



**BGL  
BNP PARIBAS**

The bank for a changing world

# **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**as at 30 June 2014**

*The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinions, expressed in the original language version of the document in French, take precedence over the translation.*

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# STATEMENT OF 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 interim consolidated financial statements prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union give a true and fair view of the assets and liabilities, financial position and profit or loss of BGL BNP Paribas S.A. and the undertakings included in the consolidation as at 30 June 2014, and that the interim management report presents fairly the information required under section 4 (4) of the law.

Luxembourg, 27 August 2014

## Board of Directors:

Chairman:	ETIENNE REUTER
Vice-chairman:	FRANÇOIS VILLEROY DE GALHAU
Directors:	H.R.H. PRINCE GUILLAUME OF LUXEMBOURG
	JEAN-MARIE AZZOLIN
	FRANCIS CAPITANI
	JEAN CLAMON
	JACQUES D'ESTAIS
	GABRIEL DI LETIZIA
	CAMILLE FOHL
	GERARD GIL
	JEAN-CLAUDE GILBERTZ
	MAXIME JADOT
	CARLO KRIER
	VINCENT LECOMTE
	CORINNE LUDES
	THOMAS MENNICKEN
	JEAN MEYER
	DENISE STEINHAUSER
	TOM THEVES
	CARLO THILL
	MICHEL WURTH



# MANAGEMENT REPORT

## Consolidated Results

### Preamble

The first half of 2014 was marked by the difficult economic environment that persisted in Europe due to low interest rates and weak economic growth.

Slower growth in India and economic difficulties in Italy weighed on the contribution from international Leasing activities.

Banking activities for their part showed strong resistance in the face of regulatory changes such as the announcement of the automatic exchange of information from 1 January 2015 and the constraints imposed on the management of liquidity.

In millions of euros	First half 2014	First half 2013	Difference N / N-1	
			Value	%
<b>Revenues</b>	<b>674.2</b>	<b>712.6</b>	<b>(38.4)</b>	<b>-5%</b>
Operating expenses	(332.2)	(324.8)	(7.4)	2%
<b>Gross operating income</b>	<b>342.0</b>	<b>387.8</b>	<b>(45.8)</b>	<b>-12%</b>
Cost of risk	(13.2)	(5.1)	(8.1)	n/a
<b>Operating income</b>	<b>328.8</b>	<b>382.7</b>	<b>(53.9)</b>	<b>-14%</b>
Share of earnings of associates	(19.4)	19.0	(38.4)	n/a
<i>of which Leasing</i>	<i>(25.8)</i>	<i>13.5</i>	<i>(39.3)</i>	<i>n/a</i>
Other non operating items	1.8	1.4	0.4	29%
<b>Pre-tax income</b>	<b>311.2</b>	<b>403.1</b>	<b>(91.9)</b>	<b>-23%</b>
Corporate income tax	(96.6)	(124.4)	27.8	-22%
Net income from discontinued activities	-	(3.2)	3.2	n/a
<b>Net income</b>	<b>214.6</b>	<b>275.5</b>	<b>(60.9)</b>	<b>-22%</b>
of which net income attributable to equity holders of the parent	176.0	211.1	(35.1)	-17%

### Changes in scope of consolidation in the first half of 2014

In accordance with IFRS 11, SREI Equipment Finance Ltd, a subsidiary 50% owned by BNP Paribas Lease Group, has been consolidated using the equity consolidation method instead of the proportional consolidation method. All comparative figures for 2013 have been restated to reflect this change (see notes 1a and 2 in the Notes to the interim consolidated financial statements).

In addition, within the framework of the Group's accounting policies, there have been changes in the consolidation method for several entities in the first half 2014. Depending on their materiality, several entities are now consolidated using the equity method instead of being fully consolidated, have been deconsolidated, or have been included in the scope of consolidation (see note 6.a in the Notes to the interim consolidated financial statements). These changes in the scope of consolidation had little impact on the consolidated net income of the Group in the first half of 2014.



## Analysis of the profit and loss account and balance sheet

**Revenues** totalled EUR **674.2 million** at 30 June 2014, a decrease of EUR 38.4 million or down 5 % compared with the first half of 2013.

**Net interest income** amounted to EUR 536.1 million at 30 June 2014 compared to EUR 540.9 million at 30 June 2013, a slight decrease of EUR 4.8 million or 1%.

This decline is mainly due to the difficulty of reinvesting funds on equivalent terms when bond holdings matured and to the tighter regulatory environment, particularly with regards to liquidity.

However, Retail and Corporate Banking Luxembourg benefited, among other things, from increased margins on deposits that improved its net interest income by 2%, while Wealth Management results improved by 1% due to an increase in both volumes and margins in the lending business.

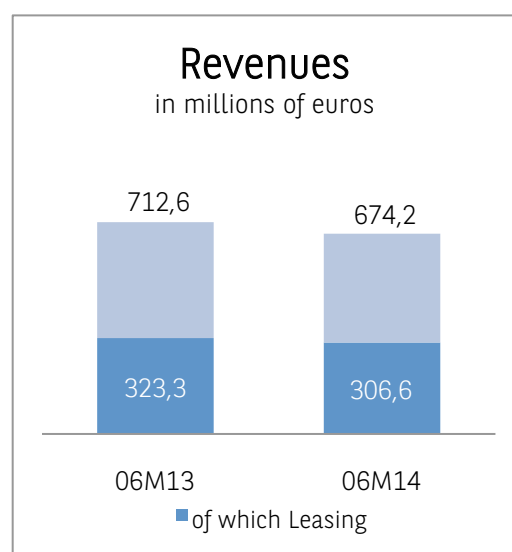
Finally, the net interest margin on the activities of Leasing International was up 3% due to growth in assets and high rates of margins on strategic activities which offset lower income from activities which are run down.

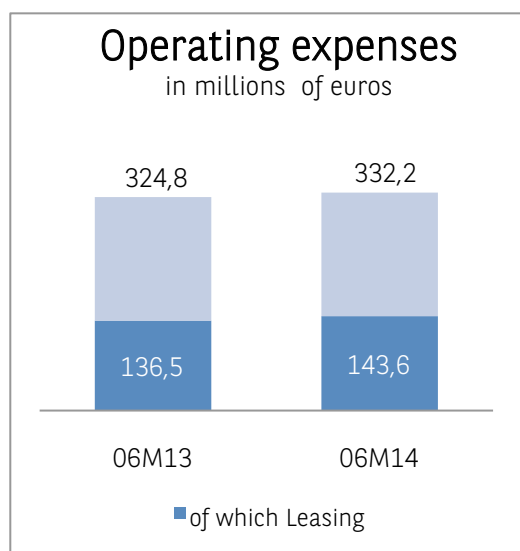
**Net commission income** fell from EUR 111.0 million in the first half of 2013 to EUR 87.6million in the first half of 2014, a decrease of EUR 23.4 million or down 21%. This decline resulted mainly from the exceptionally high level of net commission income in the first half of 2013, due to a high volume of transactions in customer portfolios and to the reduction in assets under management, both of which are linked to the announcement of automatic exchange of information from 1 January 2015.

**Net gains or losses on financial instruments at fair value through profit or loss** amounted to EUR 12.1 million compared to EUR 13.1 million in first half of 2013. Amounts recovered on impaired loans following the bankruptcy of Lehman Brothers offset lower earnings from exchange activity with customers.

**Net gains or losses on available-for-sale financial assets** amounted to EUR 14.8 million in the first half of 2014, an increase of EUR 15.0 million. These results are primarily related to the sale of the Bank's shareholding in Cetrel, which generated a gain of EUR 9.4 million and a capital gain realised on the partial disposal of a French sovereign bond for EUR 3 5 million.

**Net income and expenses from other activities** amounted to EUR 23.6 million compared to EUR 47.8 million in the first half of 2013 This sharp decrease is primarily the result of non-operational changes, most notably the effect of changes in the scope of consolidation in the first half of 2014 and in particular the transition of certain subsidiaries to consolidation by the equity method in accordance with the materiality thresholds of the Group.





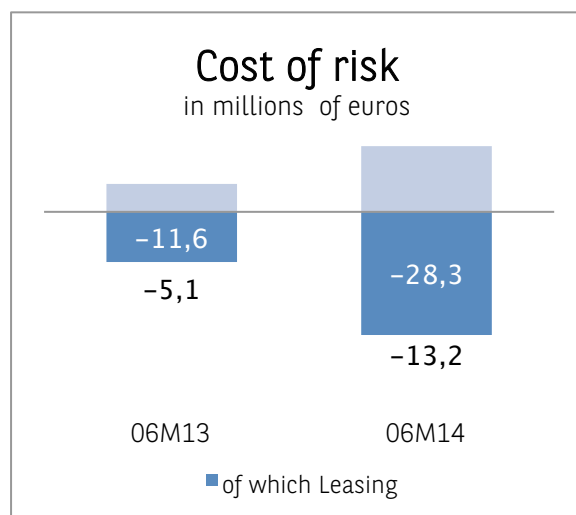
At 30 June 2014, **Operating expenses** amounted to **EUR 332.2 million** compared to EUR 324.8 million at the end of the first half of last year, an increase of EUR 7.4 million or up 2%. They were generally stable at the Bank level and increased by 5% in respect of the activities of Leasing International.

Staff costs remained under control at EUR 209.5 million, a slight increase of 1%.

Other general operating expenses amounted to EUR 109.1 million, an increase of EUR 7.6 million or up 7%. This increase is mainly due to an increase of EUR 6.0 million of costs relating to the programme to simplify organisation and improve operations (Simple & Efficient), leading to savings in this area of EUR 8.5 million in the first half of 2014. This programme has enabled the Group to achieve recurring annual savings of EUR 25.5 million since its launch at the beginning of 2013.

At the same time, the increase in expenses was also a result of investments in the strategic development activities of Leasing International in Germany.

The **cost of risk** amounted to **EUR 13.2 million** compared to EUR 5.1 million in the first half of 2013. Depreciation charges for value adjustments related to the leasing business amounted to EUR 28.3 million, an increase of EUR 16.7 million. It should be noted that the cost of risk in the first half of 2013 was particularly low due to several exceptional readjustments of surplus value. In the banking business, the cost of risk was impacted by a reversal of a value adjustment of EUR 20.1 million compared to EUR 5.2 million in the first half of 2013. This improvement comes both from reversals of provisions on specific issues and from reversals of collective provisions.



The **Share of earnings of associates** produced a **negative contribution of EUR 19.4 million** compared to a positive EUR 19.0 million for the first half of 2013. Leasing International saw its contribution to this entry fall from EUR 13.5 million in the first half of 2013 to a negative EUR 25.8 million in the first half of 2014. This sharp decrease is mainly explained by the difficult economic environment in India and Italy. The economic slowdown in India which began in the second half of 2013 had a severe impact on the 2014 first-half results of SREI Equipment Finance Ltd (down EUR 15.5 million), following a very significant deterioration in credit risk. The targeted action plan that redefines risk policy, should, within the coming periods, allow us to take advantage of the expected improvement in the economic environment in that country. However, the management of real estate in Italy, where the economic environment remains difficult, also generated the need for significant provisions in the first half of 2014 at BNP Paribas Leasing Solutions Spa, which showed a negative contribution of EUR 8.7 million. Finally, and to a lesser extent, this decline was also due to the continued reduction in the portfolio of non-strategic activities.

The contribution from insurance income int Luxembourg (Cardif Lux Vie S.A.), in which the Bank has a 33% stake, amounted to EUR 6.4 million in the first half of 2014, up 15% compared to the previous year.

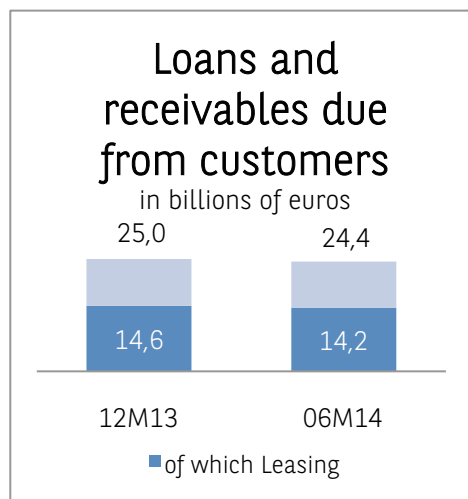
Finally, after deduction of income from minority interests, **net income attributable to the Group** for the first half of 2014 showed a net profit of **EUR 176.0 million** compared to a net profit of EUR 211.1 million for the first half of 2013.



## Balance Sheet

At 30 June 2014, total assets amounted to EUR 41.4 billion compared to EUR 40.2 billion at 31 December 2013.

On the **assets** side, **Loans and receivables due from credit institutions** decreased slightly by EUR 0.5 billion or down 5% to EUR 7.9 billion at 30 June 2014.



**Loans and receivables due from customers** fell from EUR 25.0 billion at 31 December 2013 to EUR 24.4 billion at 30 June 2014, a decrease of EUR 0.6 billion (-2%). This decline was mainly due to lower outstandings in the non-strategic portfolio of Leasing International. In terms of banking activities, loans and receivables due from customers fell slightly by EUR 168 million or by 2%. This decrease is due to a reduction in overdrafts at 30 June 2014, particularly at the corporate level, which was partially offset by the growth in home loans in a profitable national market.

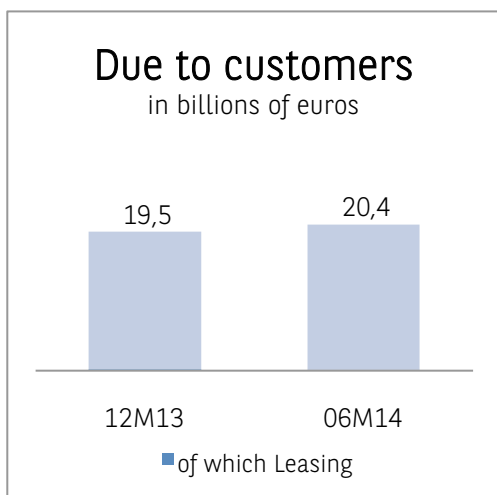
**Available-for-sale financial assets** increased from EUR 3.3 billion at 31 December 2013 to EUR 5.5 billion at 30 June 2014. This strong growth (+66%) stems from the change of investment strategy in order to improve the profitability of the investment portfolio. This led to an increase in the portfolio of euro area bonds, mainly of sovereign and supranational securities.

**Investment properties** were down EUR 184 million or 55% from EUR 336 million at 31 December 2013 to EUR 152 million at 30 June 2014. This contraction is mostly due to adjustments in the scope of consolidation of Leasing International in accordance with the materiality thresholds of the Group.

On the **liabilities** side, **Amounts due to credit institutions** increased slightly by EUR 126 million, or up 1%, to EUR 9.5 billion at 30 June 2014. The increase in the books of BGL BNP Paribas, related primarily to repurchase transactions with BNP Paribas, was offset by a decline at Leasing International due to changes in consolidation method under the materiality thresholds of the Group.

**Amounts due to Customers** rose from EUR 19.5 billion at 31 December 2013 to EUR 20.4 billion at 30 June 2014, an increase of 5%.

At the Retail and Corporate Banking in Luxembourg deposits increased (+6%), due to healthy net inflows, mainly from corporate clients and institutional investors. However, it is important to note that the departure of non-resident clients following the announcement of the change in the rules on the automatic exchange of information starting 1 January 2015, continued in the first half of 2014 and resulted in a decline in assets under management.



The same trend was also observed at Wealth Management where the departure of non-resident clients was offset by net inflows from the international clientele that led to a growth in deposits of 9% and a stabilisation in total assets under management in the first half of 2014.

**Debt Securities** rose from EUR 1.4 billion at 31 December 2013 to EUR 1.6 billion at 30 June 2014, an increase of 10%. This was mainly the result of the increase in outstanding short-term paper (European Commercial Paper) of EUR 114 million.



## Own Funds

At 30 June 2014, regulatory capital, excluding profit for the current year and after application of prudential deduction, as per the Basel III regulations, was EUR 5.2 billion and the **solvency ratio** was 22.1%.

Total consolidated equity amounted to EUR 5.8 billion.





The activities of the strategic business lines continued to grow satisfactorily given the economic environment that remains challenging within the euro area and the constraints imposed by regulatory and legislative developments.

In particular, in the context of the announcement of the automatic exchange of information on interest payments as from 1 January 2015, the Bank has maintained its efforts to support its customers throughout this transition period, and will continue to do so into the second half of 2014

In parallel, the Bank continued its ambitious programme to develop new growth opportunities in its business lines through innovative investments, in particular with a view to expanding its product range by modernising the branch network, by integrating a digital offer and by introducing a new branche structure to serve its clients. Moreover, the Group improved cross-selling opportunities with the various entities of BNP Paribas based in Luxembourg, developed cash management services, and expanded its range of Wealth Management services to more specialised segments.

In terms of consolidated investments, the strategic activities of Leasing International continued to develop positively in the light of a more difficult competitive environment in Europe. The tense economic situation in India and Italy will remain a focus of attention in the second half of 2014.

Meanwhile, the Group will maintain its efforts to optimise operations by pursuing the initiatives included in the "Simple & Efficient" programme launched globally by the BNP Paribas group. This programme involves all business lines and geographic areas where the Group is present, and is designed to simplify working practices and to improve operational efficiency.

# AUDITOR'S REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of

BGL BNP Paribas S.A.

## Introduction

We have reviewed the consolidated balance sheet of BGL BNP Paribas S.A. (the "Bank") as at 30 June 2014, together with the consolidated profit and loss account, the consolidated statement of net income and changes in assets and liabilities recognised directly in consolidated equity, the statement of changes in shareholders' equity and the consolidated cash flow statement for the six-month period then ended, and the notes to the accounts, comprising a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted for Luxembourg by the "Institute of Registered Auditors". A review of interim consolidated financial statements consists of obtaining the information deemed necessary, primarily of persons responsible for financial and accounting matters, and applying analytical and other appropriate review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in the context of an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly the consolidated financial position of the Bank as at 30 June 2014 and its financial performance and its consolidated cash flows for the six-month period then ended, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société Coopérative

Luxembourg, 27 August 2014

Represented by

Paul Neyens

Rima Adas



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Interim Consolidated Financial Statements at 30 June 2014

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

## PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF YEAR 2014

<i>In millions of euros</i>	Note	First half 2014	First half 2013 *
Interest income	3.a	705.7	757.9
Interest expense	3.a	(169.6)	(217.0)
Commission (income)	3.b	187.6	196.9
Commission (expense)	3.b	(100.0)	(85.9)
Net gain / loss on financial instruments at fair value through profit or loss	3.c	12.1	13.1
Net gain / loss on financial assets available for sale	3.d	14.8	(0.2)
Income from other activities	3.e	181.3	209.1
Expense on other activities	3.e	(157.7)	(161.3)
<b>REVENUES</b>		<b>674.2</b>	<b>712.6</b>
Staff costs		(209.5)	(208.3)
Other operating expense		(109.1)	(101.5)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(13.6)	(15.0)
<b>GROSS OPERATING INCOME</b>		<b>342.0</b>	<b>387.8</b>
Cost of risk	3.f	(13.2)	(5.1)
<b>OPERATING INCOME</b>		<b>328.8</b>	<b>382.7</b>
Share of earnings of associates		(19.4)	19.0
Net gain on other fixed assets		1.8	1.4
<b>PRE-TAX INCOME</b>		<b>311.2</b>	<b>403.1</b>
Corporate income tax	3.g	(96.6)	(124.4)
<b>NET INCOME ON CONTINUED OPERATIONS</b>		<b>214.6</b>	<b>278.7</b>
Net income on discontinued operations	3.h	-	(3.2)
<b>NET INCOME</b>		<b>214.6</b>	<b>275.5</b>
Minority interests		38.6	64.4
<i>of which : Income from continuing operations</i>		<i>38.6</i>	<i>66.0</i>
<i>of which : Income from discontinued operations</i>		<i>-</i>	<i>(1.6)</i>
<b>NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>176.0</b>	<b>211.1</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



# STATEMENT OF NET CONSOLIDATED INCOME AND CHANGES IN ASSETS AND LIABILITIES RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY

<i>In millions of euros</i>	<b>First half 2014</b>	<b>First half 2013 *</b>
<b>Net income</b>	<b>214.6</b>	<b>275.5</b>
<b>Changes in assets and liabilities recognised directly in equity</b>	<b>93.1</b>	<b>(41.1)</b>
<b>Change in fair value transferable in income</b>	<b>100.9</b>	<b>(41.8)</b>
Items related to exchange rate movements	13.6	(21.8)
Changes in fair value of available-for-sale financial assets and of securities reclassified as loans and receivables	60.3	(7.5)
Changes in fair value of available-for-sale assets, reported to net income for the period	(7.9)	(0.2)
Changes in fair value of hedging instruments	20.2	(2.9)
Items related to equity associates	14.7	(9.4)
<b>Changes in fair value non transferable in income</b>	<b>(7.8)</b>	<b>0.7</b>
Actuarial gains or losses related to defined post-employment benefits	(7.8)	0.7
<b>TOTAL</b>	<b>307.7</b>	<b>234.4</b>
Attributable to equity shareholders of the parent	261.7	185.7
Attributable to minority interests	46.0	48.7

\* Restated according to IFRS 11 (see notes 1.a and 2).



# CONSOLIDATED BALANCE SHEET AT 30 JUNE 2014

<i>In millions of euros</i>	Note	30 June 2014	31 December 2013 *
<b>ASSETS</b>			
Cash and amounts due from central banks and post office banks		432.0	306.6
Financial instruments at fair value through profit or loss			
Trading securities	5.a	205.0	156.3
Loans and repurchase agreements	5.a	2.0	26.3
Instruments designated at fair value through profit or loss on option	5.a	116.6	127.4
Derivatives	5.a	77.0	78.0
Derivatives used for hedging purposes		149.0	89.9
Available-for-sale financial assets	5.b	5,521.0	3,324.8
Loans and receivables due from credit institutions		7,906.1	8,358.8
Loans and receivables due from customers	5.d	24,399.7	24,990.2
Held-to-maturity financial assets		358.7	370.1
Current and deferred tax assets	5.f	189.8	285.8
Accrued income and other assets	5.g	706.2	697.6
Investments in associates	5.h	342.6	302.9
Investment property		151.8	335.5
Property, plant and equipment		620.9	587.8
Intangible assets		18.8	18.3
Goodwill	5.i	135.7	135.1
Non-current assets classified as assets held for sale	5.j	33.1	33.1
<b>TOTAL ASSETS</b>		<b>41,366.0</b>	<b>40,224.5</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss			
Trading securities	5.a	2.0	25.6
Borrowings and repurchase agreements	5.a	188.4	132.7
Instruments designated at fair value through profit or loss on option	5.a	554.4	641.8
Derivatives	5.a	74.9	77.8
Derivatives used for hedging purposes		73.2	31.2
Due to credit institutions		9,467.5	9,341.4
Due to customers	5.d	20,395.0	19,467.0
Debt securities	5.e	1,567.3	1,424.2
Remeasurement adjustment on interest-rate risk hedged portfolios		79.9	49.8
Current and deferred tax liabilities	5.f	586.7	663.7
Accrued expenses and other liabilities	5.g	1,112.3	1,145.2
Provisions for contingencies and charges		227.8	240.4
<b>TOTAL LIABILITIES</b>		<b>34,329.4</b>	<b>33,240.8</b>
<b>CONSOLIDATED EQUITY</b>			
Share capital and additional paid-in capital		5,523.7	5,340.2
Net income for the period attributable to shareholders		176.0	336.9
<b>Total capital, retained earnings and net income for the period attributable to shareholders</b>		<b>5,699.7</b>	<b>5,677.1</b>
Changes in assets and liabilities recognised directly in equity		116.2	24.4
<b>Total consolidated equity</b>		<b>5,815.9</b>	<b>5,701.5</b>
Retained earnings and net income for the period attributable to minority interests		1,275.0	1,345.6
Changes in assets and liabilities recognised directly in equity		(54.3)	(63.4)
<b>Total minority interests</b>		<b>1,220.7</b>	<b>1,282.2</b>
<b>TOTAL CONSOLIDATED EQUITY</b>		<b>7,036.6</b>	<b>6,983.7</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>41,366.0</b>	<b>40,224.5</b>

\* Restated according to IFRS 11 and the amendment to IAS 32 (see notes 1.a and 2).



**BGL  
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Interim Consolidated Financial Statements at 30 June 2014

# STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY BETWEEN 1 JANUARY 2013 AND 30 JUNE 2014

- Group Share

	Capital and retained earnings			Change in assets and liabilities recognised directly in equity **			Total equity attributable to equity holders of the parent
	Ordinary shares, net of treasury shares and additional paid-in capital	Non-distributed reserves	Total capital and retained earnings	Exchange rates	Available-for-sale financial assets	Derivatives used for hedging purposes	
<i>In millions of euros</i>							
<b>Capital and retained earnings at 31 December 2012</b>	<b>3,474.9</b>	<b>2,057.0</b>	<b>5,531.9</b>	<b>(35.8)</b>	<b>64.0</b>	<b>10.6</b>	<b>5,570.7</b>
Dividends		(189.7)	(189.7)				(189.7)
Commitment to repurchase minority shareholders' interests		0.2	0.2				0.2
Other movements		(3.4)	(3.4)				(3.4)
Change in assets and liabilities recognised directly in equity*		0.7	0.7	(14.1)	(9.3)	(2.7)	(25.4)
Net income for the first half of 2013		211.1	211.1				211.1
<b>Capital and retained earnings at 30 June 2013</b>	<b>3,474.9</b>	<b>2,075.9</b>	<b>5,550.8</b>	<b>(49.9)</b>	<b>54.7</b>	<b>7.9</b>	<b>5,563.5</b>
Commitment to repurchase minority shareholders' interests		0.7	0.7				0.7
Other movements		(0.1)	(0.1)				(0.1)
Change in assets and liabilities recognised directly in equity*		(0.1)	(0.1)	(9.9)	20.2	1.4	11.6
Net income for the second half of 2013		125.8	125.8				125.8
<b>Capital and retained earnings at 31 December 2013</b>	<b>3,474.9</b>	<b>2,202.2</b>	<b>5,677.1</b>	<b>(59.8)</b>	<b>74.9</b>	<b>9.3</b>	<b>5,701.5</b>
Dividends		(144.9)	(144.9)				(144.9)
Commitment to repurchase minority shareholders' interests		(2.4)	(2.4)				(2.4)
Change in assets and liabilities recognised directly in equity*		(6.1)	(6.1)	10.2	61.9	19.7	85.7
Net income for the first half of 2014		176.0	176.0				176.0
<b>Capital and retained earnings at 30 June 2014</b>	<b>3,474.9</b>	<b>2,224.8</b>	<b>5,699.7</b>	<b>(49.6)</b>	<b>136.8</b>	<b>29.0</b>	<b>5,815.9</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

\*\* Including items relating to associates



**BGL  
BNP PARIBAS**

The bank for a changing world

Interim Consolidated Financial Statements at 30 June 2014

- Minority interests

<i>In millions of euros</i>	Retained earnings	Change in assets and liabilities recognised directly in equity **	Total minority interests
<b>As at 31 December 2012</b>	<b>1,272.3</b>	<b>(38.5)</b>	<b>1,233.8</b>
Dividends	(12.6)		(12.6)
Commitment to repurchase minority shareholders' interests	(0.4)		(0.4)
Other movements	(3.6)		(3.6)
Changes in assets and liabilities recognised directly in equity*	-	(15.7)	(15.7)
Net income for the first half of 2013	64.4		64.4
<b>As at 30 June 2013</b>	<b>1,320.1</b>	<b>(54.2)</b>	<b>1,265.9</b>
Dividends	(0.4)		(0.4)
Commitment to repurchase minority shareholders' interests	0.1		0.1
Interim dividend payments	(26.1)		(26.1)
Change in assets and liabilities recognised directly in equity*	(2.8)	(9.2)	(12.0)
Net income for the second half of 2013	54.7		54.7
<b>As at 31 December 2013</b>	<b>1,345.6</b>	<b>(63.4)</b>	<b>1,282.2</b>
Dividends	(106.2)		(106.2)
Commitment to repurchase minority shareholders' interests	(1.3)		(1.3)
Changes in assets and liabilities recognised directly in equity	(1.7)	9.1	7.4
Net income for the first half of 2014	38.6		38.6
<b>As at 30 June 2014</b>	<b>1,275.0</b>	<b>(54.3)</b>	<b>1,220.7</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

\*\* Including items relating to associates



# CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF YEAR 2014

<i>In millions of euros</i>	First half 2014	First half 2013 *
<b>Pre-tax income on continued operations</b>	<b>311.2</b>	<b>403.1</b>
Net income on discontinued operations	-	(3.2)
Tax related to discontinued activities	-	(1.7)
<b>Pre-tax net income</b>	<b>311.2</b>	<b>398.2</b>
<b>Non-monetary items included in pre-tax income and other adjustments</b>	<b>36.7</b>	<b>44.0</b>
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	48.4	55.6
Impairment of goodwill and other fixed assets	(3.0)	1.1
Net addition to provisions	2.6	(37.2)
Share of earnings of associates	19.4	(19.0)
Net income from investing activities	(1.8)	(1.4)
Other movements	(28.9)	44.9
<b>Net increase/decrease in cash related to assets and liabilities generated by operating activities</b>	<b>191.2</b>	<b>(700.3)</b>
Net increase (decrease) in cash related to transactions with credit institutions	840.8	(1,255.5)
Net increase in cash related to transactions with customers	1,451.1	1,290.7
Net decrease in cash related to transactions involving other financial assets and liabilities	(1,964.3)	(603.6)
Net decrease in cash related to transactions involving non-financial assets and liabilities	(13.8)	(25.9)
Taxes paid	(122.6)	(106.0)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS GENERATED BY OPERATING ACTIVITIES</b>	<b>539.1</b>	<b>(258.1)</b>
Net increase/decrease related to financial assets and participations	(12.1)	23.0
Net decrease related to property, plant and equipment and intangible assets	(41.8)	(13.7)
Net increase related to assets held for sale	-	4.9
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO INVESTING ACTIVITIES</b>	<b>(53.9)</b>	<b>14.2</b>
Decrease in cash and cash equivalents related to transactions with shareholders	(227.4)	(191.0)
Decrease in cash and cash equivalents generated by other financing activities	(10.5)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS RELATED TO FINANCING ACTIVITIES</b>	<b>(237.9)</b>	<b>(191.0)</b>
Effect of movement in exchange rates	0.2	(3.5)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>247.5</b>	<b>(438.4)</b>
<b>Balance of cash and cash equivalent accounts at the start of the period</b>	<b>705.9</b>	<b>1,515.3</b>
Cash and amounts due from central banks and post office banks	306.6	1,334.9
Demand deposits with credit institutions	905.5	913.8
Demand loans from credit institutions	(505.5)	(732.4)
Deduction of receivables and accrued interest on cash and cash equivalents	(0.7)	(1.0)
<b>Balance of cash and cash equivalent accounts at the end of the period</b>	<b>953.4</b>	<b>1,076.9</b>
Cash and amounts due from central banks and post office banks	432.0	864.4
Demand deposits with credit institutions	1,300.4	870.3
Demand loans from credit institutions	(778.4)	(657.0)
Deduction of receivables and accrued interest on cash and cash equivalents	(0.6)	(0.8)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>247.5</b>	<b>(438.4)</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

At 30 June 2014, BGL BNP Paribas had mandatory reserves of EUR 408 million on deposit with the Central Bank of Luxembourg (EUR 74 million at 31 December 2013).





# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## GENERALITIES

BGL BNP Paribas S.A., the parent company of BGL BNP Paribas Group, was founded on 29 September 1919 under the name of Banque Générale du Luxembourg. It took the legal form of a limited liability company operating under Luxembourg law, on 21 June 1935. The Bank's statutory 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 corporate purpose of the BGL BNP Paribas Group, hereinafter referred to as "the Group", is to engage in all banking and financial transactions of any kind, all services, all acquisition of participating interests, as well as to conduct all commercial, industrial or other operations, whether involving securities or real estate, on its own account and on behalf of third parties, relating directly or indirectly to its corporate purpose or being of a nature that will promote its achievement. It may perform its activities in the Grand Duchy of Luxembourg and abroad.

The BNP Paribas Group is the majority shareholder of BGL BNP Paribas. It controls 65.96% of the capital of BGL BNP Paribas, both directly and indirectly through BNP Paribas Fortis S.A.

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

The Group is included in the consolidated financial statements of BNP Paribas Fortis S.A. its main shareholder (50% + 1 share). The consolidated financial statements of BNP Paribas Fortis S.A. are available at its head 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 head office at 16 boulevard des Italiens, F-75009 Paris.



# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE GROUP

## 1.a APPLICABLE ACCOUNTING STANDARDS

The content of these interim consolidated financial statements conforms to IAS 34 on interim financial reporting, as adopted by the European Union, which provides for the publication of interim condensed financial statements. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded, and the application of IFRIC 21 "Levies" (adopted by the European Union on 14 June 2014) will be mandatory only for annual reporting periods beginning on or after 17 June 2014.

As of 1 January 2014, the Group has applied IFRS 11 "Joint Arrangements" and the amendment to IAS 32 "Financial Instruments: Presentation - offsetting financial assets and financial liabilities", adopted on 29 December 2012 by the European Union. As this standard and the amendment have a retrospective effect, the comparative financial statements as at 1 January, 30 June and 31 December 2013 have been restated as presented in note 2.

The entry into force of the other mandatory standards from 1 January 2014 (including IFRS 10 "Consolidated Financial Statements" and the amended standard IAS 28 "Investments in Associates and Joint Ventures" ) has not had any significant effect on the interim condensed financial statements at 30 June 2014.

The Group did not choose to early-adopt the new standards, amendments and interpretations adopted by the European Union, whose application in 2014 was optional.

The Group will apply the IFRIC 21 "Levies" interpretation in the consolidated financial statements as of 1 January 2015. The application of this interpretation as at 30 June 2014 would have had an estimated impact of EUR 2.8 million on shareholders' equity, including a negative impact of EUR 2.4 million on net after-tax income for the six months then ended.

## 1.b CONSOLIDATION

### 1.b.1 SCOPE OF CONSOLIDATION

The interim consolidated financial statements of BGL BNP Paribas include all entities under the exclusive or joint control of the Group, or over which the Group exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial in drawing up the financial statements of the Group. The consolidation of an entity is regarded as immaterial if its contribution to the consolidated financial statements is below the following three thresholds: EUR 15 million of consolidated revenues, EUR 1 million of consolidated net income before tax, EUR 500 million of total assets. Companies that hold shares in consolidated companies are also consolidated in the BNP Paribas Group, or at the request of the regulator. Finally, entities consolidated exclusively or jointly whose net pre-tax profit is between EUR 1 million and EUR 10 million, are consolidated by the equity method, when they do not exceed the thresholds of net revenues and total assets listed above.

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

Companies under the exclusive control of the Group are fully consolidated. The Group has exclusive control of a subsidiary when it is in position to govern an entity's financial and operational policies and thus to obtain benefits from its activities.



For entities governed by voting rights, the Group generally controls the entity if it directly or indirectly holds the majority of voting rights and if there are no other agreements altering the power of these voting rights.

For structured entities defined under IFRS 12 as entities that are not governed by voting rights, such as when those voting rights relate to administrative tasks only, whereas the relevant activities are directed by means of contractual arrangements, the analysis of control shall consider the purpose and design of the entity, the risks to which the entity is designed to be exposed and to what extent the Group absorbs the related variability. The assessment of control shall consider all facts and circumstances able to determine the Group's practical ability to make decisions that could significantly affect its returns, even if such decisions are contingent on uncertain future events or circumstances.

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

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

Where the Group contractually holds the 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 associated 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 account and that it thus has control over those entities.

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

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in an entity's financial and operating policy decisions, without exercising control. Significant influence is presumed to exist if the Group directly or indirectly holds 20% or more of an entity's voting rights.

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

Whenever there is an indication of impairment, the carrying value of investments in associates (including goodwill) is subjected to an impairment test by comparing its recoverable amount (equal to the higher of its value in use and market value) with its carrying value. Where appropriate, an impairment is recognised under "Share of earnings of associates" in the consolidated income statement and can be reversed later.

If the Group's share of losses in an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues including its share of further losses. The investment is then reported at nil value. Additional losses are provided for only when the Group has a legal or constructive obligation to do so, or when it has made payments on behalf of the associate.

This treatment of losses does not apply to associates considered to be minor, on the basis of the predefined criteria of the Group. In this case, the Group accounts for the whole of its share in the losses of these 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.

In transactions resulting in a loss of control, the residual share any retained is remeasured at fair value through profit or loss.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under the heading "Net gain on other fixed assets", except for the realised gains and losses on assets held for sale, and discontinued operations.

### **1.b.3 CONSOLIDATION PROCEDURES**

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

#### **Elimination of intragroup balances and transactions**

Intragroup balances arising from transactions between consolidated companies in the Group and the transactions themselves (including income, expenses and dividends) are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of 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 euros, which is the functional and presentation currency of the Group.

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

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

On liquidation or disposal of some, or all, of an interest held in a foreign company, the portion of the cumulative translation adjustment recorded in shareholders' equity, in respect of the interest liquidated or disposed of, is recognised in the profit and loss account.

Should the percentage interest held change without any modification of the nature of the investment, the cumulative translation adjustment is recorded in the profit and loss account for the share of the amount relating to the interest sold.

### **1.b.4 BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL**

#### **Business combinations**

Business combinations are accounted for using the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured



at fair value or its equivalent on the acquisition date, except for non-current assets classified as assets held for sales, which are accounted for at the lower of the book value and the fair value less costs to sell.

The contingent liabilities of the acquired entity 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 fair value can be reliably estimated.

The acquisition cost is the fair value or its equivalent, on the date of exchange, of assets given, liabilities incurred or assumed, and 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 contingent consideration is included in the acquisition cost, as soon as control is obtained, at fair value on the acquisition date. Subsequent changes in value of any contingent consideration, qualifying as a financial liability, are recognised in the profit and loss account.

The Group may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

Goodwill represents the difference between the acquisition cost and the acquirer's interest in the net fair value, or its equivalent, of the identifiable assets, liabilities and contingent 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 at the closing exchange rate.

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

Since the revised IFRS 3 is only prospective, business combinations completed prior to 1 January 2010 were not restated to reflect the changes to IFRS 3.

As permitted under IFRS 1, business combinations that took place before 1 January 2004, and were recorded in accordance with the previously applicable Luxembourg accounting standards, have not been restated in accordance with the principles set out above.

When acquiring companies already previously held by another company in the BNP Paribas group, the Group applies the common control method of accounting for business combination. Therefore, the excess of the acquisition cost over the historical carrying values of the assets and liabilities acquired is deducted directly from equity.

## **Measurement of goodwill**

The Group tests goodwill for impairment on a regular basis.

## **Cash-generating units**

The Group has split all its activities into cash-generating units, representing similar business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results generated and management approach. This distribution 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.).



## Testing cash-generating units for impairment

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

## Recoverable amount of a cash-generating unit

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

Fair value is the price that would be obtained from selling the unit in the market conditions prevailing at the date of measurement. 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 to be generated by the cash-generating unit, derived from annual forecasts prepared by the unit's management and approved by the Group executive Management, 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 involved.

## 1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 1.c.1 LOANS AND RECEIVABLES

Loans and receivables include credit provided by the Group, the Group's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes.

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

Loans and receivables are subsequently measured at their amortised cost, while the income from the loan, representing interest plus transaction costs and fees / commissions included in the initial value of the loan, is calculated using the effective interest rate method.

Commissions earned on financing commitments prior to the inception of a loan are deferred.

Loans which include a derivative are recognised at fair value through the profit and loss account, as per the option in IAS 39 (paragraph 1.c.9).

### 1.c.2 SECURITIES

#### Categories of securities

Securities held by the Group are classified into one of four categories.



## Financial assets at fair value through profit or loss

Apart from derivative instruments, "Financial assets at fair value through profit or loss" are composed of:

- financial assets held for trading purposes;
- financial assets that the Group has opted, on initial recognition, to recognise at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set down out in Section 1.c.9.

Securities in this category are initially measured at their fair value, with transaction costs being directly posted to the profit and loss account. At the balance sheet date, they are assessed at their fair value and any changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain / loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

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

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

## Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as "Loans and receivables" if they do not meet the criteria to be classified as financial assets at fair value through profit or loss. These securities are assessed and accounted for at their amortised cost.

## Held-to-maturity financial assets

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

Assets in this category are recognised at their amortised cost using the effective interest rate method, which includes the amortisation of premiums and discounts corresponding with the difference between the acquisition value and the redemption value of the assets, as well as the acquisition cost of the assets, if significant. Income earned on these assets is included in "Interest income" in the profit and loss account.

Securities classified as "Held-to-maturity financial assets" should not be sold before their maturity date or reclassified to another category.

If such a situation should arise, the entire portfolio "Held-to-maturity financial assets" of the Group should be reclassified as "Available-for-sale financial assets." It would then not be possible for the Group to use the category "Held-to-maturity financial assets" during the two annual periods following the declassification.





A very small number of exceptions to this rule are nevertheless tolerated:

- sale concluded at a date sufficiently close to the due date;
- sale occurring after receipt of practically the full principal amount;
- sales due to an isolated, unpredictable event, and one which is unlikely to recur, (e.g. a sudden and significant downgrading of the credit risk of the issuer of a bond, a regulatory change ...);
- when the impact of the sale is determined by the Group to be immaterial compared to the whole portfolio of "Held-to-maturity financial assets".

### **Available-for-sale financial assets**

Available-for-sale financial assets are fixed or variable-income securities other than those included in the previous three categories.

Assets included in this category are initially recognised at fair value plus transaction costs, when the latter are significant. On the balance sheet date, they are assessed at fair value and any variations to this value, excluding accrued income, are shown on a separate line in the shareholders equity ("Unrealised or deferred gains or losses"). Upon disposal of these assets, these unrealised gains or losses are transferred from shareholders' equity to the profit or loss account, where they are shown on the line "Net gain / loss on available-for-sale financial assets". The same applies in the event of impairment.

Income recognised using the effective interest rate method for fixed-income securities within this category is recorded under "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised under "Gain / loss on available-for-sale financial assets", when the Group's right to receive payments is established.

### **Repurchase agreements and securities lending / borrowing**

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

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

Securities lending transactions do not result in derecognition of the lent securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet, except in cases where the borrowed securities are subsequently sold by the Group. In such cases, the obligation to deliver the borrowed securities on maturity takes the shape of a financial liability that is recognised in the balance sheet under "Financial liabilities at fair value through profit or loss".

### **Date of recognition for securities transactions**

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





Regardless of their classification (at fair value through profit or loss, loans and receivables or debt) temporary sales of securities as well as sales of borrowed securities are initially recognised on their settlement date. For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognised between the trade date and the settlement date when the transactions are recognised, respectively, as "Loans and receivables" and "Liabilities". When reverse repurchase agreements and repurchase agreements are recognised, respectively, as "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", the repurchase commitment is recognised as a derivative financial instrument

Securities transactions are carried on the balance sheet until the expiry of the Group's right to receive the related cash flows, or until the Group has potentially transferred all of the risks and rewards related to ownership of the securities.

### **1.c.3 FOREIGN CURRENCY TRANSACTIONS**

The method used to account for and to assess 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<sup>1</sup> expressed in foreign currencies**

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

#### **Non-monetary assets expressed in foreign currencies**

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are, in the first case, translated using the exchange rate on the transaction date and, in the second case, at the exchange rate prevailing on the balance sheet date.

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

### **1.c.4 IMPAIRMENT AND RESTRUCTURING OF FINANCIAL ASSETS**

#### **Doubtful Assets**

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

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<sup>1</sup> Monetary assets and liabilities are assets and liabilities to be received or paid for in fixed or determinable amounts of cash.



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

An impairment loss is recognised against loans and held-to-maturity financial assets when there is an objective indication of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset, whether this event affects the amount or timing of the future cash flows, and if its consequences can be reliably measured. The analysis of the possible existence of impairment is initially performed on an individual basis, and subsequently on a portfolio basis. The provisions relative to the financing and guarantee commitments given by the Group follow similar principles, with the probability of drawdown being taken into account with regard to financing commitment.

On an individual level, an objective indication of an impairment loss includes observable data regarding the following events:

- the existence of accounts more than three months past due;
- knowledge or indications of the counterparty's significant financial difficulties, such that a risk can be considered to have arisen whether or not any arrearage has occurred;
- concessions with regard to the credit terms that would not have been granted in the absence of the borrower's financial difficulties.

The impairment is measured as the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, and of those components (principal, interest, collateral, etc.) considered to be recoverable. Changes to the value of impaired assets are recognised in the profit and loss account, under "Cost of risk". Any subsequent reappraisal that can be objectively related to an event occurring after the impairment loss was recognised, is credited to the profit and loss account, also under "Cost of risk". From the date of the first entry, contractual interest ceases to be recognised. The theoretical income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the profit and loss account.

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

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics, with this assessment drawing on the Group's internal rating system based on historical data, adjusted if necessary in order to account for circumstances prevailing on the balance sheet date. This analysis enables the group to identify counterparties that, as a result of events occurring since the inception of the loans, have collectively attained a probability of default at maturity that provides an objective indication of impairment of the entire portfolio, but without it being possible at that point to allocate the impairment individually to the individual counterparties making up the portfolio. This analysis also provides an estimate of the losses on the portfolios in question, while considering the evolution of the economic cycle over the period of the analysis. Changes to the value of portfolio impairments are recognised in the profit and loss account, under "Cost of risk".

Based on the experienced judgment of the business lines or of the Risk department the Group may recognise additional collective provisions relative to a given economic sector or geographical area affected by exceptional economic events; this may be the case when the consequences of these events could not be measured with the necessary accuracy to adjust the parameters used to determine the collective provision applicable to portfolios of loans with similar characteristics that have not been specifically impaired.



## Impairment of available-for-sale financial assets

Impairment of "Available-for-sale financial assets", primarily consisting of securities, is recognised on an individual basis when there is an objective indication of impairment resulting from one or more events that occurred since acquisition.

In case of variable-income securities listed on an active market, the control system identifies securities that may be impaired on a long term basis, using the two following criteria: a significant decline in quoted price below the acquisition cost or the duration over which an unrealised capital loss is noted, in order to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

Apart from the identification criteria, the Group has determined three indications of impairment: the first being a significant decline of the share price, defined as a fall of more than 50% of the acquisition price; the second being an observation of unrealised capital gains during the 24 months preceding the statement of account, and the third when there is an unrealised loss of at least 30% over an average period of one year. A period of two years is considered by the Group as the period that is necessary for a moderate price decline below the purchase cost to be considered as something more than just the effect of random volatility inherent to the stock markets or a cyclical change over a period of several years, that affect these markets but that represents a lasting phenomenon justifying an impairment.

A similar method is applied for unlisted variable-income securities. Any impairment loss is calculated on the basis of the model value.

In the case of fixed-income securities, the impairment criteria are the same as the ones that apply to the depreciation of loans and receivables on an individual basis. For securities quoted on an active market, impairment loss is calculated on the basis of the quoted price; for others, impairment loss is calculated on the basis of the model value.

Impairment losses on variable-income securities are recognised within the net banking income under the "Net gains or losses on available-for-sale financial assets" and may not be reversed to earnings, if relevant, until such time as these securities are sold. Moreover, any subsequent decline of the fair value constitutes an additional impairment loss that is recognised through profit or loss.

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

## Restructuring of assets classified in "loans and receivables"

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

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

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

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt (see note 1.c.12) and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in profit and loss under "Cost of risk".



## 1.c.5 RECLASSIFICATION OF FINANCIAL ASSETS

The authorised reclassifications of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near term, out of “Financial assets at fair value through profit or loss” and into:
  - “loans and receivables” if the asset meets the definition for this category on the reclassification date and the group has the intention and ability to hold the asset for the foreseeable future or until maturity;
  - other categories only under exceptional circumstances, provided that the reclassified assets meet the conditions applicable to the host portfolio.
- out of the “available-for-sale financial assets” category and into:
  - “loans and receivables” with the same conditions as set out above for “financial assets at fair value through profit or loss”;
  - “held-to-maturity financial assets” category for assets that have a maturity or “financial assets at cost” for unlisted variable-income assets.

Financial instruments are reclassified at fair value on the reclassification date. Any derivatives embedded in the reclassified financial assets are, when relevant, recognised separately and any changes in fair value are recognised through profit or loss.

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

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

Any upward revisions to the estimated recoverable amounts are recognised as an adjustment to the effective interest rate as at the date of the estimate revision. Downward revisions are recognised through an adjustment to the financial asset’s carrying amount.

## 1.c.6 ISSUES OF DEBT SECURITIES

Financial instruments issued by the Group are qualified as debt instruments if there is a contractual obligation for the issuer of these assets to deliver cash or another financial asset to the holder of the instruments. 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 equity instruments.

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

All structured issues containing significant embedded derivatives are recognised at fair value through profit or loss under the option in IAS 39 (paragraph 1.c.9).



## 1.c.7 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

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

### Derivatives held for trading purposes

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

### Derivatives and hedge accounting

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

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

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

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

The effectiveness of the hedge is assessed using ratios. On an annual basis, the Group uses a retrospective effectiveness tests to demonstrate that any sources of inefficiency are reasonably limited and that a hedge can be considered effective provided that certain criteria are met during its implementation.

The Group ensures strict compliance with these criteria in the establishment of a hedging relationship. Moreover, the consistency of coverage is monitored monthly, at the accounting level, to ensure there is only a narrow range of variation.

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

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

If a hedging relationship is interrupted or no longer fulfils the effectiveness criteria, the hedging derivatives are transferred to the trading portfolio and recognised according to the principles applicable to this category. In the case of initially hedged identified fixed income instruments, the remeasurement adjustment recognised in the balance sheet for these instruments is amortised at the effective interest rate over their remaining life. In the case of interest rate risk hedged fixed income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged items no longer appear in the balance sheets, notably in case of early repayment, this amount is immediately posted to the profit and loss account.



In a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with changes in fair value posted to a specific line of the shareholders equity, "Changes in assets and liabilities recognised directly in equity". The amounts posted to shareholders equity, for accrued interest, over the life of the hedge, are transferred to the profit and loss account under "Net interest income" as and when the cash flows from the hedged item impact the earnings. The hedged instruments continue to be accounted for using the specific rules applicable to their accounting category.

If the hedging relationship ceased or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in the shareholders' equity until the hedged transaction itself impacts the earnings, 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 the shareholders' equity are immediately posted to the profit and loss account.

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

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

## **Embedded derivatives**

Derivatives embedded in host contracts are separated from the value of the host contract and recognised separately as a derivative instrument when the hybrid instrument is not recognised under "Financial assets and liabilities at fair value through profit or loss" and if the economic characteristics and risks of the embedded derivative instrument are not closely related to those of the host contract.

### **1.c.8 DETERMINATION OF FAIR VALUE**

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

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

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

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



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

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

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

#### **1.c.9 FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IN APPLICATION OF THE IAS 39 OPTION**

Financial assets and liabilities can be designated at fair value through profit or loss in the following cases:

- when they are hybrid financial instruments containing one or more embedded derivatives that would otherwise have been separated and recognised separately;
- when using this option enables the entity to eliminate or significantly reduce an inconsistency in the valuation and recognition of assets and liabilities that would result from their classification in separate accounting categories;
- when a group of financial assets and/or liabilities is managed and assessed on the basis of its fair value, in compliance with a duly documented management and investment strategy.

The Group applies the option primarily to structured issues that include significant embedded derivatives, and to loans for which the performance includes a derivative.

#### **1.c.10 INCOME AND EXPENSES ARISING FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The income and expenses arising from financial instruments assessed at amortised cost and from fixed-income assets included in the "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest rate method.

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





In the profit or loss statement, the Group recognises service-related commission income and expenses on the basis of the nature of the services to which they relate. Commissions considered as an additional component of interest are included in the effective interest rate and are recognised in the profit and loss account in the "Net interest income". Commissions payable or received on execution of a significant transaction are recognised in full in the profit and loss account on execution of the transaction, under "Commission income and expense", as are commissions payable or received for recurring services over the term of the service.

Commissions received in respect of financial guarantee commitments are considered to represent the commitment's initial fair value. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Net Revenue.

### **1.c.11 COST OF RISK**

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

### **1.c.12 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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 substantially all of the risks and rewards related to ownership of the asset in question. Unless these conditions are met, the Group retains the asset in its balance sheet and recognises a liability for the obligations created at the time of the asset's transfer.

The Group derecognises all or part of a financial liability when the liability is extinguished in whole or in part.

### **1.c.13 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

Repurchase agreements and derivatives traded through clearing houses, whose principles of operation meet both criteria required by the standard, are offset in the balance sheet.

## **1.d PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS**

Property, plant and equipment and intangible assets shown in the consolidated balance sheet include both tangible and intangible fixed assets for operations as well as investment property.

Assets used in operations are those used in the provision of services or for administrative purposes. They include non-property assets leased by the Group as lessor under operating leases.

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

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs 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 the labour cost of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are assessed at cost, less accumulated depreciation or amortisation and any impairment losses; any changes in fair value are posted to the profit and loss account.

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 as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation 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 for different patterns for producing economic benefits, 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 buildings are 50 years, 15 years for general and technical installations, 10 years for fixtures and fittings, 5 to 8 years for equipment, 3 to 5 years for IT hardware and 5 years for furnishings.

Software is amortised, depending on its type, over 3 years or 5 years for developments intended primarily for providing services to customers.

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 construction costs.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment on the balance sheet date. Non-depreciable assets are tested for impairment at least annually.

If there is an indication of impairment, the asset's new recoverable value is compared with the asset's carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in case of a change to the estimated recoverable amount or if there is no longer an 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 expenses 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 account under "Income from other activities" or "Expenses on other activities".



## 1.e LEASES

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

### 1.e.1 THE GROUP COMPANY IS THE LESSOR IN THE LEASING CONTRACT

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

#### Finance leases

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

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 income". The lease payments are spread over the lease term, 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 in the lease. The rate of interest used is the rate implicit in the contract.

The provisions established for these loans and receivables, whether individual or portfolio provisions, follow the same rules as described for other loans and receivables.

#### Operating leases

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

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

### 1.e.2 THE GROUP COMPANY IS THE LESSEE IN THE LEASING CONTRACT

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

#### Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the lessee's balance sheet at the lower of its fair value for the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the leased asset's fair value or the present value of the minimum lease payments, is also recognised in the lessee's balance sheet. The asset is depreciated using the same method as the one that applies to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. The lease obligation is recognised at amortised cost.



## Operating lease contracts

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

### 1.f NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

Once classified in this category, non-current assets and groups of assets and liabilities are assessed at the lower of their book value or fair 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 sold or shut down, and subsidiaries acquired exclusively with a view to resell.

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

To allow for a comparison between periods, the reference year is also subject of a reclassification of the results from discontinued operations, on the line "Net income on discontinued operations".

### 1.g EMPLOYEE BENEFITS

#### 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

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

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



## Termination benefits

Severance benefits are employee benefits payable as a result of a termination of an employment contract under an early-retirement plan based on voluntary departures, when the employee concerned meets the relevant criteria.

## Post-employment benefits

In keeping with generally accepted principles, the Group makes a distinction between the 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 then 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 or implicit 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 fair value of any plan assets, if there is a difference.

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

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

The annual expense recognised in the profit and loss account under "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 service 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 other comprehensive income 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.h PROVISIONS

Provisions recorded under liabilities in the consolidated 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 a reliable estimate can be made of the obligation's amount. The amount of such obligations is discounted in order to determine the provision amount, when the impact of this discounting is material.

## 1.i 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 reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when they arise within a group tax election under the jurisdiction of a single tax authority, and 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, excepted for deferred taxes relating to unrealised gains or losses on assets held for sale or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

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

## 1.j CASH FLOW STATEMENT

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

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, financial assets held to maturity and negotiable debt instruments.

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



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

## 1.k USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the Group Interim Consolidated 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 in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires those responsible to exercise their judgement and to make use of information available at the date of the preparation of the Interim Consolidated Financial Statements when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates, mainly according to market conditions, which may have a material effect on the Interim Consolidated Financial Statements.

This applies in particular to the following:

- impairment losses recognised to cover credit risks inherent in making intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted on organised markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement within the Interim Consolidated Financial Statements;
- whether a market is active or inactive for the purposes of using a valuation technique;
- impairment losses on variable income financial assets classified as "available for sale";
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and more generally of assets on which depreciation is charged net of their estimated residual value;
- assumptions and parameters used in the valuation of defined service pension plans;
- the measurement of provisions for contingencies and charges;
- capitalisation of development costs complying with the definition of an intangible asset;
- the recognition of deferred tax assets.

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



## **2. RETROSPECTIVE IMPACT OF IFRS 11 AND OF THE AMENDMENT TO IAS 32**

As of 1 January 2014, the Group has applied IFRS 11 "Joint Arrangements", as well as the amendment to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities". As these standards and amendments have a retrospective effect, the comparative financial statements as at 1 January, 30 June and 31 December 2013 have been restated.

### **Retrospective impact of IFRS 11**

The adoption of IFRS 11 has resulted in the Group's use of the equity method to account for jointly controlled activities conducted via a separate vehicle in which the partners have rights to the net assets. Such activities had hitherto been proportionally consolidated. This application of this standard concerns only one entity within the Group, the company SREI Equipment Finance Private Ltd.

### **Retrospective impact of the amendment to IAS 32**

The principles of offsetting financial assets and liabilities have been clarified: the legally enforceable right to set off the recognised amounts must be unconditional and must exist in all circumstances. Clarification has been given on the circumstances in which simultaneous gross settlement may be considered equivalent to net settlement.



## • Balance sheet

The following tables present the impact of the application of IFRS 11 and the amendment to IAS 32 on the balance sheet of the Group at 1 January 2013 and 31 December 2013.

<i>In millions of euros</i>	1 January 2013 before IFRS 11 and amendment to IAS 32	IFRS 11 Adjustments	IAS 32 Adjustments Amendments	1 January 2013 restated
<b>ASSETS</b>				
Cash and amounts due from central banks and post office banks	1,335.1	(0.1)		1,335.0
Financial instruments at fair value through profit or loss				
Trading securities	191.7	-		191.7
Loans and repurchase agreements	10.0	-		10.0
Instruments designated at fair value through profit or loss on option	213.0	-		213.0
Derivatives	138.8	(7.4)		131.4
Derivatives used for hedging purposes	129.5	(11.2)		118.3
Available-for-sale financial assets	3,224.8	(2.1)		3,222.7
Loans and receivables due from credit institutions	9,018.6	(65.4)		8,953.2
Loans and receivables due from customers	27,292.9	(1,124.5)	21.5	26,189.9
Held-to-maturity financial assets	509.2	-		509.2
Current and deferred tax assets	186.3	(14.3)		172.0
Accrued income and other assets	631.8	(10.7)		621.1
Investments in associates	226.8	108.8		335.6
Investment property	468.7	-		468.7
Property, plant and equipment	701.3	(81.2)		620.1
Intangible assets	13.1	-		13.1
Goodwill	145.3	(8.4)		136.9
Non-current assets classified as assets held for sale	-	-		-
<b>TOTAL ASSETS</b>	<b>44,436.9</b>	<b>(1,216.5)</b>	<b>21.5</b>	<b>43,241.9</b>
<b>LIABILITIES</b>				
Financial instruments at fair value through profit or loss				
Trading securities	7.0	(0.0)		7.0
Borrowings and repurchase agreements	156.5	-		156.5
Instruments designated at fair value through profit or loss on option	877.3	-		877.3
Derivatives	174.6	(2.2)		172.4
Derivatives used for hedging purposes	60.2	(0.4)		59.8
Due to credit institutions	12,149.5	(1,005.5)		11,144.0
Due to customers	19,721.1	-	21.5	19,742.6
Debt securities	2,643.9	(148.2)		2,495.7
Remeasurement adjustment on interest-rate risk hedged portfolios	80.6	-		80.6
Current and deferred tax liabilities	581.2	(16.4)		564.8
Accrued expenses and other liabilities	962.3	(40.1)		922.2
Provisions for contingencies and charges	215.6	(1.1)		214.5
Subordinated debt	2.6	(2.6)		-
<b>TOTAL LIABILITIES</b>	<b>37,632.4</b>	<b>(1,216.5)</b>	<b>21.5</b>	<b>36,437.4</b>
<b>CONSOLIDATED EQUITY</b>				
Share capital and additional paid-in capital	5,265.5	-		5,265.5
Net income for the period attributable to shareholders	266.4	-		266.4
<b>Total capital, retained earnings and net income for the period attributable to shareholders</b>	<b>5,531.9</b>	<b>-</b>	<b>-</b>	<b>5,531.9</b>
Changes in assets and liabilities recognised directly in equity	38.8	-		38.8
<b>Total consolidated equity</b>	<b>5,570.7</b>	<b>-</b>	<b>-</b>	<b>5,570.7</b>
Retained earnings and net income for the period attributable to minority interests	1,272.3	-		1,272.3
Changes in assets and liabilities recognised directly in equity	(38.5)	-		(38.5)
<b>Total minority interests</b>	<b>1,233.8</b>	<b>-</b>	<b>-</b>	<b>1,233.8</b>
<b>TOTAL CONSOLIDATED EQUITY</b>	<b>6,804.5</b>	<b>-</b>	<b>-</b>	<b>6,804.5</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>44,436.9</b>	<b>(1,216.5)</b>	<b>21.5</b>	<b>43,241.9</b>





<i>In millions of euros</i>	31 December 2013 before IFRS 11 and amendment to IAS 32	IFRS 11 Adjustments	IAS 32 Adjustments Amendments	31 December 2013 restated
<b>ASSETS</b>				
Cash and amounts due from central banks and post office banks	306.9	(0.3)		306.6
Financial instruments at fair value through profit or loss				
Trading securities	156.3	-		156.3
Loans and repurchase agreements	26.3	-		26.3
Instruments designated at fair value through profit or loss on option	127.4	-		127.4
Derivatives	82.1	(4.1)		78.0
Derivatives used for hedging purposes	104.9	(15.0)		89.9
Available-for-sale financial assets	3,326.5	(1.7)		3,324.8
Loans and receivables due from credit institutions	8,376.1	(17.3)		8,358.8
Loans and receivables due from customers	25,869.9	(901.9)	22.2	24,990.2
Held-to-maturity financial assets	370.1	-		370.1
Current and deferred tax assets	310.6	(24.8)		285.8
Accrued income and other assets	704.7	(7.1)		697.6
Investments in associates	206.6	96.3		302.9
Investment property	335.5	-		335.5
Property, plant and equipment	658.0	(70.2)		587.8
Intangible assets	19.6	(1.3)		18.3
Goodwill	133.6	1.5		135.1
Non-current assets classified as assets held for sale	33.1	-		33.1
<b>TOTAL ASSETS</b>	<b>41,148.2</b>	<b>(945.9)</b>	<b>22.2</b>	<b>40,224.5</b>
<b>LIABILITIES</b>				
Financial instruments at fair value through profit or loss				
Trading securities	25.6	-		25.6
Borrowings and repurchase agreements	132.7	-		132.7
Instruments designated at fair value through profit or loss on option	641.8	-		641.8
Derivatives	78.3	(0.5)		77.8
Derivatives used for hedging purposes	31.2	-		31.2
Due to credit institutions	10,147.5	(806.1)		9,341.4
Due to customers	19,444.8	-	22.2	19,467.0
Debt securities	1,522.1	(97.9)		1,424.2
Remeasurement adjustment on interest-rate risk hedged portfolios	49.8	-		49.8
Current and deferred tax liabilities	687.0	(23.3)		663.7
Accrued expenses and other liabilities	1,169.0	(23.8)		1,145.2
Provisions for contingencies and charges	241.2	(0.8)		240.4
Subordinated debt	2.2	(2.2)		-
<b>TOTAL LIABILITIES</b>	<b>34,173.2</b>	<b>(954.6)</b>	<b>22.2</b>	<b>33,240.8</b>
<b>CONSOLIDATED EQUITY</b>				
Share capital and additional paid-in capital	5,340.2	-		5,340.2
Net income for the period attributable to shareholders	336.9	-		336.9
<b>Total capital, retained earnings and net income for the period attributable to shareholders</b>	<b>5,677.1</b>	<b>-</b>	<b>-</b>	<b>5,677.1</b>
Changes in assets and liabilities recognised directly in equity	20.0	4.4		24.4
<b>Total consolidated equity</b>	<b>5,697.1</b>	<b>4.4</b>	<b>-</b>	<b>5,701.5</b>
Retained earnings and net income for the period attributable to minority interests	1,345.6	-		1,345.6
Changes in assets and liabilities recognised directly in equity	(67.7)	4.3		(63.4)
<b>Total minority interests</b>	<b>1,277.9</b>	<b>4.3</b>	<b>-</b>	<b>1,282.2</b>
<b>TOTAL CONSOLIDATED EQUITY</b>	<b>6,975.0</b>	<b>8.7</b>	<b>-</b>	<b>6,983.7</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41,148.2</b>	<b>(945.9)</b>	<b>22.2</b>	<b>40,224.5</b>



- **Profit and loss account**

The following table shows impacts of the application of IFRS 11 on the profit and loss account for the first half of 2013. The amendment to IAS 32 has no impact on the profit and loss account.

<i>In millions of euros</i>	First half 2013		First half 2013 restated
	before IFRS 11	Adjustments IFRS 11	
Interest income	837.5	(79.6)	757.9
Interest expense	(273.6)	56.6	(217.0)
Commission (income)	196.9	-	196.9
Commission (expense)	(85.9)	-	(85.9)
Net gain / loss on financial instruments at fair value through profit or loss	8.9	4.2	13.1
Net gain / loss on financial assets available for sale	(0.2)	-	(0.2)
Income from other activities	220.9	(11.8)	209.1
Expense on other activities	(167.3)	6.0	(161.3)
<b>REVENUES</b>	<b>737.2</b>	<b>(24.6)</b>	<b>712.6</b>
Staff costs	(212.7)	4.4	(208.3)
Other operating expense	(105.0)	3.5	(101.5)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(15.2)	0.2	(15.0)
<b>GROSS OPERATING INCOME</b>	<b>404.3</b>	<b>(16.5)</b>	<b>387.8</b>
Cost of risk	(12.6)	7.5	(5.1)
<b>OPERATING INCOME</b>	<b>391.7</b>	<b>(9.0)</b>	<b>382.7</b>
Share of earnings of associates	11.9	7.1	19.0
Net gain on other fixed assets	1.4	-	1.4
<b>PRE-TAX INCOME</b>	<b>405.0</b>	<b>(1.9)</b>	<b>403.1</b>
Corporate income tax	(126.3)	1.9	(124.4)
<b>NET INCOME ON CONTINUED OPERATIONS</b>	<b>278.7</b>	<b>-</b>	<b>278.7</b>
Net income on discontinued operations	(3.2)	-	(3.2)
<b>NET INCOME</b>	<b>275.5</b>	<b>-</b>	<b>275.5</b>
Minority interests	64.4	-	64.4
<i>of which : Income from continuing operations</i>	<i>66.0</i>	<i>-</i>	<i>66.0</i>
<i>of which : Income from discontinued operations</i>	<i>(1.6)</i>	<i>-</i>	<i>(1.6)</i>
<b>NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>211.1</b>	<b>-</b>	<b>211.1</b>



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

The following table shows the impacts on the statement of net income and changes in assets and liabilities recognised directly in equity for the first half of 2013 due to the application of IFRS 11. The amendment to IAS 32 has no impact on the statement of net income and changes in assets and liabilities recognised directly in equity.

<i>In millions of euros</i>	First half 2013 before IFRS 11	Adjustments IFRS 11	First half 2013 restated
<b>Net income</b>	<b>275.5</b>	<b>-</b>	<b>275.5</b>
<b>Changes in assets and liabilities recognised directly in equity</b>	<b>(45.1)</b>	<b>4.0</b>	<b>(41.1)</b>
<b>Changes in fair value transferable in net income</b>	<b>(45.8)</b>	<b>4.0</b>	<b>(41.8)</b>
Items related to exchange rate movements	(33.1)	11.3	(21.8)
Changes in fair value of available-for-sale financial assets and of securities reclassified as loans and receivables	(7.4)	(0.1)	(7.5)
Changes in fair value of available-for-sale assets, reported to net income for the period	(0.2)	-	(0.2)
Changes in fair value of hedging instruments	(2.7)	(0.2)	(2.9)
Changes in fair value of hedging instruments, reported to net income for the period	-	-	-
Items related to equity associates	(2.4)	(7.0)	(9.4)
<b>Change in fair value non transferable in net income</b>	<b>0.7</b>	<b>-</b>	<b>0.7</b>
Actuarial gains or losses related to defined post-employment benefits	0.7	-	0.7
Items related to equity associates	-	-	-
<b>TOTAL</b>	<b>230.4</b>	<b>4.0</b>	<b>234.4</b>
Attributable to equity shareholders of the parent	183.6	2.1	185.7
Attributable to minority interests	46.8	1.9	48.7

- **Cash flow statement**

The impacts of IFRS 11 on the balance of cash and equivalent accounts of the Group at 1 January 2013 and 30 June 2013 amounted respectively to EUR 74.4 million and EUR -27.5 million, i.e. a EUR -101.9 million decrease over the period.



### 3. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF YEAR 2014

#### 3.a NET INTEREST INCOME

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

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

<i>In millions of euros</i>	First half 2014			First half 2013 *		
	Income	Expense	Net	Income	Expense	Net
<b>Customer items</b>	<b>547.9</b>	<b>(43.6)</b>	<b>504.3</b>	<b>593.5</b>	<b>(59.5)</b>	<b>534.0</b>
Deposits, loans and borrowings	244.2	(35.0)	209.2	259.5	(38.8)	220.7
Finance leases	303.7	(8.6)	295.1	334.0	(20.7)	313.3
<b>Interbank items</b>	<b>84.4</b>	<b>(104.8)</b>	<b>(20.4)</b>	<b>96.8</b>	<b>(135.2)</b>	<b>(38.4)</b>
Deposits, loans and borrowings	84.4	(104.5)	(20.1)	96.8	(135.2)	(38.4)
Repurchase agreements	-	(0.3)	(0.3)	-	-	-
<b>Debt securities issued</b>	<b>-</b>	<b>(6.1)</b>	<b>(6.1)</b>	<b>-</b>	<b>(9.2)</b>	<b>(9.2)</b>
<b>Cash flow hedge instruments</b>	<b>10.0</b>	<b>(9.5)</b>	<b>0.5</b>	<b>5.5</b>	<b>(7.3)</b>	<b>(1.8)</b>
<b>Interest rate portfolio hedge instruments</b>	<b>12.3</b>	<b>(1.8)</b>	<b>10.5</b>	<b>11.0</b>	<b>(1.0)</b>	<b>10.0</b>
<b>Trading book</b>	<b>1.7</b>	<b>(3.8)</b>	<b>(2.1)</b>	<b>2.9</b>	<b>(4.8)</b>	<b>(1.9)</b>
Fixed income securities	0.2	-	0.2	-	-	-
Repurchase agreements	1.0	(1.0)	-	1.9	(1.5)	0.4
Loans / borrowings	0.5	(1.0)	(0.5)	1.0	(0.9)	0.1
Debt securities	-	(1.8)	(1.8)	-	(2.4)	(2.4)
<b>Available-for-sale financial assets</b>	<b>42.1</b>	<b>-</b>	<b>42.1</b>	<b>39.1</b>	<b>-</b>	<b>39.1</b>
<b>Held-to-maturity financial assets</b>	<b>7.3</b>	<b>-</b>	<b>7.3</b>	<b>9.1</b>	<b>-</b>	<b>9.1</b>
<b>TOTAL INTEREST INCOME (EXPENSE)</b>	<b>705.7</b>	<b>(169.6)</b>	<b>536.1</b>	<b>757.9</b>	<b>(217.0)</b>	<b>540.9</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



### 3.b COMMISSIONS

<i>In millions of euros</i>	First half 2014	First half 2013 *
Credit operations for customers / Credit institutions	8.5	9.8
Means of payment and account keeping	13.3	15.2
Securities and derivatives transactions	1.8	3.9
Foreign Exchange and arbitrage transactions	0.3	0.3
Securities, investment funds and UCITS	30.2	41.1
Securities transactions for customers account	22.4	25.3
Consulting activities	2.5	3.1
Insurance activities	11.9	14.8
Others	(3.3)	(2.5)
<b>TOTAL COMMISSIONS</b>	<b>87.6</b>	<b>111.0</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

### 3.c NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/loss on financial instruments at fair value through profit or loss includes all profit and loss items relating to financial instruments managed in the trading book and financial instruments (including dividends) that the Group has designated as at fair value through profit or loss under the fair value option, other than interest income and expense that are recognised in "Net interest income" (see note 3.a).

<i>In millions of euros</i>	First half 2014	First half 2013 *
<b>Trading portfolio</b>	<b>15.1</b>	<b>(1.5)</b>
Debt instrument	10.2	(6.9)
Equity instrument	4.9	4.8
Other derivatives	-	0.6
<b>Portfolio assessed at fair value on option</b>	<b>(9.1)</b>	<b>(0.4)</b>
<b>Impact of hedge accounting</b>	<b>(2.6)</b>	<b>0.2</b>
Fair value hedges	(8.8)	(18.4)
Hedged items in fair value hedge	6.2	18.6
<b>Remeasurement of currency positions</b>	<b>8.7</b>	<b>14.8</b>
<b>TOTAL</b>	<b>12.1</b>	<b>13.1</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

The line Financial instruments at fair value on option includes the revaluation of own credit risk for an amount of EUR -2.9 million (EUR - 2.6 million for the first half of 2013).

### 3.d NET GAIN/LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

Net gain/loss on financial assets available for sale includes non-derivative financial assets that are not categorised as loans and receivables, nor as investments held to maturity, nor as financial assets measured at fair value through profit or loss.



<i>In millions of euros</i>	First half 2014	First half 2013 *
<b>Loans and receivables, fixed-income securities (1)</b>	<b>3.5</b>	<b>-</b>
Gains and losses on disposal	3.5	-
<b>Equities and other variable-income securities</b>	<b>11.3</b>	<b>(0.2)</b>
Dividend income	6.7	2.7
Additions to impairments	(2.6)	(3.1)
Gains and losses on disposal	7.2	0.2
<b>TOTAL</b>	<b>14.8</b>	<b>(0.2)</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

(1) Interest income from fixed-income securities available-for-sale is included in the "net interest income" (see note 3.a) and impairment losses linked to potential issuer insolvency are included in "Cost of risk" (see note 3.f).

### 3.e INCOME AND EXPENSE FROM OTHER ACTIVITIES

<i>In millions of euros</i>	First half 2014			First half 2013 *		
	Income	Expense	Net	Produits	Charges	Net
Income and expense from investment property	11.3	(4.9)	6.4	26.2	(10.2)	16.0
Income and expense from assets held under operating leases	68.5	(50.4)	18.1	76.3	(57.0)	19.3
Other income and expense	101.5	(102.4)	(0.9)	106.6	(94.1)	12.5
<b>TOTAL</b>	<b>181.3</b>	<b>(157.7)</b>	<b>23.6</b>	<b>209.1</b>	<b>(161.3)</b>	<b>47.8</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

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

### 3.f COST OF RISK

The Cost of risk represents the net amount of impairment losses recognised with respect to credit risks inherent in the Group's operations, plus any impairment losses in the cases of known risks of counterparty default on over-the-counter financial instruments.

#### Cost of risk for the period

- Cost of risk for the period

<i>In millions of euros</i>	First half 2014	First half 2013 *
Net additions to impairments	(8.2)	5.5
Recoveries on loans and receivables previously written off	5.6	5.3
Irrecoverable loans and receivables not covered by impairments	(10.6)	(15.9)
<b>TOTAL COST OF RISK</b>	<b>(13.2)</b>	<b>(5.1)</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



- Cost of risk for the period by asset type

<i>In millions of euros</i>	First half 2014	First half 2013 *
Loans and receivables due from credit institutions	0.1	-
Loans and receivables due from customers	(16.7)	(3.9)
Financial instruments on trading activities	-	0.1
Other assets	(0.2)	(0.6)
Off-balance sheet commitments and other items	3.6	(0.7)
<b>TOTAL COST OF RISK</b>	<b>(13.2)</b>	<b>(5.1)</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

### 3.g CORPORATE INCOME TAXE

<i>in millions of euros</i>	First half 2014	First half 2013 *
Current tax expense	(121.4)	(187.9)
Deferred tax income (expense)	24.8	63.5
<b>NET CORPORATE INCOME TAX EXPENSE</b>	<b>(96.6)</b>	<b>(124.4)</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

### 3.h NET INCOME FROM DISCONTINUED OPERATIONS

<i>In millions of euros</i>	First half 2014	First half 2013
Losses on discontinued operations	-	(4.9)
<b>Pre-tax income</b>	<b>-</b>	<b>(4.9)</b>
Taxes related to discontinued operations	-	1.7
<b>NET INCOME ON DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(3.2)</b>

As at 30 June 2013, net income from discontinued operations relates to the depreciation of investment properties reclassified as available-for-sale non-current assets.



## 4. SEGMENT INFORMATION

The Group is an international provider of financial services. 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 holds a majority stake in the leasing activities of the BNP Paribas Group. These international activities are designed to provide customer support, mainly in countries where the BNP Paribas Group has a significant presence.

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

The Group is composed of four core businesses:

- **Retail and Corporate Banking Luxembourg (BDEL)** which covers the network of branches in the Grand Duchy of Luxembourg and the activities of major companies in Luxembourg and in the Greater Region, the activity of Personal Investors, as well as the activities of private banking in Luxembourg, and offers its financial services to individuals and companies. The related financing activities are also included in the scope of this business (BNP Paribas Lease Group Luxembourg S.A., BGL BNP Paribas Factor S.A.);
- **International Leasing** which includes the leasing activities of the BNP Paribas Group held by the Luxembourg holding company BNP Paribas Leasing Solutions S.A.. BNP Paribas Leasing Solutions uses multiple channels (direct sales, sales via referrals, sales via partnerships and bank networks) to offer businesses and professionals a range of leasing solutions ranging from equipment financing to outsourcing of fleets of vehicles;
- **Corporate and Investment Banking (CIB)** whose activities in the capital markets are intended for bankers, institutional customers and major corporations;
- **Investment Solutions (IS)**, includes Wealth Management, which provides wealth management services for international private clients as well as Cardif Lux Vie S.A., which primarily offers protection products, group insurance, pension savings and life insurance in Luxembourg and abroad.

Other activities include the activities of Assets and Liabilities Management (ALM), those of Alsacian Company for Development and Expansion (SADE) S.A., as well as items related to support functions that cannot be allocated to a specific business segment. They also include non-recurring items resulting from applying the rules for business combinations. In order to provide consistent and relevant economic information for each core business, the costs associated with the cross-business saving programme "Simple and Efficient" are assigned to the Other Activities segment.

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

Inter-sector transactions are carried out at arm's length.

### Allocation rules

Segment reporting applies balance sheet allocation rules, balance sheet squaring mechanisms, a fund transfer pricing system, rebilling of support and operations expenses and overhead allocation.

The balance sheet allocation and squaring methodology aim at reporting information on segments to reflect the business model.





Under the business model, segments do not act as their own treasurer in bearing the interest rate risk and the foreign exchange risk by funding their own assets with their own liabilities, or by having direct access to the financial markets. The interest and currency risks are removed by transferring them from the segments to the central bankers. This is reflected in the fund transfer pricing system, which transfers the interest rate risk and the foreign exchange risk of the different segments to the departments assuming the role of central bankers within the bank, by monitoring the assets and liabilities.

Support and operations departments provide services to the segments. These services include human resources, information technology, payment services, settlement of security transactions and ALM. The costs and revenues of these departments are charged to the segments via a rebilling system on the basis of service level agreements (SLAs) reflecting the economic consumption of the products and services provided. SLAs ensure that the costs and revenues are charged based on actual use and at a fixed rate. Differences between actual costs and rebilled costs based on standard tariffs are passed through to the three segments of the Group in a final allocation.

The distribution of income within the various business lines was revised from 1 January 2014. To allow a comparison of income by business line between the first half of 2014 and the first half of 2013, income in 2013 was restated based on the distribution applied in 2014:

- The contribution of the company SADE was reclassified from the BDEL business line to Others;
- The contribution from the activity of Personal Investors was reclassified from Others to BDEL.
- **Income by business segment**

In millions of euros	First half 2014					
	BDEL	Leasing international	Corporate Investment Banking	Investment Solutions	Others	Total
<b>Revenues</b>	<b>185.7</b>	<b>306.6</b>	<b>29.2</b>	<b>72.2</b>	<b>80.5</b>	<b>674.2</b>
Operating expense	(113.7)	(143.6)	(10.9)	(54.2)	(9.8)	(332.2)
Cost of risk	18.3	(28.3)	-	(0.4)	(2.8)	(13.2)
<b>Operating income</b>	<b>90.3</b>	<b>134.7</b>	<b>18.3</b>	<b>17.6</b>	<b>67.9</b>	<b>328.8</b>
Non-operating items	-	(24.1)	-	6.4	0.1	(17.6)
<b>Pre-tax income</b>	<b>90.3</b>	<b>110.6</b>	<b>18.3</b>	<b>24.0</b>	<b>68.0</b>	<b>311.2</b>

In millions of euros	First half 2013 *					
	BDEL	Leasing international	Corporate Investment Banking	Investment Solutions	Others	Total
<b>Revenues</b>	<b>185.0</b>	<b>323.3</b>	<b>39.3</b>	<b>87.1</b>	<b>77.9</b>	<b>712.6</b>
Operating expense	(112.0)	(136.5)	(14.0)	(56.7)	(5.6)	(324.8)
Cost of risk	2.2	(11.6)	(0.1)	2.6	1.8	(5.1)
<b>Operating income</b>	<b>75.2</b>	<b>175.2</b>	<b>25.2</b>	<b>33.0</b>	<b>74.1</b>	<b>382.7</b>
Non-operating items	-	14.9	-	5.5	-	20.4
<b>Pre-tax income</b>	<b>75.2</b>	<b>190.1</b>	<b>25.2</b>	<b>38.5</b>	<b>74.1</b>	<b>403.1</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



## 5. NOTES TO THE BALANCE SHEET AT 30 JUNE 2014

### 5.a FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and financial liabilities at fair value through profit or loss principally comprise proprietary trading issues made to fulfil customer demand and instruments that accounting regulation do not allow to be classified as hedging instruments.

<i>In millions of euros</i>	30 June 2014		31 December 2013 *	
	Trading book	Portfolio designated at fair value on option	Trading book	Portfolio designated at fair value on option
Securities portfolio	205.0	4.2	156.3	4.2
Loans and repurchase agreements	2.0	112.4	26.3	123.2
<b>Financial assets at fair value through profit or loss</b>	<b>207.0</b>	<b>116.6</b>	<b>182.6</b>	<b>127.4</b>
Securities portfolio	2.0		25.6	
Borrowing and repurchase agreements	188.4	-	132.7	-
Debt securities (note 5.e)		441.4		532.8
Subordinated debt (note 5.e)		113.0		109.0
<b>Financial liabilities at fair value through profit or loss</b>	<b>190.4</b>	<b>554.4</b>	<b>158.3</b>	<b>641.8</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

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

### Derivative financial instruments held for trading

<i>In millions of euros</i>	30 June 2014		31 December 2013 *	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Currency derivatives	14.4	13.7	22.6	20.7
Interest rates derivatives	49.4	37.6	43.7	33.2
Equity derivatives	12.8	23.5	11.6	23.7
Credit derivatives	0.4	0.1	0.1	0.2
<b>Financial derivative instruments</b>	<b>77.0</b>	<b>74.9</b>	<b>78.0</b>	<b>77.8</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



## 5.b AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	30 June 2014			31 December 2013 *		
	Net	of which impairments	of which changes in value recognised directly to equity	Net	of which impairments	of which changes in value recognised directly to equity
<b>Fixed-income securities</b>	<b>5,237.5</b>	<b>-</b>	<b>190.3</b>	<b>3,075.5</b>	<b>-</b>	<b>116.9</b>
Government Bonds	2,536.0	-	127.6	1,559.6	-	85.2
Other Bonds	2,701.5	-	62.7	1,515.9	-	31.7
<b>Equities and other variable-income securities</b>	<b>283.5</b>	<b>(248.1)</b>	<b>20.7</b>	<b>249.3</b>	<b>(249.1)</b>	<b>22.7</b>
Listed securities	1.1	(1.4)	0.5	30.1	(13.2)	6.2
Non-listed securities	282.4	(246.7)	20.2	219.2	(235.9)	16.5
<b>Total available-for-sale financial assets</b>	<b>5,521.0</b>	<b>(248.1)</b>	<b>211.0</b>	<b>3,324.8</b>	<b>(249.1)</b>	<b>139.6</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

Changes in value recognised directly to equity are included in equity as follows:

In millions of euros	30 June 2014			31 December 2013 *		
	Fixed income securities	Equities and other variable income securities	Total	Fixed income securities	Equities and other variable income securities	Total
<b>Changes in value of non-hedged securities recognised in "available-for-sale financial assets"</b>	<b>190.3</b>	<b>20.7</b>	<b>211.0</b>	<b>116.9</b>	<b>22.7</b>	<b>139.6</b>
Deferred tax linked to these changes in value	(43.2)	(4.9)	(48.1)	(19.9)	(3.7)	(23.6)
Group share of changes in value of available-for-sale securities owned by associates, net of deferred tax	18.3	(0.4)	17.9	8.6	(0.3)	8.3
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(44.2)		(44.2)	(49.7)		(49.7)
Other variations	-	(0.1)	(0.1)	0.1	(0.1)	0.0
<b>Changes in value of assets recognised directly to equity under the heading "Available-for-sale financial assets"</b>	<b>121.2</b>	<b>15.3</b>	<b>136.5</b>	<b>56.0</b>	<b>18.6</b>	<b>74.6</b>
Attributable to equity shareholders	121.4	15.4	136.8	56.2	18.7	74.9
Attributable to minority interests	(0.2)	(0.1)	(0.3)	(0.2)	(0.1)	(0.3)

\* Restated according to IFRS 11 (see notes 1.a and 2).



## 5.c MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

### Valuation process

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

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

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

Additional valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that could be incurred in case of an exit transaction in the principal market. Used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the existence and terms of any collateral agreement.

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

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

### Additional valuation adjustments

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

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

The Group assumes that the best estimate of an exit price is the bid 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 or CVA):** the CVA adjustment applies to valuations and market quotations whereby the credit worthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that the Group may not receive the full fair value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be an inter-dealer market. However, the observation of CVA remains judgemental due to:

- the absence or lack of price discovery in the inter-dealer market;
- the influence of the regulatory landscape relating to counterparty risk on the market participants' pricing behaviour; and
- the absence of a dominant business model for managing counterparty risk.



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

**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 fair value through profit and loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels.

Thus, the carrying value of liabilities measured at fair value fell by EUR 13.7 million as at 30 June 2014, compared with a reduction in value of EUR 16.6 million as at 31 December 2013.

The change in fair value of derivative liabilities in respect of own credit risk instruments is not significant at 30 June 2014.

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

As explained in the summary of significant accounting policies (note 1.c.8), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

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

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



In millions of euros	30 June 2014				31 December 2013 *			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
<b>FINANCIAL ASSETS</b>								
<b>Trading book</b>	205.0	2.0	-	207.0	156.3	26.3	-	182.6
<b>Securities portfolio</b>	205.0	-	-	205.0	156.3	-	-	156.3
Other variable-income securities	45.4	-	-	45.4	-	-	-	-
Equities and other variable-income securities	159.6	-	-	159.6	156.3	-	-	156.3
<b>Loans and repurchase agreements</b>	-	2.0	-	2.0	-	26.3	-	26.3
Repurchase agreements	-	2.0	-	2.0	-	26.3	-	26.3
<b>Portfolio designated as at fair value through profit or loss on option</b>	-	115.8	0.8	116.6	-	126.2	1.2	127.4
<b>Securities portfolio</b>	-	3.4	0.8	4.2	-	3.0	1.2	4.2
Equities and other variable-income securities	-	3.4	0.8	4.2	-	3.0	1.2	4.2
<b>Loans and repurchase agreements</b>	-	112.4	-	112.4	-	123.2	-	123.2
Loans	-	112.4	-	112.4	-	123.2	-	123.2
<b>Available-for-sale assets</b>	4,109.4	1,131.8	279.8	5,521.0	2,291.2	816.9	216.7	3,324.8
Government bonds	2,294.9	241.1	-	2,536.0	1,331.5	228.1	-	1,559.6
Other fixed-income securities	1,813.5	888.0	-	2,701.5	929.7	586.2	-	1,515.9
Equities and other variable-income securities	1.0	2.7	279.8	283.5	30.0	2.6	216.7	249.3
<b>FINANCIAL LIABILITIES</b>								
<b>Trading book</b>	2.0	188.4	-	190.4	25.6	132.7	-	158.3
<b>Securities portfolio</b>	2.0	-	-	2.0	25.6	-	-	25.6
Equities and other variable-income securities	2.0	-	-	2.0	25.6	-	-	25.6
<b>Loans and repurchase agreements</b>	-	188.4	-	188.4	-	132.7	-	132.7
Repurchase agreements	-	188.4	-	188.4	-	132.7	-	132.7
<b>Portfolio designated as at fair value through profit or loss on option</b>	-	548.6	5.8	554.4	-	634.3	7.5	641.8
Debt securities	-	435.6	5.8	441.4	-	525.3	7.5	532.8
Subordinated debts	-	113.0	-	113.0	-	109.0	-	109.0

\* Restated according to IFRS 11 (see notes 1.a and 2).

In millions of euros	30 June 2014				31 December 2013 *			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
<b>POSITIVE FAIR VALUE</b>								
Foreign exchange derivatives	-	14.4	-	14.4	-	22.6	-	22.6
Interest rate derivatives	-	48.8	0.6	49.4	-	43.2	0.5	43.7
Credit derivatives	-	0.4	-	0.4	-	0.1	-	0.1
Equity derivatives	-	12.8	-	12.8	-	-	-	11.6
<b>Positive fair value of derivatives (not used for hedging purposes)</b>	-	76.4	0.6	77.0	-	77.5	0.5	78.0
<b>Positive fair value of derivative financial instruments used for hedging purposes</b>	-	149.0	-	149.0	-	89.9	-	89.9
<b>NEGATIVE FAIR VALUE</b>								
Foreign exchange derivatives	-	13.7	-	13.7	-	20.7	-	20.7
Interest rate derivatives	-	37.6	-	37.6	-	33.2	-	33.2
Credit derivatives	-	0.1	-	0.1	-	0.2	-	0.2
Equity derivatives	-	23.5	-	23.5	-	23.7	-	23.7
<b>Negative fair value of derivatives (not used for hedging purposes)</b>	-	74.9	-	74.9	-	77.8	-	77.8
<b>Negative fair value of derivatives used for hedging purposes</b>	-	73.2	-	73.2	-	31.2	-	31.2

\* Restated according to IFRS 11 (see notes 1.a and 2).



**BGL  
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The bank for a changing world

Interim Consolidated Financial Statements at 30 June 2014

Transfers between levels may occur when an instrument fulfils the criteria defined, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. The timing of recognising transfers is determined at the end of the reporting period

During the first half of 2014, the Group transferred several bond positions with a value of EUR 173.8 million from Level 1 to Level 2, due to reduced trading volumes on the markets. Over the same period, two bond positions with a value of EUR 77.9 million were transferred from Level 2 to Level 1.

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

## Description of main instruments in each level

The following section provides a description of the instruments in each level in the hierarchy. It describes notably instruments classified in Level 3 and the associated valuation methodologies.

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

### Level 1

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

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

### Level 2

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

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

**Debts issued** designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. 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 default swaps, equity/foreign exchange (FX)/ commodities forwards and options;
- structured derivatives such as exotic FX options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.



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

- fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;
- fair value is derived from other standard techniques such as replication or discounted cash flows that are calibrated to observable prices, that bear limited model risk and enable an effective offset of the risks of the instrument through trading Level 1 or Level 2 instruments;
- fair value is derived from more complex or proprietary valuation techniques but is directly evidenced through regular back-testing using external market-based data.

Determining of whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axis within an "observability zone" whose limits are determined by i) a predetermined list of product categories and ii) the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable additional valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

### Level 3

**Level 3 securities** of the trading book, designated as at fair value through profit or loss or classified as available for sale comprise units of funds and unquoted equity shares.

Fair value is determined using a methodology that takes into consideration both the available external indicative prices as well as discounted expected cash flows.

The Discounted Expected Cash flow approach for CDOs takes in consideration both an internal and an external independent set of hypotheses to derive expectations about the underlying cash flow payments.

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, presented as unlisted securities in note 5.b, but which are classified in the Level 1 of the fair value hierarchy.

The portfolio of available for sale financial assets classified as Level 3 contains mainly assets controlled by BNP Paribas.

**Repurchase agreements mainly long-term repurchase agreements on corporate bonds:** the valuation of these transactions requires proprietary methodologies given the lack of activity and price discovery in the long-term repo market.

**Debts issued** designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. 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 markets such as tranches on old credit index series or emerging markets interest rates markets.

*Complex derivatives* classified in Level 3 predominantly comprise hybrid products (FX/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some stock basket optional products and some interest rate optional instruments.

### • Table of movements in level 3 financial instruments

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

	Financial assets			Financial liabilities	
	Financial instruments at fair value through profit or loss on option	Available-for-sale financial assets	TOTAL	Financial instruments at fair value through profit or loss on option	TOTAL
<i>In millions of euros at 30 June 2014</i>					
<b>Start of period</b>	<b>1.2</b>	<b>216.7</b>	<b>217.9</b>	<b>7.5</b>	<b>7.5</b>
Entry in scope	-	0.5	0.5	-	-
Purchases	-	38.4	38.4	-	-
Sales	-	(8.1)	(8.1)	-	-
Settlements	-	0.0	0.0	(1.9)	(1.9)
Transfers from level 1	-	31.1	31.1	-	-
Others	-	(0.3)	(0.3)	-	-
Gains (or losses) recognised in profit or loss	(0.4)	-	(0.4)	0.2	0.2
Changes in fair value of assets and liabilities recognised directly in equity	-	1.5	1.5	-	-
<b>End of period</b>	<b>0.8</b>	<b>279.8</b>	<b>280.6</b>	<b>5.8</b>	<b>5.8</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

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

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



## 5.d LOANS AND RECEIVABLES DUE FROM/TO CUSTOMERS

### • Loans and receivables due from customers

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
Ordinary debitory accounts	1,121.2	1,283.8
Loans to customers	14,340.4	14,885.0
Finance leases	9,584.7	9,530.9
<b>Total loans granted and receivables due from customers before impairments</b>	<b>25,046.3</b>	<b>25,699.7</b>
<i>of which: Doubtful loans</i>	<i>1,324.8</i>	<i>1,430.8</i>
<b>Impairments</b>	<b>(646.6)</b>	<b>(709.5)</b>
Specific impairments	(533.8)	(584.7)
Collective impairments	(112.8)	(124.8)
<b>Total loans and receivables due from customers, net of impairments</b>	<b>24,399.7</b>	<b>24,990.2</b>

\* Restated according to IFRS 11 and the amendment to IAS 32 (see notes 1.a and 2).

### • Breakdown of finance leases

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
<b>Gross investment</b>	<b>11,382.6</b>	<b>11,078.8</b>
<i>Receivable within 1 year</i>	<i>4,112.9</i>	<i>4,013.7</i>
<i>Receivable after 1 year but within 5 years</i>	<i>6,131.1</i>	<i>5,803.4</i>
<i>Receivable beyond 5 years</i>	<i>1,138.6</i>	<i>1,261.7</i>
<b>Unearned interest income</b>	<b>(1,797.9)</b>	<b>(1,547.9)</b>
<b>Net investment before impairments</b>	<b>9,584.7</b>	<b>9,530.9</b>
<i>Receivable within 1 year</i>	<i>3,516.4</i>	<i>3,505.0</i>
<i>Receivable after 1 year but within 5 years</i>	<i>5,137.3</i>	<i>5,012.4</i>
<i>Receivable beyond 5 years</i>	<i>931.0</i>	<i>1,013.5</i>
<b>Impairments</b>	<b>(351.5)</b>	<b>(367.2)</b>
<b>Net investment after impairments</b>	<b>9,233.2</b>	<b>9,163.7</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

### • Due to customers

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
Demand deposits	16,656.1	16,321.3
Term accounts	3,678.1	3,040.8
Regulated saving accounts	60.8	104.9
<b>Total due to customers</b>	<b>20,395.0</b>	<b>19,467.0</b>

\* Restated according to IFRS 11 and the amendment to IAS 32 (see notes 1.a and 2).



## 5.e DEBT SECURITIES AND SUBORDINATED DEBTS

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

- Debts measured at fair value through profit and loss (note 5.a)

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
<b>Debt with a maturity of more than 1 year on issue</b>		
Negotiable debt securities	378.3	459.4
Bond issues	63.1	73.4
<b>Debt securities</b>	<b>441.4</b>	<b>532.8</b>
Redeemable subordinated debt	113.0	109.0
<b>Subordinated debt</b>	<b>113.0</b>	<b>109.0</b>

- Debts measured at amortised cost

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
<b>Debt with a maturity of less than 1 year on issue</b>		
Negotiable debt securities	931.0	816.8
<b>Debt with a maturity of more than 1 year on issue</b>		
Negotiable debt securities	636.3	607.4
<b>Total debt securities</b>	<b>1,567.3</b>	<b>1,424.2</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

The Group had no subordinated debt measured at amortised cost

## 5.f CURRENT AND DEFERRED TAXES

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
Current taxes	33.4	116.1
Deferred taxes	156.4	169.7
<b>Current and deferred tax assets</b>	<b>189.8</b>	<b>285.8</b>
Current taxes	109.8	194.8
Deferred taxes	476.9	468.9
<b>Current and deferred tax liabilities</b>	<b>586.7</b>	<b>663.7</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



## 5.g ACCRUED INCOME/EXPENSE AND OTHER ASSETS/LIABILITIES

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
Settlement accounts related to securities transactions	8.5	15.7
Collection accounts	28.7	34.9
Accrued income and prepaid expenses	112.2	76.0
Guarantee deposits paid and bank guarantees issued	23.9	19.9
Other debtors and miscellaneous assets	532.9	551.1
<b>TOTAL ACCRUED INCOME AND OTHER ASSETS</b>	<b>706.2</b>	<b>697.6</b>
Guarantee deposits received	34.6	22.9
Settlement accounts related to securities transactions	8.9	2.5
Collection accounts	60.7	43.5
Accrued expenses and deferred income	313.7	313.6
Other creditors and miscellaneous liabilities	694.4	762.7
<b>TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>1,112.3</b>	<b>1,145.2</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).

## 5.h INVESTMENTS IN ASSOCIATES

The Group's main investments in associates, accounted for using the equity method, on 30 June 2014 concern the following companies:

<i>in millions of euros</i>	30 June 2014	31 December 2013 *
Cardif Lux Vie SA	92.1	80.0
BNP Paribas Leasing Solutions		
All In One Vermietung GmbH	4.4	4.9
Artegy Ltd	4.7	-
BNP Paribas Lease Group IFN SA	6.3	7.9
BNP Paribas Lease Group Lizing RT	1.8	1.8
BNP Paribas Lease Group Sp.z o.o.	4.8	6.2
BNP Paribas Leasing Solutions SPA	56.7	65.5
BNP Paribas Leasing Solutions Suisse SA	12.0	19.6
Fortis Lease Deutschland GmbH	12.6	15.6
Fortis Lease Iberia SA	(4.6)	(2.8)
Fortis Lease Portugal SA	4.1	6.7
Fortis Lease Romania IFN SA	(1.7)	(1.7)
Fortis Lease UK Ltd	36.1	-
Fortis Lease UK Retail Ltd	31.3	-
Fortis Vastgoed Lease BV	(2.4)	-
SREI Equipment Finance Private Ltd	83.3	96.3
Other investments in associates	1.1	2.9
<b>Investments in associates</b>	<b>342.6</b>	<b>302.9</b>

\* Restated according to IFRS 11 (see notes 1.a and 2).



## 5.i GOODWILL

<i>In millions of euros</i>	30 June 2014	31 December 2013 *
<b>CARRYING VALUE AT PERIOD START</b>	<b>135.1</b>	<b>137.0</b>
Currency translation adjustments	0.6	(1.9)
<b>CARRYING VALUE AT END OF PERIOD</b>	<b>135.7</b>	<b>135.1</b>
<i>of which:</i>		
Gross value	148.6	148.0
Accumulated impairments recognised at the end of period	(12.9)	(12.9)

\* Restated according to IFRS 11 (see notes 1.a and 2).

Goodwill is exclusively related to the business line Leasing international.

No negative goodwill or impairment were reported in the first half of 2014.

## 5.j NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2013 and 30 June 2014, and pursuant to IFRS 5 two operating properties owned by the Group were reclassified at a net value of EUR 33.1 million in non-current assets held for sale.

## 5.k 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 the amendment to IFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities), 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 “impacts of master netting agreements and similar agreements” are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

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



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

<i>In millions of euros at 30 June 2014</i>	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as collateral	Net amounts
<b>Assets</b>						
Cash and amounts due from central banks	432.0	-	432.0	-	-	432.0
Financial instruments at fair value through profit or loss						
Trading securities portfolio	205.0		205.0			205.0
Loans and repurchase agreements	2.0	-	2.0	2.0	-	-
Instruments designated as at fair value on option	116.6		116.6			116.6
Derivatives (including derivatives used for hedging purposes)	241.0	15.0	226.0	45.1	11.0	169.9
Loans and receivables due from credit institutions and customers	33,066.0	760.2	32,305.8	-	-	32,305.8
Accrued income and other assets	706.2	-	706.2	-	-	706.2
of which : Guarantee deposits given	23.9		23.9			23.9
Other assets not subject to offsetting	7,372.4		7,372.4			7,372.4
<b>TOTAL ASSETS</b>	<b>42,141.2</b>	<b>775.2</b>	<b>41,366.0</b>	<b>47.1</b>	<b>11.0</b>	<b>41,307.9</b>

<i>In millions of euros at 30 June 2014</i>	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amounts
<b>Liabilities</b>						
Financial instruments at fair value through profit or loss						
Trading securities portfolio	2.0		2.0			2.0
Borrowings and repurchase agreements	188.4	-	188.4	2.0	144.0	42.4
Instruments designated at fair value on options	554.4		554.4			554.4
Derivatives (including derivatives used for hedging purposes)	163.1	15.0	148.1	45.1	11.4	91.6
Due to credit institutions and customers	30,622.7	760.2	29,862.5	-	720.8	29,141.7
Accrued expenses and other liabilities	1,112.3	-	1,112.3	-	-	1,112.3
of which : Guarantee deposits received	34.6		34.6			34.6
Other liabilities not subject to offsetting	1,740.9		1,740.9			1,740.9
<b>TOTAL LIABILITIES</b>	<b>35,104.6</b>	<b>775.2</b>	<b>34,329.4</b>	<b>47.1</b>	<b>876.2</b>	<b>33,406.1</b>



<i>In millions of euros at 31 December 2013*</i>	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as a collateral	Net amounts
<b>Assets</b>						
Cash and amounts due from central banks	306.6	-	306.6	-	-	306.6
Financial instruments at fair value through profit or loss						
Trading securities portfolio	156.3		156.3			156.3
Loans and repurchase agreements	26.3	-	26.3	8.6	17.0	0.7
Instruments designated as at fair value on option	127.4		127.4			127.4
Derivatives (including derivatives used for hedging purposes)	182.9	15.0	167.9	54.1	7.3	106.5
Loans and receivables due from credit institutions and from customers	34,196.6	847.6	33,349.0	-	-	33,349.0
Accrued income and other assets	697.6	-	697.6	-	-	697.6
of which : Guarantee deposits given	19.9		19.9			19.9
Other assets not subject to offsetting	5,393.4		5,393.4			5,393.4
<b>TOTAL ASSETS</b>	<b>41,087.1</b>	<b>862.6</b>	<b>40,224.5</b>	<b>62.7</b>	<b>24.3</b>	<b>40,137.5</b>

\* Restated according to IFRS 11 and the amendment to IAS 32 (see notes 1.a and 2).

<i>In millions of euros at 31 December 2013 *</i>	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amounts
<b>Liabilities</b>						
Financial instruments at fair value through profit or loss						
Trading securities	25.6		25.6			25.6
Borrowings and repurchase agreements	132.7	-	132.7	8.6	123.9	0.2
Instruments designated at fair value on options	641.8		641.8			641.8
Derivatives (including derivatives used for hedging purposes)	124.0	15.0	109.0	54.1	10.9	44.0
Due to credit institutions and to customers	29,656.0	847.6	28,808.4	-	-	28,808.4
Accrued expense and other liabilities	1,145.2	-	1,145.2	-	-	1,145.2
of which guarantee deposits received	22.9		22.9			22.9
Other liabilities not subject to offsetting	2,378.1		2,378.1			2,378.1
<b>TOTAL LIABILITIES</b>	<b>34,103.4</b>	<b>862.6</b>	<b>33,240.8</b>	<b>62.7</b>	<b>134.8</b>	<b>33,043.3</b>

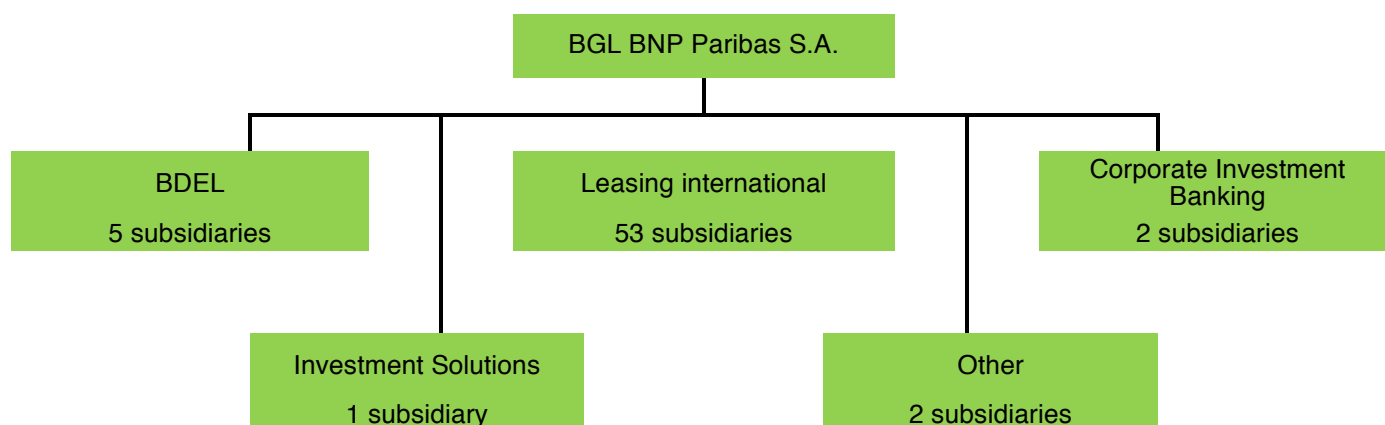
\* Restated according to IFRS 11 and the amendment to IAS 32 (see notes 1.a and 2).



## 6. ADDITIONAL INFORMATION

### 6.a SCOPE OF CONSOLIDATION

- Simplified structure of the Group by business line



- List of entities consolidated in the Group

						30 June 2014			31 Decembre 2013		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref. <sup>1</sup>				Consolidation method	Group ownership interest	Ref. <sup>1</sup>
<b>Consolidating company</b>											
BGL BNP Paribas SA	Luxembourg	Bank									
<b>BDEL</b>											
BGL BNP Paribas Factor SA	Luxembourg	Factoring	IG	100.00%					IG	100.00%	
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%	
Société Immobilière de Monterey SA	Luxembourg	Real Estate	IG	100.00%					IG	100.00%	E1
Société Immobilière du Royal Building SA	Luxembourg	Real Estate	IG	100.00%					IG	100.00%	E1
<b>Leasing international</b>											
Ace Equipment Leasing NV	Belgique	Leasing	IG	50.00%					IG	50.00%	
Ace Leasing NV	Belgium	Leasing	--	--	S2				IG	50.00%	

<sup>1</sup> Changes in the scope of consolidation:

#### **New entries (E) in the scope of consolidation**

E1 Incorporation

E2 Purchase, gain of control

E3 Passing qualifying thresholds as defined by the Group thresholds

#### **Removals (S) from the scope of consolidation**

S1 Disposal

S2 Merger

S3 Entities removed from the scope because of qualifying

#### **Miscellaneous (D)**

D1 Consolidation method change not related to fluctuation in voting or ownership interest

ME\* Controlled but non material entities consolidated under the equity method as associates (see note 1.b)

ME\*\* Entity consolidated under the equity method as per IFRS 11 for accounting purposes; entity consolidated under the proportional method for prudential purposes.



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30 June 2014						31 Decembre 2013		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref. <sup>1</sup>	Consolidation method	Group ownership interest	Ref. <sup>1</sup>
Agrilease BV	The Netherlands	Leasing	--	--	S3	IG	50.00%	
Albury Asset Rentals Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
All In One Vermietungs gesellschaft für Telekommunikationsanlagen mbH	Germany	Leasing	ME*	50.00%		ME*	50.00%	
All In One Vermietung GmbH	Austria	Leasing	ME*	50.00%		ME*	50.00%	
Aprolis Finance SA	France	Leasing	IG	25.50%		IG	25.50%	
Arius SA	France	Leasing	IG	50.00%		IG	50.00%	
Artegy Ltd	United-Kingdom	Leasing	ME*	50.00%	D1	IG	50.00%	
Artegy SA	France	Leasing	IG	50.00%		IG	50.00%	
Heffiq Heftruck Verhuur BV	The Netherlands	Leasing	--	--	S3	ME	25.00%	
BNP Paribas Finansal Kiralama AS	Turkey	Leasing	IG	47.74%		IG	47.74%	
BNP Paribas Lease Group (Belgique) SA	Belgium	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group BPLG SA	France	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group IFN SA	Romania	Leasing	ME*	49.97%		ME*	49.97%	
BNP Paribas Lease Group Kft	Hungary	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Lease Group Lizing RT	Hungary	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Lease Group Sp.z o.o.	Poland	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Lease Group UK PLC	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group Rentals 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 Immobilier Suisse SA	Switzerland	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Leasing Solutions Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Leasing Solutions SA	Luxembourg	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Leasing Solutions SPA	Italy	Leasing	ME	13.09%		ME	13.09%	
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Leasing	ME*	50.00%		ME*	50.00%	
Claas Financial Services Inc.	United States	Leasing	IG	30.05%		IG	30.05%	
Claas Financial Services Ltd	United-Kingdom	Leasing	IG	25.50%		IG	25.50%	
Claas Financial Services SA	France	Leasing	IG	30.05%		IG	30.05%	
CNH Industrial Capital Europe BV	The Netherlands	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe GmbH	Austria	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe Ltd	United-Kingdom	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe SA	France	Leasing	IG	25.05%		IG	25.05%	
Commercial Vehicle Finance Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
Fortis Lease Belgium SA	Belgium	Leasing	IG	50.00%		IG	50.00%	
Fortis Lease SA	France	Leasing	IG	50.00%		IG	50.00%	
Fortis Lease Car & Truck SA	Belgium	Leasing	--	--	S2	IG	50.00%	
Fortis Lease Deutschland GmbH	Germany	Leasing	ME*	50.00%		ME*	50.00%	

<sup>1</sup> Changes in the scope of consolidation:

**New entries (E) in the scope of consolidation**

E1 Incorporation

E2 Purchase, gain of control

E3 Passing qualifying thresholds as defined by the Group thresholds

**Removals (S) from the scope of consolidation**

S1 Disposal

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S3 Entities removed from the scope because of qualifying

**Miscellaneous (D)**

D1 Consolidation method change not related to fluctuation in voting or ownership interest

ME\* Controlled but non material entities consolidated under the equity method as associates (see note 1.b)

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30 June 2014						31 Decembre 2013		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref. <sup>1</sup>	Consolidation method	Group ownership interest	Ref. <sup>1</sup>
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease Iberia SA	Espagne	Leasing	ME*	39.31%		ME*	39.31%	
Fortis Lease Portugal SA	Portugal	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease Romania IFN SA	Romania	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease UK Ltd.	United-Kingdom	Leasing	ME*	50.00%	D1	IG	50.00%	
Fortis Lease UK Retail Ltd.	United-Kingdom	Leasing	ME*	50.00%	D1	IG	50.00%	
Fortis Vastgoed Lease BV	The Netherlands	Leasing	ME*	50.00%	D1	IG	50.00%	
HFGL Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
Humberclyde Commercial Inv. Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
Humberclyde Commercial Inv. (N1) Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
JCB Finance Holdings Ltd	United-Kingdom	Leasing	IG	25.05%		IG	25.05%	
JCB Finance SA	France	Leasing	IG	25.05%		IG	25.05%	
Locatrice Italiana SPA	Italy	Leasing	ME	13.09%		ME	13.09%	
Manitou Finance Ltd	United-Kingdom	Leasing	IG	25.51%		IG	25.51%	
MFF SAS	France	Leasing	IG	25.50%		IG	25.50%	
Same Deutz Fahr Finance Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
Same Deutz Fahr Finance SA	France	Leasing	IG	50.00%		IG	50.00%	
SREI Equipment Finance Private Ltd	Inde	Leasing	ME **	25.00%		ME **	25.00%	
Vela Lease SRL	Italy	Leasing	ME	13.09%		ME	13.09%	
<b>Investment Solutions</b>								
Cardif Lux Vie SA	Luxembourg	Insurance	ME	33.33%		ME	33.33%	
<b>Corporate Investment Banking</b>								
Alleray SA	Luxembourg	Equity Management	IG	100.00%	E3	--	--	
Paribas Trust Luxembourg SA	Luxembourg	Equity Management	IG	100.00%		IG	100.00%	
<b>Other Activities</b>								
Plagefin - Placement, Gestion, Finance Holding SA	Luxembourg	Equity Management	IG	100.00%		IG	100.00%	
Société Alsacienne de développement et d'expansion (SADE) SA	France	Finance	IG	100.00%		IG	100.00%	

<sup>1</sup> Changes in the scope of consolidation:

**New entries (E) in the scope of consolidation**

E1 Incorporation

E2 Purchase, gain of control

E3 Passing qualifying thresholds as defined by the Group thresholds

**Removals (S) from the scope of consolidation**

S1 Disposal

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S3 Entities removed from the scope because of qualifying

**Miscellaneous (D)**

D1 Consolidation method change not related to fluctuation in voting or ownership interest

ME\* Controlled but non material entities consolidated under the equity method as associates (see note 1.b)

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## 6.b RELATED PARTIES

The related parties of the Group are associated companies, pension funds, the members of the Board of Directors and the key officers of the Group, the members of the close families of the aforesaid persons, entities controlled or appreciably influenced by any of the aforesaid persons, as well as any other related entity.

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.

### **Relations with members of the Board of Directors and key management**

On 30 June 2014, loans to members of the Board of Directors amounted to EUR 2.4 million (31 December 2013: EUR 2.0 million); loans to key management amounted to EUR 4.8 million (31 December 2013: EUR 5.2 million).

On June 30, 2014, the credit lines granted to members of the Board of Directors amounted to EUR 3.6 million (31 December 2013: EUR 3.2 million); credit lines granted to key management amounted to EUR 5.0 million (31 December 2013: EUR 5.4 million).



## Relations with other related parties

The tables below summarise the financial scope of the activities carried out with the following related parties:

- Associated companies;
- Parent companies: BNP Paribas S.A., BNP Paribas Fortis S.A. and their subsidiaries;
- other BNP Paribas Group companies not held by the Group.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas S.A. As such, it received a dividend during the first half of 2014 of EUR 49.3 million from BGL BNP Paribas S.A. The other transactions with the State of Luxembourg or any other entity controlled by the State of Luxembourg are carried out on an arm's length basis.

### • Related-party balance sheet items:

In millions of euros	30 June 2014			31 December 2013		
	Entites consolidated using the equity method	Parent companies	Other BNP Paribas entities	Entites consolidated using the equity method	Parent companies	Other BNP Paribas entities
<b>ASSETS</b>						
Financial assets at fair value through profit or loss	-	130.8	10.1	-	147.9	25.5
Derivatives used for hedging purposes	-	149.0	-	-	89.8	-
Available-for-sale financial assets	85.5	-	170.6	85.5	-	170.6
Loans and receivables due from credit institutions	477.6	6,827.1	184.9	78.1	7,837.2	41.6
Loans and receivables due from customers	274.3	1.5	282.5	752.4	2.1	451.1
Accrued income and other liabilities	2.7	14.2	95.7	6.3	26.3	73.3
<b>Total</b>	<b>840.1</b>	<b>7,122.6</b>	<b>743.8</b>	<b>922.3</b>	<b>8,103.3</b>	<b>762.1</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	-	102.1	74.3	-	54.0	56.7
Derivatives used for hedging purposes	-	73.2	-	-	30.2	-
Due to credit institutions	-	8,804.1	34.6	-	8,895.4	33.5
Due to customers	38.4	-	753.1	77.1	-	207.7
Debt securities	-	6.2	-	-	-	-
Accrued expenses and other liabilities	9.7	48.3	2.9	7.8	34.9	2.5
<b>Total</b>	<b>48.1</b>	<b>9,033.9</b>	<b>864.9</b>	<b>84.9</b>	<b>9,014.5</b>	<b>300.4</b>

Moreover, the Group also carries out, with these related parties, trading transactions on an arm's length basis involving derivatives (swaps, options, futures contracts...) and financial instruments (equities, debt securities...) contracted or issued by them.



	30 June 2014			31 December 2013		
	Entities consolidated using the equity method	Parent companies	Other BNP Paribas entities	Entities consolidated using the equity method	Parent companies	Other BNP Paribas entities
<i>In millions of euros</i>						
<b>Financing and guarantee commitments</b>						
Financing commitments given	-	26.5	-	-	46.1	-
Financing commitments received	-	432.2	2.5	-	293.7	3.8
Guarantee commitments given	162.4	189.7	29.9	125.6	157.2	31.0
Guarantee commitments received	0.4	190.7	39.5	0.4	229.6	61.1

At 30 June 2014 and at 31 December 2013, guarantees given include EUR 125.0 million of guarantees given to Cardif Lux Vie S.A., following the merger of Fortis Luxembourg Vie S.A. and Cardif Lux International S.A.. At 30 June 2014, a provision of EUR 7.9 million for this guarantee was recorded in the accounts.

The Bank has netting agreements with the entities BNP Paribas Fortis S.A. and BNP Paribas S.A. (and their respective branches established in the territory of the European Union) thereby reducing its exposure to such entities, for both on-balance sheet and off-balance sheet exposures.

- Related-party profit and loss items:**

	First half 2014			First half 2013		
	Entities consolidated using the equity method	Parent companies	Other BNP Paribas entities	Entities consolidated using the equity method	Parent companies	Other BNP Paribas entities
<i>In millions of euros</i>						
<b>Interest income</b>	<b>5.4</b>	<b>88.9</b>	<b>5.6</b>	<b>6.3</b>	<b>102.0</b>	<b>9.2</b>
Interest expense	-	(109.1)	(1.3)	-	(132.7)	(7.4)
<b>Commission (income)</b>	<b>4.5</b>	<b>6.2</b>	<b>18.2</b>	<b>5.6</b>	<b>5.8</b>	<b>22.3</b>
Commission (expense)	(2.3)	(5.5)	(0.8)	(3.1)	(2.2)	(0.5)
<b>Gains (losses) on financial instruments at fair value through profit or loss</b>	<b>-</b>	<b>15.3</b>	<b>0.4</b>	<b>-</b>	<b>(63.8)</b>	<b>0.4</b>
<b>Income (expenses) from other activities</b>	<b>(0.9)</b>	<b>-</b>	<b>28.7</b>	<b>3.9</b>	<b>-</b>	<b>26.8</b>
<b>TOTAL</b>	<b>6.7</b>	<b>(4.2)</b>	<b>50.8</b>	<b>12.7</b>	<b>(90.9)</b>	<b>50.8</b>



## 6.c FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

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

- These fair values are an estimate of the value of the relevant instruments as of 30 June 2014. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amount actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instruments to the Group as a going concern.
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- Finally, the fair values shown below do not include the fair 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 customer relationships with the Group in its various activities. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the Group.



In millions of euros at 30 June 2014	Estimated fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables due from credit institutions	-	7,690.1	216.1	7,906.2	7,906.1
Loans and receivables due from customers <sup>(1)</sup>	263.3	1,059.5	13,990.8	15,313.6	15,166.5
Held-to-maturity financial assets	406.1	-	-	406.1	358.7
FINANCIAL LIABILITIES					
Due to credit institutions	-	9,467.8	-	9,467.8	9,467.5
Due to customers	-	20,396.8	-	20,396.8	20,395.0
Debt securities	-	1,576.6	-	1,576.6	1,567.3

(1) Finance leases excluded

In millions of euros at 31 December 2013 *	Estimated fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables due from credit institutions	-	8,177.5	181.3	8,358.8	8,358.8
Loans and receivables due from customers <sup>(1)</sup>	213.7	1,207.4	14,457.8	15,878.9	15,826.5
Held-to-maturity financial assets	405.9	-	-	405.9	370.1
FINANCIAL LIABILITIES					
Due to credit institutions	-	9,341.7	-	9,341.7	9,341.4
Due to customers	-	19,446.3	-	19,446.3	19,467.0
Debt securities	-	1,430.0	-	1,430.0	1,424.2

(1) Finance leases excluded

\* Restated according to IFRS 11 (see notes 1.a and 2).

The valuation techniques and assumptions used ensure that the fair value of financial assets and liabilities carried at amortised cost is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in note 1 relative to the accounting principles applied by the Group. The allocation by level was conducted in accordance with the accounting principles described in this note. In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) fair value equates to carrying amount. These instruments have been classified in Level 2, except for loans to customers, which are classified in Level 3.

The breakdown by level at 31 December 2013 has been reclassified to conform to the principles applied in 2014.

