ANNUAL REPORT 2020

BGL BNP PARIBAS

The bank for a changing world

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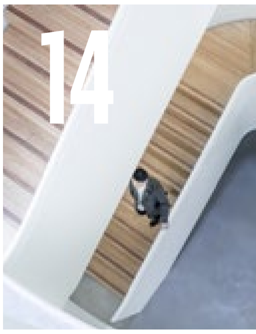
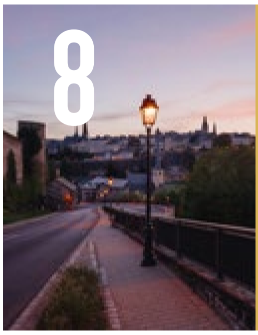
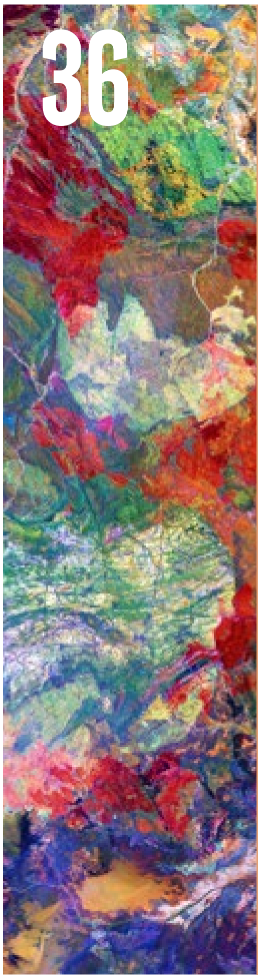
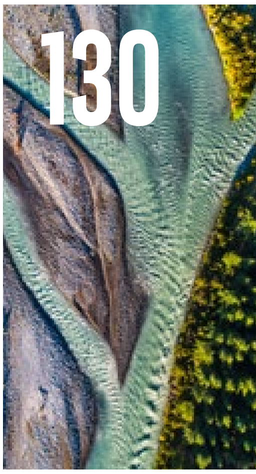
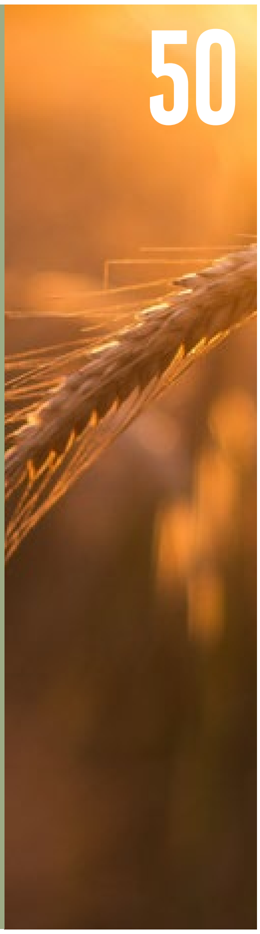
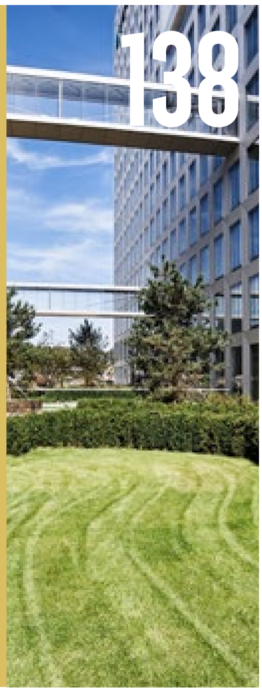


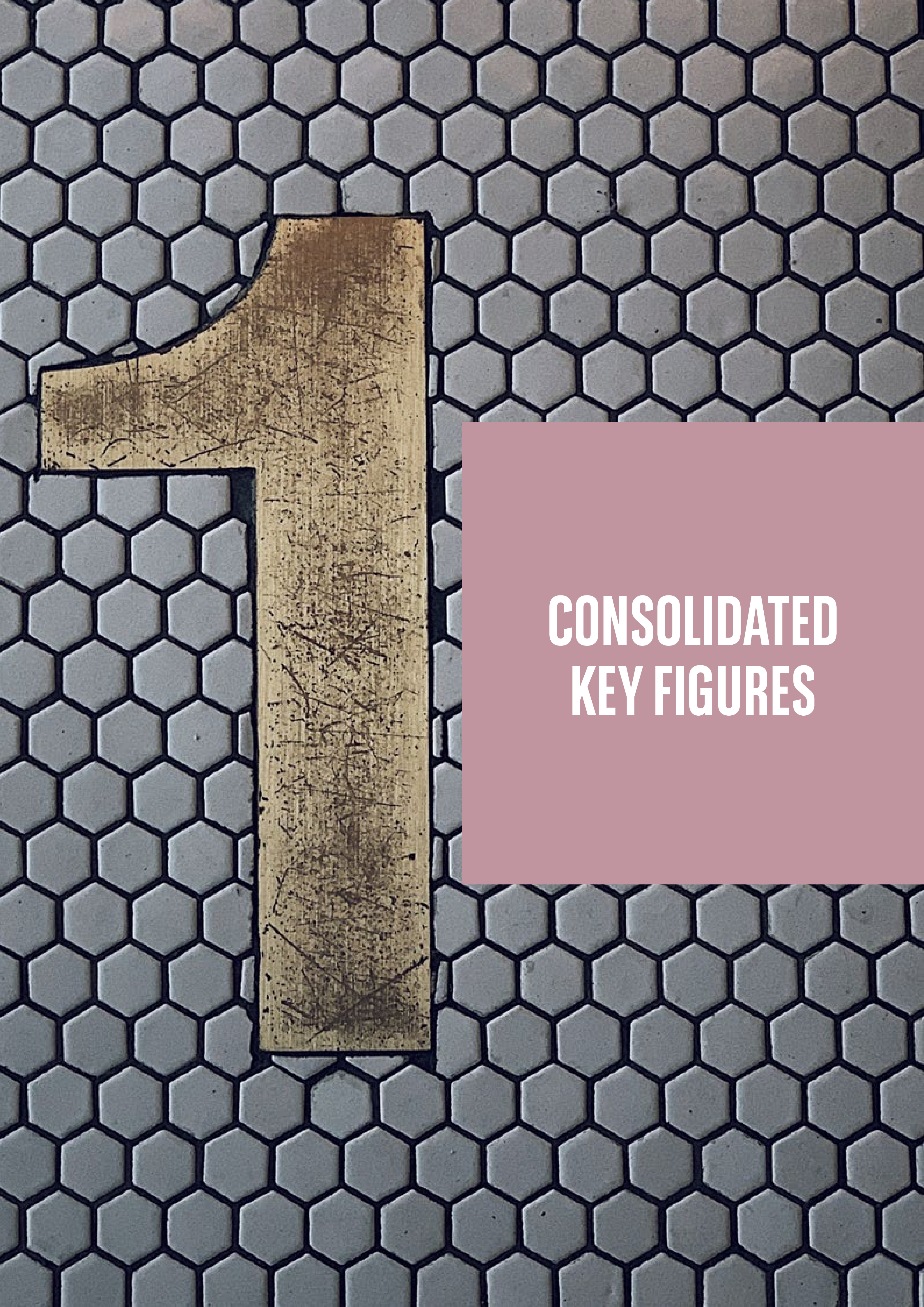













CONSOLIDATED KEY FIGURES

In millions of euro	2020 *IFRS 9*	2019 *IFRS 9*	2018 *IFRS 9*
PROFIT AND LOSS ACCOUNT			
Net banking income	1,595.5	1,515.1	1,447.0
Operating expenses	-784.2	-792.4	-763.9
Cost of risk	-129.7	-101.3	-60.4
Net income (group share)	**398.3**	**345.0**	**338.9**
BALANCE SHEET			
Balance sheet total	56,541.8	56,578.5	54,597.2
Loans and receivables payable by clients	34,506.4	33,963.6	31,707.4
Debts payable to clients	**34,335.1**	33,239.7	31,287.1

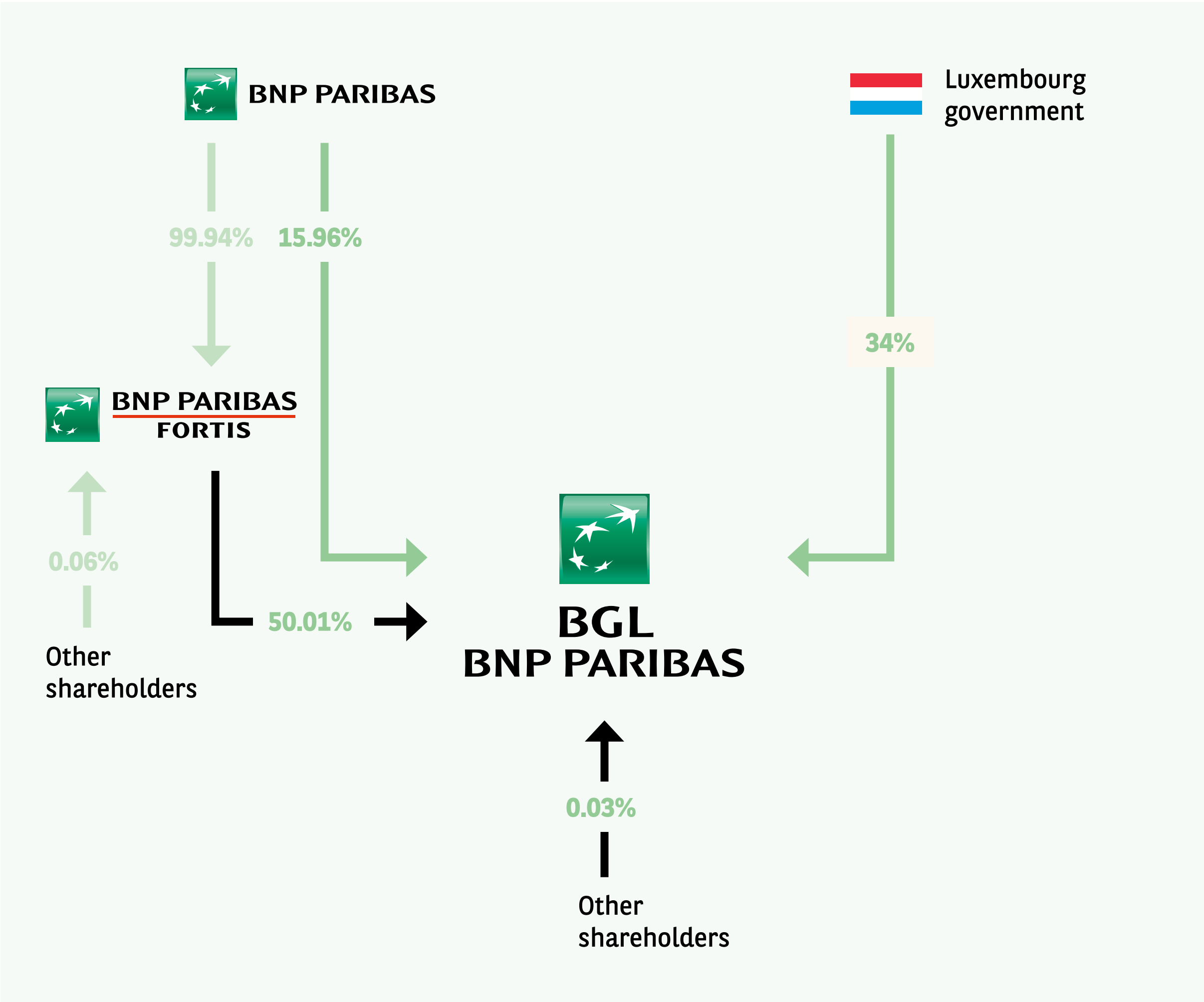
	2020 *IFRS 9* Basel III (phased)	2019 *IFRS 9* Basel III (phased)	2018 *IFRS 9* Basel III (phased)
Regulatory capital	6,312.6	6,020.9	5,909.3
Risk-weighted assets	26,862.0	26,539.5	26,208.0
Basel III solvency ratio	23.5%	22.7%	22.6%

RATINGS (MARCH 2021)	Moody's	Standard & Poor's	Fitch
Short term	P-1	A-1	F1
Long term	A2	A+	A+

BGL BNP PARIBAS AND ITS SHAREHOLDERS

Shareholding structure

As at 31 December 2020



THE BNP PARIBAS GROUP IN LUXEMBOURG

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

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

Business lines

- The **Luxembourg Retail Banking** business line offers its clients – made up of private individuals, professionals and self-employed people – products and services ranging from day-to-day management to financing for acquisition or construction projects, as well as savings, bancassurance and investment products. It offers one of the widest ranges of retail banking products in Luxembourg.

  The commercial network comprises 34 branches supported by 19 teams specialising in mortgages, investment, professional and self-employed clients and non-resident clients.

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

- **Private Banking Luxembourg (BPL)** provides high net worth clients who live in Luxembourg or the Greater Region with general and customised financial and wealth management solutions through its various Private Banking Centres across Luxembourg including the Villa, located on Boulevard Royal in Luxembourg City.

  The three business lines in Luxembourg – Retail Banking, Corporate Banking and Private Banking – work in close collaboration.

- Leasing:

  BNP Paribas Lease Group Luxembourg S.A. is the leading service provider in the local financial leasing market and offers attractive equipment financing solutions to its professional clients.

  Arval offers operational leasing services to individuals and businesses, implementing solutions that simplify and optimise car travel for its clients.

International Financial Services: a global offering for investors

Business lines

BNP Paribas Wealth Management offers tailored asset and financial management solutions, in addition to a suite of high-quality services: investment advice, discretionary management, wealth management and planning, financing and asset diversification expertise.

Asset management

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

Insurance

Cardif Lux Vie provides high-quality insurance solutions and services that contribute to sustainable and responsible growth. In Luxembourg and the Greater Region, Cardif Lux Vie provides bancassurance and brokerage networks with high-added-value life insurance, savings and pension contracts for both private individuals and businesses. For wealthy clients operating in an international context, Cardif Lux Vie offers tailor-made and sustainable solutions in open architecture through a broad network of elite partners.

Real estate services

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

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

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

BNP Paribas Securities Services has a long-standing reputation for its expertise in fund administration, international bond issues, custodian and transfer agent services and the associated financial engineering. BNP Paribas Securities Services also provides clients with unique expertise in market transactions, investor services, risk management and portfolio performance optimisation.

HISTORY OF BGL BNP PARIBAS

1919

Banque Générale du Luxembourg

Founded with the name **Banque Générale du Luxembourg** (BGL).

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

1984

Banque Générale du Luxembourg

Banque Générale du Luxembourg shares are **listed on the stock exchange**.

1998

FORTIS

The **Fortis Group became the bank's main shareholder** (53.2%) following the **launch of a public tender offer for the bank's shares**.

2000

Banque Générale du Luxembourg FORTIS

Banque Générale du Luxembourg and Fortis have strengthened their **strategic partnership**.

2005

Banque Générale du Luxembourg has changed its name and operates under the name of **Fortis Banque Luxembourg**.

2008

BGL

The Luxembourg State holds a 49.9% stake in the bank, which operates under the name of **BGL**.

2009

BNP PARIBAS

The BNP Paribas Group becomes BGL's majority shareholder (65.96%) alongside the Luxembourg government, which remains a significant shareholder (34%).

2009

BGL BNP PARIBAS

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

THE BANK'S GOVERNING BODIES

The Board of Directors


Étienne Reuter, Chair of the Board of Directors

ÉTIENNE REUTER
Chair

THIERRY LABORDE
Deputy Chief Executive Officer BNP Paribas, Paris
Vice-Chair

HRH PRINCE GUILLAUME OF LUXEMBOURG
Luxembourg
Director

JEAN-MARIE AZZOLIN
Staff representative, Luxembourg
Director

GEOFFROY BAZIN
Chair of the Executive Committee, Luxembourg
Director
(until 9 July 2020)

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

BEATRICE BELORGEY
Chair of the Executive Committee, Luxembourg
Director
(from 10 July 2020)

FRANCIS CAPITANI
Staff representative, Luxembourg
Director

JEAN CLAMON
Engineer, Corporate Director, Paris
Director

ANNA DARESTA
Staff representative, Luxembourg
Director

GABRIEL DI LETIZIA
Staff representative, Luxembourg
Director

GUYLAINE DYÈVRE
Secretary of the Board of Directors of BNP Paribas, Paris
Director
(from 13 February 2020)

JEAN-PAUL FRIEDRICH
Staff representative, Luxembourg
Director

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

JOSIANE KREMER
Staff representative, Luxembourg
Director

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

ERIC MARTIN
Corporate Director, Paris
Director

BAUDOUIN PROT
Corporate Director, Paris
Director

DENISE STEINHÄUSER
Staff representative, Luxembourg
Director

CARLO THELEN
Economist, Luxembourg
Director

TOM THEVES
First Advisor to the Government, Luxembourg
Director

CARLO THILL
Economist, Luxembourg
Director

Bureau of the Board of Directors

ÉTIENNE REUTER
Chair of the Board of Directors
Chair

THIERRY LABORDE
Vice-Chair of the Board of Directors
Member

GEOFFROY BAZIN
Chair of the Executive Committee
Member
(until 9 July 2020)

BEATRICE BELORGEY
Chair of the Executive Committee
Member
(from 10 July 2020)

Risk committee

JEAN CLAMON
Director
Chair

DIDIER BEAUVOIS
Director
Member

ERIC MARTIN
Director
Member

ÉTIENNE REUTER
Chair of the Board of Directors
Member

Audit committee

CARLO THILL
Director
Chair from 1 January 2021

JEAN CLAMON
Director
Member from 1 January 2021
Chair until 31 December 2020

DIDIER BEAUVOIS
Director
Member

CARLO THELEN
Director
Member

TOM THEVES
Director
Member

Nomination committee

ÉRIC MARTIN
Director
Chair

THIERRY LABORDE
Vice-Chair of the Board of Directors
Member

ÉTIENNE REUTER
Chair of the Board of Directors
Member

Remuneration committee

CARLO THELEN
Director
Chair from 1 January 2021
Member until 31 December 2020

THIERRY LABORDE
Vice-Chair of the Board of Directors
Member from 1 January 2021
Chair until 31 December 2020

ÉTIENNE REUTER
Chair of the Board of Directors
Member

DENISE STEINHÄUSER
Director
Member

Executive Committee

BEATRICE BELORGEY
Chair *(from 10 July 2020)*

GEOFFROY BAZIN
Chair *(until 9 July 2020)*

FABRICE CUCCHI
Chief Transformation Officer
Member

FRANCOIS DACQUIN
Wealth Management
Member

LOUIS DE LOOZ-CORSWAREM
Human Resources
Member

ANNE-SOPHIE DUFRESNE
Head of
Corporate and Institutional Banking
Member

LUC HENRARD
Chief Risk Officer
Member *(until 31 July 2020)*

LAURENT JANSEN
Chief Financial Officer
Member *(from 1 October 2020)*

MARC LENERT
Chief Operating Officer
Member *(until 31 July 2020)*

BENEDICTE MONNERON
Chief Operating Officer
Member *(from 1 August 2020)*

YVES NOSBUSCH
Communication, Corporate Social Responsibility
and Strategy
Member
(from 1 October 2020)

THIERRY SCHUMAN[1)]
Clients and Strategic Partners Luxembourg
Member

MINE VOLLE
Chief Risk Officer
Member *(from 1 August 2020)*

VALERIE VOUAUX-JACQUEMART
Chief Compliance Officer
Member *(from 1 October 2020)*

Corporate secretariat

DELPHINE DU RETAIL
Corporate Secretary

External auditor

DELOITTE AUDIT SÀRL

Internal auditor

OLIVIER THIRY

Management of subsidiaries

LUXEMBOURG

BNP PARIBAS LEASING SOLUTIONS S.A.
CHARLOTTE DENNERY
Chief Executive Officer

BNP PARIBAS LEASE GROUP LUXEMBOURG S.A.
VINCENT HAINAUT
General Manager

GLOBAL GENERAL PARTNER S.A.
PAOLO GIANFERRARA
General Manager

[1)] Thierry Schuman is not part of the "authorised management" within the meaning of CSSF Circular 12/552

THE EXECUTIVE

1. BEATRICE BELORGEY
2. FABRICE CUCCHI
3. FRANCOIS DACQUIN
4. LOUIS DE LOOZ-CORSWAREM
5. ANNE-SOPHIE DUFRESNE
6. LAURENT JANSEN

COMMITTEE

7.

10

9.

8.

11.

7. BENEDICTE MONNERON
8. YVES NOSBUSCH
9. THIERRY SCHUMAN
10. MINE VOLLE
11. VALERIE VOUAUX-JACQUEMART

STATEMENT BY THE BOARD OF DIRECTORS

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

The Board of Directors declares that, to the best of its knowledge, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of BGL BNP Paribas S.A. and of all the companies included in the scope of consolidation as at 31 December 2020, and that the management report gives a true and fair view of the development, results and position of BGL BNP Paribas S.A. and of all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties that they face.

Luxembourg, 9 March 2021

MANAGEMENT REPORT BY THE BOARD OF DIRECTORS

Preamble

2020 was overshadowed by the COVID-19 pandemic. In terms of the economy, this health crisis led to significant contractions in GDP around the world. In the eurozone, the sharpest contraction occurred in the second quarter. This was followed by a sharp rebound in activity in the third quarter, followed by a further slowdown in the fourth quarter with the reintroduction of lockdown measures. Over the year as a whole, GDP declined by around 6.8% in the eurozone and 3.5% in the United States.

On a monetary level, the main central banks made large-scale bond purchases, which led to a substantial increase in their balance sheets. The European Central Bank (ECB) launched the Pandemic Emergency Purchase Programme (PEPP), the total budget for which was increased in December 2020 to EUR 1.85 trillion. The disinflationary shock of the pandemic was indeed significant. In December 2020, inflation in the eurozone was in negative territory for the fifth consecutive month (-0.3% year-on-year), while the underlying component, i.e. adjusted for products with the most volatile prices, remained positive but at a historically low level (+0.2%).

In the United States, the Federal Reserve (Fed) quickly cut its key rate at the beginning of the pandemic. US monetary policy should remain very accommodative for an extended period, especially since the Fed changed its objective to an average inflation rate of 2% following its strategic review. To compensate for price increases that have remained below this target for too long, the Fed has thus committed to accepting a moderate and temporary overshoot of its inflation target in order to achieve average inflation in line with its 2% objective over time.

In Luxembourg, Statec anticipates a decline in GDP of around 1.3% in 2020. Despite this significant contraction in GDP, net growth in employment remains positive, estimated at 2.0% in 2020. However, the unemployment rate rose to 6.4% in December 2020. Inflation was down relative to the previous year, averaging 0.8% versus 1.7% in 2019.

Consolidated management report

Consolidated results

Profit and loss account *In millions of euro*	2020 financial year	2019 financial year	Changes Value	%
Net banking income	**1,595.5**	**1,515.1**	**80.4**	**5%**
Operating expenses	(784.2)	(792.4)	8.2	-1%
Gross operating income	**811.3**	**722.7**	**88.7**	**12%**
Cost of risk	(129.7)	(101.3)	(28.4)	28%
Operating income	**681.6**	**621.4**	**60.2**	**10%**
Share of net income of companies accounted for by the equity method	11.9	14.4	(2.4)	-17%
Net gains on other fixed assets	0.8	0.1	0.7	n/a
Change in value of goodwill	-	0.9	(0.9)	-100%
Pre-tax income	**694.3**	**636.7**	**57.6**	**9%**
Corporate income tax	(142.4)	(147.5)	5.1	-3%
NET INCOME	**551.9**	**489.2**	**62.6**	**13%**
OF WHICH NET INCOME (GROUP SHARE)	**398.3**	**345.0**	**53.2**	**15%**

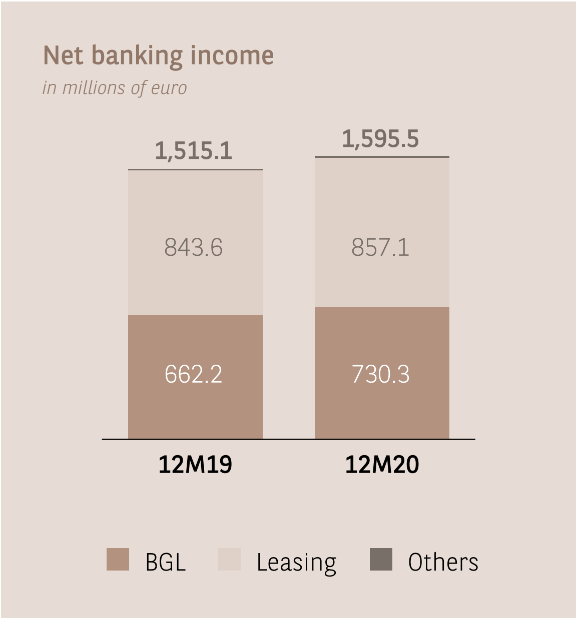
Analysis of the profit and loss account and balance sheet

Net banking income totalled EUR 1.5955 billion in 2020, an increase of EUR 80.4 million or 5% compared with 2019.

Net interest income came to EUR 1.2443 billion, up EUR 67.2 million or 6% relative to 2019.

For banking activities, net interest income rose by EUR 57.6 million or 14%. Restated for hedging positions, on which interest income is recognised under net gains on financial instruments at market value through profit or loss, it increased by EUR 24.4 million or 5%. Net interest income for client-related activities rose by EUR 16.7 million, thanks primarily to growth in average loan volumes of 9%. The increase can also be attributed to a boost of EUR 10.7 million linked to the tiering system introduced by the European Central Bank at the end of 2019.

Leasing International operates achieved an increase in net interest income of EUR 10.2 million or 1% relative to 2019. However, this growth was lowered by EUR 9.6 million as a result of unfavourable exchange rate movements for some entities located outside of the eurozone. The health crisis also slowed down manufacturing and led to a major fall in lease origination from March to May 2020. Nonetheless, the leasing business line bounced back significantly from June 2020. Having lagged behind during the first lockdown, this was partly made up in the second half of 2020. Meanwhile, margins on new business increased.



Net fee income totalled EUR 184.9 million, an increase of EUR 6.1 million or 3% relative to 2019. The bank reported a fall in fee income of EUR 3.9 million or 3%, mainly due to the drop in fees on payment instruments as a result of the impact of the health crisis on economic activity. However, fees on stock market orders rose due to high transaction volumes, particularly in the first half of the year. Finally, retrocession fees related to CIB activities were down due to non-recurring revenues recorded in 2019. Leasing International fees rose by EUR 10.0 million or 35%, of which EUR 3.1 million was connected to expansion in the scope of consolidation.

The net gain on financial instruments at market value through profit or loss fell by EUR 29.6 million to EUR 30.4 million.

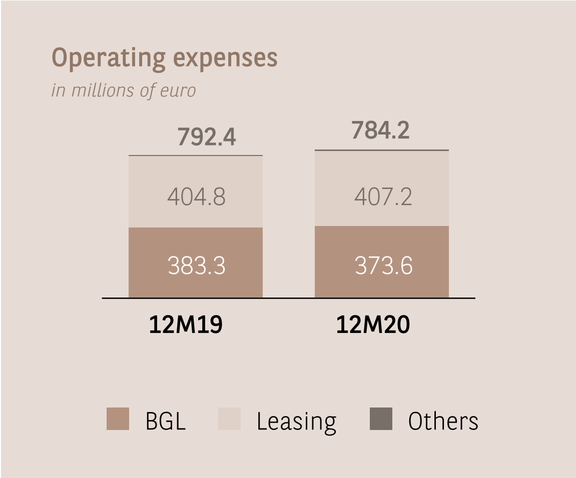
At the level of the bank, the net gain on financial instruments at market value through profit or loss was EUR 28.8 million, down from EUR 33.0 million. Adjusted for hedging items, offset against Net interest income, this item was up EUR 0.2 million or 2%.

As regards Leasing International, the revaluation of the participating interest it holds in SREI INFRASTRUCTURE FINANCE LIMITED in India had a negative impact of EUR 0.5 million compared with EUR 6.7 million the previous year.

The **net gain on financial instruments at market value through equity was** EUR 20.3 million, which represents an increase of EUR 7.2 million or 54% versus 2019. The bank received a dividend of EUR 8.8 million on a non-consolidated participating interest, compared with EUR 4.8 million in 2019. It also realised net capital gains of EUR 7.0 million on the disposal of sovereign and banking securities in 2020, compared with EUR 4.2 million on a sovereign bond the previous year. Leasing International operations added EUR 4.4 million to this line item, up EUR 0.3 million or 7% on the previous year. Leasing International benefited from higher dividend income on its non-consolidated participating interests in 2020.

Income and expenses from other activities mainly consists of net income on investment properties at the bank and in certain Leasing International entities, together with income from the management of IT environments and fleets of industrial rolling stock by specialised entities within Leasing International. This item came to a net amount of EUR 115.6 million, an increase of EUR 29.5 million or 34% relative to 2019. In 2020, the bank realised a capital gain of EUR 40.0 million on the disposal of one of its buildings. At the level of Leasing International, income and expenses from other activities came to a net amount of EUR 47.3 million, down EUR 10.6 million, mainly due to the revaluation of certain real estate contracts, generating a charge of EUR 7.3 million.

Overheads were EUR 784.2 million as at 31 December 2020, down EUR 8.2 million or 1% versus 2019.



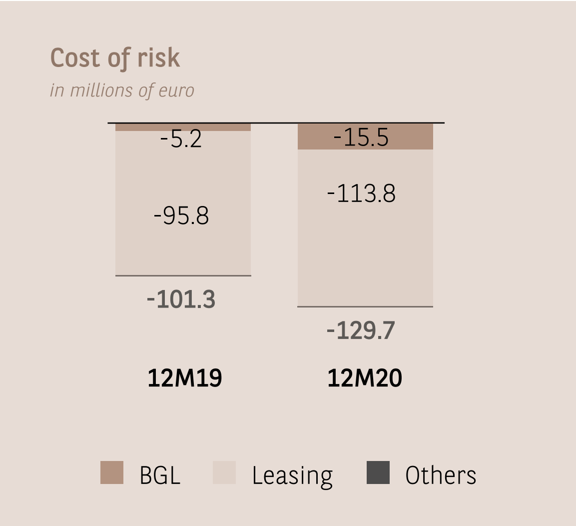
For banking activities, overheads were down EUR 9.6 million or 3%. Staff expenses fell by EUR 16.9 million or 7%, due to the 5% reduction in the average number of employees over the past year. At 31 December 2020, the bank had 2,088 full-time equivalent employees. The bank also set aside a provision of EUR 10.0 million (versus EUR 18.8 million in 2019) for the introduction of a voluntary early retirement plan.

Other overheads rose by EUR 6.3 million or 5%, mainly as a result of the increase in the contribution to the various regulatory funds in the amount of EUR 4.0 million or 29%, as well as the increase in IT and consulting costs relating to strategic projects.

Overheads for Leasing International activities rose by EUR 2.4 million or 1% due to higher amortisation expenses. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 19.9 million, an increase of EUR 2.4 million or 14%. This increase is linked in particular to the start in 2020 of a project to change the Leasing IT system, which will extend over several years. Excluding this impact, the increase in overheads is linked to the Leasing business's investment strategy designed to support the commercial development plan.

EBITDA came to EUR 811.3 million, up EUR 88.7 million or 12% relative to 2019. Adjusted for the capital gain realised on the property sale carried out, EBITDA rose by EUR 48.7 million or 7%.

Cost of risk was EUR 129.7 million, an increase of EUR 28.4 million or 28% relative to 2019.



At the level of the bank, cost of risk was EUR 15.5 million compared with EUR 5.2 million last year. This increase, which is at the level of both specific provisions for doubtful loans (stage 3) and collective provisions, takes into account expected losses on healthy loans (stage 1 and 2) linked to the updating of macroeconomic scenarios due to the effects of the health crisis and the review of the risk model.

Leasing International's cost of risk was EUR 113.8 million, up EUR 17.9 million or 19% on the previous year. This item includes provisions for expected losses on healthy loans (stage 1 and 2) linked to the updating of macroeconomic scenarios due to the effects of the health crisis and a charge to specific provisions for doubtful loans (stage 3), mainly in France.

Share of net income for companies accounted for by the equity method stood at EUR 11.9 million versus EUR 14.4 million in 2019.

The contribution from life insurance in Luxembourg (Cardif Lux Vie SA, in which the bank holds a 33% stake) was EUR 15.6 million, up EUR 0.7 million or 5% compared with 2019.

The contribution from Leasing International was EUR -3.4 million in 2020, down EUR 2.8 million. This decline is partly explained by deterioration in the cost of risk on a run-down entity.

The **income tax charge** fell by EUR 5.1 million or 3% relative to the previous year, totalling EUR 142.4 million.

At the level of the bank, this item rose by EUR 22.3 million, due to the increase in taxable income in 2020, while in 2019 the bank benefited from the lower tax rate in Luxembourg. At the level of Leasing International, the income tax charge decreased by EUR 27.6 million in connection with the adjustment of the tax rate in France and the capitalisation of tax loss carryforwards in 2020.

Overall, after the deduction of net income attributable to minority interests, **Net income (Group share)** for the 2020 financial year was EUR 398.3 million, an increase of EUR 53.2 million or 15% relative to 2019. Adjusted for the capital gain realised on the property sale carried out by the bank in 2020, Net income (Group share) rose by EUR 22.8 million or 7%.

Balance sheet

As at 31 December 2020, the balance sheet total was stable year-on-year at EUR 56.5 billion.

On the **asset** side, **Cash and amounts due from central banks** stood at EUR 8.4 billion versus EUR 0.5 billion as at 31 December 2019. This item consists mainly of short-term deposits with Banque Centrale du Luxembourg. At 31 December 2019, investment was limited to the mandatory reserve, the surplus having been reinvested with the BNP Paribas Group through intra-group transactions.

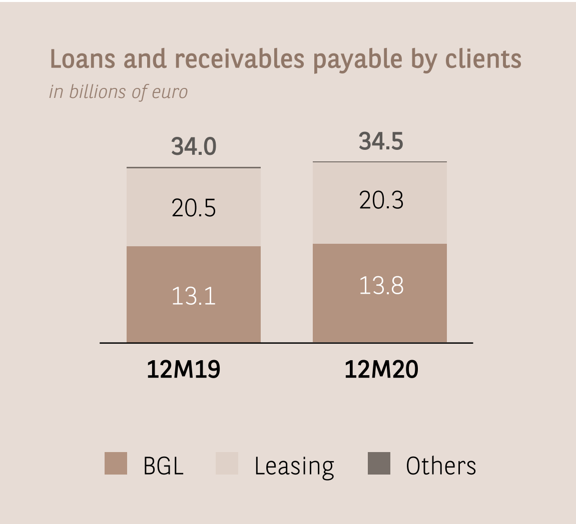
Financial instruments at fair value through profit or loss were EUR 0.6 billion as at 31 December 2020 versus EUR 0.9 billion as at 31 December 2019. This item mainly comprises the bank's securities portfolios, which do not meet the IFRS 9 criteria for classification as instruments at fair value through other comprehensive income or at amortised cost.

Financial assets at market value through equity amounted to EUR 2.4 billion versus EUR 1.8 billion as at 31 December 2019. This item mainly comprises the bond portfolio held by the bank, composed mostly of sovereign and supranational securities and bank bonds.

During 2020, the bank's bond portfolio was consolidated by means of the purchase of sovereign and supranational securities, bank bonds and securities issued by public entities, totalling EUR 979 million within the framework of active management of the bank's balance sheet. The bank also disposed of various securities in addition to the redemption of a government security. The total impact on the item was EUR 347 million.

Loans and receivables at amortised cost were down EUR 8.3 billion relative to 31 December 2019 at EUR 41.4 billion as at 31 December 2020.

- Loans and receivables due from credit institutions amounted to EUR 6.9 billion, down EUR 8.8 billion. This fall is mainly due to EUR 8.0 billion in reverse repurchase agreements entered into by BGL BNPP with the BNP Paribas Group maturing in early 2020. In addition, term investments with Group entities decreased by EUR 0.7 billion.
- Loans and receivables payable by clients rose by EUR 0.5 billion to EUR 34.5 billion. For banking activities, the outstanding amount rose by EUR 0.7 billion or 6% versus 31 December 2019, mainly due to the increase in mortgage outstandings of EUR 0.5 billion or 8% relating to ongoing growth in the real estate market despite the health crisis. For leasing activities, Loans and receivables payable by clients fell by EUR 0.2 billion or 1% to EUR 20.3 billion.

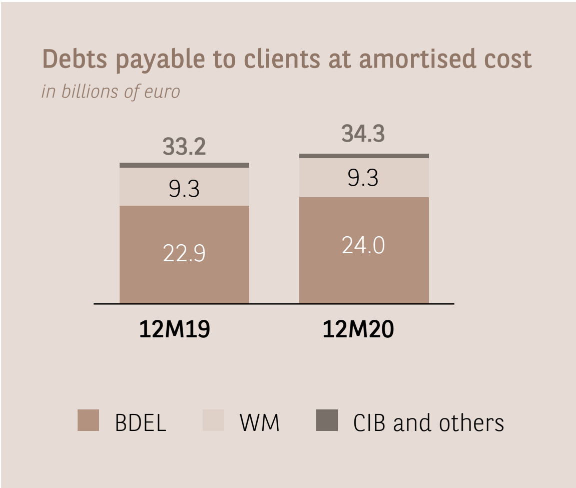


Debt securities at amortised cost were down EUR 33 million or 3% to EUR 1.1 billion as at 31 December 2020. This decrease, which was entirely at the level of the bank, mainly resulted from the redemption of a sovereign bond and a bond issued by a public entity in the amount of EUR 85 million, offset partly by the purchase of a bank bond and a bond from a public entity guaranteed by the State in the amount of EUR 64 million.

On the **liabilities side**, **Financial instruments at market value through profit or loss** stood at EUR 294 million, up EUR 22 million or 8% on the previous year. This change relates mainly to the EUR 98 million increase in repurchase agreements by Prime Solutions & Financing, partly offset by the redemption in March 2020 of two subordinated EMTN (Euro Medium Term Notes) issues at market value for a total of EUR 60 million.

Debt at amortised cost totalled EUR 44.4 billion as at 31 December 2020, down EUR 858 billion or 2%.

- **Debts payable to credit institutions at amortised cost** were down EUR 2.0 billion or 16% at EUR 10.1 billion as at 31 December 2020. This decrease was mainly due to the reduction in the bank's interbank borrowings with other BNP Paribas Group entities in the amount of EUR 1.2 billion. For leasing activities, Debts payable to credit institutions at amortised cost were down EUR 0.9 billion or 11% at EUR 7.4 billion.
- **Debts payable to clients at amortised cost** totalled EUR 34.3 billion as at 31 December 2020, up EUR 1.1 billion or 3% relative to 31 December 2019.



Retail banking saw growth in deposits of EUR 0.6 billion or 10% compared with 31 December 2019. Corporate banking deposits rose by EUR 0.4 billion or 3%. Finally, Wealth Management deposits remained stable at EUR 9.3 billion.

Debt securities totalled EUR 1.1 billion as at 31 December 2020, an increase of EUR 395 million or 56% due to greater demand from investors for short-term paper (European Commercial Paper) denominated in USD and EUR.

Capital

As at 31 December 2020, excluding income for the current period and after deductions in accordance with prudential rules, **Regulatory capital** in accordance with Basel III stood at EUR 6.3 billion and the **solvency ratio** was 23.5%, versus EUR 6.0 billion and 22.7% respectively as at 31 December 2019.

Risk management within the bank

The bank's risk management policy is explained in more detail in "Pillar 3 of Basel III – BGL BNP Paribas as at 31 December 2020" in the section "Risk management and capital adequacy". The aim of this policy is to implement all measures necessary to respond to obligatory requirements on governance issues. In addition to the central risk management functions of the bank with responsibility for coordinating risk monitoring, each business line has a permanent control function focused on its specific business area and with primary responsibility for any risks in connection with the business line's activities.

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

Credit risks are mainly monitored by the Credit Committees (Doubtful Accounts Committee, Credit Committee and Central Credit Committee). In addition to these Credit Committees, a Watchlist and Doubtful Debt Committee meets each quarter to focus regularly on counterparties showing signs of risk deterioration. Finally, a Provisions Committee (including provisions for credit and operational risks) meets each quarter comprising representatives from the Businesses, Finance, Legal and Risk, providing an overall view of changes in the cost of risk.

In the context of the COVID-19 pandemic, a committee to monitor credit risk trends, which meets monthly, has been set up at both local (Central Credit Committee) and global (RISK Domestic Markets) levels. In addition, a set of adjustments to the lending process linked to the granting of moratoria and credits (market moratoria, State-guaranteed loans, etc.) has been organised and set up through a task force. This includes all parties involved in the lending process under the responsibility of two members of the BGL BNP Paribas Executive Committee.

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

Corporate governance and non-financial disclosure

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

https://www.bgl.lu/fr/documents-officiels/donnees-financieres.html

The health crisis: BGL BNP Paribas stands by its clients

In response to the pandemic, BGL BNP Paribas has done all it can to help its clients cope with this period as calmly as possible.

BGL BNP Paribas has actively supported its clients by offering solutions that reflect their specific situations: moratoria, state-guaranteed loans, flexible credit card limits, tailor-made solutions. The bank relied on its sales teams and a reinforced remote service system.

This effort throughout the year is reflected in the figures: as at 31 December 2020, 2,003 moratoria had been granted, representing a total of EUR 610 million. Loans guaranteed by the State amounted to EUR 30.1 million at the same date.

The bank's activities

Retail banking in Luxembourg

The Luxembourg Retail Banking business line offers its clients, made up of private individuals, professionals and self-employed people, products and services ranging from day-to-day management to the financing of acquisition or construction projects, as well as savings, bancassurance and investment products. It offers one of the widest ranges of retail banking products in Luxembourg, including private leasing.

To meet the ever-increasing needs of its clients and prospects and to offer advice tailored to their requirements, the bank continued its efforts to upgrade its distribution model by setting up specialist regional teams to take account of clients' specific needs. It has also reviewed its accessibility model based on the principle of complementarity between branches in a region.

The Retail Banking network in Luxembourg now comprises 11 Regional Centres and 34 branches (as part of the adaptation of its accessibility model, the bank has decided to close 7 branches in 2020), 11 Mortgage Centres centralising the financing requests of clients of their Regional Centre, 6 Centres dedicated exclusively to a clientele of professionals and the self-employed, 1 Invest Expertise Centre assisting branches and clients with all questions relating to investment and savings, and 1 Non-Resident Centre for clients residing outside Luxembourg and the Greater Luxembourg Region.

9 branches across the country are open on Saturday mornings between 9am and 12pm by appointment. The Royal branch is also open on Saturday mornings without appointment. Other branches welcome clients by appointment from 8am or until 6.30pm.

Like branches, remote services, particularly Client Service, remain a key part of the omnichannel model that the bank offers its clients. Changes in client expectations and behaviour have been accelerated by the COVID-19 health crisis and use of remote banking is increasing.

The health crisis also particularly shaped the commercial year for Retail banking in Luxembourg. At the time of the lockdown in March 2020, it faced two challenges: setting up its own crisis organisation with the adaptation of its sales system, and responding to the needs of clients economically affected by the crisis. In this particularly difficult period, Luxembourg Retail Banking put in place government measures (Moratorium and State Guarantee) and specific actions consisting of proactive contacts to inform clients of all the government measures and alternatives made available to them by the bank. Our Client Service has been strengthened in terms of personnel to respond to increased use of remote services. During the lockdown, the Luxembourg Retail Banking business adapted its procedures to ensure that it could continue to provide essential banking services while complying with health measures and ensuring maximum protection for clients and employees.

With the relaxation of lockdown and gradual reopening of branches, all banking services were once again available to our clients.

In terms of innovation, the Luxembourg Retail Banking business launched the Visa Debit payment card (exclusively in Luxembourg for 2020). The bank thus offers its clients a direct debit payment method which, in addition to free cash withdrawals in Luxembourg and abroad from the network of BNP Paribas Group ATMs and its partner banks, allows them to make online purchases and benefit from online purchase insurance. The card is accepted worldwide across the VISA network.

Finally, the Luxembourg Retail Banking business has actively contributed to supporting the local economy through a number of initiatives, including a range of SRI (Socially Responsible Investment) funds and a solidarity campaign involving three funds *(BNP Paribas Healthcare Innovators, BNP Paribas Disruptive Technology and Generalpart 1 World Sustainable)* launched by BNP Paribas Asset Management and BGL BNP Paribas. As committed operators, they joined forces to help the most disadvantaged by supporting the charity *Stëmm Vun der Strooss* within the framework of its *Think about the future by acting today* campaign.

During the summer, the Luxembourg Retail Banking business also launched a COVID-19 solidarity programme to support those most affected by the crisis. For each payment made by a client using BGL BNP Paribas credit cards, EUR 0.10 were donated to a fund to help people in financial difficulty due to the coronavirus crisis. In addition to the direct aid given to BGL BNP Paribas clients, a donation of EUR 30,000 was made to the charity Caritas Luxembourg.

Corporate banking in Luxembourg

Corporate Banking (BEL) is Luxembourg's number one banking partner for large firms, the public sector and institutions, social organisations, real estate professionals and start-ups.

It includes a number of Coverage teams focused on client relations, by client type, as well as specialists in areas such as Financing (classic, project, buyouts and acquisitions, real estate), Trade (letters of credit, stand-by letters of credit, documentary loans), Cash Management (cash pooling, multibank cash management tools Cartes programme, etc.), Rate risk (forex, interest) and Escrow Accounts.

As part of BNP Paribas, a leading European banking group, Corporate banking in Luxembourg also provides local companies with all the know-how and services of the Group's specialised businesses (CIB, Arval, Leasing, Factoring).

Each client segment benefits from tailored support, with specialised managers for each segment and a wide range of adapted solutions.

BEL's strong position in cash management, trade finance and investment and project finance makes it a banking partner of choice. In addition, BEL offers its clients privileged access to the international network of BNP Paribas' One Bank for Corporates, enabling them to manage their international development.

Private banking in Luxembourg

Private Banking Luxembourg provides clients who live in Luxembourg or the Greater Region with global and customised financial and wealth management solutions through its various Private Banking Centres across Luxembourg including the Villa, located on Boulevard Royal in Luxembourg City.

In addition to the strong links Private Banking Luxembourg maintains with the branch network, close collaboration with the various Corporate Business Centres for SME clients shows the importance of the entrepreneur approach to the bank, which offers an array of bespoke solutions aimed at these clients.

In the particular context of the COVID-19 pandemic, transaction activity was strongly sustained by the volatility of financial markets and the proactive investment advice issued by the bank. This is testament to clients' trust in the recommendations given and the wide range of financial solutions and services offered by the bank.

In 2020, the bank stepped up its focus on Socially Responsible Investment (SRI), which is strongly supported by Private Banking Luxembourg through its investment products and advisory and discretionary mandates. The BNP Paribas Group is strongly committed to promoting SRI, and the Private Banking initiative in Luxembourg contributes to this strong positioning.

Finally, in the context of the health crisis, the bank has increased its use of digital information channels to communicate with its clients.

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

In July 2020, Euromoney magazine named BGL BNP Paribas *Best Bank in Luxembourg in the Euromoney Awards for Excellence 2020*.

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

Euromoney also named the BNP Paribas Group *Western Europe's Best Bank For Corporate Responsibility*.

BNP Paribas Wealth Management in Luxembourg

Operating under the BNP Paribas Wealth Management banner, the Wealth Management business line supports an international client base, in particular business owners and families, supporting them in their specific needs by means of tailored asset and financial management solutions, in addition to a suite of high-quality services: investment advice, discretionary management, wealth planning and organisation, financing and asset diversification expertise.

Against the backdrop of the health crisis, the major challenge for BNP Paribas Wealth Management was to rapidly adapt its organisation to guarantee the quality of its client relationships and the continuity of its services. The uncertainty of the situation and that of the financial markets has led to an increased need for exchange and support for clients. The availability of private bankers and the expertise of the teams dedicated to discretionary and advisory management were, more than ever, essential and made the difference. These services were very busy and recorded a significant increase in the number of client contacts and the volume of transactions over the full year in 2020. Outstanding loans grew by 12%, confirming the solid momentum seen in recent years.

Faced with this unprecedented situation, digital technology has developed at an accelerated pace and made it possible to maintain proximity with clients. For example, client events were held in the form of digital conferences – a format that attracted an audience that appreciated the flexibility of this service and the range of topics on offer.

In line with the commitments of the BNP Paribas Group and its *Positive Impact* approach, BNP Paribas Wealth Management has stepped up its efforts to promote sustainable investment.

This commitment is reflected in an expanded range of sustainable products and services, including innovative solutions such as green and social bonds. 2020 was also the year in which the partnership with Reforest'Action took concrete form. For the first time, this partnership enabled clients to contribute through their sustainable investments to a reforestation project and planting 33,000 trees, including 3,200 in Luxembourg, in the forests of Boevange and Marnach.

In addition, two years after the integration of ABN AMRO Bank (Luxembourg), BNP Paribas Wealth Management has confirmed its ambitions to expand in the Dutch market and achieved promising commercial success in this market in 2020.

Corporate and Institutional Banking Luxembourg

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

Asset & Leasing Solutions arranges financing for tangible assets such as ships and aircraft. In 2020, the business once again confirmed its status as a special renowned partner to the Luxembourg marketplace in this highly specialised segment.

Prime Solutions and Financing, which specialises in collateralised financing solutions for institutional and corporate clients, continued to develop strategic equity products for corporate and institutional clients in Luxembourg.

BNP Paribas Leasing Solutions won *European Leaser of the Year* and *Vendor Finance Provider of the Year* at the *Leasing Life Conference & Awards*

In November 2020, BNP Paribas Leasing Solutions received two awards at the 16th *Leasing Life Conference & Awards: European Leaser of the Year* (for the fifth time) and *Vendor Finance Provider of the Year*.

Receiving these awards in circumstances marked by the health crisis demonstrates above all the commitment of the BNP Paribas Leasing Solutions' teams to their clients and partners, whatever the context.

These awards confirm BNP Paribas Leasing Solutions' position as European leader in the professional equipment financing market, as well as the relevance of its offering and the strength of its partnerships with the largest equipment manufacturers, distributors and publishers.

BNP Paribas Leasing Solutions

In close collaboration with the bank, the various leasing entities of the BNP Paribas Group, including BNP Paribas Lease Group Luxembourg S.A. (a wholly owned subsidiary of BGL BNP Paribas) and BNP Paribas Leasing Solutions S.A. (the holding entity of the leasing business and a subsidiary in which BGL BNP Paribas owns a 50% stake), operate under the BNP Paribas Leasing Solutions banner to offer a wide range of leasing and financing solutions for corporate and professional clients with services through a number of channels, such as direct selling, referrals, partnerships and banking networks.

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

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

BNP Paribas Leasing Solutions provides companies with the flexibility they need to remain competitive and grow in a sustainable and responsible manner.

With a strong presence in Europe, the leasing business line now operates in many countries: Austria, Belgium, Denmark, France, Germany, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland and the UK.

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

BNP Paribas Leasing Solutions has a long history of providing services that go well beyond financing. By offering solutions that encourage the transition to a usage-based economy, BNP Paribas Leasing Solutions supports companies every day in the profound changes that are shaping their growth and competitiveness in a largely digital world.

The introduction of entirely virtual client and partner pathways – from the point at which the financing request is made to the electronic signature of contracts – enables the leasing business line to respond to client requests more quickly and efficiently.

The health and economic crisis that hit the world in 2020 was sudden and completely unexpected.

The health and safety of its 3,600 employees is and has always been the number one priority of BNP Paribas Leasing Solutions.

Thanks to the systems already in place and the adaptability of everyone involved, Leasing Solutions was able to react very quickly from the start of the health crisis and managed to adapt to protect the health and safety of its employees while ensuring business continuity.

In all countries where BNP Paribas Leasing Solutions operates, measures were taken to address this exceptional situation. Working from home has become the rule for all employees who can do so, with the provision of adequate equipment and the organisation of training in remote working and remote management to support them in this change.

Many companies found themselves in a difficult situation, which required specific support. To support its clients during this period of anxiety and uncertainty, BNP Paribas Leasing Solutions put in place specific measures.

Thanks to the digitisation of its processes, which began several years ago, and the introduction of new digital collaboration tools such as videoconferencing, BNP Paribas Leasing Solutions' teams were able to maintain a strong link with all their clients, despite the distance. They were able to continue to meet their demands, whether financing a new project or managing existing contracts.

In order to provide concrete support and protect its clients' cash flow, more than 160,000 requests for rent deferrals of three to six months were granted, a third of which concern clients of the BNP Paribas banking networks. In order to respond to these requests as quickly and efficiently as possible, 15 robots capable of processing a large number of requests in an automated manner were set up.

In addition, for clients wishing to finance new equipment, a European e-signature solution enabled them to sign their contracts remotely and securely.

BNP Paribas Group in Luxembourg certified Top Employer for the fifth time

In 2020, BGL BNP Paribas received the *Top Employer* label for the fifth year running. Issued by the *Top Employer Institute*, an independent body of international renown, this distinction recognises the bank's ongoing effort to develop its HR practices in order to offer excellent working conditions for its employees.

Human Resources

In 2020, management of the health crisis and the employees' health were central to the bank's priorities.

In mid-March 2020, measures were taken immediately to protect employees and significantly reduce office attendance rates, with the support of IT teams. Similarly, within the bank's buildings, rules issued by the government authorities were strictly implemented and often reinforced, thanks to a joint effort by the Facility Management and Human Resources departments. The number of workstations available has been reduced to respect distances, access to the company restaurant has been adapted, masks are distributed to each employee on a daily basis, and access to the bank's car parks has been made easier in order to reduce travel by public transport.

From September onwards, a split-team organisation was set up. In the second wave, procedures were adapted further to reduce the presence of employees on site even more.

Throughout this period, management's concern was to protect employees. A dedicated team is available to answer employees' questions on the crisis and is also responsible for identifying and following up on cases of contamination involving employees.

The health crisis: BGL BNP Paribas, a socially responsible company towards its employees

In the context of the lockdown at the end of the first quarter of 2020, BGL BNP Paribas activated its crisis unit on 13 March 2020. Involving the business lines and functions that are critical to risk management, it took the form of some 50 committee meetings held throughout the year.

As a socially responsible company, BGL BNP Paribas has been able to maintain its core processes and thus continue to play an active role in supporting the economy.

The other challenge for the bank was ensuring optimal working conditions in a constantly changing health environment.

On-site attendance was adapted as soon as the development of the pandemic required, and protective measures in buildings (distribution of masks and hand sanitiser, etc.) were adapted as the situation evolved.

BGL BNP Paribas is aware that the current situation has an impact on its employees' professional and personal lives, and has made their wellbeing a central concern.

During the health crisis, BGL BNP Paribas reinforced its communications system to maintain links with its employees. The bank held digital conferences open to all staff and broadcasted live, with the aim of addressing issues raised by employees and answering their questions, and also reminded staff on a regular basis of measures taken and precautions to be observed by sending out various internal memorandums.

Employee commitment was measured by means of surveys, under a new formula deployed from April onwards, aimed at gathering employees' feelings about the bank's management of the crisis and their personal situation, with a view to providing them with better support. This type of survey was repeated in early summer. Employees gave a positive assessment of the bank's actions and their level of commitment has increased.

Already well underway before the health crisis, the bank's digital transformation gained pace in 2020. To anticipate its new skills requirements and offer its employees motivating development prospects, BGL BNP Paribas has launched the Strategic Workforce Planning (SWP) project.

By analysing the gap between current skills and those needed in the future, the SWP makes it possible to identify the appropriate actions to be implemented in terms of training and staff transfers, with the objective of aligning employees' expectations and the company's needs for the years ahead.

This approach is underpinned by the About Me portal rolled out in 2017, in which employees are invited to provide details about their skills and development goals. Based on this information, they receive personalised suggestions for jobs and training.

In order to adapt to the health context, the bank has also stepped up the digitisation of its training offering by developing the New Ways of Learning. It now offers its employees a wide range of educational content, grouped in the form of themed playlists.

BGL BNP Paribas is also continuing with its efforts to promote internal mobility and ensure that it is easy for people and skills to move around within the organisation. As it does every year, the bank organised its traditional Mobility Days – a programme, fully digital this year, consisting of workshops on About Me, videos of the business lines, testimonials and advice on how to successfully complete one's mobility project.

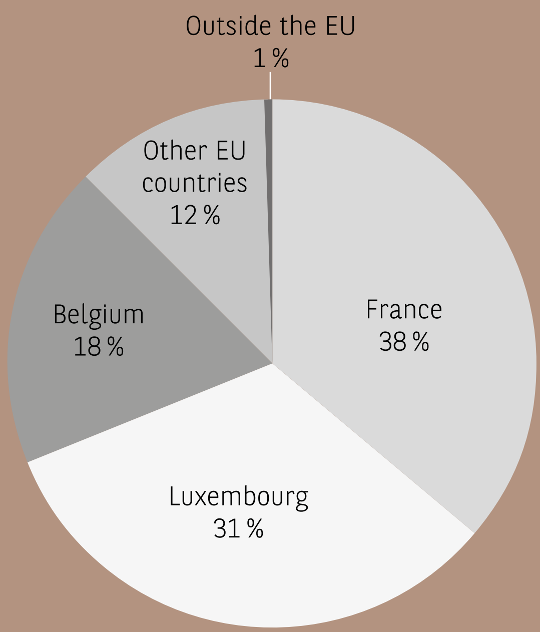
All these initiatives are motivated by the bank's desire to increase the commitment of its employees and continue to act as a responsible employer.

During this period of profound change, the Board of Directors recognises and appreciates more than ever the extreme importance of its human capital, which includes all the bank's employees. The Board wishes to express its recognition for the continuous work and commitment shown throughout 2020. It also wishes to highlight the extremely responsible and constructive working relationship with all of the social partners and thanks them for their day-to-day cooperation.

Staffing situation within BGL BNP Paribas

As at 31 December 2020, the total number of bank employees in Luxembourg was 2,252, including 1,120 women (49.73%) and 1,132 men (50.27%). The percentage of employees working part time was 27%.

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



Outlook for 2021

In 2021, economic conditions will still be determined by the combined impact of the COVID-19 pandemic and an environment of low or even negative interest rates. Against this backdrop, BGL BNP Paribas is continuing to stand by its clients. The bank is continuing to support its individual and professional clients at key moments in their lives, particularly during this health crisis. It can rely on its knowledge of the local market, its human capital and its membership of an international group allowing it to offer one of the most comprehensive ranges on the market.

Heavily integrated in the real economy, with BGL BNP Paribas Development, BGL BNP Paribas is launching a new business line that will allow it to help Luxembourg businesses by acquiring minority interests. Through direct investment in unlisted commercial, industrial or technological companies based in Luxembourg with turnover exceeding EUR 10 million, a profitable business and promising growth prospects, the bank intends to play a role in their organic and external growth plans, and to support them in business transfers.

BGL BNP Paribas will also continue to play a key role in the area of social and environmental responsibility, which is at the heart of its strategy and the raison d'être of the BNP Paribas Group.

To achieve these ambitions, BGL BNP Paribas will continue to develop its next strategic plan for 2025. This will involve a fundamental rethink of the bank's business model, the updating of technology platforms and optimisation of the experience of our clients and employees.

Luxembourg, 9 March 2021
The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Audit report

To the Board of Directors
of BGL BNP Paribas S.A.
50, avenue J.F. Kennedy
L-2951 Luxembourg
Luxembourg

Statutory Auditor's report

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated annual financial statements of BGL BNP Paribas S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated profit and loss account, the statement of consolidated net income and changes in assets and liabilities recognised directly in consolidated equity for the year then ended, the statement of changes in the consolidated equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements accurately reflect the consolidated financial position of the Group as of 31 December 2020, as well as its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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Basis for our audit opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 on the audit profession (the Law of 23 July 2016) and International Standards on Auditing (ISA) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibility in accordance with Regulation (EU) N° 537/2014, the Law of 23 July 2016 and ISA standards as adopted for Luxembourg by the CSSF are described in more detail in the section "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" in this report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including international independence standards, of the International Ethics Standards Board for Accountants (IESBA) as adopted for Luxembourg by the CSSF and with the ethics standards applicable to the audit of consolidated financial statements, and we carried out all other responsibilities required of us by these rules. We believe that the evidence we have gathered is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters which, in our professional judgement, were of the greatest significance for the audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the overall consolidated financial statements and for the purposes of forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Assessment of receivables payable by clients

As of 31 December 2020, the total amount of outstanding client loans exposed to credit risk was EUR 35.2 billion; the total amount of impairment losses was EUR 726.1 million. Within the framework of the COVID-19 health crisis, the Group was obliged to grant moratoria.

BGL BNP Paribas recognised impairment losses to cover credit risks inherent to its lending activities.

These impairment losses are determined in accordance with the provisions of IFRS 9 and the principle of expected credit losses.

Assessment of expected credit losses as well as the moratorium agreement in the context of the COVID-19 health crisis for client loan portfolios requires the Board of Directors to exercise its judgement, in particular in order to:

- assess the significant deterioration of credit risk to classify outstanding amounts in stage 1, stage 2 or stage 3;
- estimate the amount of expected losses based on the different stages;
- make macroeconomic projections that are incorporated into both the deterioration criteria and the measurement of expected losses.

We considered that the change in credit risk and the assessment of impairment, including moratoria, was a key audit issue, as it involves the use of professional judgement and estimates by the Board of Directors, particularly in relation to corporate and retail credit risk.

OUR RESPONSE

We assessed the adequacy of BGL BNP Paribas' internal control system and tested the key manual and IT controls relating to determining credit risk and assessing expected losses. Checks covered, among other things, controls on the monitoring of unpaid loans, controls on reviewing the valuation and recording of guarantees and controls on reviewing cases identified as being at risk (watchlist).

Our work also covered the following processes:

- Ranking of outstandings by stage: we assessed the relevance and correct application of the indicators used by the various business lines to measure significant deterioration in credit risk;
- Assessment of expected losses (stage 1, 2 and 3):
  - We assessed the methodologies and macroeconomic projection assumptions used by BGL BNP Paribas for the various scopes of consolidation, their correct operational integration into the information system and the effectiveness of data quality controls;
  - We carried out detailed tests related to the assessment of receivables payable by clients on the basis of samples;
  - We performed analytical reviews to explain the variations observed in the item "Receivables payable by clients";
  - For exposures considered sound, we tested the consistency of the internal rating assigned and the lack of need for specific provisioning;
  - For specific provisions for client loans classified in stage 3, we verified that a periodic review of the credit risk of the counterparties under supervision was performed by BGL BNP Paribas.

With regard to moratoria, our work focused on the following processes:

- We verified that the moratoria granted by the Group had been recorded as such in the Group's information systems;
- We verified that factors, where they existed, for deterioration, or significant deterioration, in credit risk associated with the granting of a moratorium had been identified and appropriately recorded. In particular, we verified the correct deterioration of the associated stages as well as the classification of these receivables as "overdue".

KEY AUDIT MATTER	OUR RESPONSE
IT environment The reliability and security of information systems play a key role in the preparation of BGL BNP Paribas' accounts. A key audit issue is the assessment of general IT controls and application controls specific to the various information processing chains that contribute to the preparation of accounting and financial information. In particular, the existence of a system for controlling access rights to information systems and authorisation levels according to employee profiles is a key control for limiting the risk of inappropriate modifications to the configuration of applications or the data underlying them.	For the main systems used to prepare accounting and financial information, the work we carried out with the support of our IT specialists focused on the following aspects in particular: ■ Understanding of the systems, processes and controls that generate accounting and financial information; ■ Assessment of general IT controls (management of access to applications and data, management of changes and developments relating to applications, management of IT operations) on systems identified as significant (in particular accounting applications, automatic reconciliation applications, operational applications for which certain information flows into the accounts and the data warehouse on which part of the internal control system is based); ■ Assessment of specific application controls (including calculations of income such as interest and commissions as well as automatic reconciliation of transactions/positions on securities and cash transactions); ■ Review of the control environment around manual posting entry; ■ Performing additional audit procedures as necessary; ■ Verification of the integrity of data included in files used in financial audit work.

KEY AUDIT MATTER	OUR RESPONSE
Litigation Provisions for litigation amounted to EUR 18.3 million as at 31 December 2020. The Group has a governance and internal control system that allows for the identification, validation and monitoring of legal disputes and related provisions. In this context, the business lines and the legal and operational risk departments participate on an ongoing basis in monitoring the consistency of the level of provisions applied to the various cases identified. We consider the measurement of litigation provisions and the identification of contingent liabilities, which are based on the Group exercising its judgement, to be a key audit matter. Management's disclosures concerning contingent liabilities and provisions relating to the Group's litigation are presented in notes 7.j and 4.n to the consolidated financial statements, respectively.	We observed the Group's internal control procedures relating to the detection, provisioning and monitoring of legal disputes by means of interviews with the Group's legal department and the operational risk department. We also reviewed the minutes of meetings of the business line committees, the Operational Risk Room Committee and the litigation files provided by the legal department. Finally, based on a selection, we conducted a survey of the lawyers handling the Group's most significant cases as of 31 December 2020 in order to check the quality of the Group's monitoring of legal disputes, the adequacy of provisions set aside and the exhaustiveness of the disputes considered. We reviewed the information provided about these disputes and contingent liabilities in the notes to the consolidated financial statements.

Other information

Responsibility for the other information lies with the Board of Directors. The other information comprises the information presented in the consolidated management report and the corporate governance statement but does not include the consolidated financial statements and our statutory auditors' report thereon.

Our opinion on the consolidated financial statements does not include the other information and we can give no form of assurance regarding this information.

With regard to our audit of the consolidated financial statements, it is our responsibility to read the other information and, in doing so, to assess whether there is any major inconsistency between it and the consolidated financial statements or the knowledge that we have gained during the audit, or whether the other information contains any material misstatements. If, in light of the work we have carried out, we determine that there is a material misstatement in the other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with the Group's corporate governance for the consolidated financial statements

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

When preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, for communicating any relevant going concern issues and for applying the going concern principle, unless the Board of Directors intends to liquidate the Group or to cease its operations or if no other realistic alternative is available.

Responsibility of the statutory auditor for the audit of the consolidated financial statements

Our audit aims to provide reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements, either as a result of fraud or of error, and to produce a statutory auditor's report containing our audit opinion. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and ISA as adopted for Luxembourg by the CSSF will always enable the detection of any material misstatement that may exist. Misstatements may arise as a result of fraud or error and are considered material if it is reasonable to assume that, taken individually or together, they may influence any economic decisions taken by users on the basis of the consolidated financial statements.

Within the framework of audits carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and ISA as adopted for Luxembourg by the CSSF, we exercise our professional judgement and take a critical approach throughout the audit process. In addition:

- We identify and assess the risk of the consolidated financial statements containing material misstatements, whether as a result of fraud or error, we design and implement audit procedures in response to this risk, and obtain sufficient and appropriate evidence on which to base our audit opinion; The risk of not detecting material misstatements resulting from fraud is higher than for material misstatements resulting from errors, as fraud may involve collusion, falsification, wilful omissions, false statements and the circumvention of internal controls.
- We gain an understanding of the internal controls that are relevant to our audit in order to design appropriate audit procedures, but not with the aim of expressing an opinion on the efficacy of the Group's internal controls;
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates made and any related information provided by the Board of Directors;
- We form an opinion on the appropriateness of the Board of Directors' use of the going concern principle and, based on the evidence obtained, on the existence or absence of any material uncertainty connected to events or situations likely to cast significant doubt on the Group's ability to continue as a going concern; If we conclude that there is any material uncertainty, we must draw the attention of readers of this report to the information provided in the consolidated financial statements in relation to this uncertainty or, should this information be inadequate, we must express a modified audit opinion. Our conclusions are based on evidence obtained up until the date of our audit report. However, future events or situations may result in the Group ceasing operations.
- We assess the overall presentation, form and content of the consolidated financial statements, including the information provided in the notes, and determine whether the consolidated financial statements give a true and fair view of the underlying transactions and events;
- We obtain sufficient and appropriate evidence concerning the financial information of the Group's entities and activities in order to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and execution of the audit of the Group, and assume full responsibility for our audit opinion.

We communicate the scope and timing of our audit work and our major findings, including any significant deficiencies in the internal control system discovered during our audit, to those charged with corporate governance.

We also provide those charged with corporate governance with a statement indicating that we have complied with the relevant ethical rules concerning independence, informing them of any relationships or other factors that may reasonably be considered likely to affect our independence as well as measures taken to eliminate threats or any safeguard measures applied.

We determine which of the issues communicated to those charged with corporate governance were the most important for the audit of the consolidated financial statements for the period under consideration: these are the key audit matters. We describe these key audit matters in our report providing that this is not prohibited by any legal or regulatory texts.

Report on other legal and regulatory requirements

We were appointed as the statutory auditor by the Board of Directors and the full length of our mandate without interruption, including extensions and previous renewals, is three years.

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

The Corporate Governance Statement as published on the Group's website (https://www.bgl.lu/content/dam/publicsite/pdf/documents-officiels/donnees-financieres/declaration-sur-le-gouvernement-d-entreprise.pdf) is the responsibility of the Board of Directors. The information required by Article 70a, paragraph 1, letters (c) and (d) of the Law of 17 June 1992 on the annual and consolidated accounts of credit institutions under Luxembourg law, as amended, is consistent with the consolidated financial statements and has been drawn up in accordance with applicable legal requirements.

We hereby confirm that we have not provided any services, other than the audit, prohibited by Regulation (EU) No. 537/2014 and that we remained independent of the Group during the audit.

For Deloitte Audit,
Approved Audit Firm

Martin Flaunet,
Statutory Auditor
Partner

9 March 2021

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

The consolidated financial statements of the BGL BNP Paribas Group are presented for the years 2020 and 2019.

Consolidated profit and loss account

In millions of euro	*Notes*	2020 financial year	2019 financial year
Interest and similar income	*2.a*	1,506.2	1,505.9
Interest and similar charges	*2.a*	(261.9)	(328.9)
Fees (income)	*2.b*	245.8	235.6
Fees (expenses)	*2.b*	(61.0)	(56.9)
Net gain/(loss) on financial instruments at market value through profit or loss	*2.c*	30.4	60.1
Net gain/(loss) on financial instruments at market value through equity	*2.d*	20.3	13.1
Income from other activities	*2.e*	860.8	775.9
Expenses from other activities	*2.e*	(745.2)	(689.8)
NET BANKING INCOME		**1,595.5**	**1,515.1**
Staff expenses	*6.a*	(478.6)	(495.1)
OTHER OPERATING EXPENSES	*2.f*	(258.5)	(253.2)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*4.l*	(47.1)	(44.1)
GROSS OPERATING INCOME		**811.3**	**722.7**
Cost of risk	*2.g*	(129.7)	(101.3)
OPERATING INCOME		**681.6**	**621.4**
Share of net income of companies accounted for by the equity method	*2.h*	11.9	14.4
Net gain or loss on other fixed assets	*2.i*	0.8	0.1
Goodwill	*4.m*	-	0.9
PRE-TAX INCOME		**694.3**	**636.7**
Corporate income tax	*2.j*	(142.4)	(147.5)
NET INCOME		**551.9**	**489.2**
of which minority interests		153.6	144.2
NET INCOME (GROUP SHARE)		**398.3**	**345.0**

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

In millions of euro	2020 financial year	2019 financial year
Net income	**551.9**	**489.2**
Changes in assets and liabilities recognised directly in equity	**(86.0)**	**31.4**
Items transferable to profit and loss	**(31.0)**	**14.2**
Items related to exchange rate movements	(52.3)	10.7
Changes in value of financial instruments at market value through equity	2.6	(14.2)
Changes in value recognised directly in equity	*4.6*	*(10.0)*
Changes in value recognised in profit or loss for the period	*(2.0)*	*(4.2)*
Changes in fair value of hedging instruments	12.1	11.5
Changes in value recognised directly in equity	*12.9*	*11.8*
Changes in value recognised in profit or loss for the period	*(0.8)*	*(0.2)*
Corporate income tax	(2.1)	1.8
Changes in value of items related to companies accounted for by the equity method net of tax	8.6	4.3
Items that are not transferable to profit or loss	**(54.9)**	**17.2**
Changes in value of financial instruments at market value through equity option	(59.4)	20.0
Revaluation of liabilities attributable to own credit risk	(0.0)	(3.9)
Actuarial gains or losses related to post-employment benefits	(9.0)	3.9
Corporate income tax	15.0	(3.6)
Changes in value of items related to companies accounted for by the equity method net of tax	(1.5)	0.8
TOTAL	**465.9**	**520.7**
Group share	350.4	364.2
Attributable to minority interests	115.6	156.5

Consolidated balance sheet

In millions of euro	*Notes*	31 December 2020	31 December 2019
ASSETS			
Cash and amounts due from central banks		8,435.5	542.0
Financial instruments at fair value through profit or loss		610.1	930.1
Securities portfolio	*4.a*	273.7	624.7
Loans and repurchase agreements	*4.a*	114.9	151.1
Derivatives	*4.a*	221.6	154.3
Derivatives used for hedging purposes	*4.b*	260.0	187.3
Financial assets at fair value through other comprehensive income		2,392.3	1,829.4
Debt securities	*4.c*	2,142.2	1,519.9
Equity instruments	*4.c*	250.1	309.5
Financial assets at amortised cost		42,513.5	50,828.5
Loans and receivables due from credit institutions	*4.e*	6,892.2	15,717.0
Loans and receivables payable by clients	*4.e*	34,506.4	33,963.6
Debt securities	*4.e*	1,114.9	1,147.8
Current and deferred tax assets	*4.i*	146.8	151.9
Accrued income and other assets	*4.j*	861.8	802.3
Investments in companies accounted for by the equity method	*4.k*	248.5	194.1
Property, plant, equipment and investment property	*4.l*	856.0	888.7
Intangible assets	*4.l*	32.2	37.5
GOODWILL	*4.m*	185.0	186.8
TOTAL ASSETS		**56,541.8**	**56,578.5**
LIABILITIES			
Financial instruments at fair value through profit or loss		293.9	271.4
Deposits and repurchase agreements	*4.a*	212.3	113.9
Debt securities	*4.a*	31.0	114.0
Derivatives	*4.a*	50.6	43.6
Derivatives used for hedging purposes	*4.b*	93.2	45.8
Financial liabilities at amortised cost		45,630.1	46,105.5
Debts payable to credit institutions	*4.g*	10,105.0	12,058.0
Debts payable to clients	*4.g*	34,335.1	33,239.7
Debt securities	*4.h*	1,102.4	707.8
Subordinated debt	*4.h*	87.6	100.0
REMEASUREMENT ADJUSTMENT ON INTEREST-RATE-RISK HEDGED PORTFOLIOS		156.0	100.9
Current and deferred tax liabilities	*4.i*	397.4	393.1
Accrued expenses and other liabilities	*4.j*	1,369.3	1,421.5
Provisions for contingencies and charges	*4.n*	156.6	176.6
TOTAL LIABILITIES		**48,096.5**	**48,514.9**
EQUITY			
Share capital and reserves		*6,884.5*	*6,540.7*
Net income for the financial year, Group share		*398.3*	*345.0*
Total share capital, retained earnings and net income for the financial year, group share		**7,282.8**	**6,885.8**
Changes in assets and liabilities recognised directly in equity		(64.7)	(16.8)
TOTAL GROUP SHARE		**7,218.1**	**6,869.0**
Reserves and net income attributable to minority interests		1,329.3	1,258.7
Changes in assets and liabilities recognised directly in equity		(102.1)	(64.1)
Total minority interests	*7.c*	**1,227.2**	**1,194.6**
TOTAL CONSOLIDATED EQUITY		**8,445.3**	**8,063.6**
TOTAL LIABILITIES		**56,541.8**	**56,578.5**

Reconciliation of consolidated equity from 1 January 2019 to 31 December 2020

Group share

In millions of euro	Share capital and reserves			Changes in assets and liabilities recognised directly in equity that cannot be reclassified as profit or loss			
	Share capital and related reserves	Undistributed reserves	Total share capital and reserves	Financial instruments at market value through equity option	Debt issuer risk at market value through profit or loss	Actuarial gains or losses related to post-employment benefits	Total
Situation as at 1 January 2019	**3,474.6**	**3,267.4**	**6,742.1**	**(8.4)**	**5.5**	**(12.6)**	**(15.5)**
Dividends		(207.9)	(207.9)	-	-	-	-
Changes in scope		5.9	5.9	-	-	-	-
Other changes		0.7	0.7	-	-	-	-
Changes in assets and liabilities recognised directly in equity		-	-	12.8	(2.8)	1.5	11.5
Net income for the 2019 financial year		345.0	345.0				
As at 31 December 2019	**3,474.6**	**3,411.2**	**6,885.8**	**4.4**	**2.7**	**(11.1)**	**(4.0)**
Dividends/directors' fees		(1.2)	(1.2)	-	-	-	-
Other changes		(0.1)	(0.1)	-	-	-	-
Changes in assets and liabilities recognised directly in equity		-	-	(40.3)	-	(4.0)	(44.3)
Net income for the 2020 financial year		398.3	398.3	-	-	-	-
As at 31 December 2020	**3,474.6**	**3,808.2**	**7,282.8**	**(35.9)**	**2.7**	**(15.1)**	**(48.3)**

In millions of euro	Changes in assets and liabilities recognised directly in equity that can be reclassified as profit or loss				Total equity, Group share
	Exchange rates	Financial instruments at market value through equity	Derivatives used for hedging purposes	Total	
Situation as at 1 January 2019	**(91.6)**	**40.2**	**30.9**	**(20.4)**	6,706.1
Dividends	-	-	-	-	(207.9)
Changes in scope	-	-	-	-	5.9
Other changes	-	-	-	-	0.7
Changes in assets and liabilities recognised directly in equity	4.4	(5.9)	9.1	7.6	19.1
Net income for the 2019 financial year					345.0
As at 31 December 2019	**(87.2)**	**34.3**	**40.0**	**(12.8)**	6,869.0
Dividends/directors' fees	-	-	-	-	(1.2)
Other changes	-	-	-	-	(0.1)
Changes in assets and liabilities recognised directly in equity	(23.1)	10.5	9.1	(3.5)	(47.8)
Net income for the 2020 financial year	-	-	-	-	398.3
As at 31 December 2020	**(110.3)**	**44.8**	**49.1**	**(16.4)**	7,218.1

As at 31 December 2020, undistributed reserves included reserves not available for distribution according to Luxembourg regulation for a net amount of EUR 408.1 million (compared with EUR 390.8 million as at 31 December 2019).

Minority interests

In millions of euro	Reserves	Changes in assets and liabilities recognised directly in equity that cannot be reclassified as profit or loss	Changes in assets and liabilities recognised directly in equity that can be reclassified as profit or loss	Total minority interests
Situation as at 1 January 2019	**1,216.9**	**31.0**	**(107.2)**	1,140.7
Dividends	(66.7)	-	-	**(66.7)**
Interim dividend payments on the profit or loss for the financial year	(42.6)	-	-	**(42.6)**
Commitment to repurchase minority shareholders' interests	(5.4)	-	-	**(5.4)**
Changes in scope	12.9	-	-	**12.9**
Other changes	(0.7)			**(0.7)**
Changes in assets and liabilities recognised directly in equity	-	5.7	6.5	**12.2**
Net income for the 2019 financial year	144.2			**144.2**
As at 31 December 2019	**1,258.7**	**36.7**	**(100.7)**	1,194.7
Dividends	(42.9)	-	-	**(42.9)**
Interim dividend payments on the profit or loss for the financial year	(41.0)	-	-	**(41.0)**
Commitment to repurchase minority shareholders' interests	0.6	-	-	**0.6**
Other changes	0.3	-	-	**0.3**
Changes in assets and liabilities recognised directly in equity	-	(10.5)	(27.6)	**(38.1)**
Net income for the 2020 financial year	153.6			**153.6**
As at 31 December 2020	**1,329.3**	**26.2**	**(128.3)**	1,227.2

Consolidated statement of cash flows

In millions of euro	2020 financial year	2019 financial year
Pre-tax income	**694.3**	**636.7**
Non-monetary items included in pre-tax net income and other adjustments	**139.4**	**198.1**
Net depreciation/amortisation of property, plant and equipment and intangible assets	149.6	132.3
Impairment of goodwill and other fixed assets	(1.9)	(3.4)
Net additions to provisions	106.0	118.3
Share of net income linked to companies accounted for by the equity method	(11.9)	(14.4)
Net expenses on investing activities	(0.8)	(0.1)
Net income from financing	(0.0)	0.0
Other movements	(101.7)	(34.8)
Net decrease related to assets and liabilities generated by operating activities	**7,158.2**	**(1,008.2)**
Net increase/(decrease) related to transactions with clients and credit institutions	7,483.5	(1,269.2)
Net decrease/(increase) related to transactions involving other financial assets and liabilities[1]	(134.5)	493.4
Net decrease related to transactions involving non-financial assets and liabilities	(83.6)	(81.0)
Taxes paid	(107.3)	(151.4)
Net increase (decrease) in cash and cash equivalents generated by operating activities	**7,992.0**	**(173.4)**
Net decrease related to financial assets and participating interests	(35.4)	(11.4)
Net decrease related to property, plant and equipment and intangible assets	(48.8)	(24.9)
Net increase (decrease) in cash and cash equivalents related to investment	**(84.2)**	**(36.2)**
Decrease in cash and cash equivalents related to transactions with shareholders	(83.7)	(294.0)
NET DECREASE IN CASH AND CASH EQUIVALENTS RELATED TO FINANCING ACTIVITIES	**(83.7)**	**(294.0)**
Effect of exchange rate variations	(5.4)	2.1
NET CHANGES IN CASH AND CASH EQUIVALENTS	**7,818.7**	**(501.5)**
Balance of cash and cash equivalent accounts at the start of the period	**1,007.6**	**1,509.3**
Balance of cash and cash equivalent accounts at the end of the period	**8,826.3**	**1,007.8**

Additional information

In millions of euro	2020 financial year	2019 financial year
Composition of cash and cash equivalents	**8,826.3**	**1,007.8**
Cash and amounts due from central banks	8,435.5	542.0
Central bank liabilities	-	(0.1)
Demand deposits with credit institutions	1,109.4	978.4
Demand loans from credit institutions	(719.8)	(512.7)
Deduction of receivables and accrued interest on cash and cash equivalents	1.1	0.3

In millions of euro	2020 financial year	2019 financial year
Additional information		
Interest paid	(268.7)	(329.5)
Interest received	1,484.0	1,524.6
Dividends paid	(83.9)	(317.2)
Dividends received	42.3	39.3

[1] This item includes debt securities and subordinated debt, details of which are provided in note 4.h.

NOTES APPENDED TO THE FINANCIAL STATEMENTS

Prepared according to the IFRS accounting standards adopted by the European Union

Background

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

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

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

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

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

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

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

1. Summary of accounting principles applied by the Group

1.a Accounting standards

The coronavirus epidemic (recognised as a pandemic by the World Health Organisation on 11 March 2020), and the various measures implemented by governments and regulatory bodies to combat its spread, affected the global supply chain as well as demand for goods and services. This had a significant impact on global growth. At the same time, fiscal and monetary policies were eased to support the economy.

The consolidated accounts of the BGL BNP Paribas Group ("BGL") were drawn up on the basis of the going concern principle. The effects of the pandemic, mitigated by contracyclical measures such as authorities' support programmes and economic stimulus plans benefitting clients are mainly to be seen at the level of expected credit losses and asset valuation. These effects have been estimated amid uncertainty as to the scale of the consequences this epidemic will have for economies at both local and global level.

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

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

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

New applicable standards and revised standards.

Following the reform of benchmark interest rates, at the end of 2018 the Group launched a transition project involving all business lines and functions. The purpose of this project is to provide a framework for and implement the process of transitioning from the old benchmark interest rates (mainly LIBOR and EONIA) to the new interest rates across the relevant jurisdictions and major currencies, while also reducing the risks associated with this transition and meeting the deadlines set by the competent authorities.

Based on the progress made in 2020 in particular with the definition of a detailed plan, the Group is confident in its operational ability to manage the process of transitioning large volumes of transactions to the new benchmark rates that will be required in 2021 and beyond for benchmark rates that will cease to be published – notably LIBOR rates.

Announcements by the UK and US public authorities and the administrator of LIBOR in late November 2020 changed the transition timeline for instruments outstanding at the end of 2021, reducing the risks involved: for GBP LIBOR, a synthetic LIBOR should be published beyond the end of 2021 for use in certain "tough legacy" contracts (i.e. not amendable or convertible); in the United States, the decision was made to continue publishing USD LIBOR until mid-2023. In the United States in particular, a legislative solution is being sought in addition to deferral to mid-2023 for certain "tough legacy" asset classes, particularly variable-rate bonds.

In Europe, the EONIA-€STR transition, which is strictly technical in nature given the fixed link between these two indices, continued, while the retention of EURIBOR according to the new calculation formula is confirmed at this stage.

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

In August 2020, the IASB published "Phase 2" amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, introducing a number of changes that are applicable upon effective transition to the new benchmark interest rates. These amendments allow for changes in the contractual cash flows of financial instruments resulting from the reform of IBOR rates to be treated as a simple refixing of their variable interest rate, provided that these changes are made on an economically equivalent basis. These amendments, adopted by the European Commission in December 2020, apply for annual financial statements from 1 January 2021, with the possibility of early application. The Group did not need to use this option as the conversion to new benchmark RFR rates was not yet effective as at 31 December 2020.

The Group has documented its hedging relationships as regards the benchmark interest rates covered by the reform, principally the EONIA, EURIBOR and LIBOR rates. In terms of these hedging relationships, hedged and hedging instruments will be gradually amended, when necessary, to incorporate the new interest rates. "Phase 1" amendments to IAS 39 and IFRS 7 are applicable provided that the contractual terms and conditions of hedged and hedging instruments have not yet been amended (e.g. through the inclusion of a fallback clause) and, if they have been amended, provided that the terms and conditions and date of the transition to new benchmark interest rates have not been clearly stipulated. "Phase 2" amendments are applicable provided that the contractual terms and conditions of hedged and hedging instruments have been amended and the terms and conditions and date of the transition to new benchmark interest rates have been clearly stipulated.

The notional amounts of hedging instruments documented in the hedging relationships affected by benchmark interest rate reform are set out in appendix 4b "Derivatives used for hedging purposes".

The entry into force of the other standards, amendments and interpretations, which became mandatory on 1 January 2020, had no effect on the 2020 financial statements.

The Group chose not to pursue the early adoption of the new standards, amendments and interpretations adopted by the European Union, when such application in 2020 was given as an option.

1.b Consolidation principles

1.b.1 Scope of consolidation

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

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

1.b.2 Consolidation methods

Exclusive control

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

Where entities are governed by voting rights, the Group is generally deemed to control the entity if it holds the majority of the voting rights directly or indirectly (and there are no other contractual provisions altering the power of these voting rights), or if the power to manage the entity's relevant activities are conferred upon the Group by contractual agreements.

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. They often have characteristics such as limited activities, a specific and well-defined purpose, and insufficient equity to enable them to finance their activities without making use of subordinated financial support.

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

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

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

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

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

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

Joint control

Where the Group carries out an activity with one or more partners, sharing control by virtue of a contractual agreement which requires unanimous consent on relevant activities (those that significantly affect the entity's returns), the Group is deemed to exercise joint control over the activity. Where the jointly controlled activity is conducted via a separate legal structure in which the partners have rights to the net assets, this joint venture is accounted for using the equity method. Where the jointly controlled activity is not conducted via a separate legal structure or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, the Group recognises its share of the assets, liabilities, revenue and expenses in accordance with the applicable IFRS.

Significant influence

Companies over which the Group exercises significant influence, referred to as associates, are accounted for by the equity method. Significant influence is the power to participate in an entity's financial and operating policy decisions, without exercising control over the entity. Significant influence is presumed to exist if the Group directly or indirectly holds 20% or more of an entity's voting rights. Participating interests below this threshold may be included in the scope of consolidation if the Group exercises effective significant influence. This is the case, for example, for companies developed in partnership with other partners, in which the Group is involved in the company's strategic decisions by being represented on the management bodies, or exerts an influence over the associate's operational management by providing management systems or managerial personnel, or provides technical assistance for the development of this company.

Changes in the equity of companies accounted for using the equity method are recognised on the assets side of the balance sheet under the heading "Investments in companies accounted for using the equity method" and on the liabilities side of the balance sheet under the appropriate equity component. Goodwill on a company accounted for using the equity method is also shown under "Investments in companies accounted for by the equity method".

As soon as there is an indication of impairment, the carrying value of investments accounted for using the equity method (including goodwill) is subjected to an impairment test by comparing its recoverable amount (equal to the higher of its value in-use and market value net of costs of disposal) with its carrying amount. Where appropriate, an impairment is recognised under "Share of net profits of companies accounted for by the equity method" in the consolidated profit and loss account and can be reversed at a later date.

If the Group's share in the losses of a company accounted for by the equity method equals or exceeds its investment in the company, the Group stops recognising its share of further losses. The investment is then reported as having a value of zero. Provisions to cover additional losses by the company accounted for by the equity method are only created when the Group has a legal or implied obligation to do so, or when it has made payments on behalf of the company.

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

The consolidated financial statements are prepared using uniform accounting methods with respect to transactions and comparable operations involving similar circumstances.

1.b.3 Consolidation procedures

Elimination of intragroup transactions

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

Translation of financial statements expressed in foreign currencies

The consolidated financial statements of BGL BNP Paribas are prepared in euro.

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

The same method is applied to the accounts of the Group's subsidiaries located in countries with hyperinflationary economies, which have been adjusted for the effects of inflation using indices reflecting general price changes.

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

In the event of the liquidation or disposal of all or part of an investment in a company outside the eurozone that results in a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without retaining significant influence), the cumulative translation adjustment on the date of liquidation or disposal, determined using the step-by-step method, is recorded in profit or loss.

In the event of a change in the percentage interest held by the Group that does not change the nature of the investment, the translation adjustment is reallocated between the Group share and minority interests if the entity is fully consolidated; in the case of a company accounted for by the equity method, the proportionate share relating to the participating interest that has been sold shall be recorded in profit and loss.

1.b.4 Business combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

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

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

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

Since the adoption of the revised IFRS 3 was only prospective, business combinations completed prior to 1 January 2010 have not been restated to reflect the changes to IFRS 3.

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

Measurement of goodwill

The Group tests goodwill for impairment on a regular basis.

Cash-generating units

The Group has broken down all its activities into "cash-generating units"[1)]. This breakdown is consistent with the way in which the Group's business lines are organised and managed, and reflects the independent nature of each unit in terms of results generated and management approach. This breakdown is reviewed on a regular basis, to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations etc.

[1)] The term used in IAS 36 to denote similar business lines is "cash-generating unit".

Impairment tests for cash-generating units

Impairment tests of goodwill allocated to each cash-generating unit are carried out whenever there is an indication that a unit may be impaired, and in any event at least once a year. The carrying amount of the cash-generating unit is then compared to its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is defined as the higher of its market value less costs of disposal and its value in use.

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

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

1.c Conversion of foreign currency transactions

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

Monetary 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 Group entity at the closing rate. Exchange differences are recognised through profit or loss, except for any exchange differences relating to financial instruments that qualify as cash flow hedges or net foreign currency investment hedges, which are recognised through other comprehensive income.

Non-monetary assets expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are, in the first instance, measured using the exchange rate on the transaction date, i.e. the date on which the non-monetary asset is first recognised. They are subsequently measured at the exchange rate prevailing on the reporting date.

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

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

1.d.1 Net interest margin

Income and expenses arising from financial debt instruments measured at amortised cost and at fair value through other comprehensive income are recognised in the profit and loss account using the effective interest method.

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

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

Fees considered as an additional component of interest are included in the effective interest rate and are recognised in the profit and loss account under "Interest and similar income and charges". This category specifically includes fees for financing commitments when it is more likely than not that the loan will be taken out. The fees received for financing commitments are deferred until the loan is drawn and are then included in the effective interest rate calculation and spread over the life of the loan. This category also includes syndication fees for the share of fees equating to the income of other syndication participants.

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

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

1.d.2 Fee income and income from other activities

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

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

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

Fees

The Group recognises income and expenditure from service fees in the profit and loss account as follows:

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

Income and expenses from other activities

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

The Group recognises income as the services are provided, i.e. pro rata with the costs incurred on the maintenance contracts.

1.e Financial assets and liabilities

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

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

Financial assets and liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets carried out within a time frame established by the regulations or an agreement in a particular market are recognised in the balance sheet on the settlement date.

1.e.1 Financial assets at amortised cost

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

Business model criterion

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

Disposing of instruments close to the maturity date and for an amount close to contractual cash flows remaining due or as a result of an increase in the credit risk of the counterparty is consistent with a hold to collect business model.

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

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

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

Any desire to sell a security for a reason other than its maturity must be documented and escalated to a dedicated committee prior to the sale so that the committee can ensure that sales are not material and give formal approval. In such cases, quantitative indicators such as the annual turnover of the portfolio (total sales over the year divided by the portfolio's assets under management at the end of the previous year) and the duration of the portfolio will be taken into account when deciding whether to authorise or block the sale. For reference, the turnover (sales for all reasons) that would have been deemed acceptable for 2020 was 15% of assets under management, although no sales were carried out.

Cash flow criterion

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

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

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

The time value of the money is the element of interest (generally referred to as the "rate" element) that provides consideration for just the passage of time. The relationship between the interest rate and the passage of time must not be altered by the type of specific characteristics that could call into question compliance with the cash flow criterion.

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

Some contractual clauses may modify the timing or amount of cash flows. Early repayment clauses do not call into question the cash flow criterion if the repayment substantially represents the outstanding principal and related interest. It may also include reasonable compensation for the early termination of the contract. Actuarial penalties corresponding to the discounted difference between the contractual cash flows remaining on the loan and their replacement with a similar counterparty or on the interbank market for an equivalent maturity are also considered to be reasonable, including where the penalty may be positive or negative (i.e. symmetric penalty). Clauses relating to a switch from a variable to fixed rate do not undermine the cash flow criterion if the fixed rate is determined from the outset, or if it represents the time value of money for the term to maturity of the loan on the date on which the clause is exercised.

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

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

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

Recognition

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

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

Interest is calculated using the effective interest rate determined at the start of the contract.

1.e.2 Financial assets at fair value through other comprehensive income

Debt instruments

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

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

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

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

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

Equity instruments

An election is made on a transaction by transaction basis to classify investments in equity instruments such as shares as instruments at market value through equity (under a specific heading). When the shares are sold, the changes in value previously recognised in equity are not recognised in profit or loss. Only dividends are recognised in profit and loss, provided that they represent a return on the investment and not a repayment of capital. These instruments are not subject to impairment.

Puttable fund units no longer meet the definition of equity instruments. They do not meet the cash flow criteria either, and are therefore recognised at fair value through profit or loss.

1.e.3 Financing and guarantee commitments

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

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

The credit risk impairment model is based on expected losses.

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

General model

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

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

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

Simplified model

The simplified model is based on expected credit losses by means of the historic default rate for the portfolio in question, plus a weighting for the residual duration if the residual duration is less than one year. The observation period considered for deducting the historical default rate is at least three years. This model is applicable to all credit positions acquired in 2018 through the acquisition of companies (wind-up portfolio), positions considered to be unusually loss-making, lease receivables and commercial receivables, and part of the scope of Leasing International. For the latter, the bank checks that the difference in method is not material.

The Group classifies these exposures according to the different stages of the general model, taking into account the initial credit quality and its subsequent evaluation.

The approach to expected credit losses is applied symmetrically under IFRS 9, i.e. if credit losses have been recorded as stage 2 or 3 during a previous reporting period, and if at the reporting date for the current period there is no longer a significant increase in credit risk for the financial instrument since its initial recognition, the provision is once again classified as stage 1.

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

Definition of default

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

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

Doubtful impaired financial assets

Definition

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

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

Significant increase in credit risk

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

The extent of any deterioration is measured primarily by comparing the probability of default or ratings of the financial instruments on the date of initial recognition with those on the reporting date, as well as on the basis of qualitative criteria.

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

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

Within the framework of the health crisis, the granting of moratoria based on the criteria defined in the EBA guidelines published on 2 April 2020 and amended on 2 December 2020 was not, taken in isolation, considered as an indication of a significant deterioration in credit risk and so did not result in an automatic move to stage 2. The granting of "private" moratoria meeting criteria equivalent to those defined in the EBA guidelines published on 2 April 2020 (i.e. granted until 30 September 2020) followed the same treatment. Moratoria do not trigger the counting of late payment days provided that the new schedule is adhered to.

When the Group receives the annual financial statements of its professional debtors, it systematically assesses compliance with contractual financial covenants. Given the exceptional circumstances, certain loans may be subject to a temporary or permanent breach of covenant, particularly as regards financial covenants such as debt or guarantee ratios. The Group assesses each situation on a case-by-case basis and decides on the measures it will take to keep risk levels under control. These range from temporarily suspending the obligation to adhere to a covenant (in the most favourable cases) to amending covenants for a given period or even introducing additional conditions or guarantees. If a debtor's financial situation appears to have been permanently compromised, the Group's last resort is to contractually terminate the loan to which the unfulfilled covenant relates so as to safeguard its interests.

The principles applied in assessing a 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 any cash shortfall, weighted by the probability of these losses occurring during the expected lifetime of the financial instruments. They are calculated individually for each exposure.

In practice, for amounts classified as stage 1 or stage 2, expected credit losses are calculated as the product of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD), discounted at the effective interest rate of the exposure. They are based on the risk of default in the coming 12 months (stage 1) or the risk of default during the lifetime of the facility (stage 2).

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

The methodology that has been developed is based on existing concepts and frameworks (notably the Basel framework) for exposures for which capital requirements for credit risk are calculated according to the IRBA. The PD and LGD risk parameters are derived from the "through-the-cycle" (TTC) parameters used to calculate capital requirements. To account for both the "point-in-time" (PIT) and forward-looking aspects of the parameters, the bank applies an index (PIT Index) that enables TTC parameters to be converted to PIT data and projections to be made for these parameters in three economic scenarios: the base scenario, the negative scenario and the positive scenario. This framework is also applied to portfolios for which capital requirements for credit risk are calculated according to the Standardised approach. In addition, the Basel framework has been adjusted to comply with the provisions of IFRS 9, in particular as regards the inclusion of forecast information.

Maturity

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

Probability of default (PD)

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

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

One-year PDs are derived from regulatory PDs based on long-term averages through the cycle, in order to reflect current conditions (point in time – PIT)

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

Loss given default (LGD)

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

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

As regards loans guaranteed by the Luxembourg State (PGE), governed by the Law of 18 April 2020, the guarantee is considered an intrinsic part of the loan contract since it is included in the terms and conditions of the loan and granted at the same time as the loan itself. Moreover, the expected repayment amount can be linked to a specific loan (there is no pooling effect linked to a subordination mechanism or overall ceiling for an entire portfolio). It can therefore be taken into account when calculating expected credit losses.

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

Exposure at default (EAD)

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

The inclusion of forecast information

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

The principles applied to the inclusion of economic scenarios in the calculation of expected credit losses are detailed in note 2.g "Cost of risk".

Write-offs

A write-off consists of reducing the gross carrying amount of a financial asset when there is no longer a reasonable expectation that all or part of the financial asset will be recovered or when it has been totally or partially abandoned. A loss occurs when all avenues of recourse available to the bank have been exhausted, and generally depends on the specific context of each jurisdiction.

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

Amounts recovered from enforcement of the collateral

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

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

Restructuring of financial assets as a result of financial difficulties

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

For any restructuring that does not result in derecognition of the financial asset, the restructured asset is subject to a value modification to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate. The modification in the value of the asset is recognised in profit and loss under "Cost of risk".

A high number of moratoria were granted to clients in 2020 in response to the health crisis. These moratoria mostly entailed pushing back repayment schedules by a few months; additional interest was charged for such postponements. As such, this change was considered immaterial and therefore it did not give rise to the derecognition of the existing asset or the recognition of a new asset.

An assessment is then made to determine whether there has been a significant increase in credit risk in the financial instrument by comparing the default risk after restructuring (based on the modified contractual terms and conditions) with the credit risk on the date of initial recognition (based on the original contractual terms and conditions). Very good payment behaviour must be demonstrated over a certain period of time to prove that the criteria for the recognition of expected credit losses at maturity no longer apply.

When the restructuring consists of a partial or full settlement using substantially different assets (for example, exchanging a debt instrument for an equity instrument), the original debt is considered repaid and the assets received in settlement are recognised at their market value on the settlement date. The difference in value resulting from this exchange is recognised in profit and loss under "Cost of risk".

Changes in financial assets that are not realised due to the borrower's financial difficulties (i.e. commercial renegotiations) are generally analysed as the early repayment of the old loan, which is derecognised, followed by the introduction of a new loan under market conditions.

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

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

1.e.5 Cost of risk

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

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

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

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

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

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

Other financial assets at fair value through profit or loss are debt instruments not held for trading purposes that do not fulfil the criteria of the "hold to collect" or "hold to collect and sell" business models, or that of cash flows. This category also includes equity instruments not designated as measured at fair value through other comprehensive income.

These financial instruments are measured at market value with initial transaction fees recognised directly in the profit and loss account. On the reporting date, any changes in market value are presented in the profit and loss account under "Net gain/(loss) on financial instruments at market value through profit or loss". Income, dividends and realised gains and losses on disposals in the trading book are treated in the same way.

Financial liabilities at fair value through profit or loss by option

The Group uses this category in the following two cases:

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

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

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

1.e.7 Financial liabilities and equity instruments

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

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

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

Debt securities and subordinated debt

Debt securities and subordinated debt are measured at amortised cost if not measured 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.

Callable bonds or bonds that are convertible into own shares are hybrid instruments likely to contain a debt element and an equity element, and these are determined when the transaction is initially recognised.

Equity instruments

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

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

As shares issued by fully controlled subsidiaries of the Group are treated in the same way as shares issued by the consolidating company, when the Group purchases securities issued by these subsidiaries, the difference between the acquisition price and the share of net assets acquired is recognised in consolidated retained earnings, Group share. Similarly, where applicable, the value of any debt representing put options granted to minority shareholders in these subsidiaries, and any change in this value, is included in minority interests and, failing that, in consolidated retained earnings, Group share. Until these options are exercised, the profit or loss linked to minority interests is included in minority interests in the consolidated profit and loss account. A fall in the percentage interest held by the Group in a fully consolidated subsidiary is treated in the accounts as a movement in equity.

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

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

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

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

1.e.8 Hedge accounting

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

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

Value hedges are used in particular 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).

Hedging of future earnings is used in particular to hedge interest rate risk on revisable-rate assets and liabilities, including rollovers, and foreign exchange risk on highly probable forecast foreign currency revenues.

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

In accordance with IAS 39, the Group carries out prospective and retrospective testing of the effectiveness of hedges at inception and at least quarterly thereafter. Retrospective tests of effectiveness aim to ensure that the relationship between the actual changes in value or cash flows of the hedging instruments and those of the hedged instruments are within a range of 80% to 125%. Prospective tests aim to ensure that the expected changes in value or cash flows of the hedging instruments over the remaining life of the hedge sufficiently offset those of the hedged instruments. Highly probable transactions are identified on the basis of historical data for similar transactions.

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

- the risk that is hedged is the interest rate risk linked to the interbank rate component included in interest rates on commercial loan transactions offered to clients, savings accounts and demand deposits;
- for each maturity band, the instruments considered as hedged correspond to a fraction of the position made up of the gaps related to the hedged underlyings;
- only simple interest rate swaps are used as hedging instruments;
- prospective hedge effectiveness is ensured by the fact that at inception the impact of all hedging instruments must be to reduce the interest rate risk of the portfolio of hedged underlyings. On a retrospective basis, these instruments no longer qualify as hedges if the underlyings specifically linked to them for each maturity band become insufficient (as a result of early repayments or deposit withdrawals).

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

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

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

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

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

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

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

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

1.e.9 Determination of market value

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

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

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

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

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

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

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

1.e.10 Derecognition of financial assets and liabilities

Derecognition of financial assets

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

Derecognition of financial liabilities

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

Repurchase agreements and securities lending/borrowing

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

Securities temporarily acquired as part of a reverse repurchase agreement are not recognised on the Group's balance sheet. The corresponding receivable is recognised at amortised cost under the appropriate "Financial assets at amortised cost" heading, with the exception of reverse repurchase agreements contracted for the Group's trading purposes, where the corresponding receivable is recognised under "Financial instruments at market 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. If borrowed securities are subsequently sold by the Group, the obligation to deliver the borrowed securities on maturity is recognised in the form of a financial liability in the balance sheet under "Financial instruments at fair value through profit or loss".

1.e.11 Offsetting of financial assets and liabilities

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

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

1.f Property, plant, equipment and intangible assets

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

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

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

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

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

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

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

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

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

The depreciation periods used for office buildings are 50 years for the structure of the buildings, 15 years for general and technical installations and 10 years for fixtures and fittings.

Depending on its nature, software is amortised over a maximum of 8 years for infrastructure developments, and over 3 years or 5 years for developments primarily linked to providing services to clients. Furniture is depreciated over a period of 5 or 10 years.

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

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment on the reporting date. Non-depreciable assets are tested for impairment at least annually based on the model of that used for goodwill allocated to cash-generating units.

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

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

Gains and losses on disposals of investment property are recognised in the profit and loss statement under "Income from other activities" or "Net gains on other fixed assets".

1.g Leases

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

1.g.1 Group company lessor in the lease

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

Finance leases

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

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

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

Operating leases

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

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

1.g.2 Group company lessee in the lease

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

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

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

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

At least once per year, the Group ensures that it is not aware of any indications of a loss of value on its right-of-use assets. Should it find such indications, the Group will impair the relevant assets.

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

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

Once classified in this category, non-current assets or the group of assets and liabilities are assessed at the lower of their carrying amount and their market value less selling costs.

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

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

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

1.i Employee benefits

Group employee benefits are classified under four categories:

- short-term benefits such as salaries, annual leave, incentive bonuses, profit-sharing and contributions matching;
- long-term benefits including paid leave, long-service payments and certain deferred cash payments;
- termination benefits;
- post-employment benefits, which relate specifically to retirement schemes, in some cases backed by pension funds.

Short-term benefits

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

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

Long-term benefits

Long-term benefits are all benefits that are not short-term benefits, post-employment benefits or termination benefits. This relates, in particular, to compensation deferred for more than 12 months, paid in cash and not linked to the BNP Paribas share price, which is recognised in the financial statements for the period in which it is earned.

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

Termination benefits

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

Post-employment benefits

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

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

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

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

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

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

The present value of the defined benefit obligation is measured on the basis of the actuarial assumptions applied by the company, while using the projected unit credit method. This assessment method takes into account various parameters, specific to each country or Group division, such as demographic assumptions, early retirement, wage increases, a discounting rate and the inflation rate.

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

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

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

1.j Share-based payments

Share-based payments are payments based on shares issued by BNP Paribas S.A., whether they are settled by the award of shares or an amount of cash that depends on the development of the value of the shares.

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

BGL BNP Paribas may grant employees options in a BNP Paribas S.A. share ownership plan and immediate or deferred compensation paid in cash and indexed to the value of the BNP Paribas S.A. share price.

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

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

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

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

1.k Provisions recognised as liabilities

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

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

1.l Current and deferred taxes

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

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

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

- taxable temporary differences on the initial recognition of goodwill;
- taxable temporary differences on investments in companies under exclusive or joint control, insofar as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

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

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

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

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

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

1.m Statement of cash flows

The cash and cash equivalents balance is composed of the net balance of cash accounts, 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 Group's operations, including cash flows related to transferable debt securities.

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

Changes in cash 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 transferable debt securities).

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

The preparation of the Group's financial statements requires managers of business lines and functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities on the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires managers to exercise their judgement and to make use of information available at the date on which the financial statements are drawn up when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates, mainly as a result of market conditions, which may have a material impact on the financial statements.

This applies in particular to the following:

- analysis of the cash flow criterion for certain financial assets;
- the calculation of expected credit losses. More specifically, this relates to determining whether there has been a significant increase in credit risk, the models and assumptions used to measure expected credit losses, and assessment of the various economic scenarios and their weighting;
- analysis of renegotiated loans in order to determine whether they are to be kept on the balance sheet or derecognised;
- analysis of whether a market is active and the use of internal models to calculate the market value of financial instruments not listed on an active market classified in "Financial assets at market value through equity" or as an asset or liability in "Financial instruments at market value through profit or loss", and more generally, calculations of the fair value of financial instruments subject to a fair value disclosure requirement within the notes to the financial statements;

- assumptions used to assess the sensitivity of the market value of financial instruments to each type of market risk, as well as the sensitivity of such valuations to key unobservable parameters, as presented in the notes to the financial statements;
- appropriateness of the classification of certain cash flow hedges using derivatives and the measurement of hedge effectiveness;
- impairment tests performed on intangible assets and on right-of-use assets resulting from the application of IFRS 16;
- deferred tax assets;
- measurement of tax treatment uncertainty and of other provisions to cover the risk of losses and charges. In particular, the outcome and potential impact of ongoing investigations and disputes is particularly difficult to predict before their conclusion. Provisions are estimated taking into account all information available on the date the financial statements are prepared, in particular, the nature of the dispute, the underlying facts and ongoing legal proceedings and decisions, including those made in relation to similar cases. The Group may also seek advice from experts and independent consultants in exercising its judgement.

2. Notes to the profit and loss account

2.a Net interest margin

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

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

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

	2020 financial year			2019 financial year		
In millions of euro	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	**1,410.7**	**(245.0)**	**1,165.7**	**1,424.2**	**(322.1)**	**1,102.1**
Deposits and loans/borrowings	536.7	(163.5)	373.2	560.1	(238.6)	321.5
Repurchase agreements	0.1	(0.4)	(0.4)	1.1	(1.5)	(0.4)
Finance leases	850.2	(73.6)	776.6	833.4	(69.6)	763.8
Debt securities	23.7	-	23.7	29.6	-	29.6
Debt securities and subordinated debt	-	(7.4)	(7.4)	-	(12.4)	(12.4)
Financial instruments at market value through equity	**16.2**	**-**	**16.2**	**18.6**	**-**	**18.6**
Debt securities	16.2	-	16.2	18.6	-	18.6
Financial instruments at market value through profit or loss (not held for trading)	**6.2**	**0.0**	**6.2**	**10.0**	**(0.1)**	**9.9**
Cash flow hedges	**21.8**	**(2.7)**	**19.1**	**19.6**	**(1.1)**	**18.5**
Hedges of portfolios hedged against interest rate risk	**51.4**	**(14.1)**	**37.3**	**33.6**	**(5.1)**	**28.5**
Lease liabilities	**-**	**(0.2)**	**(0.2)**	**-**	**(0.4)**	**(0.4)**
TOTAL	**1,506.2**	**(261.9)**	**1,244.3**	**1,505.9**	**(328.9)**	**1,177.0**

Total interest income on individually impaired receivables amounted to EUR 8.0 million in 2020, down from EUR 5.0 million in 2019.

2.b Fees

	2020 financial year			2019 financial year		
In millions of euro	Income	Expense	Net	Income	Expense	Net
Client lending operations	33.1	(8.2)	24.9	35.3	(7.1)	28.2
Payment methods and account keeping	50.1	(13.8)	36.3	52.0	(14.1)	37.9
Securities, investment funds and UCITS	60.5	(0.0)	60.5	59.5	-	59.5
Fees on securities and derivatives	36.9	(8.7)	28.2	34.2	(6.5)	27.7
Insurance activities	30.6	-	30.6	25.2	-	25.2
Other fees	34.6	(30.3)	4.3	29.4	(29.2)	0.2
TOTAL	**245.8**	**(61.0)**	**184.8**	**235.6**	**(56.9)**	**178.7**

2.c Net gain/(loss) on financial instruments at market value through profit or loss

Net gain/(loss) on financial instruments at market value through profit or loss includes profit and loss items relating to: financial instruments managed in the trading book; financial instruments that the Group has designated at market value through profit or loss, equity securities not held for trading purposes for which the option of recognition at market value through equity is not applied, as well as debt instruments for which cash flows are not solely payments of principal and interest on the principal amount outstanding or for which the business model is not "hold to collect" or "hold to collect and sell".

These elements of profit or loss include dividends on these instruments and exclude interest income and expenditure on financial instruments designated as measured at market value option and on instruments for which cash flows are not solely payments of principal and interest on the principal amount outstanding or for which the business model is not "hold to collect" or "hold to collect and sell", which is presented in the "Net interest margin" (note 2.a).

In millions of euro	2020 financial year	2019 financial year
Financial instruments held for trading	**28.9**	**60.3**
Fixed income and credit instruments	2.3	1.8
Equity instruments	3.6	3.9
Foreign exchange instruments	27.7	58.1
Loans and repurchase agreements	(4.7)	(3.5)
Instruments at market value option	**0.1**	**1.0**
Other instruments recognised at market value through profit or loss	**1.6**	**(1.4)**
Debt instruments	1.9	3.2
Equity instruments	(0.3)	(4.6)
Impact of hedge accounting	**(0.2)**	**0.2**
Derivatives used for market value hedging purposes	31.7	30.5
Hedged items in market value hedge	(31.9)	(30.3)
TOTAL	**30.4**	**60.1**

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

Net gains on trading books include a non-material amount for 2020 and 2019, relating to the ineffective portion of cash flow hedges.

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

2.d Net gain/(loss) on financial instruments at market value through equity and on financial instruments at amortised cost

In millions of euro	2020 financial year	2019 financial year
Capital gains or losses on debt instruments at market value through equity	**7.0**	**4.2**
Debt securities[1]	7.0	4.2
Gains and losses on equity instruments at market value through equity	**13.3**	**9.0**
Dividend income	13.3	9.0
TOTAL	**20.3**	**13.1**

Unrealised gains on debt securities, previously recorded under "Changes in assets and liabilities recognised directly in equity available for reclassification to profit or loss" and recognised through profit or loss, represented a net gain of EUR 2.0 million in 2020 versus EUR 4.2 million in 2019.

2.e Income and expenses from other activities

	2020 financial year			2019 financial year		
In millions of euro	Income	Expense	Net	Income	Expense	Net
Income and expense from investment property	71.0	(18.4)	52.6	35.9	(10.9)	25.0
Income and expense from assets held under operating leases	162.3	(127.7)	34.6	152.0	(116.9)	35.1
Other income and expense	627.4	(599.0)	28.4	588.0	(562.0)	26.0
TOTAL	**860.8**	**(745.2)**	**115.6**	**775.9**	**(689.8)**	**86.1**

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

2.f Other operating expenses

In millions of euro	2020 financial year	2019 financial year
Taxes and contributions[2]	(39.6)	(33.0)
External services and other operating expenses	(218.9)	(220.1)
TOTAL	**(258.5)**	**(253.2)**

2.g Cost of risk

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

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

These two stages should be based on forecast information.

Significant increase in credit risk

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

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

(1) Interest income from debt securities is included in "Net interest margin" (see note 2.a) and impairment losses in potential issuer default are included in "Cost of risk" (see note 2.g).

2) Contributions to the Single Resolution Fund, including exceptional contributions, amounted to EUR -22.7 million in 2020 compared with EUR -17.3 million in 2019.

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

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

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

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

Facilities granted to SME and retail clients

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

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

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

In addition, for all portfolios:

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

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

Forecast information

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

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

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

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

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

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

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

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

Description of the macroeconomic scenarios

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

- a base scenario representing the most likely economic situation over the forecast period. This scenario is updated quarterly. It is defined by the Group's economic research team together with various experts across the Group. Projections are made for each of the Group's major markets (France, Italy, Belgium, United States and the eurozone) based on the key macroeconomic variables (gross domestic product – GDP – and its components, the unemployment rate, the consumer price index, interest rates, exchange rates, the oil price, real estate prices, etc.) that are critical for modelling the risk parameters used in the resistance tests. From 31 December 2020 onwards, in addition to regions, forecast parameters have been detailed by economic sector in order to better reflect the heterogeneity of the economic dynamics linked to the lockdown measures and the partial shutdown of activity;
- a negative scenario reflecting the impact of the risks threatening the base scenario materialising, resulting in a much less favourable economic situation than in the benchmark scenario. The starting point is to apply a shock to GDP. This shock is applied in varying degrees, but simultaneously across the different economies if the crisis under consideration is global. The assumptions used are generally consistent with those proposed by regulators. The other variables (unemployment rate, inflation, interest rates) are defined on the basis of established econometric relationships and expert judgement.
- a favourable scenario reflecting the impact of the upside risks in the economy materialising, resulting in a much more favourable economic situation. In order to arrive at an unbiased estimate for impairment, the favourable scenario is defined in such a way that the probability of occurrence of the shock applied to GDP (on average through the cycle) is equal to the probability of occurrence of the corresponding shock in the negative scenario. The size of the shocks applied is generally 80%-95% of the size of the negative shocks. Other variables (unemployment rate, inflation, interest rates) are defined in the same way as in the negative scenario.

A more detailed description of these three macroeconomic scenarios and how the health crisis has affected the scenarios is available in the "Credit risk" section of the Pillar 3 document.

Cost of risk for the period

Cost of risk for the period

In millions of euro	2020 financial year	2019 financial year
Net additions to impairments	(126.8)	(93.8)
Recoveries on loans and receivables previously written off	11.7	8.5
Losses on unrecoverable loans	(14.7)	(16.0)
TOTAL	**(129.7)**	**(101.3)**

In 2019, the European Central Bank authorised the bank to review its risk model for retail clients. This new model was implemented in the second half of 2020 and generated an additional allocation of EUR 7.8 million.

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

In millions of euro	2020 financial year	2019 financial year
Assets at amortised cost	(130.0)	(99.7)
of which loans and receivables	*(130.0)*	*(99.7)*
of which debt instruments	*0.0*	*0.0*
Other assets	0.5	(1.1)
Financing, guarantee and miscellaneous commitments	(0.3)	(0.5)
TOTAL	**(129.7)**	**(101.3)**
Cost of risk on performing loans	(31.3)	(14.3)
of which stage 1	*(15.8)*	*(11.3)*
of which stage 2	*(15.5)*	*(3.0)*
Cost of risk on impaired outstandings – stage 3	(98.4)	(86.9)
TOTAL	**(129.7)**	**(101.3)**

Credit risk impairment

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

In millions of euro	31 December 2019	Net additions to impairments	Use of impairments	Foreign exchange movements and other movements	31 December 2020
IMPAIRMENT OF ASSETS					
Financial assets at amortised cost	672.3	125.8	(58.7)	(13.3)	726.1
of which loans and receivables	*672.3*	*125.8*	*(58.7)*	*(13.3)*	*726.1*
of which debt instruments	*0.0*	*(0.0)*	-	-	*0.0*
Other assets	3.7	0.6	-	0.0	4.3
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**676.0**	**126.4**	**(58.7)**	**(13.3)**	**730.5**
of which stage 1	*88.1*	*12.5*	-	*(2.0)*	*98.6*
of which stage 2	*88.8*	*14.7*	-	*(0.5)*	*103.0*
of which stage 3	*499.1*	*99.2*	*(58.7)*	*(10.8)*	*528.9*
PROVISIONS RECOGNISED AS LIABILITIES					
Provisions for financing and guarantee commitments	17.0	0.9	-	(0.2)	17.7
Other impairment	0.1	(0.6)	-	0.5	-
TOTAL PROVISIONS BOOKED IN RESPECT OF CREDIT COMMITMENTS	**17.1**	**0.3**	**-**	**0.3**	**17.7**
of which stage 1	*9.9*	*3.2*	-	*(0.1)*	*12.9*
of which stage 2	*3.2*	*0.8*	-	*0.0*	*4.0*
of which stage 3	*4.1*	*(3.7)*	-	*0.5*	*0.8*
TOTAL	**693.1**	**126.7**	**(58.7)**	**(13.0)**	**748.2**

In millions of euro	31 December 2018	Net additions to impairments	Use of impairments	Foreign exchange movements and other movements	31 December 2019
IMPAIRMENT OF ASSETS					
Financial assets at amortised cost	642.1	92.5	(59.3)	(3.0)	672.3
of which loans and receivables	*642.1*	*92.5*	*(59.3)*	*(3.0)*	*672.3*
of which debt instruments	*0.0*	*0.0*	*-*	*-*	*0.0*
Other assets	2.8	0.8	-	0.1	3.7
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**644.9**	**93.3**	**(59.3)**	**(2.9)**	**676.0**
of which stage 1	*78.6*	*9.6*	*-*	*(0.1)*	*88.1*
of which stage 2	*89.9*	*2.3*	*(3.6)*	*0.3*	*88.8*
of which stage 3	*476.5*	*81.4*	*(55.7)*	*(3.1)*	*499.1*
PROVISIONS RECOGNISED AS LIABILITIES					
Provisions for financing and guarantee commitments	15.8	1.2	-	(0.0)	17.0
Other impairment	1.1	(0.7)	-	(0.3)	0.1
TOTAL PROVISIONS BOOKED IN RESPECT OF CREDIT COMMITMENTS	**16.9**	**0.5**	**-**	**(0.3)**	**17.1**
of which stage 1	*8.2*	*1.7*	*-*	*(0.0)*	*9.9*
of which stage 2	*2.4*	*0.8*	*-*	*(0.0)*	*3.2*
of which stage 3	*6.3*	*(2.0)*	*-*	*(0.3)*	*4.1*
TOTAL	**661.8**	**93.8**	**(59.3)**	**(3.2)**	**693.1**

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

In millions of euro	Impairment on loans with 12-month expected losses (stage 1)	Impairment on loans with expected losses at maturity (stage 2)	Impairment on impaired outstandings (stage 3)	TOTAL
At 31 December 2019	88.1	88.8	495.4	**672.3**
Net additions to impairments	**12.6**	**14.7**	**99.0**	**126.3**
Financial assets acquired or issued during the period	39.4	31.8	0.0	**71.2**
Financial assets derecognised during the period[1]	(10.1)	(13.2)	(38.8)	**(62.1)**
Transfer to stage 2	(4.4)	53.7	(4.7)	**44.5**
Transfer to stage 3	(1.1)	(4.6)	86.6	**80.9**
Transfer to stage 1	3.3	(39.9)	(4.5)	**(41.1)**
Other allocations/reversals without change of stage[2]	(14.6)	(13.1)	60.5	**32.9**
Use of impairments	**-**	**-**	**(58.7)**	**(58.7)**
Changes in scope, foreign exchange movements and other movements	**(2.1)**	**(0.5)**	**(11.1)**	**(13.8)**
At 31 December 2020	98.5	103.0	524.6	**726.2**

[1] Including disposals.
[2] Including depreciation and amortisation. Impact linked to the implementation of new risk models in the amount of EUR 7.8 million.

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

In millions of euro	Impairment on loans with 12-month expected losses (stage 1)	Impairment on loans with expected losses at maturity (stage 2)	Impairment on impaired outstandings (stage 3)	TOTAL
At 31 December 2018	78.6	89.9	473.7	**642.2**
Net additions to impairments	**9.6**	**2.3**	**80.6**	**92.5**
Financial assets acquired or issued during the period	37.5	29.0	0.0	**66.6**
Financial assets derecognised during the period[1]	(8.1)	(13.2)	(20.7)	**(42.0)**
Transfer to stage 2	(3.2)	37.7	(3.4)	**31.2**
Transfer to stage 3	(0.9)	(4.3)	78.5	**73.3**
Transfer to stage 1	2.3	(30.7)	(2.6)	**(31.0)**
Other allocations/reversals without change of stage[2]	(18.1)	(16.3)	28.7	**(5.7)**
Use of impairments	**-**	**(3.6)**	**(55.7)**	**(59.3)**
Changes in scope, foreign exchange movements and other movements	**(0.1)**	**0.3**	**(3.2)**	**(2.9)**
At 31 December 2019	**88.1**	**88.8**	**495.4**	**672.3**

Changes in impairment for financial assets at fair value through other comprehensive income

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

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

In millions of euro	Impairment on loans with 12-month expected losses (stage 1)	Impairment on loans with expected losses at maturity (stage 2)	Impairment on impaired outstandings (stage 3)	TOTAL
At 31 December 2019	9.9	3.2	3.9	**17.0**
Net additions to impairments	**3.2**	**0.8**	**(3.1)**	**0.9**
Financial assets acquired or issued during the period	3.6	0.8	-	**4.4**
Financial assets derecognised during the period[3]	(1.8)	(1.5)	(0.2)	**(3.5)**
Transfer to stage 2	(0.2)	1.5	(0.0)	**1.3**
Transfer to stage 3	(0.0)	(0.0)	0.2	**0.2**
Transfer to stage 1	0.2	(1.1)	(0.1)	**(1.0)**
Other allocations/reversals without change of stage[4]	1.5	0.9	(3.0)	**(0.6)**
Use of impairments	**-**	**-**	**-**	**-**
Changes in scope, foreign exchange movements and other movements	**(0.1)**	**0.0**	**0.0**	**(0.1)**
At 31 December 2020	12.9	4.0	0.8	**17.7**

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

2.h Share of net income of companies accounted for by the equity method

This net income includes a contribution from Cardif Lux Vie of EUR 15.6 million euros (EUR 14.9 million in 2019), from leasing activities of EUR -3.4 million (EUR -0.6 million in 2019) and from Luxhub of EUR -0.3 million (consolidated as of June 2020).

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

2.i Net gains on fixed assets

In millions of euro	2020 financial year	2019 financial year
Net gain or loss on investment disposals	-	0.2
Net gain or loss on disposals of fixed assets	0.8	(0.1)
TOTAL	**0.8**	**0.1**

2.j Corporate income tax

	2020 financial year		2019 financial year	
Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Luxembourg	**In millions of euro**	**Tax rate**	**In millions of euro**	**Tax rate**
Theoretical income tax expense on pre-tax income [1]	**(172.4)**	**25.3%**	**(157.0)**	**25.3%**
Tax-exempt interest and dividends	10.0	-1.5%	9.0	-1.5%
Income from tax-exempt investments	3.7	-0.5%	3.6	-0.6%
Impact of using tax losses for which no deferred tax asset was previously recognised	4.0	-0.6%	(10.5)	1.7%
Impact of tax rate adjustment on temporary differences	12.0	-1.8%	11.1	-1.8%
Differential effect in tax rates applicable to foreign entities	(6.0)	0.9%	(11.0)	1.8%
Other items	6.3	-0.9%	7.2	-1.2%
Corporate income tax expense	**(142.4)**	**20.9%**	**(147.5)**	**23.7%**
of which				
Current tax expense for the financial year	*(139.0)*		*(146.3)*	
Net deferred tax income (expense) for the financial year (note 4.i)	*(3.4)*		*(1.2)*	

3. Sector information

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

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

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

The Group is composed of four core operational businesses:

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

[1] Adjusted for share of earnings of companies accounted for by the equity method and goodwill

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

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

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

Allocation rules

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

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

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

Support departments (support functions, control functions, operations and IT) provide services to the business lines and activities. These services include mainly human resources, information technology, payment services, settlement of security transactions, Know Your Customer, control (Compliance, General Inspection, Risk), and financial monitoring. The costs and revenues of these departments are charged to the core businesses on the basis of Rebilling Agreements reflecting the economic consumption with respect to the products and services provided. These agreements ensure that the costs and revenues are fully charged to the Group's commercial activities based on actual usage.

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

Income by core business

In millions of euro						2020 financial year
	BDEL	Leasing International	Corporate and Institutional Banking	International Financial Services	Others	Total
Net banking income	**393.0**	**857.1**	**18.5**	**153.2**	**173.7**	**1,595.5**
Operating expenses (1)	(245.8)	(407.2)	(7.4)	(99.7)	(24.0)	**(784.2)**
Cost of risk	(17.5)	(113.8)	(0.0)	0.2	1.4	**(129.7)**
Operating income	**129.8**	**336.1**	**11.1**	**53.6**	**151.0**	**681.6**
Non-operating items	(0.3)	(3.4)	-	15.6	0.8	**12.7**
Pre-tax income	**129.5**	**332.8**	**11.1**	**69.2**	**151.8**	**694.3**

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

Assets and liabilities by core business

In millions of euro	31 December 2020		31 December 2019[1)]	
	Assets	Liabilities	Assets	Liabilities
BDEL	11,778.3	26,339.2	11,332.8	24,936.9
Leasing International	23,594.5	11,387.7	23,770.3	12,474.9
Corporate and Institutional Banking	287.0	915.5	135.6	681.8
International Financial Services	2,828.9	8,684.2	2,476.8	8,785.9
Others	18,053.0	9,215.1	18,863.1	9,699.1
TOTAL GROUP	**56,541.8**	**56,541.8**	**56,578.5**	**56,578.5**

1) 2019 figures have been recompiled based on the methodology used in 2020: eliminations related to reciprocal transactions are included in "Other" and shareholders' equity and minority interests have been allocated to the various business segments.

4. Notes to the balance sheet

4.a Financial instruments at market value through profit or loss

Other financial assets and liabilities at market value through profit or loss excluding derivatives

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

				31 December 2020
In millions of euro	Trading book	Financial instruments at market value option	Other financial assets measured at fair value through profit or loss	Total
Securities portfolio	105.4	-	168.2	273.7
Debt securities	-	-	*125.4*	*125.4*
Equity instruments	*105.4*	-	*42.8*	*148.3*
Loans and repurchase agreements	65.2	-	49.7	114.9
Financial assets at market value through profit or loss	**170.7**	**-**	**217.9**	**388.6**
Deposits and repurchase agreements	212.3	-	-	212.3
Debt securities (note 4.h)	-	31.0	-	31.0
of which subordinated debt	-	*25.8*	-	*25.8*
of which non-subordinated debt	-	*5.2*	-	*5.2*
FINANCIAL LIABILITIES AT MARKET VALUE THROUGH PROFIT OR LOSS	**212.3**	**31.0**	**-**	**243.2**

				31 December 2019
In millions of euro	Trading book	Financial instruments at market value option	Other financial assets measured at fair value through profit or loss	Total
Securities portfolio	1.8	-	622.9	624.7
Debt securities	-	-	*583.8*	*583.8*
Equity instruments	*1.8*	-	*39.1*	*40.9*
Loans and repurchase agreements	95.8	-	55.3	151.1
Financial assets at market value through profit or loss	**97.6**	**-**	**678.2**	**775.8**
Deposits and repurchase agreements	113.9	-	-	113.9
Debt securities (note 4.h)	-	114.0	-	114.0
of which: Subordinated debt	-	*86.9*	-	*86.9*
of which: Non-subordinated debt	-	*27.1*	-	*27.1*
FINANCIAL LIABILITIES AT MARKET VALUE THROUGH PROFIT OR LOSS	**113.9**	**114.0**	**-**	**227.9**

The details of these headings are presented in note 4.d.

Financial liabilities at fair value option

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

The redemption value of debts issued at market value option through profit or loss amounted to EUR 25.8 million as at 31 December 2020, compared with EUR 109.5 million as 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 purposes:

- debt instruments which do not fulfil the criteria of IFRS 9 for classification as instruments at market value through equity or at amortised cost.
  - their business model is not "hold to collect" or "hold to collect and sell"; and/or
  - their cash flows do not relate solely to payments of principal and interest on the principal amount outstanding.
- equity instruments that the Group has not designated as measured at market value through equity.

Derivatives held for trading

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

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

The positive or negative market value of derivatives classified in the trading book represents the replacement value of these instruments. This value may fluctuate significantly in response to changes in market parameters (such as interest rates or exchange rates).

	31 December 2020		31 December 2019	
In millions of euro	Positive market value	Negative market value	Positive market value	Negative market value
Interest rate derivatives	30.6	22.7	36.4	29.7
Currency derivatives	29.9	27.0	21.1	11.1
Equity derivatives	161.1	1.0	96.8	2.7
Derivatives	**221.6**	**50.6**	**154.3**	**43.6**

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

In millions of euro	31 December 2020			31 December 2019		
	Traded on an organised market	Over the counter	Total	Traded on an organised market	Over the counter	Total
Interest rate derivatives	-	6,633.0	6,633.0	-	10,702.6	10,702.6
Currency derivatives	-	5,664.0	5,664.0	-	5,729.6	5,729.6
Equity derivatives	101.3	484.0	585.3	29.5	541.8	571.2
Derivatives	**101.3**	**12,781.1**	**12,882.4**	**29.5**	**16,974.0**	**17,003.5**

4.b Derivatives used for hedging purposes

The table below shows the nominal amounts and market values of derivatives used for hedging purposes.

In millions of euro	31 December 2020			31 December 2019		
	Notional amount	Positive market value	Negative market value	Notional amount	Positive market value	Negative market value
Fair value hedges	**9,590.6**	**191.9**	**91.4**	**5,866.9**	**129.6**	**42.3**
Interest rate derivatives	9,590.6	191.9	91.4	5,866.9	129.6	42.3
Cash flow hedges	**2,321.5**	**68.1**	**1.8**	**2,639.0**	**57.7**	**3.5**
Interest rate derivatives	2,321.5	68.1	1.8	2,639.0	57.7	3.5
Derivatives used for hedging purposes	**11,912.1**	**260.0**	**93.2**	**8,505.9**	**187.3**	**45.8**

The table below shows the list of hedging relationships for identified instruments, and the list of portfolios of financial instruments still hedged as at 31 December 2020:

In millions of euro as at 31 December 2020	Hedging instruments			
	Notional amounts of hedging instruments	Positive market value	Negative market value	Changes in the value of the hedging instrument used to calculate hedge ineffectiveness for the period
Value hedges of identified instruments	**1,559.3**	**0.4**	**75.7**	**(37.5)**
Interest rates derivatives used to hedge interest rate risk relating to	1,559.3	0.4	75.7	(37.5)
Debt securities	1,559.3	0.4	75.7	(37.5)
Hedging of portfolios hedged against interest rate risk	**8,031.3**	**191.5**	**15.7**	**155.9**
Interest rates derivatives used to hedge interest rate risk relating to	8,031.3	191.5	15.7	155.9
Deposits	8,031.3	191.5	15.7	155.9
TOTAL VALUE HEDGING	**9,590.6**	**191.9**	**91.4**	**118.3**

In millions of euro as at 31 December 2020	Hedged instruments					
	Net carrying value of hedged instrument – assets	Net carrying value of hedged instrument – liabilities	Accumulated revaluation of hedged instruments – assets	Accumulated revaluation of hedged instruments – liabilities	Changes in the value of hedged instruments used to calculate hedge ineffectiveness	Ineffec-tiveness recognised in the profit and loss account
Value hedges of identified instruments	**1,601.3**	**-**	**37.6**	**-**	37.6	0.0
Interest rates derivatives used to hedge interest rate risk relating to	1,601.3	-	37.6	-	37.6	0.0
Debt securities	1,601.3	-	37.6	-	37.6	0.0
Hedging of portfolios hedged against interest rate risk	**-**	**7,981.2**	**-**	**156.0**	(156.0)	(0.2)
Interest rates derivatives used to hedge interest rate risk relating to	-	7,981.2	-	156.0	(156.0)	(0.2)
Deposits	-	7,981.2	-	156.0	(156.0)	(0.2)
TOTAL VALUE HEDGING	**1,601.3**	**7,981.2**	**37.6**	**156.0**	**(118.5)**	**(0.1)**

The total nominal amount of derivatives used to hedge future income was EUR 2.321 billion as at 31 December 2020. Total changes in value recognised directly in equity amounted to EUR 62.6 million. Inefficiencies linked to hedging of future income being recognised in profit and loss are negligible for 2020.

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

In millions of euro	31 December 2020			31 December 2019		
	Less than 1 year	From 1 year to 5 years	More than 5 years	Less than 1 year	From 1 year to 5 years	More than 5 years
Fair value hedges	**1,570.7**	**4,948.9**	**3,071.0**	**410.0**	**3,182.4**	**2,274.5**
Fixed income derivatives	1,570.7	4,948.9	3,071.0	410.0	3,182.4	2,274.5
Hedging of future earnings	**696.5**	**875.0**	**750.0**	**310.0**	**1,529.0**	**800.0**
Fixed income derivatives	696.5	875.0	750.0	310.0	1,529.0	800.0

4.c Financial assets at market value through equity

In millions of euro	31 December 2020 Market value	31 December 2020 of which changes in value recognised directly in equity	31 December 2019 Market value	31 December 2019 of which changes in value recognised directly in equity
Debt securities	**2,142.2**	**20.7**	**1,519.9**	**18.1**
States	476.7	10.7	477.2	16.4
Other public administrations	1,179.0	7.0	587.0	4.7
Credit institutions	485.9	3.1	454.1	(2.9)
Others	0.6	(0.0)	1.6	(0.0)
Equity securities	**250.1**	**(25.2)**	**309.5**	**34.2**
TOTAL FINANCIAL ASSETS AT MARKET VALUE THROUGH EQUITY	**2,392.3**	**(4.4)**	**1,829.4**	**52.3**

The Group has designated equity securities held primarily within the framework of strategic partnerships and securities required to carry out certain activities as measured at fair value through other comprehensive income. These investments are intended to be held for the medium to long term, without any initial speculation objective.

4.d Measurement of market value of financial instruments

Valuation process

The Group has chosen to implement the fundamental principle that it should have a unique and integrated processing chain for producing and controlling the valuations of financial instruments that are used for the purpose of daily risk management and financial reporting. This process is based on a single economic valuation which is a core component of business decisions and risk management strategies.

Economic value is composed of mid-market value and additional valuation adjustments.

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

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

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

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

Additional valuation adjustments

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

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

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

Value adjustment for counterparty risk (Credit Valuation Adjustment – CVA): the CVA applies to valuations and market listings whereby the creditworthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be financial intermediary market. However, the observability of the CVA is a matter of judgement owing to:

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

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

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

As such, the carrying amount of debt securities measured using the market value option is reduced by EUR 3.6 million as at 31 December 2020 and 31 December 2019.

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

The change in the market value cost of financing derivatives was not significant as at 31 December 2020

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

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

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

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

In millions of euro	Trading book				Financial instruments at fair value through profit or loss not held for trading purposes				Financial assets at fair value through other comprehensive income			31 December 2020
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities portfolio	**105.4**	**-**	**-**	**105.4**	**2.6**	**24.2**	**141.4**	**168.2**	**2,247.3**	**0.6**	**144.4**	**2,392.3**
STATES	-	-	-	**-**	-	-	-	**-**	476.7	-	-	**476.7**
Asset-backed securities	-	-	-	**-**	-	21.3	-	**21.3**	-	0.6	-	**0.6**
Other debt securities	-	-	-	**-**	-	0.9	103.1	**104.1**	1,665.0	-	-	**1,665.0**
Shares and other equity securities	105.4	-	-	**105.4**	2.6	2.0	38.3	**42.8**	105.7	-	144.4	**250.1**
Loans and repurchase agreements	**-**	**-**	**65.2**	**65.2**	**-**	**-**	**49.7**	**49.7**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	-	49.7	**49.7**	-	-	-	**-**
Repurchase agreements	-	-	65.2	**65.2**	-	-	-	**-**	-	-	-	**-**
Financial assets at market value	**105.4**	**-**	**65.2**	**170.7**	**2.6**	**24.2**	**191.1**	**217.9**	**2,247.3**	**0.6**	**144.4**	**2,392.3**
Deposits and repurchase agreements	**-**	**212.3**	**-**	**212.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	-	-	-	**-**	-	-	-	**-**	-	-	-	-
Repurchase agreements	-	212.3	-	**212.3**	-	-	-	**-**	-	-	-	-
Debt securities (note 4.h)	**-**	**-**	**-**	**-**	**-**	**31.0**	**-**	**31.0**	**-**	**-**	**-**	**-**
Subordinated debt (note 4.h)	-	-	-	**-**	-	25.8	-	**25.8**	-	-	-	-
Unsubordinated debt (note 4.h)	-	-	-	**-**	-	5.2	-	**5.2**	-	-	-	-
FINANCIAL LIABILITIES AT MARKET VALUE	**-**	**212.3**	**-**	**212.3**	**-**	**31.0**	**-**	31.0	**-**	**-**	**-**	**-**

In millions of euro	Trading book				Financial instruments at fair value through profit or loss not held for trading purposes				Financial assets at fair value through other comprehensive income			31 December 2019
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities portfolio	**1.8**	**-**	**-**	**1.8**	**4.1**	**484.0**	**134.8**	**622.9**	**1,641.6**	**1.6**	**186.2**	**1,829.4**
STATES	-	-	-	**-**	-	244.5	-	**244.5**	477.2	-	-	**477.2**
Asset-backed securities	-	-	-	**-**	-	28.2	-	**28.2**	-	1.6	-	**1.6**
Other debt securities	-	-	-	**-**	-	210.1	101.0	**311.2**	1,041.1	-	-	**1,041.1**
Shares and other equity securities	1.8	-	-	**1.8**	4.1	1.2	33.8	**39.1**	123.3	-	186.2	**309.5**
Loans and repurchase agreements	**-**	**29.3**	**66.5**	**95.8**	**-**	**-**	**55.3**	**55.3**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	-	55.3	**55.3**	-	-	-	**-**
Repurchase agreements	-	29.3	66.5	**95.8**	-	-	-	**-**	-	-	-	**-**
Financial assets at market value	**1.8**	**29.3**	**66.5**	**97.6**	**4.1**	**484.0**	**190.1**	**678.2**	**1,641.6**	**1.6**	**186.2**	**1,829.4**
Deposits and repurchase agreements	**-**	**113.9**	**-**	**113.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	-	-	-	**-**	-	-	-	**-**	-	-	-	-
Repurchase agreements	-	113.9	-	**113.9**	-	-	-	**-**	-	-	-	-
Debt securities (note 4.h)	**-**	**-**	**-**	**-**	**-**	**114.0**	**-**	**114.0**	**-**	**-**	**-**	**-**
Subordinated debt (note 4.h)	-	-	-	**-**	-	86.9	-	**86.9**	-	-	-	-
Unsubordinated debt (note 4.h)	-	-	-	**-**	-	27.1	-	**27.1**	-	-	-	-
Financial liabilities at market value	**-**	**113.9**	**-**	**113.9**	**-**	**114.0**	**-**	114.0	**-**	**-**	**-**	**-**

In millions of euro	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
POSITIVE MARKET VALUE								
Currency derivatives	-	29.9	-	29.9	-	21.1	-	21.1
Interest rate derivatives	-	30.6	-	30.6	-	36.4	-	36.4
Equity derivatives	-	161.1	-	161.1	-	96.8	-	96.8
Positive market value of derivatives (not used for hedging purposes)	**-**	**221.6**	**-**	**221.6**	**-**	**154.3**	**-**	**154.3**
Positive market value of derivatives used for hedging purposes	**-**	**260.0**	**-**	**260.0**	**-**	**187.3**	**-**	**187.3**
NEGATIVE MARKET VALUE								
Currency derivatives	-	27.0	-	27.0	-	11.1	-	11.1
Interest rate derivatives	-	22.7	-	22.7	-	29.7	-	29.7
Equity derivatives	-	1.0	-	1.0	-	2.7	-	2.7
Negative market value of derivatives (not used for hedging purposes)	**-**	**50.6**	**-**	**50.6**	**-**	**43.6**	**-**	**43.6**
Negative market value of derivatives used for hedging purposes	**-**	**93.2**	**-**	**93.2**	**-**	**45.8**	**-**	**45.8**

Transfers between levels may occur when an instrument fulfils the criteria defined, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. Transfers are recognised as if they had taken place at the end of the period.

During 2020, there were no transfers between Level 1 and Level 2.

Description of main instruments in each level

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

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

Level 1

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

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

Level 2

Level 2 securities are composed of securities that are less liquid than the Level 1 bonds. They are predominantly government bonds, corporate debt securities, Asset Backed Securities (ABS) and Student Loans, Mortgage Backed Securities (MBS) not using a cash flow modelling method, fund shares and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers, but these prices do not represent directly tradable prices. This comprises, amongst others, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative prices from active brokers and/or dealers. Other sources such as the primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

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

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

Derivatives classified in Level 2 comprise mainly the following instruments:

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

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

- Market value is predominantly derived from prices or listings of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;
- Market 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;
- Market value is determined on the basis of more complex or proprietary valuation techniques but is directly verified through regular comparison with external market parameters.

Determining whether an OTC derivative is eligible for Level 2 is a matter of judgment. This assessment considers the origin, transparency and reliability of external data used, as well as the degree of uncertainty associated with the use of models. It therefore follows that the Level 2 classification criteria involve multiple analysis axes within an "observation zone" whose limits are determined by a predefined list of product categories and the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable additional valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

Level 3

Level 3 securities comprise mainly fund units and unlisted shares.

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

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

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

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

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

Derivatives

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

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

Table of changes in Level 3 financial instruments

For Level 3 financial instruments, there was no movement between 31 December 2019 and 31 December 2020.

Financial assets

	Financial assets			
In millions of euro	**Financial instruments at market value through profit or loss held for trading purposes**	**Financial instruments at fair value through profit or loss not held for trading purposes**	**Financial instruments at market value through equity**	**TOTAL**
As at 31 December 2019	**66.5**	**190.1**	**186.2**	**442.9**
Purchases	-	4.8	-	**4.8**
Settlements	(1.3)	(5.7)	-	**(7.0)**
Reclassification	-	(1.1)	-	**(1.1)**
Others	-	1.2	-	**1.2**
Gains (or losses) recognised in profit or loss for instruments outstanding at the end of the period	-	1.8	-	**1.8**
Changes in assets and liabilities recognised directly in equity	-	(0.0)	(41.8)	**(41.8)**
As at 31 December 2020	65.2	191.1	144.4	**400.7**

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

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

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

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

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

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

To simplify matters, the sensitivity of the value of securities (excluding securitisation positions) is measured using a uniform variation of 1% of the value obtained using modelling. More specific variations have been calibrated for each of the Level 3 securitised exposure classes based on the intervals of envisaged non-observable parameters. For the most significant equity instrument positions, since 2020, the sensitivity of the value of the securities has been measured with a 10 basis point change in the cost of capital.

	31 December 2020		31 December 2019	
In millions of euro	Potential effect on the profit and loss account	Potential effect on equity	Potential effect on the profit and loss account	Potential effect on equity
Debt securities	+/-1.0	-	+/-1.0	-
Shares and other equity securities	+/-0.4	+/-1.9	+/-0.3	+/-1.9
Loans and receivables	+/-1.1	-	+/-1.2	-
Sensitivity of Level 3 financial instruments	**+/-2.6**	**+/-1.9**	**+/-2.6**	**+/-1.9**

4.e Financial assets at amortised cost

Breakdown of loans and receivables by type of product

	31 December 2020			31 December 2019		
In millions of euro	Gross value before impairment	Impairment (note 2.g)	Carrying amount	Gross value before impairment	Impairment (note 2.g)	Carrying amount
Loans and receivables due from credit institutions	**6,892.2**	**(0.0)**	**6,892.2**	**15,717.2**	**(0.2)**	**15,717.1**
Demand accounts	1,109.4	-	1,109.4	978.4	(0.2)	978.2
Loans[1]	5,782.7	(0.0)	5,782.7	6,749.9	(0.0)	6,749.9
Repurchase agreements	-	-	-	7,988.9	-	7,988.9
Loans and receivables payable by clients	**35,232.5**	**(726.1)**	**34,506.4**	**34,635.7**	**(672.1)**	**33,963.6**
Ordinary debitory accounts	1,112.7	(80.6)	1,032.1	1,016.5	(77.3)	939.2
Loans to clients	18,834.2	(205.3)	18,628.9	18,580.4	(190.2)	18,390.2
Finance leases	15,285.5	(440.2)	14,845.3	15,038.8	(404.6)	14,634.2
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	**42,124.7**	**(726.1)**	**41,398.5**	**50,352.9**	**(672.3)**	**49,680.7**

Maturity schedule of finance leases

In millions of euro	31 December 2020	31 December 2019
GROSS INVESTMENT	**16,313.8**	**16,014.1**
Receivable within 1 year	*5,481.6*	*5,427.2*
Receivable after 1 year but within 5 years	*10,427.4*	*10,074.4*
Receivable beyond 5 years	*404.8*	*512.5*
Unearned interest income	**(1,029.9)**	**(976.4)**
Net investment before impairment	**15,283.9**	**15,037.6**
Receivable within 1 year	*5,021.4*	*4,999.7*
Receivable after 1 year but within 5 years	*9,906.2*	*9,584.0*
Receivable beyond 5 years	*356.2*	*454.0*
Impairment	**(440.2)**	**(404.6)**
Net investment after impairment	**14,843.7**	**14,633.1**

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

Breakdown of debt securities by issuer category

In millions of euro	31 December 2020 Gross value before impairment	31 December 2020 Impairment (note 2.g)	31 December 2020 Carrying amount	31 December 2019 Gross value before impairment	31 December 2019 Impairment (note 2.g)	31 December 2019 Carrying amount
STATES	346.5	(0.0)	346.5	382.8	(0.0)	382.8
Other public administrations	651.9	(0.0)	651.9	689.4	(0.0)	689.4
Credit institutions	105.5	(0.0)	105.5	63.2	(0.0)	63.2
Others	11.1	(0.0)	11.1	12.3	(0.0)	12.3
DEBT SECURITIES AT AMORTISED COST	**1,114.9**	**(0.0)**	**1,114.9**	**1,147.8**	**(0.0)**	**1,147.8**

Breakdown of financial assets at amortised cost by stage

In millions of euro	31 December 2020 Gross value before impairment	31 December 2020 Impairment (note 2.g)	31 December 2020 Carrying amount	31 December 2019 Gross value before impairment	31 December 2019 Impairment (note 2.g)	31 December 2019 Carrying amount
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	**6,892.2**	**(0.0)**	**6,892.2**	**15,717.2**	**(0.2)**	**15,717.1**
Stage 1	6,891.2	(0.1)	6,891.0	15,716.0	(0.1)	15,715.9
Stage 2	1.0	-	1.0	1.1	(0.0)	1.1
Stage 3	0.1	(0.0)	0.1	0.2	(0.2)	-
LOANS AND RECEIVABLES PAYABLE BY CLIENTS	**35,232.5**	**(726.1)**	**34,506.4**	**34,635.7**	**(672.1)**	**33,963.6**
Stage 1	31,598.5	(98.4)	31,500.1	30,839.8	(87.9)	30,751.8
Stage 2	2,546.5	(103.0)	2,443.5	2,839.8	(88.8)	2,751.0
Stage 3	1,087.4	(524.6)	562.8	956.1	(495.2)	460.9
DEBT SECURITIES	**1,114.9**	**(0.0)**	**1,114.9**	**1,147.8**	**(0.0)**	**1,147.8**
Stage 1	1,114.9	(0.0)	1,114.9	1,147.8	(0.0)	1,147.8

4.f Impaired outstandings (stage 3)

The tables below show the net carrying amounts of impaired outstandings on financial assets at amortised cost and of financing and guarantee commitments, as well as the collateral received to hedge such outstandings.

The reported amount for collateral and other guarantees received is the lower of the value of the guarantee and the value of the secured asset.

Breakdown of impaired outstandings (stage 3)

	31 December 2020			
	Impaired outstandings (Stage 3)			
In millions of euro	Gross value	Impairment	Net	Collateral received
Loans and receivables due from credit institutions (note 4.e)	0.1	(0.0)	0.1	2.1
Loans and receivables due from clients (note 4.e)	1,087.4	(524.6)	562.8	441.0
TOTAL IMPAIRED OUTSTANDINGS AT AMORTISED COST (STAGE 3)	**1,087.5**	**(524.6)**	**562.9**	**443.1**
Financing commitments given	4.9	(0.0)	4.9	0.8
Guarantee commitments given	3.4	(0.8)	2.6	0.8
Total impaired off-balance sheet commitments (stage 3)	**8.3**	**(0.8)**	**7.5**	**1.6**
TOTAL	**1,095.8**	**(525.4)**	**570.4**	**444.7**

	31 December 2019			
	Impaired outstandings (Stage 3)			
In millions of euro	Gross value	Impairment	Net	Collateral received
Loans and receivables due from credit institutions (note 4.e)	0.2	(0.2)	-	0.5
Loans and receivables due from clients (note 4.e)	956.1	(495.2)	460.9	385.4
TOTAL IMPAIRED OUTSTANDINGS AT AMORTISED COST (STAGE 3)	**956.3**	**(495.4)**	**460.9**	**385.9**
Financing commitments given	6.2	(0.6)	5.6	0.2
Guarantee commitments given	4.6	(3.3)	1.3	0.8
Total impaired off-balance sheet commitments (stage 3)	**10.8**	**(3.9)**	**6.9**	**1.1**
TOTAL	**967.1**	**(499.3)**	**467.8**	**387.0**

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

Gross value *In millions of euro*	Impaired outstandings (Stage 3)
At 31 December 2019	**956.3**
Transfer to stage 3	338.8
Return to stage 1 or stage 2	(91.9)
Write-offs	(72.9)
Other changes	(42.8)
At 31 December 2020	**1,087.5**

Breakdown of financial assets subject to impairment by stage and by internal rating

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

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

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

	31 December 2020							
						Gross value	Impairment	Carrying amount
	BGL BNP Paribas internal rating or equivalent					Total		
In millions of euro	1 to 3	4 to 5	6 to 8	9 to 10	Default			
CENTRAL BANKS	**8,409.7**	**-**	**-**	**-**	**-**	**8,409.7**	**-**	**8,409.7**
Stage 1	8,409.7	-	-	-	-	8,409.7	-	8,409.7
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Debt securities at market value through equity	**2,140.7**	**-**	**0.6**	**-**	**-**	**2,141.2**	**(0.0)**	**2,141.2**
Stage 1	2,140.7	-	-	-	-	2,140.7	(0.0)	2,140.6
Stage 2	-	-	0.6	-	-	0.6	-	0.6
Stage 3	-	-	-	-	-	-	-	-
Loans and receivables at amortised cost	**9,969.1**	**11,886.2**	**18,841.5**	**340.4**	**1,087.6**	**42,124.7**	**(726.1)**	**41,398.5**
Stage 1	9,969.1	11,517.4	17,003.1	-	-	38,489.7	(98.5)	38,391.1
Stage 2	-	368.7	1,838.4	340.4	-	2,547.5	(103.0)	2,444.5
Stage 3	-	-	-	-	1,087.6	1,087.6	(524.6)	563.0
Debt securities at amortised cost	**1,062.4**	**51.3**	**1.3**	**-**	**-**	**1,114.9**	**(0.0)**	**1,114.9**
Stage 1	1,062.4	51.3	1.3	-	-	1,114.9	(0.0)	1,114.9
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Financing and guarantee commitments	**1,442.6**	**3,045.7**	**2,868.6**	**6.2**	**8.3**	**7,371.4**	**(17.7)**	**7,353.7**
Stage 1	1,442.6	3,025.3	2,699.7	-	-	7,167.7	(12.9)	7,154.8
Stage 2	-	20.3	168.9	6.2	-	195.4	(4.0)	191.4
Stage 3	-	-	-	-	8.3	8.3	(0.8)	7.4
TOTAL	**23,024.5**	**14,983.2**	**21,712.0**	**346.6**	**1,095.8**	**61,162.0**	**(743.9)**	**60,418.1**

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

4.g Debts at amortised cost payable to credit institutions and clients

Due to credit institutions and clients

In millions of euro	31 December 2020	31 December 2019
Debts payable to credit institutions	**10,105.0**	**12,058.0**
Demand accounts	719.8	512.7
Interbank borrowings[1]	9,385.2	11,545.2
Debts payable to clients	**34,335.1**	**33,239.7**
Demand deposits	22,721.4	19,205.1
Savings accounts	6,054.2	6,204.6
Term accounts and similar	5,559.6	7,830.0
TOTAL	**44,440.1**	**45,297.7**

4.h Debt securities and subordinated debt

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

Debts recognised at market value through profit or loss (note 4.a)

			Non-cash changes				
In millions of euro	31 December 2019	Cash flow	Currency effects	Changes in market value	Other changes	Non-cash total	31 December 2020
DEBT WITH A MATURITY OF MORE THAN 1 YEAR ON ISSUE							
Negotiable debt securities	19.5	(11.4)	(3.3)	(0.1)	(0.4)	(3.8)	4.2
Bond issues	7.6	(7.4)	-	0.7	-	0.7	0.9
DEBT SECURITIES	**27.1**	**(18.8)**	**(3.3)**	**0.6**	**(0.4)**	**(3.1)**	**5.2**
Redeemable subordinated debt	86.9	(60.0)	-	0.2	(1.2)	(1.0)	25.8
Subordinated debt	**86.9**	**(60.0)**	**-**	**0.2**	**(1.2)**	**(1.0)**	**25.8**

Debts measured at amortised cost

			Non-cash changes				
In millions of euro	31 December 2019	Cash flow	Currency effects	Changes in market value	Other changes	Non-cash total	31 December 2020
DEBT WITH A MATURITY OF LESS THAN 1 YEAR ON ISSUE							
Negotiable debt securities	650.3	511.5	(59.4)	-	-	(59.4)	1,102.4
DEBT WITH A MATURITY OF MORE THAN 1 YEAR ON ISSUE							
Negotiable debt securities	25.0	(25.0)	-	-	-	-	-
Bond issues	32.5	(29.8)	(2.6)	-	-	(2.6)	-
DEBT SECURITIES	**707.8**	**456.6**	**(62.0)**	**-**	**-**	**(62.0)**	**1,102.4**
Redeemable subordinated debt	100.0	(12.4)	-	-	-	0.0	87.6
Subordinated debt	**100.0**	**(12.4)**	**-**	**-**	**-**	**(0.0)**	**87.6**

[1] Interbank borrowing includes central bank term deposits

4.i Current and deferred taxes

In millions of euro	31 December 2020	31 December 2019
Current taxes	36.6	44.2
deferred taxes	110.2	107.7
Current and deferred tax assets	**146.8**	**151.9**
Current taxes	96.2	88.6
Deferred taxes	301.2	304.5
Current and deferred tax liabilities	**397.4**	**393.1**

Changes in deferred taxes by type over the period

In millions of euro	31 December 2019	Changes recognised in profit or loss	Changes recognised in equity	Changes in fair value of assets and liabilities recognised in non-transferable equity	Changes in scope, foreign exchange movements and other movements	31 December 2020
Financial instruments	(0.1)	(0.2)	(2.1)	12.8	0.6	10.9
Provisions for employee benefit obligations	10.7	(2.6)	-	2.2	0.1	10.4
Finance leases hidden reserve	(159.6)	(17.0)	-	-	(1.0)	(177.6)
Provisions for credit risk	57.2	4.9	-	-	2.7	64.8
Tax loss carryforwards	29.6	8.5	-	-	(1.6)	36.5
Property, plant, equipment and intangible assets	(28.1)	2.0	-	-	4.2	(22.0)
Lump-sum provision	(46.1)	(2.0)	-	-	1.9	(46.2)
Provisions for the contribution to the resolution and deposit guarantee schemes	(16.2)	4.5	-	-	-	(11.6)
Earnings on capital gains to be immunised according to art.54 LIR	(51.4)	(3.7)	-	-	-	(55.1)
Other items	7.3	2.2	-	-	(10.5)	(1.0)
TOTAL NET DEFERRED TAXES	**(196.8)**	**(3.4)**	**(2.1)**	**15.0**	**(3.7)**	**(191.0)**
of which: Deferred tax assets	*107.7*	-	-	-	-	*110.2*
of which: Deferred tax liabilities	*(304.5)*	-	-	-	-	*(301.2)*

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

In millions of euro	31 December 2020	31 December 2019
Guarantee deposits and bank guarantees paid	1.0	1.0
Collection accounts	42.9	49.0
Accrued income and prepaid expenses	123.1	151.5
Other debtors and miscellaneous assets	694.8	600.8
TOTAL ACCRUED INCOME AND OTHER ASSETS	**861.8**	**802.3**
Guarantee deposits received	215.2	193.7
Collection accounts	70.5	63.0
Accrued expenses and deferred income	302.0	325.3
Lease liabilities	37.1	41.5
Other creditors and miscellaneous liabilities	744.6	797.8
TOTAL ACCRUED EXPENSE AND OTHER LIABILITIES	**1,369.3**	**1,421.5**

4.k Investments in joint ventures and associates

The Group's investments in associates are all accounted for using the equity method. As at 31 December 2020, the Group had no joint ventures.

The main associates of the Group are identified below.

Investments in companies accounted for by the equity method

In millions of euro	Country	Activity	% interest	31 December 2020	31 December 2019
ASSOCIATES					
Cardif Lux Vie SA	Luxembourg	Insurance	33.33%	205.1	147.5
BNP Paribas Leasing Solutions SPA	Italy	Leasing	13.09%	14.3	16.7
BNL Leasing SPA	Italy	Leasing	13.09%	25.2	26.1

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

In millions of euro	2020 financial year: 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	31 December 2020: Investments in companies accounted for by the equity method
Associates[1]	**11.9**	**7.1**	**19.0**	**248.5**
Cardif Lux Vie S.A.	15.6	8.6	24.2	205.1
BNP Paribas Leasing Solutions SPA	(2.5)	0.0	(2.5)	14.3
BNL Leasing SPA	(0.9)	0.0	(0.9)	25.2
Others	(0.3)	(1.5)	(1.8)	4.0
TOTAL EQUITY ACCOUNTED ENTITIES	**11.9**	**7.1**	**19.0**	**248.5**

In millions of euro	2019 financial year: 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	31 December 2019: Investments in companies accounted for by the equity method
Associates[1]	**14.4**	**5.1**	**19.5**	**194.1**
Cardif Lux Vie S.A.	14.9	4.3	19.2	147.5
BNP Paribas Leasing Solutions SPA	0.1	(0.0)	0.1	16.7
BNL Leasing SPA	(0.7)	0.0	(0.7)	26.1
Others	0.0	0.8	0.9	3.7
TOTAL EQUITY ACCOUNTED ENTITIES	**14.4**	**5.1**	**19.5**	**194.1**

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

4.l Property, plant, equipment and intangible assets

	31 December 2020			31 December 2019		
In millions of euro	Gross value	Accumulated depreciation or amortisation and impairment losses	Carrying amount	Gross value	Accumulated depreciation or amortisation and impairment losses	Carrying amount
Investment property	**298.2**	**(140.7)**	**157.6**	**315.4**	**(141.8)**	**173.6**
Land and buildings	458.7	(200.7)	258.0	473.1	(204.9)	268.2
Equipment, furniture and fixtures	333.5	(264.4)	69.1	329.3	(254.2)	75.1
Plant and equipment leased as lessor under operating leases	700.6	(342.4)	358.2	682.5	(325.7)	356.8
Other fixed assets	73.9	(60.8)	13.2	79.5	(64.6)	14.9
Property, plant and equipment	**1,566.7**	**(868.2)**	**698.5**	**1,564.4**	**(849.4)**	**715.0**
Of which rights of use underlying tangible assets	*71.5*	*(35.2)*	*36.3*	*87.8*	*(47.1)*	*40.7*
Purchased software	170.5	(151.6)	18.9	156.3	(144.3)	12.0
Internally developed software	18.3	(11.2)	7.1	13.0	(7.8)	5.1
Other intangible assets	15.3	(9.0)	6.3	27.5	(7.2)	20.3
Intangible assets	**204.0**	**(171.8)**	**32.2**	**196.8**	**(159.3)**	**37.5**

[1] Including controlled but non material entities consolidated under the equity method (see Note 1.b).

Investment property

Investment property includes residential and commercial buildings, as well as mixed-use buildings, and is recognized in the balance sheet at a value of EUR 157.6 million (compared with EUR 173.6 million in 2019).

The estimated market value, using internal models (Level 3) of these investment properties amounted to EUR 247.3 million at 31 December 2019 compared with EUR 258.8 million as at 31 December 2019.

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

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

Operating leases

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

In millions of euro	31 December 2020	31 December 2019
Payments receivable within 1 year	27.5	20.5
Payments receivable after 1 year but within 5 years	50.5	41.0
Payments receivable beyond 5 years	39.4	13.3
Future minimum lease payments receivable under non-cancellable leases	**117.3**	**74.7**

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

Other fixed assets

Other fixed assets include assets under construction amounting to EUR 1.2 million (EUR 1.4 million as at 31 December 2019).

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

Intangible assets

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

Depreciation, amortisation and provisions

Net depreciation and amortisation expense booked in 2020 amounted to EUR 46.7 million versus EUR 44.0 million in 2019.

The net increase in the impairment losses on property, plant, equipment and intangible assets taken to the profit and loss statement is EUR 0.4 million for 2020 and virtually nil for 2019.

4.m Goodwill

In millions of euro	31 December 2020	31 December 2019
Net carrying amount at start of period	**186.8**	**188.1**
Acquisitions	0.4	-
Translation adjustments	(2.2)	(0.1)
Other movements	(0.0)	(1.3)
Net carrying amount at end of period	**185.0**	**186.8**
of which		
Gross value	*185.6*	*187.4*
Accumulated impairments recognised at the end of period	*(0.6)*	*(0.6)*

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

At the level of BGL BNP Paribas, these were linked to the acquisition of BNP Paribas Wealth Management Luxembourg SA in 2018 for EUR 37.9 million.

BNP Paribas carried out in-depth analysis of the goodwill to determine whether an impairment was necessary due to the health crisis.

This analysis relied in particular on the assumptions underlying economic scenarios involving a "V-shaped" recovery (see section 2.g), which suggest that the profits of the various cash-generating units of the BNP Paribas Group will all be adversely affected to a varying extent before improving in 2021 and 2022. As a result of this analysis, no goodwill impairment was recognised as at 31 December 2020.

Valuation of goodwill

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

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

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

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

Cost of capital is determined on the basis of a 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.

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

Allocated capital is determined for each homogeneous group of businesses based on the Core Tier One regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 7%.

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

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

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

In millions of euro at 31 December 2020	Leasing Solutions
Cost of capital	**9.3%**
Unfavourable change of +10 basis points	(52.6)
Favourable change of -10 basis points	54.1
Cost/income ratio	**46.9% – 48.7%**
Unfavourable change of +1%	(70.3)
Favourable change of -1%	70.3
Perpetual growth rate	**2.0%**
Unfavourable change of -50 basis points	(191.6)
Favourable change of +50 basis points	220.0

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

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

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

In millions of euro as at 31 December 2020	WM Wealth Management
COST OF CAPITAL	**8.6%**
Unfavourable change of +10 basis points	(6.4)
Favourable change of -10 basis points	6.6
Cost/income ratio	**68.8% – 74.5%**
Unfavourable change of +1%	(11.5)
Favourable change of -1%	11.5
Perpetual growth rate	**2.0%**
Unfavourable change of -50 basis points	(20.2)
Favourable change of +50 basis points	23.5

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

4.n Provisions for liabilities and charges

Changes in provisions by type

In millions of euro	31 December 2019	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Foreign exchange movements and other movements	31 December 2020
Provisions for employee benefits	99.9	21.2	(30.2)	2.5	2.5	96.0
of which post-employment benefits (note 6.b)	*23.8*	*4.1*	*(10.6)*	*2.5*	*2.6*	*22.4*
of which provisions for other long-term benefits (note 6.c)	*40.5*	*3.9*	*(8.7)*	*-*	*(0.1)*	*35.6*
of which provisions for early retirement and headcount adaptation plan (note 6.d)	*32.4*	*11.0*	*(9.5)*	*-*	*-*	*33.9*
of which provisions for share-based payments	*3.3*	*2.2*	*(1.4)*	*-*	*(0.0)*	*4.1*
Provisions for credit commitments (note 2.g)	17.1	0.3	-	-	0.3	17.7
Provisions for litigation	30.5	(5.0)	(7.2)	-	(0.0)	18.3
Other provisions for contingencies and charges	29.1	(4.4)	(2.1)	-	2.0	24.5
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	**176.6**	**12.1**	**(39.4)**	**2.5**	**4.8**	**156.6**

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, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Amounts set off derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

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

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

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

In millions of euro as at 31 December 2020	Gross amount of financial assets	Gross amounts set off on the balance sheet	Net amount presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as collateral	Net amount
ASSETS						
Financial instruments at fair value through profit or loss						
Securities portfolio	273.7	-	273.7	-	-	273.7
Loans and repurchase agreements	114.9	-	114.9	(19.6)	(45.7)	49.7
Derivatives (including derivatives used for hedging purposes)	481.6	-	481.6	(131.6)	(154.9)	195.1
Financial assets at amortised cost	42,513.5	-	42,513.5	-	-	42,513.5
of which repurchase agreements	-	-	-	-	-	-
Accrued income and other assets	861.8	-	861.8	-	-	861.8
of which guarantee deposits given	*1.0*	-	*1.0*	-	-	*1.0*
Other assets not subject to offsetting	12,296.4	-	12,296.4	-	-	12,296.4
TOTAL ASSETS	**56,541.8**	**-**	**56,541.8**	**(151.2)**	**(200.5)**	**56,190.1**

In millions of euro as at 31 December 2020	Gross amount of financial assets	Gross amounts set off on the balance sheet	Net amount presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amount
PAYABLES						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreements	212.3	-	212.3	(19.6)	(192.7)	0.0
Debt securities	31.0	-	31.0	-	-	31.0
Derivatives (including derivatives used for hedging purposes)	143.8	-	143.8	(131.6)	-	12.2
Financial liabilities at amortised cost	44,440.1	-	44,440.1	-	-	44,440.1
Accrued expenses and other liabilities	1,369.3	-	1,369.3	-	(154.9)	1,214.4
of which guarantee deposits received	*215.2*	-	*215.2*	-	*(154.9)*	*60.4*
Other liabilities not subject to offsetting	1,900.0	-	1,900.0	-	-	1,900.0
TOTAL LIABILITIES	**48,096.5**	**-**	**48,096.5**	**(151.2)**	**(347.6)**	**47,597.8**

In millions of euro as at 31 December 2019	Gross amount of financial assets	Gross amounts set off on the balance sheet	Net amount presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as collateral	Net amount
ASSETS						
Financial instruments at fair value through profit or loss						
Securities portfolio	624.7	-	624.7	-	-	624.7
Loans and repurchase agreements	151.1	-	151.1	(36.5)	(59.3)	55.2
Derivatives (including derivatives used for hedging purposes)	341.6	-	341.6	(83.2)	(92.8)	165.6
Financial assets at amortised cost	50,828.5	-	50,828.5	-	(7,938.7)	42,889.8
of which repurchase agreements	*7,988.9*	-	*7,988.9*	-	*(7,938.7)*	*50.2*
Accrued income and other assets	802.3	-	802.3	-	-	802.3
of which guarantee deposits given	*1.0*	-	*1.0*	-	-	*1.0*
Other assets not subject to offsetting	3,830.4	-	3,830.4	-	-	3,830.4
TOTAL ASSETS	**56,578.5**	**-**	**56,578.5**	**(119.7)**	**(8,090.8)**	**48,368.0**

In millions of euro as at 31 December 2019	Gross amount of financial assets	Gross amounts set off on the balance sheet	Net amount presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amount
PAYABLES						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreements	113.9	-	113.9	(36.5)	(77.2)	0.1
Debt securities	114.0	-	114.0	-	-	114.0
Derivatives (including derivatives used for hedging purposes)	89.4	-	89.4	(83.2)	-	6.2
Financial liabilities at amortised cost	45,297.7	-	45,297.7	-	-	45,297.7
Accrued expenses and other liabilities	1,421.5	-	1,421.5	-	(92.8)	1,328.7
of which guarantee deposits received	*193.7*	-	*193.7*	-	*(92.8)*	*100.9*
Other liabilities not subject to offsetting	1,478.5	-	1,478.5	-	-	1,478.5
TOTAL LIABILITIES	**48,514.9**	**-**	**48,514.9**	**(119.7)**	**(170.0)**	**48,225.2**

4.p Transfers of financial assets

In 2020, as in 2019, the Group made no transfers leading to the partial or full derecognition of financial assets, where it has a continuing involvement in those assets.

4.q Share capital and related reserves

As at 31 December 2020, subscribed and paid-up capital amounted to EUR 713.1 million, represented by 27,976,574 shares, unchanged versus 31 December 2019. BGL BNP Paribas does not hold any of its own shares. (See note 7.a)

As at 31 December 2020 and 31 December 2019, additional paid-in capital amounted to EUR 2.7616 billion.

5. Financing and guarantee commitments

5.a Financing commitments given or received

Contractual value of financing commitments given and received by the Group:

In millions of euro	31 December 2020	31 December 2019
FINANCING COMMITMENTS GIVEN		
to credit institutions	**5.9**	**0.9**
to clients	**5,462.9**	**4,774.9**
Confirmed letters of credit	5,382.8	4,681.1
Other commitments given to clients	80.1	93.8
TOTAL FINANCING COMMITMENTS GIVEN	**5,468.7**	**4,775.8**
of which stage 1	*5,345.1*	*4,637.4*
of which stage 2	*118.7*	*132.3*
of which stage 3	*4.9*	*6.2*
Financing commitments received		
from credit institutions	711.4	1,242.8
TOTAL FINANCING COMMITMENTS RECEIVED	**711.4**	**1,242.8**

5.b Guarantee commitments given by signature

In millions of euro	31 December 2020	31 December 2019
Guarantee commitments given		
at the request of credit institutions	496.0	661.6
at the request of clients	1,406.7	1,342.5
Administrative, tax and other guarantees	*1,317.3*	*1,261.3*
Other guarantees at the request of clients	*89.4*	*81.2*
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,902.7**	**2,004.1**
of which stage 1	*1,822.6*	*1,913.4*
of which stage 2	*76.7*	*86.0*
of which stage 3	*3.4*	*4.6*

5.c Other guarantee commitments

Financial instruments given as collateral

In millions of euro	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	**447.9**	**769.3**
used as collateral with central banks	-	-
available for refinancing transactions	447.9	769.3
Securities sold under repurchase agreements	**217.2**	**112.6**
Other financial assets pledged as collateral for transactions with credit institutions and financial clients	**64.9**	**13.5**

Market value of the share of financial instruments given by the Group as collateral or repurchase agreements and which the beneficiary is authorised to sell or reuse as collateral amounted to EUR 282.1 million as at 31 December 2020 (vs. EUR 121.3 million as at 31 December 2019).

Financial instruments received as collateral

In millions of euro	31 December 2020	31 December 2019
Financial instruments received as collateral (excluding repurchase agreements)	**3,345.1**	**2,632.9**
of which instruments that the Group is authorised to sell and reuse as collateral	*227.3*	*210.1*
Securities received under repurchase agreements	**61.2**	**7,965.6**

5.d Composition of the collateral posted and received

	31 December 2020	
	Collateral used in SFTs[1]	
In millions of euro	Fair value of collateral received	Fair value of collateral posted
Cash – euro	69.3	1.0
Cash – other currencies	143.0	65.2
Sovereign debt – euro	223.8	217.2
Shares	64.7	64.9
TOTAL	**500.8**	**348.3**

	31 December 2019	
	Collateral used in SFTs[1]	
In millions of euro	Fair value of collateral received	Fair value of collateral posted
Cash – euro	41.5	8,020.7
Cash – other currencies	72.3	66.4
Sovereign debt – euro	8,260.9	114.7
Shares	71.0	6.6
TOTAL	**8,445.7**	**8,208.4**

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

6. Salaries and employee benefits

6.a Staff expenses

In millions of euro	2020 financial year	2019 financial year
Fixed and variable remuneration, incentive bonuses and profit-sharing	(373.2)	(373.9)
Retirement bonuses, pension costs and social security contributions	(101.3)	(116.0)
Payroll taxes	(4.0)	(5.2)
TOTAL STAFF COSTS	**(478.6)**	**(495.1)**

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

Defined-contribution pension plans of the Group

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

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

The amounts paid under previous defined contribution employment schemes totalled EUR 21.9 million for 2020 versus EUR 22.0 million for 2019.

Defined benefit pension plans for Group entities

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

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

Commitments relating to defined benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euro	Present value of defined benefit obligation	Market value of plan assets	Market value of stand-alone assets	Net obligation	*of which asset recognised in the balance sheet for defined benefit plans*	*of which obligation recognised in the balance sheet for defined-benefit plans*
31 December 2020						
France	22.5	(20.6)	-	1.9	-	*1.9*
Luxembourg	68.0	(58.7)	(1.1)	8.2	*(1.1)*	*9.3*
United Kingdom	107.0	(113.3)	-	(6.3)	*(6.3)*	-
Others	22.3	(11.1)	(3.1)	8.1	*(3.1)*	*11.2*
TOTAL	**219.8**	**(203.7)**	**(4.2)**	**11.9**	***(10.5)***	***22.4***
31 December 2019						
France	24.9	(19.4)	-	5.5	-	*5.5*
Luxembourg	67.7	(60.9)	(1.1)	5.7	*(1.1)*	*6.8*
United Kingdom	98.8	(110.5)	-	(11.7)	*(11.7)*	-
Others	23.0	(11.5)	(2.9)	8.6	*(2.9)*	*11.5*
TOTAL	**214.4**	**(202.3)**	**(4.0)**	**8.1**	***(15.7)***	***23.8***

Change in the present value of the defined benefit obligation

In millions of euro	2020 financial year	2019 financial year
Present value of obligations at start of period	**214.4**	**199.1**
Current service cost	4.0	4.2
Interest cost	2.3	3.8
Past service cost	(4.7)	-
Actuarial losses (gains) on change in demographic assumptions	0.1	(0.9)
Actuarial losses (gains) on change in financial assumptions	17.5	17.9
Actuarial losses (gains) on experience gaps	1.1	(2.5)
Benefits paid directly by employer	(0.7)	(0.9)
Benefits paid from assets/reimbursement rights	(9.9)	(11.8)
Change in exchange rates	(5.2)	5.5
(Gains)/losses on obligation related to changes in the consolidation scope	1.3	0.4
Other changes	(0.4)	(0.4)
Present value of obligations at end of period	**219.8**	**214.4**

Change in market value of plan assets

In millions of euro	2020 financial year	2019 financial year
Market value of plan assets at start of period	**202.3**	**180.2**
Interest income on assets	2.0	3.1
Actuarial gains (losses) over the period	8.7	19.0
Contributions by the Group	5.2	5.4
Benefits paid from assets/reimbursement rights	(9.6)	(11.5)
Change in exchange rates	(5.7)	6.0
(Gains)/losses on obligation related to changes in the consolidation scope	0.8	0.1
Market value of plan assets at end of period	**203.7**	**202.3**

Change in market value of standalone assets

In millions of euro	2020 financial year	2019 financial year
Market value of standalone assets at start of period	**4.0**	**3.8**
Interest income on standalone assets	-	0.1
Actuarial gains over the period	0.1	-
Contributions by the Group	0.2	0.1
Benefits paid from assets/reimbursement rights	(0.3)	(0.3)
(Gains)/losses on obligation related to changes in the consolidation scope	-	0.3
Other changes	0.2	-
Market value of standalone assets at end of period	**4.2**	**4.0**

Components of the cost of defined benefit plans

In millions of euro	2020 financial year	2019 financial year
SERVICE COSTS	**(0.7)**	**4.2**
Current service cost	4.0	4.2
Past service cost	(4.7)	-
NET FINANCIAL EXPENSE	**0.3**	**0.6**
Interest cost	2.3	3.8
Interest income on plan assets	(2.0)	(3.1)
Interest income on standalone assets	-	(0.1)
TOTAL RECORDED IN "STAFF EXPENSES"	**(0.4)**	**4.8**

Other items recognised directly in equity

In millions of euro	2020 financial year	2019 financial year
OTHER ITEMS RECOGNISED DIRECTLY IN EQUITY	**(9.9)**	**4.5**
Actuarial (losses)/gains on plan assets or reimbursement rights	8.8	19.0
Actuarial (losses)/gains of demographic assumptions on the present value of obligations	(0.1)	0.9
Actuarial (losses)/gains of financial assumptions on the present value of obligations	(17.5)	(17.9)
Experience (losses)/gains on the present value of obligations	(1.1)	2.5

Principal actuarial assumptions used to calculate post-employment benefit obligations

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

The rate intervals used are as follows:

	31 December 2020		31 December 2019	
As a percentage	Discount rate	Rate of future compensation increase [1]	Discount rate	Rate of future compensation increase [1]
France	0.30%	1.70%-2.95%	0.80%	1.70%-2.95%
Luxembourg	0.00%-0.50%	2.05%-4.30%	0.20%-1.10%	2.25%-4.50%
United Kingdom	1.30%	3.20%	2.00%	3.10%

[1] Including price increases (inflation).

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

	31 December 2020		31 December 2019	
	Discount rate	Discount rate	Discount rate	Discount rate
In millions of euro	-100 bp	+100 bp	-100 bp	+100 bp
France	2.5	(2.1)	3.3	(2.8)
Luxembourg	6.0	(5.3)	6.0	(5.2)
United Kingdom	21.9	(16.8)	21.4	(16.4)

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

As a percentage [1]	2020 financial year	2019 financial year
France	3.35%	3.45%
Luxembourg	1.44% / 6.80%	1.80% / 6.72%
United Kingdom	8.70% / 9.30%	17.5% / 17.7%

Breakdown of plan assets

	31 December 2020					
As a percentage	Shares	% Government bonds	% Non-government bonds	Real estate	Deposit accounts	Others
France	5%	72%	15%	8%	0%	0%
Luxembourg	14%	30%	51%	0%	3%	2%
United Kingdom	10%	59%	29%	0%	2%	0%
Others	0%	0%	0%	0%	0%	100%
TOTAL	**10%**	**48%**	**32%**	**1%**	**2%**	**7%**

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

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

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

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

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

6.c Other long-term benefits

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

On 31 December 2020, the provisions existing within the Group relative to other long-term benefits amounted to EUR 39.7 million (EUR 43.8 million on 31 December 2019).

6.d Termination benefits

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

In 2020, the bank set aside a provision of EUR 10.0 million for the introduction of a new voluntary early retirement plan (EUR 18.8 million in 2019).

On 31 December 2020, the existing provisions within the Group for the voluntary redundancy and early retirement plans amounted to EUR 30.6 million (EUR 28.2 million at 31 December 2019).

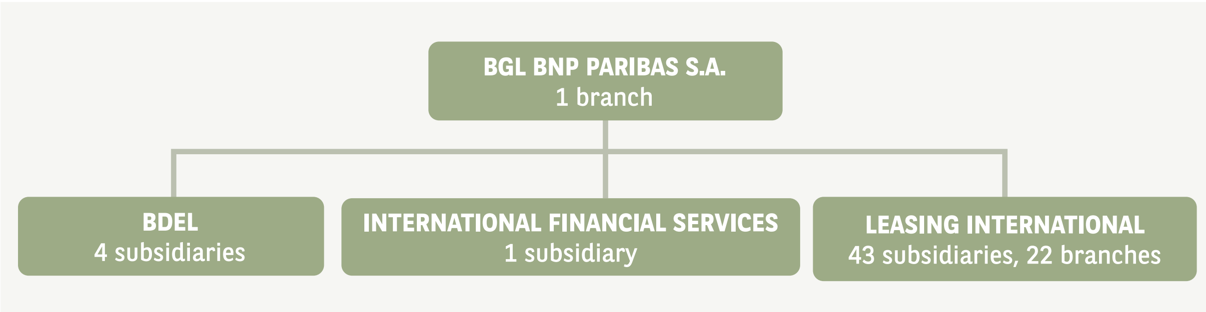
7. Additional information

7.a Changes in capital

BGL BNP Paribas did not perform any share capital transactions in 2020.

7.b Scope of consolidation

Simplified structure of the Group by core business



List of subsidiaries and branches consolidated in the Group

			31 December 2020			31 December 2019		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref. [1]	Consolidation method	Group ownership interest	Ref. [1]
CONSOLIDATING COMPANY								
BGL BNP Paribas SA	Luxembourg	Bank						
BGL BNP Paribas (Germany)	Germany	Bank	IG	100.00%	-	IG	100.00%	-
BDEL								
BNP Paribas Lease Group Luxembourg SA	Luxembourg	Leasing	IG	100.00%	-	IG	100.00%	-
Cofhylux SA	Luxembourg	Real Estate	IG	100.00%	-	IG	100.00%	-
Visalux S.C	Luxembourg	Financial Services	EM	25.34%	-	EM	25.34%	-
Luxhub S.A.	Luxembourg	Financial Services	EM	28.00%	E3	-	-	-
Structured entities								
Elimmo SARL	Luxembourg	Property investment	-	-	-	IG	66.67%	S3
LEASING INTERNATIONAL								
All In One Vermietung GmbH	Austria	Leasing	IG	50.00%	-	IG	50.00%	-
Aprolis Finance SA	France	Leasing	IG	25.50%	-	IG	25.50%	-
Artegy SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
BNL Leasing SPA	Italy	Leasing	EM	13.09%	-	EM	13.09%	E3
BNP Paribas Finansal Kiralama AS	Turkey	Leasing	IG	47.74%	-	IG	47.74%	-
BNP Paribas Lease Group (Belgium) SA	Belgium	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group Rentals Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group Sp.z o.o.	Poland	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group UK PLC	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group (German branch)	Germany	Leasing	IG	50.00%	-	IG	50.00%	-

			31 December 2020			31 December 2019		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref. 1)	Consolidation method	Group ownership interest	Ref. 1)
BNP Paribas Lease Group (Spanish branch)	Spain	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group (Italian branch)	Italy	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group (Portuguese branch)	Portugal	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions AS	Norway	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions IFN	Romania	Leasing	IG	49.97%	-	IG	49.97%	-
BNP Paribas Leasing Solutions Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions NV	The Netherlands	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions SA	Luxembourg	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions SPA	Italy	Leasing	EM	13.09%	-	EM	13.09%	-
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Leasing	IG	50.00%	-	IG	50.00%	-
BNPP 3 Step IT	France	Leasing	IG	25.50%	-	IG	25.50%	V2
BNPP 3 STEP IT (UK branch)	United Kingdom	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 Step IT (succ. Germany)	Germany	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 Step IT (succ. Belgium)	Belgium	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 Step IT (succ. Italy)	Italy	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 Step IT (succ. the Netherlands)	The Netherlands	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP Lease Group GmbH & Co KG	Austria	Leasing	IG	50.00%	-	IG	50.00%	-
BNPP Rental Solutions Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNPP Rental Solutions SPA	Italy	Leasing	IG	50.00%	-	IG	50.00%	-
Claas Financial Services (German branch)	Germany	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services (Spanish branch)	Spain	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services (Polish branch)	Poland	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services Ltd	United Kingdom	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services SA	France	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services (Italian branch)	Italy	Leasing	IG	25.50%	-	IG	25.50%	-
CMV Mediforce	France	Leasing	-	49.99%	S2	IG	49.99%	-
CNH Industrial Capital Europe (German branch)	Germany	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (Belgian branch)	Belgium	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (Spanish branch)	Spain	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (Italian branch)	Italy	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (Polish branch)	Poland	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe BV	The Netherlands	Leasing	IG	25.05%	-	IG	25.05%	-

			31 December 2020			31 December 2019		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref. [1]	Consolidation method	Group ownership interest	Ref. [1]
CNH Industrial Capital Europe GmbH	Austria	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe Ltd	United Kingdom	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe SA	France	Leasing	IG	25.05%	-	IG	25.05%	-
Commercial Vehicle Finance Ltd	United Kingdom	Leasing		50.00%	S1	IG	50.00%	-
Folea Grundstucksverwaltungs und Vermietungs Gmbh & Co	Germany	Leasing	IG	3.00%	-	IG	3.00%	-
Fortis Lease Belgium SA	Belgium	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease Deutschland GmbH	Germany	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease Iberia SA	Spain	Leasing	IG	39.31%	-	IG	39.31%	-
Fortis Lease Portugal SA	Portugal	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease UK Ltd	United K ingdom	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease Zeebrugge SA	Belgium	Leasing	IG	37.50%	-	IG	37.50%	-
Fortis Vastgoed Lease BV	The Netherlands	Leasing	IG	50.00%	-	IG	50.00%	-
Heffiq Heftruck Verhuur BV	The Netherlands	Leasing	IG	25.02%	-	IG	25.02%	-
JCB Finance (German branch)	Germany	Leasing	IG	25.05%	-	IG	25.05%	-
JCB Finance (Italian branch)	Italy	Leasing	IG	25.05%	-	IG	25.05%	-
JCB Finance Holdings Ltd	United Kingdom	Leasing	IG	25.05%	-	IG	25.05%	-
JCB Finance SA	France	Leasing	IG	25.05%	-	IG	25.05%	-
Manitou Finance Ltd	United Kingdom	Leasing	IG	25.50%	-	IG	25.50%	-
MGF SAS (formerly MFF SAS)	France	Leasing	IG	25.50%	-	IG	25.50%	-
MGF (German branch)	Germany	Leasing	IG	25.50%	E1	-	-	-
MGF (Italian branch)	Italy	Leasing	IG	25.50%	E1	-	-	-
RD Leasing IFN SA	Romania	Leasing	IG	50.00%	-	IG	50.00%	-
Same Deutz Fahr Finance SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
INTERNATIONAL FINANCIAL SERVICES								
Cardif Lux Vie SA	Luxembourg	Insurance	EM	33.33%	-	EM	33.33%	-
OTHER ACTIVITIES								
Plagefin SA	Luxembourg	Equity management	-	-	-	-	100.00%	S2/S1

[1] Changes in the scope of consolidation:

Additions (E) to the scope of consolidation
E1 Entity created
E2 Acquisition or takeover
E3 Crossing of one of the thresholds as defined by the Group

Exits (S) from the scope of consolidation
S1 Liquidation
S2 Merger by absorption
S3 Entities deconsolidated because they have fallen below the thresholds defined by the Group
S4 Disposal outside the Group, loss of control or loss of significant influence

Variations (V) in rates
V1 Additional acquisition
V2 Partial disposal

Others (D)
D1 Change in consolidation method related to consolidation thresholds

ME* Controlled but non material entities consolidated under the equity method (see Note 1.b)

7.c Minority interests

Main minority interests

BGL BNP Paribas owns 50% + 1 share of the Luxembourg holding company BNP Paribas Leasing Solutions SA (BPLS). The minority shareholder of BPLS is BNP Paribas, which holds 50% minus 1 share. Other subsidiaries are all wholly owned.

BPLS itself holds many international leasing subsidiaries (see Note 7.b), some of which also have minority interests (partnerships with manufacturers in particular). These minority interests are not material to the Group.

In millions of euro	31 December 2020	31 December 2019
Shareholders' equity - Minority interests	1,227.2	1,194.6
Dividends paid to minority shareholders	(42.9)	(66.7)
Interim dividend payments to minority shareholders	(41.0)	(42.6)

In millions of euro	31 December 2020	31 December 2019
Net income attributable to minority interests	153.6	144.2

Contribution of BNP Paribas Leasing Solutions and its subsidiaries (before elimination of intercompany transactions)

In millions of euro	31 December 2020	31 December 2019
Total balance sheet	23,594.5	23,770.3

In millions of euro	31 December 2020	31 December 2019
Net banking income	857.1	843.6
Net income	262.4	245.2
Net income and changes in assets and liabilities recognised directly in equity – minority interests	115.5	156.4

There are no particular contractual restrictions on the assets of BNP Paribas Leasing Solutions related to the presence of the minority shareholder.

Acquisitions of additional interests or partial sales of interests leading to changes in the share of minority shareholders in the equity and reserves

In 2020, there were no acquisitions of additional interests or partial sales of interests by the Group that could have changed the share of minority shareholders in the equity and reserves.

Commitments to repurchase minority shareholders' interests

In connection with the acquisition of certain entities, the Group has granted minority shareholders put options for their participation for a specific price.

The total value of these commitments, which are recorded as a reduction of shareholders' equity, was EUR 9.6 million at 31 December 2020 compared with EUR 10.2 million at 31 December 2019.

7.d Significant restrictions in subsidiaries, associates and joint ventures

Significant restrictions related to the ability of entities to transfer cash to the Group

The ability of entities to pay dividends or to repay loans and advances depends, inter alia, on local regulatory requirements for capitalisation, and legal reserves, as well as the entities' financial and operational performance. During 2020 and 2019, no Group entity was subject to significant restrictions other than those related to regulatory requirements.

Significant restrictions related to the Group's ability to use assets pledged as collateral or sold under repurchase agreements

Financial instruments pledged by the Group as collateral or sold under repurchase agreements are presented in note 5.c.

Significant restrictions related to liquidity reserves

The amount of mandatory deposits with central banks and other regulators amounted to EUR 7,968.3 million at 31 December 2020 (EUR 155.8 million at 31 December 2019).

7.e Structured entities

The Group considers that it has sponsored a structured entity when it was involved in its creation.

The Group is engaged in transactions with sponsored structured entities primarily through its activities of specialised asset financing.

In addition, the Group is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds and securitisation vehicles.

The method for assessing control for structured entities is detailed in Note 1.b.2. Consolidation methods

7.e.1 Consolidated structured entities

Structured entities consolidated by the Group mainly include structured entities controlled by the Group as part of its core business of structured finance or investments.

7.e.2 Unconsolidated structured entities

The Group is involved in relationships with unconsolidated structured entities as part of its activities to meet the needs of its clients.

Information relating to interests in sponsored structured entities

The main categories of unconsolidated sponsored structured entities are:

Funds: historically, the Group has been involved in the management and structuring of funds in order to offer investment opportunities to its clients. The Group may hold a residual number of shares issued by these funds.

Asset financing: the Group finances structured entities that acquire assets (aircraft, ships, etc.) intended for lease, and the lease payments received by the structured entity are used to repay the financing, which is guaranteed by the asset held by the structured entity.

Real estate structure: on behalf of its clients, the Group may also structure entities, whose objective is to invest in real estate assets.

Other: on behalf of its clients, the Group may also structure entities that invest in assets to acquire holdings or to raise funds.

The Group's assets and liabilities related to interests held in sponsored structured entities are as follows:

						31 December 2020
In millions of euro	Securitisation	Funds	Asset financing	Real estate structure	Others	Total
INTERESTS ON THE GROUP BALANCE SHEET						
ASSETS						
Financial assets at amortised cost	-	-	0.2	8.5	-	8.7
TOTAL ASSETS	**-**	**-**	**0.2**	**8.5**	**-**	**8.7**
Liabilities						
Financial liabilities at amortised cost	-	-	-	7.2	-	7.2
TOTAL LIABILITIES	**-**	**-**	**-**	**7.2**	**-**	**7.2**
Maximum exposure to loss	-	-	0.2	63.0	-	63.2
SIZE OF STRUCTURED ENTITIES	**N/A**	**-**	**1.9**	**516.0**	**-**	**517.9**

						31 December 2019
In millions of euro	Securitisation	Funds	Asset financing	Real estate structure	Others	Total
INTERESTS ON THE GROUP BALANCE SHEET						
ASSETS						
Financial assets at amortised cost	-	-	0.1	8.5	-	8.6
TOTAL ASSETS	**-**	**-**	**0.1**	**8.5**	**-**	**8.6**
Liabilities						
Financial liabilities at amortised cost	-	-	-	26.4	-	26.4
TOTAL LIABILITIES	**-**	**-**	**-**	**26.4**	**-**	**26.4**
Maximum exposure to loss	-	-	0.1	63.0	-	63.1
SIZE OF STRUCTURED ENTITIES	**N/A**	**-**	**2.2**	**436.7**	**-**	**438.9**

The maximum exposure to losses on structured entities is the carrying amount of the potential loss in cash flow.

It is composed of the carrying value of the asset, excluding, for financial assets at market value through equity, changes in value recognised directly in equity, as well as the nominal amount of financing and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

Information on the size of the structured entities sponsored differs depending on their type.

Thus, the following financial data have been used to measure the size:

- Securitisation: total assets of the structured entity, mentioned in the last report to investors;
- Funds: fund NAV,
- Other structured entity: total assets of the structured entity or, if the information is not available, the amount of the Group's commitment.

Information relating to interests in non-sponsored structured entities

The main interests held by the Group when it acts solely as an investor in non-sponsored structured entities are detailed below:

Securitisation: the Group invests in securitisation vehicles to provide asset financing solutions. These vehicles finance the purchase of assets (loans or bonds, etc.) mainly by issuing bonds backed by these assets and the repayment of these assets is linked to their performance.

Funds: the Group may invest in mutual funds or securities investment funds without any involvement in either their management or structuring. There were no investments of this type as at 31 December 2020 and 31 December 2019.

7.f Compensation and benefits awarded to members of the Board of Directors and key corporate officers

In 2020, the remuneration paid to the Group's key officers amounted to EUR 8.5 million including EUR 0.4 million of pension expenses (2019: EUR 7.1 million including EUR 0.6 million of pension expenses).

The remuneration paid in 2020, relative to 2019, to the members of the BGL BNP Paribas Board of Directors amounted to EUR 1.2 million (2019: EUR 1.3 million).

During 2020, the key officers were allocated EUR 0.5 million under the retention scheme (2019: EUR 0.6 million).

At 31 December 2020, the loans granted to members of the Board of Directors were equal to EUR 2.3 million (2019: EUR 1.4 million); the loans granted to key corporate officers were equal to EUR 8.1 million (2019: EUR 9.0 million).

At 31 December 2020, the credit facilities granted to members of the Board of Directors were equal to EUR 4.8 million (2019: EUR 1.9 million); the credit facilities granted to key corporate officers were equal to EUR 9.4 million (2019: EUR 9.9 million).

7.g Related parties

The related parties of the Group are associates, joint ventures, pension funds, members of the Board of Directors and key officers of the Group, immediate family members of the aforementioned persons, entities controlled or appreciably influenced by any of the aforementioned persons, as well as any other related entities.

As part of its operational activities, the Group is often required to carry out transactions with related parties. These transactions primarily involve loans and deposits and are carried out on an arm's length basis.

The table below summarises the financial scope of the activities carried out with the following related parties:

- Associates,
- Parent companies: BNP Paribas S.A., BNP Paribas Fortis S.A. and their branches,
- Other BNP Paribas Group companies not held by the Group

Relationships with members of the Board of Directors and the Group's key officers are covered in part 7.f.

Relationships with joint ventures are not significant.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas S.A. In accordance with the recommendation of the European Central Bank ECB/2020/35 of 27 July 2020 on dividend distribution policies during the COVID-19 pandemic, the General Meeting of 30 September 2020 decided not to pay any dividend in respect of 2019 earnings. Other transactions, with the State of Luxembourg or with any other entity controlled by the State of Luxembourg, are carried out on an arm's length basis.

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Related party balance sheet items:

In millions of euro	31 December 2020 Associates	Parent companies	Other BNP Paribas entities	31 December 2019 Associates	Parent companies	Other BNP Paribas entities
ASSETS						
Financial instruments at fair value through profit or loss	96.8	181.4	66.0	96.8	123.1	68.6
Derivatives used for hedging purposes	-	260.0	-	-	187.3	-
Financial assets at fair value through other comprehensive income	-	-	144.3	-	-	186.2
Financial assets at amortised cost	193.3	6,593.0	292.5	238.1	15,290.7	401.7
Accrued income and other assets	6.4	5.2	87.2	8.5	7.3	99.6
TOTAL	**296.5**	**7,039.6**	**590.1**	**343.4**	**15,608.3**	**756.1**
LIABILITIES						
Financial instruments at fair value through profit or loss	-	34.1	20.9	-	31.4	11.5
Derivatives used for hedging purposes	-	93.2	-	-	45.8	-
Financial liabilities at amortised cost	156.7	8,727.3	227.2	68.5	10,652.5	268.9
Accrued expenses and other liabilities	21.2	36.5	10.8	45.9	29.0	13.8
TOTAL	**177.9**	**8,891.1**	**258.9**	**114.4**	**10,758.7**	**294.2**

Moreover, the Group also carries out, with these related parties, trading on an arm's length basis involving derivatives (swaps, options, futures contracts, etc.) and financial instruments (equities, debt securities, etc.) subscribed or issued by them.

In millions of euro	31 December 2020 Associates	Parent companies	Other BNP Paribas entities	31 December 2019 Associates	Parent companies	Other BNP Paribas entities
FINANCING AND GUARANTEE COMMITMENTS						
Financing commitments given	-	-	0.1	-	-	0.1
Financing commitments received	-	250.5	13.0	-	425.8	7.2
Guarantee commitments given	6.1	327.3	255.1	4.8	348.5	192.5
Guarantee commitments received	323.6	341.5	71.4	363.6	172.5	37.3

The bank had global netting agreements with BNP Paribas Fortis S.A. and BNP Paribas S.A. (and their respective branches within the European Union) in order to reduce its exposure to these entities both with regard to balance sheet exposures as well as off-balance sheet exposures.

Related-party profit and loss items:

In millions of euro	2020 financial year Associates	Parent companies	Other BNP Paribas entities	2019 financial year Associates	Parent companies	Other BNP Paribas entities
Interest and similar income	4.3	171.1	20.3	4.7	185.9	17.5
Interest and similar charges	-	(120.6)	(15.2)	(0.0)	(122.3)	(7.5)
Fees (income)	9.5	11.7	23.0	10.4	11.2	18.2
Fees (expenses)	(3.1)	(7.2)	(7.6)	(3.9)	(6.0)	(7.5)
Income (expenses) from other activities	(34.1)	0.0	39.5	(29.7)	(0.0)	43.5
TOTAL	**(23.4)**	**55.0**	**60.1**	**(18.4)**	**68.8**	**64.3**

7.h Country-by-country information

In accordance with Article 38-3 of the Law of 5 April 1993 as amended by the Law of 23 July 2015, credit institutions, financial holding companies (mixed) and investment firms must disclose information on their locations and activities, included in their scope of consolidation in each State or territory.

Details of countries of operation are available in note 7.b: Scope of Consolidation.

Profit and loss items and employees by country

	2020 * (in millions of euro)					
In millions of euro	Net banking income	Income before tax	Current tax expense	Deferred tax	Corporate income tax	Staff for financial purposes ** as at 31 December 2020
MEMBER STATES OF THE EUROPEAN UNION						
Germany	93.9	36.2	(14.9)	3.1	(11.8)	319
Austria	5.5	1.2	(0.6)	0.2	(0.4)	22
Belgium	29.8	12.4	(3.9)	0.7	(3.2)	144
Spain	30.7	10.3	(2.8)	(0.5)	(3.3)	105
France	277.2	90.3	(7.7)	(9.3)	(17.0)	1,430
Italy [1]	133.9	47.7	(13.9)	(0.0)	(13.9)	-
Luxembourg	759.6	365.6	(74.1)	4.2	(69.8)	2,123
The Netherlands	38.8	18.0	(4.5)	0.4	(4.1)	96
Poland	16.9	7.4	(1.6)	0.1	(1.5)	238
Portugal	8.3	3.7	(1.2)	0.3	(0.9)	35
Romania	20.3	10.5	(1.0)	(0.7)	(1.6)	59
United Kingdom	142.8	60.5	(8.6)	(0.9)	(9.5)	486
Other European countries						
Norway	6.7	2.5	(0.5)	(0.1)	(0.5)	27
Switzerland	1.4	(1.7)	-	(0.2)	(0.2)	11
Africa and Mediterranean region						
Turkey	29.9	17.8	(3.8)	(0.9)	(4.7)	124
TOTAL GROUP	**1,595.5**	**682.4**	**(139.0)**	**(3.4)**	**(142.4)**	**5,219.0**

** The financial data correspond to the contribution to the consolidated profit and loss of consolidated entities under exclusive control.*
*** Financial staff: the full-time equivalent (FTE) workforce as at 31 December 2020 of the fully consolidated entities under exclusive control.*

The Group did not receive any government grants during 2020.

	2019 * (in millions of euro)					
In millions of euro	Net banking income	Income before tax	Current tax expense	Deferred tax	Corporate income tax	Staff for financial purposes ** as at 31 December 2019
MEMBER STATES OF THE EUROPEAN UNION						
Germany	93.3	36.6	(11.4)	(0.5)	(12.0)	315.0
Austria	5.5	2.1	(0.7)	0.1	(0.6)	22.0
Belgium	36.1	24.1	(4.0)	(2.8)	(6.7)	142.0
Spain	28.8	11.7	(2.0)	(1.5)	(3.4)	104.0
France	274.4	88.4	(19.2)	(6.0)	(25.2)	1,441.0
Italy [1]	125.8	49.7	(16.3)	2.3	(14.0)	-
Luxembourg	688.0	291.5	(67.9)	6.2	(61.8)	2,233.0
The Netherlands	37.6	15.7	(3.6)	(0.7)	(4.3)	87.0
Poland	15.0	6.5	(1.9)	0.7	(1.2)	227.0
Portugal	7.5	4.6	(0.5)	(1.4)	(1.9)	36.0
Romania	17.5	8.2	(0.0)	(1.1)	(1.1)	50.0
United Kingdom	140.3	61.7	(5.1)	(8.5)	(13.6)	471.0
Other European countries						
Norway	6.3	1.7	(0.6)	0.2	(0.4)	24.0
Switzerland	0.9	(2.2)	-	0.0	0.0	8.0
Africa and Mediterranean region						
Turkey	38.1	22.2	-	(1.3)	(1.3)	124.0
TOTAL GROUP	**1,515.1**	**622.4**	**(133.2)**	**(14.3)**	**(147.5)**	**5,284.0**

** The financial data correspond to the contribution to the consolidated profit and loss of consolidated entities under exclusive control.*
*** Financial staff: the full-time equivalent (FTE) workforce as at 31 December 2019 of the fully consolidated entities under exclusive control.*

The Group did not receive any government grants during 2019.

[1] The staff are located in an Italian entity, consolidated using the equity method, and therefore not included in this note.

7.i Market 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 amount actually received or paid on maturity of the instrument. In most cases, the market 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 instruments to the Group as a going concern.
- Most of these market values are not meaningful, and hence are not taken into account in the management of commercial banking activities that use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the market values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- Finally, the market values shown below do not include the market values of finance lease operations, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or to the clientele in relation with the Group in its various activities. Consequently, these market values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the Group.

	Estimated fair value				Carrying value
In millions of euro as at 31 December 2020	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables[1]	-	7,782.8	19,139.6	26,922.4	26,553.2
Debt securities at amortised cost (note 4.e)	1,164.4	10.8	-	1,175.2	1,114.9
FINANCIAL LIABILITIES					
Deposits and borrowings	-	44,448.9	-	44,449.1	44,440.1
Debt securities (note 4.h)	-	1,078.7	23.7	1,102.4	1,102.4
Subordinated debt (note 4.h)	-	87.6	-	87.6	87.6

	Estimated fair value				Carrying value
In millions of euro as at 31 December 2019	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables[1]	-	16,175.9	19,151.2	35,327.0	35,046.5
Debt securities at amortised cost (note 4.e)	1,165.6	62.4	-	1,227.9	1,147.8
FINANCIAL LIABILITIES					
Deposits and borrowings	-	45,302.3	-	45,302.3	45,297.7
Debt securities (note 4.h)	-	707.8	-	707.8	707.8
Subordinated debt (note 4.h)	-	100.0	-	100.0	100.0

[1] Excluding finance lease operations.

The valuation techniques and assumptions used ensure that the market value of financial assets and liabilities is measured at amortised cost throughout the Group. Market value is based on prices quoted in an active market when these are available. In other cases, market value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in note 1 relative to the accounting principles applied by the Group. The allocation by level was conducted in accordance with the accounting principles described in this note. In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits), market value is used and these were classified in Level 2, with the exception of loans to clients, classified as Level 3. Where market value cannot be determined, the amortised cost is used.

7.j Contingent liabilities: legal proceedings and arbitration

Like any other financial institution, the Group is involved as defendant in various claims, disputes and legal proceedings, arising in the ordinary course of the banking and insurance business.

The Group makes provisions for such matters when, in the opinion of management and upon consultation with its legal advisors, it is probable that a payment will have to be made by the Group, and when the amount can be reasonably estimated (see note 4.n "Provisions for contingencies and charges").

In respect of further claims and legal proceedings against the Group of which management is aware (and which, according to the principles outlined above, have not been provided for), it is the opinion of management, after due consideration of appropriate professional advice, that such claims are without merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Group's consolidated financial statements.

After the acquisition and merger of ABN AMRO Bank (Luxembourg) S.A. in H2 2018, the bank absorbed ABN AMRO Bank (Luxembourg) S.A.'s custody operations. In the context of these operations, one fund, for which ABN AMRO Bank (Luxembourg) S.A. acted as custodian between 19 April 2012 and 31 March 2015, issued BGL BNP Paribas with a court summons dated 18 December 2019 as well as 19 June 2020. At this stage, no provision has been set aside with respect to these cases, but the bank has decided to protect its interests in these proceedings by exercising the liability guarantee agreed as part of the acquisition.

Moreover, the bank has decided to wind up these operations and has been obliged to terminate custody contracts and the associated banking relationships. As at 31 December 2020, no legal cases had been brought against the bank following these measures.

7.k Guarantee fund

On 18 December 2015, the Luxembourg government transposed the Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and Directive 2014/49/EU on deposit guarantee schemes into the Law on the resolution and winding up of credit institutions and the depositor and investor protection scheme.

This new mechanism covers all eligible deposits up to EUR 100,000 and investments up to EUR 20,000. In addition, the law provides that recent deposits (less than 12 months) resulting from specific transactions related to a social objective or correlated to certain life events are also guaranteed beyond the EUR 100,000 limit.

The Act thus replaces the depositors' and investors' guarantee mechanism in Luxembourg, which was governed by the "Association pour la Garantie des Dépôts, Luxembourg (AGDL)" by means of a new mechanism based on an ex-ante contribution principle in a new fund, the "Luxembourg Deposit Guarantee Fund" (LDGF). In accordance with Article 163(8) of the Law, this fund was capitalised through the payment of a first tranche of 0.8% of the total guaranteed deposits of Luxembourg credit institutions and investment firms.

The target of 0.8% was achieved as of 31 December 2018. In accordance with Article 163(8) of the Law, credit institutions and investment firms will now contribute to the construction of a second tranche of 0.8% of guaranteed deposits of credit institutions and investment firms in Luxembourg over a period of 8 years.

In 2020, the bank paid a contribution to the FGDL for an amount of EUR 5.8 million (versus EUR 6.0 million in 2019).

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7.l Fees paid to the Statutory Auditors

Year to 31 December 2020 *In thousands of euros*	Deloitte		PricewaterhouseCoopers		Mazars		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- *Consolidating entity*	*797*	*92%*	*-*	*0%*	*570*	*25%*	*1,367*	*39%*
- *Consolidated subsidiaries*	*-*	*0%*	*353*	*100%*	*1,654*	*74%*	*2,007*	*58%*
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- *Consolidating entity*	*-*	*0%*	*-*	*0%*	*-*	*0%*	*-*	*0%*
- *Consolidated subsidiaries*	*-*	*0%*	*-*	*0%*	*-*	*0%*	*-*	*0%*
AUDIT TOTAL	**797**	**92%**	**353**	**100%**	**2,224**	**99%**	**3,374**	**97%**
Other services provided by the networks								
Legal, tax, social	-	0%	-	0%	-	0%	-	0%
Others	66	8%	-	0%	22	1%	88	3%
OTHER SERVICES TOTAL	**66**	**8%**	**-**	**0%**	**22**	**1%**	**88**	**3%**
TOTAL FEES	**863**	**100%**	**353**	**100%**	**2,246**	**100%**	**3,462**	**100%**

Year to 31 December 2019 *In thousands of euros*	Deloitte		PricewaterhouseCoopers		Mazars		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- *Consolidating entity*	*944*	*84%*	*-*	*0%*	*571*	*26%*	*1,515*	*40%*
- *Consolidated subsidiaries*	*8*	*1%*	*344*	*75%*	*1,641*	*73%*	*1,993*	*52%*
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- *Consolidating entity*	*-*	*0%*	*-*	*0%*	*-*	*0%*	*-*	*0%*
- *Consolidated subsidiaries*	*-*	*0%*	*-*	*0%*	*-*	*0%*	*-*	*0%*
AUDIT TOTAL	**952**	**85%**	**344**	**75%**	**2,212**	**99%**	**3,508**	**92%**
Other services provided by the networks								
Legal, tax, social	-	0%	-	0%	-	0%	-	0%
Others	176	15%	112	25%	21	1%	309	8%
OTHER SERVICES TOTAL	**176**	**15%**	**112**	**25%**	**21**	**1%**	**309**	**8%**
TOTAL FEES	**1,128**	**100%**	**456**	**100%**	**2,233**	**100%**	**3,817**	**100%**

7.m Subsequent events

There were no significant events subsequent to the closing.

UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

The unconsolidated annual financial statements of BGL BNP Paribas S.A. have been prepared in accordance with the legislation and regulations applicable in Luxembourg, and in particular with the Law of 17 June 1992, as amended, on the accounts of credit institutions.

Since 1 January 2019, BGL BNP Paribas S.A. has broadened the scope of application of the IFRS option, although the following accounting principles are still excluded: prudential provisions, special items with a reserve quota portion and exclusion of capital gains on property, plant and equipment and intangible assets.

The annual accounts are provided hereafter in an abridged form. The unconsolidated annual accounts, comprising the balance sheet, income statement and notes to the annual accounts as well as the Board of directors' report and the auditor's report are published in accordance with legal requirements.

Pursuant to Article 71 of the Law of 17 June 1992 on the approved annual accounts of credit institutions, as amended, the Board of directors' report, as well as the auditor's report must be filed with the register of commerce and companies in the month they are approved by the General Meeting of Shareholders, and no later than seven months after the closing of the period. The accounts are published by mention in the Recueil électronique des sociétés et associations of the filing with the Trade and Companies Register where these documents are available.

The approved independent auditor delivered an unqualified certification of the unconsolidated annual financial statements of BGL BNP Paribas S.A. as at 31 December 2020

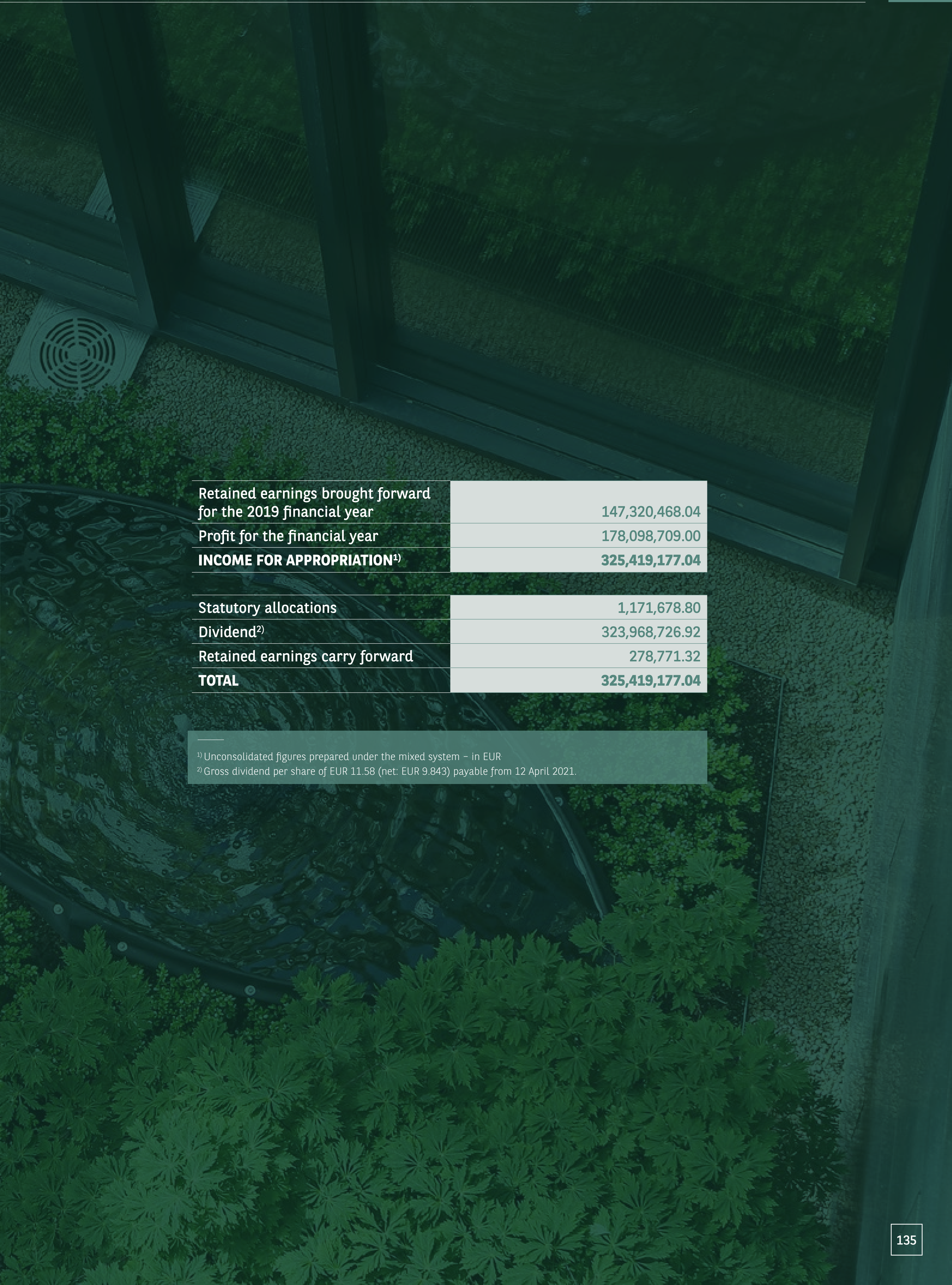
Statutory balance sheet

In millions of euro	31 December 2020	31 December 2019
ASSETS		
Cash and amounts due from central banks	**7,987.3**	**175.2**
Financial instruments at fair value through profit or loss	**1,349.9**	**2,775.6**
Securities portfolio	*252.0*	*601.3*
Loans and repurchase agreements	*876.3*	*2,020.0*
Derivatives	*221.6*	*154.3*
Derivatives used for hedging purposes	**260.0**	**187.3**
Financial assets at fair value through other comprehensive income	**2,286.6**	**1,706.1**
Debt securities	2,142.2	1,519.9
Equity instruments	144.4	186.2
Financial assets at amortised cost	**32,828.7**	**38,768.6**
Loans and receivables due from credit institutions	*7,459.4*	*15,930.3*
Loans and receivables payable by clients	*24,254.3*	*21,690.5*
Debt securities	*1,114.9*	*1,147.8*
Holdings in associates and subsidiaries at acquisition cost	**1,442.0**	**1,406.0**
Current and deferred tax assets	**18.2**	**8.4**
Accrued income and other assets	**141.1**	**167.6**
Property, plant, equipment and investment property	**320.7**	**336.6**
Intangible assets	**7.7**	**15.9**
TOTAL ASSETS	**46,642.2**	**45,547.4**
LIABILITIES		
Financial instruments at fair value through profit or loss	**293.9**	**271.4**
Deposits and repurchase agreements	*212.3*	*113.9*
Debt securities	*5.2*	*27.1*
Subordinated debt	*25.8*	*86.9*
Derivatives	*50.6*	*43.6*
Derivatives used for hedging purposes	**93.2**	**45.8**
Financial liabilities at amortised cost	**37,938.0**	**37,335.6**
Debts payable to credit institutions	2,704.8	3,709.9
Debts payable to clients	34,161.5	32,981.2
Debt securities	1,071.7	644.6
Revaluation spread on portfolios hedged against interest rate risk	**156.0**	**100.9**
Current and deferred tax liabilities	**59.1**	**52.9**
Accrued expenses and other liabilities	**423.2**	**382.8**
Provisions	**1,923.9**	**1,758.5**
TOTAL LIABILITIES	**40,887.3**	**39,947.9**
EQUITY		
Share capital and reserves	*5,598.2*	*5,446.9*
Profit/(loss) for the financial year	*178.1*	*148.6*
Total share capital, retained earnings and net income for the financial year	**5,776.3**	**5,595.5**
Changes in assets and liabilities recognised directly in equity	**(21.4)**	**3.9**
TOTAL EQUITY	**5,754.9**	**5,599.5**
TOTAL LIABILITIES	**46,642.2**	**45,547.4**

Statutory profit and loss account

In millions of euro	2020 financial year	2019 financial year
Interest and similar income	549.8	547.7
Interest and similar charges	(77.0)	(132.5)
Fees (income)	179,0	178.8
Fees (expenses)	(32.6)	(28.6)
Net gain/(loss) on financial instruments at market value through profit or loss	23.1	47.4
Net gain/(loss) on financial instruments at market value through equity	15.9	9.0
Net gain/(loss) on financial instruments at acquisition cost	84.3	96.3
Income from other activities	73.9	26.5
Expenses from other activities	(21.7)	(18.8)
Net banking income	**794.7**	**725.7**
Staff expenses	(224.8)	(241.7)
Other operating expenses	(102.9)	(100.7)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(26.1)	(25.1)
GROSS OPERATING INCOME	**441.0**	**358.3**
Cost of risk	(15.5)	(5.2)
OPERATING INCOME	**425.5**	**353.1**
Charges to/releases from prudential provisions	(179.0)	(146.0)
Income/expense relating to "Special items with a reserve quota portion"	(14.8)	2.0
Net gains on other fixed assets	0.3	0.5
PRE-TAX INCOME	**232.1**	**209.6**
Corporate income tax	(54.0)	(61.0)
NET INCOME	**178.1**	**148.6**

APPROPRIATION OF PROFIT



Retained earnings brought forward for the 2019 financial year	147,320,468.04
Profit for the financial year	178,098,709.00
INCOME FOR APPROPRIATION[1)]	**325,419,177.04**

Statutory allocations	1,171,678.80
Dividend[2)]	323,968,726.92
Retained earnings carry forward	278,771.32
TOTAL	**325,419,177.04**

[1)] Unconsolidated figures prepared under the mixed system – in EUR
[2)] Gross dividend per share of EUR 11.58 (net: EUR 9.843) payable from 12 April 2021.

BRANCH NETWORK

LUXEMBOURG/BONNEVOIE
101-103, rue de Bonnevoie
L-1261 Luxembourg

LUXEMBOURG/CLOCHE D'OR
8-10, rue Charles Darwin
L-1433 Luxembourg

Mortgage Loans Centre

LUXEMBOURG/GARE
76, avenue de la Liberté
L-1930 Luxembourg

LUXEMBOURG/GRAND-RUE
1-3, rue du Marché-aux-Herbes
L-1728 Luxembourg

LUXEMBOURG/KIRCHBERG-EUROPE
13, avenue J.F. Kennedy
L-1855 Luxembourg

LUXEMBOURG/KIRCHBERG
10, rue Edward Steichen
L-2540 Luxembourg

Mortgage Loans Centre
Centre for Professional Clients
Business Centre Luxembourg
Tel: (+352) 42 42-83 84

LUXEMBOURG/LIMPERTSBERG
43-45, allée Scheffer
L-2520 Luxembourg

LUXEMBOURG/MERL-BELAIR
123, avenue du X Septembre
L-2551 Luxembourg

LUXEMBOURG/ROYAL
27, avenue Monterey
L-2951 Luxembourg

Mortgage Loans Centre
Centre for Self-Employed Clients

LUXEMBOURG/BOULEVARD ROYAL (Villa)
10A, boulevard Royal
L-2093 Luxembourg

"Villa" private banking centre
Tel: (+352) 42 42 - 25 25
bpi.banque_privee@bgl.lu

BASCHARAGE/KORDALL
6, avenue de Luxembourg
L-4950 Bascharage

Mortgage Loans Centre

BERELDANGE
70, route de Luxembourg
L-7240 Bereldange

DIEKIRCH
5, rue de Stavelot
L-9280 Diekirch

DIFFERDANGE
26, avenue de la Liberté
L-4601 Differdange

DUDELANGE
59, avenue Gr.-D. Charlotte
L-3441 Dudelange

Mortgage Loans Centre
Centre for Professional Clients

ECHTERNACH
25, place du Marché
L-6460 Echternach

ESCH/CENTRE
30, rue de l'Alzette
L-4010 Esch/Alzette

Mortgage Loans Centre
Centre for Self-Employed Clients
Private Banking Centre South
Tel: (+352) 42 42 - 54 93
Fax: (+352) 42 42 - 59 80

Business Centre South
Tel: (+352) 42 42-67 90

ESCH/BELVAL
12, avenue du Rock'n Roll
L-4361 Esch/Belval

ETTELBRUCK
77-79, Grand-Rue
L-9051 Ettelbruck

Mortgage Loans Centre
Centre for Professional and Self-Employed Clients
Private Banking Centre North (Ettelbruck)
Tel: (+352) 42 42–64 68
Fax: (+352) 42 42–59 56

GREVENMACHER
2, route de Trèves
L-6793 Grevenmacher

Mortgage Loans Centre
Centre for Professional Clients
Centre for Self-Employed Clients

HOWALD
201, route de Thionville
L-5885 Howald

JUNGLINSTER
2, route de Luxembourg
L-6130 Junglinster

MAMER
13 A-B, route d'Arlon
L-8211 Mamer

MERSCH
1, rue d'Arlon
L-7513 Mersch

Mortgage Loans Centre

MONDORF-LES-BAINS
58, avenue François Clement
L-5612 Mondorf-les-Bains

NIEDERANVEN
141, route de Trèves
L-6940 Niederanven

PÉTANGE
1, rue Robert Schuman
L-4779 Pétange

REDANGE-SUR-ATTERT
35, Grand'Rue
L-8510 Redange-sur-Attert

REMICH
24, route de l'Europe
L-5531 Remich

SCHIFFLANGE
36-38, avenue de la Libération
L-3850 Schifflange

STEINFORT
5-7, square du Général Patton
L-8443 Steinfort

STRASSEN
255, route d'Arlon
L-8011 Strassen

Mortgage Loans Centre
Centre for Professional Clients

Client Service
Tel: (+352) 42 42-2000

TÉTANGE/KÄLDALL
149, rue Principale
L-3770 Tétange

WEISWAMPACH
33, Gruuss-Strooss
L-9991 Weiswampach

Business Centre North
Tel: (+352) 42 42–64 39

WILTZ
53-55, Grand-Rue
L-9530 Wiltz

Mortgage Loans Centre
Private Banking Centre North (Wiltz)
Tel: (+352) 42 42–54 52
Fax: (+352) 42 42–53 98

SUBSIDIARIES, AFFILIATES, BUSINESS CENTRES/BRANCHES,

AND OTHER GROUP COMPANIES WITH A PRESENCE IN LUXEMBOURG

HEAD OFFICE

BGL BNP PARIBAS S.A.
50, avenue J.F. Kennedy
L-2951 Luxembourg
Tel: (+352) 42 42-1
Fax: (+352) 42 42-33 12 or -25 05
www.bgl.lu
info@bgl.lu

SUBSIDIARIES

LUXEMBOURG

BNP PARIBAS LEASING SOLUTIONS S.A.
10, rue Edward Steichen
L-2540 Luxembourg
Tel: (+352) 26 43 47-89
Fax: (+352) 26 43 47-88
www.leasingsolutions.bnpparibas.com

BNP PARIBAS LEASE GROUP LUXEMBOURG S.A.
10, rue Edward Steichen
L-2540 Luxembourg
Tel: (+352) 47 99-85 06
Fax: (+352) 47 99-52 96
www.bgl.lu
leasing@bgl.lu

GLOBAL GENERAL PARTNER S.A.
50, avenue J.F. Kennedy
L-2951 Luxembourg
Tel: (+352) 42 42-75 72
Fax: (+352) 42 42-81 37

PARTICIPATING INTERESTS

LUXEMBOURG

CARDIF LUX VIE
23-25, avenue de la Porte-Neuve
L-2227 Luxembourg
Tel: (+352) 26 214-1
Fax: (+352) 26 214-93 71
www.cardifluxvie.com

BUSINESS CENTRES

GERMANY

BUSINESS CENTRE KOBLENZ
August-Thyssen-Straße 27
D-56070 Koblenz

BUSINESS CENTRE SAARBRÜCKEN
Europaallee 29
D-66113 Saarbrücken
Tel: (+49) 681 761686-62

TRIER BUSINESS CENTER (Branch)
Herzogenbuscher Str. 10
D-54292 Trier
Tel: (+49) 651 460 40 10
Fax: (+49) 651 994 96 09

LUXEMBOURG

BUSINESS CENTRE LUXEMBOURG
50, avenue J.F. Kennedy
L-2951 Luxembourg
Tel: (+352) 42 42-20 08
Fax: (+352) 42 42-51 41

OTHER GROUP COMPANIES WITH A PRESENCE IN LUXEMBOURG

ARVAL LUXEMBOURG S.A.
36, route de Longwy
L-8080 Bertrange
Tel: (+352) 44 91-801
Fax: (+352) 44 91-90
www.arval.lu
info@arval.lu

BNP PARIBAS ASSET MANAGEMENT LUXEMBOURG
10, rue Edward Steichen
L-2540 Luxembourg
Tel: (+352) 26 46-30 01
Fax: (+352) 26 46-91 70
www.bnpparibas-am.lu

BNP PARIBAS REAL ESTATE INVESTMENT MANAGEMENT LUXEMBOURG S.A.
Kronos Building – 3rd floor
10, rue Edward Steichen
L-2540 Luxembourg
Tel: (+352) 26 26-06 1
Fax: (+352) 26 26-06 26
www.realestate.bnpparibas.lu

BNP PARIBAS REAL ESTATE ADVISORY & PROPERTY MANAGEMENT S.A.
Kronos Building –
Ground floor
10, rue Edward Steichen
L-2540 Luxembourg
Tel: (+352) 34 94-84
Fax: (+352) 34 94-73
www.realestate.bnpparibas.lu

BNP PARIBAS SECURITIES SERVICES LUXEMBOURG
60, avenue J.F. Kennedy
L-1855 Luxembourg
Tel: (+352) 26 96-20 00
http://securities.bnpparibas.com/

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BGL BNP PARIBAS
Société anonyme
50, avenue J.F. Kennedy – L-2951 Luxembourg
Tel.: (+352) 42 42-1 Fax: (+352) 42 42-33 12
R.C.S. Luxembourg: B 6481
www.bgl.lu

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