%	1.60%	2.05%-3.30%
Luxembourg	0.20%-1.10%	2.25%-4.50%	1.10%-1.80%	2.55%-4.80%
United-Kingdom	2.00%	3.10%	2.80%	3.55%

[1] Including price increases (inflation).

The impact of a 100 bp change in discount rates on the present value of post-employment benefit obligations is as follows:

In millions of euros	31 December 2019		31 December 2018	
	Discount rate -100bp	Discount rate +100bp	Discount rate -100bp	Discount rate +100bp
France	3.3	(2.8)	3.0	(2.5)
Luxembourg	6.0	(5.2)	7.1	(5.6)
United-Kingdom	21.4	(16.4)	17.3	(13.4)

Actual rate of return on plan assets and reimbursement rights over the period

In percentage [1]	2019	2018
France	3.45%	3.55%
Luxembourg	1.80% / 6.72%	-2.10% / 2.32%
United-Kingdom	17.5% / 17.7%	-1.90% / -1.30%

Breakdown of plan assets

In percentage	31 December 2019					
	Shares	Government bonds	Non-government bonds	Real estate	Deposit accounts	Others
France	6%	69%	17%	8%	0%	0%
Luxembourg	14%	28%	54%	0%	2%	2%
United Kingdom	10%	57%	30%	0%	3%	0%
Others	0%	0%	0%	0%	0%	100%
TOTAL	**10%**	**46%**	**34%**	**1%**	**3%**	**8%**

In percentage	31 December 2018					
	Shares	Government bonds	Non-government bonds	Real estate	Deposit accounts	Others
France	7%	67%	18%	8%	0%	0%
Luxembourg	16%	20%	58%	0%	5%	1%
United Kingdom	12%	49%	31%	0%	4%	4%
Others	0%	0%	0%	0%	0%	100%
TOTAL	**12%**	**38%**	**36%**	**1%**	**4%**	**9%**

The Group introduced an asset management governance for assets backing defined-benefit pension plan commitments, the main objectives of which are the management and control of the risks in term of investment.

It sets out investment principles, in particular, by defining an investment strategy for plan assets, based on financial objectives and financial risk management, to specify the way in which plan assets have to be managed, via finan- cial management servicing contracts.

The investment strategy is based on an assets and liabilities management analysis that should be realised at least every three years for plans with assets in excess of EUR 100 million.

[1] Range of values. reflecting the existence of several plans in the same country.

7.c Other long-term benefits

The Group offers its employees various long-term benefits, mainly long-service awards and the ability to save up paid annual leave in time savings accounts.

On 31 December 2019, the provisions existing within the Group relative to other long-term benefits amounted to EUR 43.8 million (EUR 40.7 million at 31 December 2018).

7.d Termination benefits

The Group has implemented a number of voluntary redundancy plans for employees who meet certain eligibility criteria. The expenses related to voluntary redundancy plans are provisioned relative to the eligible working employees.

In 2019, the Bank set aside a EUR 18.8 million provision for the introduction of a new voluntary early retirement plan (EUR 9.0 million in 2018).

On 31 December 2019, the existing provisions within the Group for the voluntary redundancy and early retirement plans amounted to EUR 28.2 miillion (EUR 15.1 million at 31 December 2018).

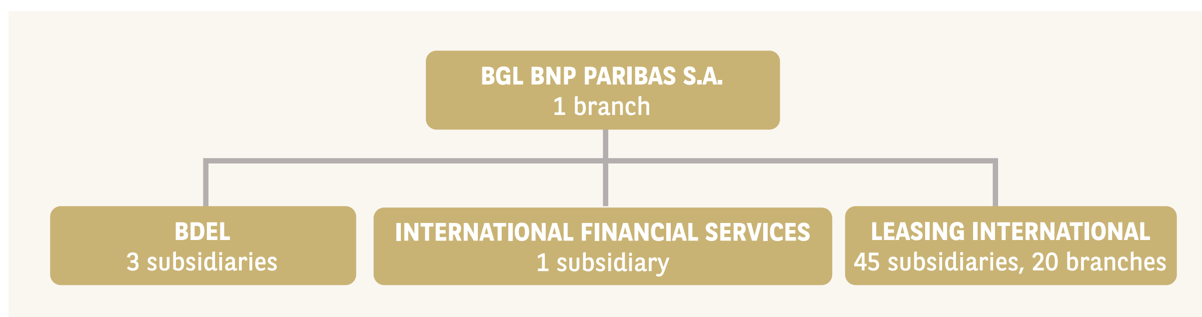
8. Additional information

8.a Changes in share capital

BGL BNP Paribas did not perform any share capital transactions in 2019.

8.b Scope of consolidation

Simplified structure of the Group by core business



List of subsidiaries and branches consolidated in the Group

			31 December 2019			31 December 2018		
Name	Country	Activity	Conso-lidation method	Group ownership interest	Ref. [1)]	Conso-lidation method	Group ownership interest	Ref. [1)]
CONSOLIDATING COMPANY								
BGL BNP Paribas SA	Luxembourg	Bank						
BGL BNP Paribas (German branch)	Germany	Bank	IG	100.00%		IG	100.00%	
BDEL								
BNP Paribas Lease Group Luxembourg SA	Luxembourg	Leasing	IG	100.00%	--	IG	100.00%	--
Cofhylux SA	Luxembourg	Real Estate	IG	100.00%	--	IG	100.00%	--
Europay Luxembourg SC	Luxembourg	Financial Services	--	--	--	ME	0.34%	S3
FS B SARL	Luxembourg	Real estate interest	--	--	--	ME	28.49%	S4
Visalux S.C	Luxembourg	Financial Services	ME	25.34%	--	ME	23.86%	E3
Structured entities								
Elimmo SARL	Luxembourg	Real estate interest	IG	66.67%	S3	IG	66.67%	E3
LEASING INTERNATIONAL								
Albury Asset Rentals Ltd	United Kingdom	Leasing	--	--	--	IG	50.00%	S1
All In One Vermietung GmbH	Austria	Leasing	IG	50.00%	--	IG	50.00%	E3
Aprolis Finance SA	France	Leasing	IG	25.50%	--	IG	25.50%	--
Arius (Belgian branch)	Belgium	Leasing	IG	25.50%	E1	--	--	--
Arius (German branch)	Germany	Leasing	IG	25.50%	E1	--	--	--
Arius (Italian branch)	Italy	Leasing	IG	25.50%	E1	--	--	--
Arius (Dutch branch)	The Netherlands	Leasing	IG	25.50%	E1	--	--	--
Arius (UK branch)	United Kingdom	Leasing	IG	25.50%	E1	--	--	--
Artegy SA	France	Leasing	IG	50.00%	--	IG	50.00%	
BNL Leasing SPA	Italy	Leasing	ME	13.09%	E3	--	--	--
BNPP 3 Step IT (fomer Arius SA)	France	Leasing	IG	25.50%	V2	IG	50.00%	--

Name	Country	Activity	31 December 2019			31 December 2018		
			Consolidation method	Group ownership interest	Ref. [1]	Consolidation method	Group ownership interest	Ref. [1]
BNP Paribas Finansal Kiralama AS	Turkey	Leasing	IG	47.74%	--	IG	47.74%	--
BNP Paribas Lease Group (Belgique) SA	Belgium	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Group Rentals Ltd	United Kingdom	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Group SA	France	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Group Sp.z o.o.	Poland	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Group UK PLC	United Kingdom	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Groupe (German branch)	Germany	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Groupe (Spanish branch)	Spain	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Groupe (Italian branch)	Italy	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Lease Groupe (Portuguese branch)	Portugal	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Leasing Solutions AS	Norway	Leasing	IG	50.00%	--	IG	50.00%	E2
BNP Paribas Leasing Solutions IFN	Romania	Leasing	IG	49.97%	--	IG	49.97%	--
BNP Paribas Leasing Solutions Ltd	United Kingdom	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Leasing Solutions NV	The Netherlands	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Leasing Solutions SA	Luxembourg	Leasing	IG	50.00%	--	IG	50.00%	--
BNP Paribas Leasing Solutions SPA	Italy	Leasing	ME	13.09%	--	ME	13.09%	--
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Leasing	IG	50.00%	--	IG	50.00%	D1
BNPP B Institutional II - Treasury 17	Belgium	Asset management	--	--	--	IG	100.00%	S4
BNPP Lease Group GmbH & Co KG	Austria	Leasing	IG	50.00%	--	IG	50.00%	E3
BNPP Rental Solutions Ltd	United Kingdom	Leasing	IG	50.00%	--	IG	50.00%	--
BNPP Rental Solutions SPA (fomer Locatrice Italiana SPA)	Italy	Leasing	IG	50.00%	--	IG	50.00%	D1
Claas Financial Services (German branch)	Germany	Leasing	IG	25.50%	--	IG	25.50%	--
Claas Financial Services (Spanish branch)	Spain	Leasing	IG	25.50%	--	IG	25.50%	--
Claas Financial Services (Polish branch)	Poland	Leasing	IG	25.50%	--	IG	25.50%	--
Claas Financial Services Ltd	United Kingdom	Leasing	IG	25.50%	--	IG	25.50%	--
Claas Financial Services SA	France	Leasing	IG	25.50%	--	IG	25.50%	--
Class Financial Services (Italian branch)	Italy	Leasing	IG	25.50%	--	IG	25.50%	--
CMV Mediforce	France	Leasing	IG	49.99%	--	--	49.99%	E2
CNH Industrial Capital Europe (German branch)	Germany	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe (Belgian branch)	Belgium	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe (Spanish branch)	Spain	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe (Italian branch)	Italy	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe (Polish branch)	Poland	Leasing	IG	25.05%	--	IG	25.05%	--

Name	Country	Activity	31 December 2019			31 December 2018		
			Conso-lidation method	Group ownership interest	Ref. [1]	Conso-lidation method	Group ownership interest	Ref. [1]
CNH Industrial Capital Europe BV	The Netherlands	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe GmbH	Austria	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe Ltd	United Kingdom	Leasing	IG	25.05%	--	IG	25.05%	--
CNH Industrial Capital Europe SA	France	Leasing	IG	25.05%	--	IG	25.05%	--
Commercial Vehicle Finance Ltd	United Kingdom	Leasing	IG	50.00%	--	IG	50.00%	--
Folea Grundstucksverwaltungs und Vermietungs Gmbh & Co	Germany	Leasing	IG	3.00%	--	IG	3.00%	D1
Fortis Lease Belgium SA	Belgium	Leasing	IG	50.00%	--	IG	50.00%	--
Fortis Lease Deutschland GmbH	Germany	Leasing	IG	50.00%	--	IG	50.00%	--
Fortis Lease Iberia SA	Spain	Leasing	IG	39.31%	--	IG	39.31%	--
Fortis Lease Portugal SA	Portugal	Leasing	IG	50.00%	--	IG	50.00%	--
Fortis Lease SA	France	Leasing	IG	50.00%	--	IG	50.00%	
Fortis Lease UK Ltd	United Kingdom	Leasing	IG	50.00%	--	IG	50.00%	D1
Fortis Lease Zeebrugge SA	Belgium	Leasing	IG	37.50%	--	IG	37.50%	D1
Fortis Vastgoed Lease BV	The Netherlands	Leasing	IG	50.00%	--	IG	50.00%	D1
Heffiq Heftruck Verhuur BV	The Netherlands	Leasing	IG	25.02%	--	IG	25.02%	E3
Humberclyde Commercial Inv. Ltd	United Kingdom	Leasing	--	--	--	IG	50.00%	S1
JCB Finance (German branch)	Germany	Leasing	IG	25.05%	--	IG	25.05%	--
JCB Finance (Italian branch)	Italy	Leasing	IG	25.05%	--	IG	25.05%	--
JCB Finance Holdings Ltd	United Kingdom	Leasing	IG	25.05%	--	IG	25.05%	--
JCB Finance SA	France	Leasing	IG	25.05%	--	IG	25.05%	--
Manitou Finance Ltd	United Kingdom	Leasing	IG	25.50%	--	IG	25.50%	--
MFF SAS	France	Leasing	IG	25.50%	--	IG	25.50%	--
RD Leasing IFN SA	Romania	Leasing	IG	50.00%	--	IG	50.00%	E2
Same Deutz Fahr Finance Ltd	United Kingdom	Leasing	--	--	--	IG	50.00%	S1
Same Deutz Fahr Finance SA	France	Leasing	IG	50.00%	--	IG	50.00%	--
INTERNATIONAL FINANCIAL SERVICES								
Cardif Lux Vie SA	Luxembourg	Insurance	ME	33.33%		ME	33.33%	--
OTHER ACTIVITIES								
Plagefin SA	Luxembourg	Equity management	IG	100.00%	S2/ S1	IG	100.00%	--

[1] Scope of consolidation

New entries (E) in the scope
E1 Incorporation
E2 Purchase, gain of control or significant influence
E3 Crossing of threshold as defined by Group

Removals (S) from the scope
S1 Disposal
S2 Merger
S3 Entities no longer consolidated as below thresholds defined by the Group
S4 Assignment outside the Group, loss of control or loss of significant influence

Change in percentage holding (V)
V1 Additional acquisition
V2 Partial disposal

Others (D)
D1 Change in consolidation method linked to consolidation thresholds

ME* Controlled Entities consolidated under the equity method due to their immateriality (see Note 1.b))

8.c Minority interests

Main minority interests

BGL BNP Paribas owns 50% + 1 share of the Luxembourg holding company BNP Paribas Leasing Solutions SA (BPLS). The minority shareholder of BPLS is BNP Paribas, which holds 50% minus 1 share. Other subsidiaries are all wholly owned.

BPLS itself holds many international leasing subsidiaries (see Note 9.b), some of which also have minority interests (partnerships with manufacturers in particular). These minority interests are not material to the Group.

In millions of euros	31 December 2019	31 December 2018
Shareholders' equity - Minority interests	1,194.6	1,140.7
Dividends paid to minority shareholders	(66.7)	(127.1)
Interim dividend payments to minority shareholders	(42.6)	(60.0)

In millions of euros	31 December 2019	31 December 2018
Net income attributable to minority interests	144.2	160.9

Contribution of BNP Paribas Leasing Solutions and its subsidiaries (before elimination of intercompany transactions)

In millions of euros	31 December 2019	31 December 2018
Total balance sheet	23,770.3	22,859.1

In millions of euros	31 December 2019	31 December 2018
Revenues	843.6	779.5
Net income	245.2	281.0
Net income and changes in assets and liabilities recognised directly in equity, attributable to minority shareholders	156.4	183.7

There are no particular contractual restrictions on the assets of BNP Paribas Leasing Solutions related to the presence of the minority shareholder.

Acquisitions of additional interests or partial sales of interests leading to changes in the share of minority shareholders in the equity and reserves

During the financial year 2019, the partial sale of BNPP 3 Step IT (former Arius SA) increased the share of minority shareholders in the equity and reserves by EUR 12.9 million.

Commitments to repurchase minority shareholders' interests

In connection with the acquisition of certain entities, the Group has granted minority shareholders put options for their participation for a specific price.

The total value of these commitments, which are recorded as a reduction of shareholders' equity, was EUR 10.2 million at 31 December 2019 compared with EUR 7.6 million at 31 December 2018.

8.d Significant restrictions in subsidiaries, associates and joint ventures

Significant restrictions related to the ability of entities to transfer cash to the Group

The ability of entities to pay dividends or to repay loans and advances depends, inter alia, on local regulatory requirements for capitalisation, and legal reserves, as well as the entities' financial and operational performance. During 2019 and 2018, no Group entity was subject to significant restrictions other than those related to regulatory requirements.

Significant restrictions related to the Group's ability to use assets pledged as collateral or sold under repurchase agreements

Financial instruments pledged by the Group as collateral or sold under repurchase agreements are presented in note 6.c

Significant restrictions related to liquidity reserves

The amount of mandatory deposits with central banks and other regulators amounted to EUR 155.8 million at 31 December 2019 (EUR 406.4 million at 31 December 2018).

8.e Structured entities

The Group considers that it has sponsored a structured entity when it was involved in its creation.

The Group is engaged in transactions with sponsored structured entities primarily through its activities of specialised asset financing.

In addition, the Group is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds and securitisation vehicles.

The method for assessing control for structured entities is detailed in Note 1.b.2. Consolidation methods.

8.e.1 Consolidated structured entities

Structured entities consolidated by the Group mainly include structured entities controlled by the Group as part of its core business of structured finance or investments.

8.e.2 Unconsolidated structured entities

The Group is involved in relationships with unconsolidated structured entities as part of its activities to meet the needs of its customers.

Information relating to interests in sponsored structured entities

The main categories of unconsolidated sponsored structured entities are

Funds: historically, the Group has been involved in the management and structuring of funds in order to offer investment opportunities to its customers. The Group may hold a residual number of shares issued by these funds.

Asset financing: the Group finances structured entities that acquire assets (aircraft, ships, etc.) intended for lease, and the lease payments received by the structured entity are used to repay the financing, which is guaranteed by the asset held by the structured entity.

Real estate structure: on behalf of its customers, the Group may also structure entities, whose objective is to invest in real estate assets.

Others: on behalf of its customers, the Group may also structure entities that invest in assets to acquire holdings or to raise funds.

The Group's assets and liabilities related to interests held in sponsored structured entities are as follows:

In millions of euros	Securitisation	Funds	Assets financing	Real estate structure	Others	Total
						31 December 2019
INTERESTS ON THE GROUP BALANCE SHEET						
Assets						
Financial assets at amortised cost	-	-	0.1	8.5	-	8.6
TOTAL ASSETS	**-**	**-**	**0.1**	**8.5**	**-**	**8.6**
Liabilities						
Financial liabilities at amortised cost	-	-	-	26.4	-	26.4
TOTAL LIABILITIES	**-**	**-**	**-**	**26.4**	**-**	**26.4**
Maximum exposure to loss	-	-	0.1	63.0	-	63.1
SIZE OF STRUCTURED ENTITIES	**N/A**	**-**	**2.2**	**436.7**	**-**	**438.9**

In millions of euros	Securitisation	Funds	Assets financing	Real estate structure	Others	Total
						31 December 2018
INTERESTS ON THE GROUP BALANCE SHEET						
Assets						
Financial assets at amortised cost	-	-	-	0.5	-	0.5
TOTAL ASSETS	**-**	**-**	**-**	**0.5**	**-**	**0.5**
Liabilities						
Financial liabilities at amortised cost	-	-	0.0	8.5	-	8.5
TOTAL LIABILITIES	**-**	**-**	**0.0**	**8.5**	**-**	**8.5**
Maximum exposure to loss	-	-	-	229.5	-	229.5
SIZE OF STRUCTURED ENTITIES	**N/A**	**-**	**2.5**	**369.4**	**-**	**371.9**

The maximum exposure to losses on structured entities is the carrying amount of the potential loss in cash flow.

It is composed of the carrying value of the asset, excluding, for financial assets at fair value through equity, changes in value recognised directly in equity, as well as the nominal amount of financing and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

Information on the size of the structured entities sponsoreddiffers depending on their type.

Thus, the following financial data have been used to measure the size:

- Securitisation: total assets of the structured entity, mentioned in the last report to investors;
- Funds: Fund NAV;
- Other structured entity: total assets of the structured entity or, if the information is not available, the amount of the Group's commitment.

Information relating to interests in non-sponsored structured entities

The main interests held by the Group when it acts solely as an investor in non-sponsored structured entities are detailed below:

Securitisation: the Group invests in securitisation vehicles to provide asset financing solutions. These vehicles finance the purchase of assets (loans or bonds, etc.) mainly by issuing bonds backed by these assets and the repayment of these assets is linked to their performance

Funds: the Group may invest in mutual funds or securities investment funds without any involvement in either their management or structuring. There were no such investments at 31 December 2019 (those investments reprensented a total of EUR 20.0 million at 31 December 2018.

8.f Compensation and benefits awarded to members of the board and key corporate officers

In 2019, the remuneration paid to the Group's key officers amounted to EUR 7.1 million (including EUR 0.6 million of pension expenses) (2018: EUR 9.3 million including EUR 0.5 million of pension expenses).

The remuneration paid in 2019, relative to 2018, to the members of the BGL BNP Paribas Board of Directors amounted to EUR 1.4 million (2018: EUR 1.2 million).

During the financial year 2019, the key officers were allocated EUR 0.6 million under the retention scheme (2018: EUR 0.8 million).

At 31 December 2019, the loans granted to members of the Board of Directors were equal to EUR 1.4 million (31 December 2018: EUR 1.6 million); the loans granted to key officers were equal to EUR 9.0 million (2018: EUR 10.1 million).

At 31 December 2019, the credit lines granted to members of the Board of Directors amounted to EUR 1.9 million (2018: EUR 2.2 million); the credit lines granted to key officers amounted to EUR 9.9 million (2018: EUR 11.9 million).

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8.g Related parties

The related parties of the Group are associates, joint ventures, pension funds, members of the Board of Directors and key officers of the Group, immediate family members of the aforementioned persons, entities controlled or appreciably influenced by any of the aforementioned persons, as well as any other related entities.

As part of its operational activities, the Group is often required to carry out transactions with related parties. These transactions primarily involve loans and deposits and are carried out on an arm's length basis.

The table below summarises the financial scope of the activities carried out with the following related parties:

- Associates;
- Parent companies: BNP Paribas SA, BNP Paribas Fortis SA and their branches;
- Other BNP Paribas Group companies not held by the Group.

Relationships with members of the Board of Directors and the Group's key officers are covered in part 8.f.

Relationships with joint ventures are not significant.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas SA. As such, it received a dividend of EUR 70.7 million from BGL BNP Paribas SA in 2019. Other transactions, with the State of Luxembourg or with any other entity controlled by the State of Luxembourg, are carried out on an arm's length basis.

Related parties balance sheet items:

In millions of euros	31 December 2019			31 December 2018		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
ASSETS						
Financial instruments at fair value through profit or loss						
Derivatives used for hedging purposes	-	187.3	-	-	115.9	-
Financial assets at fair value through equity	-	-	186.2	-	-	199.8
Financial assets at amortised cost	238.1	15,290.7	401.7	265.2	15,114.2	438.4
Accrued income and other assets	8.5	7.3	99.6	5.5	23.1	125.6
TOTAL	**343.4**	**15,608.3**	**756.1**	**334.7**	**15,417.2**	**798.1**
LIABILITIES						
Financial instruments at fair value through profit or loss	-	31.4	11.5	-	47.4	106.4
Derivatives used for hedging purposes	-	45.8	-	-	8.5	-
Financial liabilities at amortised cost	68.5	10,652.5	268.9	84.4	10,470.4	289.9
Accrued expenses and other liabilities	45.9	29.0	13.8	40.4	68.9	11.6
TOTAL	**114.4**	**10,758.7**	**294.2**	**124.8**	**10,595.2**	**407.9**

Moreover, the Group also carries out, with these related parties, trading transactions on an arm's length basis involving derivatives (swaps, options, futures contracts…) and financial instruments (equities, debt securities…) contracted or issued by them.

In millions of euros	31 December 2019			31 December 2018		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
FINANCING AND GUARANTEE COMMITMENTS						
Financing commitments given	-	-	0.1	-	10.2	-
Financing commitments received	-	425.8	7.2	-	223.1	7.2
Guarantee commitments given	4.8	203.9	337.1	3.1	202.1	310.2
Guarantee commitments received	363.6	172.5	37.3	0.0	49.2	22.7

The Bank had global netting agreements with BNP Paribas Fortis SA and BNP Paribas SA (and their respective branches within the European Union) in order to reduce its exposure to these entities both with regard to balance sheet exposures as well as off-balance sheet exposures.

Related-parties profit and loss items:

In millions of euros	2019			2018		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
Interest and similar income	4.7	185.9	17.5	4.2	170.5	18.5
Interest and similar expense	(0.0)	(122.3)	(7.5)	-	(125.9)	(8.4)
Commission (income)	10.4	11.2	18.2	9.5	9.3	18.9
Commission (expense)	(3.9)	(6.0)	(7.5)	(5.1)	(5.1)	(5.7)
Income (expense) from other activities	(29.7)	(0.0)	43.5	(23.1)	0.0	40.9
TOTAL	**(18.4)**	**68.8**	**64.3**	**(14.5)**	**48.8**	**64.2**

8.h Country-by-country information

In accordance with Article 38-3 of the Law of 5 April 1993 as amended by the Law of 23 July 2015, credit institutions, financial holding companies (mixed) and investment firms must disclose information on their locations and activities, included in their scope of consolidation in each State or territory.

Details of countries of operation are available in note 8.b: Scope of Consolidation

Profit and loss items and employees by country

					2019*	
In millions of euros	Revenues	Income before tax	Current taxes	Deferred taxes	Income tax expense	Financial staff** at 31 December 2019
MEMBER STATES OF THE EUROPEAN UNION						
Germany	93.3	36.6	(11.4)	(0.5)	(12.0)	315
Austria	5.5	2.1	(0.7)	0.1	(0.6)	22
Belgium	36.1	24.1	(4.0)	(2.8)	(6.7)	142
Spain	28.8	11.7	(2.0)	(1.5)	(3.4)	104
France	274.4	88.4	(19.2)	(6.0)	(25.2)	1,441
Italy [1]	125.8	49.7	(16.3)	2.3	(14.0)	-
Luxembourg	688.0	291.5	(67.9)	6.2	(61.8)	2,233
The Netherlands	37.6	15.7	(3.6)	(0.7)	(4.3)	87
Poland	15.0	6.5	(1.9)	0.7	(1.2)	227
Portugal	7.5	4.6	(0.5)	(1.4)	(1.9)	36
Romania	17.5	8.2	(0.0)	(1.1)	(1.1)	50
United Kingdom	140.3	61.7	(5.1)	(8.5)	(13.6)	471
Other European countries						
Norway	6.3	1.7	(0.6)	0.2	(0.4)	24
Switzerland	0.9	(2.2)	-	0.0	0.0	8
Africa and Mediterranean region						
Turkey	38.1	22.2	-	(1.3)	(1.3)	124
TOTAL GROUP	**1,515.1**	**622.4**	**(133.2)**	**(14.3)**	**(147.5)**	**5,284**

** The financial data corresponds to the contribution to the consolidated profit and loss of fully consolidated entities under exclusive control.*
*** Financial staff: the full-time equivalent (FTE) workforce as at 31 December 2019 of the fully consolidated entities under exclusive control.*

The Group did not receive any government grants during 2019.

					2018 *	
In millions of euros	Revenues	Income before tax	Current taxes	Deferred taxes	Income tax expense	Financial staff** at 31 December 2018
MEMBER STATES OF THE EUROPEAN UNION						
Germany	88.4	38.3	(13.0)	0.1	(12.9)	307
Austria	5.5	1.7	(0.8)	0.2	(0.6)	22
Belgium	29.4	15.3	(4.6)	1.7	(2.9)	138
Spain	26.7	11.3	(0.4)	(1.5)	(1.8)	98
France	265.4	88.9	(29.9)	18.2	(11.8)	1,402
Italy [1]	108.5	46.7	(12.5)	(0.3)	(12.9)	-
Luxembourg	685.6	309.7	(129.9)	70.7	(59.1)	2,328
The Netherlands	33.7	18.4	(3.7)	(0.6)	(4.3)	83
Poland	12.6	4.5	(2.5)	1.7	(0.9)	207
Portugal	7.2	3.3	(0.9)	(0.2)	(1.0)	34
Romania	9.0	2.0	-	(0.1)	(0.1)	60
United Kingdom	132.8	63.7	(2.5)	(10.0)	(12.5)	467
Other European countries						
Norway	3.5	1.4	(0.2)	(0.0)	(0.3)	17
Switzerland	0.4	(2.3)	(0.0)	0.0	0.0	9
Africa and Mediterranean region						
Turkey	38.2	20.4	-	(3.5)	(3.5)	133
TOTAL GROUP	**1,447.0**	**623.3**	**(200.9)**	**76.6**	**(124.3)**	**5,305**

** The financial data correspond to the contribution to the consolidated profit and loss of fully consolidated entities under exclusive control.*
*** Financial staff: the full-time equivalent (FTE) workforce as at 31 December 2018 of the fully consolidated entities under exclusive control.*

The Group did not receive any government grants during 2018

[1] The staff are located in an Italian entity, consolidated using the equity method, and are therefore not included in this note.

8.i Fair value of financial instruments carried at amortized 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 31 December 2019. 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 amount actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be real- ised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instruments to the Group as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of commercial banking activities that 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, nonfinancial 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 the Group.

	Estimated fair value				Balance sheet value
In millions of euros, at 31 December 2019	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables [1]	-	16,175.9	19,151.2	35,327.0	35,046.5
Debt securities at amortised cost (note 5.e)	1,165.6	62.4	-	1,227.9	1,147.8
FINANCIAL LIABILITIES					
Deposits and borrowings	-	45,302.3	-	45,302.3	45,297.7
Issued debt securities (note 5.h)	-	707.8	-	707.8	707.8
Subordinated debt (note 5.h)	-	100.0	-	100.0	100.0

	Estimated fair value				Balance sheet value
In millions of euros, at 31 December 2018	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables [1]	-	15,941.9	17,573.4	33,515.3	33,362.2
Debt securities at amortised cost (note 5.e)	1,373.1	210.5	-	1,583.6	1,511.7
FINANCIAL LIABILITIES					
Deposits and borrowings	-	43,317.0	-	43,317.0	43,313.1
Issued debt securities (note 5.h)	-	1,105.7	-	1,105.7	1,105.0
Subordinated debt (note 5.h)	-	111.1	-	111.1	111.1

[1] Finance leases excluded.

The valuation techniques and assumptions used ensure that the fair value of financial assets and liabilities is measured at amortised cost throughout the Group. 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 relative to the accounting principles applied by the Group. The allocation by level was conducted in accordance with the accounting principles described in this note. 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) fair value is used and these were classified in Level 2, with the exception of loans to customers, classified as Level 3. Where fair value cannot be determined, the amortised cost is used.

8.j Contingent liabilities : legal proceedings and arbitration

Like any other financial institution, the Group is involved as defendant in various claims, disputes and legal proceedings, arising in the ordinary course of the banking and insurance business.

The Group makes provisions for such matters when, in the opinion of management and upon consultation with its legal advisors, it is probable that a payment will have to be made by the Group, and when the amount can be reasonably estimated (see note 5.n "Provisions for contingencies and charges").

In respect of further claims and legal proceedings against the Group of which management is aware (and which, according to the principles outlined above, have not been provided for), it is the opinion of management, after due consideration of appropriate professional advice, that such claims are without merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Group's consolidated financial statements.

After the acquisition and merger of ABN AMRO Bank (Luxembourg) S.A. in the second half of 2018, the bank absorbed ABN AMRO Bank (Luxembourg) S.A.'s custody operations. In the context of these operations, one fund, for which ABN AMRO Bank (Luxembourg) S.A. acted as custodian between 19 April 2012 and 31 March 2015, issued BGL BNP Paribas with a court summons dated 18 December 2019. At this stage, no provision has been set aside with respect to this case, but the bank has decided to protect its interests in this process by exercising the liability guarantee agreed as part of the acquisition.

Moreover, the Bank has decided to wind up these operations and has been obliged to terminate custody contracts and the associated banking relationships. As at 31 December 2019, no legal case had been brought against the bank following these measures.

8.k Guarantee fund

On 18 December 2015, the Luxembourg Government transposed into the Law on the resolution and liquidation of credit institutions and the system for the protection of depositors and investors, European Directives 2014/59/ EU, laying down the framework for the recovery and resolution of credit institutions and investment firms, and 2014/49/EU defining deposit guarantee schemes.

This new mechanism covers all eligible deposits up to 100,000 euros and investments up to 20,000 euros. In addition, the law stipulates that recent deposits (less than 12 months) resulting from specific transactions linked to a social objective or correlated with certain events in life are also guaranteed beyond the ceiling of EUR 100,000.

The Act thus replaces the depositors' and investors' guarantee mechanism in Luxembourg, which was governed by the "Association pour la Garantie des Dépôts, Luxembourg (AGDL)" by means of a new mechanism based on an ex-ante contribution principle in a new fund, the "Luxembourg Deposit Guarantee Fund" (LDGF). In accordance with Article 163(8) of the Law, this fund was capitalised through the payment of a first tranche of 0.8% of the total guaranteed deposits of Luxembourg credit institutions and investment firms.

The target of 0.8% has been reached on 31 December 2018. In accordance with Article 163(8) of the Law, credit institutions and investment firms will contribute from now on to the construction of a second tranche of 0.8% of guaranteed deposits of credit institutions and investment firms in Luxembourg over a period of 8 years.

In 2019, the Bank contributed to the LDGF for an amount of EUR (versus EUR 9.8 million in 2018).

8.l Fees paid to the statutory auditors

Year to 31 December 2019 *In thousands of euros*	Deloitte		PricewaterhouseCoopers		Mazars		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- *Consolidating entity*	*944*	*84%*	*-*	*0%*	*571*	*26%*	*1,515*	*40%*
- *Consolidated subsidiaries*	*8*	*1%*	*344*	*75%*	*1,641*	*73%*	*1,993*	*52%*
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- *Consolidating entity*	*-*	*0%*	*-*	*0%*	*-*	*0%*	*-*	*0%*
- *Consolidated subsidiaries*	*-*	*0%*	*-*	*0*	*-*	*0*	*-*	*0%*
TOTAL AUDIT	**952**	**85%**	**344**	**75%**	**2,212**	**99%**	**3,508**	**92%**
Other services provided by the networks								
Legal, tax, social	-	0%	-	0%	-	0%	-	0%
Other	176	15%	112		21	1%	309	8%
OTHER SERVICES TOTAL	**176**	**15%**	**112**	**25%**	**21**	**1%**	**309**	**8%**
TOTAL FEES	**1,128**	**100%**	**456**	**100%**	**2,233**	**100%**	**3,817**	**100%**

Year to 31 December 2018 *In thousands of euros*	Deloitte		PricewaterhouseCoopers		Mazars		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- *Consolidating entity*	*742*	*72%*	*43*	*3%*	*587*	*24%*	*1,372*	*29%*
- *Consolidated subsidiaries*	*18*	*2%*	*369*	*34%*	*1,826*	*72%*	*2,213*	*48%*
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- *Consolidating entity*	*235*	*23%*	*688*	*63%*	*108*	*4%*	*1,031*	*22%*
- *Consolidated subsidiaries*	*-*	*0*	*-*	*0*	*-*	*0*	*-*	*0%*
TOTAL AUDIT	**995**	**97%**	**1,100**	**100%**	**2,521**	**100%**	**4,616**	**99%**
Other services provided by the networks								
Legal, tax, social	-	0%	-	0%	-	0%	-	0%
Other	34	3%	-	0%	-	0%	34	1%
OTHER SERVICES TOTAL	**34**	**3%**	**-**	**0**	**-**	**0**	**34**	**1%**
TOTAL FEES	**1,029**	**100%**	**1,100**	**100%**	**2,521**	**100%**	**4,650**	**100%**

8.l Subsequent events

There were no significant events after the reporting date.

UNCONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2019

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The unconsolidated annual accounts of BGL BNP Paribas SA have been prepared in accordance with the legislation and regulations applicable in Luxembourg, and in particular with the Law of 17 June 1992, as amended, on the accounts of credit institutions.

Since 1 January 2019, BGL BNP Paribas SA has broadened the scope of application of the IFRS option, although the following accounting principles are still excluded: prudential provisions, special items

with a share of the reserve and exclusion of capital gains on property, plant and equipment and intangible assets.

The unconsolidated annual accounts are provided hereafter in an abridged form. The unconsolidated annual accounts, comprising the balance sheet, income statement and notes to the annual accounts as well as the Board of directors' report and the auditor's report are published in accordance with legal requirements.

Pursuant to article 71 of the modified Law of 17 June 1992 on the approved annual accounts of credit institutions, the Board of directors' report, as well as the auditor's report must be filed with the Luxembourg Business Register in the month they are approved by the General Meeting of Shareholders, and no later than 7 months after the closing of the period. The accounts are published by mention in the Recueil électronique des sociétés et associations of the filing with the Luxembourg Business Register where these documents are available.

The approved auditor delivered an unqualified certification of the unconsolidated annual accounts of BGL BNP Paribas SA as at 31 December 2019.

Statutory balance sheet

In millions of euros	31 December 2019	1 January 2019 [1)]
ASSETS		
Cash, central banks	175.2	427.7
Financial instruments at fair value through profit of loss	2,775.6	4,727.1
Securities portfolio	*601.3*	*935.9*
Loans and repurchase agreements	*2,020.0*	*3,599.9*
Derivatives	*154.3*	*191.3*
Derivatives used for hedging purposes	187.3	115.9
Financial assets at fair value through equity	1,706.1	1,365.8
Debt securities	1,519.9	1,165.9
Equity instruments	186.2	199.8
Financial assets at amortised cost	38,768.6	34,423.3
Loans and receivables due from credit institutions	*15,930.3*	*15,390.2*
Loans and receivables due from customers	*21,690.5*	*17,521.4*
Debt securities	*1,147.8*	*1,511.7*
Share in associates and subsidiaries at aquisition cost	1,406.0	1,411.4
Current and deferred tax assets	8.4	9.4
Accrued income and other assets	167.6	178.5
Property, plant and equipment and investment property	336.6	347.7
Intangible assets	15.9	16.9
TOTAL ASSETS	**45,547.4**	**43,023.8**
LIABILITIES		
Financial instruments at fair value through profit or loss	271.4	291.4
Deposits and repurchase agreements	*113.9*	*102.5*
Issued debt securities	*27.1*	*48.1*
Subordinated debt	*86.9*	*83.6*
Derivatives	*43.6*	*57.2*
Derivatives used for hedging purposes	45.8	8.5
Financial liabilities at amortized cost	37,335.6	35,006.1
Due to credit institutions	3,709.9	3,199.9
Due to customers	32,981.2	30,766.6
Issued debt securities	644.6	1,039.5
Remeasurement adjustment on interest-rate risk hedged portfolios	100.9	60.5
Current and deferred tax liabilities	52.9	68.3
Accrued expenses and other liabilities	382.8	320.9
Provisions	1,758.5	1,616.2
TOTAL LIABILITIES	**39,947.9**	**37,371.9**
EQUITY		
Share capital and additional paid-in capital	*5,446.9*	*5,651.9*
Income for the period	*148.6*	*-*
Total capital, retained earnings and income for the period	5,595.5	5,651.9
Changes in assets and liabilities recognised directly in equity	3.9	-
TOTAL EQUITY	**5,599.5**	**5,651.9**
TOTAL LIABILITIES	**45,547.4**	**43,023.8**

[1)] The statutory balance sheet at 1 January 2019 represents the opening balance sheet of the Bank following the change of the accounting standard as of 1 January 2019.

Statutary profit and loss account

In millions of euros	2019	2018 (pro-forma) [1]	2018 (published) [2]
Interest and similar income	547.7	504.9	521.1
Interest and similar expense	(132.5)	(112.4)	(116.5)
Commission (income)	178.8	168.0	168.0
Commission (expense)	(28.6)	(25.6)	(25.6)
Net gain on financial instruments at fair value through profit or loss	47.4	30.9	56.3
Net gain on financial instruments at fair value through equity	9.0	60.0	110.6
Net gain on financial instruments at aquisition cost	96.3	177.7	177.7
Income on other activities	26.5	22.9	22.9
Expense on other activities	(18.8)	(35.1)	(35.1)
Revenues	**725.7**	**791.4**	**879.5**
Staff costs	(241.7)	(224.7)	(224.0)
Other operating expense	(100.7)	(104.0)	(104.2)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(25.1)	(22.4)	(23.4)
GROSS OPERATING INCOME	**358.3**	**440.3**	**527.9**
Cost of risk	(5.2)	8.4	(2.0)
OPERATING INCOME	**353.1**	**448.7**	**525.8**
Allocations to and reversals of prudential provisions	(146.0)	(597.0)	(597.0)
Income/expense arising from "special items with a share of the reserve "	2.0	2.0	2.0
Net gain on other fixed assets	0.5	386.5	386.5
PRE-TAX INCOME	**209.6**	**240.1**	**317.3**
Corporate income tax	(61.0)	(86.9)	(108.1)
NET INCOME	**148.6**	**153.2**	**209.2**

[1] The pro-forma profit and loss account represents the profit and loss acocunt of the Bank for the financial year under the assumption of application of accounting standards identical to that for the 2019 financial year without the application of IFRS 16.

[2] The published statutory profit an loss account represents the profit and loss account published in the 2018 annual accounts reallocated according to the publication scheme applicable as of 1 January 2019.

APPROPRIATION OF PROFIT

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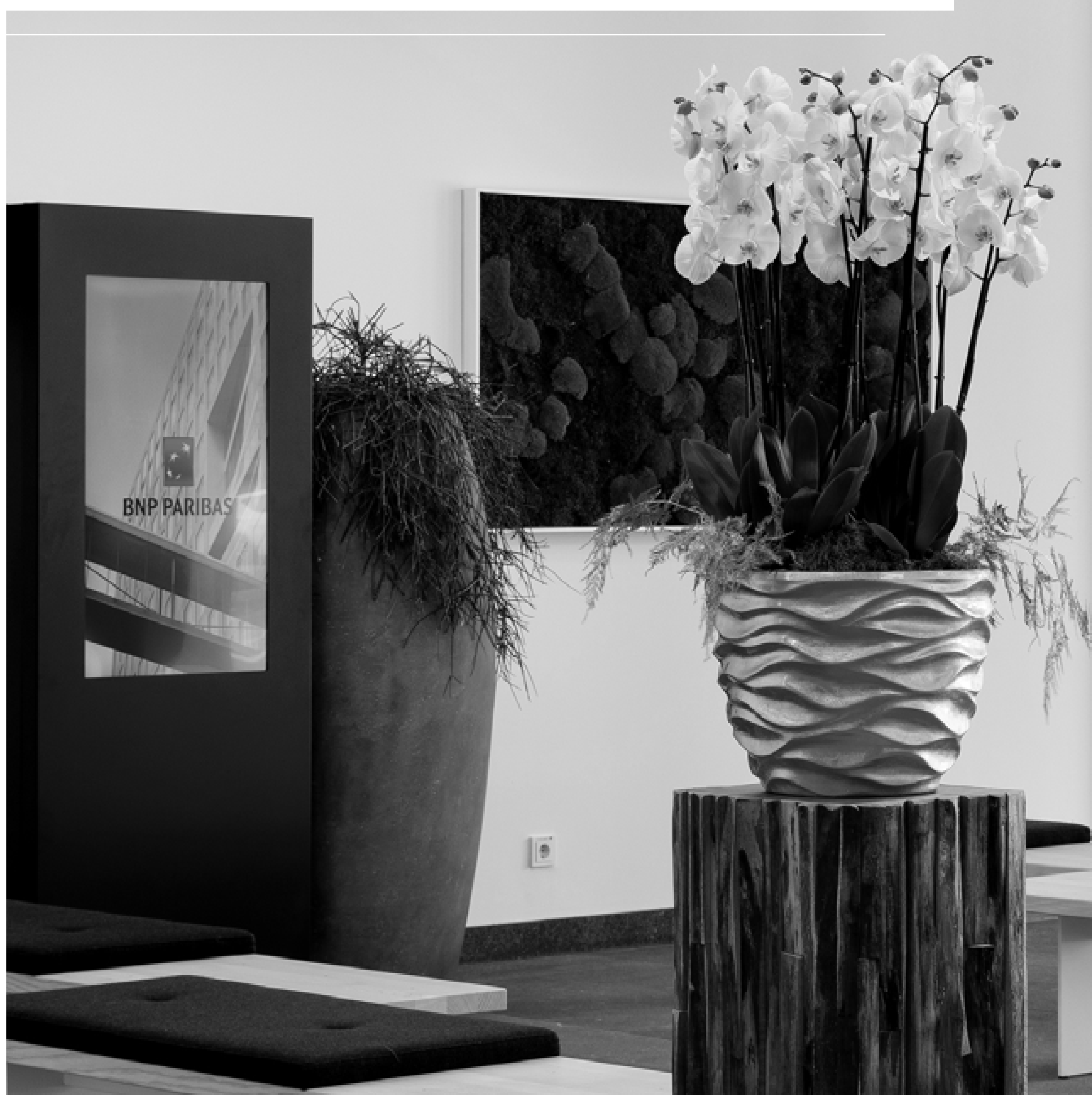
NET PROFIT FOR APPROPRIATION [1]	148,584,808.00

Statutory allocations	1,264,339.96
Dividend [2]	147,156,779.24
Retained earnings	163,688.80
TOTAL	148,584,808.00

[1] Figures not consolidated - in euros

[2] Gross dividend per share of EUR 5.26 (net: EUR 4.471 payable from 15 October 2020, unless a new general meeting of shareholders is convened and called to rule on this point in line with updated recommendations of the European Central Bank.



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