BNP PARIBAS FORTIS SA/NV

ANNUAL REPORT 2020

BNP PARIBAS FORTIS

The bank for a changing world

INTRODUCTION

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

The BNP Paribas Fortis annual report 2020 contains both the audited consolidated and non-consolidated financial statements, preceded by the report of the Board of Directors, the statement of the Board of Directors and a section on corporate governance including the composition of the Board of Directors. The audited BNP Paribas Fortis consolidated financial statements 2020, with comparative figures for 2019, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are followed by the audited non-consolidated financial statements 2020 of BNP Paribas Fortis, prepared on the basis of the rules laid down in the Belgian royal decree of 23 September 1992 on the annual accounts of credit institutions.

The BNP Paribas Fortis annual report 2020 is available in English, French and Dutch. The English version is the original one while the other versions are unofficial translations. Every effort has been made to ensure that the language versions correspond to one another. If one difference should exist, the English version would take precedence.

It is considered that the information included in the note 7.j 'Scope of consolidation', together with the information included in the report of the Board of Directors and in the corporate governance statement, complies with the requested information in article 168, §3 of the Belgian act of 25 April 2014 on the legal status and supervision of credit institutions.

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

BNP Paribas Fortis refers in the consolidated financial statements to the BNP Paribas Fortis SA/NV consolidated situation unless stated otherwise. BNP Paribas Fortis refers in the non-consolidated financial statements to the BNP Paribas Fortis SA/NV non-consolidated situation, unless stated otherwise.

All information contained in the BNP Paribas Fortis annual report 2020 relates to the BNP Paribas Fortis consolidated and non-consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: www.bnpparibas.com.

The BNP Paribas Fortis annual report 2020 is available on the website: www.bnpparibasfortis.com.

CONTENTS

BNP PARIBAS FORTIS
CONSOLIDATED ANNUAL REPORT 2020

REPORT OF THE BOARD OF DIRECTORS

A word from the Chairman and the CEO

During the ongoing health and economic crisis, we continue to make every effort to ensure the wellbeing of our customers and colleagues.

In 2020 we lived up to our social responsibilities as we strove to alleviate the impact of COVID-19 on our customers. Among the key measures we took were deferments of loan repayments, the granting of new loans with or without state guarantee and the provision of a wide range of secure payment solutions. Due in large part to the investments we have been making in digitalisation over the last few years, we managed to provide an uninterrupted service during 2020, enabling our customers to continue taking care of their banking affairs.

In Belgium, we granted more than 100,000 payment deferments free of charge. Some 45,500 of these were on mortgage loans totalling EUR 4.0 billion and 57,500 on business loans (including 13,500 lease contracts) amounting to EUR 9.2 billion. Meanwhile we granted over 4,500 loans under the state guarantee scheme. At the request of customers, more than 12,000 moratoria were extended, of which some 3,500 mortgage loans and more than 8,500 business loans (including 800 lease contracts).

Net profit for the year came to EUR 1,870 million, 7.7% down on last year's figure. Interest-based income remains under pressure due to the persistently low interest rate environment. We were able to partly make up for this with higher loan volumes and commission income in Belgium, higher loan volumes in Luxembourg, and higher revenues at Arval, Leasing Solutions and Personal Finance. Owing to the COVID-19 crisis, the cost of risk rose by 67% for the year.

We proceeded steadily with our financing of the Belgian economy, total lending to individual and corporate borrowers in Belgian Retail Banking standing at EUR 115 billion at year-end, up 3.5% on 2019. Total savings came to EUR 138 billion, up 5.3%.

The bank entered the crisis year with a strong capital position, which we managed to maintain, ending the year with a CET1 ratio of 15.9% and an LCR of 191%.

1. Positive Banking

We remain strongly committed to our #PositiveBanking approach, which was our compass to navigate through 2020. We met our customers' demand for easy and safe payments and digital finance management. Secondly, we continued our efforts to boost entrepreneurship. And thirdly, we stepped up our efforts to promote the transition to a sustainable society – be it in investments, housing, mobility, finance... – as the vital component of a resilient economy in the post-COVID era.

2. Making life easier

We saw a marked intensification in customers' use of digital banking tools in 2020. On average, our customers are now making use of Easy Banking App & Web more than once a day. The number of Easy Banking App users rose to 1.7 million, a 13% increase on 2019. At the same time, contactless debit card payments at retail businesses achieved a significant breakthrough, with a 325% increase in usage. We also saw a 22% rise in financial advice provided via our Easy Banking Centre. For the year as a whole, direct sales attained a 55% share of total sales in both the retail and corporate segments.

Adding to our already uniquely wide range of contactless payment solutions, we are now making the Visa Debit Card available, an innovative card offering greater security and ease of use that is accepted practically everywhere in the world, both at stores and on the internet.

During the year and in order to help SMEs boost their e-commerce and simplify payments at their points of sale, we have developed Axepta, an electronic payment validation system designed for a complete and secure online and in-store payment service. More than 15,000 merchants adopted Axepta in 2020.

3. Enabling our people to grow

COVID-19 had a serious impact on our day-to-day work, as it forced a large proportion of our staff to work from home for a significant part of the year, resulting in a total of 915,000 telework days, i.e. 10.7 telework days on average per month per employee. Nevertheless, our commercial staff remained present in our branches and centres in order to serve our clients face-to-face or remotely, and to advise and support them throughout these unprecedented times. Meanwhile our IT department seamlessly provided the necessary IT infrastructure to adapt to these exceptional circumstances.

In 2020 we continued to invest in training our staff through digital channels, devoting 3.41% of total staff expenditure on training, a slightly higher percentage than in 2019. We also continued to hire, onboarding 378 new colleagues during the year, while nearly double this number of staff took advantage of internal job mobility opportunities, moving to a different business line within the bank.

4. Rooting sustainability in our DNA

In order to build back a resilient economy, we recognise that it is of vital importance to make a shift towards greater sustainability.

Socially Responsible Investment (SRI) funds are offered to our customers as the first and preferred option, and with a market share of 37.8% we are market leader in Belgium. Ninety-three of our investment funds, with a total of EUR 29.8 billion AuM, carry the Febelfin 'Towards Sustainability' label. We also successfully launched the 'Serenity' investment advice tool. Our Private Banking experts offer the client a portfolio with optimal asset allocation that attaches considerable importance to the ESG scores of companies in which investments are made.

We support our customers' drive for positive impact by offering green housing and mobility solutions. In 2020, we became the first Belgian bank to offer the Energy Efficient Mortgage label. We also provided green mortgage loans totalling EUR 3.75 billion, a rise of 4% in a very complex year. Through Arval & Alpha Credit we are facilitating the move towards e-mobility, granting contracts for e-bikes, e-cars and hybrid cars.

Financing provided by BNP Paribas Fortis in the sustainable energy field during the year came to over EUR 3.5 billion, 16% higher than 2019.

During this pandemic, our customers remain, as ever, our number one priority. We continue to support them to overcome the crisis and realise their ambitions.

We are proud that, in spite of the difficult circumstances, our staff have always been there for our customers and for the various communities whom we serve. Our distribution channels ensured maximum availability, accessibility and security throughout the year. We have also been able to drive ahead with the process of digitalising, broadening and 'greening' our product range.

Looking forward, BNP Paribas Fortis will continue to play its role in building back the Belgian economy, ensuring the necessary liquidity to support companies and families in the post-COVID era and the long-term resilience of the economic fabric. To do so, we will further capitalise on the digital acceleration we have seen in 2020 and drive forward the transition to a more sustainable society.

We would like to thank all our staff for their efforts during the unprecedented year 2020 to serve all our customers, and we thank our customers for the trust they continue to place in us.

Max Jadot
Chief Executive Officer

Herman Daems
Chairman of the Board of Directors

Economic context

2020 will long remain in the collective memory as 'the Year of COVID'. While 2019 ended with a slight slowdown in economic activity, due to the harmful effects of the trade war already raging between the USA and China for more than a year, the first quarter of 2020 was marked by a great leap into the unknown by all the countries of Europe, as the first cases of COVID-19 suddenly appeared in Italy, and practically every country in turn took the decision to simply shut down its economy. Apart from essential business, all other activities, including schools, were brought to a halt wherever possible, and Working From Home (WFH) became standard practice. In sectors where WFH is not feasible, temporary layoffs and furlough, paid for by the government, became widespread, a solution that has enabled large numbers of jobs to be preserved.

The impact of these events was so violent that governments and central banks all over the world were quickly forced to take extraordinary measures: massive aid to businesses, deferment of bank loan repayments, state guarantees for bank loans, temporary layoffs and a temporary ban on forcing companies into bankruptcy. Meanwhile central banks have been making massive liquidity injections, which have enabled governments to pay – at least during the initial period – for the surge in emergency public expenditure intended to mitigate as far as possible the catastrophic effects of the health crisis on economic actors. Nevertheless, European GDP fell by 3.2% (year-on-year) during the first three months of 2020 before suffering a near-collapse in the second quarter, plunging 11% versus the same period in 2019. Most countries re-opened their non-essential businesses and their schools in May, which prompted rather spectacular growth in the third quarter. For the year as a whole, the eurozone economy – which achieved 1.3% growth in 2019 – shrank by 6.8%.

Economic activity in Belgium followed a similar pattern to the rest of Europe, i.e. after an initial drop in growth in Q1, Belgian GDP collapsed by 13.9% in Q2. Also as in other countries, the re-opening in May led to a spectacular bounce during Q3, with GDP up by more than 11% on the previous quarter. The fourth quarter saw a stagnation in activity (+0.2% on the previous quarter), so that for 2020 as a whole, Belgium saw a 6.2% drop in GDP.

2020 also saw inflation almost disappear: the strict lockdowns imposed on the population and the closure of non-essential businesses led to a severe slump in demand, pushing prices down in many sectors. This explains why average inflation, which reached 1.25% on average at the beginning of 2020, came to -0.25% at the end of the year in the eurozone. The average inflation rate reached 0.4% in Belgium, slowing from 0.5% in January to 0.25% in December.

Given that the economic situation remains largely determined by the pandemic, it is difficult to draw up a clear picture of 2020. The virtual 'mothballing' of the economy led to a sharp increase in the public deficit and unprecedented monetary interventionism. It will probably only be possible to draw up an accurate account of this truly exceptional year when this support has been reduced. The extent of the wounds inflicted by the crisis will depend on the outcome of the race between the spread of the virus and the vaccination campaign.

The severity of the health crisis has however brought about a number of imbalances, and the rebalancing process is likely to shape the economic pathway over the next few years. Government measures taken to arrest the decrease in household incomes have led to soaring national debt but, faced with uncertainty, households have tended to bolster their savings cushion. At some point in the future, it will be vital to channel these savings towards the financing of businesses in order to avoid long-term economic stagnation due to a lack of productive investment and start to turn off the flow of public funds that is currently supporting the global economy.

Belgium's budget deficit for 2020 worked out at 10.6%, while the public debt rose from 98.1% of GDP in 2019 to 116% one year later. At the same time, the funds accumulated on individual savings accounts rocketed up, reaching EUR 275 billion at end December.

Meanwhile the financial markets showed remarkable resilience. Private sector issues on the bond markets reached record levels and the stock markets recovered very quickly following a fall of over 35% at the beginning of the pandemic. Most stock indices ended the year 2020 close to the heights attained in February 2020 just before Europe was hit by the first wave of the COVID virus. The second wave that rolled across Europe from the month of September had little or no impact on stock market levels, which were buoyed by the extensive support measures put in place and the general feeling that everything necessary would be done to enable the economy to take off again as rapidly as possible.

The Belgian banking sector continued to play its role of financing economic activity, considerably stepping up lending both to businesses and individual borrowers during the early months of the health crisis. During the first half of the year, total outstanding loans rose by 10%, reaching EUR 216 billion to individual borrowers and EUR 135 billion to corporate borrowers. Subsequently, there was a marked slowdown in lending to businesses due to the risk of bankruptcies among companies affected by the pandemic, which will be forced to close down once the various kinds of repayment deferments come to an end. These fears have in fact prompted a number of central bankers to issue warnings to their countries' commercial banks, urging them to try to prevent the health crisis becoming a financial crisis, since hopes for a future economic rebound will depend partially on bank loans being used to help otherwise viable companies that have been weakened by the many health-related measures taken throughout the year 2020 to get back on their feet again.

Last but not least, the real estate sector seems to have profited from the health crisis. The lockdown imposed on a large proportion of the population, coupled with the rise of the WFH phenomenon and the certainty that interest rates will remain low, have prompted large numbers of Belgians to invest their savings in bricks and mortar. This led to a rise of over 3% in the average price of residential property during the year 2020.

Core Businesses

BNP Paribas Fortis

BNP Paribas Fortis covers both the Retail Banking and Corporate & Institutional Banking activities of the BNP Paribas Group in Belgium. On 31 December 2020, the bank employed a total of 11,055 FTEs in Belgium.

Retail Belgium

BNP Paribas Fortis Retail banking activities comprise banking services to a range of client types, including individual customers, self-employed people and those in the liberal professions, small and medium-sized companies, local businesses, corporate clients and non-profit organisations. Retail Belgium provides its services via two networks, which operated in 2020 under a segmented business approach: Retail & Private Banking Belgium and Corporate Banking Belgium.

Retail & Private Banking Belgium

BNP Paribas Fortis is the market leader in the individual customer segment in Belgium and enjoys a strong position in the self-employed/small business category, with 3.4 million clients. BNP Paribas Fortis is also the leading Private Banking provider in this country.

Retail & Private Banking (RPB) serves individual customers, business owners, and small or medium-sized enterprises, based on a 'hybrid' banking approach whereby the customer is able to choose between the branch network and digital channels:

- The commercial network consists of 463 branches (217 of which are run as independent agencies) organised into 38 branch groups situated across Belgium's nine regions, plus 18 dedicated Bank for Entrepreneurs centres. These are complemented by 249 franchises working under the Fintro brand, plus 660 bpost bank sales points run under a partnership with bpost.
- RPB's digital platform manages a network of 1,423 ATMs, the online Easy Banking service and the Mobile Banking service, with an aggregate total of 2.3 million active users.
- Customers may also contact the Bank via the Easy Banking Centre, which currently handles up to 72,500 calls every week.

The RPB service range also includes Hello bank!, a digital bank currently serving 505,359 customers.

Private Banking services are available to clients with over EUR 250,000 available for investment, while the Wealth Management department of our Private Banking arm serves customers whose disposable assets total in excess of EUR 5 million. These clients are served at our 30 Private Banking centres, one remote Private Banking Centre by James and two Wealth Management centres.

Determined to develop its digital capabilities and improve the Customer Experience, BNP Paribas Fortis has continued to develop its Easy Banking remote service, adding new functionality and boosting performance. A new customer service centre based on the use of robotics and artificial intelligence has now been set up so as to enable optimal handling of customer questions.

The year 2020 was a particularly intense period for RPB, which continued the process of transforming its service model, against a background marked by the worldwide coronavirus crisis. RPB forged ahead with the implementation of the bank's five-point strategic plan, High 5 for 2025, though making profound adjustments in line with the ongoing health and economic situation. Accordingly, a number of commercial advertisements were suspended in order to avoid any subject likely to be regarded as inappropriate in the current circumstances. Meanwhile we embarked on several new information initiatives.

Information and support for our customers during the COVID-19 crisis

The bank carried out intensive communication campaigns designed to inform customers wishing to access bank services during the lockdown periods. The campaigns stressed that their customer advisors remained available through remote channels and specified the timetable for face-to-face appointments where absolutely necessary. Another important aspect was the provision of comprehensive, practical information regarding government measures providing for the deferment of monthly payments on mortgages and personal or business loans.

In concertation with the other members of Belgian banking federation Febelfin, BNP Paribas Fortis made determined efforts to encourage the use of contactless payment methods, raising the payment limit and widely publicising the range of payment solutions available to customers and retailers. Moreover, at two key moments during the year – the end of the first lockdown period in May and the general re-opening of bricks-and-mortar shops and stores in December – RPB launched a large-scale publicity campaign under the strapline 'Stay Safe, pay Safe', the aim being to encourage people to use contactless payment solutions, including Apple Pay, Google Pay, Payconiq, Fitbit Pay, Garmin Pay, and debit cards. Lastly, we created a COVID-19 Barometer, published in five editions, to inform staff and clients about the impact of the coronavirus on payment methods, investments and savings, and point up financing needs and trends in the Belgian economy during this very unusual period.

Our Bank for Entrepreneurs arm launched several initiatives specifically designed to support retailers, small and medium-sized businesses, and self-employed people:

- As the country emerged from the first lockdown, we launched a national publicity campaign under the strapline 'Yes, we are open', designed to help local commerce start up again. Some 50 bank clients were able to obtain free advertising in the press, on social media and the wider internet, plus also at bank branches.
- Towards the end of the year, we launched another initiative with the intention of helping clients digitalise their businesses, a move which has become crucial during the COVID-19 crisis. This action took the form of a search platform for Belgian online shops, called 'leseshopsbelges', whose purpose is to highlight local retailers that provide e-shopping facilities. The support of our Bank for Entrepreneurs consisted of taking on the cost of a promotion campaign for this platform, set up on a voluntary basis by retailers, that is very much in the spirit of the Bank for Entrepreneurs, which acts as an engine helping to drive the local economy in Belgium.
- We set up a subsidiary, Axepta, whose mission is to provide an acquiring service, with solutions that enable merchants to receive customer payments in full security.
- Lastly, in order to inspire our business clients and highlight some new prospects going forward, the bank ran a series of webinars featuring both in-house experts and a number of external partners, the aim being to identify the restrictions imposed on entrepreneurs and also point out some new opportunities.

Ongoing development of the hybrid approach

The COVID-19 crisis, entailing lockdowns, restrictions on personal movements and limited physical contact, has also led customers to make greater use of the bank's digital canals. In 2020, we saw a rise of close to 36% in video calls, mainly for remote advice, a 7% increase – to 2.3 million – in the number of customers who make active use of our Easy Banking App/Easy Banking Web digital channels, and a 17% rise in daily digital interactions, which now stand at 1.4 million. One consequence of this is an attendant increase in the proportion of direct sales – i.e. agreements concluded digitally or remotely – to 53% of total sales.

In order to make life easier for our customers, we have also continued to develop digital tools such as an online diary that allows a customer to go directly to his/her bank advisor's diary in order to arrange a meeting. Moreover, we launched in 2020 a new version of our Easy Banking App. After months of intensive work, this app has been entirely rebuilt on new foundations that provide greater stability and enable new functionality to be developed more rapidly.

Meanwhile we continued with our programme of withdrawing from service all the non-cash automatic terminals installed at our branches and providing those customers who were still using this type of machine, usually for printing out their account statements, with digital solutions suited to their needs.

Stepping up digital assistance for our customers

Although the health crisis prevented us from running digital workshops at our branches, as we had done in 2019, we still continued our efforts to help customers transition to digital tools by providing digital tutorials and other digital events. Business clients were also able to obtain specific assistance in digitalising their businesses. We produced a new version of our 'digital readiness' test, which enabled them to assess their own situation and allowed the bank to put forward the right solutions to help them adjust their operations.

On the personal investment front, 2020 saw the launch of Lucy, a robot advice platform whose main purpose is to help small investors get started.

Last but not least, we continued to develop the MyExperts tool, which provides high-added-value content to Private Banking, Wealth Management and Priority Exclusive clients to help them understand the main trends and key changes in the fields of investment and wealth management.

Repositioning in the bancassurance field

Following the organisational adjustments carried out in June 2019 with a view to strengthening its expertise and augmenting its solutions, RPB continued efforts to underline our role in the bancassurance field, running a major publicity campaign and also implementing the first customer solutions born of a partnership agreed in 2019 with travel and breakdown assistance specialist Touring.

Stepping up across-the-board assistance

In 2020, RPB continued to implement a policy of providing every customer with exactly the type of advice and assistance that s/he requires, at a clear, transparent price. We made strenuous efforts to explain the various different service models to individual customers, Private Banking and Wealth Management clients and self-employed professional customers.

The Bank for Entrepreneurs forged ahead with the rollout of its Advice Pro service, which provides self-employed and business clients with comprehensive, proactive assistance, plus a package of suitable solutions and services, for a transparent quarterly fee.

On the Retail side, emphasis was placed on ensuring customers' financial well-being, through an approach consisting of having a regular general discussion on their overall needs, including real estate and transportation aspects, plus also publication of a regular newsletter aimed at these customers.

At Private Banking, the main focus was on our Iris and Serenity packages, which provide tailored investment solutions. Meanwhile a community of 'Entrepreneur Business Developers' was set up to meet the special requirements of 'dual' clients – i.e. those who are Private Banking clients for their personal finances and call upon the Bank for Entrepreneurs to meet their business/professional needs.

Our expertise recognised year after year

In 2020, for the fourth consecutive year, BNP Paribas Fortis won the prestigious 'Bank of the Year – Belgium' award conferred by *Financial Times* Group publication *The Banker*, while our Private Banking & Wealth Management arm was named 'Best Private Bank for digital customer experience in Europe' by this same magazine at the 2020 PWM Wealth Tech Awards, for its highly-advanced culture of innovation and its determined efforts to adopt and deploy digital technology on the widest scale possible.

Corporate Banking

With its well-developed, diversified and integrated business and service model, the BNP Paribas Fortis Corporate Banking (CB) division is well equipped to serve a wide range of clients, including small and medium-sized companies, Belgian and other European corporates, financial institutions, institutional investors, public entities and local authorities. CB has a strong client base among large and medium-sized companies and is the market leader in these two categories, as well as being a strong challenger in the public sector category.

Providing a wide range of both traditional and bespoke specialised solutions and services and drawing on the international network of the BNP Paribas Group across 69 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients, in Belgium and abroad.

Corporate Banking continued its strenuous efforts during 2020 to be the preferred bank for corporates in Belgium by providing them with convenient access to unique banking solutions using innovative digital tools.

In 2020, CB managed to ensure business continuity throughout the COVID crisis and played a major role in providing support to the Belgian economy. The Corporate Banking division continued to expand its digital transformation and process efficiency roadmap. The division enhanced its servicing model by accelerating the roll-out of digital capabilities and remote contact channels.

With its Sustainable Business Competence Centre, CB is firmly positioning itself as the Sustainable Corporate Bank. During the year the division stepped up its efforts to help clients make the transition to more sustainable practices. Initiatives in the Sustainable Economy field came under four main headings: Decarbonisation, Human Capital, the Circular Economy and Smart Cities. CB offers a wide range of solutions intended to promote a low-carbon economy, support investment in education and health, and help develop smart infrastructure in Belgian cities.

BNP Paribas Fortis won the 'Belgium's Best Investment Bank' award in *Euromoney* magazine's annual 'Awards for Excellence' competition in London on 15 July 2020.

Arval

Arval is a BNP Paribas Fortis subsidiary specialising in full-service vehicle leasing and new sustainable mobility solutions. Arval provides its corporate clients – ranging from large international corporates to small and medium-sized enterprises – its partners, their employees, plus also individual customers with flexible solutions to help make their journeys seamless and sustainable.

At end-2020, Arval had permanent establishments in 30 countries, employing more than 7,200 staff, with almost 1.4 million leased vehicles. The company mainly does business in Europe, where it has a leader position. Arval expanded its presence in 2020 in South America, adding Colombia to its existing markets in Peru, Chile and Brazil. It has also entered into a number of strategic partnerships through the Element-Arval Global Alliance, the world leader in this sector with around 3 million leased vehicles in 50 countries.

In October 2020, Arval drew up a 2020-2025 strategic plan, Arval Beyond, with the aim of becoming the leader in sustainable mobility. Accordingly, Arval offers full-service vehicle leasing, additional sustainable mobility solutions (including shared mobility, a MaaS application and bike-leasing), as well as providing digital tools for fleet managers and drivers. Arval regards social and environmental responsibility as a priority and strives to help customers make the transition to more sustainable energy use.

In the context of the health crisis, Arval is strongly committed to supporting its customers, not least by carrying out 52,000 contract extensions. During the year, the company also provided some 350 vehicles free of charge to healthcare workers in 12 countries.

BGL BNP Paribas SA

With some 3,700 employees, BGL BNP Paribas serves the needs of individual customers and businesses, investors and also corporate and institutional clients through its Retail Banking & Services, International Financial Services, and Corporate & Institutional Banking divisions.

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

Banque de Détail au Luxembourg (BDL) provides its clients, consisting of private individuals, members of the liberal professions and other professionals, with products and services ranging from day-to-day management to the financing of acquisitions or construction projects, plus also savings, *bancassurance* and investment products. BDL offers one of the broadest ranges of banking products in the market designed for the Retail segment.

The BDL sales network comprises 34 branches supported by 19 teams specialising in real estate lending, investment, services to the liberal professions and other self-employed customers, plus also non-resident clients.

Banque des Entreprises au Luxembourg (BEL) is the preferred banking partner in Luxembourg for large companies and SMEs, the public sector, real estate professionals, social organisations and startups.

Banque Privée au Luxembourg (BPL) provides clients resident in Luxembourg and the Greater Region with comprehensive, tailor-made financial and wealth management solutions at the various BPL Private Banking Centres throughout Luxembourg, including the Villa, located on Boulevard Royal in Luxembourg City.

These three business lines in Luxembourg – Banque de Détail au Luxembourg, Banque des Entreprises au Luxembourg, et Banque Privée au Luxembourg - work in close concertation.

BNP Paribas Lease Group Luxembourg SA is the local market leader in financial leasing, providing attractive equipment financing solutions to its self-employed clients.

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

International Financial Services: a comprehensive service for investors

BNP Paribas Wealth Management offers tailor-made wealth and financial management solutions, as well as a range of high-end services including investment advice, discretionary management, wealth organisation and planning, financing, and expertise in asset diversification.

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

As an insurer with a profound commitment to its clients, partners and employees, **Cardif Lux Vie** provides high-quality solutions and services that help to promote sustainable and responsible growth. In Luxembourg and its 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, sustainable solutions in open architecture through a broad network of elite partners.

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 provider for corporate and institutional clients

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

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 market-leading business line also provides customers with its unique know-how in the fields of market transactions, investor services, risk management and portfolio optimisation.

Türk Ekonomi Bankası A.Ş. (TEB)

BNP Paribas Fortis operates in Turkey through TEB, in which it holds a 48.7% stake via TEB Holding and BNP Paribas Fortis Yatırımlar Holding A.Ş.

During the last quarter of 2020, TEB, which provides the full range of BNP Paribas Group Retail products and services in Turkey, stood 10th in the country's deposit bank rankings in terms of market share of deposits and loans.

TEB Retail and Private Banking is steadily attracting greater numbers of customers through both branches and online channels with its diversified product range, quality of service and banking experience. Its goal is to be the primary bank for all its customers, and TEB is therefore pursuing a digital transformation strategy geared to improving customer experience and service channels. The customer experience is central to all activities: TEB applies human-centric design and customer journey methodologies and also runs advocacy programmes designed to obtain and make use of customer insights.

At the close of 2020, TEB Digital Channels was serving 1,865,258 active online customers. The CEPTETEB Digital Banking Platform, launched in March 2015 to provide both financial and non-financial services, numbered 1,170,872 customers at end-2020, with deposits totalling TL 7.8 billion. CEPTETEB continued to develop its digital channel experience during the year, expanding its customer base and launching new features on the CEPTETEB Mobile Application and the TEB FX platform. Incorporating the latest technology and innovations, CEPTETEB also features a chatbot platform called TELEPATİ and Fon Danışmanım ('My Fund Advisor'), an automated, algorithm-driven portfolio builder for funds.

Meanwhile, TEB has redesigned CEPTETEB for private banking customers (assets starting from TL 1.5 million) and added many functions that enable private banking customers to carry out most types of banking transactions via mobile devices. In addition to the daily banking operations, private banking customers can use the investment functions to make gold, currency, fund and stock transactions and consult FX platform, investment strategy and financial analysis reports. A new feature of 'CEPTETEB Private' is 'Digital Approval', whereby wet signatures needed for transactions are replaced by digital approval via the CEPTETEB mobile application, thus minimising risks and increasing sales opportunities while helping to increase customer satisfaction.

In 2020 TEB relaunched its proposition to affluent customers (assets between TL 125,000 and TL 1.5 million) in terms of service, products and privileges. TEB differentiated its mobile app for affluent customers as 'CEPTETEB Affluent' and created a loyalty & privilege domain for these customers with a comprehensive digital service offer.

One of the most innovative banks on the Turkish market, TEB focuses strongly on SMEs, which play an important role in Turkey's economy. TEB offers exclusive financial and non-financial products and services to small and medium-sized enterprises, agribusinesses and startups, based on a consultant bank approach. By taking an innovative approach, offering an optimal customer experience rather than following conventional banking methods, TEB SME Banking aims to become the top-of-mind bank for SMEs.

Nowadays, the accelerated digital transformation of business and society is shaping business clients' demands and expectations. It is therefore a priority for TEB to develop more effective and comprehensive digital tools and offerings for these clients. In 2020 TEB enhanced the capabilities of 'CEPTETEB İŞTE', a mobile app for businesses launched the previous year, by offering solutions not only for daily banking transactions but also sales functions and an optimal user experience. Within a year of its launch, CEPTETEBİŞTE received awards from six international organisations for its customised and differentiated features.

TEB Corporate Banking services include international trade finance, structured finance, cash management, credit services and hedging of currency, interest-rate and commodity risk.

Corporate Social Responsibility (CSR)

BNP Paribas Fortis takes its responsibilities towards the wider society very seriously and has therefore made a firm policy decision to incorporate Sustainability into everything the bank does.

BNP Paribas Fortis company engagement is geared to three main aims: to increase the positive impact of its financing and investment activities, reduce its environmental and social footprint, and help finance projects through corporate philanthropy.

Increasing the positive impact of our activities

BNP Paribas Fortis is making great efforts to increase the positive impact of its activities. Accordingly, the bank intends to considerably step up the proportion of loans it makes to projects in line with the United Nations Sustainable Development Goals (SDGs); it helps company clients make the transition to a more sustainable business model; it puts forward innovative, sustainability-oriented solutions; and strongly supports social entrepreneurship.

Firmly convinced that fostering collaboration between people of different genders and backgrounds makes a company more creative, more attractive and more effective, BNP Paribas Fortis is also pursuing a conscious policy of promoting diversity and inclusion.

Lending in line with the SDGs

BNP Paribas Fortis intends to significantly increase the proportion of loans it makes to projects that meet the objectives of the Sustainable Development Goals. These include projects in the environmental field (renewable energies and recycling), in the non-commercial sector (hospitals, schools and universities), plus also lending to social business. In 2020, the Bank's lending in these categories totalled EUR 10.67 billion, a 7% increase on 2019.

In 2020, the bank lent a total of EUR 3.54 billion to the renewable energy sector, up 16% on the previous year, while 'green' mortgage loans came to EUR 3.75 billion, a 4% increase on the 2019 figure.

Helping our client companies to make the energy transition

Established in 2009, the bank's Sustainable Business Competence Centre (SBCC) provides know-how and assistance to companies wishing to design and finance renewable energy production infrastructure or improve energy efficiency at their premises. The team includes experts in the fields of clean-tech (innovative environmental solutions), life sciences, and information & communication technologies (ICTs). Its aim is to help company clients move towards a sustainable business model that, inter alia, addresses issues around climate change. In 2020, the SBCC processed 150 loan applications totalling EUR 500 million worth of sustainable financing.

During the year, the SBCC continued its mission of raising awareness of sustainability issues and solutions among BNP Paribas Fortis clients and staff. The Centre's work in assisting clients in the field of regenerative farming, CO_2 capture and use as a raw material for producing fuels or manufacturing carbon-neutral building materials, biomimicry, the 'blue' economy, the circular economy, etc. enabled no fewer than 750 clients and 1,700 staff to improve their understanding of the transition to a more sustainable economy.

As regards the financing of energy efficiency investments, the SBCC has developed, in conjunction with BNP Paribas Fortis Factor, an innovative product aimed at companies and public entities. The investment is paid for – in whole or in part – from the energy savings made by the client, while the installation, performance and maintenance are all guaranteed by the installation firm.

Partnerships and financing geared to sustainability

BNP Paribas Fortis financed the installation of photovoltaic panels on the roof of a new 7,000-slot carport at the Pairi Daiza animal park. The 62,750 panels installed are expected to generate 20,000 MWh of electricity annually. This will cover the entire power needs of the park and the surplus will be used to recharge visitors' electric vehicles or injected into the power grid.

Elia, the electricity transmission network operator, has taken out a Sustainability-Linked Loan of EUR 650 million from a consortium of banks that includes BNP Paribas Fortis. The terms of the loan are linked to a set of sustainability targets. If Elia achieves these, the company will be entitled to a reduction in the interest rate it pays. The bank coordinated the loan disbursement and also acted as Sustainability Coordinator, i.e. we helped Elia to determine the sustainability targets to be reached, plus the associated Key Performance Indicators, and set up the rate-setting mechanism.

Biotalys, a young biotech firm that has developed an organic alternative to chemical pesticides used to counter botrytis (grey mould), a fungus often found on strawberries, grapes and tomatoes, is a BNP Paribas Fortis client. The bank is helping the company with its financing needs, including its plans to expand abroad. Biotalys intends to launch its first organic fungicide in the United States in 2022.

With the assistance of BNP Paribas Fortis and others, Fluvius, the power and gas distribution network operator in Flanders, has carried out a EUR 600 million 'green' bond issue. The proceeds of the issue will enable the company to carry out sustainability-oriented projects, including switching over to LED technology for public lighting and adapting the electricity distribution network to cope with renewable energy production capacity.

Innovative, sustainability-oriented solutions

BNP Paribas Fortis was the first bank in Belgium to launch a 'green' hedging solution, 'which enables clients to integrate their sustainability goals into their financial management. Having taken out a loan, ports operator and logistics specialist Katoen Natie wished to cover the interest rate risk by means of an interest rate swap. Instead of setting up a traditional rate hedge, the bank attached a number of extra, environmentally-oriented conditions. If the client is unable to fulfil these conditions, the firm will have to pay a 'sustainability premium', which will be invested in a pre-determined environmental project.

2020 also saw the launch of the bank's first Social Impact Bond in Belgium, a financial instrument that enables private investors to prefinance an innovative project of social interest. The first recipient was the Back on Track programme run by the Oranjehuis non-profit organisation, whose aim is to assist 133 young homeless people. The idea is that funds raised via a Social Impact Bond enable a provider of social services to achieve a set of pre-determined goals. The results are assessed by an independent agency and if the targets are duly met, the investors' capital, plus a yield margin, will be repaid by the public authorities. If the goals are not achieved, or only partially met, the investors will see a proportional reduction in the amount of capital reimbursed.

Socially Responsible Investment (SRI)

Off-balance-sheet assets under management in investments certified as 'sustainable' by Febelfin stood at EUR 29.86 billion[1] at end-2020. Over 300,000 BNP Paribas Fortis clients hold at least one SRI product in their investment portfolio.

An independent report by MIRA published in October 2020 shows that BNP Paribas Asset Management had a 41.6% share of the Belgian market for SRI products in 2019. At end-2020, over 100 investment products[2] offered by the bank carried the Febelfin 'Towards Sustainability' label, while 68.5% of the volume (in euros) placed in investment funds via BNP Paribas Fortis was in funds carrying the Febelfin 'Towards Sustainability' label.

In order to help BNP Paribas Fortis gather external opinions in order to formulate its sustainability policy, the bank has set up a new body called the SRI Council, which consists of a number of bank specialists alongside experts in the fields of ethics, philanthropy and climate-related issues, plus customers.

Social Business

Social enterprises are businesses whose main aim is to make a positive impact on society. These firms generally work in such fields as adapted work, the circular economy, energy efficiency and decarbonisation.

At end-2020, some 476 social entrepreneurs were being assisted by the Sustainable Business & Social Enterprises team working at our Retail Banking division and the bank's outstanding loans to social businesses totalled EUR 109 million.

Among the projects being financed in 2020 were a wind farm for the HesbEnergie citizens' energy cooperative in Liège and a new reception centre for female victims of conjugal violence and their children for the La Clairière non-profit organisation.

BNP Paribas Fortis is also the only bank sector partner in Belgium Impact, a platform set up in 2019 on the initiative of Belgium's Royal Palace, in conjunction with universities and other stakeholders, with a view to boosting social entrepreneurship in this country. The initiative, which brings together social entrepreneurs from Belgium's various communities, numbers over 250 members. Muhammad Yunus, a Nobel Prize winner who founded the very first micro-lending institution in 1976, was one of the speakers at a virtual event held to mark the first anniversary of Belgium Impact, which featured a number of interactive workshops on the challenges and opportunities arising from the current health crisis.

In addition, we partner with Enactus, an organisation that brings together teachers and experts from the business world with the aim of helping university students to set up a social enterprise.

Diversity and Inclusion

Firmly convinced that teams of people from diverse backgrounds tend to be stronger and more effective, BNP Paribas Fortis actively promotes diversity and inclusion.

In 2020, the bank's annual Diversity Week once again addressed the issue of stereotypes and prejudices. Five employees recognised for their day-to-day grass-roots commitment to fostering a more inclusive society received Diversity Awards.

The bank also partnered with micro-lending institution micro*Start* in launching a network designed to enable women entrepreneurs to make contacts and discuss their experiences.

The bank's efforts to promote inclusiveness in the workplace have been constantly recognised outside the walls of BNP Paribas Fortis. In January, Actiris, the Brussels Region employment office, awarded the bank its official Diversity label for a third consecutive period.

Sustainability workshops for our Management Teams

A drive to place Sustainability at the centre of our activities is one of the five pillars of the bank's strategy planning towards the year 2025, under the title 'High 5 for 2025'. Accordingly, in 2019 a determined awareness-raising campaign on the subject was launched among BNP Paribas Fortis Management Teams. We ran workshops designed to help the various departments to translate the bank's Sustainability policies into specific targets. In 2020, 20 departments formulated their goals and drew up an action plan for meeting them. The Sustainability campaign will continue in 2021.

1 Growth due to labelling of Branch 21 products and increase in off-balance assets under management carrying the Febelfin 'Towards Sustainability' label.

2 Of which 93 are products of BNP Paribas Asset Management and BNP Paribas Fortis Funding.

Reducing our environmental and social footprint

The bank is making great efforts to reduce or prevent any negative impact arising from our activities, not merely by reducing the environmental footprint of our own operations but also by drawing up strict rules governing our lending and investment businesses.

On the lending side, in 2019 the BNP Paribas Group joined 30 other banks that were already signatories of the Principles for Responsible Banking in signing up to the Collective Commitment to Climate Action, an initiative of the United Nations. This commits the Group to helping to finance a low-carbon economy and bringing its credit portfolios into line with the central objective set out in the Paris Agreement – i.e. holding global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

Sector-specific policies and 'duty of care'

BNP Paribas is determined to support the economy in an ethical manner and has therefore drawn up a set of sector-specific policies embodying strict rules governing financing and investment activities in 'sensitive' sectors. The bank declines to finance or invest in companies which do not meet the established conditions regarding human rights and environmental care. However, before excluding such companies from its clientele, the bank will always attempt to discuss the issues with them and encourage them to adjust their existing practices.

In 2020, out of 699 proposed transactions subjected to a thorough analysis by the Company Engagement and Compliance unit, 27 were rejected as they did not meet the conditions of our sector-specific policies.

The bank takes steps to ensure that all the sector-specific policies are properly applied in practice by all our businesses and departments, with appropriate monitoring procedures. In addition, special vigilance is also applied to a dozen other sectors due to the sensitive nature of the countries in which the activities are carried out.

Reducing our own footprint

BNP Paribas Fortis has cut its CO_2 emissions by 58% and reduced its paper consumption by 61% since 2012.

The bank attained carbon neutrality in its own operations in 2017. Inter alia, we procure our electricity from 100% 'green' sources. To offset residual CO_2 emissions, we rely on partnerships signed by the BNP Paribas Group with pioneering organisations such as the ClimateSeed platform, Wildlife Works and the Goodplanet organisation.

Working for digital inclusiveness

In our rapidly-changing society, it is absolutely vital for all citizens to have a digital capability. The bank has therefore helped to create an alliance whose aim is to encourage digital inclusiveness in Belgium. Some 30 representatives of major corporations, social enterprises, organisations and the public authorities work together to find solutions to reduce the digital gap in Belgium.

Philanthropy helping to finance social solidarity work

The bank and its employees provided financial support totalling EUR 5.4 million to a number of social solidarity projects variously through BNP Paribas Fortis Foundation, the Venture Philanthropy Fund supported by BNP Paribas Fortis Private Banking, or the BNP Paribas Group's Rescue & Recovery Fund. In addition, a large number of staff take part in social solidarity activities or assist non-profit organisations by donating their time and skills on a voluntary basis. The bank is also active in supporting microfinance, mainly through the micro-*Start* organisation. During 2020 in particular, the bank and its employees also made great efforts to support hospitals, medical personnel and vulnerable persons suffering the effects of the pandemic.

BNP Paribas Fortis Foundation

Since 2010, BNP Paribas Fortis Foundation has helped to combat social exclusion among children and teenagers from disadvantaged backgrounds. Working in tandem with the King Baudouin Foundation, every year the bank's Foundation donates EUR 50,000, disbursed over a two-year period, to ten charities and non-profit organisations. In addition to this financial aid, the ten grant-winners also receive tailored support and assistance from bank staff who undertake volunteer work on behalf of the organisation based in their home region.

In 2020, for the fifth consecutive year, BNP Paribas Fortis Foundation ran a 'Back to School' donations campaign in conjunction with the non-profit Goods to Give. The donations made by bank staff and the Foundation totalling EUR 30,689 were used to procure brand new school-related necessities for children from deprived backgrounds. Moreover, the Foundation also decided to further assist relevant charity bodies and help youngsters severely affected by the health crisis by making an extra grant worth EUR 150,000 to partner organisations that provide tutoring support.

in order to ensure that the support provided to charity organisations by BNP Paribas Fortis achieves maximum impact, from 2021 onwards all the Calls for Projects and all partnerships will be managed from the BNP Paribas Fortis Foundation fund set up within the King Baudouin Foundation.

Venture Philanthropy Fund

Established ten years ago on the initiative of the King Baudouin Foundation, the Venture Philanthropy Fund enjoys the support of BNP Paribas Fortis Private Banking. Every year since 2015, the bank has transferred part of the BNP Paribas Fortis Private SRI Fund management fees to the Venture Philanthropy Fund. This has enabled financial grants totalling over EUR 8.5 million to be made to close to 100 social work projects in Belgium, including EUR 1.5 million for 25 new initiatives in 2020. Clients are invited to vote for their favourite non-profit organisation. In 2020, their choice fell on Alzheimer Belgium, which assists people suffering from this medical condition and the family members who care for them, and Habbekrats, an organisation whose mission is to help the social integration of vulnerable youngsters aged from 8 to 18 who are in danger of marginalisation.

Sustainable investment fund fees donated to charities

BNP Paribas Fortis donates part of the entry fees and management fees from sustainable investments to charitable organisations including the Red Cross, the Foundation Against Cancer, micro*Start* and Natagora/Natuurpunt. In 2020, this financial support provided by the bank totalled EUR 430,754.

#ourjob2 / 1MillionHours2Help

The BNP Paribas Fortis #ourjob2 initiative encourages employees of the bank and of Belgian entities of the Group to make a practical contribution to society or the environment, or to take part in activities designed to raise awareness of social responsibility. Some 10,238 employees took part in the 2020 campaign. The social commitment of our staff has received an extra boost from the 1MillionHours2Help programme launched in 2020 by the BNP Paribas Group, which enables every employee to devote a half day of remunerated working time to a volunteer activity. The Group has set a target for this programme of one million hours of volunteer work. In 2020, 1,537 staff performed a total of 6,270 hours of voluntary work for charities or social enterprises. Every time a person takes part in an #ourjob2 campaign event, the bank arranges, through the WeForest organisation, for a tree to be planted as part of a reforestation project in Zambia. Since 2017, 98,680 trees have been planted thanks to the #ourjob2 campaign and the 1MillionHours2Help programme.

Microfinance

BNP Paribas Fortis is one of the founders and the main shareholder of micro*Start*, the largest micro-lending institution in Belgium.

Since it was first founded in 2011, micro*Start* has provided 5,630 loans totalling EUR 42.1 million, thus enabling 4,065 new small businesses to be set up and helping to create or sustain more than 6,500 jobs. The survival rate of the businesses backed by microStart – 75% after two years – is well above the national average of 62% for companies across the board.

In 2020, in order to help its customers cope with the crisis arising from the coronavirus pandemic, micro*Start* set in motion a support plan which involves supplementing existing micro-loans with 'honour loans' – interest-free credit granted without formal guarantee of repayment. BNP Paribas Fortis made a donation of EUR 200,000 to the micro-lender for this purpose.

Academic chairs

Funding university chairs is also an integral element of BNP Paribas Fortis CSR policy and part of the bank's engagement with the wider society. By supporting academic chairs, the bank brings together scientific research, teaching institutes and businesses in order to promote promising new developments for the economy in Belgium's largest cities. The aim of these partnerships is to build bridges between the business world and the academic world. BNP Paribas Fortis currently supports five university chairs, including a Data Protection chair at the Free University of Brussels (VUB) and a Finance and Ethics chair at Antwerp University.

#All together

BNP Paribas Fortis and its employees have stepped up their commitment to society during the ongoing health crisis, with staff raising a total of EUR 116,000 for charitable purposes and the bank itself making donations totalling EUR 2.3 million. Recipients of this emergency aid include Belgium's university hospitals, the food banks, micro*Start*, Close the Gap (a non-profit that works to bridge the digital divide in society), plus also various charitable and not-for-profit organisations through our collaboration with the King Baudouin Foundation. In addition, many of our staff have made a personal contribution by taking part in specific volunteering activities such as production of protective face masks and remote mentoring of school pupils.

Changes in the scope of consolidation

Information on the changes in the scope of consolidation is provided in note 7.b 'Business combinations and other changes of the consolidation scope' and note 7.j 'Scope of consolidation'.

BNP Paribas Fortis credit ratings at 28/02/2021

	Long-term	Outlook	Short-term
Standard & Poor's	A+	Negative Outlook	A-1
Moody's	A2	Stable	P-1
Fitch Ratings	A+	Negative Outlook	F1

The table above shows the main BNP Paribas Fortis credit ratings and outlook on 28 February 2021. The Negative Outlooks from rating agencies S&P and Fitch Ratings are related to the deteriorated economic conditions and associated uncertainty that arose from COVID-19 pandemic.

Each of these ratings reflects the view of the rating agency specifically at the moment when the rating was issued; any explanation of the significance of a given rating is to be obtained from the rating agency which issued it.

Forward-looking Statements

It should be noted that any statement of future expectations and other forward-looking elements are based on the company's current views and assumptions including a certain degree of risk and uncertainty, especially given the current general economic and market conditions.

Comments on the evolution of the results

BNP Paribas Fortis realised a net income attributable to equity holders of EUR 1,870 million in 2020, compared to EUR 2,212 million in 2019, down by EUR (342) million or (15)%.

Please note that the comments in the present section have been written by referring to the financial statements and the respective notes. For a more business oriented analysis, please refer to the Press Release of BNP Paribas Fortis available on the corporate website. This analysis focuses on the underlying evolution, which excludes scope changes (acquisition, sale and transfer of activities), foreign exchange impacts and one-off results. By excluding these effects, BNP Paribas Fortis showed a decreasing underlying net income attributable to equity holders by (8)% compared to 2019.

Operating income amounted to EUR 2,675 million in 2020, down by EUR (153) million or (5)% compared to EUR 2,828 million in 2019. The decrease was the result of lower revenues by EUR (143) million or (2)%, lower costs by EUR 212 million or (4%) and an increase of the cost of risk by EUR (222) million or (+49%).

Non-operating items (share of earnings of equity-method entities, net gain or loss on non-current assets and goodwill) were down by EUR (201) million whereas the corporate income tax decreased by EUR 31 million.

The comparison between the 2020 and 2019 results was impacted by the following elements:

- the pandemic crisis in 2020 with unprecedented effects on the Belgian, European and world economy;
- few non-material scope changes;
- foreign exchange variations, and more in particular the continuous depreciation of the Turkish lira against euro (from 6.36 EUR/TRY on average in 2019 to 8.04 EUR/TRY on average in 2020).

Based on the segment information, 50% of the revenues were generated by banking activities in Belgium, 28% by other domestic markets, 9% by banking activities in Turkey, 9% by banking activities in Luxembourg and 4% by other activities.

Net interest income reached EUR 4,752 million in 2020, a decrease of EUR (40) million or (1)% compared to 2019. Excluding the foreign exchange effect of the Turkish lira (EUR (176) million), net interest income increased by EUR 136 million.

In Belgium, the trend of the first half of 2020 is confirmed: the net interest income increased despite the persistently low interest rate environment. There was a positive evolution on the interest expenses on treasury borrowings. However, less interest income on customer loans due to lower margins was partially compensated by an increase in volume (mainly in term loans and mortgage loans). There was also less interest income on fixed-income securities, mainly due to the sales and redemptions, last year, of securities with higher yields.

Outside Belgium, the net interest income increased mainly thanks to an increase in volumes of customer loans in Luxembourg and in Other Domestic Markets.

Net commission income amounted to EUR 1,274 million in 2020, down by EUR (4) million compared to 2019. Excluding the scope changes (EUR 6 million) and the foreign exchange effect of the Turkish lira (EUR (41) million), net commission income increased by EUR 31 million.

In Belgium, there was an important increase of the net commissions, namely the financial fees.

Outside Belgium, the decrease in net commission income is driven by Turkey due to new regulations in 2020 limiting the fees on payment services.

Net results on financial instruments at fair value through profit or loss stood at EUR 181 million, down by EUR (21) million compared to 2019. Excluding the scope changes (EUR (2) million) and the foreign exchange effect of the Turkish lira (EUR 29 million), net results on financial instruments at fair value through profit or loss decreased by EUR (48) million. This decrease was mainly due to the revaluation of the equity instruments classified as mandatorily at fair value through profit or loss in Belgium.

Net results on financial instruments at fair value through equity amounted to EUR 11 million in 2020, decreasing by EUR (105) million compared to 2019. The 2019 result was marked by substantial capital gains on the disposal of fixed-income securities mainly in Belgium.

Net income from other activities amounted to EUR 1,680 million in 2020, increasing by EUR 27 million (or 2%) compared to 2019. Main contributor was Other Domestic Markets where revenues were supported by the continuous growth of the financed fleet.

Salary and employee benefit expenses amounted to EUR (2,410) million in 2020 i.e. a decrease of EUR 157 million compared to 2019. Excluding the scope changes (EUR (4) million) and the foreign exchange effect of the Turkish lira (EUR 52 million), there was a decrease of EUR 109 million.

In Belgium and in Luxembourg, there were less staff expenses, mainly due to lower FTEs. In addition, a provision was booked in Belgium in 2019 in the context of the transformation of BNP Paribas Fortis organisational model.

Outside Belgium and Luxembourg, the increase of staff expenses was very contained, with a higher increase in Turkey still impacted by a high inflation.

Other operating expenses amounted to EUR (1,751) million in 2020, i.e. a decrease of EUR 67 million compared to 2019. Excluding the scope changes (EUR (13) million) and the foreign exchange impact of the Turkish lira (EUR 33 million), other operating expenses decreased by EUR 47 million.

The decrease was mainly located in Belgium: the decrease was mostly driven by lower IT costs and temporary staff while banking taxes and levies increased from EUR (298) million in 2019 to EUR (311) million in 2020.

Outside Belgium, the decrease was mainly located in Other Domestic Markets, driven by lower marketing and travel expenses in the context of the COVID-19 and by IT-projects for which expenses were higher in 2019.

Depreciation charges stood at EUR (381) million in 2020, versus EUR (369) million compared to previous year, i.e. an increase of EUR (12) million, mainly driven by amortization of property, plant and equipment in Other Domestic Markets.

Cost of risk totalled EUR (676) million in 2020, i.e. an increase of EUR (222) million compared to 2019. Excluding the foreign exchange impact of the Turkish lira (EUR 49 million), there was a net increase of EUR (271) million. The cost of risk on average outstanding loans stood at 32 basis points in 2020, an increase of 10 basis points compared to 2019, of which 9 basis points for the ex-ante provisioning, in the context of the COVID-19.

In Belgium, cost of risk increased mainly due to some specific files and to the ex-ante provisioning of expected losses.

Outside Belgium, and excluding the foreign exchange impact of the Turkish lira, the cost of risk increased mainly in Luxembourg, Other Domestic Markets and Other Activities, mainly due to the higher ex-ante provisioning. In Turkey, the material increase of ex-ante provisioning was offset by an equally material decrease of specific provisions after a high level of specific provisions in 2019 due to the local recession.

Share of earnings of equity-method entities amounted to EUR 322 million in 2020, compared to EUR 254 million during 2019, mainly related to a higher contribution of BNPP Asset Management (due mainly to exceptional items) partly compensated by the lower contribution of BNPP Bank Polska and AG Insurance.

Net gain on non-current assets amounted to EUR (114) million in 2020 versus EUR 155 million in 2019. This decrease is mostly due to two main events: in 2019, the sale of Von Essen Bank GmbH to BNP Paribas German Branch contributed positively to the result for EUR 157 million. At the end of 2020, in the framework of the optimization of the Retail Banking activities in Belgium, BNP Paribas Fortis signed a non-binding letter of intent on the remaining 50% of the shares of bpost bank currently still owned by bpost. This non-binding offer has triggered an impairment of EUR 130 million on our current stake.

Corporate income tax in 2020 totalled EUR (589) million compared to EUR (620) million in 2019, a decrease of EUR 31 million. Excluding the share of earnings of equity-method entities (reported net of income taxes), the gain on the sale of Von Essen Bank GmbH in 2019 and the impairment of the bpost bank in 2020, the effective tax rate stood at 22% in 2020 (24% in 2019).

Net income attributable to minority interests amounted to EUR 424 million in 2020, compared to EUR 406 million in 2019.

Net income attributable to equity holders amounted to EUR 1,870 million in 2020, compared to EUR 2,212 million in 2019.

Comments on the evolution of the balance sheet

The total balance sheet of BNP Paribas Fortis amounted to EUR 335.1 billion as at 31 December 2020, up by EUR 21.9 billion or 7.0% compared with EUR 313.2 billion at 31 December 2019.

'Loans and advances to customers' and 'Deposits from customers' showed continuous growth. The net growth on 'Loans and advances to customers' amounted to EUR 0.7 billion mainly related to the increase in mortgage and term loans granted in Belgium partly offset by the decrease in factoring loans granted by the factoring entities. The net increase on deposits from customers, up by EUR 9.4 billion, was the result of significant inflow of liquidity deposited in current and savings accounts partly offset by decreases in term deposits mostly in Belgium, in Luxembourg and in Turkey.

Based on the segment information, 68% of the assets were contributed by banking activities in Belgium, 16% by Other Domestic Markets, 8% by banking activities in Luxembourg, 5% by banking activities in Turkey and 3% by other segments.

Assets

Cash and amounts due from central banks amounted to EUR 50.1 billion, an increase of EUR 45.7 billion compared to 31 December 2019. This increase is mainly related to the excess cash placed at the central banks, namely in Belgium and in Luxemburg, where the increase is mainly driven by the treasury activity.

Financial instruments at fair value through profit or loss stood at EUR 17.8 billion, stable compared to 31 December 2019. An increase of EUR 2.5 billion in 'Derivative financial instruments' was mainly related to the decrease of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side. The increase in derivatives was offset by a decrease of EUR (1.9) billion in the reverse repo activity.

Derivatives used for hedging purposes increased by EUR 0.7 billion and amounted to EUR 3.2 billion on the asset side, while on the liability side, we see a decrease of EUR (0.6) billion. The net of both captions shows an increase in fair value of derivatives used for hedging purposes of EUR 1.3 billion, mainly due to the replacement of some existing derivatives (counterbalanced by a decrease in margin calls).

Financial assets at fair value through equity increased by EUR 1.0 billion to EUR 9.8 billion following the purchase of government bonds, in Belgium, in Luxembourg and in Turkey.

Financial assets at amortised cost amounted to EUR 210.7 billion as at 31 December 2020, down by EUR (26.0) billion compared with EUR 236.7 billion as at 31 December 2019.

'Loans and advances to customers' amounted to EUR 188.7 billion, up by EUR 0.7 billion mainly related to the increase of the mortgage and term loans granted in Belgium, partly offset by a decrease in activity in the factoring entities. Outside Belgium, loans and advances to customers increased mainly in Luxembourg, and also in Turkey when excluding the foreign exchange impact of the Turkish lira. In addition, 'Loans and advances to credit institutions' decreased (EUR (27.8) billion) due to lower interbank loans and lower reverse repos in Belgium and in Luxembourg. Debt securities at amortised cost increased by EUR 1.0 billion, following the purchase of government bonds in Belgium and in Turkey.

Current and deferred tax assets amounted to EUR 1.6 billion, down by EUR (0.2) billion compared to EUR 1.8 billion at 31 December 2019.

Accrued income and other assets stood at EUR 10.4 billion as at 31 December 2020, down by EUR (1.3) billion compared to EUR 11.7 billion at 31 December 2019. This decrease is mainly linked to the replacement of some hedging derivatives.

Equity-method investments slightly decreased by EUR (0.1) billion and stood at EUR 3.7 billion.

Property, plant and equipment and Investment property amounted to EUR 23.9 billion as at 31 December 2020, up by EUR 1.5 billion compared to EUR 22.4 billion at 31 December 2019 mainly related to the growth of the financed fleet in Other Domestic Markets.

Liabilities and Equity

Deposits from central banks stood at EUR 0.1 billion, down by EUR (0.6) billion compared to EUR 0.7 billion at 31 December 2019.

Financial instruments at fair value through profit or loss increased by EUR 2.2 billion, totaling EUR 26.0 billion as at 31 December 2020 compared to EUR 23.8 billion at 31 December 2019. The increase of EUR 2.4 billion in 'Derivative financial instruments' is mainly related to the decrease of the interest rate curve which impacted in a symmetrical way both the fair value of derivative financial instruments on the asset and liability side.

Financial liabilities at amortised cost amounted to EUR 259.1 billion as at 31 December 2020, up by EUR 19.6 billion compared with EUR 239.5 billion at 31 December 2019.

Deposits from customers increased by EUR 9.4 billion mostly attributable to an increase on current accounts (EUR 14.2 billion) partly offset by a decrease in term accounts (EUR (5.7) billion), especially in Belgium, in Luxembourg and in Turkey.

Deposits from credit institutions increased by EUR 10.4 billion mainly due to an increase in Belgium in interbank borrowings following participation to the TLTRO III (Targeted Longer-Term Refinancing Operations), partly offset by Luxembourg and Other Domestic Markets.

Debt securities and subordinated debt remained stable and stood at EUR 11.8bn and at EUR 2.7bn, respectively.

Accrued expenses and other liabilities decreased by EUR (0.8) billion, amounting to EUR 8.2 billion as at 31 December 2020, compared with EUR 9.1 billion at 31 December 2019.

Provisions for contingencies and charges came in at EUR 4.3 billion, a slight decrease of EUR (0.1) billion compared to the situation at 31 December 2019.

Shareholders' equity amounted to EUR 24.5 billion as at 31 December 2020, up by EUR 1.5 billion or 6.5% compared with EUR 23.0 billion at 31 December 2019. Retained earnings were mainly impacted by the net income attributable to shareholders for the year 2020 which contributed for EUR 1.8 billion. Following the recommendation of the ECB, BNP Paribas Fortis did not distribute dividends in 2020.

Minority interests stood at EUR 5.3 billion as at 31 December 2020 up by EUR 0.1 billion compared with EUR 5.2 billion at 31 December 2019.

Liquidity and solvency

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

BNP Paribas Fortis' liquidity remained sound, with customer deposits standing at EUR 194 billion and customer loans at EUR 189 billion.

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

BNP Paribas Fortis' solvency stood well above the minimum regulatory requirements. At 31 December 2020, BNP Paribas Fortis' phased-in Basel III Common Equity Tier 1 ratio (CET1 ratio, taking into account the CRD4 rules with application of the current transitional provisions) stood at 15.9%. Total risk-weighted assets amounted to EUR 135.5 billion at 31 December 2020, of which EUR 111.0 billion are related to credit risk, EUR 1.4 billion to market risk and EUR 11.6 billion to operational risk, while counterparty risk, securitisation and equity risk worked out at EUR 2.2 billion, EUR 1.3 billion and EUR 8.0 billion respectively.

Principal risks and uncertainties

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

BNP Paribas Fortis is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business, as further described in note 7.a 'Contingent liabilities: legal proceedings and arbitration' to the BNP Paribas Fortis consolidated Financial Statements 2020 and in the BNP Paribas Fortis 'Pillar 3 disclosure' 2020.

Since February 2020, Europe has been strongly affected by the COVID19 epidemic. BNP Paribas Fortis monitors the situation closely and keeps accompanying in particular its clients during this difficult period.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of BNP Paribas Fortis is responsible for preparing the BNP Paribas Fortis consolidated financial statements as at 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the BNP Paribas Fortis non-consolidated financial statements as at 31 December 2020 in accordance with rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The Board of Directors reviewed the BNP Paribas Fortis consolidated and non-consolidated financial statements on 10 March 2021 and authorised their issue.

The Board of Directors of BNP Paribas Fortis declares that, to the best of its knowledge, the BNP Paribas Fortis consolidated financial statements and the BNP Paribas Fortis non-consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of BNP Paribas Fortis and the undertakings included in the consolidation and that the information herein contains no omissions likely to modify significantly the scope of any statements made.

The Board of Directors of BNP Paribas Fortis also declares that, to the best of its knowledge, the report of the Board of Directors includes a fair review of the development, results and position of BNP Paribas Fortis and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties with which they are confronted.

The BNP Paribas Fortis consolidated financial statements and the BNP Paribas Fortis non-consolidated financial statements as at 31 December 2020 will be submitted to the annual General Meeting of Shareholders for approval on 22 April 2021.

Brussels, 10 March 2021
The Board of Directors of BNP Paribas Fortis

CORPORATE GOVERNANCE STATEMENT

BNP Paribas Fortis complies with the '2020 Belgian Code on Corporate Governance' (hereafter referred to as the '**Code**'). The Code can be consulted on *https://www.corporategovernancecommittee.be/en.*

1. Compliance with the Code

BNP Paribas Fortis is of the opinion that it complies with the large majority of the requirements of the Code. The main remaining deviation relates to principle 8 of the Code "The company shall treat all shareholders equally and respect their rights". The reason that makes the company unable to comply with all the provisions of principle 8 of the Code lies within the structure of the shareholdership of BNP Paribas Fortis. Specifically, BNP Paribas SA, a public limited company ('société anonyme'/'naamloze vennootschap'), having its registered office address at Boulevard des Italiens 16, 75009 Paris, France, registered under number 662 042 449 RCS Paris, holds 99.94% of the shares of BNP Paribas Fortis. The remaining 0.06% of the shares is held by minority shareholders. Nevertheless, BNP Paribas Fortis communicates on an ongoing basis with its various stakeholders through its website and other media and actively answers to the questions raised by its minority shareholders in the framework of the general shareholders' meetings.

BNP Paribas Fortis' Corporate Governance Charter is available on its public website.

BNP Paribas SA itself is a Euronext-listed company, which implies that BNP Paribas Fortis, its directors and its staff, must take into account certain legal provisions on the disclosure of sensitive information to the market. The Board of Directors of BNP Paribas Fortis is anyway determined to protect the interests of all shareholders of BNP Paribas Fortis at all times and will provide them with the necessary information and facilities to exercise their rights, in compliance with the Code on companies and associations.

BNP Paribas Fortis did not receive any transparency declarations within the meaning of the Law of 2 May 2007 on the disclosure of significant shareholdings.

2. Governing bodies

Board of Directors

Role and responsibilities

In general, the Board of Directors is responsible for BNP Paribas Fortis in accordance with the applicable law. In particular, and in accordance with article 23 of the law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms (the 'Banking Law'), the Board of Directors defines and supervises among others:

- the strategy and goals of BNP Paribas Fortis;
- the risk policy (including the risk tolerance) of BNP Paribas Fortis;
- the organization of BNP Paribas Fortis for the provision of investment services and activities;
- the integrity policy;
- BNP Paribas Fortis' Internal Governance Memorandum, Corporate Governance Charter and the Policy on suitability criteria and assessments.

Size and membership criteria

The Board of Directors of BNP Paribas Fortis consists of no less than five (5) and no more than thirty five (35) directors (legal persons cannot be members of the Board of Directors). Directors are appointed for one (1) or more renewable periods, each individual period covering no more than four (4) full accounting years of BNP Paribas Fortis.

The composition of the Board of Directors of BNP Paribas Fortis has to be balanced in terms of (i) skills and competences, (ii) gender, and (iii) non-executive and executive directors, whether independent or not. The Board of Directors cannot consist of a majority of executive directors.

As at 10 March 2021, the Board of Directors of BNP Paribas Fortis is made up of sixteen (16) members, five (5) of which are women.

It moreover includes ten (10) non-executive directors, four (4) of them being independent directors within the meaning of the Code and six (6) executive directors.

All directors must at all times be fit (*'passende deskundigheid'/'expertise adéquate'*) and proper (*'professionele betrouwbaarheid'//'honorabilité professionelle'*) for the exercise of their function. All are preselected and assessed based on a predefined list of selection criteria. In general, a director is considered to be 'fit' if he has the knowledge, experience, skills and professional behaviour suitable for the exercise of his director's mandate. A director is considered to be 'proper' if there are no elements suggesting differently and if there is no reason to question the reputation of the concerned director.

BNP Paribas Fortis will assess and determine the suitability of each nominee director (including in case of a mandate renewal) prior to his (re-)appointment. BNP Paribas Fortis will assess all directors continuously during their directorship, at least once a year at the occasion of the periodic suitability assessment, and every time a new element requires so.

The decision is subject to a separate suitability assessment, performed by the competent supervisor.

Composition

As at 10 March 2021, the composition of the Board of Directors is as follows:

DAEMS Herman
Chairman of the Board of Directors. Non-executive director.
Member of the Board of Directors since 14 May 2009.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

JADOT Maxime
Executive director. Chairman of the Executive Board.
Member of the Board of Directors since 13 January 2011.
The current board member mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

ANSEEUW Michael
Executive director.
Member of the Board of Directors since 19 April 2018.
The board member mandate will expire at the end of the 2022 annual general meeting of shareholders.

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d'ASPREMONT LYNDEN Antoinette
Independent non-executive director.
Member of the Board of Directors since 19 April 2012.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

AUBERNON Dominique
Non-executive director.
Member of the Board of Directors since 21 April 2016.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

BEAUVOIS Didier
Executive director.
Member of the Board of Directors since 12 June 2014.
The current board member mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

BOOGMANS Dirk
Independent non-executive director.
Member of the Board of Directors since 1 October 2009.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

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de CLERCK Daniel
Executive director.
Member of the Board of Directors since 12 December 2019.
The board member mandate will expire at the end of the 2023 annual general meeting of shareholders.

DECRAENE Stefaan
Non-executive director.
Member of the Board of Directors since 18 April 2013.
The current board member mandate has been renewed on 20 April 2017.
It will expire at the end of the 2021 annual general meeting of shareholders.

DUTORDOIR Sophie
Independent non-executive director.
Member of the Board of Directors since 30 November 2010.
The current board member mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

LABORDE Thierry
Non-executive director.
Member of the Board of Directors since 19 November 2015.
The current board mandate has been renewed on 18 April 2019.
It will expire at the end of the 2023 annual general meeting of shareholders.

MERLO Sofia
Non-executive director.
Member of the Board of Directors since 21 April 2016.
The current board member mandate has been renewed on 23 April 2020. It will expire at the end of the 2024 annual general meeting of shareholders.

VAN AKEN Piet
Executive director.
Member of the Board of Directors since 3 June 2016.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

VAN WAEYENBERGE Titia
Independent non-executive director.
Member of the Board of Directors since 18 April 2019.
The board member mandate will expire at the end of the 2023 annual general meeting of shareholders.

VARÈNE Thierry
Non-executive director.
Member of the Board of Directors since 14 May 2009.
The current board member mandate has been renewed on 23 April 2020.
It will expire at the end of the 2024 annual general meeting of shareholders.

VERMEIRE Stéphane
Executive director.
Member of the Board of Directors since 19 April 2018.
The board member mandate will expire at the end of the 2022 annual general meeting of shareholders.

Between 1 January 2020 and 31 December 2020, the composition of the Board of Directors was as follows:

DAEMS, Herman
Chairman of the Board of Directors

JADOT, Maxime
Executive director and chairman of the Executive Board

ANSEEUW, Michael
Executive director

d'ASPREMONT LYNDEN, Antoinette
Independent non-executive director

AUBERNON, Dominique
Non-executive director

BEAUVOIS, Didier
Executive director

BOOGMANS, Dirk
Independent non-executive director

de CLERCK, Daniel
Executive director

DECRAENE, Stefaan
Non-executive director

DUTORDOIR, Sophie
Independent non-executive director

LABORDE, Thierry
Non-executive director

MERLO, Sofia
Non-executive director

VAN AKEN, Piet
Executive director

VAN WAEYENBERGE, Titia
Independent and non-executive director

VARÈNE, Thierry
Non-executive director

VERMEIRE, Stéphane
Executive director

Attendance at meetings

The Board of Directors held nineteen (19) meetings in 2020. Attendance at these meetings was as follows:

Director	Number of Meetings Attended
DAEMS, Herman	19
JADOT, Maxime	18
ANSEEUW, Michael	17
d'ASPREMONT LYNDEN, Antoinette	19
AUBERNON, Dominique	18
BEAUVOIS, Didier	18
BOOGMANS, Dirk	19
de CLERCK, Daniel	18
DECRAENE, Stefaan	12
DUTORDOIR, Sophie	19
LABORDE, Thierry	18
MERLO, Sofia	17
VAN AKEN, Piet	19
VAN WAEYENBERGE, Titia	19
VARENE, Thierry	18
VERMEIRE, Stéphane	17

Assessment of the Board of Directors and of the directors

At least once a year, the Governance and Nomination Committee and the Board of Directors perform an evaluation of the Board of Directors and of all directors. At the occasion of this evaluation, any element that may impact the suitability assessment performed previously, as well as the time dedicated and the efforts delivered to perform one's mandate properly, is reviewed. As part of this annual evaluation, recommendations on how to manage and resolve any identified weaknesses are formulated.

The last evaluation process of the Board of Directors ended in October 2020 and the one of the directors individually ended in January 2021.

Remuneration

Information regarding the total remuneration for the corporate year 2020, including the remunerations, benefits in kind and pension plans, of all directors, paid and payable by BNP Paribas Fortis, can be found in note 7.f 'Compensation and benefits awarded to BNP Paribas Fortis' corporate officers' to the BNP Paribas Fortis Consolidated Financial Statements.

Executive Board

Role and responsibilities

In accordance with article 24 of the Banking Law and article 21 of the Articles of association of BNP Paribas Fortis, the Board of Directors has set up an Executive Board (*'Directiecomité'/ Comité de Direction'*). The members of the Executive Board are hereafter referred to as the 'executive directors'.

Size and membership criteria

The Executive Board is exclusively composed out of executive directors of BNP Paribas Fortis. Taking into account article 24, §2 of the Banking Law, the total number of members of the Executive Board must be inferior to half of the total number of directors. In addition, the Executive Board must keep the number of its members within limits, ensuring that it operates effectively and with the requisite flexibility.

Since all members of the Executive Board are to be considered as effective leaders, certain suitability criteria apply in addition to the suitability criteria generally imposed upon directors. The decision whether or not to appoint a member of the Executive Board belongs to the competence of the Board of Directors. It will rely on a recommendation of the Governance and Nomination Committee. The decision will be subject to a separate suitability assessment subsequently performed by the competent supervisor.

Composition

As at 10 March 2021, the composition of the Executive Board is as follows:

JADOT Maxime
Executive director and chairman of the Executive Board

ANSEEUW Michael
Executive director

BEAUVOIS Didier
Executive director

de CLERCK Daniel
Executive director

VAN AKEN Piet
Executive director

VERMEIRE Stéphane
Executive director

Other Board of Directors' committees

Article 27 of the Banking Law provides that the Board of Directors must set up four (4) board committees: an audit committee, a risk committee, a remuneration committee and a nomination committee.

The existence of these committees does not in any way impinge upon the Board's right to set up further *ad hoc* committees to deal with specific matters, as and when the need arises.

The Board of Directors has used this right to set up an *ad hoc* board committee composed of three (3) directors and chaired by an independent director to assess, if and when necessary, whether an intended transaction falls within the scope of article 72 of the Banking Law and ascertain that the requirements of said article are complied with.

This right is also used by the Board of Directors when, in the context of transactions between related parties, it sets up a special board committee (for more information reference is made to the chapter 'Information regarding related party transactions').

Each board committee has an advisory function towards the Board of Directors.

Besides the *ad hoc* committee that convenes within the framework of article 72 of the Banking Law and of which the Chief Risk Officer is a member while being an executive director, all members of the other committees are non-executive directors. In addition to the criteria applicable to non-executive directors, the chairperson of a committee must also meet the requirements of his function.

The criteria to be met by directors composing a board committee are similar to those of the other directors.

The appointment of these committees' members is further based on (i) their specific competencies and experience, in addition to the general competency requirements for any board members, and (ii) the requirement that each committee must, as a group, possess the competencies and experience needed to perform its tasks.

A specific committee (the Governance and Nomination Committee – see further) will assess whether the suitability requirements applicable to the members and chairperson of each committee are met. For this assessment, the Governance and Nomination Committee will take into account the induction program that BNP Paribas Fortis will provide to any new member of these committees.

The four (4) committees function in accordance with the organisation set out below.

Audit committee (AC)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate AC to assist the Board of Directors with audit related matters.

Role and responsibilities

The competences of the AC are set forth in the Banking Law and are listed in the Code on companies and associations. It concerns, in general, the following domains: finance, internal control and risk management, internal and external audit. The AC shall, upon request of the Board of Directors, assist (and make recommendations to) the Board of Directors in all audit and accounting related matters.

Membership criteria

In addition to the suitability requirements for non-executive directors, the members of the AC must collectively have the necessary skills and competences relating to BNP Paribas Fortis' activities and to audit and accounting. At least one (1) member of the AC must have an expertise in audit and/or accounting. Both independent directors, currently members of the BNP Paribas Fortis AC, have a specific expertise in audit and accounting.

Composition

The AC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Code.

The chairperson of the AC must be an independent director.

The chairpersons of the AC and RC (see below) meet on a regular basis with the chairpersons of the AC's and RC's of the most important entities within the governance perimeter of BNP Paribas Fortis.

Composition as at 10 March 2021:

- Antoinette d'Aspremont Lynden (non-executive, independent director), chairwoman
- Dirk Boogmans (non-executive, independent director)
- Dominique Aubernon (non-executive director)

Attendance at meetings

The AC met eight (8) times in 2020. Attendance was as follows:

Committee Member	Number of meetings attended
d'ASPREMONT LYNDEN, Antoinette	8
AUBERNON, Dominique	7
BOOGMANS, Dirk	8

Risk committee (RC)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate RC to assist the Board of Directors with risk related matters.

Role and responsibilities

The competences of the RC are set forth in the Banking Law and concern: (i) the strategy and risk appetite, (ii) the price setting, and (iii) the remuneration policy. The RC shall, upon request of the Board of Directors, assist (and make recommendations to) the Board of Directors in all risk related matters.

Membership criteria

In addition to the suitability requirements for non-executive directors, the members of the RC must individually have the required knowledge, expertise, experience and skills in order to be able to understand and apprehend BNP Paribas Fortis' risk strategy and tolerance.

Composition

The RC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Code.

The chairperson of the RC must be an independent director.

The chairpersons of the AC and RC meet on a regular basis with the chairpersons of the AC's and RC's of the most important entities within the governance perimeter of BNP Paribas Fortis.

Composition as at 10 March 2021:

- Dirk Boogmans (non-executive, independent director), chairman
- Dominique Aubernon (non-executive director)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings

The RC met nine (9) times in 2020. Attendance was as follows:

Committee Member	Number of meetings attended
BOOGMANS, Dirk	9
AUBERNON, Dominique	7
VAN WAEYENBERGE, Titia	9

Governance and nomination committee (GNC)

In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate GNC to assist the Board of Directors with governance and nomination related matters.

Role and responsibilities

The competences of the GNC are set forth in the Banking Law and the regulations of the Belgian National Bank. They concern the expression of a relevant and independent judgment on the composition and functioning of the Board of Directors and the other management bodies of BNP Paribas Fortis, and specifically on the individual and collective expertise of their members, their integrity, reputation, independence of mind and time commitment.

Membership criteria
In addition to the suitability requirements for non-executive directors, the members of the GNC have collectively and individually the necessary skills and competences in the field of governance and nomination regulation and practices within the Belgian banking sector.

Composition
The GNC is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Code.

The chairperson of the GNC must be an independent director.

Composition as at 10 March 2021:

- Sophie Dutordoir (non-executive, independent director), chairwoman
- Herman Daems (non-executive director)
- Titia Van Waeyenberge (non-executive, independent director)

Attendance at meetings
The GNC met seven (7) times in 2020. Attendance was as follows:

Committee Member	Number of meetings attended
DUTORDOIR, Sophie	7
DAEMS, Herman	7
VAN WAEYENBERGE, Titia	7

Remuneration committee (RemCo)
In accordance with article 27 of the Banking Law, BNP Paribas Fortis is required to set up a separate RemCo to assist the Board of Directors with remuneration related matters.

Role and responsibilities
The competences of the RemCo are set forth in the Banking Law. They concern the expression of a relevant and independent judgement on the remuneration policies, reward practices and related incentives, taking into account BNP Paribas Fortis' risk management, equity needs and liquidity position.

Membership criteria
In addition to the suitability criteria for non-executive directors, the members of the RemCo individually and collectively have the necessary skills, competences and expertise in the field of remuneration, and in particular those applicable to the Belgian banking sector.

Composition
The RemCo is composed of at least three (3) non-executive directors, of which at least two (2) directors are independent within the meaning of the Code.

The chairperson of the RemCo must be an independent director.

Composition as at 10 March 2021:

- Sophie Dutordoir (non-executive, independent director), chairwoman
- Antoinette d'Aspremont Lynden (non-executive, independent director)
- Thierry Laborde (non-executive director)

Attendance at meetings
The RemCo met eight (8) times in 2020. Attendance was as follows:

Committee Member	Number of meetings attended
DUTORDOIR, Sophie	8
d'ASPREMONT LYNDEN, Antoinette	8
LABORDE, Thierry	6

Executive Committee
BNP Paribas Fortis has set up an Executive Committee, in order to assist the Executive Board with the fulfilment of its missions and responsibilities and to advise the Executive Board as the case may be.

The Executive Committee currently consists of twelve (12) members, of which six (6) are executive directors. It brings together the Executive Board and the six (6) key heads of businesses and support functions.

Composition as at 10 March 2021:

Maxime JADOT
Executive director, chairman of the Executive Board/ Executive Committee, chief executive officer

Michael ANSEEUW
Executive director, member of the Executive Committee, chief retail banking

Didier BEAUVOIS
Executive director, member of the Executive Committee, chief corporate banking

Marc CAMUS
Member of the Executive Committee, chief information officer

Jo COUTUER
Member of the Executive Committee, chief data officer

Daniel de CLERCK
Executive director, member of the Executive Committee, chief operating officer

Carine DE NYS
Member of the Executive Committee, chief compliance officer

Khatleen PAUWELS
Member of the Executive Committee, head of client service center

Franciane RAYS
Member of the Executive Committee, chief financial officer

Piet VAN AKEN
Executive director, member of the Executive Committee, chief risk officer

Stéphane VERMEIRE
Executive director, member of the Executive Committee, chief private banking and wealth management

Sandra WILIKENS
Member of the Executive Committee, chief human resources officer and company engagement

3. Internal Control Procedures

Missions and Activities of the Finance Department – Finance Charter

The Finance Function, under the authority of the Chief Financial Officer, reporting to the Chief Executive Officer, is responsible for preparing and processing accounting and financial information. This responsibility is further defined in a specific Charter and consists of:

- Elaborating financial information and ensuring that published financial and prudential information is accurate and fairly stated, in accordance with regulatory framework and standards;
- Providing Executive Management with the necessary information for the financial steering at organizational levels;
- Defining accounting, performance management and selected prudential policies and lead their operational insertion;
- Defining, deploying and supervising the permanent control framework associated with financial information;
- Managing the own funds of the entity;
- Proceeding to the analysis and the financial structuring of the external and internal acquisition, partnership and divestment projects;
- Managing the financial communications, ensuring a high quality and a clear perception by the markets;
- Coordinating banking supervisory issues, notably relationship with the ECB;
- Defining/running the Finance function's organization and monitor its resources and costs;
- Driving the Target Operating Model implementation, contribute to the definition of the functional architecture and the design of Finance systems and proceed to their deployment.

Producing financial information

Policies and rules

The local financial statements for each entity are prepared under local GAAP while the BNP Paribas Fortis Consolidated Financial Statements are prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Union.

A dedicated team within Accounting & Reporting (A&R), section of the Finance department, draws up the accounting policies based on IFRS as endorsed by the European Union and to be applied by all BNP Paribas Fortis entities. These are aligned with BNP Paribas Group accounting policies. This A&R team monitors regulatory changes and prepares new internal accounting policies in line with the level of interpretation necessary to adapt them to the operations carried out by BNP Paribas Fortis. A BNP Paribas Group accounting manual is available, together with additional documentation and guidance related to the specific BNP Paribas Fortis products and scope. This IFRS accounting manual is distributed to all accounting and reporting teams. It is regularly updated to reflect regulatory changes. The dedicated A&R team also handles requests for specific accounting analysis made by the local entities and the Core Businesses/Business Lines.

The Management Control department follows up the management accounting and reporting rules as determined by BNPP Group Finance.

At Finance level, the changes in the prudential reporting are followed up by the Financial Management department and discussed during the Prudential Affairs Coordination Committee. The reporting principles and rules associated with solvency are within the remit of Risk Management, and those associated with liquidity are within the remit of ALM – Treasury.

Preparation of financial information

There are two distinct reporting channels involved in the process of preparing financial information:

- the financial accounting and reporting channel: the particular responsibility of this channel is to perform the entities' financial and cost accounting, and to prepare the BNP Paribas Fortis' consolidated financial statements in compliance with the policies and standards. It also produces information on solvency and liquidity, ensuring that it is consistent with the accounting at each level. This channel certifies the reliability of the information produced by using dedicated control tools and by applying internal certification procedures (described below) at the first level of control;
- the management accounting and reporting channel: this channel prepares the management information (from the Divisions/OEs/business lines compiled from the data per entity) that is relevant to the economic management of activities, complying with the established internal principles and standards. It ensures the consistency of the management data with the accounting data, at every level. This channel is also responsible for the preparation of solvency and liquidity ratios and for their analysis. This channel certifies the reliability of the information produced by applying internal certification procedures (described below) at the first level of control.

Group Finance designs, distributes and administers the reporting tools for the two channels. These tools are designed to suit the channels' individual objectives and necessary complementarity, and provide information for the entire BNP Paribas Group. In particular, Group Finance promotes the use of standard accounting and reporting systems in the Group entities. The systems are designed at Group level and progressively rolled out. This approach promotes the sharing of information and facilitates the implementation of cross-functional projects in the context of the development of pooled account processing and synthesis within the Group.

For the preparation of liquidity-related data as well as solvency data, the Bank has adopted the principle of integrating internal management data and those required for regulatory reporting, based on the following building blocks:

- governance involving Finance, ALM-Treasury and Risk Management;
- policies and methodologies applicable as required by regulations;
- dedicated tools ensuring data collection and the production of internal and regulatory reports.

Permanent control - Finance

Internal control within the Finance Function

Internal control at Finance is certified by a dedicated second level of control team that is supported by specialized tools, encompassing accounting controls and other operational permanent control areas. The basis of their controls is the control results and certification of the first level of control done in the operational departments and other functions.

The mission of this team is to ensure, on a permanent basis, the reliability of the processes used for producing and validating the financial figures for BNP Paribas Fortis, and to ensure compliance with the legal and regulatory reporting requirements. Next to performing this second level of control, the department's activities consist of maintaining relations with the external auditors and ensuring that their recommendations are correctly applied throughout BNP Paribas Fortis.

Internal Certification Process

BNP Paribas Fortis monitors the accounting and reporting risk through a certification process, whose purpose is to report on the quality of the information provided in the different reporting systems. The results of the certification process related to the financial reporting are presented quarterly to the BNP Paribas Fortis Audit Committee.

Based on general rules, set by BNP Paribas Group, each entity submitting a reporting package is required to certify the accuracy of the reporting package on a quarterly basis, using the Finance Accounting Control Tool, an application designed to support the certification process across the BNP Paribas Group. Certificates are made up of standardized questions, included in a generic control plan, addressing the main accounting and financial risk areas.

Permanent control within Finance provides a level of comfort to the CFO, Group Finance, the BNP Paribas Fortis Audit Committee, the external auditors and also the National Bank of Belgium that the internal control measures are being properly maintained, by performing a second level of control on these certificates and ensuring the final validation by the CFO.

The certification process encompasses:

- the certification that the accounting and reporting data are reliable and comply with the BNP Paribas Group accounting and reporting policies;
- the certification that the accounting and reporting internal control system designed to ensure the quality of data is operating effectively.

This internal certification process forms part of the overall permanent control monitoring system and enables the BNP Paribas Fortis Finance department to be informed of any incidents relating to the preparation of the financial statements, to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to book appropriate provisions. As regards BNP Paribas Fortis in Belgium, the certification process is supported by an extensive set of sub-certificates which cover all activities that may generate accounting and financial risks for the company.

The certification system is also used in liaison with Risk Management for information forming part of the regulatory reporting on credit risk and solvency ratios. Those contributing to the reports attest that they have complied with the standards and procedures and that the data used are of appropriate quality. They further describe the results of the controls carried out at the various stages of producing the reports, including the accounting data to credit-risk data reconciliation. On the same principles, a certification system has been installed for liquidity-related data. The various contributors report on compliance with standards and the results of key controls performed to ensure the quality of the reporting.

Control of the value of financial instruments and the use of valuation in determining the results of market activities and accounting reports

The Finance department delegates the determination and control of market value or models of financial instruments to the various departments involved in measuring financial instruments within the overall process of monitoring market risk and management data. However, it remains the responsibility of the Finance department to oversee the accuracy of these operations.

The purpose of these control procedures within Finance is:

- to ensure that transactions involving financial instruments are properly recorded in BNP Paribas Fortis' financial and management data;
- to guarantee the quality of the measurement and reporting of financial instruments used both in preparing the financial and management accounts and in managing and monitoring market and liquidity risks; and
- to ensure that the results of market transactions are accurately determined and correctly analysed.

Periodic control – General Inspection

General Inspection has a team of inspectors who are specialists in accounting and finance audit. This reflects its strategy of strengthening audit capability in accountancy, as regards both the technical complexity of its work and its coverage of accounting risk.

Its action plan is based on the remote accounting internal control tools available to BNP Paribas Fortis and the risk evaluation chart set up by General Inspection.

The core aims of the team are as follows:

- to constitute a hub of accounting and financial expertise in order to reinforce the capability of General Inspection when carrying out inspections in such areas;
- to identify via risk assessments and inspect risk areas at the level of BNP Paribas Fortis.

Relations with the statutory auditors

In 2020 as in 2019, the accredited statutory auditor was PwC Bedrijfsrevisoren bv / PwC Reviseurs d'Entreprises srl, represented in 2020 by Mr. Damien WALGRAVE and Mr. Jeroen BOCKAERT, and in 2019 by Mr. Damien WALGRAVE.

The statutory auditor is appointed by the Annual General Meeting of Shareholders, based on advice from the Audit Committee and upon a proposal by the Board of Directors and the Works Council.

The statutory auditor is required to issue an audit report every financial year, in which he gives his opinion regarding the true and fair view of the consolidated financial statements of BNP Paribas Fortis and its subsidiaries. A summary of the control findings and recommendations is presented to the Audit Committee in the '2020 Internal Control findings & recommendations' document.

Next to this report, the statutory audit issues an Internal Control Report describing the review of the functioning of the internal control environment for this entity.

The statutory auditor also carries out specified procedures for the group auditors and audit/review procedures for the prudential regulator.

As part of their statutory audit assignment and based on his audit tasks, he:

- examines any significant changes in accounting standards and presents his recommendations to the Audit Committee regarding choices that have a material impact;
- presents his findings, observations and recommendations for improving the internal control system to the relevant Bank entities and to Finance.

The Audit Committee of the Board of Directors is informed about any accounting choices that have a material impact on the financial statements, so that they can submit these choices to the Board of Directors for a final decision.

4. Conflicts of Interest

In addition to the legal provisions on conflicts of interest in the Code on companies and associations, BNP Paribas Fortis is required to comply with the provisions of the Banking Law and the substance of a number of circular letters issued by the National Bank of Belgium (NBB) whose purpose is to avoid conflicts of interest between BNP Paribas Fortis and its directors or executive management, *inter alia* in relation to external functions exercised and loans.

In addition, BNP Paribas Fortis has in place a general integrity policy and specific codes of conduct regarding conflicts of interest, which state that the attainment of commercial, financial, professional or personal objectives must not stand in the way of compliance with the following basic principles:

1. customers' interests (this includes understanding customers' needs, ensuring the fair treatment of customers and protecting the customers' interests, ...);
2. financial security (this includes fighting against money laundering, bribery, corruption and terrorist financing,...);
3. market integrity (this includes promoting free and fair competition, complying with market abuse rules,...);
4. professional ethics (this includes avoiding conflicts of interests in outside activities, taking measures against bribery and corruption,...);
5. respect for colleagues (this includes applying best standards in professional behavior, rejecting any forms of discrimination and ensuring the safety of the workplace);
6. group protection (this includes building and protecting the BNP Paribas Group's long-term value, protecting the Group's information, communicating responsibly,...);
7. involvement with society (this includes promoting the respect for human rights, protecting the environment and combating climate change and acting responsibly in public representation).

Finally, BNP Paribas Fortis directors have been assessed by the relevant supervisor before their formal appointment, in accordance with the Banking Law. Before issuing its approval for an appointment, the relevant supervisor conducts an assessment which involves verifying that certain conflicts of interest do not exist.

BNP PARIBAS FORTIS CONSOLIDATED FINANCIAL STATEMENTS 2020

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

Profit and loss account for the year ended 31 December 2020

In millions of euros	Note	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Interest income [1]	2.a	6,834	7,778
Interest expense [1]	2.a	(2,082)	(2,986)
Commission income	2.b	1,998	2,076
Commission expense	2.b	(724)	(798)
Net gain or loss on financial instruments at fair value through profit or loss	2.c	181	202
Net gain or loss on financial instruments at fair value through equity	2.d	11	116
Net gain or loss on the derecognition of financial assets at amortised cost		(5)	(5)
Income from other activities	2.e	11,539	11,409
Expense on other activities	2.e	(9,859)	(9,756)
REVENUES		**7,893**	**8,036**
Salary and employee benefit expenses	6.a	(2,410)	(2,567)
Other operating expenses	2.f	(1,751)	(1,818)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.l	(381)	(369)
GROSS OPERATING INCOME		**3,351**	**3,282**
Cost of risk	2.g	(676)	(454)
OPERATING INCOME		**2,675**	**2,828**
Share of earnings of equity-method entities	4.k	322	254
Net gain or loss on non-current assets		(114)	155
Goodwill	4.m	-	1
PRE-TAX INCOME		**2,883**	**3,238**
Corporate income tax	2.h	(589)	(620)
NET INCOME		**2,294**	**2,618**
of which net income attributable to minority interests		424	406
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**1,870**	**2,212**

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

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

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Net income for the period	**2,294**	**2,618**
Changes in assets and liabilities recognised directly in equity	**(462)**	**(262)**
Items that are or may be reclassified to profit or loss	**(428)**	**(241)**
Changes in exchange rate items	(472)	(84)
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*35*	*76*
Changes in fair value reported in net income	*(1)*	*(165)*
Changes in fair value of investments of insurance activities		
Changes in fair value recognised in equity	*3*	*3*
Changes in fair value reported in net income	*3*	-
Changes in fair value of hedging instruments		
Changes in fair value recognised in equity	*144*	*(218)*
Changes in fair value reported in net income	*(3)*	*(6)*
Income tax	(42)	68
Changes in equity-method investments	(95)	85
Items that will not be reclassified to profit or loss	**(34)**	**(21)**
Changes in fair value of financial assets at fair value through equity		
Changes in fair value recognised in equity	*(15)*	-
Items sold during the period	-	-
Debt remeasurement effect arising from BNP Paribas Fortis issuer risk	-	10
Remeasurement gains (losses) related to post-employment benefit plans	1	(17)
Income tax	(1)	(1)
Changes in equity-method investments	(19)	(13)
Total	**1,832**	**2,356**
Attributable to equity shareholders	1,565	2,051
Attributable to minority interests	267	305

Balance sheet at 31 December 2020

In millions of euros	Note	31 December 2020	31 December 2019
Assets			
Cash and balances at central banks		50,074	4,399
Financial instruments at fair value through profit or loss		17,832	17,896
Securities	*4.a*	*1,564*	*2,169*
Loans and repurchase agreements	*4.a*	*4,055*	*6,010*
Derivative financial instruments	*4.a*	*12,213*	*9,717*
Derivatives used for hedging purposes	4.b	3,178	2,500
Financial assets at fair value through equity		9,773	8,802
Debt securities	*4.c*	*9,460*	*8,473*
Equity securities	*4.c*	*313*	*329*
Financial assets at amortised cost		210,656	236,717
Loans and advances to credit institutions	*4.e*	*8,531*	*36,357*
Loans and advances to customers	*4.e*	*188,742*	*187,998*
Debt securities	*4.e*	*13,383*	*12,362*
Remeasurement adjustment on interest-rate risk hedged portfolios		2,712	2,113
Financial investments of insurance activities		235	-
Current and deferred tax assets	4.i	1,564	1,782
Accrued income and other assets	4.j	10,360	11,673
Equity-method investments	4.k	3,747	3,842
Property, plant and equipment and Investment property	4.l	23,914	22,386
Intangible assets		368	355
Goodwill	4.m	722	730
Total assets		**335,135**	**313,195**
Liabilities			
Deposits from central banks		71	709
Financial instruments at fair value through profit or loss		25,987	23,818
Securities	*4.a*	*132*	*516*
Deposits and repurchase agreements	*4.a*	*12,540*	*12,118*
Issued debt securities	*4.a*	*3,135*	*3,422*
Derivative financial instruments	*4.a*	*10,180*	*7,762*
Derivatives used for hedging purposes	4.b	5,257	5,838
Financial liabilities at amortised cost		259,145	239,522
Deposits from credit institutions	*4.g*	*50,820*	*40,456*
Deposits from customers	*4.g*	*193,770*	*184,378*
Debt securities	*4.h*	*11,815*	*11,918*
Subordinated debt	*4.h*	*2,740*	*2,770*
Remeasurement adjustment on interest-rate risk hedged portfolios		1,449	1,008
Current and deferred tax liabilities	4.i	771	713
Accrued expenses and other liabilities	4.j	8,207	9,058
Technical reserves and other insurance liabilities		128	-
Provisions for contingencies and charges	4.n	4,282	4,374
Total liabilities		**305,297**	**285,040**
Equity			
Share capital, additional paid-in capital and retained earnings		*23,808*	*21,634*
Net income for the period attributable to shareholders		*1,870*	*2,212*
Total capital, retained earnings and net income for the period attributable to shareholders		25,678	23,846
Changes in assets and liabilities recognised directly in equity		(1,165)	(861)
Shareholders' equity		**24,513**	**22,985**
Minority interests	7.c	**5,325**	**5,170**
Total equity		**29,838**	**28,155**
Total liabilities & equity		**335,135**	**313,195**

Cash flow statement for the year ended 31 December 2020

In millions of euros	Note	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Pre-tax income		**2,883**	**3,238**
Non-monetary items included in pre-tax net income and other adjustments		**5,193**	**4,476**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		4,139	3,952
Impairment of goodwill and other non-current assets		11	(32)
Net addition to provisions		579	429
Share of earnings of equity-method entities		(322)	(254)
Net expense (income) from investing activities		115	(155)
Net expense (income) from financing activities		3	(6)
Other movements		668	542
Net increase (decrease) in cash related to assets and liabilities generated by operating activities		**38,183**	**(7,663)**
Net increase (decrease) in cash related to transactions with customers and credit institutions		45,479	(2,645)
Net increase in cash related to transactions involving other financial assets and liabilities		745	3,235
Net decrease in cash related to transactions involving non-financial assets and liabilities		(7,692)	(7,858)
Taxes paid		(349)	(395)
Net increase in cash and equivalents generated by operating activities		**46,259**	**51**
Net increase (decrease) in cash related to acquisitions and disposals of consolidated entities		(217)	451
Net decrease related to property, plant and equipment and intangible assets		(132)	(169)
Net increase (decrease) in cash and equivalents related to investing activities		**(349)**	**282**
Net decrease in cash and equivalents related to transactions with shareholders		(86)	(1,521)
Net increase in cash and equivalents generated by other financing activities		1,004	629
Net increase (decrease) in cash and equivalents related to financing activities*		**918**	**(892)**
Effect of movement in exchange rates on cash and equivalents		**(868)**	**(222)**
Non-monetary impacts from non-current assets held for sale		**-**	**27**
Net increase (decrease) in cash and equivalents		**45,960**	**(754)**
Balance of cash and equivalent accounts at the start of the period		**5,574**	**6,328**
Cash and amounts due from central banks		4,405	4,694
Due to central banks		(708)	(112)
On-demand deposits with credit institutions	4.e	2,990	3,048
On-demand loans from credit institutions	4.g	(1,113)	(1,302)
Deduction of receivables and accrued interest on cash and equivalents		-	-
Balance of cash and equivalent accounts at the end of the period		**51,533**	**5,574**
Cash and amounts due from central banks		50,084	4,405
Due to central banks		(71)	(708)
On-demand deposits with credit institutions	4.e	2,828	2,990
On-demand loans from credit institutions	4.g	(1,308)	(1,113)
Deduction of receivables and accrued interest on cash and equivalents		-	-
Net increase (decrease) in cash and equivalents		**45,959**	**(754)**
Additional information:			
Interest paid		(2,161)	(3,110)
Interest received		6,700	7,845
Dividend paid/received		124	(1,487)

* *Changes in liabilities arising from financing activities other than those arising from cash flows amount to EUR (37) million, due to foreign exchange and revaluation effect, for respectively EUR (44) million and EUR 7 million*

Statement of changes in shareholders' equity between 1 January 2019 and 31 December 2020

In million of euros	Capital and retained earnings				Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss				Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss							
	Share capital	Subordinated equity instruments	Non distributed reserves	Total capital and retained earnings	Financial instruments designated as at fair value through equity	Own-credit valuation adjustment of debt securities designated as at fair value through profit or loss	Remeasurement gains (losses) related to post-employment benefits plans	Total	Exchange rate	Financial instruments at fair value through equity	Financial investments of insurance activities	Derivatives used for hedging purposes	Total	Total Shareholders' equity	Minority interests (note 7.c)	Total consolidated equity
Capital and retained earnings at 1 January 2019	**11,905**	**-**	**11,047**	**22,952**	**206**	**(30)**	**(201)**	**(25)**	**(1,477)**	**133**	**668**	**1**	**(675)**	**22,252**	**5,098**	**27,350**
Other movements	-	-	(9)	(9)	-	-	-	-	-	-	-	-	-	(9)	(21)	(30)
Capital increase and issues	-	500	-	500	-	-	-	-	-	-	-	-	-	500	-	500
Dividends	-	-	(1,809)	(1,809)	-	-	-	-	-	-	-	-	-	(1,809)	(212)	(2,021)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	(7)	8	(33)	(32)	(37)	(92)	119	(119)	(129)	(161)	(101)	(262)
Net income for 2019	**-**	**-**	**2,212**	**2,212**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,212**	**406**	**2,618**
Capital and retained earnings at 31 December 2019	**11,905**	**500**	**11,441**	**23,846**	**199**	**(22)**	**(234)**	**(57)**	**(1,514)**	**41**	**787**	**(118)**	**(804)**	**22,985**	**5,170**	**28,155**
Other movements	-	-	(21)	(21)	-	-	-	-	-	-	-	-	-	(21)	(28)	(49)
Acquisition (note 7b)	-	-	(16)	(16)	-	-	-	-	-	-	-	-	-	(16)	-	(16)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(84)	(84)
Changes in assets and liabilities recognised directly in equity	-	-	-	-	(3)	-	(12)	(15)	(315)	21	(23)	27	(290)	(305)	(157)	(462)
Net income for 2020	**-**	**-**	**1,870**	**1,870**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**1,870**	**424**	**2,294**
Capital and retained earnings at 31 December 2020	**11,905**	**500**	**13,274**	**25,679**	**196**	**(22)**	**(246)**	**(72)**	**(1,829)**	**62**	**764**	**(91)**	**(1,094)**	**24,513**	**5,325**	**29,838**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2020

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY BNP PARIBAS FORTIS

1.a Accounting standards

1.a.1 Applicable accounting standards

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

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

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

- Since 1 January 2019, BNP Paribas Fortis applies IFRS 16 'Leases', adopted by the European Union on 31 October 2017.

  The IFRS Interpretation Committee has been requested with a question concerning the determination of a lease term of two types of contracts cancellable or renewable:

  - contracts without particular contractual term, cancellable at any time with notice period by either the lessee or the lessor without penalty to be paid;
  - contracts concluded for an initial short period (normally 12 months), renewable indefinitely by tacit renewal for the same period, unless the lessor or the lessee gives notice of the contrary.

  At the end of its meeting of 26 November 2019, 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 a non negligible economic incentive not to terminate the lease. IFRIC also confirmed that if an 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 and in this case the contract becomes enforceable beyond the date of termination.

  BNP Paribas Fortis implemented this decision with no significant impact.

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

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

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

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

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

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

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

In September 2019, the IASB published the "Phase 1" amendments to IAS 39 and IFRS 7, amending the hedge accounting requirements so that hedges affected by the benchmark interest rate reform can continue despite the uncertainty before the hedged items or hedging instruments are amended to incorporate the reformed benchmark rates. These amendments, endorsed by the European Commission on 15 January 2020, are mandatory for annual financial statements as from 1 January 2020, with the possibility of early adoption, an option which BNP Paribas Fortis has chosen.

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

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

These amendments, adopted for use in the European Union on 13 January 2021, are applicable for the annual financial statements as from 1 January 2021, with the possibility of early adoption, an option which BNP Paribas Fortis has chosen in order to maintain its existing hedging relationships which have been modified as a result of the transition to the new RFRs.

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

The notional amounts of hedging instruments documented in the hedging relationships impacted by the benchmark interest rate reform are presented in note 4b *Derivatives used for hedging purposes*.

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

The introduction of other standards, amendments and interpretations that are mandatory as of 1 January 2020 had no effect on the 2020 financial statements.

BNP Paribas Fortis did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2020 was optional.

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

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

1.b Segment reporting

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

- banking activities in Belgium;
- banking activities in Luxembourg;
- banking activities in Turkey;
- other domestic markets;
- other.

Operating segments are components of BNP Paribas Fortis:

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

[1] *On 25 June 2020, the IASB published "Amendments to IFRS 17" including in particular the deferral of the mandatory initial application of IFRS 17 for two years.*

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

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

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

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

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

1.c Consolidation

1.c.1 Scope of consolidation

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

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

1.c.2 Consolidation methods

Exclusive control

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

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

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

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

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

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

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

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

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

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

Joint control

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

Significant influence

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

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

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

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

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

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

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

1.c.3 Consolidation rules

Elimination of intragroup balances and transactions

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

Translation of accounts expressed in foreign currencies

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

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

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

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

On liquidation or disposal of some or all of an interest held in a foreign enterprise located outside the 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 exchange difference at the date of liquidation or sale, determined according to the step method, is recognised in the profit and loss account.

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

1.c.4 Business combination and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method.

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

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

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

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

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

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

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

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

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

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

Measurement of goodwill

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

Homogeneous group of businesses

BNP Paribas Fortis has split all its activities into homogeneous group of businesses [1]. representing major business lines. This split is consistent with the organisational structure and management methods of BNP Paribas Fortis, and reflects the independence of each unit in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of homogeneous group of businesses, such as acquisitions, disposals and major reorganisations.

Testing homogeneous group of businesses for impairment

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

[1] *The notion used under IAS 36 for homogeneous group of businesses is 'Cash-generating units'.*

Recoverable amount of a homogeneous group of businesses

The recoverable amount of a homogeneous group of businesses is the higher of the fair value of the unit less costs to sell, and its value in use.

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

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

Transactions under common control

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

1.d Translation of foreign currency transactions

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

Monetary assets and liabilities[1] expressed in foreign currencies

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

Non-monetary assets and liabilities expressed in foreign currencies

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

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

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

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

1.e.1 Net interest income

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

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

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

1.e.2 Commissions and income from other activities

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

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

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

Commission

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

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

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

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

Income from other activities

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

1.f Financial assets and financial liabilities

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

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

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

1.f.1 Financial assets at amortised cost

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

Business model criterion

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

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

Cash flow criterion

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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

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

Debt instruments

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

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

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

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

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

Equity instruments

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

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

1.f.3 Financing and guarantee commitments

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

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

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

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

General model

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

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

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

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

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

Definition of default

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

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

Credit-impaired or doubtful financial assets

Definition

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

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

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

Specific cases of purchased or originated credit-impaired assets

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

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

Simplified model

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

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

Significant increase in credit risk

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

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

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

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

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

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

Measurement of expected credit losses

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

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

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

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

Maturity

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

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

Probabilities of Default (PD)

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

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

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

Loss Given Default (LGD)

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

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

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

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

Exposure At Default (EAD)

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

Forward looking

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

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

Write-offs

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

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

Recoveries through the repossession of the collateral

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

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

Restructuring of financial assets for financial difficulties

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

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

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

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

In 2020, in response to the health crisis, several moratoria have been granted to clients. Those moratoria mostly consist in payment suspension of a few months, with interests that may or not continue to accrue during the suspension period. To that extent, the modification is generally considered as not substantial. The associated discount (linked to the absence of interests accruing, or interests accruing at a rate that is lower than the EIR of the loan) is thus accounted for in NBI, subject to the respect of certain criteria[1]. The moratorium is indeed, in such situation, considered as not being granted in response to the borrower encountering financial difficulties, but in response to a temporary liquidity crisis and the credit risk is not considered to have significantly increased.

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

1.f.5 Cost of risk

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

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

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

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

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

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

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

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

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

Financial liabilities designated as at fair value through profit or loss

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

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

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

1.f.7 Financial liabilities and equity instruments

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

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

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

Debt securities and subordinated debt

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

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

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

Equity instruments

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

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

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

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

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

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

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

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

1.f.8 Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.f.9 Determination of fair value

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

Derecognition of financial liabilities

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

Repurchase agreements and securities lending/borrowing

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

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

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

1.f.11 Offsetting financial assets and financial liabilities

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

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

1.g Property, plant, equipment and intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.h Leases

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

1.h.1 BNP Paribas Fortis entity as lessor

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

Finance leases

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

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

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

Operating leases

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

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

1.h.2 BNP Paribas Fortis entity as lessee

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

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

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

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

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

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

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

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

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

1.j Employee benefits

Employee benefits are classified in one of four categories:

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

Short-term benefits

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

Long-term benefits

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

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

Termination benefits

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

Post-employment benefits

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

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

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

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

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

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

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

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

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

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

1.k Share-based payments

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

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 share-based payment granted to the employee.

BNP Paribas Fortis grants employees stock subscription option plans and deferred share-based or share price-linked cash-settled compensation plans, and also offers them the possibility to purchase specially-issued BNP Paribas shares at a discount, on condition that they retain the shares for a specified period.

Stock option and share award plans

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

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

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

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

Share price-linked cash-settled deferred compensation plans

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

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

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

1.l Provisions recorded under liabilities

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

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

1.m Current and deferred tax

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

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

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

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

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

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

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

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

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

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

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

1.n Cash flow statement

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

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

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

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

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

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

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

This applies in particular to:

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

2 NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

2.a Net interest income

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

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

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

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

	Year to 31 Dec. 2020			Year to 31 Dec. 2019		
In millions of euros	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	**6,077**	**(1,498)**	**4,579**	**6,722**	**(2,180)**	**4,542**
Deposits, loans and borrowings	4,941	(1,196)	3,745	5,616	(1,827)	3,789
Repurchase agreements	31	(59)	(28)	50	(48)	2
Finance leases	928	(79)	849	904	(74)	830
Debt securities	177	-	177	152	-	152
Issued debt securities and subordinated debts	-	(164)	(164)	-	(231)	(231)
Financial instruments at fair value through equity	**138**	**-**	**138**	**114**	**-**	**114**
Debt securities	138	-	138	114	-	114
Financial instruments at fair value through profit or loss (Trading securities excluded)	**9**	**(29)**	**(20)**	**14**	**(40)**	**(26)**
Cash flow hedge instruments	**183**	**(260)**	**(77)**	**410**	**(364)**	**46**
Interest rate portfolio hedge instruments	**427**	**(282)**	**145**	**518**	**(386)**	**132**
Lease liabilities	**-**	**(13)**	**(13)**	**-**	**(16)**	**(16)**
Net interest income/expense	**6,834**	**(2,082)**	**4,752**	**7,778**	**(2,986)**	**4,792**

Interest income on individually impaired loans amounted to EUR 38 million in the year ending 31 December 2020, compared with EUR 64 million in the year ending 31 December 2019.

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

2.b Commission income and expense

	Year to 31 Dec. 2020			Year to 31 Dec. 2019		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Customer transactions	97	(73)	24	103	(114)	(11)
Securities and derivatives transactions	845	(160)	685	969	(258)	711
Financing and guarantee commitments	155	(13)	142	176	(12)	164
Asset management and other services	648	(75)	573	600	(4)	596
Others	253	(403)	(150)	228	(410)	(182)
Net Commission income/expense	**1,998**	**(724)**	**1,274**	**2,076**	**(798)**	**1,278**
Of which net commission income related to trust and similar activities through which BNP Paribas Fortis holds or invests assets on behalf of clients, trusts, pension and personal risk funds or other institutions	*392*	*(4)*	*388*	*408*	*(6)*	*402*
Of which commission income and expense on financial instruments not measured at fair value through profit or loss	*394*	*(157)*	*237*	*388*	*(126)*	*262*

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

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

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

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Trading Book	**173**	**248**
Interest rate and credit instruments	(13)	178
Equity financial instruments	48	148
Foreign exchange financial instruments	103	(113)
Loans and repurchase agreements	35	32
Other financial instruments	-	3
Financial instruments designated as at fair value through profit or loss	**(4)**	**(195)**
Other financial instruments at fair value through profit and loss	**4**	**164**
Debt instruments	(1)	9
Equity instruments	5	155
Impact of hedge accounting	**8**	**(15)**
Fair value hedging derivatives	(380)	(747)
Hedged items in fair value hedge	388	732
Net gain or loss on financial instruments at fair value through profit or loss	**181**	**202**

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

Net gains on the trading book in 2020 and 2019 include a non-material amount related to the ineffective portion of cash flow hedges.

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

Cumulated changes in fair value related to discontinued cash flow hedge relationships, previously recognised in equity and included in the 2020 profit and loss account were not material, whether the hedged item ceased to exist or not.

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

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Net gain on debt instruments at fair value through equity	6	94
Net gain on debt instruments [(1)]	6	94
Net gain on equity instruments at fair value through equity	5	22
Dividend income on equity instruments	5	22
Net gain or loss on financial instruments at fair value through equity	**11**	**116**

(1) Interest income from debt instruments is included in 'Net interest income' (Note 2.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 2.g)

Unrealised gains and losses on debt securities previously recorded under 'Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss' and included in the pre-tax income, amount to a net gain of EUR 2 million for the year ended 31 December 2020 compared with EUR 165 million for the year ended 31 December 2019.

2.e Net income from other activities

In millions of euros	Year to 31 Dec. 2020			Year to 31 Dec. 2019		
	Income	Expense	Net	Income	Expense	Net
Net income from investment property	86	(37)	49	71	(15)	56
Net income from assets held under operating leases	10,695	(9,099)	1,596	10,610	(9,074)	1,536
Other net income	758	(723)	35	728	(667)	61
Total net income from other activities	**11,539**	**(9,859)**	**1,680**	**11,409**	**(9,756)**	**1,653**

2.f Other operating expenses

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
External services and other operating expenses	(1,343)	(1,430)
Taxes and contributions [(1)]	(408)	(388)
Other operating expenses	**(1,751)**	**(1,818)**

(1) Contributions to European resolution funds, including exceptional contributions, amount to EUR (68) million in 2020 (EUR (58) million in 2019

2.g Cost of risk

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

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

Both steps shall rely on forward looking information.

Significant increase in credit risk

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

Wholesale (Corporates / Financial institutions / Sovereigns) and bonds

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

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

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

SME Corporates facilities and Retail

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

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

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

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

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

Forward Looking Information

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

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

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

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

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

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

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

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

Macroeconomic scenarios:

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

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

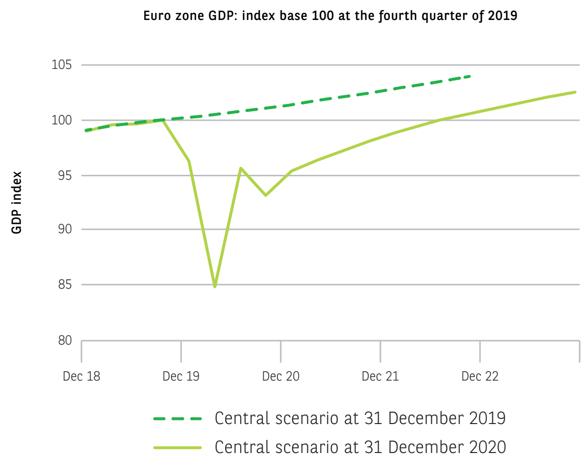
As from 31 December 2020, in addition to the geographic breakdown, prospective parameters are detailed at sector level to better reflect the heterogeneity of economic trajectories in conjunction with lockdown measures and the partial interruption in activity;

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

Factoring the specific features of the health crisis in the baseline scenario:

After a historical drop in the first half of 2020, followed by a marked rebound in the third quarter, activity fell again in the fourth quarter, reflecting stricter measures implemented by governments (including lockdowns in some European countries) due to the increase in COVID-19 cases. However, this fall is less pronounced than the shock in the second quarter thanks to government and central bank measures taken to limit the impact of the crisis on the economic activity. In 2021, a favourable trend in growth rates is expected, reflecting: a) a mechanical catch-up; b) government and central bank measures; c) positive developments in terms of vaccines. The pace of growth is expected to normalise in 2022 and 2023, and activity is expected to return to pre-crisis levels in 2022 in most mature economies.

The graph below presents a comparison between GDP projections used in the baseline scenario for the calculation of ECLs as at 31 December 2019 and 31 December 2020.



Return to the 4th quarter 2019 level of GDP

	31 December 2020
Belgium	4th quarter 2022
France	4th quarter 2022
Italy	4th quarter 2023
Germany	2nd quarter 2022
Euro zone	3rd quarter 2022
United States	4th quarter 2021

These assumptions are close to the European Central Bank's scenario for the euro zone, which also assumes a return to pre-crisis GDP level in the third quarter of 2022.

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

Adverse Scenario

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

In the current context, the dominant risk is that the health crisis does not vanish as smoothly as expected in the baseline scenario and that the economy weakens again.

Two main developments could lead to this negative outcome: a) a less favourable health crisis evolution than expected; b) a more severe economic fallout than assumed (e.g. higher unemployment and bankruptcy).

Beyond this dominant risk, the following risks appear strengthened in the context of the health crisis:

- **Extended crisis due to weaker demand:** the health crisis could trigger a more "classic", and therefore longer crisis, if it results in significant damage to the economy (e.g. higher unemployment rate, higher number of bankruptcies, etc.) which significantly affect domestic demand. This could notably occur when governments reduce or stop to fiscal measures aimed at helping households and businesses during the crisis (e.g. job retention schemes, extended unemployment benefits, State-guaranteed loans), or if certain key sectors for a given region or country are severely impacted by the crisis (e.g. foreign tourism).
- **Pressure on financial institutions' profitability:** the health crisis leads to an increase in the number of borrowers in greater difficulty when it comes to repaying their debt, especially with the withdrawal or scaling back of government support measures. In addition, possible financial turbulences and extremely low interest rates might weigh on banking profitability.
- **New financial market corrections:** the health crisis has already had a major impact on the value of certain financial assets. Depending on how the health crisis evolves, additional corrections could affect some markets.
- **Tensions related to public finances:** given the extent of the contraction in activity and the amount of fiscal support that will be provided by governments to compensate for this major shock, debt-to-GDP ratios are bound to increase substantially in some countries and reach unprecedented levels. Although current extremely accommodating monetary policies are limiting this risk now, a sharp deterioration in public finance metrics could lead to future tensions on the financial markets and austerity measures in certain countries. Such developments could lead to a knock-on negative effect on activity.
- **Further difficulties in China:** given the weight of the Chinese economy, any further deterioration in activity would impact global financial markets, global trade and commodities prices.
- **Emerging markets in difficulty:** some emerging markets suffering from economic imbalances and domestic political difficulties, a strong US dollar and deteriorating international relations, could be further adversely impacted by the health crisis.

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

- **Trade risks:** in the short term, risks generated by the trade confrontation between the United States and China look less acute. However, disagreements regarding intellectual property protection, technology transfers or industrial policies are likely to persist. The United States and other mature economies are also likely to try to become less reliant on China in some areas that are deemed strategic, following the health crisis. Tensions related to trade and globalisation are therefore likely to remain. Unfavourable developments remain a risk for the coming quarters.
- **Brexit-related risks:** late in December 2020, the European Union and the United Kingdom signed a free trade agreement. This deal, which still has to be ratified by the European parliament, is provisionally applied from 1 January to 28 February 2021. Although a "hard-Brexit" was avoided, significant changes impact the European Union and United Kingdom trade (major non-tariff barriers) and financial relationships. Logistical and operational hurdles which are not totally integrated today cannot be excluded. A higher level of uncertainty (which is detrimental to investment and spending), weaker trade dynamics,

financial tensions, and negative developments on the real estate market are factored in the adverse scenario.

- **Geopolitical risks:** Middle East tensions have the potential to weigh on the global economy through shocks on commodities prices and business confidence.

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

Among OECD countries, GDP levels in the adverse scenario are between 5.8% and 12% lower than in the baseline scenario at the end of the shock period (three years) depending on the country (-7.1% on average in the euro zone and -5.8% in the United States).

Scenario weighting and cost of risk sensitivity:

At 31 December 2020, the weighting of the adverse scenario is 14% for the Group (36% for the favourable scenario), versus 21% at 31 December 2019 (29% for the favourable scenario), reflecting a position below the average of the credit cycle at December 2020 in the context of the current health crisis and the associated containment measures.

The Group's ECL is slightly lower than the one determined based on the baseline scenario, which is also the case in Belgium. Applying an equal weighting to favourable and adverse scenario (25%) would lead to a EUR 19 million increase, representing 2,5%, in expected losses. In Belgium, applying a weighting of 50% to the adverse scenario (0% to the favourable scenario) would lead to a EUR 33 million increase in expected loss.

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

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

In the euro zone, the medium-term perspective adopted for the baseline scenario reduces the destruction of value over the period, for an amount much lower than that of the support programs announced by governments and the European Central Bank.

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

The exposure to Transportation (aviation, cruises), Retail (non-food), Commercial Real Estate Retail Stores and Hotels, Tourism & Leisure amounts to 2%, 1,4%, 1% and 1% respectively of the total exposure (total loans and off-balance sheet commitments).

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Net allowances to impairment	(674)	(448)
Recoveries on loans and receivables previously written off	30	35
Losses on irrecoverable loans	(32)	(41)
Total cost of risk for the period	**(676)**	**(454)**

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

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Cash and balances at central banks	(4)	1
Financial instruments at fair value through profit or loss	3	10
Financial assets at fair value through equity	(3)	1
Financial assets at amortised cost	(648)	(420)
of which loans and receivables	*(646)*	*(419)*
of which debt securities	*(2)*	*(1)*
Other assets	(8)	(6)
Financing and guarantee commitments and other items	(16)	(40)
Total cost of risk for the period	**(676)**	**(454)**
Cost of risk on unimpaired assets and commitments	(194)	11
of which Stage 1	*(86)*	*(14)*
of which Stage 2	*(108)*	*25*
Cost of risk on impaired assets and commitments - Stage 3	(482)	(465)

Credit risk impairment

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

In millions of euros	31 December 2019	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2020
Assets impairment					
Amounts due from central banks	8	4	-	(2)	10
Financial instruments at fair value through profit or loss	29	(9)	-	(1)	19
Impairment of financial assets at fair value through equity	35	4	(11)	(4)	24
Financial assets at amortised cost	2,965	657	(289)	(209)	3,124
of which loans and receivables	*2,963*	*655*	*(289)*	*(208)*	*3,121*
of which debt securities	*2*	*2*	-	*(1)*	*3*
Other assets	11	8	-	-	19
Total impairment of financial assets	**3,048**	**664**	**(300)**	**(216)**	**3,196**
of which Stage 1	*263*	*70*	-	*(18)*	*315*
of which Stage 2	*402*	*93*	*(1)*	*(45)*	*449*
of which Stage 3	*2,383*	*501*	*(299)*	*(153)*	*2,432*
Provisions recognised as liabilities					
Provisions for commitments	221	12	-	(16)	217
Other provisions	29	(1)	(9)	-	19
Total provisions recognised for credit commitments	**250**	**11**	**(9)**	**(16)**	**236**
of which Stage 1	*49*	*12*	-	*(6)*	*55*
of which Stage 2	*42*	*16*	-	*(7)*	*51*
of which Stage 3	*159*	*(17)*	*(9)*	*(3)*	*130*
Total impairment and provisions	**3,298**	**675**	**(309)**	**(232)**	**3,432**

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

In millions of euros	1 January 2019	Net allowance to impairment	Impairment provisions used	Effect of exchange rate movements and other items	31 December 2019
Assets impairment					
Amounts due from central banks	10	(1)	-	(1)	8
Financial instruments at fair value through profit or loss	45	(12)	-	(4)	29
Impairment of financial assets at fair value through equity	36	(1)	-	-	35
Financial assets at amortised cost	2,914	431	(327)	(53)	2,965
of which loans and receivables	*2,913*	*430*	*(327)*	*(53)*	*2,963*
of which debt securities	*1*	*1*	-	-	*2*
Other assets	7	4	-	-	11
Total impairment of financial assets	**3,012**	**421**	**(327)**	**(58)**	**3,048**
of which Stage 1	*262*	*10*	-	*(9)*	*263*
of which Stage 2	*436*	*(33)*	*(4)*	*3*	*402*
of which Stage 3	*2,314*	*444*	*(323)*	*(52)*	*2,383*
Provisions recognised as liabilities					
Provisions for commitments	194	26	-	1	221
Other provisions	25	8	(1)	(3)	29
Total provisions recognised for credit commitments	**219**	**34**	**(1)**	**(2)**	**250**
of which Stage 1	*43*	*4*	-	*2*	*49*
of which Stage 2	*39*	*4*	-	*(1)*	*42*
of which Stage 3	*137*	*26*	*(1)*	*(3)*	*159*
Total impairment and provisions	**3,231**	**455**	**(328)**	**(60)**	**3,298**

Change in impairment of amortised cost financial assets during 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 doubtful assets (Stage 3)	Total
At 31 December 2019	252	382	2,330	2,964
Net allowances to impairment	63	92	502	657
Financial assets purchased or originated during the period	104	142	-	246
Financial assets derecognised during the period (1)	(51)	(94)	(186)	(331)
Transfer to Stage 2	(24)	208	(13)	171
Transfer to Stage 3	(3)	(87)	372	282
Transfer to Stage 1	14	(115)	(6)	(107)
Other allowances/reversals without stage transfer (2)	23	38	335	396
Impairment provisions used	-	(1)	(288)	(289)
Effect of exchange rate movements and other items	(14)	(43)	(152)	(209)
At 31 December 2020	301	430	2,392	3,123

(1) Including disposals

(2) Including amortisation

Change in impairment of amortised cost financial assets during the previous 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 doubtful assets (Stage 3)	Total
At 1 January 2019	247	415	2,252	2,914
Net allowances to impairment	11	(30)	450	431
Financial assets purchased or originated during the period	110	121	-	231
Financial assets derecognised during the period (1)	(51)	(85)	(193)	(329)
Transfer to Stage 2	(20)	194	(11)	163
Transfer to Stage 3	(4)	(97)	423	322
Transfer to Stage 1	13	(105)	(5)	(97)
Other allowances/reversals without stage transfer (2)	(37)	(58)	236	141
Impairment provisions used	-	(4)	(323)	(327)
Effect of exchange rate movements and other items	(6)	1	(49)	(54)
At 31 December 2019	252	382	2,330	2,964

(1) Including disposals

(2) Including amortisation

2.h Corporate income tax

Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Belgium	Year to 31 Dec. 2020		Year to 31 Dec. 2019	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Corporate income tax expense on pre-tax income at standard tax rate (1)	**(640)**	**25.00%**	**(882)**	**29.58%**
Impact of differently taxed foreign profits	(3)	0.1%	57	(1.9%)
Impact of changes in tax rates	8	(0.3%)	19	(0.6%)
Impact of dividends and disposals taxed at reduced rate	10	(0.4%)	59	(2.0%)
Impact of previously unrecognised deferred taxes (tax losses and temporary differences)	8	(0.3%)	79	(2.6%)
Impact of using tax losses for which no deferred tax asset was previously recognised	9	(0.4%)	-	- %
Other items	19	(0.7%)	48	(1.6%)
Corporate income tax expense	**(589)**	**23.01%**	**(620)**	**20.79%**
of which				
Current tax expense for the year to 31 December	*(408)*		*(372)*	
Deferred tax expense for the year to 31 December (Note 4.i)	*(181)*		*(248)*	

(1) *Restated for the share of profits in equity-method entities and goodwill impairment*

(2) *Contribution to the Single Resolution Fund and other non-deductible banking taxes*

3 SEGMENT INFORMATION

3.a Operating segments

Banking activities in Belgium

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

In Retail & Private Banking (RPB), BNP Paribas Fortis has a solid footprint, serving 3.4 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through a network of 463 branches, plus other channels such as ATMs and online banking facilities, including mobile banking. In its Retail banking activities, BNP Paribas Fortis operates under four complementary brands: the main brand BNP Paribas Fortis, plus Fintro, bpost bank/banque and Hello bank!, a 100% digital mobile banking service. In the insurance sector, BNP Paribas Fortis works in close cooperation with the Belgian market leader, AG Insurance.

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

Providing a wide range of both traditional and bespoke specialised solutions and services, and drawing on the international network of the BNP Paribas Group in 69 countries, CB continues to meet the precise financing, transaction banking, investment banking and insurance needs of its clients.

Banking activities in Luxembourg

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

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

Banking activities in Turkey

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

Other Domestic Markets

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

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

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

Other

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

3.b Information by operating segment

Income and expense by operating segment

In millions of euros	Year to 31 Dec. 2020						Year to 31 Dec. 2019					
	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total
Revenues	3,983	730	736	2,245	199	7,893	4,065	666	936	2,184	185	8,036
Operating expense	(2,538)	(377)	(404)	(1,144)	(79)	(4,542)	(2,693)	(388)	(462)	(1,135)	(76)	(4,754)
Cost of risk	(261)	(16)	(174)	(188)	(37)	(676)	(40)	(5)	(238)	(141)	(30)	(454)
Operating Income	**1,184**	**337**	**158**	**913**	**83**	**2,675**	**1,332**	**273**	**236**	**908**	**79**	**2,828**
Non-operating items	(95)	1	1	(2)	303	208	169	-	5	1	235	410
Pre-tax income	**1,089**	**338**	**159**	**911**	**386**	**2,883**	**1,501**	**273**	**241**	**909**	**314**	**3,238**

Assets and liabilities by operating segment

In millions of euros	31 December 2020						31 December 2019					
	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total	Banking activities in Belgium	Banking activities in Luxembourg	Banking activities in Turkey	Other Domestic Markets	Other	Total
Assets	**226,308**	**28,029**	**16,246**	**53,280**	**11,272**	**335,135**	**205,650**	**27,931**	**16,889**	**51,565**	**11,160**	**313,195**
of which investments in associates and Joint ventures	*832*	*93*	*4*	*67*	*2,751*	*3,747*	*958*	*93*	*4*	*69*	*2,718*	*3,842*
Liabilities	**210,786**	**21,980**	**15,117**	**49,091**	**8,323**	**305,297**	**191,205**	**22,210**	**15,571**	**47,801**	**8,253**	**285,040**

3.c Country-by-country reporting

The country-by-country reporting has been prepared to comply with the requirements set out in Article 89 of the European Union Capital Requirements Directive IV. The information is presented using the same basis as the Consolidated Financial Statements of BNP Paribas Fortis for the period ending 31 December 2020, which are prepared in accordance with IFRS as adopted by the European Union. The country information relates to the country of incorporation or residence of branches and subsidiaries.

In millions of euros, Year to 31 Dec. 2020 (*)	Revenues	Pre-tax income	Current tax	Deferred tax	Corporate income tax	FTE (**) as at 31 Dec. 2020	Nature of activities
Belgium	**4,239**	**1,191**	**(129)**	**(178)**	**(307)**	**12,232**	
of which: BNP Paribas Fortis NV/SA (Including Bass & Esmée Master Issuer NV)	*3,869*	*1,019*	*(83)*	*(182)*	*(265)*	*11,055*	*Credit institution*
Turkey	**762**	**187**	**(78)**	**28**	**(50)**	**9,295**	
of which: Türk Ekonomi Bankası AS	*655*	*112*	*(58)*	*26*	*(32)*	*8,765*	*Credit institution*
Luxembourg	**743**	**344**	**(67)**	**8**	**(59)**	**2,172**	
of which: BGL BNP Paribas	*722*	*334*	*(72)*	*1*	*(71)*	*2,092*	*Credit institution*
France	**686**	**215**	**(13)**	**(34)**	**(46)**	**3,333**	
of which: BNP Paribas Lease Group BPLG	*157*	*40*	*-*	*(5)*	*(5)*	*1,409*	*Leasing firm*
Germany	**182**	**63**	**(18)**	**2**	**(17)**	**751**	
Poland	**39**	**12**	**(5)**	**2**	**(2)**	**468**	
United Kingdom	**325**	**151**	**(34)**	**8**	**(26)**	**1,204**	
Spain	**213**	**124**	**(11)**	**(18)**	**(29)**	**848**	
The Netherlands	**111**	**61**	**(13)**	**(1)**	**(15)**	**408**	
Italy	**347**	**125**	**(26)**	**12**	**(14)**	**1,092**	
Other	**245**	**87**	**(14)**	**(11)**	**(25)**	**1,928**	
Total	**7,893**	**2,561**	**(408)**	**(181)**	**(589)**	**33,729**	

(*) The financial data correspond to the contribution to consolidated income of fully consolidated entities under exclusive control

(**) Full-time equivalents (FTE) at 31 December 2020 in fully consolidated entities under exclusive control

4 NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2020

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

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

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

In millions of euros	31 December 2020				31 December 2019			
	Trading Book	Financial instruments designated as at fair value through profit or loss	Other financial assets at fair value through profit or loss	Total	Trading Book	Financial instruments designated as at fair value through profit or loss	Other financial assets at fair value through profit or loss	Total
Securities	433	-	1,131	1,564	434	-	1,735	2,169
Loans and repurchase agreements	3,952	2	101	4,055	5,879	4	127	6,010
financial assets at fair value through profit or loss	**4,385**	**2**	**1,232**	**5,619**	**6,313**	**4**	**1,862**	**8,179**
Securities	132	-	-	132	516	-	-	516
Deposits and repurchase agreements	12,369	171	-	12,540	11,936	182	-	12,118
Issued debt securities (note 4.h)	-	3,135	-	3,135	-	3,422	-	3,422
Of which subordinated debt	-	*835*	-	*835*	-	*871*	-	*871*
Of which non subordinated debt	-	*2,300*	-	*2,300*	-	*2,551*	-	*2,551*
financial liabilities at fair value through profit or loss	**12,501**	**3,306**	**-**	**15,807**	**12,452**	**3,604**	**-**	**16,056**

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

Financial liabilities designated as at fair value through profit or loss

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

The redemption value of debt issued and designated as at fair value through profit or loss at 31 December 2020 was EUR 3,362 million (EUR 3,680 million at 31 December 2019).

Other financial assets measured at fair value through profit or loss

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

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

Derivative financial instruments

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

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

	31 December 2020		31 December 2019	
In millions of euros	**Positive market value**	**Negative market value**	**Positive market value**	**Negative market value**
Interest rate derivatives	10,306	8,842	7,716	6,371
Foreign exchange derivatives	1,276	1,316	1,471	1,365
Credit derivatives	-	3	-	5
Equity derivatives	631	19	530	22
Other derivatives	-	-	-	(1)
Derivative financial instruments	**12,213**	**10,180**	**9,717**	**7,762**

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

In millions of euros	31 December 2020				31 December 2019			
	Exchange-traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total	Exchange-traded	Over-the-counter, cleared through central clearing houses	Over-the-counter	Total
Interest rate derivatives	56,697	35,009	648,320	740,026	46,747	61,990	839,535	948,272
Foreign exchange derivatives	125	-	101,798	101,923	11	-	116,597	116,608
Credit derivatives	-	-	21	21	-	-	38	38
Equity derivatives	101	-	1,878	1,979	29	-	2,177	2,206
Other derivatives	-	-	-	-	-	-	-	-
Derivative financial instruments	**56,923**	**35,009**	**752,017**	**843,949**	**46,787**	**61,990**	**958,347**	**1,067,124**

4.b Derivatives used for hedging purposes

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

In millions of euros	31 December 2020			31 December 2019		
	Notional amounts	Positive fair value	Negative fair value	Notional amounts	Positive fair value	Negative fair value
Fair value hedges	**131,145**	**2,895**	**5,105**	**120,169**	**2,362**	**5,401**
Interest rate derivatives	130,322	2,843	5,078	119,441	2,350	5,379
Foreign exchange derivatives	823	52	27	728	12	22
Cash flow hedges	**14,789**	**277**	**152**	**18,446**	**138**	**432**
Interest rate derivatives	5,725	72	60	6,575	59	163
Foreign exchange derivatives	9,064	205	92	11,871	79	269
Other derivatives	-	-	-	-	-	-
Net foreign investment hedges	**200**	**6**	**-**	**300**	**-**	**5**
Foreign exchange derivatives	200	6	-	300	-	5
Derivatives used for hedging purposes	**146,134**	**3,178**	**5,257**	**138,915**	**2,500**	**5,838**

Interest rate risk and foreign exchange risk management strategies are described in chapter 'Risk Management and Capital Adequacy' of the annual report.

The table below shows the detail of the identified fair value hedge relationships and the financial instruments portfolios still hedged as at 31 December 2020:

31 December 2020 In millions of euros	Hedging instruments				Hedged instruments			
	Notional amounts	Positive fair value	Negative fair value	Cumulated change in fair value used as the basis for recognising ineffectiveness	Carrying amount - asset	Cumulated amount of fair value hedge adjustments - assets	Carrying amount - liabilities	Cumulated amount of fair value hedge adjustments - liabilities
Fair value hedges of identified instruments	14,985	368	2,478	(2,113)	11,087	2,046	4,100	115
Interest rate derivatives hedging the interest rate risk related to	**14,162**	**315**	**2,451**	**(2,121)**	**10,738**	**2,048**	**3,671**	**108**
Loans and receivables	*937*	*14*	*280*	*(252)*	*917*	*252*	-	-
Securities	*9,610*	*171*	*2,160*	*(1,978)*	*9,821*	*1,796*	-	-
Deposits	*40*	*2*	-	*1*	-	-	*41*	*1*
Debt securities	*3,575*	*128*	*11*	*108*	-	-	*3,630*	*107*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**823**	**53**	**27**	**8**	**349**	**(2)**	**429**	**7**
Loans and receivables	*259*	*46*	-	*1*	*202*	*(2)*	-	-
Securities	*139*	*2*	*10*	-	*147*	-	-	-
Deposits	*20*	-	-	*1*	-	-	*21*	*1*
Debt securities	*405*	*5*	*17*	*6*	-	-	*408*	*6*
Interest-rate risk hedged portfolios	116,160	2,527	2,627	(217)	32,776	1,648	55,309	1,431
Interest rate derivatives hedging the interest rate risk related to	**116,160**	**2,527**	**2,627**	**(217)**	**32,776**	**1,648**	**55,309**	**1,431**
Loans and receivables	*49,566*	*399*	*2,134*	*(1,647)*	*32,776*	*1,648*	-	-
Deposits	*66,594*	*2,128*	*493*	*1,430*	-	-	*55,309*	*1,431*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Total fair value hedge	131,145	2,895	5,105	(2,330)	43,863	3,694	59,409	1,546

The table below shows the detail of the identified fair value hedge relationships and the financial instruments portfolios still hedged as at 31 December 2019:

31 December 2019 In millions of euros	Hedging instruments				Hedged instruments			
	Notional amounts	Positive fair value	Negative fair value	Cumulated change in fair value used as the basis for recognising ineffectiveness	Carrying amount - asset	Cumulated amount of fair value hedge adjustments - assets	Carrying amount - liabilities	Cumulated amount of fair value hedge adjustments - liabilities
Fair value hedges of identified instruments	**14,417**	**184**	**2,221**	**(1,912)**	**9,733**	**1,919**	**5,013**	**89**
Interest rate derivatives hedging the interest rate risk related to	**13,689**	**173**	**2,200**	**(1,913)**	**9,565**	**1,919**	**4,453**	**88**
Loans and receivables	*999*	*14*	*277*	*(249)*	*986*	*249*	-	-
Securities	*8,223*	*57*	*1,918*	*(1,751)*	*8,579*	*1,670*	-	-
Deposits	*2,044*	*4*	*3*	*1*	-	-	*2,044*	*1*
Debt securities	*2,423*	*98*	*2*	*86*	-	-	*2,409*	*87*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**728**	**11**	**21**	**1**	**168**	**-**	**560**	**1**
Loans and receivables	-	-	-	-	-	-	-	-
Securities	*170*	*3*	*1*	-	*168*	-	-	-
Deposits	*32*	*1*	-	*1*	-	-	*33*	*1*
Debt securities	*526*	*7*	*20*	-	-	-	*527*	-
Interest-rate risk hedged portfolios	**105,752**	**2,178**	**3,180**	**(1,114)**	**46,415**	**2,074**	**57,971**	**963**
Interest rate derivatives hedging the interest rate risk related to	**105,752**	**2,178**	**3,180**	**(1,114)**	**46,415**	**2,074**	**57,971**	**963**
Loans and receivables	*47,393*	*532*	*2,671*	*(2,123)*	*46,415*	*2,074*	-	-
Securities	-	-	-	-	-	-	-	-
Deposits	*58,359*	*1,646*	*509*	*1,009*	-	-	*57,971*	*963*
Foreign exchange derivatives hedging the interest rate and foreign exchange risks related to	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and receivables	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Total fair value hedge	**120,169**	**2,362**	**5,401**	**(3,026)**	**56,148**	**3,993**	**62,984**	**1,052**

An asset or a liability or set of assets and liabilities, can be hedged over several periods of time with different derivative financial instruments. Besides, some hedges are achieved by the combination of two derivative instruments (for example, to exchange the variable rate index of the first instrument from Euribor to Eonia). In this case, the notional amounts add up and their total amount is higher than the hedged amount. The first situation is observed more particularly for interest rate risk hedged portfolios and the second for hedges of issued debt securities.

As regards discontinued fair value hedge relationships where the derivative contract was terminated, the cumulated amount of fair value adjustments to be amortised over the residual life of the hedged items amounts to EUR 1 064 million assets as at 31 December 2020, and to EUR 18 million in liabilities, for hedges of portfolios of financial instruments. At 31 December 2019, these amounts were EUR 38 million in assets and EUR 45 million in liabilities.

The change in assets is mainly due to a modification in hedging strategy which entailed the replacement of derivatives hedging portfolios of loans and receivables in order to modify the floating rate fixing frequency of the swaps. Both the terminated swaps and the new hedging swaps have the same notional. The maturity of the related hedged items spreads out until 2040.

The notional amount of cash flow hedge derivatives is EUR 14 789 million as at 31 December 2020. Changes in assets and liabilities recognised directly in equity amount to EUR 9 million. At 31 December 2019, the notional amount of cash flow hedge derivatives was EUR 18 446 million and the changes in assets and liabilities recognised directly in equity amount was EUR (57) million.

Notional amounts of hedge instruments by maturity date are detailed as follows:

31 December 2020 In millions of euros	Maturity date		
	Less than 1 year	Between 1 to 5 years	Over 5 years
Fair value hedges	**32,442**	**49,008**	**49,695**
Interest rate derivatives	31,992	48,703	49,627
Foreign exchange derivatives	450	305	68
Cash flow hedges	**9,105**	**4,912**	**772**
Interest rate derivatives	2,265	2,688	772
Foreign exchange derivatives	6,840	2,224	-
Other derivatives	-	-	-
Net foreign investments hedges	**-**	**200**	**-**
Foreign exchange derivatives	-	200	-

31 December 2019 In millions of euros	Maturity date		
	Less than 1 year	Between 1 to 5 years	Over 5 years
Fair value hedges	**17,557**	**58,827**	**43,785**
Interest rate derivatives	17,328	58,370	43,743
Foreign exchange derivatives	229	457	42
Cash flow hedges	**10,208**	**6,399**	**1,839**
Interest rate derivatives	974	4,079	1,522
Foreign exchange derivatives	9,234	2,320	317
Other derivatives	-	-	-
Net foreign investments hedges	**100**	**200**	**-**
Foreign exchange derivatives	100	200	-

4.c Financial assets at fair value through equity

In millions of euros	31 December 2020		31 December 2019	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	**9,460**	**47**	**8,473**	**3**
Governments	4,208	52	3,854	40
Other public administrations	2,750	21	1,938	10
Credit institutions	1,716	10	1,668	(2)
Other	786	(36)	1,013	(45)
Equity securities	**313**	**256**	**329**	**271**
Total financial assets at fair value through equity	**9,773**	**303**	**8,802**	**274**

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

During 2020, the Bank did not sell any of these investments and no unrealised gains or losses were transferred to 'retained earnings'.

4.d Measurement of the fair value of financial instruments

Valuation process

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

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

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

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

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

The main valuation adjustments are presented in the section below.

Valuation adjustments

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

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

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

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

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

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

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

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

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

As a result, the carrying value of issued debt securities designated as at fair value through profit or loss is increased by EUR 27 million as at 31 December 2020, compared with an increase in value of EUR 27 million as at 31 December 2019, i.e. a EUR 0 million variation recognised directly in equity that will not be reclassified to profit and loss.

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

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

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

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

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

In millions of euros	31 December 2019											
	Trading Book				Instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities	**362**	**70**	**2**	**434**	**326**	**859**	**550**	**1,735**	**7,049**	**1,548**	**205**	**8,802**
Governments	185	-	-	**185**	-	245	-	**245**	3,549	292	-	**3,841**
Asset Backed Securities	-	3	-	**3**	-	247	-	**247**	-	815	-	**815**
Other debt securities	175	67	2	**244**	-	366	97	**463**	3,377	441	-	**3,818**
Equities and other equity securities	2	-	-	**2**	326	1	453	**780**	123	-	205	**328**
Loans and repurchase agreements	**-**	**5,810**	**69**	**5,879**	**-**	**41**	**90**	**131**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	41	90	**131**	-	-	-	**-**
Repurchase agreements	-	5,810	69	**5,879**	-	-	-	**-**	-	-	-	**-**
Financial assets at fair value	**362**	**5,880**	**71**	**6,313**	**326**	**900**	**640**	**1,866**	**7,049**	**1,548**	**205**	**8,802**
Securities	**516**	**-**	**-**	**516**	**-**	**-**	**-**	**-**				
Governments	515	-	-	**515**	-	-	-	**-**				
Other debt securities	1	-	-	**1**	-	-	-	**-**				
Equities and other equity securities	-	-	-	**-**	-	-	-	**-**				
Borrowings and repurchase agreements	**-**	**11,936**	**-**	**11,936**	**-**	**182**	**-**	**182**				
Borrowings	-	19	-	**19**	-	182	-	**182**				
Repurchase agreements	-	11,917	-	**11,917**	-	-	-	**-**				
Issued debt securities (Note 4.h)	**-**	**-**	**-**	**-**	**-**	**1,991**	**1,431**	**3,422**				
Subordinated debt (Note 4.h)	-	-	-	**-**	-	871	-	**871**				
Non subordinated debt (Note 4.h)	-	-	-	**-**	-	1,120	1,431	**2,551**				
Financial liabilities at fair value	**516**	**11,936**	**-**	**12,452**	**-**	**2,173**	**1,431**	**3,604**				

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

In millions of euros	31 December 2019							
	Positive market value				Negative market value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate derivatives	-	7,644	72	7,716	-	6,315	56	6,371
Foreign exchange derivatives	-	1,458	13	1,471	-	1,356	9	1,365
Credit derivatives	-	-	-	-	-	5	-	5
Equity derivatives	-	530	-	530	-	22	-	22
Other derivatives	-	-	-	-	-	(1)	-	(1)
Derivative financial instruments not used for hedging purposes	**-**	**9,632**	**85**	**9,717**	**-**	**7,697**	**65**	**7,762**
Derivative financial instruments used for hedging purposes	**-**	**2,500**	**-**	**2,500**	**-**	**5,838**	**-**	**5,838**

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

During 2020, transfers between Level 1 and Level 2 were not significant.

Description of main instruments in each level

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

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

Level 1

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

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

Level 2

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

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

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

Derivatives classified in Level 2 comprise mainly the following instruments:

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

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

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

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

Level 3

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

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

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

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

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

Derivatives

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

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

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

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

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

- **Structured interest** rate options are classified in Level 3 when they involve currencies where there is not sufficient observation or when they include a quanto feature where the pay-off is measured with a forex forward fixed rate (except for the main currencies). Long term structured derivatives are also classified in Level 3;
- **Hybrid FX/Interest rate products** essentially comprise a specific product family known as Power Reverse Dual Currency (PRDC). The valuation of PRDCs requires sophisticated modelling of joint behaviour of FX and interest rate, and is notably sensitive to the unobservable FX/ interest rate correlations, such products are classified as level 3. PRDCs valuations are corroborated with recent trade data and consensus data;
- **Securitisation swaps** mainly comprise fixed rate swaps, cross currency or basis swaps whose notional is indexed to the prepayment behaviour of some underlying portfolio. The estimation of the maturity profile of securitisation swaps is corroborated by statistical estimates using external historical data;

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

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

Valuation adjustments (CVA, DVA and FVA)

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

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

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

Risk classes	Balance Sheet valuation (In millions of euros)		Main product types composing the Level 3 stock within the risk class	Valuation technique used for the product types considered	Main unobservable inputs for the product types considered	Range of unobservable input across Level 3 population considered	Weighted average
	Asset	Liability					
Interest rate derivatives	107	70	Floors and caps on inflation rate or on the cumulative inflation (such as redemption floors), predominantly on European and Belgian inflation	Inflation pricing model	Volatility of cumulative inflation	0.79% - 8.8%	(a)
					Volatility of the year on year inflation rate	0.23% - 2.2%	
			Forward volatility products such as volatility swaps, mainly in euro	Interest rates option pricing model	Forward volatility of interest rates	0.3% - 0.5%	(a)

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

Table of movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 31 December 2019 and 31 December 2020:

In millions of euros	Financial assets				Financial liabilities		
	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss not held for trading	Financial assets at fair value through equity	Total	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss not held for trading	Total
At 31 December 2019	**156**	**640**	**205**	**1,001**	**65**	**1,431**	**1,496**
Purchases	-	60	-	**60**	-	-	**-**
Issues	-	-	-	**-**	-	79	**79**
Sales	-	(62)	-	**(62)**	-	-	**-**
Settlements [(1)]	15	(12)	1	**4**	9	(244)	**(235)**
Transfers to Level 3	-	-	50	**50**	-	5	**5**
Transfers from Level 3	(4)	-	-	**(4)**	-	(14)	**(14)**
Gains or (losses) recognised in profit or loss with respect to transactions expired or terminated during the period	-	(29)	-	**(29)**	-	(40)	**(40)**
Gains or (losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	*14*	-	-	**14**	(1)	-	**(1)**
Changes in fair value of assets and liabilities recognised directly in equity	-	-	-	**-**	-	-	**-**
Items related to exchange rate movements	-	(2)	(5)	**(7)**	-	-	**-**
Changes in assets and liabilities recognised in equity	-	-	(3)	**(3)**	-	-	**-**
At 31 December 2020	**181**	**595**	**248**	**1,024**	**73**	**1,217**	**1,290**

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

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

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

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

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

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

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

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

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

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

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

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

In millions of euros	31 December 2020		31 December 2019	
	Potential impact on income	Potential impact on equity	Potential impact on income	Potential impact on equity
Fixed-income securities	+/-1	+/-1	+/-1	
Equities and other equity securities	+/-4	+/-2	+/-5	+/-2
Loans and repurchase agreements	+/-2		+/-2	
Derivative financial instruments	+/-12		+/-18	
Interest rate and foreign exchange derivatives	*+/-12*		*+/-18*	
Credit derivatives	*+/-0*		*+/-0*	
Equity derivatives	*+/-0*		*+/-0*	
Other derivatives	*+/-0*		*+/-0*	
Sensitivity of Level 3 financial instruments	**+/-19**	**+/-3**	**+/-26**	**+/-2**

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

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

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

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

4.e Financial assets at amortised cost

Detail of loans and advances by nature

In millions of euros	31 December 2020 Gross value	31 December 2020 Impairment (note 2.g)	31 December 2020 Carrying amount	31 December 2019 Gross value	31 December 2019 Impairment (note 2.g)	31 December 2019 Carrying amount
Loans and advances to credit institutions	**8,590**	**(59)**	**8,531**	**36,422**	**(65)**	**36,357**
On demand accounts	2,802	(1)	2,801	2,990	(1)	2,989
Loans [(1)]	4,406	(58)	4,348	9,638	(64)	9,574
Repurchase agreements	1,382	-	1,382	23,794	-	23,794
Loans and advances to customers	**191,804**	**(3,062)**	**188,742**	**190,896**	**(2,898)**	**187,998**
On demand accounts	3,535	(469)	3,066	3,539	(203)	3,336
Loans to customers	169,182	(2,104)	167,078	168,788	(2,256)	166,532
Finance leases	19,087	(489)	18,598	18,569	(439)	18,130
Repurchase agreements	-	-	-	-	-	-
Total loans and advances at amortised cost	**200,394**	**(3,121)**	**197,273**	**227,318**	**(2,963)**	**224,355**

(1) Loans and advances to credit institutions include term deposits made with central banks, which amounted to EUR 276 million as at 31 December 2020 (EUR 101 million as at 31 December 2019)

Detail of debt securities by type of issuer

In millions of euros	31 December 2020			31 December 2019		
	Gross value	Impairment (note 2.g)	Carrying amount	Gross value	Impairment (note 2.g)	Carrying amount
Governments	8,903	(3)	8,900	8,044	(2)	8,042
Other public administrations	2,660	-	2,660	2,664	-	2,664
Credit institutions	1,356	-	1,356	1,264	-	1,264
Other	467	-	467	392	-	392
Total debt securities at amortised cost	**13,386**	**(3)**	**13,383**	**12,364**	**(2)**	**12,362**

Detail of financial assets at amortised cost by stage

In millions of euros	31 December 2020			31 December 2019		
	Gross value	Impairment (note 2.g)	Carrying amount	Gross value	Impairment (note 2.g)	Carrying amount
Loans and advances to credit institutions	**8,590**	**(59)**	**8,531**	**36,422**	**(65)**	**36,357**
Stage 1	8,431	-	8,431	36,260	(1)	36,259
Stage 2	98	(1)	97	92	(1)	91
Stage 3	61	(58)	3	70	(63)	7
Loans and advances to customers	**191,804**	**(3,062)**	**188,742**	**190,896**	**(2,898)**	**187,998**
Stage 1	164,631	(298)	164,333	163,427	(250)	163,177
Stage 2	22,123	(429)	21,694	22,747	(381)	22,366
Stage 3	5,050	(2,335)	2,715	4,722	(2,267)	2,455
Debt securities	**13,386**	**(3)**	**13,383**	**12,364**	**(2)**	**12,362**
Stage 1	13,386	(3)	13,383	12,364	(2)	12,362
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total financial assets at amortised cost	**213,780**	**(3,124)**	**210,656**	**239,682**	**(2,965)**	**236,717**

Exposures subject to legislative and non legislative moratoria

In millions of euros	31 December 2020														
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount - Inflows to non performing exposures
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	**15,617**	**15,257**	352	2,401	**360**	212	190	**(190)**	**(126)**	(22)	(89)	**(64)**	(38)	(37)	**119**
Of which Households	**4,287**	**4,248**	15	757	**39**	6	21	**(28)**	**(25)**	(2)	(20)	**(4)**	(1)	(1)	**16**
of which collateralised by residential immovable property	**3,863**	**3,837**	9	667	**26**	5	20	**(14)**	**(12)**	-	(10)	**(2)**	-	(1)	**14**
Of which Non-financial corporations	**10,821**	**10,506**	326	1,567	**315**	202	165	**(158)**	**(98)**	(20)	(68)	**(60)**	(37)	(35)	**101**
of which small and Medium-sized Enterprises	**4,751**	**4,554**	160	677	**197**	121	102	**(100)**	**(66)**	(12)	(46)	**(34)**	(20)	(16)	**69**
of which collateralised by commercial immovable property	**2,863**	**2,735**	102	474	**128**	118	105	**(35)**	**(17)**	(2)	(11)	**(18)**	(15)	(13)	**74**

In response to the sanitary crisis, several moratoria have been granted to clients. Those moratoria mostly consist in payment suspension of a few months. At 31 December 2020, the Group's exposure to loans subjects to moratoria stands at EUR 2.3 billion.

At 31 December 2020, loans subject to moratoria granted to households amount to EUR 0.3 billion and to non-financial corporation amount to EUR 2 billion.

The distribution of the residual maturities reflects the measures adopted in the countries where BNP Paribas Fortis operates. At 31 December 2020, the residual maturity of 95% of the moratoria was less than 6 months.

Breakdown of exposures subject to legislative and non legislative moratoria(*) by residual maturity of moratoria

	31 December 2020								
		Gross carrying amount							
					Residual maturity of moratoria				
In millions of euros	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	216,469	15,646							
Loans and advances subject to moratorium (granted)	215,951	15,617	1,621	13,286	1,628	580	58	32	33
of which: Households		4,287	347	3,961	296	2	1	-	27
of which: Collateralised by residential immovable property		3,863	81	3,594	242	-	-	-	27
of which: Non-financial corporations		10,821	1,274	8,826	1,323	578	57	31	6
of which: Small and Medium-sized Enterprises		4,751	1,169	3,549	902	217	51	29	3
of which: Collateralised by commercial immovable property		2,863	147	2,570	262	10	21	-	-

(*) Moratoria qualified as 'COVID-19 General moratorium Measure' meeting the criteria defined in EBA Guidelines published on 2 April 2020, and amended 2 December 2020

Loans and advances subject to public guarantee schemes

	31 December 2020			
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
In millions of euros		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**660**	**1**	515	4
of which: Households	**36**			-
of which: Collateralised by residential immovable property	**6**			-
of which: Non-financial corporations	**591**	**1**	461	4
of which: Small and Medium-sized Enterprises	**336**			1
of which: Collateralised by commercial immovable property	**72**			-

At 31 December 2020, the amount of loans subject to public guarantee schemes granted by BNP Paribas Fortis stands at EUR 0.7 billion, mainly in Belgium and Turkey. Related guarantees stand at EUR 0.5 billion, with residual maturities essentially between 6 to 12 months. At 31 December 2020, the public guarantee schemes cover all the range of sectors.

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

Contractual maturities of finance leases

In millions of euros	31 December 2020	31 December 2019
Gross investment	**20,340**	**19,762**
Receivable within 1 year	6,393	6,272
Receivable after 1 year but within 5 years	12,685	12,143
Receivable beyond 5 years	1,262	1,347
Unearned interest income	(1,253)	(1,193)
Net investment before impairment	**19,087**	**18,569**
Receivable within 1 year	5,881	5,796
Receivable after 1 year but within 5 years	12,048	11,544
Receivable beyond 5 years	1,158	1,229
Impairment provisions	(489)	(439)
Net investment after impairment	**18,598**	**18,130**

4.f Impaired financial assets (Stage 3)

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

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

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

In millions of euros	31 December 2019			
	Stage 3 assets			
	Gross value	Impairment	Net	Collateral received
Loans and advances to credit institutions (note 4.e)	70	(63)	7	28
Loans and advances to customers (note 4.e)	4,722	(2,267)	2,455	1,726
Debt securities at amortised cost (note 4.e)	-	-	-	-
Total amortised cost impaired assets (Stage 3)	**4,792**	**(2,330)**	**2,462**	**1,754**
Financing commitments given	256	(26)	230	44
Guarantee commitments given	333	(104)	229	75
Total off-balance sheet impaired commitments (Stage 3)	**589**	**(130)**	**459**	**119**

The table below shows information regarding the variations of the gross outstandings in Stage 3:

Gross value In millions of euros	Impaired financial assets (Stage 3)
At 31 December 2019	**4,792**
Transfer to Stage 3	1,785
Transfer to Stage 1 or Stage 2	(404)
Amounts Written offs	(305)
Other changes	(757)
At 31 December 2020	**5,111**

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

In millions of euros	31 December 2020	31 December 2019
Deposits from credit institutions	**50,820**	**40,456**
On demand accounts	1,308	1,113
Interbank borrowings (1)	48,790	39,096
Repurchase agreements	722	247
Deposits from customers	**193,770**	**184,378**
On demand deposits	91,296	77,087
Savings accounts	83,693	82,818
Term accounts and short-term notes	18,781	24,470
Repurchase agreements	-	3

(1) *Interbank borrowings from credit institutions include term borrowings from central banks, including EUR 25.2 billion of TLTRO III*

4.h Debt securities and subordinated debt

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

Debt securities measured at amortised cost

In millions of euros	31 December 2020	31 December 2019
Negotiable certificates of deposit and other debt securities	8,792	9,952
Bond issues	3,023	1,966
Total debt securities at amortised cost	**11,815**	**11,918**

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

In millions of euros	31 December 2020	31 December 2019
Debt securities	2,300	2,551
Subordinated debt	835	871
Total debt securities and subordinated debt at fair value through profit or loss	**3,135**	**3,422**

Subordinated debt measured at amortised cost

In millions of euros	31 December 2020	31 December 2019
Redeemable subordinated debt	2,711	2,739
Undated subordinated debt	29	31
Total subordinated debt measured at amortised cost	**2,740**	**2,770**

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

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

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

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

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

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

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

As at 31 December 2020, the subordinated liability is eligible to Tier 1 capital for EUR 205 million (considering the transitional period, which will end in 2022).

4.i Current and deferred taxes

In millions of euros	31 December 2020	31 December 2019
Current taxes	87	110
Deferred taxes	1,477	1,672
Current and deferred tax assets	**1,564**	**1,782**
Current taxes	178	163
Deferred taxes	593	550
Current and deferred tax liabilities	**771**	**713**

Changes in deferred tax by nature over the period

In millions of euros	31 December 2019	Changes recognised through profit or loss	Changes recognised through equity that may be reclassified to profit or loss	Changes recognised through equity that will not be reclassified to profit or loss	Changes in the consolidation scope, in exchange rate movements and other items	31 December 2020
Financial instruments	10	5	(38)	2	(2)	(23)
Provisions for employee benefit obligations	113	(7)	-	(3)	(5)	98
Unrealised finance lease reserve	(171)	(15)	-	-	-	(186)
Credit risk impairment	487	51	-	-	(13)	525
Tax loss carryforwards	997	(157)	-	-	(3)	837
Other items	(314)	(58)	-	-	5	(367)
Net deferred taxes	**1,122**	**(181)**	**(38)**	**(1)**	**(18)**	**884**
Deferred tax assets	1,672					1,477
Deferred tax liabilities	550					593

In order to determine the amount of the tax loss carryforwards recognised as assets, BNP Paribas Fortis conducts every year a specific review for each relevant entity, based on the applicable tax regime – notably incorporating any time limit rules – and a realistic projection of their future revenues and charges in line with their business plan.

Deferred tax assets recognised on tax loss carryforwards are mainly related to BNP Paribas Fortis SA for EUR 649 million, with a 7-year expected recovery period (unlimited carryforward period).

Unrecognised deferred tax assets totalled EUR 166 million as at 31 December 2020 compared with EUR 183 million as at 31 December 2019.

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

In millions of euros	31 December 2020	31 December 2019
Guarantee deposits and bank guarantees paid	3,361	4,031
Collection accounts	54	64
Accrued income and prepaid expenses	887	873
Other debtors and miscellaneous assets	6,058	6,705
Total accrued income and other assets	**10,360**	**11,673**
Guarantee deposits received	1,017	1,039
Collection accounts	425	428
Accrued expense and deferred income	1,744	1,755
Lease liabilities	353	408
Other creditors and miscellaneous liabilities	4,668	5,428
Total accrued expense and other liabilities	**8,207**	**9,058**

4.k Equity-method investments

Cumulated financial information of associates and joint ventures is presented in the following table:

In millions of euros	Year to 31 Dec. 2020			31 December 2020	Year to 31 Dec. 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	Equity-method investments	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	Equity-method investments
Joint ventures	24	(49)	(25)	69	25	(43)	(18)	227
Associates [(1)]	298	(65)	233	3,678	229	115	344	3,615
Total equity-method entities	**322**	**(114)**	**208**	**3,747**	**254**	**72**	**326**	**3,842**

(1) Including controlled but non material entities consolidated under the equity method

Financing and guarantee commitments given by BNP Paribas Fortis to joint ventures and associates are listed in the Note 7.g 'Other related parties'.

The carrying amount of the BNP Paribas Fortis' investment in the main joint ventures and associates is presented in the following table:

In millions of euros	Country of registration	Activity	31 December 2020		31 December 2019	
			Interest %	Equity-method investments	Interest %	Equity-method investments
Joint ventures						
bpost bank	Belgium	Retail banking	50%	114	50%	242
Associates						
AG Insurance	Belgium	Insurance	25%	1,832	25%	1,894
BNP Paribas Asset Management	France	Asset management	30.85%	933	30.85%	866
BNPP Bank Polska SA	Poland	Retail banking	24.07%	631	24.07%	635

bpost bank

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Total net income	37	31
Changes in assets and liabilities recognised directly in equity	(32)	(35)

In millions of euros	31 December 2020	31 December 2019
Total assets	12,109	11,781
Total liabilities	11,620	11,297
Net assets of the equity associate	**489**	**484**

AG Insurance

In millions of euros	31 December 2020	31 December 2019
Total net income	515	565
Changes in assets and liabilities recognised directly in equity	(189)	375

In millions of euros	31 December 2020	31 December 2019
Total assets	82,350	72,616
Total liabilities	75,419	65,434
Net assets of the equity associate	**6,931**	**7,182**

BNP Paribas Asset Management

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Total net income	241	165
Changes in assets and liabilities recognised directly in equity	46	(100)

In millions of euros	31 December 2020	31 December 2019
Total assets	2,424	2,027
Total liabilities	1,265	1,043
Net assets of the equity associate	**1,159**	**984**

BNPP Bank Polska SA

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Total net income	145	148
Changes in assets and liabilities recognised directly in equity	34	-

In millions of euros	31 December 2020	31 December 2019
Total assets	25,359	25,133
Total liabilities	22,808	22,582
Net assets of the equity associate	**2,551**	**2,551**

Impairment testing on investments in equity associates

IFRS-rules require to assess at the end of each reporting period whether there is any objective evidence that (the value of) an investment in an equity-method entity should be tested for impairment or not. Upon testing, if the recoverable amount of this investment (being the highest of its fair market value and its value in use) is lower than its book value, the book value is reduced to its recoverable amount by recording an impairment.

The DCF approach (discounted cash flows) is used to determine the value-in-use, as also applied at BNP Paribas Group level.

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 growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

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

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

Allocated capital is determined for each investment based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the investment belongs, with a minimum of 7%.

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

At 31 December 2020, impairment tests were performed on the investments held by BNP Paribas Fortis in bpost bank, in BNP Paribas Asset Management, in BNP Paribas Bank Polska and in AG Insurance. As a result of these impairment tests, an impairment of EUR (130) million has been recorded on our participation in bpost bank.

The table below shows the sensitivity of the estimated value of the investments to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio in terminal value, a 5% change of the cost of risk in terminal value and a 50-basis point change in the growth rate to perpetuity.

	31 December 2020			
In millions of euros	**BNP Paribas Asset Management**	**BNPP Bank Polska SA**	**bpost bank**	**AG Insurance**
Cost of capital				
Adverse change (+10 basis points)	(12)	(9)	-	(29)
Positive change (-10 basis points)	12	9	-	29
Cost/income ratio				
Adverse change (+1%)	(18)	(18)	(6)	(31)
Positive change (-1%)	18	18	6	31
Cost of risk				
Adverse change (+5%)	-	(10)	(3)	-
Positive change (-5%)	-	10	3	-
Long-term growth rate				
Adverse change (-50 basis points)	(37)	(16)	4	(112)
Positive change (+50 basis points)	42	18	(5)	130

4.l Property, plant, equipment and intangible assets used in operations, investment property

In millions of euros	31 December 2020			31 December 2019		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
Investment property	**421**	**(201)**	**220**	**442**	**(187)**	**255**
Land and buildings	2,928	(1,762)	1,166	3,047	(1,771)	1,276
Equipment, furniture and fixtures	849	(648)	201	894	(671)	223
Plant and equipment leased as lessor under operating leases	30,056	(8,182)	21,874	27,712	(7,492)	20,220
Other property, plant and equipment	666	(213)	453	628	(216)	412
Property, plant and equipment	**34,499**	**(10,805)**	**23,694**	**32,281**	**(10,150)**	**22,131**
of which right of use	**825**	**(494)**	**331**	**884**	**(500)**	**384**
Purchased software	368	(305)	63	354	(296)	58
Internally-developed software	692	(405)	287	470	(325)	145
Other intangible assets	68	(50)	18	197	(45)	152
Intangible assets	**1,128**	**(760)**	**368**	**1,021**	**(666)**	**355**

Investment property

Land and buildings leased by the Bank as lessor under operating leases are recorded in 'Investment property'.

The estimated fair value of investment property accounted for at amortised cost at 31 December 2020 is EUR 311 million, compared with EUR 342 million for the year ended 31 December 2019.

Operating leases

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

In millions of euros	31 December 2020	31 December 2019
Future minimum lease payments receivable under non-cancellable leases	**7,369**	**7,184**
Payments receivable within 1 year	3,170	3,066
Payments receivable after 1 year but within 5 years	4,139	4,076
Payments receivable beyond 5 years	60	42

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

Intangible assets

Other intangible assets include leasehold rights, goodwill and trademarks acquired by the BNP Paris Fortis.

Depreciation, amortisation and impairment

The total depreciation, amortisation and impairment of property, plant and equipment and intangible assets for the year ending 31 December 2020 was EUR (381) million, compared with EUR (369) million for the year ending 31 December 2019.

The above mentioned amounts include a net reversal to impairment provisions taken into account to the profit and loss account in the year ending 31 December 2020 for EUR 1 million, compared with a net charge to impairment provisions of EUR 3 million for the year ended 31 December 2019.

4.m Goodwill

In millions of euros	31 December 2020	31 December 2019
Carrying amount at start of period	**730**	**719**
Acquisitions	6	(1)
Divestments	-	(28)
Impairment recognised during the period	-	-
Exchange rate adjustments	(13)	12
Other movements	(1)	28
Carrying amount at end of period	**722**	**730**
Gross value	888	920
Accumulated impairment recognised at the end of period	(166)	(190)

Goodwill by homogeneous group of businesses is as follows:

In millions of euros	Carrying amount		Impairment recognised during the period		Acquisitions of the period	
	31 December 2020	31 December 2019	Year to 31 Dec. 2020	Year to 31 Dec. 2019	Year to 31 Dec. 2020	Year to 31 Dec. 2019
BNP Paribas Fortis in Belgium	**28**	**28**	**-**	**-**	**-**	**-**
Alpha Credit	*22*	*22*	-	-	-	-
Factoring	*6*	*6*	-	-	-	-
BNP Paribas Fortis in Luxembourg	**185**	**187**	**-**	**-**	**1**	**(1)**
Leasing (BPLS)	*147*	*149*	-	-	*1*	-
Wealth Management	*38*	*38*	-	-	-	*(1)*
BNP Paribas Fortis in other countries	**509**	**515**	**-**	**-**	**5**	**-**
Arval	*509*	*515*	-	-	*5*	-
Total goodwill	**722**	**730**	**-**	**-**	**6**	**(1)**

BNP Paribas Fortis activities are divided into homogeneous group of businesses, representing reporting entities or groups of reporting entities of BNP Paribas Fortis. The breakdown is consistent with BNP Paribas Fortis' organisational structure and management methods, and reflects the independence of the reporting entities in terms of results and management approach. This is reviewed on a regular basis in order to take into account events likely to affect the composition of homogeneous group of businesses, such as acquisitions, disposals and major reorganisations.

The homogeneous group of businesses to which goodwill is allocated are:

- **Alpha Credit** is the bank's consumer credit specialist. It provides a comprehensive range of consumer loans at points of sale (retail stores and car dealerships) and directly to clients. It distributes also its products through the bank's retail network, through bpost bank and via brokers. It is the market leader in Belgium and Luxembourg;
- **Factoring** is a homogeneous group of businesses regrouping all the factoring subsidiaries of the bank. It is mainly active in Belgium, Germany, UK and The Netherlands. It is the market leader in Belgium;
- **BNP Paribas Leasing Solutions** uses a multi-channel partnership approach (direct sales, sales via referrals, partnerships and banking networks) to offer corporate and small business clients an array of leasing and rental solutions, ranging from equipment financing to fleet outsourcing;
- **Wealth Management Luxembourg:** ABN AMRO Wealth Management Luxembourg was acquired by BGL BNP Paribas on September 3 2018 and subsequently integrated into its Wealth Management business unit. This integration allowed BGL to reinforce its leadership position on the wealth management market in Luxembourg, and more specifically in the segment of European entrepreneurs;
- **Arval** is a specialist in vehicle long-term leasing and mobility. Arval offers corporates (from multinational companies to small business companies), employees and individuals tailored solutions that optimise their mobility.

Impairment tests

According to IFRS-rules, goodwill should be tested for impairment at least on an annual basis or upon occurrence of a triggering event by comparing the carrying amount of the entity with the recoverable amount. The recoverable amount corresponds to the highest of fair market value of an entity and its value in use. The DCF approach (discounted cash flows) is used to determine the value-in-use, as also applied at BNP Paribas Group level. If the recoverable amount is lower than the carrying amount (or book value), an impairment loss is recognised for the difference.

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 growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

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

Cost of capital is determined on the basis of a risk-free 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.

Allocated capital is determined for each homogeneous group of businesses based on the Common Equity Tier 1 regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 7%.

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

At year-end 2020, an impairment test was performed for each of the following four homogeneous groups of businesses: Alpha Credit, BNP Paribas Leasing Solutions, Wealth Management Luxembourg and Arval, which did not reveal any need for recording an impairment.

The goodwill recognised on Factoring is considered as non-material and is therefore not tested for impairment.

Sensitivities

The table below shows the sensitivity of the main goodwill valuations to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio in terminal value, a 5% change of the cost of risk in terminal value and a 50-basis point change in the growth rate to perpetuity. There would be no need to depreciate any goodwill when using any of the unfavourable variations in the table.

In millions of euros	31 December 2020			
	Alpha Credit	BNP Paribas Leasing Solutions	Arval	Wealth Management Luxembourg
Cost of capital				
Adverse change (+10 basis points)	(14)	(53)	(187)	(6)
Positive change (-10 basis points)	15	54	193	7
Cost/income ratio				
Adverse change (+1%)	(16)	(70)	(189)	(12)
Positive change (-1%)	16	70	189	12
Cost of risk				
Adverse change (+5%)	(16)	(32)	(35)	-
Positive change (-5%)	16	32	35	-
Long-term growth rate				
Adverse change (-50 basis points)	(40)	(130)	(594)	(20)
Positive change (+50 basis points)	45	150	697	24

4.n Provisions for contingencies and charges

In millions of euros	31 December 2019	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	31 December 2020
Provisions for employee benefits	3,692	177	(255)	30	(11)	3,633
of which post-employment benefits (note 6.b)	*3,228*	*126*	*(168)*	*27*	-	*3,213*
of which post-employment healthcare benefits (note 6.b)	*94*	*2*	*(2)*	*3*	-	*97*
of which provision for other long-term benefits (note 6.c)	*81*	*13*	*(18)*	-	*(2)*	*74*
of which provision for voluntary departure, early retirement plans, and headcount adaptation plan (note 6.d)	*276*	*30*	*(62)*	-	*(8)*	*236*
of which provision for share-based payment	*13*	*6*	*(5)*	-	*(1)*	*13*
Provisions for home savings accounts and plans	-	-	-	-	-	-
Provisions for credit commitments (*note 2.g*)	250	-	(8)	-	5	247
Provisions for litigation	105	(2)	(12)	-	(3)	88
Other provisions for contingencies and charges	327	56	(65)	-	(4)	314
Total provisions for contingencies and charges	**4,374**	**231**	**(340)**	**30**	**(13)**	**4,282**

4.o Offsetting of financial assets and liabilities

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

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

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

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

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

31 December 2020 In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Assets						
Financial instruments at fair value through profit or loss	**22,521**	**(1,511)**	**21,010**	**(9,921)**	**(2,377)**	**8,712**
Securities	*1,564*	*-*	*1,564*	*-*	*-*	*1,564*
Loans and repurchase agreements	*5,566*	*(1,511)*	*4,055*	*(1,151)*	*(2,087)*	*817*
Derivative financial instruments (including derivatives used for hedging purposes)	*15,391*	*-*	*15,391*	*(8,770)*	*(290)*	*6,331*
Financial assets at amortised cost	**210,656**	**-**	**210,656**	**(392)**	**(711)**	**209,553**
of which repurchase agreements	*1,382*	*-*	*1,382*	*(392)*	*(711)*	*279*
Accrued income and other assets	**10,360**	**-**	**10,360**		**(3,152)**	**7,208**
of which guarantee deposits paid	*3,361*	*-*	*3,361*		*(3,152)*	*209*
Other assets not subject to offsetting	**93,109**	**-**	**93,109**	**-**	**-**	**93,109**
Total assets	**336,646**	**(1,511)**	**335,135**	**(10,313)**	**(6,240)**	**318,582**
Liabilities						
Financial instruments at fair value through profit or loss	**32,755**	**(1,511)**	**31,244**	**(10,229)**	**(13,336)**	**7,679**
Securities	*132*	*-*	*132*	*-*	*-*	*132*
Deposits and repurchase agreements	*14,051*	*(1,511)*	*12,540*	*(1,459)*	*(10,337)*	*744*
Issued debt securities	*3,135*	*-*	*3,135*	*-*	*-*	*3,135*
Derivative financial instruments (including derivatives used for hedging purposes)	*15,437*	*-*	*15,437*	*(8,770)*	*(2,999)*	*3,668*
Financial liabilities at amortised cost	**259,145**	**-**	**259,145**	**(84)**	**(595)**	**(258,466)**
of which repurchase agreements	*722*	*-*	*722*	*84*	*(595)*	*43*
Accrued expense and other liabilities	**8,207**	**-**	**8,207**		**(589)**	**7618**
of which guarantee deposits received	*1,017*	*-*	*1,017*		*(589)*	*428*
Other liabilities not subject to offsetting	**6,701**	**-**	**6,701**	**-**	**-**	**6,701**
Total liabilities	**306,808**	**(1,511)**	**305,297**	**(10,313)**	**(14,520)**	**280,464**

31 December 2019 In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts
Assets						
Financial instruments at fair value through profit or loss	20,396	-	20,396	(7,512)	(4,927)	7,957
Securities	*2,169*	-	*2,169*	-	-	*2,169*
Loans and repurchase agreements	*6,010*	-	*6,010*	*(1,058)*	*(4,685)*	*267*
Derivative financial instruments (including derivatives used for hedging purposes)	*12,217*	-	*12,217*	*(6,454)*	*(242)*	*5,521*
Financial assets at amortised cost	236,741	(24)	236,717	(4,188)	(18,549)	213,980
of which repurchase agreements	*23,794*	-	*23,794*	*(4,188)*	*(18,549)*	*1,057*
Accrued income and other assets	11,673	-	11,673	-	(3,429)	8,244
of which guarantee deposits paid	*4,031*	-	*4,031*	-	*(3,429)*	*602*
Other assets not subject to offsetting	44,409	-	44,409	-	-	44,409
Total assets	313,219	(24)	313,195	(11,700)	(26,905)	274,590
Liabilities						
Financial instruments at fair value through profit or loss	29,656	-	29,656	(11,594)	(9,937)	8,125
Securities	*516*	-	*516*	-	-	*516*
Deposits and repurchase agreements	*12,118*	-	*12,118*	*(5,140)*	*(6,549)*	*429*
Issued debt securities	*3,422*	-	*3,422*	-	-	*3,422*
Derivative financial instruments (including derivatives used for hedging purposes)	*13,600*	-	*13,600*	*(6,454)*	*(3,388)*	*3,758*
Financial liabilities at amortised cost	239,546	(24)	239,522	(106)	(134)	239,282
of which repurchase agreements	*250*	-	*250*	*(106)*	*(134)*	*10*
Accrued expense and other liabilities	9,058	-	9,058	-	(680)	8,378
of which guarantee deposits received	*1,040*	-	*1,040*	-	*(680)*	*360*
Other liabilities not subject to offsetting	6,804	-	6,804	-	-	6,804
Total liabilities	285,064	(24)	285,040	(11,700)	(10,751)	262,589

4.p Transfers of financial assets

BNP Paribas Fortis enters into transactions in which it transfers financial assets held on the balance sheet and as a result may either be eligible to derecognise the transferred asset in its entirely or must continue to recognise the transferred asset to the extent of any continuing involvement. More information is included in Note 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

Financial assets that have been transferred but not derecognised by BNP Paribas Fortis are mainly composed of securities sold temporarily under repurchase agreements or securities lending transactions, as well as securitised assets. The liabilities associated to securities sold under repurchase agreements consist of debts recognised under the 'Repurchase agreements' heading. The liabilities associated to securitised assets consist of the securitisation notes purchased by third parties.

Securities lending, repurchase agreements and other transactions

	31 December 2020		31 December 2019	
In millions of euros	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Securities lending operations				
Financial instruments at fair value through profit or loss	38	-	97	-
Financial assets at amortised cost	3,043	-	3,295	-
Financial assets at fair value through equity	310	-	466	-
Repurchase agreements				
Financial instruments at fair value through profit or loss	64	64	7	7
Financial assets at amortised cost	6,666	6,666	6,130	6,130
Financial assets at fair value through equity	1,175	1,175	198	198
Total	**11,296**	**7,905**	**10,193**	**6,335**

Securitisation transactions partially refinanced by external investors, whose recourse is limited to the transferred assets

In millions of euros	31 December 2020				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net position
Securitisation					
Financial instruments at fair value through profit or loss	-	-	-	-	-
Financial assets at amortised cost	27,500	1,275	29,112	1,237	27,875
Financial assets at fair value through equity	-	-	-	-	-
Total	**27,500**	**1,275**	**29,112**	**1,237**	**27,875**

In millions of euros	31 December 2019				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net position
Securitisation					
Financial instruments at fair value through profit or loss	28	28	28	28	-
Financial assets at amortised cost	33,097	1,275	35,006	1,224	33,782
Financial assets at fair value through equity	17	17	17	17	-
Total	**33,142**	**1,320**	**35,051**	**1,269**	**33,782**

There have been no significant transfers leading to partial or full derecognition of the financial assets where the Bank has a continuing involvement in them.

5 COMMITMENTS GIVEN OR RECEIVED

5.a Financing commitments given or received

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

In millions of euros	31 December 2020	31 December 2019
Financing commitments given		
to credit institutions	196	188
to customers	55,026	53,543
Confirmed financing commitments	*43,206*	*40,033*
Other commitments given to customers	*11,820*	*13,510*
Total financing commitments given	**55 222**	**53 731**
of which Stage 1	*50,267*	*50,246*
of which Stage 2	*4,703*	*3,229*
of which Stage 3	*252*	*256*
Financing commitments received		
from credit institutions	7,269	16,383
from customers	211	135
Total financing commitments received	**7 480**	**16 518**

5.b Guarantee commitments given by signature

In millions of euros	31 December 2020	31 December 2019
Guarantee commitments given		
to credit institutions	2,751	3,620
to customers	15,451	15,217
Property guarantees	-	-
Sureties provided to tax and other authorities, other sureties	*12,215*	*11,773*
Other guarantees	*3,236*	*3,444*
Total guarantee commitments given	**18,202**	**18,837**
of which Stage 1	*16,316*	*17,463*
of which Stage 2	*1,615*	*1,041*
of which Stage 3	*271*	*333*

5.c Securities commitments

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

In millions of euros	31 December 2020	31 December 2019
Securities to be delivered	137	45
Securities to be received	133	57

5.d Other guarantee commitments

Financial instruments given as collateral

In millions of euros	31 December 2020	31 December 2019
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	32,840	21,716
Used as collateral with central banks	*26,006*	*6,454*
Available for refinancing transactions	*6,834*	*15,262*
Securities sold under repurchase agreements	15,229	12,271
Other financial assets pledged as collateral for transactions with credit institutions, financial customers	23,676	7,759

The fair value of the financial instruments given as collateral or transferred under repurchase agreements by BNP Paribas Fortis that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 15 370 million at 31 December 2020 (EUR 12 338 million for the year ending 31 December 2019).

Financial instruments received as collateral

In millions of euros	31 December 2020	31 December 2019
Financial instruments received as collateral (excluding repurchase agreements)	9,109	7,481
of which instruments that BNP Paribas Fortis is authorised to sell and reuse as collateral	*819*	*298*
Securities received under repurchase agreements	6,856	29,613

The fair value of financial instruments received as collateral or under repurchase agreements that BNP Paribas Fortis effectively sold or reused as collateral amounted to EUR 386 million at 31 December 2020 (compared with EUR 4 662 million for the year ending 31 December 2019).

Financial instruments given or received as collateral are mainly measured at fair value.

6 SALARIES AND EMPLOYEE BENEFITS

6.a Salary and employee benefit expenses

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Fixed and variable remuneration, incentive bonuses and profit-sharing	(1,804)	(1,892)
Employee benefit expense	(593)	(661)
Payroll taxes	(13)	(14)
Total salary and employee benefit expenses	**(2,410)**	**(2,567)**

6.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 pay 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 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/or from future changes in the benefits.

Defined-contribution pension plans of BNP Paribas Fortis entities

BNP Paribas Fortis has implemented since several years a wide campaign of converting defined-benefit plans into defined-contribution plans.

Since defined-benefit plans have been closed to new employees in most countries, they are offered the benefit of joining defined contribution pensions plans.

The amount paid into defined-contribution post-employment plans for the year ended 31 December 2020 was EUR 93 million, compared with EUR 96 million for the year ended 31 December 2019.

The breakdown by major contributors is determined as follows

Contribution amount In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Belgium	2	1
France	37	36
Eurozone (except Belgium and France)	21	22
United Kingdom	4	4
Turkey	27	31
Other	2	2
TOTAL	**93**	**96**

Defined-benefit pension plans of BNP Paribas Fortis entities

In Belgium, BNP Paribas Fortis funds a defined benefit plan, based on final salary and number of years of service for its management and employees who joined the Bank before its pension plans were harmonised on 1 January 2002. Actuarial liabilities under this scheme are pre-funded at 97% at 31 December 2020 (93% at 31 December 2019) through AG Insurance, in which BNP Paribas Fortis owns a 25% equity interest.

BNP Paribas Fortis senior managers are covered by a top-up pension plan paying a lump sum based on the number of years of service and final salary. This plan is pre-funded at 101% (100% at end 2019) through AXA Belgium and AG Insurance. Since 1 January 2015 this plan is closed for new senior managers. Those are offered a new defined-contribution scheme, which also applies to senior managers already in service at that date who chose to join this new scheme.

In addition, the law requires employers to guarantee a minimum return on assets accumulated under defined-contribution schemes. As a result of this obligation, these plans are accounting wise classified as defined-benefit schemes.

At the end of 2015, a new law introduced new modalities for the calculation of this guaranteed minimum return.

As a consequence, BNP Paribas Fortis measures its Belgian defined-contribution pension schemes according to the 'Projected Unit Credit Method' since 2016. But, as BNP Paribas Fortis considers that none of these defined-contribution pension schemes have the so-called 'back-end loaded' features as defined under IAS19, BNP Paribas Fortis attributes benefit to period of service under the plan's benefit formula. It is indeed not considered that employee service in later years lead to materially higher level of benefit than in earlier years.

Plan assets and reimbursement rights, under insurance policies under which the insurer guarantees some or all of the benefits payable under the plan, are measured as the present value of the related obligation due by the insurance companies (art.113 IAS19R) as from the end of 2017, except for pension schemes covered by a segregated fund. In the latter case, the fair value of the plan assets/reimbursement rights is equal to the market value of the segregated investments available to cover the obligation.

In Turkey, the pension plan replaces the national pension scheme (these obligations should in the future be transferred to the Turkish State and are measured based on the terms of the transfer) and offers guarantees exceeding the minimal legal requirements. At the end of 2020, obligations under this plan are fully funded by financial assets held with an external foundation; these financial assets exceed the related obligations, but since it is not refundable, this surplus is not recognised as an asset by BNP Paribas Fortis. The funding rate for the scheme as at 31 December 2020 stood at 223% (271% at 31 December 2019).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros, at 31 December 2020	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Fair value of reimbursement rights [1]	Effect of asset ceiling	Net obligation	of which asset recognised in the balance sheet for defined-benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbursement rights	of which obligation recognised in the balance sheet for defined-benefit plans
Belgium	3,123	24	3,147	(48)	(3,048)	-	51	(3,048)	-	(3,048)	3,099
United Kingdom	229	-	229	(258)	-	-	(29)	(29)	(29)	-	-
Turkey	148	32	180	(331)	-	182	31	-	-	-	31
Others	201	50	251	(168)	(1)	-	82	(1)	-	(1)	83
TOTAL	**3,701**	**106**	**3,807**	**(805)**	**(3,049)**	**182**	**135**	**(3,078)**	**(29)**	**(3,049)**	**3,213**

In millions of euros, at 31 December 2019	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Fair value of reimbursement rights [1]	Effect of asset ceiling	Net obligation	of which asset recognised in the balance sheet for defined-benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbursement rights	of which obligation recognised in the balance sheet for defined-benefit plans
Belgium	3,133	23	3,156	(41)	(3,002)	-	113	(3,002)	-	(3,002)	3,115
United Kingdom	209	-	209	(255)	-	-	(46)	(46)	(46)	-	-
Turkey	146	29	175	(397)	-	250	28	-	-	-	28
Others	200	44	244	(159)	(1)	-	84	(1)	-	(1)	85
TOTAL	**3,688**	**96**	**3,784**	**(852)**	**(3,003)**	**250**	**179**	**(3,049)**	**(46)**	**(3,003)**	**3,228**

(1) *The reimbursement rights are principally found on the balance sheet of the BNP Paribas Fortis' insurance subsidiaries and associated companies - notably AG Insurance with respect to BNP Paribas Fortis' defined-benefit plan - to hedge their commitments to other BNP Paribas Fortis' entities that were transferred to them to cover the post-employment benefits of certain employee categories*

Changes in the present value of the defined benefit obligation

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Present value of defined-benefit obligation at start of period	**3,784**	**3,566**
Current service cost	131	130
Interest cost	28	58
Past service costs	(17)	-
Settlements	-	1
Actuarial (gains)/losses on change in demographic assumptions	1	(2)
Actuarial (gains)/losses on change in financial assumptions	175	206
Actuarial (gains)/losses on experience gaps	(2)	34
Actual employee contributions	10	10
Benefits paid directly by the employer	(29)	(36)
Benefits paid from assets/reimbursement rights	(220)	(189)
Exchange rate (gains)/losses on the obligation	(64)	(5)
(Gains)/losses on the obligation related to changes in the consolidation scope	10	11
Others	-	-
Present value of defined-benefit obligation at end of period	**3,807**	**3,784**

Change in the fair value of plan assets and reimbursement rights

	Plan assets		Reimbursement rights	
In millions of euros	**Year to 31 Dec. 2020**	**Year to 31 Dec. 2019**	**Year to 31 Dec. 2020**	**Year to 31 Dec. 2019**
Fair value of assets at start of period	**852**	**750**	**3,003**	**2,839**
Expected return on assets	37	54	13	34
Settlements	-	-	-	-
Actuarial (gains)/losses on assets	38	73	113	168
Actual employee contributions	-	-	9	10
Employer contributions	20	19	110	115
Benefits paid from assets	(21)	(23)	(199)	(166)
Exchange rate (gains)/losses on assets	(123)	(22)	-	-
Gains/(losses) on assets related to changes in the consolidation scope	2	1	-	3
Other	-	-	-	-
Fair value of assets at end of period	**805**	**852**	**3,049**	**3,003**

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Administration fees	**1**	**1**
Service costs	**114**	**131**
Current service cost	131	130
Past service cost	(17)	-
Settlements	-	1
Net financial expense	**3**	**5**
Interest cost	28	58
Interest income on plan assets	(38)	(55)
Interest income on reimbursement rights	(13)	(34)
Return on Asset Limitation	26	36
Total recognised in 'Salary and employee benefit expense'	**118**	**137**

Other items recognised directly in equity

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Other items recognised directly in equity	**2**	**(7)**
Actuarial (losses)/gains on plan assets or reimbursement rights	151	241
Actuarial (losses)/gains of demographic assumptions on the present value of obligations	(1)	2
Actuarial (losses)/gains of financial assumptions on the present value of obligations	(175)	(206)
Experience (losses)/gains on obligations	2	(34)
Variation of the effect of asset limitation	25	(10)

Main actuarial assumptions used to calculate obligations

In the Eurozone and United Kingdom, BNP Paribas Fortis discounts its obligations using the yields of high quality corporate bonds, with a term consistent with the duration of the obligations.

The ranges of rates used are as follows:

In %	31 December 2020		31 December 2019	
	Discount rate	Compensation increase rate (1)	Discount rate	Compensation increase rate (1)
Eurozone	0.00% - 0.80%	1.70% - 3.20%	0.10%-1.10%	1.70%-3.20%
United Kingdom	1.30%	3.20%	2.00%	3.10%
Turkey	14.50%	11.03%	12.51%	7.59%

(1) *Including price increases (inflation)*

In the Eurozone, the observed weighted average discount rates are as follows : 0.07% at 31 December 2020, and 0.45% at 31 December 2019.

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

Change in the present value of obligations In millions of euros	31 December 2020		31 December 2019	
	Discount rate -100bp	Discount rate +100bp	Discount rate -100bp	Discount rate +100bp
Eurozone	347	(300)	364	(314)
United Kingdom	51	(39)	46	(35)
Turkey	16	(13)	12	(10)

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

In % [1]	Year to 31 Dec. 2020	Year to 31 Dec. 2019
	Range of value (existence of several plans in the same country)	**Range of value** (existence of several plans in the same country)
Belgium	(1.14%) - 4.84%	(0.04%)-12.51%
United Kingdom	8.60% - 9.30%	15.00%-17.50%
Turkey	12.87%	19.27%

(1) *Range of value, reflecting the existence of several plans in the same country*

Breakdown of plan assets

In %	31 December 2020						31 December 2019					
	Shares	Governmental bonds	Non-Governmental bonds	Real Estate	Deposit account	Others	Shares	Governmental bonds	Non-Governmental bonds	Real Estate	Deposit account	Others
Belgium	6%	53%	18%	1%	0%	22%	6%	55%	16%	1%	0%	22%
United Kingdom	8%	76%	13%	0%	1%	2%	8%	75%	13%	0%	2%	2%
Turkey	0%	0%	0%	4%	94%	2%	0%	0%	48%	5%	42%	5%
Others	6%	26%	21%	2%	1%	44%	7%	26%	24%	2%	1%	40%
BNP Paribas Fortis	**6%**	**49%**	**16%**	**1%**	**8%**	**20%**	**6%**	**49%**	**19%**	**1%**	**5%**	**20%**

BNP Paribas Fortis 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 terms 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 financial 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.

Post-employment healthcare benefits

In Belgium, BNP Paribas Fortis has a healthcare plan for retired employees. This plan is closed to new entrants.

The present value of obligations relating to post-employment healthcare benefits stood at EUR 97 million at 31 December 2020, compared to EUR 94 million at 31 December 2019, implying an increase of EUR 3 million during the year 2020.

The expense for post-employment healthcare benefits amounts to EUR 2 million for the year at 31 December 2020, against EUR 2 million for the year at 31 December 2019.

Other items related to post-employment healthcare and directly accounted for in equity amount to EUR 3 million for 31 December 2020, against EUR 8 million at 31 December 2019.

6.c Other long-term benefits

BNP Paribas Fortis offers its employees various long-term benefits, mainly long-service awards, the ability to save up paid annual leave in time savings accounts, and certain guarantees protecting them in the event they become incapacitated.

The net provision amounted to EUR 74 million at 31 December 2020 (EUR 81 million at 31 December 2019).

As part of the BNP Paribas Fortis variable compensation policy, annual deferred compensation plans are set up for certain high-performing employees or pursuant to special regulatory frameworks.

Under these plans, payment is deferred over time and is subject to the performance achieved by the business lines, divisions and BNP Paribas Fortis.

In millions of euros	31 December 2020	31 December 2019
Net provisions for other long-term benefits	**74**	**81**
Asset recognised in the balance sheet under 'Other long-term benefits'	-	-
Obligation recognised in the balance sheet under 'Other long-term benefits'	74	81

6.d Termination benefits

BNP Paribas Fortis has implemented a number of voluntary redundancy plans and headcount adaptation plans for employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for as soon as a bilateral agreement or a bilateral agreement proposal for a particular plan is made. Besides, BNP Paribas Fortis recognises costs related to redundancy plans in a restructuring context as soon as Bank formalises a detailed plan which has been notified to the interested parties.

In millions of euros	31 December 2020	31 December 2019
Provision for voluntary departure and early retirement plans, and headcount adaptation plans	236	276

7 ADDITIONAL INFORMATION

7.a Contingent liabilities: legal proceedings and arbitration

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

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

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

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis NV' and currently 'Ageas SA/NV', hereafter 'Ageas') in late September and early October 2008, a number of claimants' organisations, and other parties, initiated, or threatened to initiate, legal action against various entities of the former Fortis Group and/or certain members of their Board of Directors and management in Belgium and in The Netherlands.

The majority of these lawsuits has or shall be ended pursuant to a Collective Settlement of Mass Claims which has been declared binding by the Amsterdam Appeal Court in 2018. Only these shareholders who explicitly opted out should be allowed to continue their legal actions against BNP Paribas Fortis and it cannot be excluded that such legal proceedings would have monetary consequences.

The examining magistrate of the Court of First Instance in Brussels in charge since 2008 of investigating the case relating to the above-mentioned events has concluded his investigation. The Public Prosecutor has never asked the referral of the Bank to the criminal court and he has stated on 20 December 2018 that he sees no reasons to request the Council's chamber of the Court to order a referral. The Council's chamber has decided not to refer the Bank, the decision has taken place on September 4, 2020. This matter is closed.

Certain holders of Mandatory Convertible Securities (hereafter 'MCS') filed two actions against the co-issuers of the MCS, including BNP Paribas Fortis, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, firstly claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and, secondly, claiming damages. On 23 March 2012 the Commercial Court of Brussels dismissed both actions. Certain holders then filed an appeal in June 2012 claiming damages for a provisional amount of EUR 1,285 million and the appointment of an expert. The Brussels Court of Appeal has dismissed all these claims on 1 February 2019. An appeal before the Supreme Court was lodged by the MCS-holders and notified to the Bank on 10 July 2019. The Supreme Court has dismissed the appeal. This matter is closed.

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

7.b Business combinations and other changes of the consolidation scope

Operations realised in 2020

Greenval Insurance DAC

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

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

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

Arval Fuhrparkmanagement GmbH

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

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

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

Allfunds UK Ltd

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

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

Changes in the consolidation scope Axepta BNPP Benelux

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

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

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

Operations realised in 2019

Sale of Von Essen Bank GmbH

Von Essen Bank GmbH provides retail banking services in Germany. It offers savings and investing products, financing services, such as consumer credit, loan rescheduling, real estate credit, mortgage loans and leasing for equipment.

In the context of the growth and consolidation ambitions of BNP Paribas Group for the consumer finance business in Germany, Von Essen Bank, previously fully consolidated, has been sold in January 2019 and merged with the German Branch of BNP Paribas.

This sale generated a gain of EUR 156.5 million with an impact on the total balance sheet of EUR (2.3) billion.

Acquisition of the ING Asset Management portfolio company by TEB Portföy Yönetimi AS

In 2018, ING Bank decided to exit the asset management industry and sell, amongst others, ING Portföy Yönetimi A.A., its Turkish asset management company (ING AM).

TEB, via its Turkish asset management company TEB Portföy Yönetimi AS, issued a non-binding offer to acquire ING AM in 2018 year-end and the acquisition has been finalized in April 2019.

In August 2019 ING AM merged into TEB AM resulting in significant labour cost synergies. The merged company ranks in the top 10 of Turkish asset managers.

The transaction generated neither goodwill nor a material result impact in 2019.

7.c Minority interests

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss	Minority interests
Capital and retained earnings at 1 January 2019	**5,539**	**55**	**(496)**	**5,098**
Other movements	(21)	-	-	(21)
Dividends	(212)	-	-	(212)
Changes in assets and liabilities recognised directly in equity	-	10	(111)	(101)
Net income for 2019	406	-	-	406
Capital and retained earnings at 31 December 2019	**5,712**	**65**	**(607)**	**5,170**
Other movements	(28)	-	-	(28)
Dividends	(84)	-	-	(84)
Changes in assets and liabilities recognised directly in equity	-	(20)	(137)	(157)
Net income for 2020	424	-	-	424
Capital and retained earnings at 31 December 2020	**6,024**	**45**	**(744)**	**5,325**

Main minority interests

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

	31 December 2020	Year to 31 Dec. 2020						
In millions of euros	Total assets before elimination of intra-group transactions	Revenues	Net income	Net income and changes in assets and liabilities recognised directly in equity	Interest (%)	Net income attributable to minority interests	Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests	Dividends paid to minority shareholders
Contribution of the entities belonging to the BGL BNP Paribas Group	56,516	1,588	544	505	50%	349	303	79
Other minority interests						75	(36)	5
TOTAL						**424**	**267**	**84**

	31 December 2019	Year to 31 Dec. 2019						
In millions of euros	Total assets before elimination of intra-group transactions	Revenues	Net income	Net income and changes in assets and liabilities recognised directly in equity	Interest (%)	Net income attributable to minority interests	Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests	Dividends paid to minority shareholders
Contribution of the entities belonging to the BGL BNP Paribas Group	56,565	1,510	471	489	50%	307	324	210
Other minority interests						99	(19)	2
TOTAL						**406**	**305**	**212**

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

No significant internal restructuring operation occurred during 2020, nor during 2019.

Commitments to repurchase minority shareholders' interests

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

The total value of these commitments, which are recorded as a reduction in shareholders' equity, amounts to EUR 189 million at 31 December 2020, compared with EUR 227 million at 31 December 2019.

7.d Significant restrictions in subsidiaries, associates and joint ventures

Significant restrictions relating to the ability of entities to transfer cash to BNP Paribas Fortis

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 operating performance. During 2020, banking entities submitted to the single supervisory mechanism have been obliged by restrictions brought by their regulator on 2019 dividend payments. During 2019, no BNP Paribas Fortis entity was subject to significant restrictions other than those arising from regulatory requirements.

Significant restrictions relating to BNP Paribas Fortis' ability to use the assets lodged in consolidated structured entities

Access to the assets of consolidated structured entities in which third-party investors (other than BNP Paribas Group entities) have invested is limited in as much as these entities' assets are reserved for the holders of units or securities. At the end of 31 December 2020, the involved assets were immaterial (compared with EUR 0.1 billion at 31 December 2019).

Significant restrictions relating to BNP Paribas Fortis' ability to use assets pledged as collateral or under repurchase agreements

The financial instruments pledged by BNP Paribas Fortis as collateral or under repurchase agreements are reported in Note 4.p and 5.d.

Significant restrictions relating to liquidity reserves

Significant restrictions related to liquidity reserves correspond to the mandatory deposits placed with central banks presented in Chapter 'Risk management and capital adequacy - Liquidity and refinancing risk'.

7.e Structured entities

BNP Paribas Fortis considers that it has sponsored a structured entity when it has been involved in its design.

BNP Paribas Fortis is engaged in transactions with sponsored structured entities primarily through its activities of securitisation of financial assets as either the originator or the sponsor, fund management and specialised asset financing.

In addition, BNP Paribas Fortis is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds or securitisation vehicles.

The method for assessing control of structured entities is detailed in Note 1.c.2 'Consolidation methods'.

Consolidated structured entities

The main category of consolidated structured entities is:

Proprietary securitisation: proprietary securitisation positions originated and held by BNP Paribas Fortis.

Unconsolidated structured entities

BNP Paribas Fortis has entered into relations with unconsolidated structured entities in the course of its business activities in order to meet the needs of its customers.

Information relating to interests in sponsored structured entities

The main categories of unconsolidated sponsored structured entities are as follows:

Securitisation: BNP Paribas Fortis structures securitisation vehicles for the purposes of offering customers financing solutions for their assets, either directly or through consolidated ABCP conduits. Each vehicle finances the purchase of customers' assets (receivables, bonds, etc.) primarily by issuing bonds backed by these assets, whose redemption is linked to their performance.

Funds: BNP Paribas Fortis structures and manages funds in order to offer investment opportunities to its customers. Dedicated or public funds are offered to institutional and individual customers, and are distributed and commercially monitored by BNP Paribas Fortis. The BNP Paribas Fortis entities responsible for managing these funds may receive management fees and performance commission. Moreover, BNP Paribas Fortis may hold units in these funds.

Asset financing: BNP Paribas Fortis finances structured entities that acquire assets (ships, export finance 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.

Other: On behalf of its customers, BNP Paribas Fortis may also structure entities which invest in assets or are involved in debt restructuring.

An interest in an unconsolidated structured entity is a contractual or non-contractual link that exposes BNP Paribas Fortis to variable returns from the performance of the entity.

BNP Paribas Fortis' assets and liabilities relating to the interests held in sponsored structured entities are as follows:

Interests on BNP Paribas Fortis balance sheet In millions of euros	31 December 2020				
	Securitisation	Funds	Asset financing	Others	Total
ASSETS					
Financial instruments at fair value through profit and loss	5	-	-	-	5
Derivatives used for hedging purposes	-	-	-	-	-
Financial assets at fair value through equity	-	-	-	-	-
Financial assets at amortised cost	-	-	124	9	133
Other assets	-	50	-	-	50
TOTAL ASSETS	5	50	124	9	188
LIABILITIES					
Financial instruments at fair value through profit and loss	-	-	-	19	19
Derivatives used for hedging purposes	-	-	-	-	-
Financial liabilities at amortised cost	267	10	-	525	802
Other liabilities	-	-	-	-	-
TOTAL LIABILITIES	267	10	-	544	821
Funded exposure	5	50	124	9	188
Unfunded exposure	-	-	109	55	164
Financing commitments	-	-	-	55	55
Guarantee commitments and derivatives	-	-	109	-	109
MAXIMUM EXPOSURE TO LOSS	5	50	233	64	352
SIZE OF STRUCTURED ENTITIES [1]	272	79	235	465	1,051

Interests on BNP Paribas Fortis balance sheet In millions of euros	31 December 2019				
	Securitisation	Funds	Asset financing	Others	Total
ASSETS					
Financial instruments at fair value through profit and loss	34	-	-	-	34
Derivatives used for hedging purposes	-	-	-	-	-
Financial assets at fair value through equity	17	-	-	-	17
Financial assets at amortised cost	-	-	135	9	144
Other assets	-	-	-	-	-
TOTAL ASSETS	**51**	**-**	**135**	**9**	**195**
LIABILITIES					
Financial instruments at fair value through profit and loss	-	-	-	19	19
Derivatives used for hedging purposes	-	-	-	-	-
Financial liabilities at amortised cost	267	41	-	589	897
Other liabilities	1	-	-	-	1
TOTAL LIABILITIES	**268**	**41**	**-**	**608**	**917**
Funded exposure	**51**	**-**	**135**	**9**	**195**
Unfunded exposure	**-**	**-**	**69**	**55**	**124**
Financing commitments	-	-	-	55	55
Guarantee commitments and derivatives	-	-	69	-	69
MAXIMUM EXPOSURE TO LOSS	**51**	**-**	**204**	**64**	**319**
SIZE OF STRUCTURED ENTITIES (1)	**2,633**	**38**	**249**	**-**	**2,920**

(1) The size of sponsored structured entities equals the total assets of the structured entity for securitisation vehicles, the net asset value for funds (excluding management mandates) and the structured entity's total assets or the amount of BNP Paribas Fortis commitment for asset financing and other structures

The BNP Paribas Fortis' maximum exposure to losses on sponsored structured entities is the carrying amount of the assets, excluding, for financial assets at fair value through equity, changes in value taken directly to equity, as well as the nominal amount of the financing commitments and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

Information relating to interests in non-sponsored structured entities

The main interests held by BNP Paribas Fortis when it acts solely as an investor in non-sponsored structured entities are detailed below:

- units in other funds not managed by BNP Paribas Fortis: as part of its trading business, BNP Paribas Fortis invests in structured entities without any involvement in either managing or structuring these entities (investments in mutual funds, securities funds or alternative funds), particularly as economic hedge for structured products sold to customers. BNP Paribas Fortis also invests in minority holdings in support of companies as part of its venture capital business. As in 2019, these investments are very limited in 31 December 2020;
- investments in securitisation vehicles: the investments in securitisation vehicles amounted to EUR 0,8 billion as at 31 December 2020 (EUR 1,0 billion as at 31 December 2019). Furthermore, BNP Paribas Fortis also has positions on SPVs that are sponsored by BNP Paribas Group, but not sponsored by BNP Paribas Fortis, these investments were immaterial at 31 December 2020 (compared with EUR 0,1 billion as at 31 December 2019).

7.f Compensation and benefits awarded to BNP Paribas Fortis' corporate officers

The remuneration policy for the Board of Directors and Executive Board did not change significantly during 2020.

Remuneration of the Members of the Board of Directors

Remuneration policy with regard to the Members of the Board of Directors

Executive and non-Executive Members of the Board of Directors receive Board remuneration based on the principles set out below, as approved by the General Shareholders' Meeting of 23 April 2020, during which the principle of keeping the maximum Board remuneration at a total of EUR 1.1 million per annum was confirmed.

Since January the first 2018, directorships exercised by the Group's employees in any Group entity in France and abroad are exercised without remuneration.

For the non-executive directors that are not BNP Paribas SA employees this entails no consequence as they are no employees of BNP Paribas Fortis SA/NV or BNP Paribas SA. The non-executive directors that are BNP Paribas SA employees are no longer entitled to receive any remuneration for their mandates held within BNP Paribas Fortis SA/NV; As for the executive directors of BNP Paribas Fortis SA/NV, the implementation of the policy entails that they will not be entitled to receive any remuneration for their mandates held within the BNP Paribas Group, besides of course for their mandate within BNP Paribas Fortis SA/NV itself. The mandates held within BGL BNP Paribas SA have been excluded and can therefore be remunerated.

Annual fixed salary Chairman Board of Directors	EUR	50,000	(gross)
Annual fixed salary Board Members	EUR	25,000	(gross)
Attendance fee Chairman Board of Directors	EUR	4,000	(gross)
Attendance fee Members Board of Directors	EUR	2,000	(gross)
Attendance fee Chairman Board Committees	EUR	4,400	(gross)
Attendance fee Members Board Committees	EUR	2,200	(gross)

The non-Executive Members of the Board of Directors do not receive any variable pay, pension plan or insurances, nor any other benefits[1].

[1] *With the exception of the Chairman, who receives the use of a company car and mobile phone.*

Remuneration for the year

The table below shows the gross Board remuneration paid in 2020 to each member of the Board of Directors.

In euros		Fixed fees	Attendance fees board*	Total 2020
Herman DAEMS	Chairman	50,000	118,900	168,900
Michael ANSEEUW	Executive	25,000	27,000	52,000
Didier BEAUVOIS	Executive	25,000	27,000	52,000
Dirk BOOGMANS	Non-executive	25,000	82,000	107,000
Antoinette d'ASPREMONT LYNDEN	Non-executive	25,000	95,200	120,200
Daniel de CLERCK	Executive	25,000	25,000	50,000
Sophie DUTORDOIR	Non-executive	25,000	86,400	111,400
Maxime JADOT	Executive	25,000	27,000	52,000
Piet VAN AKEN	Executive	25,000	27,000	52,000
Titia VAN WAEYENBERGE	Non-executive	25,000	61,100	86,100
Stéphane VERMEIRE	Executive	25,000	26,000	51,000
		300,000	602,600	902,600

(*) This column includes the Board fees for all Committees

Remuneration of the Members of the Executive Board

Remuneration policy regarding the Members of the Executive Board

The Members of the Executive Board have a self-employed status and receive a Board remuneration based on the same principles as non-Executive Members. In addition, they are rewarded for their functions in the Executive Management through the following components: fixed monthly remuneration; variable annual remuneration based on the achievement of clear performance criteria and risk monitoring linked to collective and individual performance criteria as mentioned below; a company insurance plan (pension plan, hospital plan, life insurance and disability benefits); benefits in kind (the use of a company car, mobile phone, tablet and internet); and the opportunity to obtain share-based long-term incentive payments. Their remuneration is subject to strict regulation under CRD IV and the Belgian Banking Law.

The remuneration structure and policy on levels of remuneration are determined by the Board of Directors upon a recommendation from the Remuneration Committee with reference to common practices and market benchmarking for determining appropriate executive management compensation, and with guidance from specialised consultancy firms. Governance relating to remuneration followed the same principles and processes as last year and it is expected to continue to do so in the coming years.

Performance criteria used to determine variable remuneration

The entire process described hereunder is audited by the Inspection Générale.

Individual performance

A self-assessment is prepared by each Executive Board Member, which is then challenged by the Chief Executive Officer, who decides on the scoring in close discussion with the Chairman of the Board of Directors. An overall assessment is also made by the Risk and Compliance departments.

Individual performance is assessed in the light of the degree of attainment of personal objectives and managerial performance as assessed by the Board of Directors.

Team performance based on Bank Key Performance Indicators (KPIs)

Collective performance is based on Key Performance Indicators (KPIs) designed to show that the Executive Board is acting as one Team. Every year, the Bank draws up a strategic plan, from which are derived indicators enabling the Executive Board to measure and assess the Bank performance. The performance criteria measured for each business are: financial results, cost management, risk management/compliance, long term developments, Corporate Social Responsibility, and people management. On a yearly basis, the Executive Board receives a score for its overall performance.

The appraisal period during which performance is assessed is January to December of each year. The methods used to assess the performance against targets are both qualitative (customer satisfaction, sound risk governance, Global People Survey results, Team motivation barometer, people management, etc.) and quantitative (net operating profit, gross income, evolution cost of risk, increase in market share, etc.).

Future performance applied to the deferred part of the variable remuneration

The variable part of the remuneration is subject to the deferral principle, whereby the deferred part is conditional on the future performance of the company and to sound risk management.

Remuneration for the year

The table below shows the gross remuneration paid or payable to the Members of the Executive Board for the year 2020, including benefits in kind and Director's fees.

	2020		2019	
In euros	**Chief Executive Officer**	**Other Members of the Executive Board**	**Chief Executive Officer**	**Other Members of the Executive Board**
Remuneration				
Fixed	993,513	2,097,000	978,513	2,607,871
Cash part of variable	140,480	471,616	165,200	554,660
Deferred part of variable	157,520	233,184	149,800	160,840
Multi-annual variable compensation (1)	53,200	152,880	98,000	305,900
Director's fees (2)	113,016	333,516	107,516	307,516
Benefits in Kind (3)	3,816	26,496	4,067	44,277
Pension, life insurance and orphan's pension (4)	292,350	268,015	329,227	266,638
Total	**1,753,895**	**3,582,707**	**1,832,323**	**4,247,702**

(1) In order to fully comply with the EU Capital Requirement Directive IV applicable to the Credit Institutions, the multi-annual variable compensation indicated is the amount related to the performance of the year under review and not the amount allocated during the year under review. As from 2016, in order to comply with the EBA Guidelines of 21 December 2016, the Multi-annual variable compensation is disclosed taking into account the fair value determined at the time the compensation was granted

(2) In order to comply with article 3:6 of the Companies' and associations' Code we have included the board fees received in the controlled perimeter

(3) The members of the Executive Board each have a company car and a mobile phone

(4) For defined contribution plan and defined benefit plan : sum of employer contributions

Information on Multi-annual variable compensation

2016, 2017, 2018, 2019 and 2020

The Contingent Sustainable and International Scheme ('CSIS') is designed to compensate Material Risk Takers identified as key employees of BNP Paribas Group for their performance on terms that are compliant with EU rules, provided that they act in the long-term interests of the BNP Paribas Group. The scheme is intended to support the effective alignment of compensation with prudent risk-taking behavior. In compliance with the Capital Requirements Directive 4 (CRD4), the CSIS provides for the award of instruments that can be fully written down to adequately reflect the credit quality of the institution as a going concern.

To this end, payments under the CSIS will be cancelled if, whenever during the Plan duration the BNP Paribas Group's CET1 ratio falls below 7% or the Group enters into a resolution period.

In addition, in order to reflect the Group ambition to grow while acting with environmental, economic and social responsibility, the Group has also decided:

- to make:
  - 85% of the CSIS Award subject to a condition based on the operating performance of the Group ('Group Performance Indicator – GPI');
  - 15% of the CSIS Award subject to a condition based on the Corporate Social Responsibility ('CSR') performance, as it is considered essential that the BNP Paribas Group acts at all levels, and in a significant way, to promote greater environmental, economic and social responsibility; and
- to condition any payment under the scheme to the Group BNP Paribas Fortis Pre-Tax Income being positive.

The CSIS Award is a cash amount denominated in local currency (the 'Notional Instrument Amount') bearing an interest rate (the 'Interest Amount').

For 2016 the Vesting Period started on 1 January 2017 and ends on 1 January 2022. There is a retention period of 6 months between 1 January 2022 and 30 June 2022. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2022 to 30 June 2022. The annual interest rate is equal to 2.19%.

For 2017 the Vesting Period started on 1 January 2018 and ends on 1 January 2023. There is a retention period of 6 months between 1 January 2023 and 30 June 2023. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2023 to 30 June 2023. The annual interest rate is equal to 1.25%.

For 2018 the Vesting Period started on 1 January 2019 and ends on 1 January 2024. There is a retention period of 6 months between 1 January 2024 and 30 June 2024. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2024 to 30 June 2024. The annual interest rate is equal to 2.09%.

For 2019 the Vesting Period started on 1 January 2020 and ends on 1 January 2025. There is a retention period of 6 months between 1 January 2025 and 30 June 2025. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2025 to 30 June 2025. The annual interest rate is equal to 1.1%.

For the allocation in respect with the performance year 2020 the Vesting Period starts on 1 January 2021 and ends on 1 January 2026. There is a retention period of 6 months between 1 January 2026 and 30 June 2026. The beneficiary is entitled to receive on the Date of Payment an amount of interest calculated from 1 January 2025 to 30 June 2026. The annual interest rate is equal to 0.80%.

Information on severance pay

In 2020 no termination benefits were paid to members of the Executive Board.

Relations with key management personnel

At 31 December 2020,, total outstanding loans and guarantees granted to the members of the Board of Directors and their close family members, amounted to EUR 3.2 million. These loans and guarantees constitute normal transactions, carried out at normal market and/or client conditions.

7.g Other related parties

Other related parties of the BNP Paribas Fortis comprise:

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

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

Relations between consolidated companies

A list of companies consolidated by BNP Paribas Fortis is provided in note 7.j 'Scope of consolidation'. Transactions and outstanding balances between fully-consolidated entities of BNP Paribas Fortis are eliminated.

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

Outstanding balances of related party transactions

In millions of euros	31 December 2020			31 December 2019		
	Entities of the BNP Paribas Group	Joint ventures	Associates [(1)]	Entities of the BNP Paribas Group	Joint ventures	Associates [(1)]
ASSETS						
Demand accounts	1,593	-	33	1,410	3	15
Loans	4,714	93	230	32,193	584	284
Securities	72	-	97	92	-	97
Other assets	303	-	111	421	1	121
Total assets	**6,682**	**93**	**471**	**34,116**	**588**	**517**
LIABILITIES						
Demand accounts	511	99	461	471	92	455
Other borrowings	21,622	30	1,408	31,974	41	1,779
Other liabilities	501	-	25	616	-	48
Total liabilities	**22,634**	**129**	**1,894**	**33,061**	**133**	**2,282**
FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS						
Financing commitments given	523	43	63	48	48	63
Guarantee commitments given	5,920	2,106	82	6,259	2,505	67
Total	**6,443**	**2,149**	**145**	**6,307**	**2,553**	**130**

([1]) Including controlled but non material entities consolidated under the equity method

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

Related-party profit and loss items

In millions of euros	Year to 31 Dec. 2020			Year to 31 Dec. 2019		
	Entities of the BNP Paribas Group	Joint ventures	Associates [(1)]	Entities of the BNP Paribas Group	Joint ventures	Associates [(1)]
Interest income	321	6	6	820	5	6
Interest expense	(657)	(4)	(6)	(1,136)	(5)	(9)
Commission income	117	3	552	99	3	539
Commission expense	(93)	-	(11)	(130)	-	(11)
Services provided	3	-	-	4	-	-
Services received	(21)	-	(3)	(62)	-	(2)
Lease income	42	-	12	65	-	12
Total	**(288)**	**5**	**550**	**(340)**	**3**	**535**

(1) Including controlled but non material entities consolidated under the equity method

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

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

7.h Financial instruments by maturity

The table below gives a breakdown of balance sheet items by contractual maturity for single-maturity contracts, and by cash flows for assets with a repayment date.

The source of the data in this table is identical to that used to prepare the regulatory liquidity reporting (such as the Liquidity Coverage Ratio or the Net Stable Funding Ratio).

Financial liabilities are mainly classified under the heading 'on demand' given the importance of sight deposits and savings deposits, while financial assets are mostly classified under the heading 'more than one year', as a result of the long maturities of term loans and mortgage loans.

The maturities of the 'trading portfolio' transactions reported under financial assets and liabilities measured at fair value through profit or loss are regarded as 'undetermined' insofar as these instruments are intended to be sold or redeemed before their contractual maturity dates.

The maturities of derivative hedging instruments and the remeasurement adjustment on interest-rate risk hedged portfolios are also deemed to be 'undetermined'.

In millions of euros, at 31 December 2020	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances at central banks	-	50,074	-	-	-	-	-	50,074
Financial instruments at fair value through profit or loss	12,266	-	2,519	369	1,956	702	20	17,832
Derivatives used for hedging purposes	3,178	-	-	-	-	-	-	3,178
Remeasurement adjustment on interest-rate risk hedged portfolios	2,712	-	-	-	-	-	-	2,712
Financial assets at fair value through equity	313	-	82	178	1,282	4,128	3,790	9,773
Financial assets at amortised cost	-	4,996	13,267	12,327	27,909	80,429	71,728	210,656
Financial assets by maturity	**18,469**	**55,070**	**15,868**	**12,874**	**31,147**	**85,259**	**75,538**	**294,225**
Deposits from central banks	-	71	-	-	-	-	-	71
Financial instruments at fair value through profit or loss	8,802	-	12,139	520	1,265	2,261	1,000	25,987
Derivatives used for hedging purposes	5,257	-	-	-	-	-	-	5,257
Remeasurement adjustment on interest-rate risk hedged portfolios	1,449	-	-	-	-	-	-	1,449
Financial liabilities at amortised cost	-	175,669	12,138	13,024	14,479	40,617	3,218	259,145
Financial liabilities by maturity	**15,508**	**175,740**	**24,277**	**13,544**	**15,744**	**42,878**	**4,218**	**291,909**

In millions of euros, at 31 December 2019	Not determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and balances at central banks	-	4,399	-	-	-	-	-	4,399
Financial instruments at fair value through profit or loss	11,885	-	2,302	919	2,138	586	66	17,896
Derivatives used for hedging purposes	2,500	-	-	-	-	-	-	2,500
Remeasurement adjustment on interest-rate risk hedged portfolios	2,113	-	-	-	-	-	-	2,113
Financial assets at fair value through equity	329	-	147	111	368	4,325	3,522	8,802
Financial assets at amortised cost	-	4,717	37,692	12,360	30,510	80,938	70,500	236,717
Financial assets by maturity	**16,827**	**9,116**	**40,141**	**13,390**	**33,016**	**85,849**	**74,088**	**272,427**
Deposits from central banks	-	709	-	-	-	-	-	709
Financial instruments at fair value through profit or loss	8,277	5	8,072	1,882	2,004	2,182	1,396	23,818
Derivatives used for hedging purposes	5,838	-	-	-	-	-	-	5,838
Remeasurement adjustment on interest-rate risk hedged portfolios	1,008	-	-	-	-	-	-	1,008
Financial liabilities at amortised cost	-	161,744	13,745	20,576	20,627	18,813	4,017	239,522
Financial liabilities by maturity	**15,123**	**162,458**	**21,817**	**22,458**	**22,631**	**20,995**	**5,413**	**270,895**

7.i Fair value of financial instruments carried at amortised cost

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

- these fair values are an estimate of the value of the relevant instruments as of 31 December 2020. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas Fortis as a going concern;
- most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments;
- estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful;
- the fair values shown below do not include the fair values of finance lease transactions, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of BNP Paribas Fortis.

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

31 December 2019 In millions of euros	Estimated fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
FINANCIAL ASSETS					
Loans and advances to credit institutions and customers (1)	-	39,973	171,582	211,555	206,225
Debt securities at amortised cost (note 4.e)	10,624	1,841	-	12,465	12,362
FINANCIAL LIABILITIES					
Deposits from credit institutions and customers	-	225,213	-	225,213	224,834
Debt securities (note 4.h)	-	11,822	-	11,822	11,918
Subordinated debt (note 4.h)	-	2,770	-	2,770	2,770

(1) Finance leases excluded

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

7.j Scope of consolidation

Name	Country	31 December 2020 Method	Voting (%)	Interest (%)	Ref.	31 December 2019 Method	Voting (%)	Interest (%)	Ref.
Consolidating company									
BNP Paribas Fortis	Belgium								
Belgium									
AG Insurance	Belgium	Equity	25.0%	25.0%		Equity	25.0%	25.0%	
Alpha Crédit SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Belgium NV SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	E2
Axepta BNPP Benelux	Belgium	Full	100.0%	99.9%	E1				
Bancontact Paytoniq Company	Belgium	Equity	22.5%	22.5%		Equity	22.5%	22.5%	
Banking Funding Company SA	Belgium	Equity	33.5%	33.5%		Equity	33.5%	33.5%	
Belgian Mobile ID	Belgium	Equity	15.0%	15.0%		Equity	15.0%	15.0%	
BNP Paribas 3 Step IT Branch Belgium	Belgium	Full	100.0%	12.8%		Equity	100.0%	12.8%	E2
BNP Paribas Fortis Factor NV SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Belgium NV	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Expansion	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Fortis Private Equity Management	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Lease Group Belgium	Belgium	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Fortis Film Finance	Belgium	Full	99.0%	99.0%		Full	99.0%	99.0%	
bpost bank	Belgium	Equity 1	50.0%	50.0%		Equity 1	50.0%	50.0%	
CNH Industrial Capital Europe Belgium Branch	Belgium	Full	100.0%	12.5%		Full	100.0%	12.5%	
Credissimo	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Credissimo Hainaut SA	Belgium	Full	99.7%	99.7%		Full	99.7%	99.7%	
Crédit pour Habitations Sociales	Belgium	Full	81.7%	81.7%		Full	81.7%	81.7%	
Eos Aremas Belgium SA/NV	Belgium	Equity	49.9%	49.9%		Equity	49.9%	49.9%	
Epimede	Belgium	Equity (s)				Equity			
Es-Finance	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Fortis Lease Belgium	Belgium	Full	100.0%	25.0%		Full	100.0%	25.0%	
FScholen	Belgium	Equity 1	50.0%	50.0%		Equity 1	50.0%	50.0%	
Immo Beaulieu	Belgium				S2	Equity	25.0%	25.0%	
Immobilière Sauvenière SA	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	

New entries (E) in the scope of consolidation

- **E1** Passing qualifying thresholds
- **E2** Incorporation
- **E3** Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

- **S1** Cessation of activity (including dissolution, liquidation)
- **S2** Disposal, loss of control or loss of significant influence
- **S3** Entities removed from the scope because < qualifying thresholds
- **S4** Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

- **V1** Additional purchase
- **V2** Partial disposal
- **V3** Dilution
- **V4** Increase in %

Prudential scope of consolidation

- **1** Jointly controlled entities under proportional consolidation for prudential purposes.
- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

Miscellaneous

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

Name	Country	31 December 2020 Method	Voting (%)	Interest (%)	Ref.	31 December 2019 Method	Voting (%)	Interest (%)	Ref.
Private Equity Investements (a)	BE/FR/LU	FV				FV			
Isabel SA NV	Belgium	Equity	25.3%	25.3%		Equity	25.3%	25.3%	
Locadif	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Microstart	Belgium	Full	70.3%	76.8%		Full	70.3%	76.8%	V1
Sowo Invest SA NV	Belgium	Full	87.5%	87.5%		Full	87.5%	87.5%	
Belgium - Special Purpose Entities									
Bass Master Issuer NV	Belgium	Full				Full			
Esmée Master Issuer	Belgium	Full				Full			
FL Zeebrugge	Belgium	Full				Full			
Luxembourg									
Arval Luxembourg SA	Luxembourg	Full	100.0%	99.9%		Full	100.0%	99.9%	
BGL BNP Paribas	Luxembourg	Full	50.0%	50.0%		Full	50.0%	50.0%	
BNP Paribas Fortis Funding SA	Luxembourg	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Lease Group Luxembourg S.A.	Luxembourg	Full	100.0%	50.0%		Full	100.0%	50.0%	
BNP Paribas Leasing Solutions	Luxembourg	Full	50.0%	25.0%		Full	50.0%	25.0%	
Cardif Lux Vie	Luxembourg	Equity	33.3%	16.7%		Equity	33.3%	16.7%	
Cofhylux SA	Luxembourg	Full	100.0%	50.0%		Full	100.0%	50.0%	
Plagefin SA	Luxembourg								S4
Luxhub SA	Luxembourg	Equity	28.0%	14.0%					
Visalux	Luxembourg	Equity	25.3%	12.7%		Equity	25.3%	12.7%	V4
Luxembourg- Special Purpose Entities									
Elimmo SARL	Luxembourg								S3
Rest of the world									
All In One Vermietung GmbH	Austria	Full	100.0%	25.0%		Full	100.0%	25.0%	
Aprolis Finance	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
Artegy	France	Full	100.0%	25.0%		Full	100.0%	25.0%	

New entries (E) in the scope of consolidation

- **E1** Passing qualifying thresholds
- **E2** Incorporation
- **E3** Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

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- **S2** Disposal, loss of control or loss of significant influence
- **S3** Entities removed from the scope because < qualifying thresholds
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Variance (V) in voting or ownership interest

- **V1** Additional purchase
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Prudential scope of consolidation

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- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

Miscellaneous

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

		31 December 2020				31 December 2019			
Name	Country	Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Artel	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval AB	Sweden	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval AS	Denmark	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval AS Norway	Norway	Full	100.0%	99.9%		Full	100.0%	99.9%	E1
Arval Austria GmbH	Austria	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Benelux BV	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Brasil LTDA	Brazil	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval BV	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval CZ SRO	Czech Republic	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Deutschland GmbH	Germany	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Fleet Services	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Fuhrparkmanagement GmbH	Austria	Full	100.0%	99.9%	E3				
Arval Hellas Car Rental SA	Greece	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval India Private Ltd	India	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval LLC	Russia	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Magyarorszag KFT	Hungary	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Maroc SA	Morocco	Full	66.7%	66.7%		Full	66.7%	66.7%	
Arval Oy	Finland	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Relsa SPA	Chile	Equity 1	50.0%	50.0%		Equity 1	50.0%	50.0%	
Arval Schweiz AG	Switzerland	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Aluger Operational Automoveis SA	Portugal	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Italia SPA	Italy	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Polska SP ZOO	Poland	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease Romania SRL	Romania	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Service Lease SA	Spain	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Slovakia SRO	Slovakia	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval Trading	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval UK Group Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval UK Leasing Services Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
Arval UK Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
Bantas Nakit AS	Turkey	Equity 1	33.3%	16.7%		Equity 1	33.3%	16.7%	
BGL BNP Paribas SA Zweigniederlassung Deutschland	Germany	Full	100.0%	50.0%		Full	100.0%	50.0%	

New entries (E) in the scope of consolidation

- **E1** Passing qualifying thresholds
- **E2** Incorporation
- **E3** Purchase, gain of control or significant influence

Removals (S) from the scope of consolidation

- **S1** Cessation of activity (including dissolution, liquidation)
- **S2** Disposal, loss of control or loss of significant influence
- **S3** Entities removed from the scope because < qualifying thresholds
- **S4** Merger, Universal transfer of assets and liabilities

Variance (V) in voting or ownership interest

- **V1** Additional purchase
- **V2** Partial disposal
- **V3** Dilution
- **V4** Increase in %

Prudential scope of consolidation

- **1** Jointly controlled entities under proportional consolidation for prudential purposes.
- **Full** Full consolidation
- **Equity** Equity Method
- **FV** Investment in associates measured at Fair Value through P&L
- **(s)** Structured entities

Miscellaneous

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

Name	Country	31 December 2020 Method	Voting (%)	Interest (%)	Ref.	31 December 2019 Method	Voting (%)	Interest (%)	Ref.
BNL Leasing SPA	Italy	Equity	26.2%	6.5%		Equity	26.2%	6.5%	E2
BNP Paribas 3 STEP IT - (Ex- Arius)	France	Full	51.0%	12.8%		Full	51.0%	12.8%	V2
BNP Paribas 3 Step IT Branch Germany	Germany	Full	100.0%	12.8%		Full	100.0%	12.8%	E2
BNP Paribas 3 Step IT Branch Italy	Italy	Full	100.0%	12.8%		Full	100.0%	12.8%	E2
BNP Paribas 3 Step IT Branch Netherlands	The Netherlands	Full	100.0%	12.8%		Full	100.0%	12.8%	E2
BNP Paribas 3 Step It Branch UK	United Kingdom	Full	100.0%	12.8%		Full	100.0%	12.8%	E2
BNP Paribas Commercial Finance Limited	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Factor AS	Denmark	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Factor Gmbh	Germany	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNP Paribas Finansal Kiralama AS	Turkey	Full	100.0%	26.1%		Full	100.0%	26.1%	
BNP Paribas Fortis (Romania branch)	Romania								S1
BNP Paribas Fortis (Spain branch)	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Fortis (USA branch)	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNP Paribas Fortis Yatirimlar Holding AS	Turkey	Full	100.0%	100.0%		Full	100.0%	99.9%	
BNP Paribas Lease Group	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group ifn SA	Romania	Full	99.9%	24.9%		Full	99.9%	24.9%	
BNP Paribas Lease Group Leasing Solutions SPA	Italy	Equity	26.2%	6.5%		Equity	26.2%	6.5%	
BNP Paribas Lease Group Milan Branch	Italy	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group PLC	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Rentals Limited	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group SA Zweigniederlassung Deutschland	Germany	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Sa Portugal Branch	Portugal	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group Sa Sucursal En Espana	Spain	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Lease Group SP ZOO	Poland	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions Limited	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions NV	The Netherlands	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Asset Management Holding	France	Equity	33.3%	30.9%		Equity	33.3%	30.9%	
BNPP Bank Polska SA	Poland	Equity	24.1%	24.1%		Equity	24.1%	24.1%	
BNPP Factor AB	Sweden	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Factor NV	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Factoring Support	The Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fleet Holdings Ltd	United Kingdom	Full	100.0%	99.9%		Full	100.0%	99.9%	

New entries (E) in the scope of consolidation

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Removals (S) from the scope of consolidation

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S4 Merger, Universal transfer of assets and liabilities

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V4 Increase in %

Prudential scope of consolidation

1 Jointly controlled entities under proportional consolidation for prudential purposes.
Full Full consolidation
Equity Equity Method
FV Investment in associates measured at Fair Value through P&L
(s) Structured entities

Miscellaneous

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

Name	Country	31 December 2020 Method	Voting (%)	Interest (%)	Ref.	31 December 2019 Method	Voting (%)	Interest (%)	Ref.
BNPP Lease Group GmbH & Co KG	Austria	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Leasing Solution AS	Norway	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Rental Solutions Ltd	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
BNPP Rental Solutions SPA	Italy	Full	100.0%	25.0%		Full	100.0%	25.0%	
Cetelem Renting	France								S4
Claas Financial Services	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
Claas Financial Services Germany Branch	Germany	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services Italy Branch	Italy	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services Ltd	United Kingdom	Full	51.0%	12.8%		Full	51.0%	12.8%	
Claas Financial Services Sas Branch In Poland	Poland	Full	100.0%	12.8%		Full	100.0%	12.8%	
Claas Financial Services, SAS, SE Spain Branch	Spain	Full	100.0%	12.8%		Full	100.0%	12.8%	
CMV Mediforce	France				S4	Full	100.0%	25.0%	
CNH Industrial Capital Europe Gmbh	Austria	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe	France	Full	50.1%	12.5%		Full	50.1%	12.5%	
CNH Industrial Capital Europe Bv	The Netherlands	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Italy Branch	Italy	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Ltd	United Kingdom	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Poland Branch	Poland	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe SAS Germany Branch	Germany	Full	100.0%	12.5%		Full	100.0%	12.5%	
CNH Industrial Capital Europe Sucursal En Espana	Spain	Full	100.0%	12.5%		Full	100.0%	12.5%	
Cofiparc	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Commercial Vehicle Finance Limited	United Kingdom				S1	Full	100.0%	25.0%	
Folea Grundstucksverwaltungs und Vermietungs Gmbh & Co	Germany	Full	94.0%	1.5%		Full	94.0%	1.5%	
Fortis Lease	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Deutschland Gmbh	Germany	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Iberia SA	Spain	Full	100.0%	41.0%		Full	100.0%	41.0%	
Fortis Lease Portugal	Portugal	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Lease Uk Ltd	United Kingdom	Full	100.0%	25.0%		Full	100.0%	25.0%	
Fortis Vastgoedlease BV	The Netherlands	Full	100.0%	25.0%		Full	100.0%	25.0%	
Greenval Insurance DAC	Ireland	Full	100.0%	99.9%	E2				
Heffiq Heftruck Verhuur BV	The Netherlands	Full	50.1%	12.5%		Full	50.1%	12.5%	

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- **V4** Increase in %

Prudential scope of consolidation

- **1** Jointly controlled entities under proportional consolidation for prudential purposes.
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Miscellaneous

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

Name	Country	31 December 2020 Method	Voting (%)	Interest (%)	Ref.	31 December 2019 Method	Voting (%)	Interest (%)	Ref.
JCB Finance	France	Full	100.0%	12.5%		Full	100.0%	12.5%	
JCB Finance Holdings Ltd	United Kingdom	Full	50.1%	12.5%		Full	50.1%	12.5%	
JCB Finance SAS Italy Branch	Italy	Full	100.0%	12.5%		Full	100.0%	12.5%	
JCB Finance SAS Zweigniederlassung Deutschland	Germany	Full	100.0%	12.5%		Full	100.0%	12.5%	
Louveo	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
Manitou Finance Limited	United Kingdom	Full	51.0%	12.8%		Full	51.0%	12.8%	
MGF (Ex- MFF)	France	Full	51.0%	12.8%		Full	51.0%	12.8%	
MGF German Branch	Germany	Full	100.0%	12.8%	E2				
MGF Italy Branch	Italy	Full	100.0%	12.8%	E2				
Public Location Longue Durée	France	Full	100.0%	99.9%		Full	100.0%	99.9%	
RD Leasing IFN SA	Romania	Full	100.0%	25.0%		Full	100.0%	25.0%	
Same Deutz Fahr Finance	France	Full	100.0%	25.0%		Full	100.0%	25.0%	
TEB Arval Arac Filo Kiralama AS	Turkey	Full	100.0%	74.9%		Full	100.0%	74.9%	
TEB Faktoring AS	Turkey	Full	100.0%	48.7%		Full	100.0%	48.7%	
TEB Holding AS	Turkey	Full	50.0%	49.9%		Full	50.0%	49.9%	
TEB Portfoy Yonetimi AS	Turkey				S3	Full	79.6%	39.1%	
TEB Sh A	Serbia	Full	100.0%	49.9%		Full	100.0%	49.9%	
TEB Yatirim Menkul Degerler AS	Turkey	Full	100.0%	48.7%		Full	100.0%	48.7%	
Turk Ekonomi Bankasi AS	Turkey	Full	76.2%	48.7%		Full	76.2%	48.7%	
Von Essen Bank GmbH	Germany								S2
Rest of the world - Special Purpose Entities									
Scaldis Capital Limited	Jersey				S3	Full			

(a) At 31 December 2020, 12 Private Equity investment entities versus 11 entities at 31 December 2019

New entries (E) in the scope of consolidation

E1 Passing qualifying thresholds
E2 Incorporation
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Miscellaneous

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

7.k Fees paid to the statutory auditors

As of fiscal year 2018, all audit tasks are now performed by PWC as the Bank's sole auditor.

The table below shows the fees paid to the auditors (PwC, Deloitte, Mazars and others) of all consolidated entities.

Excluding tax, in thousands of euros	Year to 31 Dec. 2020						Year to 31 Dec. 2019					
	PwC		Others		Total		PwC		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Audit												
Statutory audit engagement	**1,650**	**90%**	**5,389**	**82%**	**7,039**	**84%**	**1,639**	**77%**	**5,539**	**89%**	**7,178**	**86%**
BNP Paribas Fortis	*1,166*	*64%*	*-*	*0%*	*1,166*	*14%*	*1,152*	*54%*	*10*	*0%*	*1,162*	*14%*
Consolidated subsidiaries	*484*	*26%*	*5,389*	*82%*	*5,873*	*70%*	*487*	*23%*	*5,529*	*89%*	*6,016*	*72%*
Services other than those required for the statutory audit engagement	**189**	**10%**	**1,148**	**18%**	**1,337**	**16%**	**479**	**23%**	**718**	**11%**	**1,197**	**14%**
BNP Paribas Fortis	*153*	*8%*	*312*	*5%*	*465*	*6%*	*236*	*11%*	*6*	*0%*	*242*	*3%*
Consolidated subsidiaries	*36*	*2%*	*836*	*13%*	*872*	*10%*	*243*	*12%*	*712*	*11%*	*955*	*11%*
TOTAL	**1,839**	**100%**	**6,537**	**100%**	**8,376**	**100%**	**2,118**	**100%**	**6,257**	**100%**	**8,375**	**100%**

The fees paid to the various networks of the Statutory Auditors other than the one certifying the Consolidated and Non-Consolidated Financial Statements of BNP Paribas Fortis (mainly Deloitte and Mazars), shown in the table above, amount to EUR 6,537,000 for the year 2020.

The decrease in fees for the auditing of the financial statements for the consolidated entities by EUR 140,000 is mainly related to a number of specific missions carried out in 2019 within BGL.

In 2020, the decrease of EUR 290,000 in non-audit services provided by PwC is explained by:

- a decrease in this type of missions carried out in 2020 within BNP Paribas Fortis;
- an important mission within BGL in 2019 following the incorporation of ABN AMRO;
- a postponement to 2021 of several missions in different entities following the global health situation in 2020.

In 2020, the increase by EUR 430,000 of services other than the audit of the financial statements of the other Statutory Auditors (Deloitte and Mazars) is explained by:

- a specific 'Compliance and Anti Money Laundering' mission provided by Deloitte within BNP Paribas Fortis;
- an important review of the consolidated and combined financial statements provided by Mazars to Arval Service Lease for the implementation of an EMTN programme (Euro Medium Term Note);
- Theses increases are mainly compensated by a significant decrease in exceptional services provided by Deloitte to various subsidiaries of BNP Paribas Fortis in 2019.

7.l Events after the reporting period

There have been no material events since the balance date sheet that would require adjustements to the Consolidated Financial Statements as at 31 December 2020.

RISK MANAGEMENT AND CAPITAL ADEQUACY

INTRODUCTION

The information presented in this chapter reflects the risks carried by BNP Paribas Fortis. It provides a description of BNP Paribas Fortis' risk management organisation and a quantitative and qualitative overview of BNP Paribas Fortis' risk exposure at year-end 2020.

BNP Paribas Fortis' risk measures are presented according to the Basel III principles. These risks, calculated using methods approved by the Belgian banking supervisor, i.e. the National Bank of Belgium (NBB) and the European banking supervisor, i.e. the European Central Bank (ECB), are measured and managed as consistently as possible with the BNP Paribas Risk methodologies. A more detailed picture of BNP Paribas Fortis' risk management and risk exposure according to Pillar 3 requirements is provided in the 'Pillar 3 disclosure'.

Further details on the BNP Paribas Group's approach to the measuring and managing of risks resulting from banking activities can be found in the Registration Document and the BNP Paribas Annual Financial Report 2020.

1 RISK MANAGEMENT ORGANIZATION

1.a Mission and organisation

Risk management is key in the banking business. At BNP Paribas Group, operating methods and procedures throughout the organisation are geared towards addressing risks effectively. The entire process is supervised primarily by the Risk department, which is responsible for measuring and controlling risks at Group level. Risk is independent from the Core Business divisions, Business Lines and territories and reports directly to Group Executive Management.

The guiding principles of the mission and organisation of BNP Paribas Fortis' Risk department are aligned:

- with the mission of BNP Paribas Risk namely to:
  - advise the Bank's management on risk appetite and policy;
  - provide a 'second pair of eyes' so that risks taken by the Bank are aligned with its policies and are compatible with its profitability and solvency objectives;
  - report to and alert Bank management, Core Business division heads and the special committee of the Board of Directors on the status of the risks to which the Bank is exposed;
  - ensure compliance with banking regulations in the risk area, in liaison with other relevant group functions.
- and with its organisational principles:
  - a single integrated Risk entity, which is responsible for risk aspects across all businesses;
  - independent from business-line management;
  - organised with local and global reporting lines (matrix principle).

The BNP Paribas Fortis Risk department was integrated into BNP Paribas Risk function in November 2009. The Chief Risk Officer (CRO) of BNP Paribas Fortis is a Member of the Executive Board and also has a reporting line to the BNP Paribas Head of Risk Domestic Markets. The CRO has no hierarchical link to the heads of businesses or of countries. This structure is designed to:

- ensure objective risk control;
- ensure that swift, objective and complete information is provided in the event of increased risk;
- maintain a single set of high-quality risk management standards throughout the Bank;
- ensure that the Bank's risk professionals implement and further develop methods and procedures of the highest quality in line with its international competitors' best practices.

The CRO heads the various Risk functions:

- Risk Enterprise Risk Architecture is responsible for the regulatory affairs, risk analytics and modelling, risk strategic analysis, reporting and provisioning, risk ALM – treasury and liquidity;
- Risk CIB is tasked to provide full transparency and a dynamic analysis of market & counterparty risks to all BNP Paribas Fortis businesses and is responsible for the management of credit risks on Financial Institutions, on Sovereigns and on Corporates belonging to BNP Paribas Fortis CIB;
- Risk Belgian Retail Banking is responsible for the management of credit risks arising from all Business Lines within the perimeter of BNP Paribas Fortis (Retail & Private Banking Belgium, Corporate Banking excl.CIB);
- Risk Function COO is responsible for operational permanent control (ensuring second-line control of the Risk function and of business continuity), the Risk Operating Office (coordinating the non-core support functions), communication and the RISK Strategy Team that is in charge of shaping the change projects in the RISK function and of the liaison with Agile Impulse;
- Tribe Risk & Credits is a new entity created as of July 2020 in the overall Agile Impulse context. It is responsible for products, processes, IT assets and data related to credit and risk management;
- RISK IRC (RISK Independent Review & Control) is responsible for model risk management and the independent review of models in the area of 1) credit risk, 2) market- and counterparty risk, 3) insurance risk and 4) operational risk;
- Risk ORC (Operational Risk & Control) BNP Paribas Fortis Belgium provides reasonable assurance of the existence and the efficient functioning of an operational permanent control framework within BNP Paribas Fortis in Belgium that meets the supervisory requirements of BNP Paribas Fortis as well as those of BNP Paribas Group;
- Risk DPO (Data Protection Officer) is responsible for monitoring compliancy with regulatory requirements in the context of personal data privacy and protection.

Outside Belgium, alongside the existing local and global reporting lines, the CROs of companies that remain within the BNP Paribas Fortis perimeter report to the CRO of BNP Paribas Fortis in order to ensure compliance with internal and external rules.

The key principle of the Bank's overall risk governance (covering all risk types including credit, market, counterparty, liquidity risk, operational risk, etc.) is the double-walled defence (as stated in the BNP Paribas Fortis Risk Policy that is reviewed by the Executive Board and the Audit, Risk & Compliance Committee).

The primary responsibility for risk lies with the businesses (first line of defence), which are responsible for the approval, monitoring and management of the risks arising from their activities.

The Risk function provides a 'second pair of eyes', helping to ensure that the risks taken by the Bank are compliant and compatible with its policies; it represents the second line of defence in accordance with the mission stated above, contributing strongly to joint decision making with the businesses and increasing the emphasis on risk monitoring and controls.

1.b BNP Paribas Fortis Risk committees

- Risk Committee (RC): in accordance with article 27 of the Belgian Banking Law, BNP Paribas Fortis is required to set up a separate risk committee to assist the board of directors with risk related matters. Prior to the entering into force of the Belgian Banking Law, the risk committee was part of the ARCC. The risk committee shall, upon request of the board of directors, assist (and make recommendations to) the board of directors in all risk related matters. In addition, several special competences of the risk committee are set forth in article 29 of the Belgian Banking Law and are listed herewith: (i) risk tolerance, (ii) price setting and (iii) remuneration policy.
- Central Credit Committee: the highest Credit Committee of BNP Paribas Fortis, which acts in line with the authority of the delegations held by its members (CEO and Heads of Business Lines, together with the CRO and other senior Risk representatives); it ensures that customer-level credit decisions are taken within the desired credit risk profile, the formulated credit policies and the Bank's legal lending limits.
- Capital Markets Risk Committee: defines and enforces the Risk strategy, policies, methods and thresholds for capital markets, including investment portfolios, at activity and transaction levels.
- Risk Policy Committee: defines the risk profile at portfolio level, approves policies, reviews exposures and examines risks in the light of market conditions, business strategy and profitability, and enforces risk decisions.
- Bank Asset and Liability Committee: manages the liquidity position of the Bank and the interest rate risk and foreign exchange risk in the Banking Book.
- Internal Control Committee (ICC): focuses on the management of the operational permanent control framework and the management of operational risks and risks of non-compliance. The ICC allows operational entities and control functions signalling and debating about the most significant operational risks, and risks of non-compliance, and weaknesses in the permanent control framework.
- Provision Committee makes final decisions on consolidated provisions and impairments.
- Exceptional Transactions Committee: validates and approves exceptional transactions.
- New Activity Committee: validates and approves new activities and products, including any significant changes in current activities.

2 RISK MEASUREMENT AND CATEGORIES

2.a Risk measurement

Risk measurement is a crucial step in the risk management process.

To assess and measure risks, BNP Paribas Fortis uses several qualitative and/or quantitative methodologies. These range from regular reporting on matters such as concentration and quantitative and qualitative portfolio overviews to more sophisticated quantitative risk models for estimating internal risk parameters. The latter include probability of default, loss given default, exposure at default and expected loss (for credit risk) and Value at Risk (for market risk).

The development and review of these models, and their validation, are subject to Bank-wide standards in order to ensure adequacy and consistency.

The monitoring of the observed risk parameters, stress tests and model-based expectations are then compared to a framework of limits and risk guidelines.

Ultimately, all these risk measurements, together with stress tests, are then consolidated in Risk dashboards, which provide a general overview for senior management. These summary documents are intended to provide a basis for well-founded decisions and are subject to on-going improvements.

2.b Risk taxonomy

The risk categories reported below evolve in line with methodological developments at BNP Paribas and regulatory requirements.

Credit and counterparty risk

Credit risk is the risk of incurring a loss on financial assets (existing or potential due to commitments given) resulting from a change in the credit quality of the Bank's debtors, which may ultimately result in default. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio.

Counterparty risk is the credit risk embedded in payments or transactions between counterparties. Those transactions typically include bilateral contracts such as over-the-counter (OTC) derivative contracts, which expose the Bank to the risk of counterparty default. The amount of this risk may vary over time in line with changing market parameters, which in turn impacts the replacement value of the relevant transactions or portfolio.

Market risk

Market risk is the risk of incurring a loss of value (or a loss of interest income in the case of interest rate risk due to banking intermediation activities) due to adverse changes in market prices or parameters (rates), whether quoted in the market or not.

Quoted market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-quoted parameters are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk relating to banking activities encompasses the risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand.

Operational risk

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the 'cause-event-effect' chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to: floods, fire, earthquakes and terrorist attacks.

Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses fraud, human resources risks, legal risks, non-compliance risks, tax risks, information system risks, conduct risks (risks related to the provision of inappropriate financial services), risks relating to failures in operating processes, including loan procedures or model risks, as well as any potential financial implications resulting from the management of reputational risk.

Compliance and reputational risk

Compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the significant financial loss that a Bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities, including instructions given by an executive body, particularly in the application of guidelines issued by a supervisory body.

By definition, compliance risk is a sub-category of operational risk. However, as certain implications of compliance risk involve more than a purely financial loss and may actually damage the institution's reputation, the Bank treats compliance risk separately.

Reputational risk is the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, regulators and any other stakeholder whose trust is an essential condition for the corporation to carry out its day-to-day operations.

Reputational risk is primarily contingent on all the other risks borne by the Bank.

Asset-liability management risk

Asset-liability management risk is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. Asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil its obligations at an acceptable price in a given place and currency.

3 CAPITAL ADEQUACY

Framework

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

The Belgian Banking Act of 25 April 2014 on the status and the supervision of credit institutions aligns the Belgian legislation in accordance with the EU regulatory framework. The Capital Requirements Directive (CRD IV) is the legal framework for the supervision of credit institutions in all Member States of the European Union and is the basis of the Single Supervisory Mechanism (SSM), composed of the European Central Bank (ECB) and the national competent authorities, such as the National Bank of Belgium (NBB). The Capital Requirements Regulation (CRR) was published under reference number 575/2013 on June 26th 2013 in the Official Journal of the European Union and is in force as of June 27th 2013, while the supervised entities within its scope are subject to it as of January 1st 2014.

As such BNP Paribas Fortis is supervised, at consolidated and statutory level, by the ECB and the NBB. BNP Paribas Fortis' subsidiaries may also be subject to regulation by various supervisory authorities in the countries where these subsidiaries operate.

Regulators require banks to hold a minimum level of qualifying capital under the 1st Pillar of the Basel III framework.

Since January 1st 2014, BNP Paribas Fortis has been computing its qualifying capital and its risk-weighted assets under the CRR/CRD IV.

The NBB (previously the CBFA, which was the former Belgian supervisor) has granted to BNP Paribas Fortis its approval for using the advanced approaches for calculating the risk-weighted assets under the Basel regulations: Advanced Internal Ratings Based Approach for credit and market risk and Advanced Measurement Approach for operational risk.

Some subsidiaries of BNP Paribas Fortis have not received such approval and therefore use the Standardised Approach for calculating risk-weighted assets.

Breakdown of regulatory capital

Qualifying capital for regulatory purpose is calculated at consolidated level based on IFRS accounting standards, taking into account prudential filters and deductions imposed by the regulator, as described in the CRR/CRD IV and transposed into the Belgian Banking Law published in April 2014.

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

In millions of euros	31 December 2020	
	Basel III	of which transitional arrangements *
Common Equity Tier 1 (CET1) capital : instruments and reserves		
Capital instruments and the related share premium accounts	11,905	-
Retained earnings	11,420	-
Accumulated other comprehensive income (and other reserves)	(1,165)	-
Funds for general banking risk	-	-
Minority interests (amount allowed in consolidated CET 1)	1,488	-
Independently reviewed interim profits net of any foreseeable charge or dividend	891	-
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**24,539**	**-**
Common Equity Tier 1 (CET1) : regulatory adjustments	**(3,035)**	**-**
COMMON EQUITY TIER 1 (CET1) CAPITAL	**21,504**	**-**
Additional Tier 1 (AT1) capital: instruments	**957**	**205**
Additional Tier 1 (AT1) capital: regulatory adjustments	**-**	**-**
ADDITIONAL TIER 1 (AT1) CAPITAL	**957**	**205**
TIER 1 CAPITAL (T1 = CET1 + AT1)	**22,461**	**205**
Tier 2 (T2) capital: instruments and provisions	**2,842**	**60**
Tier 2 (T2) capital: regulatory adjustments	**(243)**	**-**
TIER 2 (T2) CAPITAL	**2,599**	**60**
TOTAL CAPITAL (TC = T1 + T2)	**25,060**	**265**

(*) By virtue of regulation (EU) N° 575/2013

The table below shows the key capital indicators (phase-in):

In millions of euros	31 December 2020	31 December 2019
Common equity Tier 1 Capital (CET1)	21,504	18,145
Tier 1 Capital	22,461	19,100
Total Capital	25,060	21,706
Risk weighted commitments		
Credit risk	110,904	113,365
Securitisation	1,259	1,121
Counterparty Risk	2,274	2,152
Equity Risk	7,993	6,677
Market risk	1,443	1,722
Operational risk	11,633	12,393
TOTAL RISK WEIGHTED COMMITMENTS	**135,506**	**137,430**
CET 1 ratio	15.9%	13.2%
Tier 1 ratio	16.6%	13.9%
Total capital ratio	18.5%	15.8%

The table below shows the leverage ratio (phase-in):

In millions of euros	31 December 2020	31 December 2019
On-Balance Exposure (Excl. repo & derivatives)	**266,791**	**277,310**
Repo's and derivatives	**15,596**	**35,641**
Repurchase agreements and securities lending/borrowing	11,015	32,152
Replacement cost of derivatives transactions	5,004	4,073
Add-on for potential future risk derivatives	3,174	3,618
Cash variation margins	(3,597)	(4,202)
Off-Balance Exposure (adjusted for conversion to credit equivalent. art.429 CRR)	**25,371**	**29,475**
TOTAL EXPOSURE	**307,758**	**342,426**
Regulatory adjustments	**(3,035)**	**(3,595)**
Tier 1 capital	**22,461**	**19,100**
Leverage Ratio	**7.37%**	**5.64%**

4 CREDIT AND COUNTERPARTY CREDIT RISK

4.a Credit risk

Exposure to Credit Risk

The following table shows all BNP Paribas Fortis' financial assets, including fixed-income securities, which are exposed to credit risk. Credit risk exposure does not include collateral and other security taken by the Bank in its lending business or purchases of credit protection.

Exposure to credit risk* by Basel asset class

In millions of euros	31 December 2020			31 December 2019		
	IRBA	Standardised Approach	Total	IRBA	Standardised Approach	Total
Central governments and central banks	64,878	7,796	72,674	19,175	6,532	25,707
Corporates	112,753	24,073	136,826	107,883	25,374	133,257
Institutions **	15,798	7,278	23,076	20,383	14,386	34,769
Retail	89,019	31,687	120,706	87,588	33,004	120,592
Securitisation positions	4,498	888	5,386	5,739	-	5,739
Other non-credit-obligation assets ***	469	18,708	19,177	444	17,111	17,555
Total exposure	**287,415**	**90,430**	**377,845**	**241,212**	**96,407**	**337,619**

(*) Exposure to credit risk excludes DTA's risk weighted at 250% and default fund contributions to CCPs

(**) Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities

(***) Other non-credit-obligation assets include tangible assets, accrued income and residual values

The table above shows the entire prudential scope based on the asset classes defined in accordance with Article VI.2 of the CBFA Regulation of 17 October 2006 on capital requirements for credit institutions and investment firms.

Diversification of exposure to credit risk

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to BNP Paribas Fortis' credit risk strategy of maintaining granular, liquid and diversified portfolios.

In order to identify potential linkages between exposures to single counterparties, BNP Paribas Fortis applies the concept of 'Total Group Authorisation'. This implies that groups of connected counterparties are deemed to be a 'Business Group' for the management of credit risk exposure.

To manage the diversity of credit risk, BNP Paribas Fortis' credit risk management policy seeks to spread credit risk across different sectors and countries. The table below shows the industry concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2020.

Breakdown of credit risk* by Basel III Asset Class and by corporate industry at 31 December 2020

In millions of euros	31 December 2020		31 December 2019	
	Exposure	%	Exposure	%
Agriculture, Food, Tobacco	13,920	4%	9,864	3%
Financial services	75,060	20%	39,390	12%
Chemicals excluding Pharmaceuticals	2,842	1%	2,838	1%
Construction	11,165	3%	10,600	3%
Retailers	7,170	2%	7,940	2%
Equipment excluding IT	6,944	2%	6,210	2%
Real estate	26,261	7%	24,118	7%
Metals & Mining	5,381	1%	5,177	2%
Wholesale & Trading	12,067	3%	14,359	4%
Business services	38,703	10%	29,905	9%
Transportation & Logistics	9,290	3%	9,603	3%
Utilities (electricity, gas, water, etc.)	10,622	3%	9,998	3%
Retail	98,688	27%	99,692	30%
Sovereign & public sector	23,106	6%	22,665	7%
Other	31,241	8%	39,521	12%
TOTAL	**372,460**	**100%**	**331,880**	**100%**

(*) Credit risk exposure excludes DTA's risk weighted at 250%, default fund contributions to CCPs and securitisation positions

Geographical breakdown of credit risk* at 31 December 2020 by counterparty's country of location

Country concentration risk is the sum of all exposures to obligors in the country concerned. The table below shows the geographical concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2020.

In millions of euros	31 December 2020					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**66,978**	**120,653**	**20,011**	**130,867**	**338,509**	**91%**
Belgium	50,280	63,366	8,439	87,595	209,680	56%
Netherlands	355	7,035	1,216	2,628	11,234	3%
Luxembourg	10,597	11,708	375	9,169	31,849	9%
France	1,396	6,362	7,436	9,223	24,417	7%
Other European countries	4,350	32,182	2,545	22,252	61,329	16%
North America	**154**	**3,366**	**536**	**93**	**4,149**	**1%**
Asia & Pacific	**148**	**883**	**365**	**84**	**1,480**	**0%**
Rest of the World	**5,394**	**11,924**	**2,165**	**8,839**	**28,322**	**8%**
TOTAL	**72,674**	**136,826**	**23,077**	**139,883**	**372,460**	**100%**

In millions of euros	31 December 2019					
	Basel III					
	Central governments and central banks	Corporates	Institutions	Retail	Total	%
Europe	**21,227**	**116,261**	**31,540**	**126,985**	**296,013**	**90%**
Belgium	12,417	60,653	8,914	86,256	168,240	51%
Netherlands	557	5,016	1,210	2,365	9,148	3%
Luxembourg	2,515	11,569	380	8,759	23,223	7%
France	1,368	6,700	18,219	8,842	35,129	11%
Other European countries	4,370	32,323	2,817	20,763	60,273	18%
North America	**135**	**3,323**	**433**	**56**	**3,947**	**1%**
Asia & Pacific	**177**	**968**	**391**	**96**	**1,632**	**0%**
Rest of the World	**4,169**	**12,705**	**2,406**	**11,011**	**30,291**	**9%**
TOTAL	**25,708**	**133,257**	**34,770**	**138,148**	**331,883**	**100%**

(*) Credit risk exposure excludes DTA's risk weighted at 250%, default fund contributions to CCPs and securitisation positions

General credit policy

BNP Paribas Fortis' lending activities are governed by the Global Credit Policy, which applies to all BNP Paribas Group entities. It is approved by the BNP Paribas Group Risk Committee, chaired by the Chief Executive Officer and endorsed by the BNP Paribas Fortis Executive Board, chaired by the Chief Executive Officer. The policy is underpinned by core principles relating to compliance with the Group's ethical standards, clear definition of responsibilities (Business and Risk), and the existence and implementation of procedures and requirements for a thorough analysis of risks. It is cascaded in the form of specific policies tailored to each type of business or counterparty. The framework for the governance of credit risks within the Bank is further detailed in a specific, transversal approach which is built upon key credit routing principles, rules governing the granting of delegations of authority and the role of the Central Credit Committee, which is the highest-level credit committee at the Bank. It also reiterates and reinforces the key principle that the Risk function is independent from the Businesses.

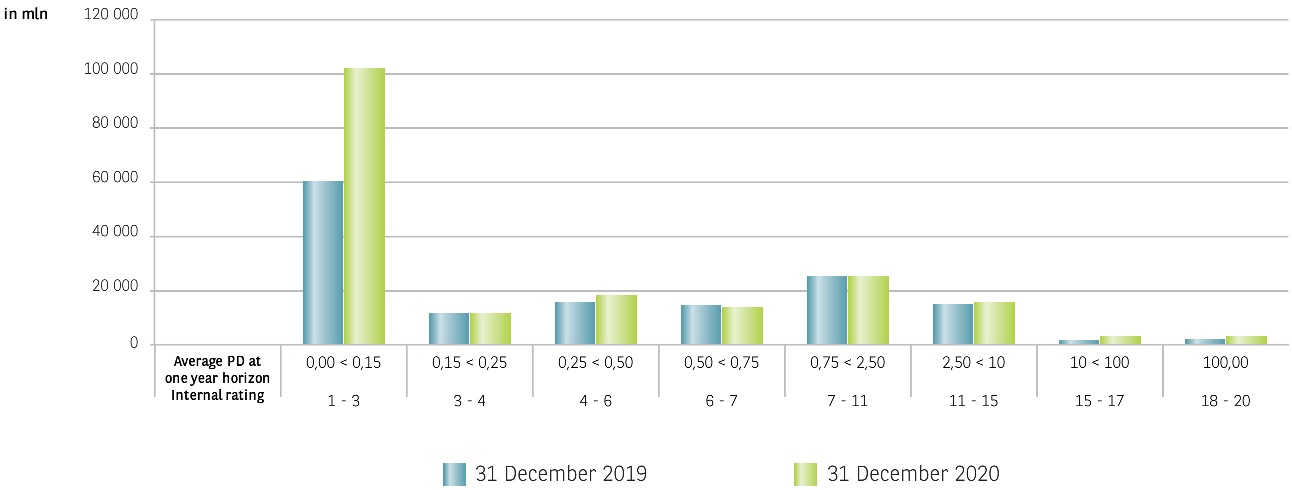
Internal rating system

The Bank has a comprehensive internal rating system for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented. For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating; loss given default, which depends on the structure of the transaction; and the credit conversion factor (CCF), which estimates the portion of off-balance sheet exposure at risk.

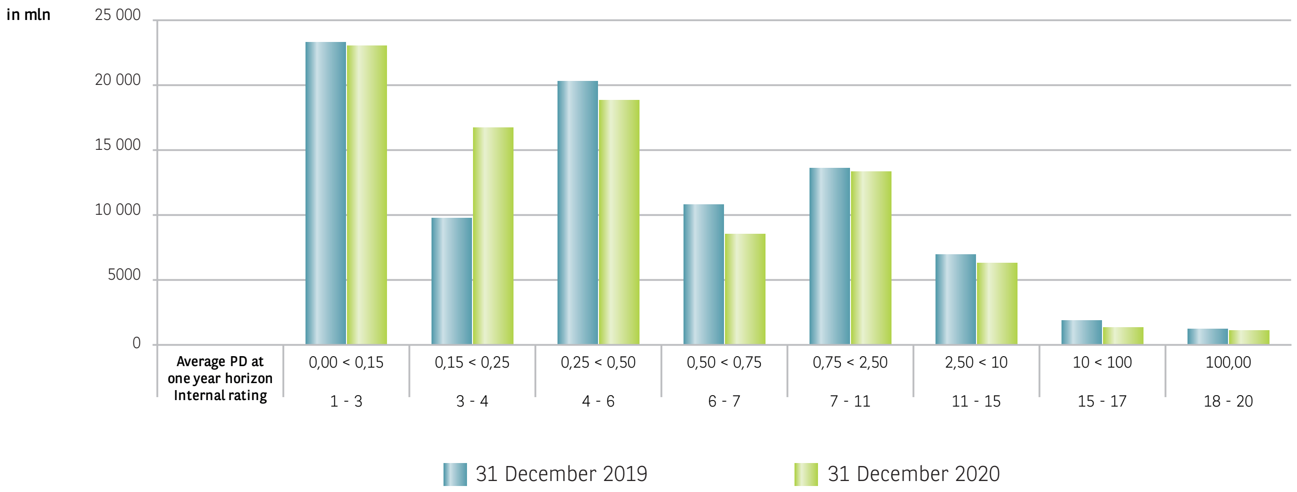
Each of the credit risk parameters is back-tested annually to check the system's performance for each of the Bank's business segments. Back-testing consists of comparing estimated and actual results for each parameter.

There are twenty counterparty ratings. Seventeen cover performing clients with credit assessments ranging from 'excellent' to 'very concerning', and three relate to clients classified as in default, as per the definition published by the banking supervisor.

Breakdown of IRBA exposure by internal rating – Sovereign, Financial Institutions and Corporate



Breakdown of IRBA exposure by internal rating – retail activities



4.b Counterparty credit risk

Counterparty credit risk (CCR) is the translation of the credit risk embedded in the financial transactions, investments and/or settlement between counterparties. The transactions encompass bilateral contracts - i.e. over-the-counter (OTC) – and cleared contracts through a clearing house. The amount at risk changes over the contract's lifetime together with the risk factors that impact the potential future value of the transactions.

Counterparty credit risk lies in the fact that a counterparty may default on its obligations to pay the Bank the full present value of a transaction or portfolio for which the Bank is a net receiver. Counterparty credit risk is linked to the replacement cost of a derivative or portfolio in the event of the counterparty default. Hence, it can be seen as a market risk in case of default or a contingent risk.

5 MARKET RISK

Market risk is the risk of incurring a loss of value due to adverse moves in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

In the bond portfolios, the credit instruments are valued on the basis of the interest rates and the credit spreads, which are considered as market parameters like interest rates and foreign exchange risk. The risk on the issuer of the instruments is also a market risk, called issuer risk.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or securities may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk related to banking activities encompasses the risk of loss on equity holdings as well as the interest rate and foreign exchange risks stemming from banking intermediation activities.

Market risk is split into two parts:

- market risk linked to trading activities and corresponding to trading instruments and derivative contracts;
- market risk linked to banking activities covering the interest rate and foreign exchange risks originating from the bank's intermediation activities.

5.a Capital requirement for market risk

Market Risk Capital Requirement

In millions of euros	RWAs			Capital requirements		
	31 December 2020	31 December 2019	Variation	31 December 2020	31 December 2019	Variation
Internal model	**1,074**	**1,413**	**(339)**	**86**	**113**	**(27)**
VAR	373	298	75	30	24	6
Stressed VAR	568	999	(431)	45	80	(35)
Incremental Risk Charge (IRC)	133	116	17	11	9	2
Comprehensive Risk Measure (CRM)	-	-	-	-	-	-
Standardised approach	**369**	**309**	**60**	**30**	**25**	**5**
Trading book securitisation positions	**-**	**-**	**-**	**-**	**-**	**-**
MARKET RISK	1,443	1,722	(279)	116	138	(22)

The market risk calculated using the standardised approach covers the market risk of some entities of the Bank that are not covered by internal models. The standardised approach is used to calculate foreign exchange risk for the banking book (See section 5.C Market risk related to banking activities).

5.b Market risk related to trading activities

Market risk arises from trading activities carried out by the Corporate and Institutional Banking business and encompasses different risk factors:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates;
- Equity risk arises from changes in the market prices and volatility of equity shares and/or equity indices;
- Commodity risk arises from changes in the market prices and volatility of commodities and/or commodity indices;
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer;
- Option products carry by nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

The trading activities of BNP Paribas Fortis are justified by the economic relations with the direct customers of the business lines, or indirectly as market-maker.

Within Risk, three departments are responsible for monitoring market risk:

- Risk Global Markets (Risk GM) covers the market risk activities of Global Markets;
- Risk Enterprise Risk Architecture (Risk ERA - ALMT) covers the ALM Treasury activities;
- Risk International Retail Banking (Risk IRB) covers international retail market activities.

This mission consists of defining, measuring and analysing risk factors and sensitivities, as well as measuring and controlling Value at Risk (VaR), the global indicator of potential losses. Risk ensures that all business activities comply with the limits approved by the various committees and approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters in association with the Valuation and Risk Control Department.

5.c Market risk relating to banking activities

Market risk relating to banking activities encompasses the risk of loss on equity positions on the one hand, and the interest rate and currency risks stemming from banking intermediation activities and investments on the other.

5.c.1 Equity risk

Equity interests held by the Bank outside the Trading Book refers to securities which convey a residual, subordinated claim on the assets or income of the issuer or have a similar economic substance.

5.c.2 Currency risk

Currency risk relates to all transactions whether part of the Trading Book or not.

Except for BNP Paribas Fortis Belgium's currency exposure, which is calculated using the BNP Paribas Fortis internal model approved by the banking supervisor, exposure to currency risk is determined under the Standardised approach, using the option provided by the banking regulator to limit the scope to operational currency risk.

5.c.3 Interest rate risk

5.c.3.1 Organisation of Interest rate risk management

The Board of Directors assigns responsibility to the Chief Executive Officer for management of interest rate risk in the banking book; the Chief Executive Officer delegates the management responsibility to the Bank Asset and Liability Management Committee (ALCo).

The permanent members of the Bank ALCo are the Chief Executive Officer (Chairperson), the Executive Board members heading up core businesses, the Chief Risk Officer, the Chief Financial Officer (alternate Chairperson), the Head of ALM Treasury, the Head of BNP Paribas ALM Treasury Domestic Markets Steering and the Head of the Bank ALM Treasury Steering; other ALCo members belong to ALM Treasury, Risk or Finance. The Bank ALCo which meets on a monthly basis is responsible for defining the interest rate risk profile of the Bank's Banking Book and for defining and tracking interest rate risk monitoring indicators and assigning limits.

ALM Treasury is in charge of the operational implementation of decisions related to the management of the interest rate risk of the Banking Book.

The Risk function participates in the ALCo and oversees the implementation by ALM Treasury of the relevant decisions made by this committee. It also provides second-line control by reviewing the models & risk indicators, monitoring the level of risk indicators and ensuring compliance with the limits assigned.

The Banking Book includes all interest bearing assets and liabilities of all the Business Lines of BNP Paribas Fortis (including the ALM Treasury own investment and hedging transactions) with the exception of authorised trading activities (being client hedging and market making).

Transactions initiated by each BNP Paribas Fortis Business Line are systematically transferred to ALM Treasury by internal analytical contracts booked in the management accounts or by loans and borrowings.

The Bank's strategy for managing interest rate risk is mainly based on closely monitoring the sensitivity of the Bank's interest earnings to changes in interest rates, factoring in all interest rate risks (repricing or gap risk, basis risk and optional risk); the objective is to ensure the stability and regularity of the total net interest margin. This management process requires an accurate assessment of the risks incurred so that the Bank can determine and implement the most optimal hedging strategies.

Interest rate risk is mitigated using a range of different instruments, the most important of which are derivatives - primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile, which is mainly due to long-term fixed-rate assets and liabilities. Options are used to reduce non-linear risk, which is mainly caused by embedded options sold to clients, e.g. prepayment options on mortgages, floors on deposits.

5.c.3.2 Management and Hedging of Interest rate Risk

The hedging strategies for interest rate risk in the Banking Book are defined and implemented by currency.

The hedges can comprise swaps and options and are typically accounted for as fair value or cash flow hedges. They may also take the form of HQLA (High Quality Liquid Asset) securities which are accounted for in 'Hold to Collect and Sell'.

6 SOVEREIGN RISKS

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

Exposure to sovereign debt mainly consists of bonds.

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

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

Banking Book In millions of euros	**31 December 2020**	**31 December 2019**
Eurozone		
Belgium	7,762	7,149
Italy	934	1,173
Spain	771	727
France	383	392
The Netherlands	341	546
Austria	182	209
Luxembourg	218	212
Finland	67	57
Portugal	56	51
Total eurozone	**10,714**	**10,516**
Other countries in European Economic Area (EEA)		
Czech Republic	52	52
Others	1	1
Total other EEA	**53**	**53**
Other countries		
Turkey	2,325	1,559
Others	26	13
Total other countries	**2,351**	**1,572**
Total	**13,118**	**12,141**

7 OPERATIONAL RISK

Risk management framework

Regulatory framework

In line with the BNP Paribas Group framework, BNP Paribas Fortis has implemented an all-embracing, single, operational Risk Management framework for the entire Bank, which complies with the Basel III criteria laid down in the Advanced Measurement Approach ('AMA'). This approach supports the organisation by offering better management of risk through heightened operational risk awareness. It ensures effective measurement and monitoring of the operational risk profile.

Key players and governance

An appropriate risk management structure has been created around a model with three levels of defence, which places the primary responsibility for operational risk management and mitigation with the Businesses. The role of second line of defence is assumed by the integrated independent control functions, Compliance, Legal and Risk. Their role is to ensure that the operational Risk Management framework is properly embedded, that the operational risks that are identified, assessed, measured and managed reflect the true risk profile and that the resulting levels of own funds are adequate. The third line of defence is provided by the General Inspection (internal audit) department, which provides assurance that risk structures and policies are being properly implemented.

The main governance bodies for the areas of Operational Risk & Internal Control are the Internal Control Committees (ICCs).

The Internal Control Committee (ICC) aims at

- providing a clear and comprehensive consolidated view to the management with respect to the entity's situation in terms of operational risk and risk of non-compliance;
- raising alerts and escalating when necessary on weaknesses in the framework to the executive management;
- materializing the involvement of the executive management in these topics – among others by constituting a forum for analysis and decision.

The ICC gathers the key stakeholders from the three lines of defence to discuss and agree on the main topics pertaining to operational risks, including operational and organizational aspects.

8 COMPLIANCE AND REPUTATIONAL RISK

Compliance mission

The overall mission of the Compliance department is to provide reasonable assurance of the consistency and effectiveness of the compliance of BNP Paribas Fortis' activities and to safeguard the Bank's reputation through binding advices, oversight and independent controls.

The Compliance department's role, as a second line of defence, is to supervise the effective management of compliance risk. This involves policy-setting, providing advice, performing controls, providing assurance that the Bank is complying with rules and regulations and raising the awareness of colleagues of the need to follow key compliance principles:

- financial security: customer due diligence, anti-money laundering, combating the financing of terrorism, financial sanctions/embargoes and disclosure to financial intelligence units; fiscal deontology, anti-bribery and anti-corruption;
- customer protection: compliance of the Bank's organisation and processes with the customer protection regulatory obligations regarding invest, lending, insurance and daily banking services;
- employee integrity: covers codes of conduct, gifts policy, conflicts of interest and a personal transactions policy;
- market integrity: market abuse, banking laws, conflicts of interest.

The Compliance department sets policies and gives binding advice in these areas. The advice from Compliance may be escalated to a higher level until consensus is found, so as to ensure appropriate issue resolution.

Compliance organisational setup

The Compliance function is organised as an independent, integrated and decentralized function.

Compliance has direct, independent access to the Board's Risk Committee, Audit Committee and Remediation Monitoring Committee and is a permanent invitee to these Committees. The Chief Compliance Officer is a member of the Bank's Executive Committee.

Basic principles

The management of compliance risks is based on the following fundamental principles:

- individual responsibility: compliance is everyone's responsibility, not solely the responsibility of the Compliance department;
- exhaustive and comprehensive approach: the scope of compliance extends to all banking activities. In this respect, the Compliance department has unrestricted access to all required information;
- independence: compliance staff exercise their mission in a context which guarantees their independence of thought and action;
- Primacy of Group policies over local policies as far as is consistent with national law.

9 LIQUIDITY RISK

Liquidity risk is the risk of the Bank being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term.

This risk may stem from the reduction in funding sources, draw down of funding commitments, a reduction in the liquidity of certain assets, or an increase in cash or collateral margin calls. It may be related to the bank itself (reputation risk) or to external factors (risks in some markets).

The Bank's liquidity risk is managed under a global liquidity policy approved by the Board of Directors. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Bank's liquidity position is assessed on the basis of internal standards and regulatory ratios.

Objectives of the liquidity risk management policy

The objectives of the Bank's liquidity risk management policy are to secure a balanced financing structure for the development of the BNP Paribas Fortis business activities, and to ensure it is sufficiently robust to cope with crisis situations.

The liquidity risk management framework relies on:

- management indicators:
  - by volume, to ensure that businesses or activities comply with their liquidity targets set in line with the Bank's financing capacity;
  - by price, based on internal liquidity pricing;
- the definition of monitoring indicators which enable assessment of the Bank's liquidity position under normal conditions and in crisis situations, the efficiency of actions undertaken and compliance with regulatory ratios;
- the implementation of liquidity risk management strategies based on diversification of funding sources with maturities in line with needs, and the constitution of liquidity reserves.

The Bank's liquidity policy defines the management principles that apply across all BNP Paribas Fortis entities and businesses and across all time horizons.

Governance

As for all risks, the Chief Executive Officer is granted authority by the Board of Directors to manage the Bank's liquidity risk. The Chief Executive Officer delegates this responsibility to the Asset & Liability Committee (ALCo).

The Risk Committee reports quarterly to the Board of Directors on liquidity policy principles and the Bank's liquidity position.

The Asset & Liability Committee is responsible for:

- defining the Bank's liquidity risk profile;
- monitoring compliance with regulatory liquidity ratios;
- deciding and monitoring management indicators and calibrating the quantitative thresholds set for the bank's businesses;
- deciding and monitoring the liquidity risk indicators and associating quantitative thresholds to them where necessary;
- deciding and overseeing implementation of liquidity risk management strategies, including monitoring of business lines, in normal and stressed conditions.

In particular, the Asset & Liability Committee is informed about funding programmes and programmes to build up liquidity reserves, simulations in crisis conditions (stress test), and about all events that may arise in crisis situations. The Liquidity Crisis Committee, a subset of the Asset & liability Committee, is tasked with defining the management approach in periods of crisis (emergency plan).

The Asset & Liability Committee meets every month.

Across the Bank, ALM Treasury is responsible for the operational implementation of the Asset & Liability Committee liquidity management decisions. The Asset & Liability Committees in entities or groups of entities are responsible for local implementation of the strategy decided by the Bank's Asset & Liability Committee to manage the bank's liquidity risk.

ALM Treasury is responsible for managing liquidity for the entire Bank across all maturities. In particular, it is responsible for funding and short-term issuance (certificates of deposit, commercial paper, etc.), for senior and subordinated debt issuance (MTNs, bonds, medium/long- term deposits, covered bonds, etc.), loan securitisation and retained covered bond programmes for the Bank. ALM Treasury is tasked with providing internal financing to the Bank's core businesses, operational entities and business lines, and investing their surplus cash. It is also responsible for building up and managing liquidity reserves, which comprise assets that can be easily sold in the event of a liquidity squeeze.

The Risk function participates in the Asset & Liability Committee and the local ALCo's and oversees implementation by ALM Treasury of the relevant decisions made by these committees. It provides second-line control by reviewing the models and risk indicators (including liquidity stress tests), monitoring risk indicators and ensuring compliance with the limits assigned.

The Finance function is responsible for producing the standardised regulatory liquidity indicators, as well as the internal monitoring indicators. Finance oversees the consistency of the internal monitoring indicators defined by the bank's ALM Committee. The Finance function takes part in the Asset & Liability Committee and the local ALCo's.

REPORT OF THE ACCREDITED STATUTORY AUDITOR

Statutory auditor's report to the general shareholders' meeting of BNP Paribas Fortis sa/nv on the consolidated accounts for the year ended 31 december 2020

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of BNP Paribas Fortis SA/NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 23 April 2020, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the Company's consolidated accounts for 22 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the profit and loss account for the year ended 31 December 2020, the statement of net income and change in assets and liabilities recognised directly in equity for the year ended 31 December 2020, the balance sheet at 31 December 2020, the cash flow statement for the year ended 31 December 2020, the statement of changes in shareholders' equity between 1 January 2019 and 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 335.135 '000.000' and a consolidated profit for the year of EUR 2.294 '000.000'.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

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Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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 accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowances for loans and advances

Description of the Key Audit Matter:

BNP Paribas Fortis SA/NV's consolidated accounts show loans and advances for an amount of EUR 197.273 '000.000' at year-end 2020. IFRS 9 imposes an expected loss model of provisioning and requires credit exposures to be classified according to three stages. Impairment allowances are posted on all loans and receivables to address an expected loss event that has an impact on the estimated future cash flows of these loans and receivables.

For defaulted loans, the identification and determination of the recoverable amount are part of an estimation process which includes, among others, assessing the existence of a default event and of the financial position of the counterparty, estimating the expected future cash flows and assessing the value of collateral received.

The determination of the impairment allowances involves judgment in determining assumptions, methodology, modelling techniques and parameters.

Due to the substantial amount of loans and advances recognized in the balance sheet, of the cost of risk recognized in the income statement (EUR 676 '000.000'), the significant impact of the judgments applied on the carrying amount of loans and advances and the increased uncertainty inherent to the COVID-19 pandemic, auditing the process described above is considered a Key Audit Matter.

We refer to Notes 4.e and 2.g to the consolidated accounts. In addition, the Board of Directors has described the process for managing credit risks and for reviewing impairment losses in more detail in its directors' report on the consolidated accounts and in the credit risk section in the risk management and capital adequacy disclosures.

How our audit addressed the Key Audit Matter:

Based on our risk assessment, we have examined the impairment losses and challenged the methodology applied as well as the assumptions made by management as described in the preceding paragraph:

- We have evaluated the governance process of assessing the stage of credit risk (as defined by IFRS 9) and downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment models for determining the loan losses. We determined that the internal process was complied with;
- We have tested the design, implementation and operating effectiveness of the key controls over the models and manual processes for identification of impairment events or significant changes in credit risk, collateral valuation, estimates of recovery on default and determination of the impairment. We have not identified significant weaknesses on their adequacy and operating effectively;
- Together with our experts, and on a cycle basis, we have audited the underlying models including the model approval and validation process. We have challenged, on a cyclical basis, the methodologies applied by using our industry knowledge and experience, focusing on potential changes since the implementation of IFRS 9 and found those to be in line with our expectations;
- We have performed a risk-based test of loans granted by the Company and major entities consolidated in the Group to ensure timely identification of impairment of loans and to ensure appropriate impairment charge;
- Finally, we assessed the completeness and accuracy of the disclosures and determined whether the disclosures are in compliance with the requirements of the IFRS as adopted by the European Union.

Valuation of goodwill, of goodwill embedded in investments consolidated by applying the equity-method and of options to minority shareholders of consolidated entities

Description of the Key Audit Matter:

The Company's 31 December 2020 consolidated accounts show a 'Goodwill' caption amounting to EUR 722 '000.000', and an 'Equity-method investments' caption of EUR 3.747 '000.000'. The consolidated accounts moreover contain the fair value of written put options to minority shareholders of consolidated entities, under caption 'Minority interests', for an amount of EUR 189 '000.000'. These intangible and financial assets and the embedded goodwill included in the equity-method consolidated investments have arisen as a result of the acquisitions of some of BNP Paribas Fortis SA/NV's (direct and indirect) subsidiaries in previous accounting periods. The IFRS prescribe that goodwill is subject to an annual impairment assessment, and that written options be valued at the intrinsic value of the financial instrument.

We identified these intangible and financial assets and the embedded goodwill included in the equity-method consolidated investments as a Key Audit Matter due to the significance of the balance and because the impairment assessment requires significant judgment of management with regards to the valuation methodology applied and the underlying assumptions used, mainly those relating to the ability to generate future free cash flows, and to the discount factor applied to these cash flows, taking into account the appropriate risk factors. The significance of these judgements to the consolidated accounts has increased due to the uncertainty inherent to the COVID-19 pandemic.

We refer to the consolidated accounts, including the Note 4.m 'Goodwill', the Note 4.k 'Equity-method investments' and the Note 7.c 'Minority Interests'.

How our audit addressed the Key Audit Matter:

We focused our audit effort on (i) the valuation models used by the Company for the valuation of the underlying business, (ii) the appropriateness of the discount rates and terminal growth rates used in the models and (iii) the future cash flow forecasts:

- Together with our valuation experts, we have assessed the 'Dividend Discount' model used by management and discussed the underlying hypotheses to the use of this model with management. We found the model used to be appropriate, in the circumstances;
- We evaluated and challenged management's future cash flow forecasts, and the process by which they were drawn up, i.e. the development and approval of the financial plan and management's annual comparison of previous forecasts to actual performance. We found that management had followed their process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge;
- We compared the current year's results with the figures included in the prior years' forecasts to assess the organisation's ability to accurately forecast future cash flows;
- We also challenged management's assumptions in their forecasts of the long-term growth rates -by comparing those to publicly available economic and industry forecasts- and the discount rates -by comparing the cost of capital for the Company with comparable organizations, as well as by considering territory specific factors. We found the assumptions to be consistent and in line with our expectations;

- We discussed with management the impact of those (regulatory and business) evolutions which have the potential to significantly affect the future cash flows of these entities on which goodwill had been recognized, and found that these had been considered in drawing up the future cash flows;
- We challenged management on the adequacy of their sensitivity calculations. We determined that the sensitivity assumptions were based on reasonable indicators;
- Finally, we assessed the completeness and accuracy of the disclosures and assessed the compliance of the disclosures with the requirements of the IFRS as adopted by the European Union.

Estimation uncertainty with respect to the determination of the fair value of financial instruments

Description of the Key Audit Matter:

The current economic conditions and low interest rate environment impact the fair value measurements of financial instruments. In addition, the COVID-19 pandemic brought additional uncertainty and volatility to the financial markets. Valuation techniques and models used for certain financial instruments are inherently subjective and involve various assumptions regarding pricing. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Furthermore, market value adjustments (reserves) are recognized on all positions measured at fair value with fair value changes reported in the income statement or in equity.

The IFRS require the use of fair value for the determination of the carrying amount of many assets and liabilities, and generally require the disclosure of the fair value of those items not valued at fair value.

As the use of different assumptions could produce different estimates of fair value and considering the significance of fair values in the determination of the carrying amount of certain balance sheet captions, of the result and in the disclosure notes, we consider this a Key Audit Matter.

Please refer to Notes 4.d 'Measurement of the fair value of financial instruments' and 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

How our audit addressed the key audit matter:

We obtained an understanding of the internal control framework related to the valuation of financial instruments, including price testing, model validation and value adjustments (value allowances) methodologies. On a cyclical basis, we tested the design and operating effectiveness of those controls we assessed to be key for our audit:

We assessed and challenged the appropriateness of the model validation methodology with the assistance of our valuation experts and we performed a recalculation of the fair valuation on a sample basis. This includes the assessment of market data, inputs and key assumptions as critical factors used in the fair value models, based on our experience and market practice;

Finally, we assessed the completeness and accuracy of the disclosures relating to the fair values of these financial instruments to determine compliance with the disclosure requirements of the IFRS as adopted by the European Union.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, 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.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, 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 the 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 statutory auditor's report to the related disclosures in the consolidated accounts 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 statutory auditor's report. 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 accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or 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 the audit committee 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 the audit committee 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 the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

- The Statement of the Board of Directors;
- The Risk Management and Capital Adequacy chapter; and
- The other information chapter.

are materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate;
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 29 March 2021

The statutory auditor

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV

Represented by

Damien Walgrave	Jeroen Bockaert
Réviseur d'Entreprises / Bedrijfsrevisor	Réviseur d'Entreprises / Bedrijfsrevisor

BNP PARIBAS FORTIS ANNUAL REPORT 2020 (NON-CONSOLIDATED)

REPORT OF THE BOARD OF DIRECTORS

In conformity with Article 3:32 of the Belgian companies' and associations' Code and to avoid repetition, BNP Paribas Fortis has combined the non-consolidated report and the consolidated report of the Board of Directors. The consolidated report of the Board of Directors can be found at the beginning of this annual report.

Comments on the evolution of the balance sheet

The **total balance sheet** as at 31 December 2020 amounted to EUR 247.0 billion, up by EUR 23.6 billion or 11% compared with 31 December 2019. As at 31 December 2020, the yield on assets was 1%.

Assets

Cash in hand, balances with central banks and giro offices increased by EUR 37.5 billion and stood at EUR 38 billion. This increase is mainly related to the excess cash resulting from treasury activities which is placed at the central bank.

Amounts receivable from credit institutions decreased by EUR 20.0 billion compared to the situation at the end of 2019. The evolution was mainly attributable to a decrease in reverse repurchase agreements and lower interbank loans, mainly with entities of the BNP Paribas Group.

Amounts receivable from customers stood at EUR 125.1 billion as at 31 December 2020, up by EUR 8.7 billion compared to 31 December 2019.

Since 2008, this heading no longer contains the mortgage loans and term loans securitised via 'Special Purpose Vehicles', for respectively EUR 21.6 billion and EUR 9.8 billion at the end of 2020. The securities representing the investment of the Bank in the 'Special Purpose Vehicles' are included under the heading 'Bonds and other fixed-income securities'. During the year 2020, EUR 6 billion of those securities were redeemed, in exchange for mortgage loans. Therefore, the amount of securities decreased by EUR 6 billion, compensated by a similar increase in the mortgage loans caption.

In Belgium, the amount of term loans increased by EUR 2.2 billion, spread over different type of loans such as investment loans to companies and funding given to subsidiaries. In a still low interest rates environment, mortgage loans continued to increase by EUR 0.8 billion thanks to new production (in addition to the increase following the redemption of the securities issued by a 'Special Purpose Vehicle').

The term loans in the foreign branches of BNP Paribas Fortis stayed stable at EUR 0.3 billion and are only related to the activity in the BNP Paribas Fortis' branch in New York.

Bonds and other fixed-income securities stood at EUR 46.9 billion as at 31 December 2020, down by EUR (5.8) billion compared with EUR 52.7 billion as at 31 December 2019.

The amount of EUR 46.9 billion consists mostly of bonds issued by public bodies (EUR 11.5 billion, up by EUR 1.1 billion compared with 2019 mainly following the acquisition of some Belgian government bonds), by 'Special Purpose Vehicles' (EUR 31.3 billion, down by EUR (6) billion) and by other issuers (EUR 4.1 billion, down by EUR (0.9) billion) compared with the situation end of 2019.

Financial fixed assets amounted to EUR 9.4 billion as at 31 December 2020, in line with the situation at the end of 2019.

Deferred charges and accrued income stood at EUR 13.6 billion as at 31 December 2020, up by EUR 3.3 billion compared with EUR 10.3 billion as at 31 December 2019 mainly following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the decrease of the interest rate curve, which impacted in a symmetrical way both the fair value of the trading derivative financial instruments on the asset and liability side.

Liabilities and Equity

Amounts owed to credit institutions totalled EUR 47.4 billion as at 31 December 2020, up by EUR 14.2 billion compared with 31 December 2019. The evolution was mainly attributable to the participation in the TLTRO III ('Targeted Longer-Term Refinancing Operations') of the ECB.

Amounts payable to clients stood at EUR 150.0 billion as at 31 December 2020, up by EUR 7.6 billion or 5% compared with EUR 142.5 billion as at 31 December 2019.

In Belgium, current accounts and regulated saving accounts increased respectively by EUR 8.7 billion and by EUR 3.2 billion. Term deposits decreased by EUR (1.5) billion. Repurchase agreements decreased by EUR (0.9) billion.

Debts evidenced by certificates amounted to EUR 11.5 billion as at 31 December 2020, representing a decrease by EUR (1.0) billion, mainly due to the arrival at maturity of some issued debt (which were not renewed).

Accrued charges and deferred income stood at EUR 10.1 billion, up by EUR 2.2 billion compared with 31 December 2019, following the evolution of the interest rate derivatives. The fair value of those instruments was impacted by the decrease of the interest rate curve, which impacted in a symmetrical way both the fair value of the trading derivative financial instruments on the asset and liability side.

Subordinated liabilities amounted to EUR 4.0 billion as at 31 December 2020, stable compared to the situation at the end of 2019.

Shareholders' equity stood at EUR 19.2 billion as at 31 December 2020, up by EUR 0.8 billion compared with 31 December 2019. The evolution was mainly impacted by the inclusion of the profit of the year 2020 (EUR 1.3 billion), counterbalanced partially by the proposal of distribution of a dividend for an amount of EUR (0.5) billion.

Comments on the evolution of the income statement

BNP Paribas Fortis realised a **net profit of the year** of EUR 1,251 million, compared to EUR 1,368 million in 2019.

The **interest margin** (Headings I and II) amounted to EUR 2,707 million in 2020, up by EUR 83 million compared to 2019, essentially in Belgium.

In Belgium, the net interest income increased despite the persistently low interest rate environment. There was a positive evolution on the interest expenses on treasury borrowings. Less interest income on customer loans due to lower margins was partially compensated by an increase in volume (mainly in term loans and mortgage loans). There was also less interest income on fixed-income securities, mainly due to the sales and redemptions of securities with higher yields.

Income from variable-yield securities (Heading III) amounted to EUR 364 million in 2020, down by EUR (233) million compared to 2019, mainly due to a decrease in dividends received from enterprises linked by participating interests.

Commissions (Headings IV and V) amounted to EUR 910 million in 2020, up by EUR 11 million compared to 2019. In Belgium, there was an important increase of the net commissions, namely the financial fees.

Profit on financial operations (Heading VI) amounted to EUR 119 million, down by EUR (115) million compared to previous year.

The disposal of investment securities, mainly government bonds, generated a profit of EUR 12 million in 2020, a decrease compared to EUR 151 million in 2019.

General administrative expenses (Heading VII) came to EUR (2,161) million, a decrease of EUR 120 million compared to 2019.

Remuneration, social charges and pensions decreased by EUR 75 million mainly in Belgium due to lower FTEs in line with the transformation of BNP Paribas Fortis organisational model.

Other administrative expenses decreased by EUR 44 million compared to previous year. The evolution was mainly due to lower IT costs and temporary staff.

Depreciation and amounts written off on formation expenses, intangible and tangible fixed assets (Heading VIII) amounted to EUR (91) million compared to EUR (100) million in 2019.

Amounts written off on the amounts receivable and the investment portfolio (Headings IX and X) totalled EUR (185) million, compared to EUR (85) million in 2019, i.e. an increase of EUR (100) million due to some specific files.

Provisions for risks and charges (Headings XI and XII) showed a net dotation of EUR (1) million in 2020 against a net dotation of EUR (66) million in 2019. The decrease was mainly related to lower provisions linked to early retirement plans in 2020.

Other operating income (Heading XIV) amounted to EUR 134 million in 2020, down by EUR (11) million compared to previous year.

Other operating charges (Heading XV) amounted to EUR (372) million in 2020, down by EUR 20 million compared to 2019. The decrease was generated by less costs coming from other entities of the group and less professional fees.

Extraordinary income (Heading XVII) came to EUR 30 million in 2020, down by EUR (195) million compared to 2019. The evolution was mainly driven by the gains of last year due to a reversal of impairment on a specific financial fixed asset.

Extraordinary charges (Heading XVIII) came to EUR (108) million in 2020, an increase by EUR (229) million compared to 2019. In 2019, an impairment on BNP Paribas Fortis Yatrimlar Holding AS was taken, while in 2020, the impairment testing led to additional impairments on a number of financial fixed assets

Income taxes (Heading XX) amounted to EUR (94) million in 2020, a decrease by EUR 3 million compared to 2019.

PROPOSED APPROPRIATION OF THE RESULT FOR THE ACCOUNTING PERIOD

Profit for the year for appropriation	EUR	1,251.5	million
Profit brought forward from the previous year	EUR	4,851.5	million
Profit to be appropriated	EUR	6,103.0	million
Profit to be carried forward	EUR	5,613.0	million
Ordinary dividend	EUR	474.8	million
Other allocations*	EUR	15.2	million

* *This amount represents the profit bonus of 2.35% which is calculated on the individual annual remuneration of the employees of BNP Paribas Fortis NV/SA in accordance with the Law of May 22th 2001 (Law concerning the employees participation in the capital of companies and on the set up of a profit bonus for the employees)*

In accordance with the aforementioned appropriation of the result for the financial year 2020, the Board of Directors of BNP Paribas Fortis SA/NV will request the approval of the General Meeting of Shareholders to distribute an ordinary gross dividend of EUR 0.84 per share, or EUR 474.8 million.

INFORMATION REGARDING RELATED PARTY TRANSACTIONS

Board of Directors' Procedure

Background

Article 7:97 of the Code on companies and associations imposes a specific procedure for listed companies in the context of transactions between related parties. Even if this provision does not apply to BNP Paribas Fortis, its Board of Directors, upon advice of the GNC and in line with its internal governance principles, adopted on 15 December 2011 a 'Board of Directors' Procedure for Related Party Transactions' (the 'Procedure') that is inspired on, but not identical to the actual article 7:97 of the Code on companies and associations (former article 524 of the Companies Code).

In the course of 2020, no transaction required the application of this 'Procedure'.

BNP PARIBAS FORTIS FINANCIAL STATEMENTS 2020 (NON-CONSOLIDATED)

BALANCE SHEET AFTER APPROPRIATION

In thousands of euros			Codes	Current period	Previous period
ASSETS					
I.	**Cash in hand, balances with central banks and giro offices**	**10100**	**10100**	**37,986,738**	**483,098**
II.	**Government securities eligible for refinancing with the central bank**	**10200**	**10200**	**-**	**-**
III.	**Amounts receivable from credit institutions**	**10300**	**10300**	**11,324,238**	**31,340,262**
	A. At sight	*10310*	*10310*	*3,289,830*	*3,713,414*
	B. Other amounts receivable (at fixed term or period of notice)	*10320*	*10320*	*8,034,408*	*27,626,848*
IV.	**Amounts receivable from customers**	**10400**	**10400**	**125,073,252**	**116,347,848**
V.	**Bonds and other fixed-income securities**	**10500**	**10500**	**46,916,188**	**52,682,803**
	A. Issued by public bodies	*10510*	*10510*	*11,541,479*	*10,452,927*
	B. Issued by other borrowers	*10520*	*10520*	*35,374,709*	*42,229,876*
VI.	**Shares and other variable-yield securities**	**10600**	**10600**	**69,425**	**95,020**
VII.	**Financial fixed assets**	**10700**	**10700**	**9,361,357**	**9,386,868**
	A. Participating interests in affiliated enterprises	*10710*	*10710*	*5,774,038*	*5,796,520*
	B. Participating interests in other enterprises linked by participating interests	*10720*	*10720*	*2,535,568*	*2,548,085*
	C. Other shares held as financial fixed assets	*10730*	*10730*	*414,356*	*445,056*
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	*10740*	*10740*	*637,395*	*597,207*
VIII.	**Formation expenses and intangible fixed assets**	**10800**	**10800**	**75,696**	**104,937**
IX.	**Tangible fixed assets**	**10900**	**10900**	**1,032,700**	**1,002,426**
X.	**Own shares**	**11000**	**11000**	**-**	**-**
XI.	**Other assets**	**11100**	**11100**	**1,600,252**	**1,720,571**
XII.	**Deferred charges and accrued income**	**11200**	**11200**	**13,599,518**	**10,264,237**
TOTAL ASSETS		19900	19900	247,039,364	223,428,072

In thousands of euros	Codes	Current period	Previous period
LIABILITIES			
BORROWINGS	201/208	227,883,474	205,033,708
I. Amounts owed to credit institutions	20100	47,376,574	33,195,484
A. At sight	*20110*	*880,084*	*1,554,461*
B. Amounts owed as a result of the rediscounting of trade bills	*20120*	*-*	*-*
C. Other debts with agreed maturity dates or periods of notice	*20130*	*46,496,490*	*31,641,023*
II. Amounts payable to clients	20200	150,011,896	142,457,940
A. Savings deposits	*20210*	*66,675,801*	*63,521,596*
B. Other debts	*20220*	*83,336,095*	*78,936,344*
1. At sight	*20221*	*73,609,072*	*66,484,751*
2. At fixed term or period of notice	*20222*	*9,727,023*	*12,451,593*
3. As a result of the rediscounting of trade bills	*20223*	*-*	*-*
III. Debts evidenced by certificates	20300	11,468,470	12,511,733
A. Debt securities and other fixed-income securities in circulation	*20310*	*7,718,149*	*7,556,461*
B. Other	*20320*	*3,750,321*	*4,955,272*
IV. Other amounts payable	20400	3,721,443	3,633,601
V. Accrued charges and deferred income	20500	10,118,991	7,954,631
VI. Provisions and deferred taxes	20600	297,471	374,522
A. Provisions for risks and charges	*20610*	*297,471*	*374,522*
1. Pensions and similar obligations	*20611*	*-*	
2. Fiscal charges	*20612*	*14,514*	*15,544*
3. Other risks and charges	*20613*	*282,957*	*358,978*
B. Deferred taxes	*20620*	*-*	*-*
VII. Fund for general banking risks	20700	871,681	871,681
VIII. Subordinated liabilities	20800	4,016,948	4,034,116
SHAREHOLDERS' EQUITY	209/213	19,155,890	18,394,364
IX. CAPITAL	20900	10,964,768	10,964,768
A. Subscribed capital	*20910*	*10,964,768*	*10,964,768*
B. Uncalled capital (-)	*20920*	*-*	*-*
X. Share premium account	21000	940,582	940,582
XI. Revaluation surpluses	21100	-	-
XII. Reserves	21200	1,637,546	1,637,546
A. Statutory reserve	*21210*	*1,096,477*	*1,096,477*
B. Reserves not available for distribution	*21220*	*36,988*	*36,988*
1. In respect of own shares held	*21221*	*-*	*-*
2. Other	*21222*	*36,988*	*36,988*
C. Untaxed reserves	*21230*	*150,790*	*150,790*
D. Reserves available for distribution	*21240*	*353,291*	*353,291*
XIII. Profits (losses) brought forward (+)/(-)	21300	5,612,994	4,851,468
TOTAL LIABILITIES	29900	247,039,364	223,428,072

INCOME STATEMENT (presentation in vertical form)

In thousands of euros			Codes	Current period	Previous period
I.	Interest receivable and similar income		40100	3,368,316	3,365,938
	A. Of which: from fixed-income securities		*40110*	*428,950*	*497,003*
II.	Interest payable and similar charges		40200	661,577	741,803
III.	Income from variable-yield securities		40300	363,805	596,635
	A. From shares and other variable-yield securities		*40310*	*43,420*	*32,387*
	B. From participating interests in affiliated enterprises		*40320*	*120,096*	*373,560*
	C. From participating interests in other enterprises linked by participating interests		*40330*	*197,796*	*178,313*
	D. From other shares held as financial fixed assets		*40340*	*2,493*	*12,374*
IV.	Commissions receivable		40400	1,386,260	1,346,217
	A. Brokerage and related commissions		*40410*	*460,273*	*454,681*
	B. Management, consultancy and conservation commissions		*40420*	*285,291*	*304,681*
	C. Other commissions received		*40430*	*640,696*	*586,855*
V.	Commissions paid		40500	476,779	447,414
VI.	Profit (loss) on financial transactions	(+)/(-)	40600	118,777	233,609
	A. On trading of securities and other financial instruments		*40610*	*106,904*	*82,426*
	B. On disposal of investment securities		*40620*	*11,873*	*151,183*
VII.	General administrative expenses		40700	2,161,196	2,280,889
	A. Remuneration, social security costs and pensions		*40710*	*1,170,738*	*1,246,159*
	B. Other administrative expenses		*40720*	*990,457*	*1,034,730*
VIII.	Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets.		40800	90,983	99,465
IX.	Decrease in write downs on receivables and in provisions for off-balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a credit risk'.	(+)/(-)	40900	166,955	98,783
X.	Decrease in write-downs on the investment portfolio of bonds, shares and other fixed-income or variable-yield securities.	(+)/(-)	41000	18,120	(13,507)
XI.	Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet captions.	(+)/(-)	41100	(35,146)	(33,141)
XII.	Provisions for risks and charges other than those included in the off-balance sheet captions.		41200	35,947	99,106
XIII.	Transfer from (Appropriation to) the fund for general banking risks.	(+)/(-)	41300	-	-
XIV.	Other operating income		41400	134,289	145,684
XV.	Other operating charges		41500	371,479	391,636
XVI.	Profits (losses) on ordinary activities before taxes.	(+)/(-)	41600	1,423,558	1,575,634

In thousands of euros				Codes	Current period	Previous period
XVII.	**Extraordinary income**			**41700**	**29,618**	**224,215**
	A.	*Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets*		*41710*	*990*	*4,723*
	B.	*Adjustments to write-downs on financial fixed assets*		*41720*	*7,370*	*67,461*
	C.	*Adjustments to provisions for extraordinary risks and charges*		*41730*	*-*	*-*
	D.	*Capital gains on disposal of fixed assets*		*41740*	*19,756*	*151,975*
	E.	*Other extraordinary income*		*41750*	*1,502*	*56*
XVIII.	**Extraordinary charges**			**41800**	**107,745**	**335,059**
	A.	*Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets*		*41810*	*-*	*-*
	B.	*Write-downs on financial fixed assets*		*41820*	*103,149*	*332,388*
	C.	*Provisions for extraordinary risks and charges*	*(+)/(-)*	*41830*	*-*	*-*
	D.	*Capital losses on disposal of fixed assets*		*41840*	*3,849*	*2,671*
	E.	*Other extraordinary charges*		*41850*	*747*	*-*
XIX.	**Profits (Losses) for the period before taxes**		**(+/-)**	**41910**	**1,345,431**	**1,464,790**
XIXbis.	**A.**	**Transfer to deferred taxes**		**41921**	**-**	**-**
	B.	**Transfer from deferred taxes**		**41922**	**-**	**-**
XX.	**Income taxes**		**(+)/(-)**	**42000**	**93,948**	**96,559**
	A.	*Income taxes*		*42010*	*98,400*	*131,273*
	B.	*Adjustment of income taxes and write-back of tax provisions*		*42020*	*4,452*	*34,714*
XXI.	**Profits (Losses) for the period**		**(+)/(-)**	**42100**	**1,251,483**	**1,368,231**
XXII.	**Transfer to (or from) untaxed reserves**		**(+)/(-)**	**42200**	**-**	**-**
XXIII.	**Profit (Losses) for the period available for appropriation**		**(+)/(-)**	**42300**	**1,251,483**	**1,368,231**

XVIII. STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE

In thousands of euros	Codes	Current period	Previous period
A. Capital statement			
1. Shareholders equity			
a. Subscribed capital			
at the end of the previous financial year	20910P	xxxxxxxxxxxxxx	10,964,768
at the end of the financial year	(20910)	10,964,768	

	Codes	Amounts	Number of shares
Changes during the financial year			
b. Structure of the capital			
Categories of shares			
Common		10,964,768	565,194,208
Registered shares	51801	xxxxxxxxxxxxxx	565,021,792
Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	173,416

	Codes	Uncalled capital	Called but unpaid capital
2. Capital not paid up			
a. Uncalled capital	(20920)	-	xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	-
c. Shareholders still owing capital payment			

	Codes	Current period
3. Own shares		
a. Held by the reporting institution itself		
* Amount of capital held	51804	-
* Corresponding number of shares	51805	-
b. Held by its subsidiaries		
* Amount of capital held	51806	-
* Corresponding number of shares	51807	-
4. Share issuance commitments		
a. Following the exercise of conversion rights		
* Amount of convertible loans outstanding	51808	-
* Amount of capital to be subscribed	51809	-
* Maximum corresponding number of shares to be issued	51810	-
b. Following the exercise of subscription rights		
* Number of subscription rights outstanding	51811	-
* Amount of capital to be subscribed	51812	-
* Maximum corresponding number of shares to be issued	51813	-
5. Authorized capital not issued	**51814**	**10,964,768**
6. Shares not representing capital		
a. Repartition		
* Number of parts	51815	-
* Number of votes	51816	-
b. Breakdown by shareholder		
* Number of parts held by the reporting institution itself	51817	-
* Number of parts held by its subsidiaries	51818	-

B. Shareholders structure of the institution at year end according to the notifications received by the institution

- Pursuant to article 7:225 and article 7:83 of the companies and associations Code;

- Pursuant to article 14, paragraph 4, of the law of 2 May 2007 on the disclosure of major shareholdings

or pursuant to article 5 of the Royal Decree of 21 August 2008 on the rules for certain multilateral trading facilities

After verification, BNP Paribas Fortis did not receive any notifications

OTHER INFORMATION

Monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions in 2020

The monthly high and low prices for BNP Paribas Fortis shares at the weekly auctions of Euronext Brussels (Euronext Expert Market) in 2020 were as follows (in EUR):

Month	Low	High
January	27.0	27.0
February	27.0	28.4
March	26.0	30.8
April	27.0	27.0
May	26.0	29.0
June	23.0	24.0
July	20.0	22.0
August	20.0	20.0
September	21.0	22.0
October	20.6	22.4
November	21.4	21.4
December	21.0	21.4

External posts held by directors and effective leaders on the 31st of December 2020 that are subject to a legal disclosure requirement

Pursuant to the Regulation of the National Bank of Belgium of 6 December 2011 on the exercise of external functions by managers of regulated companies ('*Reglement van de Nationale Bank van België van 6 december 2011 met betrekking tot de uitoefening van externe functies door leiders van gereglementeerde ondernemingen' / 'Règlement de la Banque Nationale de Belgique du 6 décembre 2011 concernant l'exercice de fonctions extérieures par les dirigeants d'entreprises réglementées'*) (the 'Regulation'), the Board of Directors of BNP Paribas Fortis has adopted its 'Internal rules governing the exercise of external functions by effective leaders of BNP Paribas Fortis' ('Internal Rules').

This Regulation, as well as the Internal Rules, stipulate a.o. that certain external functions held by the directors and effective leaders must be disclosed in the annual report.

The effective leaders of BNP Paribas Fortis are set forth in a list submitted to the Belgian National Bank, that is kept up to date in accordance with the applicable regulations. This list includes the members of the Executive Board of BNP Paribas Fortis and the heads of its foreign branches.

According to the Regulation and the Internal Rules, the external functions subject to disclosure are the executive or non-executive directorships and the functions involving taking part in the management or running of a company, exercised in a commercial company or in a company with a commercial legal form, in an undertaking with another Belgian or foreign legal form or in a Belgian or foreign public institution with an industrial, commercial or financial activity, apart from those exercised within the BNP Paribas group.

Name, Surname (Post) Company	Business Activity (Post)	Listed
Herman DAEMS **(Chairman of the Board of Directors)**		
Domo Investment Group SA/NV	Holding company (Chairman of the Board of Directors)	-
Unibreda SA/NV	Holding company (Chairman of Board of Directors - independent director)	-
Max JADOT **(Chairman of the Executive Board)**		
Baltisse SA/NV	Investment Company (Non-executive director)	-
Dirk BOOGMANS **(Independent director)**		
Smile Invest SA/NV	Investment Fund (Member of the Investment Committee)	-
Smile Invest Management Company SA/NV	Investment Company (Non-executive director)	-
Newton Biocapital SA/NV	Investment Fund (Non-executive director)	-
Vinçotte International SA/NV	Inspection, control and certification services (Non-executive director and chairman of the Audit Committee)	-
Vinçotte Controlatum SA/NV	Inspection, control and certification services (Non-executive director)	-
Vinçotte Academy SA/NV	Inspection, control and certification services (Non-executive director)	-
Vinçotte SA/NV	Inspection, control and certification services (Non-executive director)	-
Antoinette d'ASPREMONT LYNDEN **(Independent director)**		
Groupe Bruxelles Lambert SA/NV	Holding Company (Non-executive director and chairwoman of the Audit Committee)	Euronext Brussels
Stefaan DECRAENE **(Non-executive director)**		
Ardo Holding SA/NV	Holding Company (Non-executive director)	-

Name, Surname (Post) Company	Business Activity (Post)	Listed
Sophie DUTORDOIR (Independent director)		
Nationale Maatschappij der Belgische Spoorwegen SA/NV	Railway (Chief Executive Officer – executive director)	-
Eurogare SA/NV	Railway (Non-executive director)	-
HR Rail SA/NV	Railway (Non-executive director)	-
Thi Factory SA/NV	Railway (Chairwoman of the Board of Directors)	-
Thalys International SCRL/CVBA	Railway (Chairwoman of the Board of Directors)	-
Aveve SA/NV	Agriculture and horticulture (Non-executive director)	-
Thierry LABORDE (Non-executive director)		
EPI Interim Company SE	Payment solutions (Non-executive director)	-
Titia VAN WAEYENBERGE (Independent director)		
De Eik SA/NV	Investment company (Chairwoman of the Board of Directors, non-executive director, member of the Nomination and Remuneration Committee)	-
Paratodos SA/NV	Agribusiness (Chief Executive Officer - executive director)	-
Indufin Capital partners Sicar	Investment company (Non-executive director)	-
Tattersal Leasing SA	Leasing company (Non-executive director)	-
Indufin Investment fund SA/NV	Investment fund (Chairwoman of the Board of Directors)	-
Stéphane VERMEIRE (Executive director)		
Procomin SA/NV	Gears and propulsions (Chairman of the Board of Directors)	-
Aciers Crustin SA/NV	Metal, steel (Chairman of the Board of Directors)	-
Vermeire Aandrijvingen SA/NV	Gears and propulsions (Chairman of the Board of Directors)	-
Vermeire Transmissions SA/NV	Machines and tools (Chairman of the Board of Directors)	-

BNP PARIBAS FORTIS SA/NV

REGISTERED OFFICE
Montagne du Parc/Warandeberg 3
1000 Brussels (Belgium)

Brussels Business Register
Company Number: 0403.199.702

www.bnpparibasfortis.com

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