

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at 30 June 2018

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

STATEMENT BY THE BOARD OF DIRECTORS

(in accordance with the 'Transparency' law of 11 January 2008)

The Board of Directors declares that, to its knowledge, the condensed consolidated interim 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 companies included in the consolidation as at 30 June 2018, and that the interim management report presents fairly the information required under section 4 (4) of the law.

Luxembourg, 6 September 2018

Board of Directors:

Chairman :	ETIENNE REUTER
Vice-chairman :	THIERRY LABORDE
Directors :	H.R.H THE PRINCE GUILLAUME OF LUXEMBOURG
	JEAN-MARIE AZZOLIN
	GEOFFROY BAZIN
	DIDIER BEAUVOIS
	FRANCIS CAPITANI
	JEAN CLAMON
	ANNA DARESTA
	GABRIEL DI LETIZIA
	JEAN-PAUL FRIEDRICH
	MAXIME JADOT
	JOSIANE KREMER
	VINCENT LECOMTE
	ERIC MARTIN
	JEAN MEYER
	BAUDOUIN PROT
	DENISE STEINHÄUSER
	CARLO THELEN
	TOM THEVES
	CARLO THILL
	MICHEL WURTH

PREAMBLE

The key event in the first half of 2018 was a global downturn in leading indicators. Nevertheless, growth should remain at 2% in the eurozone in 2018, primarily thanks to support from private sector domestic demand. Meanwhile inflation in the eurozone bounced back during the first half and should reach a level of close to 1.9% for 2018. As this rise is largely due to higher oil prices, the European Central Bank remains accommodative and will not raise its intervention rates before summer 2019.

In Luxembourg, the most recent Statec forecasts predict growth in GDP of 3.9% and in employment of around 3.5% for 2018. The next wage indexation has been announced for 1 August 2018.

MANAGEMENT REPORT

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

- Firstly, consolidated results for the first half of 2018 were affected by the new accounting standards, IFRS 9 and IFRS 15, which came into force on 1 January 2018. BGL BNP Paribas Group has chosen not to restate the comparative financial statements for 2017, as permitted by the two standards.
- Secondly, the consolidation thresholds have been lowered in accordance with CRD IV, leading to an expansion in the scope of consolidation:
 - Eight entities (of which three are attached to the Bank, three to the Leasing International business line and two to BNP Paribas Lease Group Luxembourg SA) were included in the scope of consolidation .
 - Six entities attached to the Leasing International business line and previously accounted for by the equity method are now fully consolidated.
- Finally, on 1 January 2018, the Leasing International business line acquired CMV Médiforce, a company specialised in financing solutions for medical market professionals.

Consolidated results

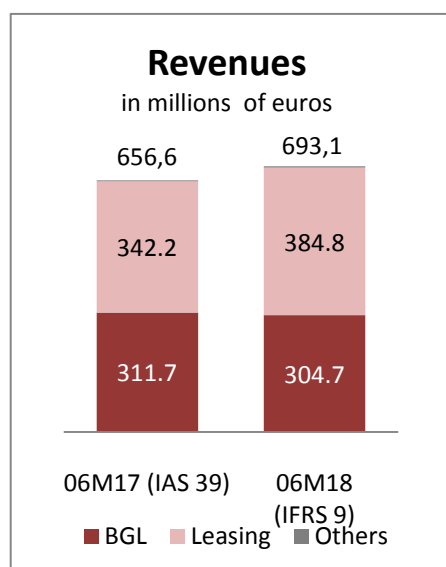
Profit and loss account <i>In millions of euros</i>	First half 2018 IFRS 9	First half 2017 IAS 39	Changes	
			Value	%
Revenues	693.1	656.6	36.5	6%
Operating expenses	(375.2)	(348.4)	(26.8)	8%
Gross operating income	317.9	308.2	9.7	3%
Cost of risk	(21.5)	(18.7)	(2.8)	15%
Operating income	296.4	289.5	6.9	2%
Share of earnings of associates	3.1	16.8	(13.7)	-82%
<i>of which: Leasing</i>	(2.8)	9.2	(12.0)	-130%
Net gains on other fixed assets	(0.2)	5.6	(5.8)	-104%
Pre-tax income	299.3	311.9	(12.6)	-4%
Corporate income tax	(85.5)	(72.6)	(12.8)	18%
Net income	213.8	239.2	(25.4)	-11%
<i>of which : Net income attributable to equity holders of the parent</i>	131.2	170.3	(39.1)	-23%

Pro forma profit and loss account

The table below presents comparative pro forma figures in order to make movements in the profit and loss account easier to analyse. The impact related to the expansion in the scope of consolidation is shown separately in the 2018 figures, whilst the 2017 figures have been reconfigured in accordance with IFRS 9 and IFRS 15.

Profit and loss account	First half 2018	of which changes in the scope of consolidation	First half 2017 pro forma	Changes	
				Value	%
<i>In millions of euros</i>					
Revenues	693.1	35.5	668.7	24.4	4%
Operating expenses	(375.2)	(18.8)	(348.4)	(26.8)	8%
Gross operating income	317.9	16.7	320.3	(2.4)	-1%
Cost of risk	(21.5)	(0.6)	(31.2)	9.7	-31%
Operating income	296.4	16.1	289.1	7.3	3%
Share of earnings of associates	3.1	(6.5)	16.8	(13.7)	-82%
<i>of which: Leasing</i>	(2.8)	(6.6)	9.2	(12.0)	-130%
Net gains on other fixed assets	(0.2)	0.0	5.6	(5.8)	-104%
Pre-tax income	299.3	9.6	311.5	(12.2)	-4%
Corporate income tax	(85.5)	(3.3)	(72.5)	(12.9)	18%
Net income	213.8	6.3	239.0	(25.2)	-11%
<i>of which : Net income attributable to equity holders of the parent</i>	131.2	4.9	170.2	(39.1)	-23%

Analysis of the profit and loss account and balance sheet



Revenues were EUR 693.1 million for the first half of 2018 under IFRS 9 versus EUR 656.6 million as at 30 June 2017 under IAS 39.

Restated for the impact of the change in accounting standards, revenues rose by EUR 24.4 million or 4%, in particular as a result of the expansion in the scope of consolidation, which contributed EUR 35.5 million.

Net interest income stood at EUR 547.3 million as at 30 June 2018 versus EUR 542.1 million as at 30 June 2017 (an increase of EUR 5.2 million or 1%).

For banking activities, net interest income declined by EUR 19.7 million or 9%. The markets and treasury activities continue to be penalised by an environment of low, or indeed negative, interest rates and earnings are down as a result. On the other hand, net interest income for client-related activities rose by EUR 4.2 million or 3% thanks to growth in deposits and outstanding loans.

Net interest income for Leasing International activities rose by EUR 24.2 million or 8%, of which EUR 18.2 million was connected to the expansion in the scope of consolidation. Excluding this impact, growth was EUR 6.0 million or 2%, supported by continued commercial expansion in the various business and geographical sectors. However, there was a negative impact on growth of EUR 6.2 million as a result of unfavourable exchange rate movements for some entities located outside of the eurozone.

Net commission income rose from EUR 77.7 million in the first half of 2017 to EUR 84.1 million in the first half of 2018, representing an increase of EUR 6.4 million or 8%, of which EUR 3.8 million relates to the expansion in the scope of consolidation at Leasing International. Meanwhile the Bank recorded growth in client-related commission income of EUR 2.6 million (+4%) as a result of new product developments and strong commercial momentum.

Net gain/(loss) on financial instruments at fair value through profit or loss rose by EUR 3.9 million or 82% to EUR 8.7 million versus EUR 4.8 million in the first half of 2017. Restated for the impact of the change in accounting standards, net gain/(loss) on financial instruments at fair value through profit or loss fell by EUR 8.4 million or 49%. This item was mainly penalised by the downwards revaluation of certain securities positions now recognised directly through profit or loss under IFRS 9. At the Bank level, this relates to certain Italian bonds held in the proprietary portfolio, which contributed to the fall following political uncertainty in the first half, whilst for Leasing International, the fall is at the level of the participating interest in SREI INFRASTRUCTURE FINANCE LIMITED in India. There was also a EUR 2.6 million impact on this item from changes in the scope of consolidation.

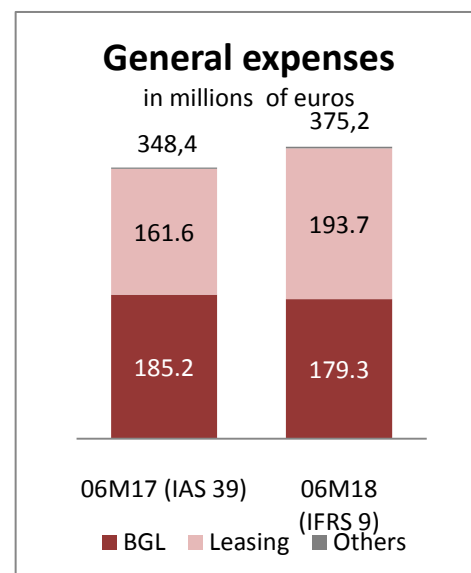
Net gain/(loss) on financial instruments at fair value through equity showed a gain of EUR 11.3 million in the first half of 2018 versus EUR 8.1 million in the first half of 2017, which represents an increase of EUR 3.2 million or 40%. In 2018, the result was mainly supported by capital gains on the disposal of sovereign securities of EUR 9.1 million at the level of the Bank. In 2017, the item was primarily affected by net capital gains on the disposal of sovereign and banking securities of EUR 1.4 million at the level of the Bank, and by income of EUR 6.2 million in Leasing International from non-consolidated participating interests.

Net gain on derecognised financial assets at amortised cost increased by EUR 2.0 million in connection with the growth of the Leasing International activities.

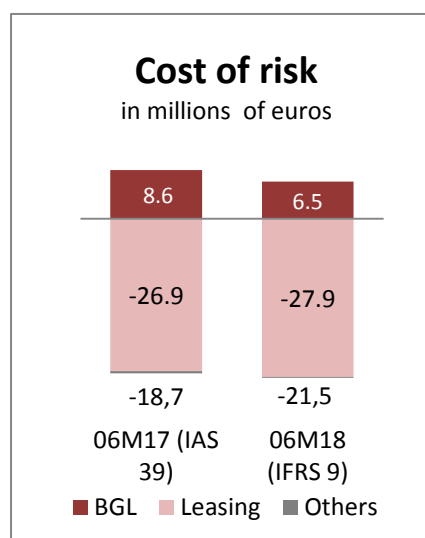
Net income and expenses from other activities amounted to EUR 39.7 million versus EUR 23.9 million in the first half of 2017, which represents an increase of EUR 15.8 million or 66%. This item mainly consists of net income on investment properties at the Bank and certain Leasing International entities, together with income from the management of IT environments and fleets of industrial rolling stock by specialised entities within Leasing International. Restated for the impact of the change in accounting standards of EUR 0.9 million and the expansion in the scope of consolidation of EUR 10.5 million, the item rose by EUR 4.4 million or 18% as a result of the commercial development of the Leasing International business line.

General expenses were EUR 375.2 million as at 30 June 2018 versus EUR 348.4 million at the end of the first half of the previous financial year, which represents an increase of EUR 26.8 million or 8%.

For banking activities, operating expenses fell by EUR 5.9 million or 3%. Excluding the impact of the change in accounting standards, staff costs fell by EUR 3.1 million or 3% in connection with the ongoing workforce reduction, and other overheads fell by EUR 4.0 million or 6%. Costs related to implementation of the 2020 transformation plan rose by EUR 2.1 million or 45% and contributions to the Single Resolution Fund and the Deposit Guarantee Fund rose by EUR 4.0 million or 32%. Excluding these items, other overheads fell by EUR 10.0 million or 19% following a significant reduction in consultancy expenditure and real estate fees. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets rose by EUR 1.2 million or 10% as a result of accelerated depreciation on some assets.



Overheads for Leasing International activities rose by EUR 32.1 million or 20%. Restated for the impact of the change in scope of consolidation, these overheads rose by EUR 13.6 million or 8%. Excluding costs related to implementation of the 2020 transformation plan and contributions to the Single Resolution Fund, overheads rose by EUR 9.1 million or 6% in connection with ongoing investments and recruitment in support of the commercial development plan.



Gross operating income rose by EUR 9.7 million or 3% to EUR 317.9 million. Excluding the impact of the change in accounting standards, gross operating income fell by EUR 2.4 million or 1%, including EUR 16.7 million from changes in the scope of consolidation.

Cost of risk amounted to EUR -21.5 million versus EUR -18.7 million in the first half of 2017. Restated for the impact of the change in accounting standards of EUR 12.5 million, cost of risk fell by EUR 9.7 million or 31%.

At the level of the Bank, there was a provision release of EUR 6.5 million as at 30 June 2018, EUR 2.0 million less than in the previous year. Restated for the impact of the change in accounting standards, there was an improvement of EUR 0.3 million. Cost of risk at Leasing International was EUR -27.9 million versus EUR -26.9 million as at 30 June 2017. Restated for the impact of the change in accounting standards, there was

an improvement of EUR 9.8 million following the reduction of EUR 5.0 million in specific impairments and of EUR 4.8 million in collective impairments.

Share of earnings of associates stood at EUR 3.1 million versus EUR 16.8 million in the first half of 2017.

The contribution from life insurance in Luxembourg (Cardif Lux Vie SA in which the Bank holds 33%) was EUR 5.8 million, down EUR 1.8 million compared with the first half of 2017.

The contribution of Leasing International was EUR -2.8 million versus EUR 9.2 million in the first half of 2017. EUR 6.6 million of this deterioration is due to the lowering of the consolidation thresholds resulting in the full consolidation of six entities previously accounted for by the equity method. Additionally, the business line recorded some provision releases in the previous year following several account closures.

Net gain/(loss) on fixed assets amounted to EUR -0.2 million in the first half of 2018. In the first half of 2017, this item showed a net gain of EUR 5.6 million, mainly due to the disposal of a property held by Cofhylux.

The **income tax expense** rose by EUR 12.8 million or 18% versus the previous year, whilst operating income rose by 2% for the same period. At the level of the Bank, the increase in the valuation of the BNP Paribas Leasing Solutions SA stake in the statutory financial statements resulted in a tax charge of EUR 39.0 million. At Leasing International, the earnings outlook for some entities in the coming years led to the recognition of previously unrecognised tax losses of EUR 26 million.

Lastly, after the deduction of net income attributable to minority interests, **Net income attributable to equity holders** for the first half of 2018 was EUR 131.2 million versus EUR 170.3 million in the first half of 2017 (EUR 170.2 million excluding the impact of the change in accounting standards).

Balance sheet

As at 30 June 2018, the balance sheet total stood at EUR 54.2 billion versus EUR 49.5 billion as at 1 January 2018¹, which was an increase of 9%.

On the **assets** side, **cash and amounts due from central banks** stood at EUR 9.1 billion versus EUR 0.6 billion as at 1 January 2018¹. This item consists mainly of short-term deposits with the Central Bank of Luxembourg.

Financial instruments at fair value through profit or loss were EUR 960 million as at 30 June 2018 versus EUR 862 million as at 1 January 2018¹. This item mainly consists of the Bank's securities portfolios, which do not fulfil the criteria of IFRS 9 for classification as instruments at fair value through equity or at amortised cost.

Financial assets at fair value through equity amounted to EUR 1.6 billion versus EUR 2.6 billion as at 1 January 2018¹. This item consists mainly of the bond portfolio held by the Bank, composed mostly of sovereign and supranational securities and bank bonds.

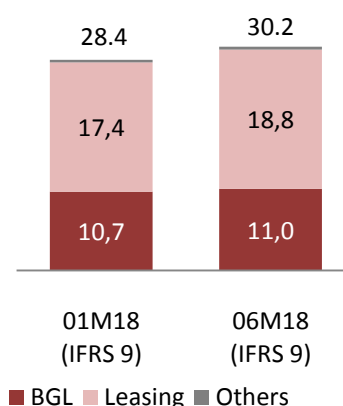
The fall in the bond portfolio during the first half of 2018 is primarily due to the sale of EUR 1.2 billion of sovereign debt.

Loans and receivables at amortised cost fell by EUR 2.9 billion to EUR 38.5 billion as at 30 June 2018.

- Loans and receivables due from credit institutions amounted to EUR 8.3 billion, down EUR 4.6 billion. This fall is mainly due to EUR 3.5 billion in reverse repurchase agreements entered into by BGL BNP Paribas with the BNP Paribas Group maturing.

Loans and receivables from customers

in billions of euros

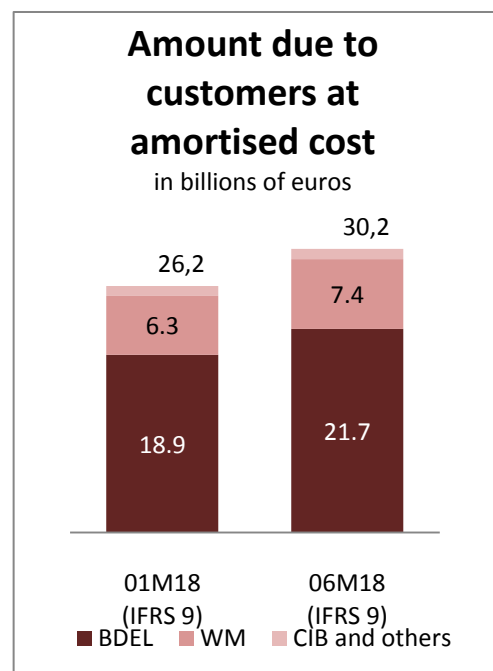


¹ Pro forma, after application of IFRS 9 and IFRS 15.

- Loans and receivables from customers rose by EUR 1.8 billion to EUR 30.2 billion. For banking activities, the outstanding amount rose by EUR 352 million or 3% versus 1 January 2018¹. This growth was in mortgages and corporate investment loans in particular. For leasing activities, Loans and receivables due from customers rose by EUR 1.4 billion or 8% in the first half of 2018 to EUR 18.8 billion.

On the **liabilities** side, **Financial liabilities at amortised cost** amounted to EUR 44.2 billion as at 30 June 2018, an increase of EUR 4.8 billion.

- Amount due to credit institutions at amortised cost rose by EUR 935 million to EUR 12.6 billion. This growth is mainly attributable to the increase in Leasing International's financing with entities outside of BGL BNP Paribas Group.
- Amount due to customers at amortised cost rose from EUR 26.2 billion as at 1 January 2018¹ to EUR 30.2 billion as at 30 June 2018, which represents growth of 15%. For Corporate Banking in Luxembourg, deposits at the end of the period were up EUR 1.8 billion or 17% versus 1 January 2018¹ reflecting very strong cash inflows during the first half of the year. Meanwhile, deposits in Retail Banking rose by EUR 0.8 billion or 12% over the period. Finally, Wealth Management saw deposits increase by EUR 1.2 billion or 19% in 2018.
- Issued debt securities and subordinated debts went from EUR 1.5 billion as at 1 January 2018¹ to EUR 1.4 billion as at 30 June 2018, representing a fall of 3% as a result of maturing short-term paper (European Commercial Paper) not being renewed.



Capital

As at 30 June 2018, excluding income for the current period and after deductions in accordance with prudential rules, **regulatory capital** in accordance with Basel 3 stood at EUR 6.1 billion and the **solvency ratio** was 23.5%, versus EUR 5.7 billion and 22.5%, respectively, as at 1 January 2018².

¹ Pro forma, after application of IFRS 9 and IFRS 15.

² Pro forma, after application of IFRS 9 and IFRS 15.

Outlook

Following on from the work undertaken to implement its #BGL2020 strategic plan, the Bank will continue to roll out the transformation initiatives with a view to becoming the most highly recommended bank by its clients.

The banking market has been in a consolidation phase for some time. As a sector leader, the Bank has played an active role in this trend. Following signature of the deed of purchase for the shares of ABN Amro Bank (Luxembourg) and approval by the competent authorities, this acquisition was finalised on 3 September 2018. This enables the Bank to serve clients representing an additional EUR 8 billion in assets under management, thus strengthening its position as one of the country's top private banks.

In line with results in the first half of 2018, Retail and Corporate Banking forecasts growth in the average volume of loans and deposits for the rest of the year, in particular, thanks to the favourable economic environment.

In a world of increasing digitalisation, behaviour is changing, as are clients' expectations of the banking experience. Luxembourg is well aware of these developments and continues to attract start-ups, particularly in the FinTech sector.

In this context, the Bank is working in close collaboration with start-ups in its Lux Future Lab to jointly develop innovative solutions for its client base. A number of projects based on artificial intelligence will be launched during the second half of 2018.

As part of its quality enhancement procedures, the Bank remains committed to listening to its clients in order to reflect their expectations in its range of products and services and to act as their preferred long-term partner.



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

Report of the Réviseur d'entreprises agréé on the review of interim financial information

We have reviewed the accompanying condensed consolidated interim financial statements of BGL BNP Paribas S.A. (the "Bank"), which comprises the consolidated balance sheet as at June 30, 2018, the consolidated profit and loss account, the statement of consolidated net income and changes in assets and liabilities recognised directly in consolidated equity, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the interim financial statements

The Board of Directors is responsible for the preparation and fair presentation of this condensed consolidated interim financial statements in accordance with standard IAS 34 "Interim Financial Reporting as adopted by the European Union" and such internal control as the Board of Directors determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'entreprises agréé

Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as adopted by the Institute of Réviseurs d'Entreprises.

Scope of Review

A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with standard IAS 34 "Interim Financial Reporting" as adopted by the European Union.

For Deloitte Audit, Cabinet de révision agréé

Martin Flaunet, Réviseur d'entreprises agréé
Partner

Luxembourg, September 6, 2018

Only the French version of the present report has been reviewed by the auditors. In case of differences between the French version and the translation, the French version should be retained.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

IFRS 9 and IFRS 15 are applicable retrospectively as at 1 January 2018, and both standards offer the possibility of not restating comparative figures for prior financial years. As the Group has chosen this option, the comparative financial statements for 2017 have not been restated for these changes in methodology.

However, some presentational changes have been made to these comparative statements in order to harmonise account headings with those under IFRS 9. Details of these changes are provided in note 2.a. In addition, there is a balance sheet summary presenting a comparative framework as at 1 January 2018 that reflects the effects of the application of IFRS 9 and IFRS 15 (see note 2.b). The comparative data presented in the notes to the balance sheet in section 5 was established on the basis of this framework.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>In millions of euros</i>	Notes	First half 2018 IFRS 9 and IFRS 15	First half 2017 ⁽¹⁾ IAS 39
Interest and similar income	3.a	687.4	660.9
Interest and similar expense	3.a	(140.1)	(118.8)
Commission (income)	3.b	112.5	184.2
Commission (expense)	3.b	(28.4)	(106.5)
Net gains on financial instruments at fair value through profit or loss	3.c	8.7	4.8
Net gains on financial instruments at fair value through equity	3.d	11.3	8.1
Net gains on derecognised financial assets at amortised cost	3.d	2.0	-
Income from other activities	3.e	303.7	167.1
Expense on other activities	3.e	(264.0)	(143.1)
REVENUES		693.1	656.6
Staff costs		(219.6)	(212.8)
Other operating expense	3.f	(136.7)	(118.5)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(19.0)	(17.1)
GROSS OPERATING INCOME		317.9	308.2
Cost of risk	3.g	(21.5)	(18.7)
OPERATING INCOME		296.4	289.5
Share of earnings of associates	3.h	3.1	16.8
Net gain or loss on other fixed assets	3.i	(0.2)	5.6
PRE-TAX INCOME		299.3	311.9
Corporate income tax	3.j	(85.5)	(72.6)
NET INCOME		213.8	239.2
Minority interests		82.6	68.9
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		131.2	170.3

⁽¹⁾ New presentation taking account of the reclassifications and new headings within revenues described in note 2.a: "Net gain on available-for-sale financial assets" is renamed "Net gain on financial instruments at fair value through equity" and interest on instruments held for trading purposes has been reclassified within "Net gain on financial instruments at fair value through profit or loss".

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

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 ⁽¹⁾ IAS 39
Net income	213.8	239.2
Changes in assets and liabilities recognised directly in equity	70.6	(34.3)
Items that are or may be reported in income	(35.9)	(37.1)
Items related to exchange rate movements	(15.6)	(16.1)
Changes in fair value of financial instruments at fair value through equity	(19.5)	(22.8)
<i>Changes in fair value recognised in equity</i>	<i>(10.2)</i>	<i>(21.4)</i>
<i>Changes in fair value reported in net income</i>	<i>(9.3)</i>	<i>(1.4)</i>
Deferred changes in fair value of hedging instruments	(1.8)	(9.4)
<i>Changes in fair value recognised in equity</i>	<i>(1.8)</i>	<i>(9.4)</i>
<i>Changes in fair value reported in net income</i>	<i>-</i>	<i>-</i>
Income tax	5.6	13.6
Changes in fair value of items related to equity associates, net of tax	(4.6)	(2.4)
Items not reported in income	106.4	2.8
Changes in fair value of financial instruments designated at the fair value option through equity	103.5	-
Debt remeasurement effect arising from own credit risk	2.7	-
Remeasurement gains (losses) related to post-employment benefit plans	0.1	3.9
Income tax	(0.8)	(1.1)
Changes of fair value in items related to equity associates, net of tax	0.9	-
TOTAL	284.4	204.9
Attributable to equity shareholders	156.6	136.6
Attributable to minority interests	127.8	68.3

⁽¹⁾ New presentation taking account of the changes described in note 2.a: "Changes in fair value of available-for-sale assets including those reclassified as loans and receivables" is renamed "Changes in fair value of financial instruments at fair value through equity". Additionally, changes are now presented before taxes.

CONSOLIDATED BALANCE SHEET

<i>In millions of euros</i>	Notes	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 ⁽¹⁾ IFRS 9 and IFRS 15	31 December 2017 ⁽²⁾ IAS 39
ASSETS				
Cash and amounts due from central banks		9,107.1	585.5	585.5
Financial instruments at fair value through profit or loss		959.6	861.6	182.5
Securities	5.a	758.1	730.2	86.6
Loans and repurchase agreements	5.a	82.7	62.6	28.7
Derivatives	5.a	118.8	68.9	66.8
Derivatives used for hedging purposes		119.9	114.3	116.4
Financial assets at fair value through equity		1,572.2	2,568.0	4,708.2
Debt securities	5.b	1,159.3	2,256.1	4,318.4
Equity instruments	5.b	412.9	311.9	389.8
Financial assets at amortised cost		40,071.9	43,350.3	42,056.4
Loans and receivables due from credit institutions	5.d	8,338.3	12,961.8	12,961.8
Loans and receivables due from customers	5.d	30,182.1	28,402.1	28,523.1
Debt securities	5.d	1,551.5	1,986.4	570.6
Current and deferred tax assets	5.g	149.9	127.3	110.3
Accrued income and other assets	5.h	960.0	661.7	663.0
Investments in associates		163.6	165.7	186.4
Property, plant and equipment and investment property		885.2	865.2	865.2
Intangible assets		33.4	25.9	25.9
Goodwill	5.j	132.1	132.6	132.6
TOTAL ASSETS		54,154.8	49,458.0	49,630.9
LIABILITIES				
Financial instruments at fair value through profit or loss		306.1	354.1	354.1
Deposits and repurchase agreements	5.a	96.5	118.9	118.9
Issued debt securities	5.a	169.0	182.5	182.5
Derivatives	5.a	40.6	52.8	52.6
Derivatives used for hedging purposes		13.5	31.2	31.4
Financial liabilities at amortised cost		44,229.5	39,372.7	39,372.7
Due to credit institutions	5.e	12,596.3	11,661.0	11,661.0
Due to customers	5.e	30,196.9	26,238.5	26,238.5
Issued debt securities	5.f	1,312.4	1,473.2	1,473.2
Subordinated debt	5.f	123.8	-	-
Remeasurement adjustment on interest-rate risk hedged portfolios		55.9	50.1	50.1
Current and deferred tax liabilities	5.g	496.1	453.3	486.8
Accrued expenses and other liabilities	5.h	1,183.9	1,111.4	1,092.4
Provisions for contingencies and charges		161.1	161.5	165.7
TOTAL LIABILITIES		46,446.1	41,534.4	41,553.0
CONSOLIDATED EQUITY				
Share capital and retained earnings		6,401.9	6,197.8	6,150.7
Net income for the period, attributable to shareholders		131.2	365.8	365.8
Total capital, retained earnings and net income for the period, attributable to shareholders		6,533.1	6,563.6	6,516.5
Changes in assets and liabilities recognised directly in equity		28.6	3.2	158.1
Total consolidated equity		6,561.7	6,566.8	6,674.5
Retained earnings and net income attributable to minority interests		1,201.1	1,456.0	1,494.6
Changes in assets and liabilities recognised directly in equity		(54.0)	(99.2)	(91.1)
Total minority interests		1,147.1	1,356.8	1,403.5
TOTAL CONSOLIDATED EQUITY		7,708.8	7,923.6	8,078.0
TOTAL LIABILITIES AND EQUITY		54,154.8	49,458.0	49,630.9

⁽¹⁾ Data as at 1 January 2018 including the effects of the application of IFRS 9 and IFRS 15, as described in note 2.b.

⁽²⁾ New presentation taking account of the reclassifications and restatements detailed in note 2.a, mainly relating to new headings for financial instruments.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FROM 1 JANUARY 2017 TO 30 JUNE 2018

Attributable to shareholders

	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity that will be not reclassified to profit or loss				Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss				Total equity attributable to equity holders
	Capital and additional paid-in-capital	Nondistributed reserves	Total Capital and retained earnings	Financial instruments designated at fair value option through equity	Own-credit valuation adjustment of debt securities designated at fair value through profit or loss	Remeasurement gains (losses) related to post-employment benefits plans	Total	Exchange rates	Financial instruments designated at fair value through equity	Derivatives used for hedging purposes	Total	
In millions of euros												
As at 31 December 2016	3,474.6	2,832.2	6,306.8				-	(61.4)	249.8	46.9	235.2	6,542.1
Dividends		(184.1)	(184.1)	-	-	-	-	-	-	-	-	(184.1)
Changes in assets and liabilities recognised directly in equity		2.4	2.4	-	-	-	-	(8.0)	(18.8)	(9.4)	(36.1)	(33.7)
Net income for the first half 2017		170.3	170.3	-	-	-	-	-	-	-	-	170.3
As at 30 June 2017	3,474.6	2,820.8	6,295.4	-	-	-	-	(69.4)	231.0	37.6	199.1	6,494.6
Changes in the scope of consolidation		2.1	2.1	-	-	-	-	-	-	-	-	2.1
Changes in assets and liabilities recognised directly in equity		(1.4)	(1.4)	-	-	-	-	(7.8)	(4.0)	(4.4)	(16.2)	(13.2)
Net income for the second half 2017		195.5	195.5	-	-	-	-	-	-	-	-	195.5
As at 31 December 2017	3,474.6	3,016.9	6,491.6	-	-	-	-	(77.2)	227.0	33.1	183.0	6,674.5
Revised presentation (note 2.a)		24.9	24.9	-	-	(24.9)	(24.9)	-	-	-	-	-
As at 31 December 2017 revised presentation	3,474.6	3,041.8	6,516.5			(24.9)	(24.9)	(77.2)	227.0	33.1	183.0	6,674.5
IFRS 9 impacts (note 2.b)		47.9	47.9	3.5	3.1		6.6		(160.0)	(1.4)	(161.4)	(106.9)
IFRS 15 impacts (note 2.b)		(0.8)	(0.8)	-	-	-	-	-	-	-	-	(0.8)
As at 1 January 2018	3,474.6	3,088.9	6,563.6	3.5	3.1	(24.9)	(18.3)	(77.2)	67.0	31.7	21.6	6,566.8
Dividends		(145.0)	(145.0)	-	-	-	-	-	-	-	-	(145.0)
Changes in the scope of consolidation		(16.7)	(16.7)	-	-	-	-	-	-	-	-	(16.7)
Changes in assets and liabilities recognised directly in equity		-	-	51.2	1.9	-	53.1	(7.4)	(18.8)	(1.5)	(27.7)	25.4
Net income for the first half 2018		131.2	131.2	-	-	-	-	-	-	-	-	131.2
As at 30 June 2018	3,474.6	3,058.4	6,533.1	54.7	5.0	(24.9)	34.8	(84.6)	48.2	30.2	(6.1)	6,561.7

At 31 December 2017 and at 30 June 2018, undistributed reserves included reserves not available for distribution according to Luxembourg regulation for a net amount of EUR 182.8 million (compared with EUR 167.8 million at 31 December 2016 and at 30 June 2017).

Minority interests

	Retained earnings	Changes in assets and liabilities recognised directly in equity that will be not reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	Total minority interests
<i>In millions of euros</i>				
As at 31 December 2016	1,378.0		(63.1)	1,314.9
Dividends	(70.4)	-	-	(70.4)
Commitment to repurchase minority shareholders' interests	(0.1)	-	-	(0.1)
Other movements	3.0	-	-	3.0
Changes in assets and liabilities recognised directly in equity	0.4	-	(1.0)	(0.6)
Net income for the first half 2017	68.9	-	-	68.9
As at 30 June 2017	1,379.8	-	(64.1)	1,315.7
Dividends	(2.7)	-	-	(2.7)
Commitment to repurchase minority shareholders' interests	0.6	-	-	0.6
Changes in the scope of consolidation	9.1	-	-	9.1
Other movements	0.1	-	-	0.1
Changes in assets and liabilities recognised directly in equity	(1.6)	-	(15.3)	(16.9)
Net income for the second half 2017	97.6	-	-	97.6
As 31 December 2017	1,482.9	-	(79.4)	1,403.5
Revised presentation (note 2.a)	11.7	(11.7)		-
As at 31 December 2017 revised presentation	1,494.6	(11.7)	(79.4)	1,403.5
IFRS 9 impacts (note 2.b)	(37.9)	3.4	(11.5)	(46.0)
IFRS 15 impacts (note 2.b)	(0.7)	-	-	(0.7)
As at 1st January 2018	1,456.0	(8.3)	(90.9)	1,356.8
Dividends	(127.1)	-	-	(127.1)
Commitment to repurchase minority shareholders' interests	(3.3)	-	-	(3.3)
Reduction in capital	(195.2)	-	-	(195.2)
Changes in the scope of consolidation	(15.1)	-	-	(15.1)
Other movements	3.2	-	-	3.2
Changes in assets and liabilities recognised directly in equity	-	53.3	(8.1)	45.2
Net income for the first half 2018	82.6			82.6
As at 30 June 2018	1,201.1	45.0	(99.0)	1,147.1

CONSOLIDATED CASH FLOW STATEMENT

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Pre-tax income	299.3	311.9
Non-monetary items included in pre-tax income and other adjustments	(67.4)	(12.1)
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	61.1	51.2
Impairment of goodwill and other fixed assets	(2.2)	(2.4)
Net addition to provisions	10.6	6.7
Share of earnings of associates	(3.1)	(16.8)
Net income from investing activities	0.2	(5.2)
Other movements	(134.0)	(45.5)
Net increase (decrease) in cash related to assets and liabilities generated by operating activities	9,557.4	3,800.3
Net increase in cash related to transactions with customers and credit institutions	8,322.1	3,122.2
Net increase in cash related to transactions involving other financial assets and liabilities	1,322.0	752.1
Net decrease in cash related to transactions involving non-financial assets and liabilities	(31.1)	(33.5)
Taxes paid	(55.5)	(40.5)
NET INCREASE IN CASH GENERATED BY OPERATING ACTIVITIES	9,789.3	4,100.1
Net increase (decrease) related to financial assets and participating interests	(50.5)	0.5
Net decrease related to property, plant and equipment and intangible assets	(10.8)	(3.6)
NET INCREASE (DECREASE) IN CASH RELATED TO INVESTING ACTIVITIES	(61.3)	(3.2)
Decrease in cash related to transactions with shareholders	(467.2)	(239.9)
NET DECREASE IN CASH RELATED TO FINANCING ACTIVITIES	(467.3)	(239.9)
Effect of movement in exchange rates	(2.0)	(0.3)
NET CHANGES IN CASH	9,258.8	3,856.6
Balance of cash and cash equivalent accounts at the start of the period	844.8	1,953.8
Balance of cash and cash equivalent accounts at the end of the period	10,103.6	5,810.5

Additional information

<i>In millions of euros</i>	First half 2018 <i>IFRS 9 and IFRS 15</i>	First half 2017 <i>IAS 39</i>
Composition of cash and cash equivalents	10,103.6	5,810.5
Cash and amounts due from central banks	9,107.1	5,875.6
Demand deposits with credit institutions	1,757.5	974.0
Demand loans from credit institutions	(761.5)	(1,038.8)
Deduction of receivables and accrued interest on cash and cash equivalents	0.5	(0.3)

<i>In millions of euros</i>	First half 2018 <i>IFRS 9 and IFRS 15</i>	First half 2017 <i>IAS 39</i>
Additional Information		
Interests paid	(130.5)	(120.3)
Interests received	710.8	684.3
Dividends paid	(272.1)	(252.2)
Dividends received	3.9	30.1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL REMARKS

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

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

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

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

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

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

1. SUMMARY OF ACCOUNTING PRINCIPLES APPLIED BY THE GROUP

1.a ACCOUNTING STANDARDS

1.a.1 APPLICABLE ACCOUNTING STANDARDS

The consolidated financial accounts of the BGL BNP Paribas Group have been prepared in accordance with international accounting standards (International Financial Reporting Standards - IFRS), as adopted for use in the European Union¹. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded, and certain recent texts have not yet undergone the approval process.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" which foresees the publication of condensed semi-annual accounts.

IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers

Since 1 January 2018, the Group has applied:

- IFRS 9 Financial Instruments and Prepayment Features with Negative Compensation (Amendments to IFRS 9), adopted by the European Union on 22 November 2016 and 22 March 2018, respectively. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement relating to the classification and measurement of financial instruments. The standard sets out new principles for the classification and measurement of financial instruments, for credit risk impairment on debt instruments recognised at amortised cost or at fair value through equity, for financing commitments and financial guarantees granted, commercial and lease receivables, contract assets, and general hedge accounting (or micro hedging).

IFRS 9 has modified the provisions relating to the own credit risk of financial liabilities designated as at fair value through profit or loss (fair value option).

As regards hedge accounting (micro-hedging), the Group has maintained the hedge accounting principles under IAS 39. Besides, IFRS 9 does not explicitly address the fair value hedge of the interest rate risk on a portfolio of financial assets or liabilities. The provisions of IAS 39 for these portfolio hedges, as adopted by the European Union, continue to apply.

- IFRS 15 Revenue from Contracts with Customers adopted by the European Union on 22 September 2016. Revenue from lease contracts, insurance contracts or financial instruments are excluded from the scope of this standard

IFRS 15 defines a single five-step model for revenue recognition. In particular, these five steps allow for the identification of the distinct performance obligations included in the contracts and for the allocation of a transaction price to each one. Revenue relating to each performance obligation is recognised when the performance obligation is fulfilled, i.e. when control of an asset has been transferred or a service has been rendered.

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

IFRS 9 and IFRS 15 offer the possibility of not restating comparative figures for prior financial years. As the Group has chosen this option, the comparative financial statements for 2017 have not been restated for these changes in methodology.

The entry into force of the other standards and amendments, which became mandatory on 1 January 2018, had no effect on the condensed consolidated interim accounts as at 30 June 2018.

With the exception of Prepayment Features with Negative Compensation (Amendments to IFRS 9), the Group chose not to pursue the early adoption of the new standards, amendments and interpretations adopted by the European Union, when such application in 2018 was given as an option.

1.a.2 MAIN NEW ACCOUNTING STANDARDS PUBLISHED BUT NOT YET APPLICABLE

IFRS 16 Leases

IFRS 16 Leases, issued in January 2016, will supersede IAS 17 Leases and the interpretations relating to the recognition of such contracts. The new definition of leases relies on both the identification of an asset and the control of the right to use the asset by the lessee.

From the perspective of the lessor, the expected impact should be limited, as the main requirements remain essentially unchanged versus the current standard, IAS 17.

For the lessee, IFRS 16 will require all leases to be recognised on the balance sheet, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the lease payments and other payments to be made over the leasing period. The right-of-use will be amortised on a straight-line basis and the financial liabilities will be amortised on an actuarial basis over the lease period. This standard therefore results mainly in a change for contracts defined under IAS 17 as operating leases and as such do not require the leased assets to be recorded in the balance sheet.

Adopted by the European Union on 31 October 2017, IFRS 16 will enter into force on a mandatory basis for financial years beginning on or after 1 January 2019.

In 2018, work continues to identify and analyse the affected contracts. Application of the standard will lead to an increase in the assets and liabilities in connection with leasing agreements currently recognised as operating leases. This effect will derive mainly from real estate leases, vehicle leases, and to a lesser extent, leases for IT equipment.

1.b CONSOLIDATION PRINCIPLES

1.b.1 SCOPE OF CONSOLIDATION

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

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

1.b.2 CONSOLIDATION METHODS

• Exclusive control

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

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

Structured entities are defined under IFRS 12 as entities created so that they are not governed by the voting rights, or when they are limited to administrative decisions while the management of relevant activities is governed through contractual arrangements. They often have characteristics such as circumscribed activities, a specific and well-defined purpose and insufficient equity to enable them to finance their activities without recourse to subordinate financial support.

For these entities, the analysis of control shall consider the purpose and design of the entity, the risks to which they are 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.

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

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

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

• Joint control

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

- **Significant influence**

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

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

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

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

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

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

The condensed consolidated interim financial statements are prepared using uniform accounting methods for transactions and other events in similar circumstances.

1.b.3 CONSOLIDATION RULES

- **Elimination of intragroup transactions**

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

- **Translation of accounts expressed in foreign currencies**

BGL BNP Paribas' consolidated accounts are prepared in euros.

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.

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

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

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

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

1.b.4 BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

- **Business combinations**

Business combinations are accounted for using the purchase method.

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

The contingent liabilities of the 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, or equity instruments issued to obtain control of the acquiree. The costs directly attributable to the business combination are treated as a separate transaction and recognised through profit and loss.

Any additional costs are included in the acquisition cost, as soon as control is obtained, at fair value on the acquisition date. Subsequent changes in value of any additional costs, 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 proportionate interest in the fair value, or its equivalent, of the identifiable assets and liabilities on the acquisition date. On this date, positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss. Minority interests are measured at their share of the acquiree's revalued net assets. However, for each business combination, the Group can elect to measure minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, the Group has never used this latter option.

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

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

Since the revised IFRS 3 has only been 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 French accounting standards applicable prior to this date, have not been restated in accordance with the principles of IFRS 3.

• Measurement of goodwill

The BGL BNP Paribas Group tests goodwill for impairment on a regular basis.

- Cash-generating units

The Group has split all its activities into “cash-generating units”¹. 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.).

- Impairment tests for cash-generating units

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 As defined under IAS 36.

1.c TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

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

- Monetary assets and liabilities¹ expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Exchange differences are recognised through profit or loss, except for any exchange differences relating to financial instruments that qualify as cash flow hedges or net foreign currency investment hedges, which are recognised through equity.

- Non-monetary assets expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are, in the first instance, measured using the exchange rate on the transaction date, i.e. the date on which the non-monetary asset is first recognised or the non-monetary liability derived from the payment or receipt of an advance is recognised. In the latter case, they are subsequently measured at the exchange rate prevailing on the reporting date.

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

1.d NET INTEREST MARGIN, COMMISSIONS AND INCOME FROM OTHER ACTIVITIES

1.d.1 NET INTEREST MARGIN

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

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

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

This item also includes income from financial instruments not held for trading purposes with characteristics that do not permit recognition at amortised cost or at fair value through equity, as well as income from financial instruments that the Group has designated as measured at fair value through profit or loss. The

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

change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under “Net gain/(loss) on financial instruments at fair value through profit or loss”.

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

1.d.2 COMMISSIONS AND INCOME FROM OTHER ACTIVITIES

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

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

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

• Commissions

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

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

• Income from other activities

- Income from services related to operating leases is recognised in “Income from other activities” in the consolidated profit and loss account.
- The Group recognises income from services related to leases in the profit and loss account as the services are provided, i.e. pro rata with the costs incurred on the maintenance contracts.

1.e FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

1.e.1 FINANCIAL ASSETS AT AMORTISED COST

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

- **Business model criterion**

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

Disposing of instruments close to the maturity date, or as a result of an increase in the credit risk of the counterparty is consistent with a hold to collect business model. Sales made as a result of regulatory constraints or in order to manage the concentration of credit risk (without an increase in credit risk) are also compatible with this business model, when such sales are infrequent and of insignificant value.

- **Cash flow criterion**

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

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

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

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

So, for example, if a variable financial asset’s interest rate is periodically reset but the frequency of that reset does not match the length of time for which the interest rate is established, then the time value of the money can be assumed altered and, depending upon the extent of this alteration, the cash flow criterion may not be satisfied.

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

In the particular case of financial assets that are contractually linked to payments received on a portfolio of underlying assets and include a subordination ranking for payments of cash flows between investors (tranches), thus creating concentrations of credit risk, a specific analysis is carried out. The contractual

characteristics of the tranche and of the portfolios of underlying financial instruments must satisfy the cash flow criterion, and the credit risk exposure inherent in the tranche must be lower than or equal to the credit risk exposure of the portfolio of underlying financial instruments.

“Financial assets at amortised cost” specifically includes loans granted by the Group, reverse repurchase agreements and securities held as part of ALM activities with a view to collecting the contractual cash flows (treasury bonds, government bonds and other debt securities).

- **Recognition**

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

They are subsequently measured at amortised cost, including interest accrued and not yet due, and deducting any interest and principal repayments made in the intervening period. These financial assets are also subject from inception to an impairment calculation for expected credit losses (note 1.e.4).

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

1.e.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

- **Debt instruments**

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

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

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

At initial recognition, the financial assets are recognised at fair value including any directly attributable transaction costs. They are subsequently measured at fair value, with any changes in fair value recognised in a specific heading of equity entitled “Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss”. These financial assets are also subject to an impairment calculation for expected credit losses using the same methods as those applicable to debt instruments at amortised cost. Upon disposal, changes in fair value previously recognised through equity will be reclassified to the consolidated profit or loss account.

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

- **Equity instruments**

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

1.e.3 FINANCING AND GUARANTEE COMMITMENTS

Financing and guarantee commitments that are not recognised as derivatives at fair value through profit or

loss are presented in the note relating to the commitments given or received.

When not recognised at fair value through profit or loss, they are subject to impairment for expected credit losses. These provisions are presented under “Provisions for contingencies and charges”.

1.e.4 IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH EQUITY

The credit risk impairment model is based on expected losses.

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

- **General model**

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

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

This general model is applied to all instruments subject to the impairment requirements of IFRS 9.

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

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

- **Definition of default**

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

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

- **Impaired financial assets**

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

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

- the existence of outstanding payments more than 90 days overdue;

- knowledge or indications that the counterparty is experiencing significant financial difficulties, such that a risk can be considered to have arisen, whether or not any payments are overdue;
- and concessions granted on credit terms that would not have been granted in the absence of financial difficulties of the borrower (see the section “Restructuring of financial assets as a result of financial difficulties”).

• Significant increase in credit risk

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

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

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

• Measurement of expected credit losses

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

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

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

The methodology that has been developed is based on existing concepts and frameworks (notably the Basel framework) for exposures for which capital requirements for credit risk are calculated according to the IRBA. This framework is also applied to portfolios for which capital requirements for credit risk are calculated according to the Standardised approach. In addition, the Basel framework has been supplemented by the specific provisions of IFRS 9, in particular as regards the inclusion of forecast information.

Maturity

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

Probability of default (PD)

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

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

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

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

Loss given default (LGD)

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

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

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

Exposure at default (EAD)

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

The inclusion of forecast information

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

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

- **Write-offs**

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

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

- **Amounts recovered from enforcement of the collateral**

When a loan is secured by a financial or non-financial asset received as a guarantee and the counterparty defaults, the Group may decide to exercise the guarantee and, dependent on the jurisdiction, may then

become the owner of the asset. In such a situation, the loan is derecognised against the asset received as guarantee.

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

- **Restructuring of financial assets as a result of financial difficulties**

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

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

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

When the restructuring consists of a partial or full settlement using substantially different assets, the original debt is considered repaid and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value resulting from this exchange is recognised in consolidated profit and loss under "Cost of risk".

1.e.5 COST OF RISK

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

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

1.e.6 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

Other financial assets at fair value through profit or loss are debt instruments not held for trading purposes that do not fulfil the criteria of the "hold to collect" or "hold to collect and sell" business models. This category also includes equity instruments for which the fair value through shareholders' equity option has not been retained.

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

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

The Group uses this option in the following two cases:

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

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

1.e.7 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

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

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

- **Issued debt securities and subordinated debt**

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

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

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

- **Equity instruments**

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

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

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

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

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

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

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

1.e.8 HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.e.9 DETERMINATION OF FAIR VALUE

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

The Group determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They maximise the use of observable data and minimise the use of unobservable data. They are calibrated to reflect current market conditions, and valuation adjustments are applied as

appropriate when factors such as model, liquidity and credit risk are not captured by the valuation techniques or the parameters used but are nevertheless considered by market participants when determining fair value.

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

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

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

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

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

1.e.10 DERECOGNITION OF FINANCIAL ASSETS OR FINANCIAL LIABILITIES

• Derecognition of financial assets

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

• Derecognition of financial liabilities

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

• Repurchase agreements and securities lending/borrowing

Securities temporarily sold as part of a repurchase agreement continue to be recorded on the Group's balance sheet, in their original portfolio. The corresponding liability is recognised at amortised cost under the appropriate "Deposits and borrowings" heading, with the exception of repurchase agreements contracted for

the Group's trading purposes, where the corresponding liability is classified under "Financial instruments at fair value through profit or loss".

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

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

1.e.11 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

1.f PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown on the Group's balance sheet include both tangible and intangible fixed assets for operations as well as investment property.

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

The investment property category comprises property assets held to generate rental income and capital gains.

Fixed assets used in operations are 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.

Investment property is measured at cost.

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

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

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

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

When an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or produce economic benefits at a different frequency, each component is recognized

separately and appreciated using a method appropriate to that component. The component-based approach has been adopted for property used in operations and for investment property.

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

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

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

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

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

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

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

1.g LEASES

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

1.g.1 A GROUP COMPANY IS THE LESSOR IN THE LEASING CONTRACT

Leases contracted by the Group as lessor are categorized 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 purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of the interest on the loan, and is recorded in the profit and loss account under "Similar interest income and charges". 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 lease.

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

• Operating leases

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

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

1.g.2 A GROUP COMPANY IS THE LESSEE IN THE LEASING CONTRACT

Leases entered into 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 on 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 on the lessee's balance sheet. The asset is depreciated using the same method as the one that applies to owned assets, after deducting the estimated residual value from the acquisition price. The depreciation period used is 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 leases**

The asset is not recognised on 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.h 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 on the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately on the balance sheet, on the line "Liabilities linked to 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 and their fair value net of selling costs.

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

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

In this case, the 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.

Any gains or losses relating to these transactions are presented separately in the profit and loss account under "Net profit (loss) on discontinued operations and assets held for sale". This item includes the post-tax

profit or loss of discontinued operations, the post-tax gain or loss arising from the measurement of fair value (less selling costs), and the post-tax gain or loss on disposal.

1.i EMPLOYEE BENEFITS

Group employee benefits are classified under four categories:

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

• Short-term benefits

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

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

• Long-term benefits

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

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

• Post-employment benefits

In keeping with generally accepted principles, the Group makes a distinction between 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 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 an expected partial refund of amounts paid into the plan.

The annual expense recognised in the profit and loss account under "Staff costs", with respect to defined-benefit plans includes the current service cost the 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 and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability, or asset).

1.j SHARE-BASED PAYMENTS

Share-based payments consist of payments based on shares issued by the Group whether they are settled by the delivery of shares or by a payment of cash, the amount of which depends on the evolution of the value of the shares.

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

BGL BNP Paribas grants employees options in a share ownership plan and deferred compensation paid in cash and indexed to the value of its share price.

- **Stock options**

The expense related to stock options is recognised over the vesting period, if the benefit is conditional upon the grantee's continued employment.

This charge, recorded in staff costs, the counterpart of which is shown in shareholders' equity, is calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.

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

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

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

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

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

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

1.k PROVISIONS RECOGNISED AS LIABILITIES

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

A provision is recognised when it is probable that an outflow of resources 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.

1.1 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 the same tax group 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 those relating to a transaction or event recognised directly in equity, which are also taken to shareholders' equity.

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

1.m CASH FLOWS STATEMENT

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

Changes in cash related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to insurance activity investments and negotiable debt securities.

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

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

1.n USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

This applies in particular to the following:

- the calculation of expected credit losses. More specifically, this relates to determining whether there has been a significant increase in credit risk, the models and assumptions used to measure expected credit losses, and assessment of the various economic scenarios and their weighting;
- the use of internal models to measure positions in financial instruments that are not listed on active markets;
- calculations of the fair value of unlisted financial instruments classified in "Financial assets at fair value through equity" or as an asset or liability in "Financial instruments at fair value through profit or loss", and more generally, calculations of the fair value of financial instruments subject to a fair value disclosure requirement within the notes to the financial statements;
- whether a market is active or inactive for the purposes of using a valuation technique;
- impairment tests performed on intangible assets;

- appropriateness of the classification of certain cash flow hedges using derivatives 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;
- measurement of provisions to cover the risk of losses and charges. In particular, the outcome and potential impact of ongoing investigations and disputes is particularly difficult to predict before their conclusion. Provisions are estimated taking into account all information available on the date the financial statements are prepared, in particular, the nature of the dispute, the underlying facts and ongoing legal proceedings and decisions, including those made in relation to similar cases. The Group may also seek advice from experts and independent consultants in exercising its judgement.

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

2. EFFECTS OF CHANGES IN PRESENTATION AND ACCOUNTING PRINCIPLES, AND THE APPLICATION OF IFRS 9 AND 15

As at 1 January 2018, the Group made the following presentational changes to the financial statements:

- in view of the application of IFRS 9 Financial Instruments as at 1 January 2018, certain headings in the balance sheet, profit and loss account and the statement of net income and changes in assets and liabilities recognised directly in equity have been renamed;
- in order to harmonise the definition of “credit institutions” in the financial statements with that used for regulatory reporting, amounts outstanding with certain counterparties have been reclassified from “Loans and receivables due from credit institutions” to “Loans and receivables due to clients”;
- Remeasurement gains or losses related to post-employment benefits have been reclassified within equity.

The impact of these changes on the balance sheet, profit and loss account and the statement of net income and changes in assets and liabilities recognised directly in equity are presented in note 2a.

BNP Paribas Group has also applied the new accounting standards IFRS 9 and IFRS 15. These standards apply retrospectively from 1 January 2018, and both offer the possibility of not restating comparative figures for prior financial years. As the Group has chosen this option, the comparative financial statements for 2017 have not been restated for these changes in methodology.

The effects of the application of IFRS 9 and IFRS 15 are described in note 2.b.

2.a THE EFFECTS OF PRESENTATIONAL CHANGES

• Balance sheet

	31 December 2017 <i>IAS 39 former presentation</i>	Re-labelling of financial instruments item headings	Other reclassifications	31 December 2017 <i>IAS 39 revised presentation</i>
<i>In millions of euros</i>				
ASSETS				
Cash and amounts due from central banks	585.5	-	-	585.5
Financial instruments at fair value through profit or loss	182.1	-	-	182.5
Securities	86.6	-	-	86.6
Loans and repurchase agreements	23.1	5,5 ^(a)	-	28.7
Portfolio designated under the fair value option	5.5	(5,5) ^(a)	-	-
Derivatives	66.8	-	-	66.8
Derivatives used for hedging purposes	116.4	-	-	116.4
Available-for-sale financial assets	4,708.2	(4,708,2) ^(b)	-	-
Financial assets at fair value through equity	-	4,708,2 ^(b)	-	4,708.2
Debt securities	-	4,318,4 ^(b)	-	4,318.4
Equity instruments	-	389,8 ^(b)	-	389.8
Financial assets at amortised cost	41,765.1	290,4 ^(c)	-	42,056.4
Loans and receivables due from credit institutions	13,211.3	-	(249,5) ^(e)	12,961.8
Loans and receivables due from customers	28,553.8	(280,2) ^(c)	249,5 ^(e)	28,523.1
Debt securities	-	570,6 ^(c)	-	570.6
Held-to-maturity financial assets	290.4	(290,4) ^(c)	-	-
Current and deferred tax assets	110.3	-	-	110.3
Accrued income and other assets	663.0	-	-	663.0
Investments in associates	186.4	-	-	186.4
Property, plant and equipment and investment property	865.2	-	-	865.2
Intangible assets	25.9	-	-	25.9
Goodwill	132.6	-	-	132.6
TOTAL ASSETS	49,630.9	-	-	49,630.9
LIABILITIES				
Financial instruments at fair value through profit or loss	354.0	-	-	354.1
Deposits and repurchase agreements	118.9	-	-	118.9
Portfolio designated under the fair value option	182.5	(182,5) ^(a)	-	-
Debt securities	-	182,5 ^(a)	-	182.5
Derivatives	52.6	-	-	52.6
Derivatives used for hedging purposes	31.4	-	-	31.4
Financial liabilities at amortised cost	39,372.7	-	-	39,372.7
Due to credit institutions	11,661.0	-	-	11,661.0
Due to customers	26,238.5	-	-	26,238.5
Debt securities	1,473.2	-	-	1,473.2
Remeasurement adjustment on interest-rate risk hedged portfolios	50.1	-	-	50.1
Current and deferred tax liabilities	486.8	-	-	486.8
Accrued expenses and other liabilities	1,092.4	-	-	1,092.4
Provisions for contingencies and charges	165.7	-	-	165.7
TOTAL LIABILITIES	41,553.0	-	-	41,553.0
CONSOLIDATED EQUITY				
Share capital and retained earnings	6,125.8	24,9 ^(d)	-	6,150.7
<i>Net income for the period, attributable to shareholders</i>	<i>365.8</i>	<i>-</i>	<i>-</i>	<i>365.8</i>
Total capital, retained earnings and net income for the period, attributable to shareholders	6,491.6	24.9	-	6,516.5
Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	-	(24,9) ^(d)	-	(24.9)
Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	183.0	-	-	183.0
Total consolidated equity	6,674.5	-	-	6,674.5
Retained earnings and net income for the period attributable to minority interests	1,482.9	11,7 ^(d)	-	1,494.6
Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	-	(11,7) ^(d)	-	(11.7)
Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	(79.4)	-	-	(79.4)
Minority interests	1,403.5	-	-	1,403.5
TOTAL CONSOLIDATED EQUITY	8,078.0	-	-	8,078.0
TOTAL LIABILITIES AND EQUITY	49,630.9	-	-	49,630.9

Presentational changes relative to the balance sheet published as at 31 December 2017 are as follows:

The Group has renamed some headings in the balance sheet and this table shows the transfers made between the old and new headings:

- (a) The “Portfolio valued using the fair value option” that was previously presented as a specific line in assets and liabilities has been broken down by type of instrument in other headings within “Financial instruments at fair value through profit or loss”. This relates in particular to EUR 182.5 million in liabilities classified as “Issued debt securities”.
- (b) “Available-for-sale financial assets” are now presented under “Financial assets at fair value through equity”.
- (c) “Held-to-maturity financial assets” and securities previously classified as “Loans and receivables due from customers” and “Loans and receivables due from credit institutions” are presented in the line “Debt securities” within “Financial assets at amortised cost”.
- (d) Remeasurement gains or losses related to post-employment benefits are presented separately within the new heading “Changes in assets and liabilities recognised directly through equity and not available for reclassification to profit or loss”.
- (e) In order to harmonise the definition of “credit institutions” in the financial statements with that used for regulatory financial reporting (FINREP), certain counterparties have been reclassified from “Loans and receivables due from credit institutions” to “Loans and receivables due from customers”, in the amount of EUR 249.5 million.

- Profit and loss account

	First half 2017 IAS39 former presentation	Re-labelling of financial instruments item headings	Reclassification of interest income and expense on trading instruments	First half 2017 IAS39 revised presentation
<i>In millions of euros</i>				
Interest and similar income	663.0	-	(2,1) ^(a)	660.9
Interest and similar expense	(121.1)	-	2,3 ^(a)	(118.8)
Commission (income)	184.2	-	-	184.2
Commission (expense)	(106.5)	-	-	(106.5)
Net gain on financial instruments at fair value through profit or loss	5.0	-	(0,2) ^(a)	4.8
Net gains on available-for-sale financial assets and other financial assets not measured at fair value	8.1	(8,1) ^(b)	-	
Net gain on financial instruments at fair value through equity		8,1 ^(b)	-	8.1
Income from other activities	167.1	-	-	167.1
Expense from other activities	(143.1)	-	-	(143.1)
REVENUES	656.6	-	-	656.6
Staff costs	(212.8)	-	-	(212.8)
Other operating expense	(118.5)	-	-	(118.5)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(17.1)	-	-	(17.1)
GROSS OPERATING INCOME	308.2	-	-	308.2
Cost of risk	(18.7)	-	-	(18.7)
OPERATING INCOME	289.5	-	-	289.5
Share of earnings of associates	16.8	-	-	16.8
Net gain on other fixed assets	5.6	-	-	5.6
Goodwill	-	-	-	-
PRE-TAX INCOME	311.9	-	-	311.9
Corporate income tax	(72.6)	-	-	(72.6)
NET INCOME	239.2	-	-	239.2
of which : Minority interests	68.9	-	-	68.9
NET INCOME, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	170.3	-	-	170.3

(a) Interest income and expense on instruments in the trading book that was previously presented within “Interest and similar income and charges” is now presented within “Net gain on instruments at fair value through profit or loss” (a net amount of EUR 0.2 million in the first half of 2017).

(b) “Available-for-sale financial assets” have been renamed “Financial assets at fair value through equity”.

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

<i>In millions of euros</i>	First half 2017 IAS39 former presentation	Re-labelling of financial instruments item headings	First half 2017 IAS39 revised presentation
Net income	239.2	-	239.2
Changes in assets and liabilities recognised directly in equity	(34.3)	-	(34.3)
Items that are or may be reclassified to profit or loss	(37.1)	-	(37.1)
Changes in exchange rate items	(17.3)	1.3	(16.1)
Changes in fair value of financial instruments at fair value through equity	(1.4)	(21.4)	(22.8)
Changes in fair value recognised in equity		(21.4) ^{(a) (b)}	(21.4)
Changes in fair value reported in net income	(1.4)	-	(1.4)
Changes in fair value of available-for-sale financial assets and securities reclassified as loans and receivables	(6.5)	6.5	
Differed changes in fair value of hedging instruments	(9.4)	-	(9.4)
Income tax		13.6 ^(a)	13.6
Changes in fair value of items related to equity associates, net of tax	(2.4)	-	(2.4)
Items that will not be reclassified to profit or loss	2.8	-	2.8
Remeasurement gains (losses) related to post-employment benefit plans	2.8	1,1 ^(a)	3.9
Income tax		(1,1) ^(a)	(1.1)
TOTAL	204.9	-	204.9
Attributable to equity shareholders	136.6	-	136.6
Attributable to minority interests	68.3	-	68.3

(a) All items are now presented before taxes.

(b) "Available-for-sale financial assets" have been renamed "Financial assets at fair value through equity".

2.b IMPACT OF THE APPLICATION OF IFRS 9 AND IFRS 15

- Summary of the impacts of the application of IFRS 9 and IFRS 15 on the balance sheet as at 1 January 2018

	31 December 2017 IAS 39 revised presentation	Impacts of the IFRS 9 adoption			Impacts of the IFRS 15 adoption ⁽³⁾	1 January 2018 IFRS 9 and IFRS15
In millions of euros		Reclassifications	Remeasurements			
			Phase 1 ⁽¹⁾	Phase 2 ⁽²⁾		
ASSETS						
Cash and amounts due from central banks	585.5	-	-	-	-	585.5
Financial instruments at fair value through profit or loss	182.1	672.8	6.9	-	-	861.6
Securities	86.6	637.6 ^(a)	6.1	-	-	730.2
Loans, receivables and repurchase agreements	28.7	33.2 ^(b)	0.8	-	-	62.6
Derivatives	66.8	2.0	-	-	-	68.8
Derivatives used for hedging purposes	116.4	(2.0)	-	-	-	114.3
Financial assets at fair value through equity	4,708.2	(2,140.3)	0.1	-	-	2,568.0
Debt securiites	4,318.4	(2,062.5) ^(c)	0.1	-	-	2,256.1
Equity instruments	389.8	(77.9) ^(d)	-	-	-	311.9
Financial assets at amortised cost	42,055.5	1,470.9	(85.9)	(90.3)	-	43,350.3
Loans and receivables due from credit institutions	12,961.8	-	0.0	-	-	12,961.8
Loans and receivables due from customers	28,523.1	(32.3) ^(e)	-	(88.9) ⁽ⁱ⁾	-	28,402.1
Debt securiites	570.6	1,503,1 ^(f)	(85,9) ^(j)	(1.4)	-	1,986.4
Current and deferred tax assets	110.3	-	-	17.0	-	127.3
Accrued income and other assets	663.0	(1.4)	-	-	-	661.7
Investments in associates	186.4	-	-	(20,7) ^(m)	-	165.7
Property, plant and equipment and investment property	865.2	-	-	-	-	865.2
Intangible assets	25.9	-	-	-	-	25.9
Goodwill	132.6	-	-	-	-	132.6
TOTAL ASSETS	49,630.9	-	(78.9)	(94.0)	-	49,458.0
LIABILITIES						
Financial instruments at fair value through profit or loss	354.1	-	-	-	-	354.1
Deposits and repurchase agreements	118.9	-	-	-	-	118.9
Issued debt securities	182.5	-	-	-	-	182.5
Derivatives	52.6	0.2	-	-	-	52.8
Derivatives used for hedging purposes	31.4	(0.2)	-	-	-	31.2
Financial liabilities at amortised cost	39,372.7	-	-	-	-	39,372.7
Due to credit institutions	11,661.0	-	-	-	-	11,661.0
Due to customers	26,238.5	-	-	-	-	26,238.5
Issued debt securities	1,473.2	-	-	-	-	1,473.2
Remeasurement adjustment on interest-rate risk hedged portfolios	50.1	-	-	-	-	50.1
Current and deferred tax liabilities	486.8	-	(20.1)	(13.3)	-	453.3
Accrued expenses and other liabilities	1,092.4	-	-	-	19.0	1,111.4
Provisions for contingencies and charges	165.7	-	-	13,4 ⁽ⁿ⁾	(17.5)	161.5
TOTAL LIABILITIES	41,553.0	-	(20.1)	0.1	1.5	41,534.4
CONSOLIDATED EQUITY						
Share capital and consolidated retained earnings	6,150.7	94,3 ^(g)	2.2	(48.6)	(0.8)	6,197.8
Net income for the period, attributable to shareholders	365.8	-	-	-	-	365.8
Total capital, consolidated retained earnings and net income for the period attributable to shareholders	6,516.5	94.3	2.2	(48.6)	(0.8)	6,563.6
Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	(24.9)	6,6 ⁽ⁱ⁾	-	-	-	(18.3)
Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	183.0	(100,9) ^(h)	(60,5) ^(k)	-	-	21.6
TOTAL CONSOLIDATED EQUITY	6,674.6	-	2.2	(48.6)	(0.8)	6,566.8
Retained earnings and net income for the period attributable to minority interests	1,494.6	7.6	-	(45.5)	(0.7)	1,456.0
Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss	(11.7)	3.4	-	-	-	(8.3)
Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	(79.4)	(11.0)	(0.5)	-	-	(90.9)
Minority interests	1,403.5	-	(0.5)	(45.5)	(0.7)	1,356.8
TOTAL CONSOLIDATED EQUITY	8,078.0	-	(58.8)	(94.1)	(1.5)	7,923.6
TOTAL LIABILITIES AND EQUITY	49,630.9	-	(78.9)	(94.0)	-	49,458.0

(1) Phase 1: classification and measurement of financial instruments.

(2) Phase 2: credit risk impairment for financial assets.

(3) IFRS 15 has an impact of EUR -1.5 million net of tax on equity as at 1 January 2018. This impact is due to a change in the timing of recognition for income from maintenance services provided by the operating lease entities. Income from these activities is recognised in the profit and loss account in "Income and expenses from other activities".

Based on the chosen business models and the characteristics of the financial assets held by the Group, the major Phase 1 classifications and valuation changes as at 1 January 2018 are as follows:

- (a) Transfers to the item "Financial instruments at fair value through profit or loss/Securities portfolio" include in particular:
 - 1. Debt securities previously measured at fair value through equity and for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding in the amount of EUR 465.0 million.
 - 2. Debt securities previously measured at amortised cost and for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding in the amount EUR 98.5 million.
 - 3. Some of the equity instruments previously measured at fair value through equity in the amount EUR 77.9 million.
- (b) The transfer to the item "Financial instruments at fair value through profit or loss/Loans, receivables and repurchase agreements" mainly relates to loans linked to structured transactions for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding. These were previously recorded within "Financial assets at amortised cost/Loans and receivables due from customers". This had an impact of EUR 33.2 million.
- (c) The item fell by EUR 2,062.5 million as a result of the transfer of EUR 1,601.7 million from the securities portfolio to "Financial assets at amortised cost/Debt securities", and the transfer of EUR 465 million in debt securities previously measured at fair value through equity and for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.
- (d) The item fell by EUR 77.9 million as a result of the transfer of a portion of the equity instruments to "Financial instruments at fair value through profit or loss/Securities portfolio".
- (e) The item fell by EUR 32.3 million as a result of the transfer of loans related to structured transactions for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding to the item "Financial instruments at fair value through profit or loss/Loans, receivables and repurchase agreements".
- (f) Transfers to "Financial assets at amortised cost/debt securities" includes in particular:
 - 1. Items in the securities portfolio previously measured at fair value through equity in the amount of EUR 1,601.7 million.
 - 2. The reclassification of debt securities for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding into the item "Financial instruments at fair value through profit or loss/Securities portfolio" in the amount EUR -98.5 million.
- (g) The increase of EUR 94.3 million net of tax in this item results mainly from the following elements:

1. A portion of the equity instruments previously measured at fair value through equity has been reclassified in “Financial instruments at fair value through profit or loss/Securities portfolio”. This classification resulted in the transfer of EUR 14.4 million of net unrealised capital gains (attributable to shareholders) from “Changes in assets recognised directly in equity” to the item “consolidated Retained earnings”.
2. All rest of these equity instruments are designated as measured at fair value through equity. As this option does not offer the possibility of carrying out value corrections for these financial instruments, existing value corrections have been reversed. This led to an increase in equity, attributable to shareholders, of EUR 73.0 million.
3. Debt securities previously measured at fair value through equity and for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding have been transferred to “Financial instruments at fair value through profit or loss/Securities portfolio” in the amount of EUR 8.5 million.
4. For financial liabilities, the main change introduced by IFRS 9 relates to debts designated as measured at fair value through profit or loss, with changes in fair value resulting from changes in own credit risk recognised in a separate line in equity and not in profit or loss as previously. In this respect, EUR 3.1 million of accumulated changes (attributable to shareholders) were reclassified as at 1 January 2018 from “consolidated retained earnings” to “Changes in assets and liabilities recognised directly through equity and not available for reclassification to profit or loss”.

(h) The reduction of EUR 100.9 million in this item results mainly from the following elements:

1. A portion of the equity instruments previously measured at fair value through equity has been reclassified in “Financial instruments at fair value through profit or loss/Securities portfolio”. This classification led to the transfer of EUR 14.4 million of net unrealised capital gains (Group share) from “Changes in assets recognised directly in equity” to “consolidated reserves”.
2. The rest of these equity instruments in the amount of EUR 311.9 million are designated as measured at fair value through equity. As this option does not offer the possibility of carrying out value corrections for these financial instruments, existing value corrections have been reversed. This led to a decline of EUR 76.4 million in unrealised gains in “Changes in assets recognised directly through equity and available for reclassification to profit or loss”.
3. Debt securities previously measured at fair value through equity and for which contractual cash flows are not solely payments of principal and interest on the principal amount outstanding have been transferred to “Financial instruments at fair value through profit or loss/Securities portfolio” in the amount of EUR -8.5 million.

(i) The amount of EUR 6.6 million comprises:

1. EUR 3.5 million in unrealised capital gains from non-consolidated participating interests measured at fair value through equity previously recognised in the item “Changes in assets recognised directly in equity and available for reclassification to profit and loss”;
2. EUR 3.1 million for the recognition of changes in fair value from own credit risk for debts designated as measured at the fair value option through profit or loss, previously included in “consolidated retained earnings”.

(j) The amount of EUR -85.9 million corresponds to cancellation of the revaluation reserve for debt securities, measured at fair value through equity under IAS 39 and at amortised cost under IFRS 9.

(k) The amount of EUR 60.5 million for cancellation of the revaluation reserve for debt securities net of taxes, measured at fair value through equity under IAS 39 and at amortised cost under IFRS 9.

On the other hand, the new impairment model of IFRS 9 has led to additional provisions for impairment. The major points are detailed hereinafter:

- (l) There was an impact of EUR 88.9 million on “Loans and receivables payable by clients”, of which EUR 14.0 million at the Bank level and EUR 74.9 million at Leasing International level.
 - (m) There was an impact of EUR 20.7 million on BNP Paribas Leasing SPA, which is accounted for by the equity method in the Group accounts.
 - (n) Additional impairment provisions of EUR 13.4 million were recognised on off-balance sheet commitments.
- **Reconciliation of impairments under IAS 39 and provisions under IAS 37 and expected losses under IFRS 9**

The impact of the new impairment model of IFRS 9 result in additional provision for impairment of financial instruments of EUR 100.5 million before taxes (a reduction of EUR 86 million in “Loans and receivables due from customers” on the asset side, and an increase of EUR 13.4 million on the liabilities side in “Provisions for contingencies and charges” related to financing and guarantee commitments).

	31 December 2017 IAS 39	From Loans and receivables to Financial instruments at fair value through profit or loss	Change in impairment calculation method	Other impacts	1 January 2018 IFRS9
<i>In millions of euros</i>					
Financial assets at amortised cost	(483.0)	2.9	(90.0)	-	(570.2)
Loans and advances to credit institutions	(0.3)	-	-	-	(0.3)
Loans and advances to customers	(482.7)	2.9	(88,9) ^(a)	-	(568.7)
Debt securities	-	-	(1.2)	-	(1.2)
Financing or guarantee commitments and other items	(7.5)		(13,4) ^(b)	-	(20.9)
Total expected credit losses	(490,5) ^(c)	2.9	(103.4)	-	(591.0)

- (a) There was an impact of EUR 88.9 million on “Loans and receivables payable by clients”, of which EUR 14.0 million at the Bank level and EUR 74.9 million at Leasing International level.
- (b) Additional impairments of EUR 13.4 million were recognised on off-balance sheet commitments.
- (c) Are only included items affected by IFRS 9 and not all impairments, which amounted to EUR 495.1 million as at 31 December 2017.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

The profit and loss account as at 30 June 2018 includes the new entities included in the scope of consolidation. The comparative financial statements for 2017 have not been restated for this impact.

3.a NET INTEREST MARGIN

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

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

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

In millions of euros	First half 2018 IFRS 9 and IFRS 15			First half 2017 IAS 39		
	Income	Expense	Net	Income	Expense	Net
Financial instrument at amortised cost	647.6	(135.8)	511.8	607.9	(112.1)	495.8
Deposits, loans and borrowings	245.4	(100.6)	144.8	254.1	(91.6)	160.5
Repurchase agreements	0.6	(2.5)	(1.9)	1.1	(0.6)	0.5
Finance leases	376.6	(26.8)	349.8	347.1	(17.9)	329.2
Debt securities	25.0	-	25.0	5.6	-	5.6
Issued debt securities and subordinated debt	-	(5.9)	(5.9)	-	(2.0)	-
Financial instruments at fair value through equity	8.7	-	8.7	25.7	-	25.7
Debt securities	8.7	-	8.7	25.7	-	25.7
Financial instruments at fair value through profit or loss (Trading portfolio excluded)	4.6	(0.3)	4.3	-	(1.3)	(1.3)
Cash flow hedge instruments	8.6	(1.7)	6.9	11.2	(4.1)	7.1
Interest rate portfolio hedge instruments	17.9	(2.4)	15.5	16.1	(1.4)	14.7
Total interest income/(expense)	687.4	(140.1)	547.3	660.9	(118.8)	542.1

For the 2017 financial year, interest from financial instruments at amortised cost included interest income and expense on financial assets held to maturity, transactions with customers, interbank transactions and debts issued by the Group (excluding those issues designated as measured at fair value option through profit or loss by the Group).

For the 2017 financial year, interest from financial instruments at fair value through equity relates to interest on available-for-sale debt securities, of which EUR 1.6 billion were reclassified at amortised cost as at 1 January 2018. This reclassification is the main reason for the change in interest on debt securities included in interest on financial instruments at amortised cost between the two reporting periods.

For the 2017 financial year, interest on financial instruments at fair value through profit or loss relates to interest income and expenses on financial instruments designated as measured at fair value option through

profit or loss by the Group. For the 2018 financial year, this account heading also includes interest on financial instruments not held for trading purposes with characteristics that do not permit recognition at amortised cost or at fair value through equity.

3.b COMMISSIONS

In millions of euros	First half 2018 IFRS 9 and IFRS 15			First half 2017 IAS 39		
	Income	Expense	Net	Income	Expense	Net
Credit operations for customers	16.4	(3.0)	13.4	13.4	(4.6)	8.8
Means of payment and account keeping	25.2	(7.6)	17.6	20.9	(5.6)	15.3
Securities, investment funds and UCITS	25.2	(1.0)	24.2	27.7	(1.0)	26.7
Commissions on securities and derivatives transactions	19.2	(1.6)	17.6	17.9	(1.2)	16.6
Insurance activities	12.5	-	12.5	13.9	(0.7)	13.2
Other commissions	14.0	(15.2)	(1.2)	90.5	(93.4)	(2.9)
TOTAL COMMISSIONS FOR THE PERIOD	112.5	(28.4)	84.1	184.2	(106.5)	77.7

The decrease of income and expenses on other commissions is mainly due to the evolution of standards.

3.c NET GAIN OR 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 profit and loss items relating to: financial instruments managed in the trading book; financial instruments that the Group has designated at fair value through profit or loss; and debt instruments for which cash flows are not solely payments of principal and interest on the principal amount outstanding or for which the business model is not “hold to collect” or “hold to collect and sell”.

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

In millions of euros	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Trading book	28.6	4.6
Interest rate and credit instruments	(0.7)	(2.5)
Equity financial instruments	5.2	(4.2)
Loans and repurchase agreements	(2.4)	(0.2)
Foreign exchange financial instruments	26.5	11.5
Instruments designated at fair value through profit or loss ⁽¹⁾	2.0	0.5
Other financial instruments at fair value through profit or loss	(21.8)	-
Debt instruments	(10.0)	-
Equity instruments	(11.8)	-
Impact of hedge accounting	(0.2)	(0.3)
Fair value hedging derivatives	15.7	3.8
Hedged items in fair value hedge	(15.9)	(4.1)
TOTAL	8.7	4.8

⁽¹⁾ From 1 January 2018, the own-credit valuation adjustment (OCA) is recognised in “Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss”.

3.d NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH EQUITY AND ON FINANCIAL INSTRUMENTS AT AMORTISED COST

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Net gain/loss on debt instruments at fair value through equity	9.1	1.4
Debt securities ⁽¹⁾	9.1	1.4
Net gain/loss on equity instruments at fair value through equity	2.2	6.7
Dividend income	2.2	5.1
Additions to impairment provisions	-	2.2
Net disposal gain/loss	-	(0.6)
Net gain on financial instruments at fair value through equity	11.3	8.1
Net gain/loss on financial instruments at amortised cost	2.0	-
Loans and receivables	2.0	-
Net gain on derecognised financial assets at amortised cost	2.0	-

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

In the first half of 2018, the Net gain on financial instruments at fair value through equity relates to capital gains and losses on debt securities through equity and dividends on equity securities for which the Group applied the fair value through equity option; capital gains and losses on the latter are no longer recognised in profit or loss, but directly in equity.

In the first half of 2017, impairment loss and net capital gains on the disposal of equity instruments related to those recognised under IAS 39 on available-for-sale securities.

3.e INCOME AND EXPENSES FROM OTHER ACTIVITIES

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15			First half 2017 IAS 39		
	Income	Expense	Net	Income	Expense	Net
Income and expense from investment property	16.9	(6.0)	10.9	13.2	(6.0)	7.2
Income and expense from assets held under operating leases	70.8	(53.0)	17.7	60.1	(45.1)	15.0
Other income and expense	216.1	(205.0)	11.1	93.8	(92.0)	1.7
TOTAL	303.7	(264.0)	39.7	167.1	(143.1)	23.9

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

3.f OTHER OPERATING EXPENSES

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Taxes and contributions ⁽¹⁾	(28.7)	(23.9)
External services and other operating expenses	(108.0)	(94.7)
TOTAL OTHER OPERATING EXPENSES	(136.7)	(118.5)

¹⁾ The contributions to the European resolution fund, including exceptional contributions, were EUR -19.1 million for the first half of 2018 versus EUR -14.1 million in the first half of 2017.

3.g COST OF RISK

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

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

These two stages should be based on forecast information.

Significant increase in credit risk

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

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

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

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

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

- *Facilities granted to SME and retail customers*

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

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

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

- *In addition, for all portfolios:*
 - The facility is presumed to be stage 1 when its internal rating is less than 4- (or its PD at one year is less than or equal to 0.25%) at the reporting date, as changes in the PD linked to downgrades for ratings of this magnitude are low and therefore not considered to be “significant”.
 - When the internal rating is less than or equal to 9+ (or the PD at one year is below 10%) at the reporting date and the facility is not impaired, the deterioration is considered significant and the facility is automatically classified in stage 2.

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

Forecast information

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

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

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

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

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

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

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

Description of the macroeconomic scenarios

The three macroeconomic scenarios correspond to:

- a base scenario representing the most likely economic situation over the forecast period. This scenario is updated quarterly. It is defined by the BNP Paribas Group economic research team together with various experts across the BNP Paribas Group. Projections are made for each of the BNP Paribas Group’s major markets based on the key macroeconomic variables (GDP and its components, the unemployment rate, the consumer price index, interest rates, exchange rates, the oil price, real estate prices, etc.) that are critical for modelling the risk parameters used in the stress tests;
- an adverse scenario reflecting the impact of the risks threatening the base scenario materialising, resulting in a much less favourable economic situation. The starting point is to apply a shock to GDP. This shock is applied in varying degrees, but simultaneously across the different economies if the crisis under consideration is global. The assumptions used are generally consistent with those

proposed by regulators. The other variables (unemployment rate, inflation, interest rates) are defined on the basis of established econometric relationships and expert judgement.

- a favourable scenario reflecting the impact of the upside risks in the economy materialising, resulting in a much more favourable economic situation. In order to arrive at an unbiased estimate for provisions, the favourable scenario is defined in such a way that the probability of occurrence of the shock applied to GDP (on average through the cycle) is equal to the probability of occurrence of the corresponding shock in the negative scenario. The size of the shocks applied is generally 80%-95% of the size of the negative shocks. Other variables (unemployment rate, inflation, interest rates) are defined in the same way as in the adverse scenario.

Link between the economic scenarios and measurement of ECL

The link is mainly established by modelling migration matrices for internal ratings and default probabilities based on the macroeconomic scenarios. The matrices are applied for a one-year time horizon and then combined up to maturity of the instrument in an iterative process.

For each client and regional segment, an average matrix is constructed using historic migration data for internal ratings and credit defaults. This matrix describes the migration behaviour of the internal rating through the cycle (TTC).

These TTC matrices are then adjusted to establish matrices reflecting point in time (PIT) conditions and forward-looking data for each of the three scenarios and each of the three forecast years. This is carried out on the basis of econometric relationships established between default rates and the macroeconomic variables.

Beyond the forecast horizon, average TTC matrices are used that are not adjusted for a macroeconomic scenario.

As an exception, regulatory PD are used for portfolios with low default risk (exposure to sovereigns, public sector and financial institutions), given their low historic default levels and model uncertainty.

Cost of risk for the period

Cost of risk for the period

<i>In millions of euros</i>	First half 2018 <i>IFRS 9 and IFRS 15</i>	First half 2017 <i>IAS 39</i>
Net additions to impairments	(15.0)	(14.0)
Recoveries on loans and receivables previously written off	2.5	3.3
Losses on irrecoverable loans	(9.0)	(8.1)
TOTAL COST OF RISK FOR THE PERIOD	(21.5)	(18.7)

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

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Financial assets at amortised cost	(23.8)	(19.8)
<i>of which: Loans and receivables</i>	(24.9)	(19.8)
<i>of which: Debt securities</i>	1.1	-
Other assets	0.4	(0.7)
Financing and guarantee commitments and other items	1.9	1.8
TOTAL COST OF RISK FOR THE PERIOD	(21.5)	(18.7)
<i>Cost of risk on unimpaired assets and commitments</i>	4.7	4.0
<i>of which: Stage 1</i>	(6.6)	
<i>of which: Stage 2</i>	11.3	
<i>Cost of risk on impaired assets and commitments - Stage 3</i>	(26.2)	(22.8)
TOTAL COST OF RISK FOR THE PERIOD	(21.5)	(18.7)

Credit risk impairment

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

<i>In millions of euros</i>	1 January 2018 IFRS 9 and IFRS 15	Net additions to impairments	Impairment provisions used	Changes in the scope of consolidation, effect of exchange rate movements and other movements	30 June 2018 IFRS 9 and IFRS 15
Assets impairment					
Financial assets at amortised cost	608.7	17.3	(24.9)	33.0	634.1
<i>of which: Loans and receivables</i>	607.3	18.5	(24.9)	33.0	633.8
<i>of which: Debt securities</i>	1.4	(1.1)	-	0.0	0.3
Other assets	3.0	(0.4)	-	0.3	2.9
Total impairment of financial assets	611.7	16.9	(24.9)	33.3	637.0
<i>of which: Stage 1</i>	69.4	4.0	-	0.5	73.9
<i>of which: Stage 2</i>	96.7	(7.6)	-	2.3	91.4
<i>of which: Stage 3</i>	445.6	20.6	(24.9)	30.4	471.7
Provisions recognised as liabilities					
Provisions for financing and guarantee commitments	19.9	(0.4)	(0.2)	0.2	19.5
Other depreciations	1.5	(1.5)	-	-	-
Total provisions recognised for credit commitments	21.4	(1.9)	(0.2)	0.2	19.6
<i>of which: Stage 1</i>	6.1	2.7	-	0.1	8.9
<i>of which: Stage 2</i>	7.3	(3.7)	-	0.1	3.6
<i>of which: Stage 3</i>	8.0	(0.8)	(0.2)	(0.0)	7.1
Total impairment and provisions	633.2	15.0	(25.1)	33.4	656.5

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

<i>In millions of euros</i>	Impairment on assets subject to 12-month Expected Credit Losses (Stage 1)	Impairment on assets subject to lifetime Expected Credit Losses (Stage 2)	Impairment on doubtful assets (Stage 3)	Total
At 1 January 2018	69.4	96.7	442.6	608.7
Net additions to impairment	4.0	(7.6)	21.0	17.3
Financial assets purchased or originated during the period	3.0	2.4	-	5.4
Financial assets derecognised during the period ⁽¹⁾	(0.6)	(1.3)	(2.6)	(4.6)
Transfer to stage 2	(0.6)	8.5	(0.5)	7.4
Transfer to stage 3	(0.1)	(0.1)	2.8	2.6
Transfer to stage 1	2.3	(8.3)	(0.1)	(6.2)
Other additions/reversals without stage transfer ⁽²⁾	0.1	(8.8)	21.3	12.6
Use of impairments	-	-	(24.9)	(24.9)
Changes in the scope of consolidation, effect of exchange rate movements and other items	0.5	2.3	30.1	33.0
At 30 June 2018	74.0	91.4	468.8	634.1

(1) Including disposals

(2) Including amortisation

3.h SHARE OF EARNINGS OF ASSOCIATES

This net income derives from the contribution of leasing activities for EUR -2.8 million (EUR 9.2 million in 2017) and Cardif Lux Vie for EUR 5.8 million (EUR 7.6 million in 2017).

3.i NET GAINS OR LOSSES ON OTHER FIXED ASSETS

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Net gain or loss on investment disposals	0.0	0.9
Net gain from disposals of property, plant and equipment	(0.2)	4.7
TOTAL	(0.2)	5.6

3.j CORPORATE INCOME TAX

<i>In millions of euros</i>	First half 2018 IFRS 9 and IFRS 15	First half 2017 IAS 39
Net current tax expense	(149.5)	(81.8)
Net deferred tax income	64.1	9.2
Corporate income tax expense	(85.5)	(72.6)

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

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

The Group is composed of four core operational businesses:

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

Other activities include the income generated from placing own funds, items related to support functions that cannot be allocated to a specific business segment, as well as activities of certain Luxembourg strategic participating interests. 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 operational core business, the costs associated with major regulatory programmes, and contributions to the Single Resolution Fund are in this sector.

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

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

Allocation rules

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

The balance sheet allocation and squaring methodology are used so as to report information on segments to reflect the business model.

Under the business model, the core businesses 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. This is reflected in the fund transfer pricing system, which transfers the interest rate risk and the foreign exchange risk of the different core businesses to the departments assuming the role of central bankers within the bank, by monitoring the assets and liabilities.

Support departments (support, control, operations and IT functions) provide services to the business lines and activities. These services essentially include human resources, information technology, payment services, settlement of security transactions and control (Compliance, Internal Audit and Risk) and financial monitoring. The costs and revenues of these departments are charged to the core businesses via an allocation system on the basis of Rebilling Agreements, reflecting the economic consumption of the products and services provided. They ensure that the costs and revenues are fully charged to the Group's commercial activities based on actual usage..

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

Income by core business

In millions of euros	First half 2018 IFRS 9 and IFRS 15					
	BDEL	Leasing International	Corporate & Institutional Banking	International Financial Services	Others	Total
Revenues	171.4	384.8	4.7	62.1	70.2	693.1
Operating expense	(123.8)	(193.7)	(4.4)	(46.0)	(7.3)	(375.2)
Cost of risk	4.8	(27.9)	0.6	0.3	0.6	(21.5)
Operating income	52.3	163.2	0.9	16.4	63.6	296.4
Non-operating items	(0.2)	(2.8)	0.0	5.8	0.0	2.9
Pre-tax income	52.1	160.4	0.9	22.2	63.6	299.3

In millions of euros	First half 2017 IAS 39					
	BDEL	Leasing International	Corporate & Institutional Banking	International Financial Services	Autres	Total
Revenues	172.2	342.2	14.2	61.2	66.9	656.6
Operating expense	(124.4)	(161.6)	(6.1)	(49.6)	(6.7)	(348.4)
Cost of risk	7.4	(26.9)	-	0.4	0.4	(18.7)
Operating income	55.1	153.7	8.1	12.0	60.6	289.5
Non-operating items	4.8	9.7	(0.0)	7.6	0.3	22.4
Pre-tax income	59.8	163.4	8.1	19.6	61.0	311.9

5. NOTES TO THE BALANCE SHEET

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

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

	30 June 2018 IFRS 9 and IFRS 15				1 January 2018 IFRS 9 and IFRS 15			
	Trading book	Financial instruments designated at fair value option	Other financial assets at fair value through profit or loss	Total	Trading book	Financial instruments designated at fair value option	Other financial assets at fair value through profit or loss	Total
<i>In millions of euros</i>								
Securities portfolio	3.6	-	754.5	758.1	86.6	-	643.6	730.2
Debt securities	-	-	698.6	698.6	-	-	565.3	565.3
Equity instruments	3.6	-	55.9	59.5	86.6	-	78.3	164.9
Loans and repurchase agreements	47.9	5.5	29.3	82.7	23.1	5.5	34.0	62.6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	51.5	5.5	783.8	840.8	109.7	5.5	677.6	792.7
Deposits and repurchase agreements	96.5	-	-	96.5	118.9	-	-	118.9
Issued debt securities (note 5.f)	-	169.0	-	169.0	-	182.5	-	182.5
of which: Subordinated debt	-	83.9	-	83.9	-	88.5	-	88.5
of which: Unsubordinated debt	-	85.1	-	85.1	-	94.0	-	93.9
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	96.5	169.0	-	265.5	118.9	182.5	-	301.3

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

- Financial liabilities at fair value option**

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

The redemption value of liabilities measured at fair value through profit or loss amounted to EUR 161.8 million as at 30 June 2018 versus EUR 171.3 million as at 1 January 2018.

- Other financial assets measured at fair value through profit or loss**

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

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

- Equity instruments that the Group did not choose to classify as at “fair value through equity”.

Derivatives held for trading

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15		1 January 2018 IFRS 9 and IFRS 15	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rates derivatives	27.7	18.0	27.2	14.3
Foreign exchange derivatives	25.9	18.9	33.1	28.1
Equity derivatives	65.2	3.7	8.6	10.4
Derivatives	118.8	40.6	68.9	52.8

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

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15			1 January 2018 IFRS 9 and IFRS 15		
	Exchange traded	Over-the counter	Total	Exchange traded	Over-the counter	Total
Interest rates derivatives	-	6,473.2	6,473.2	-	4,695.7	4,695.7
Foreign exchange derivatives	-	4,970.8	4,970.8	-	4,692.0	4,692.0
Equity derivatives	3.1	626.3	629.4	86.6	71.9	158.5
Trading derivatives	3.1	12,070.3	12,073.4	86.6	9,459.6	9,546.2

5.b FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15		1 January 2018 IFRS 9 and IFRS 15	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	1,159.3	35.4	2,256.1	54.8
Governments	421.7	34.2	1,007.0	39.6
Other public administrations	468.0	8.1	1,064.6	18.2
Credit institutions	266.0	(6.9)	180.2	(2.9)
Others	3.6	-	4.3	(0.1)
Equity securities	412.9	111.6	311.9	8.1
Total financial assets at fair value through equity	1,572.2	147.0	2,568.0	62.9

The Group has designated equity securities held primarily within the framework of strategic partnerships and securities required to carry out certain activities as measured at fair value through equity.

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

	30 June 2018 IFRS 9 and IFRS 15			1 January 2018 IFRS 9 and IFRS 15		
	Debt securities	Equity securities	Total	Debt securities	Equity securities	Total
<i>In millions of euros</i>						
Unhedged changes in value of securities recognised in "Financial assets at fair value through equity"	35.4	111.6	147.0	54.8	8.1	62.9
Deferred tax linked to these changes in value	(9.3)	(1.2)	(10.5)	(14.4)	(2.2)	(16.6)
Share of changes in value of financial assets at fair value through equity owned by associates, net of deferred tax	-	0.9	0.9	-	-	-
Changes in value of assets taken directly to equity under the heading "Financial assets at fair value through equity"	26.1	111.3	137.4	40.4	5.9	46.3
Attributable to equity shareholders	26.2	54.6	80.8	40.5	2.5	43.0
Attributable to minority interests	(0.1)	56.7	56.6	(0.1)	3.4	3.3

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. This process is based on a single economic valuation which is a core component of business decisions and risk management strategies.

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

Mid-market value is derived from external data or valuation techniques that maximise the use of observable and market-based data. Mid-market value is a theoretical additive value 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 uncertainties and include market and credit risk premiums to reflect costs that could be incurred in case of an exit transaction in the principal market. When valuation techniques are used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the 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 marginal exit cost for a price taker (potential customer). It represents symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price.

The Group assumes that the best estimate of an exit price is the bid 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 applies to valuations and market listings 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 possible absence or lack of price information in the financial intermediary 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, which is used to establish the value adjustment for counterparty risk, 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. Own credit risk is inferred from the market-based observation of the relevant bond issuance conditions.

Thus, the carrying value of liabilities designated as at fair value fell by EUR 6.9 million as at 30 June 2018, compared with a reduction in value of EUR 4.1 million as at 31 December 2017.

The change in fair value of derivatives on the liabilities side of the balance sheet, with respect to own-risk, is not significant at 30 June 2018.

Funding Valuation Adjustment (FVA): for non- or imperfectly collateralized derivative instruments, this valuation method includes an explicit adjustment to the interbank interest rate in the event that the bank would need to refinance the instrument in the market.

The change in fair value of the financing cost of derivatives is not significant at 30 June 2018.

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

As explained in the summary of accounting policies (note 1.c.9), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

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

- Securitised exposures are further broken down by collateral type;

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- 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 2018 IFRS 9 and IFRS 15											
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Securities	-	3.6	-	3.6	88.0	615.1	51.4	754.5	1,306.2	3.6	262.4	1,572.2
Governments	-	-	-	-	-	243.7	-	243.7	421.7	-	-	421.7
Asset Backed Securities	-	-	-	-	-	49.1	-	49.1	-	-	-	-
Other debt securities	-	-	-	-	69.3	300.9	35.7	405.9	734.0	3.6	-	737.6
Equities and other equity securities	-	3.6	-	3.6	18.7	21.4	15.7	55.8	150.5	-	262.4	412.9
Loans and repurchase agreements	-	47.9	-	47.9	-	5.5	29.3	34.8	-	-	-	-
Loans	-	-	-	-	-	5.5	29.3	34.8	-	-	-	-
Repurchase agreements	-	47.9	-	47.9	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE	-	51.5	-	51.5	88.0	620.6	80.7	789.3	1,306.2	3.6	262.4	1,572.2
Deposits and repurchase agreements	-	96.5	-	96.5	-	-	-	-	-	-	-	-
Borrowings	-	(0.9)	-	(0.9)	-	-	-	-	-	-	-	-
Repurchase agreements	-	97.4	-	97.4	-	-	-	-	-	-	-	-
Issued debt securities (note 5.f)	-	-	-	-	-	169.0	-	169.0	-	-	-	-
Subordinated debt (note 5.f)	-	-	-	-	-	83.9	-	83.9	-	-	-	-
Non subordinated debt (note 5.f)	-	-	-	-	-	85.1	-	85.1	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE	-	96.5	-	96.5	-	169.0	-	169.0	-	-	-	-

In millions of euros	1 January 2018 IFRS 9 and IFRS 15											
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Securities	-	86.6	-	86.6	30.2	552.1	60.8	643.1	2,252.5	4.3	311.2	2,568.0
Governments	-	-	-	-	-	252.9	-	252.9	1,007.0	-	-	1,007.0
Asset Backed Securities	-	-	-	-	-	63.9	-	63.9	-	-	-	-
Other debt securities	-	-	-	-	-	212.1	36.3	235.3	1,244.8	4.3	-	1,249.1
Equities and other equity securities	-	86.6	-	86.6	30.2	23.2	24.5	77.9	0.7	-	311.2	311.9
Loans and repurchase agreements	-	23.1	-	23.1	-	5.5	34.0	39.5	-	-	-	-
Loans	-	-	-	-	-	5.5	34.0	39.5	-	-	-	-
Repurchase agreements	-	23.1	-	23.1	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE	-	109.7	-	109.7	30.2	557.6	94.8	682.6	2,252.5	4.3	311.2	2,568.0
Deposits and repurchase agreements	-	118.9	-	118.9	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase agreements	-	118.9	-	118.9	-	-	-	-	-	-	-	-
Issued debt securities (note 5.f)	-	-	-	-	-	182.5	-	182.4	-	-	-	-
Subordinated debt (note 5.f)	-	-	-	-	-	88.5	-	88.5	-	-	-	-
Non subordinated debt (note 5.f)	-	-	-	-	-	94.0	-	93.9	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE	-	118.9	-	118.9	-	182.5	-	182.4	-	-	-	-

In millions of euros	30 June 2018 IFRS 9 and IFRS 15				1 January 2018 IFRS 9 and IFRS 15			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
POSITIVE FAIR VALUE								
Foreign exchange derivatives	-	25.9	-	25.9	-	33.1	-	33.1
Interest rate derivatives	-	27.7	-	27.7	-	27.2	-	27.2
Equity derivatives	-	65.2	-	65.2	-	8.6	-	8.6
Positive fair value of derivatives (not used for hedging purposes)	-	118.8	-	118.8	-	68.9	-	68.9
Positive fair value of derivatives used for hedging purposes	-	119.9	-	119.9	-	114.3	-	114.3
NEGATIVE FAIR VALUE								
Foreign exchange derivatives	-	18.9	-	18.9	-	28.1	-	28.1
Interest rate derivatives	-	18.0	-	18.0	-	14.3	-	14.3
Equity derivatives	-	3.7	-	3.7	-	10.4	-	10.4
Negative fair value of derivatives (not used for hedging purposes)	-	40.6	-	40.6	-	52.8	-	52.8
Negative fair value of derivatives used for hedging purposes	-	13.5	-	13.5	-	31.2	-	31.2

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

During 2017 and the first half of 2018, there were no transfers between Level 1 to Level 2.

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, derivatives traded on organised markets (for example, futures,) and fund units and UCITS, for which the net asset value is calculated on a daily basis.

Level 2

The Level 2 securities are composed of securities which are less liquid than the Level 1 securities. 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 units and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers, but these prices do not represent directly tradable prices. This comprises amongst other, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative prices from active

brokers and/or dealers. Other sources such as 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 derivatives, equity/foreign exchange (Forex/commodities forwards and options);
- structured derivatives such as exotic Forex options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.

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

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

Determining of whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It therefore follows that the Level 2 classification criteria involve multiple analysis axis within an “observable 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 comprise fund units and unlisted shares.

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

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

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

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

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

Derivatives

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

Complex derivatives classified in Level 3 predominantly comprise hybrid products (Forex/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some options on baskets of stocks, and some interest rate options.

Table of movements in level 3 financial instruments

For level 3 financial instruments, the following movements occurred between 1 January and 30 June 2018:

Financial assets

In millions of euros	Financial assets			
	Financial instruments at fair value through profit or loss held for trading	Financial instruments at fair value through profit or loss not held for trading	Financial assets at fair value through equity	TOTAL
At 1 January 2018	-	94.8	311.2	406.0
Purchases	-	1.1	-	1.1
Sales	-	(6.2)	-	(6.2)
Settlements	-	(4.5)	-	(4.5)
Reclassification	-	(0.6)	0.5	(0.1)
Transfer to level 3	-	2.0	-	2.0
Transfer from level 3	-	-	(43.2)	(43.2)
Others	-	(0.3)	(6.1)	(6.4)
Gains (or losses) recognised in profit or loss with respect to transactions expired or terminated during the period	-	(4.8)	-	(4.8)
Gains (or losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	-	(0.8)	-	(0.8)
At 30 June 2018	-	80.7	262.4	343.1

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

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

5.d FINANCIAL ASSETS AT AMORTISED COSTS

Detail of loans and receivables by nature

In millions of euros	30 June 2018 IFRS 9 and IFRS 15			1 January 2018 IFRS 9 and IFRS 15		
	Gross value before impairment	Impairment (note 3.g)	Carrying amount	Gross value before impairment	Impairment (note 3.g)	Carrying amount
Loans and receivables due from credit institutions	8,338.7	(0.4)	8,338.3	12,962.4	(0.5)	12,961.8
Demand accounts	1,757.8	(0.3)	1,757.5	984.1	(0.3)	983.8
Loans	6,580.9	(0.1)	6,580.8	8,438.7	(0.2)	8,438.5
Repurchase agreements	-	-	-	3,539.6	-	3,539.6
Loans and receivables due from customers	30,815.5	(633.3)	30,182.1	29,008.8	(606.7)	28,402.1
Ordinary debit accounts	983.9	(73.3)	910.6	962.1	(73.6)	888.5
Loans to customers	16,022.9	(184.0)	15,838.9	15,387.6	(182.8)	15,204.8
Finance leases	13,808.7	(376.0)	13,432.7	12,659.1	(350.3)	12,308.8
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	39,154.2	(633.7)	38,520.4	41,971.2	(607.2)	41,363.9

Detail of debt securities

In millions of euros	30 June 2018 IFRS 9 and IFRS 15			1 January 2018 IFRS 9 and IFRS 15		
	Gross value before impairment	Impairment (note 3.g)	Carrying amount	Gross value before impairment	Impairment (note 3.g)	Carrying amount
Governments	495.0	(0.3)	494.7	944.6	(0.8)	943.8
Other public administrations	759.4	-	759.4	792.5	-	792.5
Credit institutions	236.7	-	236.7	190.6	-	190.6
Others	60.7	-	60.7	60.1	(0.6)	59.5
Total debt securities at amortised cost	1,551.8	(0.3)	1,551.5	1,987.8	(1.4)	1,986.4

Detail of loans and receivables and debt securities by stage

In millions of euros	30 June 2018 IFRS 9 and IFRS 15			1 January 2018 IFRS 9 and IFRS 15		
	Gross value before impairment	Impairment (note 3.g)	Carrying amount	Gross value before impairment	Impairment (note 3.g)	Carrying amount
Loans and receivables due from credit institutions	8,338.8	(0.4)	8,338.3	12,962.3	(0.5)	12,961.8
Stage 1	8,338.4	(0.1)	8,338.3	12,962.1	(0.2)	12,961.9
Stage 2	0.1	-	0.1	(0.1)	-	(0.1)
Stage 3	0.3	(0.3)	-	0.3	(0.3)	-
Loans and receivables due from customers	30,815.4	(633.3)	30,182.1	29,008.9	(606.8)	28,402.1
Stage 1	27,362.4	(73.8)	27,288.6	25,614.6	(69.2)	25,545.4
Stage 2	2,555.9	(91.1)	2,464.9	2,601.4	(95.3)	2,506.1
Stage 3	897.1	(468.4)	428.7	792.9	(442.3)	350.7
Debt securities	1,551.8	(0.3)	1,551.5	1,987.8	(1.4)	1,986.4
Stage 1	1,502.7	-	1,502.6	1,795.6	-	1,795.6
Stage 2	49.1	(0.3)	48.9	192.2	(1.4)	190.8

5.e LIABILITIES AT AMORTISED COST DUE TO CREDIT INSTITUTIONS AND CUSTOMERS

Debts due to customers and credit institutions

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 IFRS 9 and IFRS 15
Due to credit institutions	12,596.3	11,661.0
On demand accounts	761.5	723.1
Interbank borrowings	11,021.1	10,472.0
Repurchase agreements	813.7	465.8
Due to customers	30,196.9	26,238.4
Ordinary credit accounts	18,085.5	15,152.9
Savings accounts	6,690.8	6,449.0
Term and assimilated accounts	5,420.7	4,636.5
TOTAL	42,793.2	37,899.4

5.f ISSUED DEBT SECURITIES AND SUBORDINATED DEBT

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

Debts recognised at fair value option through profit and loss (note 5.a)

<i>In millions of euros</i>	1 January 2018 IFRS 9 and IFRS 15	Issues	Redemptions	Movements in exchange rates and other movements	30 June 2018 IFRS 9 and IFRS 15
Debt with a maturity of more than 1 year on issue					
Negotiable debt securities	86.4	-	(8.2)	(0.6)	77.6
Bonds issues	7.6	-	-	(0.0)	7.5
ISSUED DEBT SECURITIES	93.9	-	(8.2)	(0.6)	85.1
Redeemable subordinated debt	88.5	-	-	(4.6)	83.9
SUBORDINATED DEBT	88.5	-	-	(4.6)	83.9

Debts recognised at amortised cost

<i>In millions of euros</i>	1 January 2018 IFRS 9 and IFRS 15	Entry in scope of consolidation	Issues	Redemptions	Movements in exchange rates and other movements	30 June 2018 IFRS 9 and IFRS 15
Debt with a maturity of less than 1 year on issue						
Negotiable debt securities	1,104.8		1,197.2	(1,335.9)	14.2	980.2
Debt with a maturity of more than 1 year on issue						
Negotiable debt securities	368.4		-	(35.9)	(0.3)	332.2
TITRE/ ISSUED DEBT SECURITIES	1,473.2		1,197.2	(1,371.8)	13.9	1,312.4
Redeemable subordinated debt	-	123.8	-	-	-	123.8
SUBORDINATED DEBT	-	123.8	-	-	-	123.8

5.g CURRENT AND DEFERRED TAXES

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 IFRS 9 and IFRS 15
Current taxes	18.4	18.0
Deferred taxes	131.4	109.3
CURRENT AND DEFERRED TAX ASSETS	149.9	127.3
Current taxes	142.7	49.0
Deferred taxes	353.3	404.3
CURRENT AND DEFERRED TAX LIABILITIES	496.1	453.3

5.h ACCRUED INCOME/EXPENSE AND OTHER ASSETS AND LIABILITIES

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 IFRS 9 and IFRS 15
Guarantee deposits and bank guarantees paid	1.9	0.2
Collection accounts	64.5	71.0
Accrued income and prepaid expenses	135.6	99.1
Other debtors and miscellaneous assets	758.0	491.4
TOTAL ACCRUED INCOME AND OTHER ASSETS	960.0	661.7
Guarantee deposits received	74.9	69.6
Collection accounts	41.8	70.8
Accrued expenses and deferred income	278.1	238.4
Other creditors and miscellaneous liabilities	789.1	732.6
TOTAL ACCRUED EXPENSE AND OTHER LIABILITIES	1,183.9	1,111.4

5.i INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group's main investments in joint ventures and associates are all accounted for using the equity method.

The main associates and joint ventures of the Group are identified below.

Investments in associates				30 June 2018 IFRS 9 and IFRS 15	1 January 2018 IFRS 9 and IFRS 15
<i>In millions of euros</i>	Country	Activity	% interest		
Associates					
Cardif Lux Vie SA	Luxembourg	Insurance	33.33%	116.7	124.5
BNP Paribas Leasing Solutions SPA	Italy	Leasing	13.09%	40.2	22.1

The cumulative financial information relating to associates and joint ventures is detailed in the table below:

	First half 2018 IFRS 9 and IFRS 15				30 June 2018 IFRS 9 and IFRS				First half 2017 IAS 39				1 January 2018 IFRS 9 and IFRS			
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates
<i>in millions of euros</i>																
Associates ⁽¹⁾	3.1	(2.4)	0.7	163.6	16.8	(2.4)	14.4	165.7								
Cardif Lux Vie SA	5.8	(7.6)	(1.9)	116.7	7.6	(2.2)	5.3	124.5								
BNP Paribas Leasing Solutions SPA	(2.8)	(0.0)	(2.8)	40.2	(1.1)	0.1	(1.1)	22.1								
Others	0.1	5.3	5.4	6.6	10.4	(0.2)	10.1	19.1								
Total associates	3.1	(2.4)	0.7	163.6	16.8	(2.4)	14.4	165.7								

(1) Including controlled entities subject to a simplified consolidation under the equity method because they are not material (see note 1b).

The Group does not consider holding joint venture or associate significant within the meaning of IFRS 12. The appreciation of the significance of joint ventures and associates is based on the contribution of these investments on the balance sheet and Group Equity as well as net profit excluding non-recurring items.

5.j GOODWILL

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 IFRS 9 and IFRS 15
CARRYING AMOUNT AT START OF PERIOD	132.6	133.8
Goodwill	(0.5)	(1.2)
CARRYING AMOUNT AT END OF PERIOD	132.1	
<i>of which:</i>		
Gross value	132.7	133.2
Accumulated impairments recognised at the end of period	(0.6)	(0.6)

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

No negative goodwill or impairment were reported in the first half of 2018.

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 IFRS 7, aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

“Amounts set off on the balance sheet” have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Amounts set off derive mainly from repurchase agreements and derivatives 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 consolidated balance sheet in accrued income or expenses and other assets or liabilities.

	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 amount
<i>In millions of euros, at 30 June 2018 IFRS 9 and IFRS 15</i>						
Assets						
Financial instruments at fair value through profit or loss						
Securities portfolio	758.1	-	758.1	-	-	758.1
Loans and repurchase agreements	236.5	(153.8)	82.7	(21.7)	(25.8)	35.2
Derivatives (including derivatives used for hedging purposes)	253.7	(15.0)	238.7	(38.1)	(33.2)	167.4
Financial assets at amortised cost	40,281.8	(209.8)	40,071.9	-	-	40,071.9
Accrued income and other assets	960.0	-	960.0	-	-	960.0
<i>of which: Guarantee deposits given</i>	1.9		1.9	-	-	1.9
Other assets not subject to offsetting	12,043.5	-	12,043.5	-	-	12,043.5
TOTAL ASSETS	54,533.5	(378.6)	54,154.8	(59.8)	(59.0)	54,036.0

	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 amount
<i>In millions of euros, at 30 June 2018 IFRS 9 and IFRS 15</i>						
Liabilities						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreements	250.3	(153.8)	96.5	(21.7)	(74.8)	0.0
Issued debt securities	85.1	-	85.1	-	-	85.1
Derivatives (including derivatives used for hedging purposes)	69.1	(15.0)	54.1	(38.1)	-	16.0
Financial liabilities at amortised cost	43,003.1	(209.8)	42,793.2	-	(613.7)	42,179.5
<i>of which: Repurchase agreements</i>	813.7	-	813.7	-	(613.7)	200.0
Accrued expenses and other liabilities	1,183.9	-	1,183.9	-	(33.2)	1,150.7
<i>of which: Guarantee deposits received</i>	74.9	-	74.9	-	(33.2)	41.7
Other liabilities not subject to offsetting	2,233.3	-	2,233.3	-	-	2,233.3
TOTAL LIABILITIES	46,824.7	(378.6)	46,446.1	(59.8)	(721.7)	45,664.6

	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 amount
<i>In millions of euros at 1 January 2018 IFRS 9 and IFRS 15</i>						
Assets						
Financial instruments at fair value through profit or loss						
Securities portfolio	730.2	-	730.2	-	-	730.2
Loans and repurchase agreements	396.1	(333.4)	62.6	(22.8)	-	39.8
Derivatives (including derivatives used for hedging purposes)	198.2	(15.0)	183.2	(34.2)	(9.6)	139.4
Financial assets at amortised cost	43,560.1	(209.8)	43,350.3	(465.8)	(3,068.9)	39,815.6
<i>of which: Repurchase agreements</i>	3,539.6	-	3,539.6	(465.8)	(3,068.9)	4.9
Accrued income and other assets	661.7	-	661.7	-	-	661.7
<i>of which: Guarantee deposits given</i>	0.2	-	0.2	-	-	0.2
Other assets not subject to offsetting	4,470.1	-	4,470.1	-	-	4,470.1
TOTAL ASSETS	50,016.3	(558.3)	49,458.0	(522.8)	(3,078.5)	45,856.7

	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 amount
<i>In millions of euros at 1 January 2018 IFRS 9 and IFRS 15</i>						
Liabilities						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreements	452.4	(333.4)	118.9	(22.8)	(96.1)	0.0
Issued debt securities	93.9		93.9			93.9
Derivatives (including derivatives used for hedging purposes)	99.0	(15.0)	84.0	(34.2)		49.8
Financial liabilities at amortised cost	38,109.3	(209.8)	37,899.5	(465.8)		37,433.7
<i>of which: Repurchase agreements</i>	465.8	-	465.8	(465.8)		-
Accrued expenses and other liabilities	1,111.4	-	1,111.4		(9.6)	1,101.8
<i>of which: Guarantee deposits received</i>	69.6		69.6		(9.6)	60.0
Other liabilities not subject to offsetting	2,226.6	-	2,226.6			2,226.6
TOTAL LIABILITIES	42,092.7	(558.3)	41,534.4	(522.8)	(105.7)	40,905.9

6. FINANCING COMMITMENTS GIVEN OR RECEIVED

6.a FINANCING COMMITMENTS GIVEN OR RECEIVED

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

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 ⁽¹⁾ IFRS 9 and IFRS 15
Financing commitments given		
to credit institutions	67.2	25.5
to customers	4,607.6	4,383.9
Confirmed credit lines	4,518.4	4,290.4
Other commitments given to customers	89.2	93.6
TOTAL FINANCING COMMITMENTS GIVEN	4,674.9	4,409.5
of which: Stage 1	4,422.2	4,181.8
of which: Stage 2	246.5	225.3
of which: Stage 3	6.1	2.4
Financing commitments received		
from credit institutions	1,571.6	2,785.8
TOTAL FINANCING COMMITMENTS RECEIVED	1,571.6	2,785.8

1) revised presentation taking into account the reclassifications under IFRS 9

Are set out in this table all the financing commitments given or received except for those of which the underlying is recognised in MFVPL, unlike the presentation as at 31 December 2017. Moreover, financing commitments given to customers have been reclassified to guarantee commitments given (note 6. b)

6.b GUARANTEE COMMITMENTS GIVEN BY SIGNATURE

<i>In millions of euros</i>	30 June 2018 IFRS 9 and IFRS 15	1 January 2018 ⁽¹⁾ IFRS 9 and IFRS 15
Guarantee commitments given		
to credit institutions	602.2	570.9
to customers	1,479.3	1,511.1
- Sureties provided to tax and other administrative authorities, other sureties	1,223.9	1,257.6
- Other guarantees given to customers	255.5	253.5
TOTAL GUARANTEE COMMITMENTS GIVEN	2,081.5	2,082.0
of which: Stage 1	1,940.0	1,934.4
of which: Stage 2	132.2	138.3
of which: Stage 3	9.3	9.3

1) revised presentation taking into account the reclassifications under IFRS 9

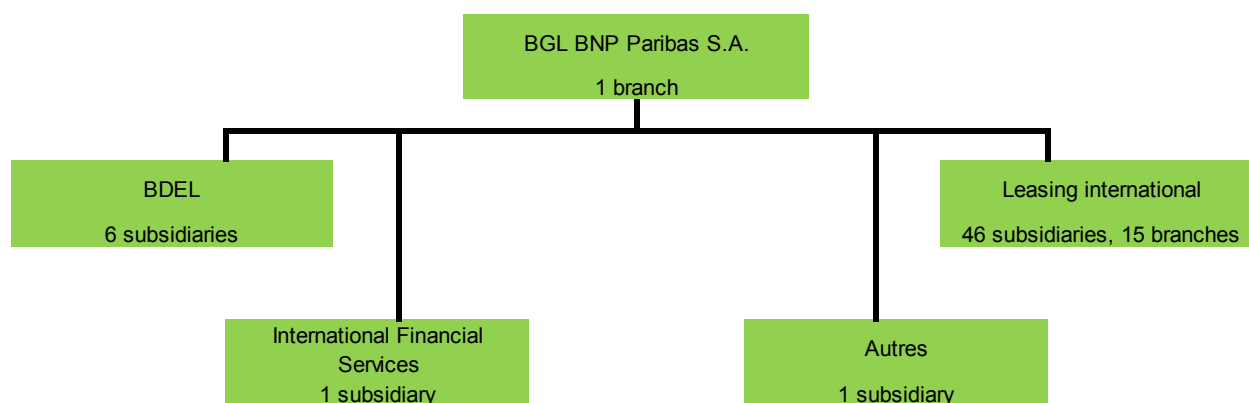
7. ADDITIONAL INFORMATION

7.a CHANGES IN SHARE CAPITAL

There were no transactions with respect to the share capital of BGL BNP Paribas during the first half of 2018.

7.b SCOPE OF CONSOLIDATION

Simplified structure of the Group by core business



List of subsidiaries and branches consolidated in the Group

Name	County	Activity	30 June 2018			31 December 2017		
			Consolidation method	Group ownership interest	Ref. ¹	Consolidation method	Group ownership interest	Ref. ¹
Consolidating company								
BGL BNP Paribas SA	Luxembourg	Bank						
BGL BNP Paribas (German branch)	Germany	Bank	IG	100.00%		IG	100.00%	
BDEL								
BNP Paribas Lease Group Luxembourg SA	Luxembourg	Leasing	IG	100.00%		IG	100.00%	
Cofhylux SA	Luxembourg	Real Estate	IG	100.00%		IG	100.00%	
Europay Luxembourg SC	Luxembourg	Financial Services	ME	0.34%	E3	--	--	--
FS B SARL	Luxembourg	Real Estate interest	ME	28.49%	E3	--	--	--
Visalux	Luxembourg	Financial Services	ME	23.50%	E3	--	--	--
Structured entities								
Elimmo	Luxembourg	Real Estate interest	IG	66.67%	E3	--	--	--
Leasing international								
Albury Asset Rentals Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
All In One Vermietungsgesellschaft für Telekommunikationsanlagen mbH	Germany	Leasing	--	--	--	--	--	S3

Condensed consolidated interim financial statements as at 30 June 2018

Name	County	Activity	30 June 2018			31 December 2017		
			Consolidation method	Group ownership interest	Ref. 1	Consolidation method	Group ownership interest	Ref. 1
All In One Vermietung GmbH	Austria	Leasing	IG	50.00%	E3	--	--	
Aprolis Finance SA	France	Leasing	IG	25.50%		IG	25.50%	
Arius SA	France	Leasing	IG	50.00%		IG	50.00%	
BNPP Rental Solutions Ltd (former Artegy Ltd)	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	D1
Artegy SA	France	Leasing	IG	50.00%		IG	50.00%	
BNPP B Institutional II - Treasury 17	Belgium	Asset management	IG	100.00%	S4	IG	100.00%	E1
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%	
BNPP Lease Group GmbH & Co KG	Austria	Leasing	IG	50.00%	E3	--	--	--
BNP Paribas Lease Groupe (German branch)	Germany	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Groupe (Spanish branch)	Spain	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Groupe (Italian branch)	Italy	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Groupe (Portuguese branch)	Portugal	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group IFN SA	Romania	Leasing	IG	49.97%		IG	49.97%	D1
BNP Paribas Lease Group Kft	Hungary	Leasing	--	--		--	--	S3
BNP Paribas Lease Group Lizing RT	Hungary	Leasing	--	--		--	--	S3
BNP Paribas Lease Group Sp.z o.o.	Poland	Leasing	IG	50.00%		IG	50.00%	D1
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 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	IG	50.00%	D1	ME*	50.00%	
Claas Financial Services Ltd	United-Kingdom	Leasing	IG	25.50%		IG	25.50%	
Claas Financial Services SA	France	Leasing	IG	25.05%		IG	25.05%	V2
Claas Financial Services (German branch)	Germany	Leasing	IG	25.05%		IG	25.05%	V2
Claas Financial Services (Spanish branch)	Spain	Leasing	IG	25.05%		IG	25.05%	V2
Claas Financial Services (Polish branch)	Poland	Leasing	IG	25.05%		IG	25.05%	V2
Claas Financial Services (Italian branch)	Italy	Leasing	IG	25.05%		IG	25.05%	V2
CMV Mediforce	France	Leasing	IG	49.99%	E2	--	--	--
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%	
CNH Industrial Capital Europe (German branch)	Germany	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Belgian branch)	Belgium	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Spanish branch)	Spain	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Italian branch)	Italy	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Polish branch)	Poland	Leasing	IG	25.05%		IG	25.05%	
Commercial Vehicle Finance Ltd	United-Kingdom	Leasing	IG	50.00%		IG	50.00%	
Folea Grundstücksverwaltungs und Vermietungs GmbH & Co	Germany	Leasing	IG	3.00%	D1	ME	3.00%	E3
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 Deutschland GmbH	Germany	Leasing	IG	50.00%		IG	50.00%	D1
Fortis Lease Iberia SA	Spain	Leasing	IG	39.31%		IG	39.31%	D1
Fortis Lease Portugal SA	Portugal	Leasing	IG	50.00%		IG	50.00%	D1
Fortis Lease UK Ltd	United-Kingdom	Leasing	IG	50.00%	D1	ME*	50.00%	
Fortis Lease Zeebrugge SA	Belgium	Leasing	IG	37.50%	D1	ME	37.50%	E3
Fortis Vastgoed Lease BV	The Netherlands	Leasing	IG	50.00%	D1	ME*	50.00%	
Hefliq Heftruck Verhuur BV	The Netherlands	Leasing	IG	25.02%	E3	--	--	--
Humberclyde Commercial Inv. 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%	

Condensed consolidated interim financial statements as at 30 June 2018

Name	Country	Activity	30 June 2018			31 December 2017		
			Consolidation method	Group ownership interest	Ref. ¹	Consolidation method	Group ownership interest	Ref. ¹
JCB Finance (German branch)	Germany	Leasing	IG	25.05%		IG	25.05%	
JCB Finance (Italian branch)	Italy	Leasing	IG	25.05%		IG	25.05%	
BNPP Rental Solutions SPA (former Locatrice Italiana SPA)	Italy	Leasing	IG	50.00%	D1	ME*	50.00%	
Manitou Finance Ltd	United-Kingdom	Leasing	IG	25.50%		IG	25.50%	
MFF SAS	France	Leasing	IG	25.50%		IG	25.50%	
RD Portofoliu SRL	Romania	Leasing	--	--		--	--	S3
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%	
International Financial Services								
Cardif Lux Vie SA	Luxembourg	Insurance	ME	33.33%		ME	33.33%	
Corporate & Institutional Banking								
Other activities								
Plagefin SA	Luxembourg	Equity management	IG	100.00%		IG	100.00%	

1) Changes in the scope of consolidation::

Entries (E) in the scope of consolidation

E1 Incorporation

E2 Purchase, gain of control or significant influence

E3 Crossing of threshold as defined by Group

Change in percentage holding (V)

V1 Additional acquisition

V2 Partial disposal

Others (D)

D1 Change in consolidation method linked to consolidation thresholds

ME* Controlled Entities consolidated under the equity method due to their immateriality (see note 1.b)

Removals (S) from the scope of consolidation

S1 Disposal

S2 Merger

S3 Entities no longer consolidated as below thresholds defined by the Group

S4 Assignment outside the Group, loss of control or loss of significant influence

7.c MINORITY INTERESTS

Significant minority interests

BGL BNP Paribas holds 50% plus 1 share of the Luxembourg holding company BNP Paribas Leasing Solutions SA (BPLS). The minority shareholder of BPLS is BNP Paribas, which holds 50% minus 1 share. The other subsidiaries of the Group are all 100% owned.

BPLS itself holds many international leasing subsidiaries (see Note 8.b), some of which also have minority interests (partnerships with manufacturers in particular). These minority interests are not material to the Group.

In millions of euros	30 June 2018	1 January 2018
Shareholders'equity - Minority interests	1,147.1	1,356.8
Dividends paid to minority shareholders	(127.1)	(73.1)

In millions of euros	First half 2018	First half 2017
Net income attributable to minority interests	82.6	68.9

Contribution of BNP Paribas Leasing Solutions and its subsidiaries (before elimination of intra-group transactions)

<i>In millions of euros</i>	30 June 2018	1 January 2018
Total balance sheet	22,462.2	20,536.2

<i>In millions of euros</i>	First half 2018	First half 2017
Revenues	384.8	342.2
Net income	148.3	120.8
Net income and changes in assets and liabilities recognised directly in equity, attributable to minority interests	127.8	68.3

There are no particular contractual restrictions on the assets of the BNP Paribas Leasing Solutions related to the presence of the minority shareholder.

Acquisitions of additional interests or partial sales of interests leading to changes in minority interests in the equity and reserves.

During the first half 2018, there were no additional share acquisitions or partial disposals within the Group that modified the minority interest in the equity and reserves.

Commitments to repurchase minority shareholders' interests

In connection with the acquisition of certain entities, the Group granted minority shareholders put options on their holdings for a specific price.

The total value of these commitments, which are recorded as a reduction in shareholders' equity, amounts to EUR 6.4 million on 30 June 2018 compared to EUR 5.9 million on 31 December 2017.

7.d RELATED PARTIES

The parties related to the Group are associated companies, joint ventures, pension funds, members of the Board of Directors and key Group executives, members of the immediate family of the aforementioned persons, entities controlled or significantly influenced by any individual referred to above and other related entities.

As part of its operational activities, the Group is frequently required to conduct transactions with related parties. Such transactions mainly relate to loans and deposits and are entered under the same commercial and market conditions as those that apply to unrelated parties.

Relations with members of the Board of Directors and key executives

At 30 June 2018, loans granted to members of the Board of Directors amounted to EUR 2.3 million (at 31 December 2017: EUR 2.1 million); loans granted to key executives amounted to EUR 10.4 million (31 December 2017: EUR 7.2 million).

At 30 June 2018, the credit lines granted to members of the Board of Directors amounted to EUR 2.8 million (31 December 2017: EUR 3.8 million); credit lines granted to key managers totalled EUR 11.9 million (at 31 December 2017: EUR 11.7 million).

Relations with other related parties

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

- Associates:
- Parent companies: BNP Paribas SA, BNP Paribas Fortis SA and their subsidiaries;
- Other BNP Paribas Group companies not held by the Group.

Relationships with joint ventures are not significant.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas SA. As such, in 2018, it received a dividend of EUR 49.3 million from BGL BNP Paribas SA. 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:

	30 June 2018			1 January 2018		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
<i>In millions of euros</i>						
ASSETS						
Financial instruments at fair value through profit or loss	34.8	104.4	66.2	34.9	36.8	47.8
Derivatives used for hedging purposes	-	119.9	-	-	114.3	-
Financial instruments at fair value through equity	-	-	261.9	-	-	262.6
Financial assets at amortised costs	279.6	7,732.4	705.6	361.7	12,610.0	432.9
Accrued income and other assets	8.9	10.8	109.2	8.3	12.8	97.7
Total	323.3	7,967.5	1,142.9	404.9	12,773.9	841.0
LIABILITIES						
Financial instruments at fair value through profit or loss	-	-	58.0	-	-	50.2
Derivatives used for hedging purposes	-	13.5	-	-	31.2	-
Financial liabilities at amortised costs	98.0	10,712.9	410.9	113.5	9,974.0	352.8
Accrued expenses and other liabilities	20.3	63.3	17.4	34.5	52.6	5.7
Total	118.3	10,789.7	486.3	148.0	10,057.8	408.7

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, bond securities...) contracted or issued by them.

	30 June 2018			1 January 2018		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
<i>In millions of euros</i>						
FINANCING AND GUARANTEE COMMITMENTS						
Financing commitments given	-	55.9	-	-	25.4	-
Financing commitments received	-	234.4	7.1	-	371.8	7.2
Guarantee commitments given	99.1	208.0	339.7	99.4	316.3	206.6
Guarantee commitments received	0.0	72.4	31.1	0.0	88.0	31.0

At 30 June 2018 and at 1 January 2018, guarantees given include EUR 100 million of guarantees given to Cardif Lux Vie SA, following the merger of Fortis Luxembourg Vie SA and Cardif Lux International SA.. At 30 June 2018, a provision of EUR 4.0 million (compared with EUR 4.1 million at the end of 2017) for this guarantee was recorded in the accounts.

The Bank had netting agreements with the entities BNP Paribas Fortis SA and BNP Paribas SA (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:

In millions of euros	First half 2018			First half 2017		
	Associates	Parent companies	Other BNP Paribas companies	Associates	Parent companies	Other BNP Paribas companies
Interest and similar income	2.1	82.5	8.2	3.4	80.1	5.0
Interest and similar expense	-	(59.7)	(4.2)	(0.3)	(66.1)	(1.9)
Commission (income)	2.7	6.2	7.9	5.3	6.4	17.1
Commission (expense)	(2.6)	(1.7)	(2.9)	(2.2)	(1.4)	3.1
Gains (losses) on financial instruments at fair value through profit or loss	-	86.2	1.2	-	0.9	1.2
Income (expenses) from other activities	(12.1)	0.0	14.6	(10.3)	0.0	21.7
TOTAL	(9.9)	113.5	24.8	(4.1)	19.9	46.2

7.e 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 2018. 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 2018	Estimated fair value				Balance sheet value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables ⁽¹⁾	-	9,178.8	16,016.6	25,195.4	25,087.8
Debt securities (note 5.d)	1,408.1	200.6	46.3	1,655.1	1,551.5
FINANCIAL LIABILITIES					
Deposits and borrowings	-	42,796.7	-	42,796.7	42,793.2
Issued debt securities (note 5.f)	-	1,314.3	-	1,314.3	1,312.4
Subordinated debts (note 5.f)	-	123.8	-	123.8	123.8

¹⁾ Excluding finance lease operations.

In millions of euros at 1 January 2018	Estimated fair value				Balance sheet value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables ⁽¹⁾	-	14,199.7	14,942.5	29,142.2	29,055.1
Debt securities (note 5.d)	1,911.1	155.5	45.0	2,111.7	1,986.4
PASSIFS FINANCIERS					
Deposits and borrowings	-	38,332.3	-	38,332.3	37,899.5
Issued debt securities (note 5.f)	-	1,476.2	-	1,476.2	1,473.2
Subordinated debts (note 5.f)	-	-	-	-	-

¹⁾ Excluding finance lease operations.

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. Where fair value cannot be determined, the amortised cost is used.

7.f GUARANTEE FUND

On 18 December 2015, the Luxembourg government transposed into the Law, related to the resolution and winding up of credit institutions and the scheme for the protection of depositors and investors, European Directives 2014/59 / EU, which establish the framework for the recovery and resolution of credit institutions and investment firms, and 2014/49 / EU, which defines deposit guarantee schemes.

This new mechanism covers all eligible deposits up to EUR 100,000 and investments up to EUR 20,000. In addition, the law provides that recent deposits (less than 12 months) resulting from specific transactions, with a social objective, or correlated to certain life events, are guaranteed beyond the EUR 100,000 ceiling.

The law thereby replaces the guarantee mechanism for depositors and investors in Luxembourg, which was governed by the "Luxembourg Association for the Guarantee of Deposits" (AGDL), with a new mechanism based on the principle of ex-ante contributions into a new fund "Deposit Guarantee Fund Luxembourg" (FGDL). In accordance with Article 163 (8) of the Act, this fund will be capitalised through the payment of a first tranche of 0.8% of the amount of guaranteed deposits with Luxembourg credit institutions and investment firms, at the latest by the end of 2018.

When the target of 0.8% has been reached at the end of 2018, in accordance with Article 163 (8) of the Act, credit institutions and investment firms will contribute to the construction of a second tranche of 0.8% of guaranteed deposits with Luxembourg credit institutions and investment firms, over a period of 8 years

In the first half, the Bank applied IFRIC 21 and took into account the tranche relating to the 2018 financial year for an amount of EUR 9.8 million (versus EUR 8.0 million in 2017). In March 2018, the Bank made a contribution to the FGDL of EUR 8.2 million and the outstanding balance of EUR 4.2 million will be paid during the second half of 2018 (versus EUR 10.6 million in 2017).