BGL BNP PARIBAS | La banque d'un monde qui change

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at 30 June 2020

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.

BGL BNP PARIBAS

The bank for a changing world

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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 2020, and that the interim management report presents fairly the information required under section 4 (4) of the law.

Luxembourg, 24 September 2020

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Preamble

The first half of 2020 was marked by an unprecedented global health crisis coupled with a historic contraction in eurozone business activity.

As soon as the crisis hit, BGL BNP Paribas and its subsidiaries began mobilising their teams and resources to help their clients and the economy get through these difficult times. Various measures were taken to protect staff and clients, and these were constantly adjusted as the health crisis unfolded.

The BGL BNP Paribas Group remains deeply committed to ensuring a strong and lasting economic recovery, and the sweeping support measures adopted in terms of both monetary and fiscal policy should bring an improvement in the second half of the year.

The European Central Bank has taken significant steps to inject liquidity into the economy, including the launch of the Pandemic Emergency Purchase Programme (PEPP). These measures have succeeded in keeping long-term yields low.

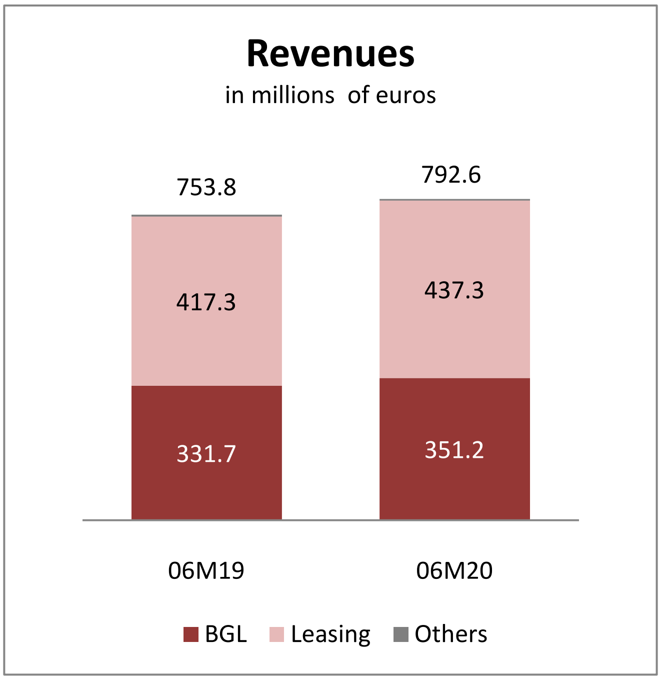
In Luxembourg, Statec forecasts suggest that GDP will fall by around 6% in 2020. Employment growth, which is also well below the level seen in previous years, should nonetheless remain positive, with a growth rate of around 0.8% in 2020.

CONSOLIDATED MANAGEMENT REPORT

Consolidated results

Profit and loss account *In millions of euros*	First half 2020	First half 2019	Changes Value	 %
Revenues	**792.6**	**753.8**	**38.8**	**5%**
General expenses	(388.5)	(396.3)	7.8	-2%
Gross operating income	**404.1**	**357.5**	**46.6**	**13%**
Cost of risk	(53.9)	(51.9)	(2.0)	4%
Operating income	**350.2**	**305.6**	**44.6**	**15%**
Share of earnings of associates	4.0	11.3	(7.3)	-64%
Net gains on other fixed assets	(0.0)	(0.2)	0.2	-98%
Change in value of goodwill	-	0.9	(0.9)	-100%
Pre-tax income	**354.2**	**317.6**	**36.6**	**12%**
Corporate income tax	(74.4)	(68.0)	(6.4)	9%
Net income	**279.8**	**249.6**	**30.2**	**12%**
of which : Net income attributable to equity holders of the parent	196.8	182.6	14.3	8%

Analysis of the profit and loss account and balance sheet



Revenues were EUR 792.6 million at the first half of 2020, up by EUR 38.8 million or 5%.

Net interest income amounted to EUR 625.6 million at 30 June 2020, up by EUR 48.3 million or 8%.

For banking activities, net interest income rose by EUR 36.3 million or 18%. Restated for hedging positions, on which interest income is recognized *under net gains on financial instruments*, it increased by EUR 20.7 million or 9%. Net interest income for client-related activities rose by EUR 15.0 million or 10% thanks to an increase in volumes of both deposits and loans. The increase can also be attributed to a boost of EUR 5.2 million linked to the tiering system introduced by the European Central Bank at the end of 2019.

Net interest income for Leasing International activities continued to rise, posting an increase of EUR 12.2 million or 3%, especially in Belgium, Italy and Germany. However, the health crisis halted manufacturing and led to a major fall in leases from March to May 2020. Nonetheless, the leasing business line bounced back from June 2020. The ELS (Equipment & Logistics Solutions) market proved more resilient than the TS (Technology Solutions) business during the crisis.

Net commission income were EUR 96.3 million, up by EUR 6.8 million or 8%. The bank recorded fee growth of EUR 4.0 million or 5%. Growth was particularly strong for transaction fees; for example, fees on stock market orders reached record levels in March 2020. However, the second quarter brought a decline in fees on payment methods and securities transactions owing to the economic context. Meanwhile, Leasing International fees rose by EUR 2.9 million or 19%, of which EUR 2.0 million was connected to the expansion in the scope of consolidation.

Net gain/loss on financial instruments at fair value through profit or loss decreased by EUR 21.3 million, to EUR 12.6 million.

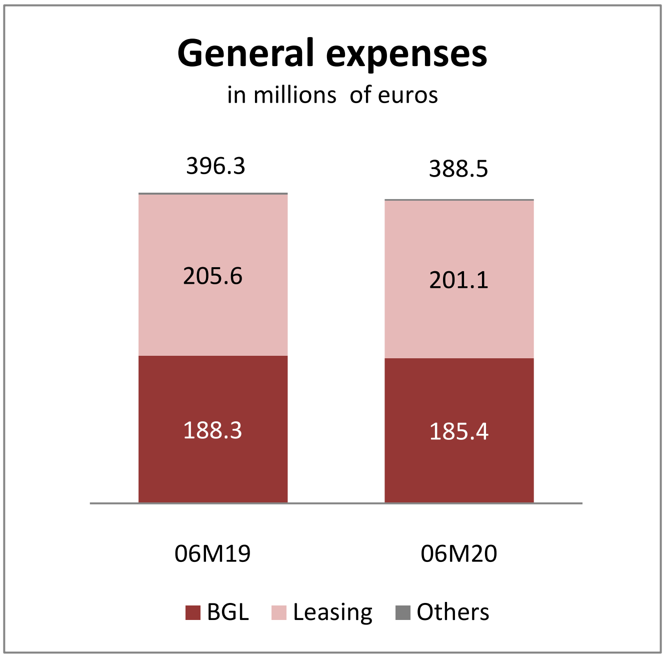
At the Bank level, net gain/loss on financial instruments at fair value through profit or loss were EUR 11.0 million, down by EUR 26.1 million versus the first half of 2019. Adjusted for hedging items, offset against net interest income, this item was down by EUR 10.5 million. Indeed, the bank was penalized when revaluation lowered the value of its securities portfolio by EUR 4.8 million in the first half of 2020 due to the change in credit spreads caused by the health crisis; in the first half of 2019, revaluation added EUR 3.8 million.

As regards Leasing international, the revaluation of the participating interest it holds in SREI INFRASTRUCTURE FINANCE LIMITED in India increased the line item by EUR 0.3 million in the first half of 2020 compared with a fall of EUR 4.2 million in the first half of the previous year.

Net gain/loss on financial instruments at fair value through equity showed a gain of EUR 16.0 million in the first half of 2020, which represents an increase of EUR 6.9 million or 76%. The bank received a dividend of EUR 8.8 million on a non-consolidated participating interest, compared with EUR 4.8 million in the first half of the previous year. It also realised net capital gains of EUR 2.7 million on the disposal of fixed-income securities and sovereign bonds in 2020 versus capital gains of EUR 3.6 million on the disposal of a sovereign bond position in the previous period. Leasing International operations added EUR 4.4 million to this line item, which was up EUR 3.8 million on the previous year. Leasing International benefited from higher dividend income on its non-consolidated participating interests in 2020.

Net income and expenses from other activities amounted to EUR 42.1 million, down by EUR 2.0 million or 5%. This item mainly consists of net income on investment properties at the Bank level and that of certain Leasing International entities, together with income from the management of IT environments and fleets of industrial rolling stock by specialized entities within Leasing International.

The EUR 4.0 million decrease in International Leasing is mainly due to lower rental income and capital gains on investment properties of EUR 3.1 million in 2020



General expenses amounted to EUR 388.5 million as at 30 June 2020 which represents a decrease of EUR 7.8 million or 2%.

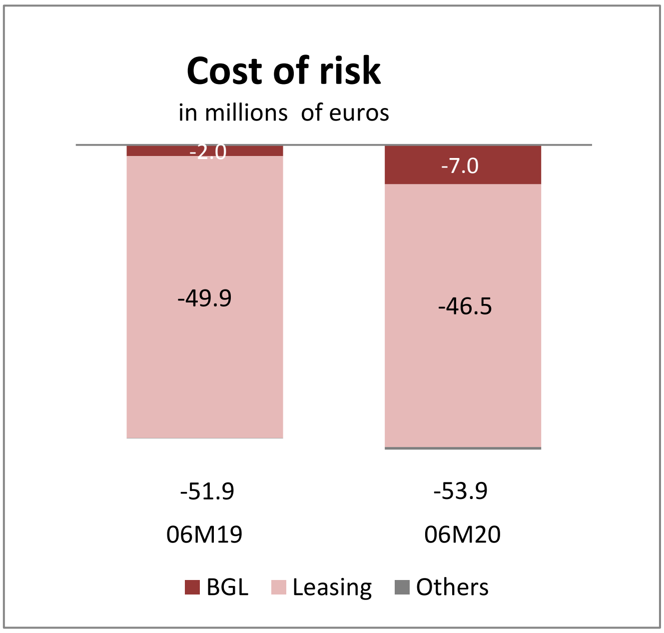
For banking activities, general expenses fell by EUR 2.9 million or 2%. Staff costs fell by EUR 6.2 million or 5%. This decline was driven by a drop in total remuneration and salary costs (despite the 2.5% rise brought about by re-indexation in January 2020), due in large part to a fall in headcount. As at 30 June 2020, the average headcount was 5% lower than it had been at the same point a year earlier, as the full-time equivalent workforce stood at 2,163.2.

Other general expenses rose by EUR 3.7 million or 6%, owing to a rise of EUR 5.7 million, or 47%, in the contribution to the various regulatory funds. This rise was partially offset by a fall of EUR 1.7 million in the costs associated with the integration of former BNP Paribas Wealth Management Luxembourg SA business activities. *Depreciation, amortisation and impairment of property, plant and equipment and intangible assets* fell by EUR 0.2 million or 1%.

General expenses for Leasing International activities fell by EUR 4.6 million or 2%. *Staff expenses* fell by EUR 4.9 million or 4% owing, in particular, to the reversal of provisions for certain long-term benefits in France. *Other general expenses* also fell by EUR 0.3 million despite an increase of EUR 6.9 million due to changes in the consolidation scope brought about by business growth and a rise of EUR 1.5 million as regards the contribution to the Single Resolution Fund. A EUR 4.6 million fall in transformation costs contributed to this decline. *Depreciation, amortisation and impairment of property, plant and equipment and intangible assets* amounted to EUR 9.1 million as at 30 June 2020, which was EUR 0.6 million or 8% higher than the previous year.

Gross operating income rose by EUR 46.6 million or 13% to EUR 404.1 million.

The **cost of risk** allocation amounted to EUR 53.9 million versus EUR 51.9 million in the first half of 2019. At the Bank level, cost of risk rose by EUR 5.0 million to EUR 7.0 million. Updating macroeconomic scenarios to account for the estimated impact of the health crisis led to an increase in the ex-ante provision for expected losses (including their sectoral component) of EUR 4.9 million. At Leasing International, the net allocation to cost of risk stood at EUR 46.5 million, down EUR 3.4 million or 7% on the first half of the previous year. This item fell despite an ex-ante provision for expected losses of EUR 6.6 million resulting from the updating of macroeconomic scenarios to reflect the impact of the health crisis. In 2019, cost of risk penalized the United Kingdom and Turkey owing to a deterioration of the economic and political situation.



Share of earnings of associates stood at EUR 4.0 million as at 30 June 2020 versus EUR 11.3 million as at 30 June 2019.

The contribution from life insurance in Luxembourg (Cardif Lux Vie SA in which the Bank holds 33%) was EUR 6.1 million, down by EUR 5.3 million or 47% compared with the first half of 2019 particularly in relation to the impact of fair value measurement of the General Fund.

The contribution of Leasing International was EUR-2.1 million versus EUR -0.1 million in the first half of 2019.

The **income tax** expense was up by EUR 6.4 million or 9% versus the first half of 2019, to EUR 74.4 million. At the Bank level, it was up by EUR 11.4 million, due to the increase in taxable income in 2020, while in 2019 the Bank benefited from the lower tax rate in Luxembourg. As for International Leasing, the income tax expense decreased by EUR 5.1 million due to the adjustment of the tax rate in France.

Lastly, after deduction of net income attributable to minority interests, **Net income attributable to equity holders** for the first half of 2020 was EUR 196.8 million, representing a rise of EUR 14.3 million or 8%.

Balance sheet

As at 30 June 2020, the balance sheet total stood at EUR 55.7 billion, down by 2%.

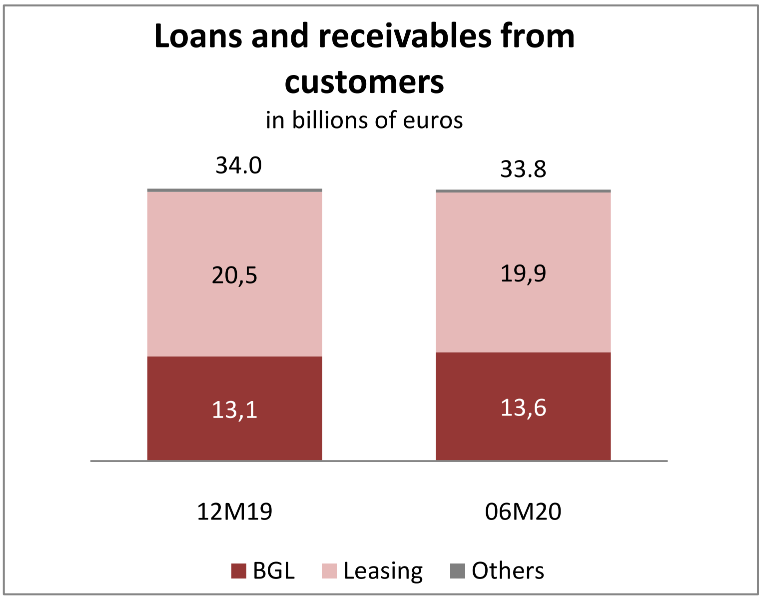
On the assets side, **Cash and amounts due from central banks** stood at EUR 8.0 billion versus EUR 0.5 billion as at 31 December 2019. This item consists mainly of short-term deposits with Central Bank of Luxembourg. At 31 December 2019, the investment was limited to the mandatory reserve, with the surplus being placed with the BNP Paribas Group through intra-group transactions.

Financial instruments at fair value through profit or loss remained stable and were EUR 0.9 billion as at 30 June 2020 and as at 31 December 2019. This item consists mainly 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 amortized cost.

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

During the first half of 2020, the increase in the bond portfolio was primarily due to the purchase of sovereign and supranationl securities, bank bonds and public issuers securities for a total amount of EUR 723.0 million as part of the active management of the Bank. In addition, the disposal of government and bank bonds had a downward impact of EUR 163.0 million on the item.

Loans and receivables at amortized cost fell by EUR 9.0 billion to EUR 40.7 billion as at 30 June 2020.



- Loans and receivables due from credit institutions amounted to 6.8 billion, down by EUR 8.9 billion. This fall is mainly due to EUR 8.0 billion in reverse repurchase agreements entered into by BGL BNP Paribas with the BNP Paribas Group maturing in early 2020.
- Loans and receivables from clients remained quite stable at EUR 33.8 billion. For banking activities, the outstanding amount rose by EUR 0.5 billion or 4% versus 31 December 2019. This positive evolution is particularly visible in loans granted to corporates for EUR 0.4 billion (+14%) and mortgages for EUR 0.1 billion (+2%) For Leasing activities, loans and

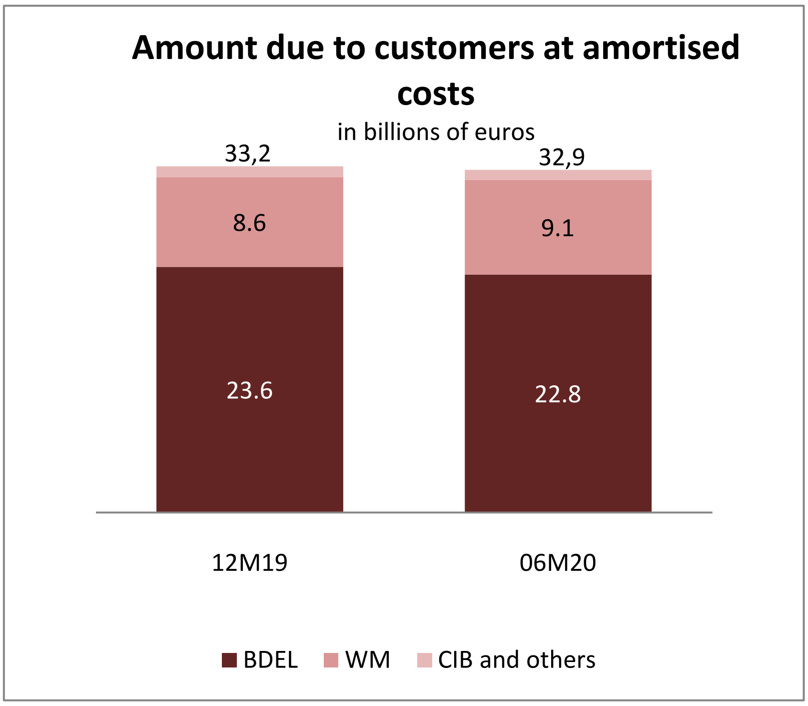
receivables from clients were down by EUR 0.6 billion or 3%, to EUR 19.9 billion, the health crisis having penalized the new production. This decrease is due to the significant effect of the health crisis on new production from March to May 2020.

Debt securities at amortized cost are down by EUR 67 million or 6%, to EUR 1.1 billion as at 30 June 2020. This decrease fully recorded at the Bank level is due to maturing sovereign securities for an amount of EUR 85 million.

On the liability side, financial instruments at fair value through profit and loss were EUR 227 million, down by EUR 45 million or 16%. This decrease is due especially to the redemption, in March 2020, of two EMTN (Euro Medium Term Notes) issues at fair value for a total of EUR 60 million.

Debt at amortized cost were EUR 43.7 billion as at 30 June 2020, down by EUR 1.5 billion or 3%.

- **Amount due to credit institutions at amortized cost** fell by EUR 1.2 billion or 10% to EUR 10.8 billion as at 30 June 2020. This drop is due to the decrease of interbank loans of the Bank with other entities within BNP Paribas Group for an amount of EUR 0.5 billion.



- **Amount due to clients at amortized cost** fell by 1% to EUR 32.9 billion as at 30 June 2020. For Corporate Banking in Luxembourg, deposits of the end of the period were down by EUR 0.5 billion or 4% versus 31 december 2019. Deposits in Retail Banking were as well down, by EUR 0.2 billion or 3% over the period. On the other side, Wealth Management posted an increase in deposits as at 30 June 2020, by EUR 0.5 billion or 5%.

Issued debt securities were EUR 1.1 billion, up by 50% as at 30 June 2020, due to an increased investor demand on short term papers (European Commercial Paper) in USD, EUR and SGD.

Capital

As at 30 June 2020, excluding income for the current period and after deductions in accordance with prudential rules, **regulatory capital** in accordance with Basel 3 stood at EUR 6.2 billion and **the solvency ratio** was 23.6%, versus EUR 6.0 billion and 22.7% as at 31 December 2019.

Outlook

Given that BGL BNP Paribas is currently defining its next strategic plan, the bank will continue with ongoing efforts to roll out transformation initiatives.

In an uncertain economic environment and in light of the prolonged pressure on interest rates, the business lines will continue to embrace agility and rigorous management of the risks they face. The bank's business growth will rely on fostering a deeper relationship with clients and optimising key processes, as well as commercial synergies with other BNP Paribas Group entities in Luxembourg (cross-selling).

In 2020, BGL BNP Paribas remains a universal bank that supports its clients at key moments in their lives through bespoke solutions drawn from a wide range of products and services. The bank is preparing for a future standing shoulder to shoulder with its stakeholders, in particular its clients, as a committed supporter of sustainable development.

Deloitte Audit
Société à responsabilité limitée
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

To the Board of Directors of
BGL BNP Paribas SA

REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, 2020, 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.

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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 24, 2020

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

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	Notes	First half 2020	First half 2019
Interest and similar income	2.a	767.3	737.7
Interest and similar expense	2.a	(141.7)	(160.5)
Commission (income)	2.b	124.1	118.2
Commission (expense)	2.b	(27.7)	(28.7)
Net gain on financial instruments at fair value through profit or loss	2.c	12.6	33.9
Net gain on financial instruments at fair value through equity	2.d	16.0	9.1
Income on other activities	2.e	379.3	372.1
Expense on other activities	2.e	(337.3)	(328.0)
REVENUES		**792.6**	**753.8**
Staff costs		(227.9)	(238.8)
Other operating expense	2.f	(138.7)	(135.6)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(21.8)	(21.8)
GROSS OPERATING INCOME		**404.1**	**357.5**
Cost of risk	2.g	(53.9)	(51.9)
OPERATING INCOME		**350.2**	**305.6**
Share of earnings of associates	2.h	4.0	11.3
Net gain or loss on other fixed assets	2.i	(0.0)	(0.2)
Goodwill		-	0.9
PRE-TAX INCOME		**354.2**	**317.6**
Corporate income tax	2.j	(74.4)	(68.0)
NET INCOME		**279.8**	**249.6**
of which: Minority interest		83.0	67.0
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**196.8**	**182.6**

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

In millions of euros	First half 2020	First half 2019
Net income	**279.8**	**249.6**
Changes in assets and liabilities recognised directly in equity	**(81.7)**	**32.9**
Items that may be reported in income	**(23.6)**	**36.0**
Items related to exchange rate movements	(42.7)	(6.5)
Changes in value of financial instruments at fair value through equity	10.8	5.6
Changes in fair value recognised in equity	*8.6*	*8.9*
Changes in fair value reported in net income for the period	*2.2*	*(3.3)*
Deferred changes in fair value of hedging instruments	17.9	27.9
Changes in fair value recognised in equity	*18.3*	*27.9*
Changes in fair value reported in net income for the period	*(0.4)*	*-*
Income tax	(7.3)	(7.4)
Changes in fair value of items related to equity associates, net of tax	(2.3)	16.5
Items not reported in income	(58.1)	**(3.1)**
Changes in value of financial instruments designated at the fair value option through equity	(73.3)	3.1
Debt remeasurement effect arising from own credit risk	1.9	(2.1)
Remeasurement gains (losses) related to post-employment benefit plans	(1.7)	(5.9)
Income tax	15.2	1.4
Changes in fair value of items related to equity associates, net of tax	(0.2)	0.4
TOTAL	**198.2**	**282.5**
Attributable to equity shareholders	149.9	217.5
Attributable to minority interests	48.3	65.0

CONSOLIDATED BALANCE SHEET

In millions of euros	Notes	30 June 2020	31 December 2019
ASSETS			
Cash and amounts due from central banks		7,974.8	542.0
Financial instruments at fair value through profit or loss		887.9	930.1
Securities portfolio	4.a	550.6	624.7
Loans and repurchase agreements	4.a	100.1	151.1
Derivatives	4.a	237.2	154.3
Derivatives used for hedging purposes		276.9	187.3
Financial assets at fair value through equity		2,356.2	1,829.4
Debt securities	4.b	2,119.9	1,519.9
Equity instruments	4.b	236.3	309.5
Financial assets at amortised cost		41,763.7	50,828.5
Loans and receivables due from credit institutions	4.d	6,835.8	15,717.0
Loans and receivables due from customers	4.d	33,847.1	33,963.6
Debt securities	4.d	1,080.8	1,147.8
Current and deferred tax assets	4.h	129.5	151.9
Accrued income and other assets	4.i	939.1	802.3
Investments in associates	4.j	231.0	194.1
Property, plant and equipment and investment property	4.k	876.7	888.7
Intangible assets	4.k	35.4	37.5
Goodwill	4.l	184.6	186.8
TOTAL ASSETS		**55,655.7**	**56,578.5**
LIABILITIES			
Financial instruments at fair value through profit or loss		226.8	271.4
Deposits and repurchase agreements	4.a	140.6	113.9
Issued debt securities	4.a	32.7	114.0
Derivatives	4.a	53.5	43.6
Derivatives used for hedging purposes		79.7	45.8
Financial liabilities at amortised cost		44,911.0	46,105.5
Due to credit institutions	4.f	10,846.5	12,058.0
Due to customers	4.f	32,902.6	33,239.7
Issued debt securities	4.g	1,059.4	707.8
Subordinated debt	4.g	102.5	100.0
Remeasurement adjustment on interest-rate risk hedged portfolios		174.4	100.9
Current and deferred tax liabilities	4.h	386.4	393.1
Accrued expenses and other liabilities	4.i	1,647.8	1,421.5
Provisions for contingencies and charges	4.m	158.4	176.6
TOTAL LIABILITIES		**47,584.5**	**48,514.9**
CONSOLIDATED EQUITY			
Share capital and retained earnings		*6,737.5*	*6,540.7*
Net income for the period, attibutable to shareholders		*196.8*	*345.0*
Total capital, retained earnings and net income for the period, attibutable to shareholders		**6,934.3**	**6,885.7**
Changes in assets and liabilities recognised directly in equity		(63.8)	(16.9)
Total consolidated equity		**6,870.5**	**6,869.0**
Retained earnings and net income attributable to minority interests		1,299.5	1,258.7
Changes in assets and liabilities recognised directly in equity		(98.8)	(64.1)
Total minority interests	6.c	**1,200.7**	**1,194.6**
TOTAL CONSOLIDATED EQUITY		**8,071.2**	**8,063.6**
TOTAL LIABILITIES		**55,655.7**	**56,578.5**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FROM 1 JANUARY 2019 TO 30 JUNE 2020

Attributable to shareholders

	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss				Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss				
In millions of euros	Capital and additional paid-in-capital	Non distributed reserves	**Total Capital and retained earnings**	Financial instruments at fair value through equity on option	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 rate	Financial instruments designated at fair value through equity	Derivatives used for hedging purposes	**Total**	**Total equity attributable to equity holders**
As at 1st January 2019	3,474.6	3,267.3	6,741.9	(8.4)	5.5	(12.6)	(15.5)	(91.6)	40.2	30.9	(20.4)	6,705.9
Dividends	-	(207.9)	**(207.9)**	-	-	-	**-**	-	-	-	**-**	**(207.9)**
Other changes	-	0.2	**0.2**	-	-	-	**-**	-	-	-	**-**	**0.2**
Changes in assets and liabilities recognised directly in equity	-	-	**-**	0.9	(1.5)	(3.7)	**(4.3)**	(3.1)	21.0	21.3	**39.2**	**34.9**
Net income for first half 2019	-	182.6	**182.6**	-	-	-	**-**	-	-	-	**-**	**182.6**
As at 30 June 2019	3,474.6	3,242.2	6,716.8	(7.5)	4.0	(16.3)	(19.8)	(94.7)	61.2	52.2	18.7	6,715.7
Changes in the scope of consolidation		5.9	**5.9**	-	-	-	**-**	-	-	-	**-**	**5.9**
Other changes		0.7	**0.7**	-	-	-	**-**	-	-	-	**-**	**0.7**
Changes in assets and liabilities recognised directly in equity		-	**-**	11.9	(1.3)	5.2	**15.8**	7.5	(26.9)	(12.2)	**(31.5)**	**(15.7)**
Net income for 2nd half 2019		162.4	**162.4**				**-**				**-**	**162.4**
As at 31st December 2019	3,474.6	3,411.2	6,885.8	4.4	2.7	(11.1)	(4.0)	(87.2)	34.3	40.0	(12.8)	6,869.0
Dividends		(147.2)	**(147.2)**	-	-	-	**-**	-	-	-	**-**	**(147.2)**
Tantiemes		(1.3)	**(1.3)**	-	-	-	**-**	-	-	-	**-**	**(1.3)**
Other changes		0.1	**0.1**	-	-	-	**-**	-	-	-	**-**	**0.1**
Changes in assets and liabilities recognised directly in equity		-	**-**	(47.9)	1.4	(1.5)	**(48.0)**	(17.9)	5.6	13.4	**1.0**	**(47.0)**
Net income for first half 2020		196.8	**196.8**								**-**	**196.8**
As at 30 June 2020	3,474.6	3,459.7	6,934.3	(43.5)	4.1	(12.6)	(52.0)	(105.1)	39.9	53.4	(11.8)	6,870.5

At 30 June 2020, undistributed reserves included reserves not available for distribution according to Luxembourg regulation for a net amount of EUR 415.5 million (compared with EUR 401.2 million at 30 June 2019 and EUR 390.8 million at 31 December 2019).

Following the resolution approved by the General Meeting taking place on 2 April 2020, no dividend has been paid for the 2019 financial year.

Minority interests

In millions of euros	Retained earnings	Changes in assets and liabilities recognised directly in equity that will be not reclassified to profit or loss	Changes in assets and liabilities recognised directly in equity that will be reclassified to profit or loss	Total minority interests
As at 1st January 2019	**1,216.9**	**31.0**	**(107.2)**	**1,140.7**
Dividends	(66.6)	-	-	(66.6)
Commitment to repurchase minority shareholders' interests	(5.3)	-	-	(5.3)
Other changes	(0.1)	-	-	(0.1)
Changes in assets and liabilities recognised directly in equity	-	1.2	(3.4)	(2.2)
Net income for the first half 2019	67.0	-	-	67.0
As at 30 June 2019	**1,211.9**	**32.2**	**(110.6)**	**1,133.5**
Payments distributed on the income for the period	(42.6)	-	-	(42.6)
Changes in the scope of consolidation	12.9	-	-	12.9
Other changes	(0.7)			(0.7)
Changes in assets and liabilities recognised directly in equity		4.5	9.9	14.4
Net income for 2nd half 2019	77.2			77.2
As at 31st December 2019	**1,258.7**	**36.7**	**(100.7)**	**1,194.7**
Dividends	(42.9)	-	-	(42.9)
Commitment to repurchase minority shareholders' interests	0.3	-	-	0.3
Other changes	0.4	-	-	0.4
Changes in assets and liabilities recognised directly in equity	-	(10.1)	(24.6)	(34.7)
Net income for 1st half 2020	83.0	-	-	83.0
As at 30 June 2020	**1,299.5**	**26.6**	**(125.3)**	**1,200.8**

CONSOLIDATED CASHFLOWS STATEMENT

In millions of euros	First half 2020	First half 2019
Pre-tax income	**354.2**	**317.6**
Non-monetary items included in pre-tax income and other adjustments	**57.4**	**10.5**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	68.0	64.9
Impairment of goodwill and other fixed assets	(1.4)	(2.5)
Net addition to provisions	34.9	38.3
Share of earnings of associates	(4.0)	(11.3)
Net charges from investment activities	0.0	0.2
Net income from financing activities	0.0	0.0
Other changes	(40.1)	(79.1)
Net decrease in cash related to assets and liabilities generated by operating activities	**7,359.5**	**9,238.3**
Net increase in cash related to transactions with customers and credit institutions	7,823.5	8,413.6
Net increase (decrease) in cash related to transactions involving other financial assets and liabilities (1)	(374.7)	922.3
Net decrease in cash related to transactions involving non-financial assets and liabilities	(36.9)	(46.8)
Taxes paid	(52.4)	(50.7)
NET INCREASE (DECREASE) IN CASH GENERATED BY OPERATING ACTIVITIES	**7,771.2**	**9,566.4**
Net increase (decrease) related to financial assets and particpating interests	(35.4)	(6.6)
Net decrease related to property, plant and equipment and intangible assets	(56.5)	(7.4)
NET INCREASE (DECREASE) IN CASH RELATED TO INVESTING ACTIVITIES	**(92.0)**	**(14.0)**
Decrease in cash related to transactions with shareholders	(42.6)	(272.8)
NET DECREASE IN CASH RELATED TO FINANCING ACTIVITIES	**(42.6)**	**(272.8)**
Effect of changes in exchange rates	(10.2)	0.6
NET CHANGES IN CASH	**7,626.4**	**9,280.2**
Balance of cash and cash equivalent accounts at the start of the period	**1,007.6**	**1,508.1**
Balance of cash and cash equivalent accounts at the end of the period	**8,634.0**	**10,788.2**

1)This line includes debt securities and subordinated debt detailed in note 4.g

Additional information

In millions of euros	First half 2020	First half 2019
Composition of cash and cash equivalents	**8,634.0**	**10,788.2**
Cash and amounts due from central banks	7,974.8	9,271.6
Demand deposits with credit institutions	1,281.6	2,227.8
Demand loans from credit institutions	(622.9)	(710.4)
Deduction of receivables and accrued interest on cash and cash equivalents	0.4	(0.8)

In millions of euros	First half 2020	First half 2019
Additional Information		
Interests paid	(143.9)	(154.1)
Interests received	740.1	748.2
Dividends paid	(43.0)	(273.3)
Dividends received	25.0	30.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*

* in accordance with international accounting standards IFRS, as adopted for use in the European Union

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

The consolidated accounts of the BGL BNP Paribas Group as at 30 June 2020 were drawn up on the basis of the going concern principle. The effects of the pandemic, mitigated by contracyclical measures such as the governmental and financial support measures benefitting clients, are mainly to be seen at the level of expected credit losses and asset valuation. These effects have been estimated amid uncertainty as to the scale of the consequences this epidemic will have for economies at both local and global level.

The 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 Union[1].

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

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

New applicable standards:

In September 2019, the IASB published amendments to IAS 39 and IFRS 7 adjusting hedge accounting requirements so that hedges affected by interest rate benchmark reform can continue despite the uncertainty surrounding the period in which hedged and hedging instruments are transitioned to new interest rates.

These amendments, adopted by the European Commission on 15 January 2020, must be applied for annual financial statements from 1 January 2020. Early application is permitted, and the Group chose to make use of this option in order to maintain its existing hedging relationships.

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

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

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

competent authorities. The Group contributed to collaborative projects within the industry carried out by central banks and regulators.

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

The entry into force of the other standards, amendments and interpretations, which became mandatory on 1 January 2020, had no effect on the condensed interim accounts as at 30 June 2020.

The Group chose not to pursue the early adoption of the new standards, amendments and interpretations adopted by the European Union when such application in 2020 was given as an option, and adopted the amendments to IFRS 9, IAS 39 and IFRS 7 for the 2019 accounts.

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, or 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

- **Exlusive 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 entities established 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 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 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 on the net assets to which the partners have rights, 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 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 recognized on the assets side of the balance sheet under the heading "Investments in associates" and in liabilities of the 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 fair value, net of disposal costs) with its carrying amount. Where appropriate, an impairment loss is recognized 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.

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

The consolidated 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 of financial instruments at fair value_through equity and available-for-sale assets are maintained at Group level.

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

BGL BNP Paribas' consolidated accounts are prepared in euro.

The financial statements of companies whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the 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 "Exchange rate differences", for the portion attributable to the Group, and in "Minority interests" for the portion attributable to third parties.

On liquidation or disposal of some, or all, of an interest held in a company located outside the euro zone, leading to a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without keeping a significant influence), the cumulative translation adjustment at the date of liquidation or sale, determined according to the step method, is recognized 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 recognized 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 recognized in the consolidated balance sheet to the extent that they represent a current obligation at the date of the acquisition, and where their fair value can be reliably estimated.

The acquisition cost is the fair value or its equivalent, on the date 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 recognized 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 recognized in the profit and loss account.

The Group may recognize 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 recognized in the acquirer's balance sheet, while negative goodwill is recognized immediately in profit or loss.

Goodwill is recognized 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 recorded in accordance with the Luxembourg accounting standards applicable prior to this date had not been restated in accordance with the principles under IFRS 3.

- **Measurement of goodwill**

The Group tests goodwill for impairment on a regular basis.

- Cash-generating units

The Group has split all its activities into "cash-generating units". 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 recognized, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

- Recoverable amount of a cash-generating unit

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

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

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

1.c 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 liabilities[1] expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Exchange differences are recognized 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 recognized 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 recognized. 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 recognized 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 INCOME AND CHARGES FROM OTHER ACTIVITIES

1.d.1 INTEREST MARGIN

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

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

Commissions considered as an additional component of interest are included in the effective interest rate and are recognized 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 amortized cost or at fair value through equity, as well as income from financial instruments that the Group has designated as measured at fair value through profit or loss. The change in value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognized 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 recognized at fair value through profit or loss is allocated to the same heading as the interest from these transactions.

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

1.d.2 COMMISSIONS INCOME AND CHARGES 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 clients”.

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 recognized 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 recognized to profit or loss if it is highly likely that the amounts recognized will not require significant downwards revision.

- **Commissions**

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

- if an ongoing service is provided to the client, then fees are recognized 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 amortized over the term of the commitment, under commission income.
- in other cases, commissisons are recognized when the service is provided. Such commissions include: distribution fees received; syndication arrangement fees; advisory fees; etc.

- **Income and charges from other activities**

Income from services related to operating leases is recognized in “Income from other activities” in the consolidated profit and loss account.

They are recognized 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 amortized 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 amortized cost or at fair value through profit or loss upon initial recognition.

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

1.e.1 FINANCIAL ASSETS AT AMORTIZED COST

Financial assets are classified at amortized 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”), and cash flows are solely payments of principal and interest on the principal amount outstanding.

- **Business model criterion**

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

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

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

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

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

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

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

Some contractual clauses may modify the timing or amount of cash flows. Early repayment clauses do not call into question the cash flow criterion if the repayment substantially represents the outstanding principal and related interest. It may also include reasonable compensation for the early termination of the contract. Actuarial penalties, corresponding to the discount value of the difference between the residual contractual cash-flows of the loan, and their reinvestment in a loan to a similar counterparty or in the interbank market for a similar residual maturity are as well considered as reasonable, even when the compensation can be positive or negative (i.e. so called "symmetric" compensations). An option that permits the issuer or the holder of a financial instrument to change the interest rate from floating to fixed rate does not breach the cash flow criterion if the fixed rate is determined at origination, or if it represents the time value of money for the residual maturity of the instrument at the date of exercise of the option.

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

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

"Financial assets at amortized cost" specifically includes loans granted by the Group, as well as reverse repurchase agreements and securities held as part of ALM activities with a view to collecting the contractual flows and meeting the cash-flows criterion.

- **Recognition**

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

They are subsequently measured at amortized 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 (notes 1.e.4 and 1.e.5).

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 amortized cost.

This category specifically includes securities held by ALM Treasury in order to collect contractual flows or to be sold and meeting the cash flow criterion.

At initial recognition, the financial assets are recognized at fair value including any directly attributable transaction costs. They are subsequently measured at fair value, with any changes in fair value recognized in a specific heading of equity entitled "Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss. Moreover expected losses are measured using the same methods as those applicable to debt instruments at amortized cost. The counterparty of the related impact in cost of risk is recognized in the same specific line of shareholders' equity. Upon disposal, the amounts previously recognized through recyclable equity will be reclassified to the profit or loss account.

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

- **Equity instruments**

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

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

1.e.3 FINANCING AND GUARANTEE COMMITMENTS

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

1.e.4 IMPAIRMENT OF FINANCIAL ASSETS AT AMORTIZED 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 amortized cost or at fair value through equity, to loan commitments and financial guarantees granted that are not recognized 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 financial asset is not considered to be impaired or doubtful.
- Expected credit losses at maturity for impaired or doubtful financial assets (stage 3): the impairment provision is also assessed for an amount equal to the expected credit losses at maturity.

This general model is applied to all instruments subject to the impairment requirements of IFRS 9; except for purchased or originated credit-impaired financial assets and instruments for which a simplified model is used.

- **Simplified model**

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

The approach to expected credit losses is applied symmetrically under IFRS 9, i.e. if expected credit losses at maturity have been recognized 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 amortized cost of the loan, i.e. the gross book value net of the impairment provision.

Definition of default

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

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

- **Impaired doubtful financial assets**

Definition

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

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

- **Significant increase in credit risk**

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

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

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

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

The granting of moratoria based on the criteria defined in the EBA Guidelines published on 2 April 2020 or equivalent criteria in the context of the health crisis was not, taken in isolation, considered as an indication of a significant deterioration in credit risk and so did not result in an automatic move to stage 2. Moratoria do not trigger the counting of late payment days provided that the new schedule is adhered to.

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

The principles applied in assessing a significant increase in credit risk are detailed in note 2.**g** (Cost of risk).

- **Measurement of expected credit losses**

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

In practice, for 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).

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 Standardized approach. In addition, the Basel framework has been adjusted to be compliant with the provisions of IFRS 9, in particular as regards the inclusion of forecast information.

Maturity

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

Probability of default (PD)

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

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

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

The PDs 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 recognized separately by the entity (e.g., a mortgage guarantee related to a property loan), net of the costs of obtaining and selling this collateral.

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

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

Exposure at default (EAD)

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

The inclusion of forecast information

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

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

- **Write-offs**

A write-off consists in reducing the gross carrying amount of a financial asset when there is no longer reasonable expectations of recovering that financial asset in its entirety or a portion thereof, or when it has been fully or partially abandonned. The 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 derecognized against the asset received as guarantee.

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

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

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

For any restructuring that does not result in derecognition of the financial asset, the restructured asset is subject to a value modification to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate. The modification in the value of the asset is recognized in 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, (for example, the exchange of a debt instrument against an equity instrument), the original debt is considered repaid and the assets received in settlement are recognized at their fair value on the settlement date. The difference in value resulting from this exchange is recognized in profit and loss under "Cost of risk".

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

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

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

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

1.e.5 COST OF RISK

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

- Impairment provisions and reversals covering expected credit losses at 12 months and at maturity (stage 1 and stage 2) relating to debt instruments measured at amortized cost or at fair value through equity, to loan commitments and financial guarantees that are not recognized at fair value, lease receivables, contract assets and trade receivables;

- Impairment provisions and reversals for financial assets (including those at fair value through profit or loss)_ 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.

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

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

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

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

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

These financial instruments are recognized at fair value with initial transaction fees recognized directly in the profit and loss account. On the reporting date, any changes in fair value are presented in the 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 category in the following two cases:

- when they are hybrid financial instruments containing one or more embedded derivatives that otherwise would have been separated and recognized 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 recognized in a separate line in equity.

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

The book value of these instruments amounted to EUR 32.7 million at the end of June 2020, with a redemption value of EUR 28.6 million.

1.e.7 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

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

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

- **Issued debt securities and subordinated debt**

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

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

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

- **Equity instruments**

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

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

As shares issued by fully controlled subsidiaries of the Group are treated in the same way as shares issued by the consolidating company, when the Group purchases securities issued by these subsidiaries, the difference between the acquisition price and the share of net assets acquired is recognized 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 recognized directly as a deduction to equity. Similarly, transaction costs in relation to an instrument classified as equity are recognized as a deduction to equity.

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

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

In a value hedging relationship, derivatives are revalued at fair value on the balance sheet, with changes in value recognized 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 recognized 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 recognized in accordance with the principles applicable to this category.

As regards identified fixed income instruments that are initially hedged, the revaluation amount

recognized on the balance sheet is amortized 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 amortized 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 recognized directly in equity". The amounts recognized 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 recognized 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 recognized 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 recognized 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 maximize 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 categorized 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 bare 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 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 categorized is based on the most significant parameter when determining the value of the instrument.

For financial instruments disclosed in Level 3 of the 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 unrecognized 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 derecognizes 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 recognizes a liability for the obligations created at the time of the asset's transfer.

- **Derecognition of financial liabilities**

The Group derecognizes 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 recognized at amortized cost under the appropriate "Financial liabilities at amortized cost" heading, with the exception of repurchase agreements contracted for the Group's trading purposes, where the corresponding liability is classified under "Financial instruments at fair value through profit or loss".

Securities temporarily acquired as part of a reverse repurchase agreement are not recognized on the Group's balance sheet. The corresponding receivable is recognized at amortized cost under the appropriate "Financial assets at amortized cost" heading, with the exception of reverse repurchase agreements contracted for the Group's trading purposes, where the corresponding receivable is recognized 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 recognized 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 recognized amounts and intends either to set tle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.f PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

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

Fixed assets used in operations are those used in the provision of services or for administrative purposes.

Non- property assets leased by the Group are included in this category.

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

Fixed assets used in operations are recognized at purchase price plus directly attributable costs, together with borrowing costs when a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally, when it fulfils the capitalization criteria, is capitalized 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 amortized using the straight-line method over the asset's expected useful life for the company. Depreciation and amortisation expenses are recognized 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 amortized over a maximum of 8 years for infrastructure developments, and over 3 years or 5 years for developments primarily linked to providing services to clients. Furniture is amortized over 5 or 10 years.

Software maintenance costs are recognized 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 recognized 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 recognized 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 recognized in the profit and loss account under "Net gain on non-current assets".

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

1.g LEASES

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

1.g.1 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 recognized 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 recognized at amortized 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 recognized 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 recognized 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, with the exception of agreements with a term of 12 months or less, low-value contracts and car leases by BGL analyzed and accounted for in accordance with IAS 19 are recognized under balance sheet assets as rights of use, and under liabilities as financial liabilities for lease payments and other payments during the lease term. The right of use is amortized on a straight-line basis and financial liabilities are amortized on an actuarial basis over the lease period. Dismantling costs corresponding to specific and significant fittings and fixtures are included in the initial right of use, with a corresponding entry under liability provisions. The Group has chosen to exempt all entities whose total annual rental payments amount to less than EUR 500,000 from the application of IFRS 16.

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

- Lease durations correspond to the non-cancellable period of contracts, plus any renewal options that the Group is considered reasonably certain to exercise, as well as a possible complement of duration to be consistent with the useful life of the leasehold improvements;

- For contracts that are tacitly renewed and do not have a fixed term, rights of use and lease liabilities are recognized on the basis of the notice period, provided that this period exceeds 12 months. For contracts with an initial fixed term of at least one year, and which are tacitly renewed for this period or another fixed period, until notice of termination is provided, the related rights of use and liabilities are recognized at each renewal date;
- For each asset, the discount rates applied to the calculation of the right of use and lease liabilities are determined as the implicit rate of the contract, if available, or more generally based on the lessees' marginal borrowing rate on the date of signature.

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

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

1.h NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

Once classified in this category, non-current assets or the group of assets and liabilities are 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 recognized in the profit and loss account. Impairment losses recognized for this purpose may be reversed.

Moreover, when a group of assets and liabilities held for sale represents a cash generating unit, it is categorized 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.

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 recognizes 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 BNP Paribas SA 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 recognized as an expense. The amount recognized is the value of the share-based payment granted to the employee.

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

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

This compensation is recognized 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 recognized in full with a compensating liability entry, which is subsequently revalued at each reporting date up until the date of payment, based on any potential performance conditions and any change in the value of the BNP Paribas share.

1.k PROVISIONS RECORDED UNDER LIABILITIES

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

A provision is recognized 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.

Following the acquisition of ABN AMRO Bank (Luxembourg) SA in 2018, the Group recorded provisions for contingent liabilities under provisions for liabilities, in accordance with IFRS3 R.

1.l CURRENT AND DEFERRED TAXES

The 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 recognized when temporary differences arise between the carrying amount of assets and liabilities in the balance sheet and their tax bases.

Deferred tax liabilities are recognized 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 recognized 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 recognized as tax income or expenses in the profit and loss account, excepted for those relating to a transaction or event recognized 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 recognized 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 negociable 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:

- analysis of the cash flow criterion for certain financial assets;
- the calculation of expected credit losses. More specifically, this relates to determining whether there has been a significant increase in credit risk, the models and assumptions used to measure expected credit losses, and assessment of the various economic scenarios and their weighting;
- analysis of renegotiated loans in order to determine whether they should remain on the balance sheet or be derecognized ;
- analysis of whether a market is active and the use of internal models to calculate the fair value of unlisted financial instruments on an active market classified in “Financial assets at fair value through equity” or as an asset or liability in “Financial instruments at fair value through profit or loss”, and more generally, calculations of the fair values of financial instruments subject to a fair value disclosure requirement within the notes to the financial statements;
- assumptions used to assess the sensitivity of the fair value of financial instruments to each type of market risk, as well as the sensitivity of such valuations to key unobservable parameters, as presented in the notes to the financial statements;
- appropriateness of the classification of certain cash flow hedges using derivatives and the measurement of hedge effectiveness;
- impairment tests performed on intangible assets and on the rights of use resulting from the application of IFRS 16 ;
- the deferred tax assets;
- measurement of the uncertainty about tax and other treatments provisions to cover the risk of losses and charges. In particular, the outcome and potential impact of ongoing investigations and disputes is particularly difficult to predict before their conclusion. Provisions are estimated taking into account all information available on the date the financial statements are prepared, in particular, the nature of the dispute, the underlying facts and ongoing legal proceedings and decisions, including those made in relation to similar cases. The Group may also seek advice from experts and independent consultants in exercising its judgement.

2. NOTES TO THE PROFIT AND LOSS ACCOUNT

2.a NET INTEREST MARGIN

The Group includes in "Interest and similar income" and "Interest and similar charges" the income from financial instruments measured at amortized 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 amortized 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 value on these financial instruments at fair value through profit or loss (excluding accrued interest) is recognized 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 "valeur de marché" 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 2020			First half 2019		
	Income	Expense	Net	Income	Expense	Net
Financial instrument at amortised cost	**720.3**	**(134.3)**	**586.0**	**699.8**	**(158.7)**	**541.1**
Deposits, loans and borrowings	285.8	(96.5)	189.3	279.6	(123.5)	156.1
Repurchase agreements	0.0	(0.4)	(0.4)	0.7	(0.2)	0.5
Finance leases	422.0	(32.7)	389.3	403.5	(28.2)	375.3
Debt securities	12.5	-	12.5	16.0	-	16.0
Issued debt securities and subordinated debt	-	(4.8)	(4.8)	-	(6.8)	(6.8)
Financial instruments at fair value through equity	**9.1**	**-**	**9.1**	**9.0**	**-**	**9.0**
Debt securities	9.1	-	9.1	9.0	-	9.0
Financial instruments at fair value through profit or loss (Trading portfolio excluded)	**4.4**	**0.0**	**4.4**	**5.0**	**(0.1)**	**4.9**
Cash flow hedge instruments	**10.4**	**(1.1)**	**9.3**	**9.3**	**(0.6)**	**8.7**
Interest rate portfolio hedge instruments	**23.2**	**(6.2)**	**17.0**	**14.6**	**(0.9)**	**13.7**
Lease liabilities	**-**	**(0.1)**	**(0.1)**	**-**	**(0.2)**	**(0.2)**
TOTAL	**767.3**	**(141.7)**	**625.6**	**737.7**	**(160.5)**	**577.2**

Total interest income on individually impaired receivables amounted to EUR 3.6 million in the first half of 2020, compared to EUR 1.9 million in the first half of 2019.

2.b COMMISSIONS

In millions of euros	First half 2020			First half 2019		
	Income	Expense	Net	Income	Expense	Net
Credit operations for customers	15.6	(4.5)	**11.1**	18.0	(3.2)	**14.8**
Means of payment and account keeping	24.5	(7.5)	**17.0**	25.7	(7.3)	**18.4**
Securities, investment funds and UCITS	31.8	(0.0)	**31.8**	29.2	-	**29.2**
Commissions on securities and derivatives transactions	22.4	(4.7)	**17.7**	18.1	(3.6)	**14.5**
Insurance activities	15.5	-	**15.5**	13.1	-	**13.1**
Other commissions	14.3	(11.0)	**3.2**	14.0	(14.6)	**(0.5)**
TOTAL	**124.1**	**(27.7)**	**96.4**	**118.2**	**(28.7)**	**89.5**

2.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 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 2.a).

In millions of euros	First half 2020	First half 2019
Trading book	**16.9**	**34.8**
Interest rate and credit instruments	(1.1)	2.8
Equity financial instruments	2.5	2.4
Loans and repurchase agreements	16.9	31.7
Foreign exchange financial instruments	(1.3)	(2.2)
Instruments at fair value on option	**(0.6)**	**(1.0)**
Other financial instruments at fair value through profit or loss	**(3.7)**	**0.1**
Debt instruments	(4.2)	4.7
Equity instruments	0.5	(4.6)
Impact of hedge accounting	**-**	**0.2**
Fair value hedging derivatives	50.5	65.5
Hedged items in fair value hedge	(50.5)	(65.3)
TOTAL	**12.6**	**33.9**

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

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

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

2.d NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH EQUITY AND ON FINANCIAL INSTRUMENTS AT AMORTIZED COST

In millions of euros	First half 2020	First half 2019
Net gain/loss on debt instruments at fair value through equity	**2.7**	**3.6**
Debt securities (1)	2.7	3.6
Net gain/loss on equity instruments at fair value through equity	**13.3**	**5.4**
Dividend income	13.3	5.4
TOTAL	**16.0**	**9.1**

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

Unrealised gains on debt securities, previously recorded under "Changes in assets and liabilities recognized directly in equity that may be reclassified to profit or loss" and recognized through profit or loss, represented a net loss of EUR 2.2 million during the first half of 2020, against a net gain og EUR 3.3 million during the first half of 2019.

2.e INCOME AND EXPENSES FROM OTHER ACTIVITIES

In millions of euros	First half 2020			First half 2019		
	Income	Expense	Net	Income	Expense	Net
Income and expense from investment property	15.4	(5.5)	9.9	18.8	(5.2)	13.6
Income and expense from assets held under operating leases	78.8	(62.4)	16.4	74.1	(57.1)	17.0
Other income and expense	285.1	(269.4)	15.7	279.2	(265.8)	13.4
TOTAL	**379.3**	**(337.3)**	**42.0**	**372.1**	**(328.0)**	**44.1**

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

2.f OTHER OPERATING EXPENSES

In millions of euros	First half 2020	First half 2019
Taxes and contributions (1)	(32.6)	(26.3)
External services and other operating expenses	(106.1)	(109.3)
TOTAL	**(138.7)**	**(135.6)**

(1) The contributions to the European resolution fund, including exceptional contributions, were EUR -22.7 million for the first half of 2020 versus EUR -15.6 million in the first half of 2019.

2.g COST OF RISK

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

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

These two stages should be based on forecast information.

Significant increase in credit risk

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

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

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

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

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

- *Facilities granted to SME and retail clients*

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

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

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

- *In addition, for all portfolios:*
  - The facility is presumed to be stage 1 when its internal rating is less than 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 greater than or equal to 9+ (or when the PD at one year is greater than 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 by geographical area 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 link between the macroeconomic scenarios and measurement of ECL is mainly established by modelling migration matrices for internal ratings (or risk parameters). The probabilities of default determined using this method for various macroeconomic scenarios allow for the measurement of expected losses for each scenario.

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

- 50% for the base scenario;
- the weighting of the two alternative scenarios depends on the position in the economic cycle. In the approach adopted, the 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 Group economic research team together with various experts across the 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.

Following the major shock seen in the first half of 2020 (in China in the first quarter and in Europe and the United States in the second quarter), the central scenario forecasts a recovery in the second half of this year. This recovery is expected to continue into 2021, albeit at a gradually decreasing pace, leading to annual growth rates far above normal levels in all countries. While the rate of recovery is expected to slow again in 2022, business activity should reach pre-crisis levels (those last seen in Q4 2019) in the vast majority of countries in the second half of 2022; hence, this will be a "V-shaped" recovery.

The risk of a prolonged crisis owing to health-related or economic factors is considered in the adverse scenario detailed below.

The level ascribed to each country, both in terms of the initial shock and its recovery profile, reflects (i) the number of coronavirus cases and the severity of the lockdown measures implemented, (ii) the size of the sectors with greatest exposure (e.g. transport, tourism, leisure, hotels and restaurants) in relation to the rest of the economy, and (iii) the scale of income-support and assistance provisions introduced by the authorities and economic stimulus plans.

Within the eurozone, the shocks ascribed to Italy and France were greater than for the eurozone as a whole.

	Return to first quarter GDP level
Luxembourg	2nd quarter 2022
France	4th quarter 2022
Belgium	3rd quarter 2022
Germany	2nd quarter 2022
Italy	beyond 2023
Euro zone	2nd quarter 2022

These assumptions are comparable to those of the ECB's scenario for the eurozone, which foresees (i) GDP growing at an average annual rate of -8.7% in 2020, (ii) GDP for Q2 2020 lagging behind that seen in Q4 2019 by 16.3%, and (iii) GDP returning to pre-crisis levels at the end of 2022.

The adverse scenario assumes that certain risks to the economy are realised, leading to a far worse economic trajectory than that depicted in the central scenario.

In the current context, the main risk is that the health crisis will not dissipate as quickly as assumed in the central scenario (due to less favourable than expected developments in the health crisis) or that the economic consequences will be worse than envisaged (more severe repercussions or more prolonged effects), ultimately triggering knock-on effects beyond those directly linked to the lockdown.

- A prolonged crisis due to weaker demand: the health crisis could trigger a more “traditional”, and therefore longer, crisis if it does major damage to the economy (e.g. higher unemployment rate, higher number of deaths, etc.) affecting domestic demand.
- Tension over public finances: given the scale of the economic contraction and the amount of fiscal support that will be provided by governments to offset this major shock, levels of public debt will rise substantially and reach unprecedented levels in certain countries. This deterioration in public finances could lead to tension on the financial markets and austerity measures.
- Pressure on the profitability of financial institutions: the health crisis will make it harder for certain borrowers to repay their debts, generate volatility on the financial markets and lead to downward pressure on interest rates. These developments are likely to weigh heavily on the profitability of the banking sector.
- Further corrections on the financial markets: the health crisis has already had a major impact on the value of certain financial assets. Depending on how the health crisis unfolds, further corrections could be seen on certain markets.
- Further deterioration of economic activity in China: Given the size of the Chinese economy, further deterioration would have an impact on global financial markets, global trade and commodities prices.
- Difficulties in emerging markets: certain emerging markets, suffering from imbalances in terms of their economies or domestic politics, the strength of the US dollar and the deterioration of international relations, may be further weakened by the health crisis.

Other risks have also been factored into the adverse scenario that are not directly linked to the health crisis:

- Commercial risks: despite the trade agreement signed by the United States and China in early 2020, tensions could flare up between the two countries, with disagreements persisting in relation to the protection of intellectual property, technology transfers and industrial policies. At the same time, trade tensions between the United States and the European Union could be exacerbated by disagreements on subsidies to the aviation and automotive sectors, the WTO and taxes on digital services.
- Risks associated with Brexit: unless a comprehensive deal is done with the European Union before the end of 2020, the United Kingdom could suffer from disruption to certain sectors, greater uncertainty

hampering investment and consumer spending, weaker trade momentum, financial tension and adverse trends for the real estate markets in early 2021.

- Geopolitical risks: tensions in the Middle East could have a negative effect on the global economy through shocks to commodities prices and business confidence.

The adverse scenario is based on latent risks materialising from Q4 2020 onwards, triggered by an extension of the health crisis.

The impact of the adverse scenario on GDP growth in OECD countries results in a divergence from the central scenario of between -5.8% and -12% by the end of the shock period (three years). The size of the shock varies by country, standing at -7.1% on average in the eurozone and -5.8% in the United States.

The Group attributed the adverse scenario a weighting of 19% as at 30 June 2020, versus 26% as at 31 December 2019. The weighting of the favourable scenario was 31% as at 30 June 2020 compared with 24% as at 31 December 2019. This reflects the earlier-than-average position in the credit cycle at 30 June 2020 in the context of the health crisis and widespread lockdown measures.

Changes to the system for valuing expected credit losses to account for specific features of the health crisis:

The procedure for measuring the impact of macroeconomic scenarios on expected credit losses was adjusted to reflect the specific features of the current health crisis. Given the exceptional nature of the shock seen in H1 2020 as a result of temporary lockdown measures and the support offered by governments and central banks, the parameters of the macroeconomic scenarios for the various countries and geographic regions included in the calculation models (calibrated on the basis of previous crises) were adjusted so as to extract the medium-term macroeconomic trajectory and thereby minimise excessive short-term volatility.

The medium-term outlook included in the central scenario corrects for the destruction of value over the period by an amount similar to that provided by the assistance measures introduced by governments and central banks in the eurozone.

Where new loans benefit from the government guarantee, the calculation of expected credit losses was adjusted accordingly.

Furthermore, for the sectors hit hardest by the crisis (aviation, leisure, non-food retail, tourism), the criteria used to assess significant increases in credit risk were tightened in anticipation of a large-scale migration to stage 2 for credit facilities in these sectors.

Loans whose maturity had been pushed back were analysed in relation to specific risk classes.

Moreover, the lack of a generalised postponement for all natural persons meant that receivables subject to support measures not stipulated in the contract were considered to have been restructured. All the same, these measures were not considered a criterion for a transfer to stage 2.

Cost of risk for the period

In millions of euros	First half 2020	First half 2019
Net additions to impairments	(53.1)	(46.4)
Recoveries on loans and receivables previously written off	5.0	4.2
Losses on irrecoverable loans	(5.8)	(9.7)
TOTAL	**(53.9)**	**(51.9)**

A new risk model will be deployed during the 2nd half of 2020 in the banking activities. Indeed, the Bank has obtained the agreement of the European Central Bank to review its risk model for its retail customers. According to the pro-forma simulations carried out, at constant parameters and scope, the cost of risk for this population is expected to increase by 4 basis points.

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

In millions of euros	First half 2020	First half 2019
Financial assets at amortised cost	(56.5)	(48.9)
of which: Loans and receivables	*(56.5)*	*(48.9)*
of which: Debt securities	*0.0*	*0.0*
Other assets	1.1	(1.4)
Financing and guarantee commitments and other items	1.5	(1.6)
TOTAL	**(53.9)**	**(51.9)**
Cost of risk on unimpaired assets and commitments	*(1.1)*	*(8.7)*
of which: Stage 1	*(5.1)*	*(6.6)*
of which: Stage 2	*4.0*	*(2.0)*
Cost of risk on impaired assets and commitments - Stage 3	*(52.8)*	*(43.2)*
TOTAL	**(53.9)**	**(51.9)**

Credit risk impairment

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

In millions of euros	31 December 2019	Net additions to impairment	Impairment provisions used	Changes in the scope of consolidation, effect of exchange rate changes and other changes	30 June 2020
Impairment of assets					
Financial assets at amortised cost	672.3	54.5	(20.8)	(7.5)	698.4
of which: Loans and receivables	*672.3*	*54.5*	*(20.8)*	*(7.5)*	*698.4*
of which: Debt securities	*0.0*	*(0.0)*	*-*	*-*	*0.0*
Other assets	3.7	0.2	-	0.0	3.9
Total impairment of financial assets	**676.0**	**54.7**	**(20.8)**	**(7.5)**	**702.3**
of which: Stage 1	*88.1*	*5.6*	*-*	*(1.6)*	*92.1*
of which: Stage 2	*88.8*	*(4.1)*	*-*	*(0.5)*	*84.2*
of which: Stage 3	*499.1*	*53.1*	*(20.8)*	*(5.4)*	*526.0*
Provisions recognised as liabilities					
Provisions for financing and guarantee commitments	17.0	(1.5)	-	(0.0)	15.4
Other impairments	0.1	-	-	-	0.1
Total provisions recognised for credit commitments	**17.1**	**(1.5)**	**-**	**(0.0)**	**15.5**
of which: Stage 1	*9.9*	*(0.6)*	*-*	*(0.0)*	*9.3*
of which: Stage 2	*3.2*	*0.1*	*-*	*(0.0)*	*3.3*
of which: Stage 3	*4.0*	*(1.0)*	*-*	*0.0*	*3.0*
Total	**693.1**	**53.2**	**(20.8)**	**(7.5)**	**717.9**

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

In millions of euros	Impairment on assets subject to 12-month Expected (Stage 1)	Impairment on assets subject to lifetime Expected (Stage 2)	Impairment on impaired assets (Stage 3)	Total
At 31 December 2019	88.1	88.8	495.4	672.3
Net additions to impairment	**5.6**	**(4.1)**	**52.9**	**54.5**
Financial assets purchased or originated during the period	20.0	14.3	-	34.3
Financial assets derecognised during the period(1)	(4.7)	(7.9)	(21.0)	(33.6)
Transfer to stage 2	(2.8)	28.7	(3.7)	22.2
Transfer to stage 3	(0.5)	(3.7)	55.7	51.5
Transfer to stage 1	2.4	(22.9)	(3.9)	(24.4)
Other additions/reversals without stage transfer (2)	(8.6)	(12.7)	25.8	4.5
Use of impairments	**-**	**-**	**(20.8)**	**(20.8)**
Changes in the scope of consolidation, effect of exchange rate changes and other items	**(1.6)**	**(0.5)**	**(5.4)**	**(7.5)**
At 30 June 2020	92.1	84.2	522.1	698.4

(1) Including disposals
(2) Including amortisation

Changes in impairment on assets at fair value through equity

There were no significant changes during the period in impairment on assets recognized at fair value through equity.

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

In millions of euros	Impairment on assets subject to 12-month Expected (Stage 1)	Impairment on assets subject to lifetime Expected (Stage 2)	Impairment on impaired assets (Stage 3)	Total
Au 31 décembre 2019	9.9	3.2	3.9	17.0
Net additions to impairment	**(0.5)**	**0.1**	**(1.0)**	**(1.5)**
Financial assets purchased or originated during the period	1.4	0.4	-	1.8
Financial assets derecognised during the period(1)	(0.9)	(1.1)	(1.9)	(3.8)
Transfer to stage 2	(0.1)	0.5	(0.0)	0.4
Transfer to stage 3	-	(0.0)	0.1	0.1
Transfer to stage 1	0.1	(0.4)	(0.1)	(0.5)
Other additions/reversals without stage transfer (2)	(0.9)	0.7	0.9	0.5
Use of impairments	**-**	**-**	**-**	**-**
Changes in the scope of consolidation, effect of exchange rate changes and other items	**(0.0)**	**(0.0)**	**0.0**	**(0.0)**
At 30 June 2020	9.3	3.3	2.9	15.4

(1) Including disposals
(2) Including amortisation

The Group has no impaired loans at the time of acquisition (POCI – Purchased and originated credit-impaired).

2.h SHARE OF EARNINGS OF ASSOCIATES

This net income derives from the contribution of Cardif Lux Vie for EUR 6.1 million (EUR 11.4 million in 2019) and leasing for EUR -2.1 million (EUR -0.1 million in 2019).

2.i NET GAINS ON OTHER FIXED ASSETS

In millions of euros	First half 2020	First half 2019
Net gain or loss from disposals of property, plant and equipment	(0.0)	(0.2)
TOTAL	**(0.0)**	**(0.2)**

2.j CORPORATE INCOME TAX

In millions of euros	First half 2020	First half 2019
Net current tax expense	(72.6)	(91.6)
Net deferred tax income	(1.8)	23.6
Corporate income tax expense	**(74.4)**	**(68.0)**

3. 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 activites 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 financing activity related to BNP Paribas Lease Group Luxembourg SA is also included in the scope of this business.
- **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 clients, mostly business clients 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 clients as well as Cardif Lux Vie SA, which primarily offers as well pension savings and life insurance products, as protection products, group insurance.

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 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,Know Your Client, 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

						First half 2020
In millions of euros	BDEL	Leasing International	Corporate & Institutional Banking	International Financial Services	Others	Total
Revenues	**195.7**	**437.3**	**4.6**	**84.8**	**70.1**	**792.6**
Operating expense	(119.1)	(201.1)	(3.7)	(48.4)	(16.3)	(388.5)
Cost of risk	(8.9)	(46.5)	(0.1)	0.2	1.4	(53.9)
Operating income	**67.7**	**189.8**	**0.9**	**36.6**	**55.2**	**350.2**
Non-operating items	0.0	(2.1)	-	6.1	(0.0)	4.0
Pre-tax income	**67.7**	**187.7**	**0.9**	**42.7**	**55.2**	**354.2**

						First half 2019
In millions of euros	BDEL	Leasing International	Corporate & Institutional Banking	International Financial Services	Autres	Total
Revenues	**175.5**	**417.3**	**12.4**	**71.3**	**77.3**	**753.8**
Operating expense	(124.1)	(205.6)	(3.8)	(54.4)	(8.3)	(396.3)
Cost of risk	(2.2)	(49.9)	0.0	0.2	(0.1)	(51.9)
Operating income	**49.3**	**161.8**	**8.6**	**17.1**	**68.9**	**305.6**
Non-operating items	(0.0)	0.5	-	11.4	0.0	12.0
Pre-tax income	**49.3**	**162.3**	**8.6**	**28.5**	**68.9**	**317.6**

4. NOTES TO THE BALANCE SHEET

4.a FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS EXCLUDING DERIVATIVES

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

	30 June 2020				31 December 2019			
In millions of euros	Trading book	Financial instruments designated at fair value option	Other financial assets at fair value through profit or loss	Total	Trading book	Financial instruments designated at fair value option	Other financial assets at fair value through profit or loss	Total
Securities portfolio	224.3	-	326.3	550.6	1.8	-	622.9	624.7
Debt securities	-	-	286.5	286.5	-	-	583.8	583.8
Equity instruments	224.3	-	39.7	264.0	1.8	-	39.1	40.9
Loans and repourchase agreements	55.4	-	44.7	100.1	95.8	-	55.3	151.1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**279.7**	**-**	**371.0**	**650.7**	**97.6**	**-**	**678.2**	**775.8**
Deposits and repurchase agreements	140.6	-	-	140.6	113.9	-	-	113.9
Issued debt securities (note 4.g)	-	32.7	-	32.7	-	114.0	-	114.0
of which: Subordinated debt	-	*24.1*	-	*24.1*	-	*86.9*	-	*86.9*
of which: Unsubordinated debt	-	*8.5*	-	*8.5*	-	*27.1*	-	*27.1*
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**140.6**	**32.7**	**-**	**173.3**	**113.9**	**114.0**	**-**	**227.9**

The details of these headings are presented in note 4.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 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 28.7 million as at 30 June 2020 versus EUR 109.5 million as at 31 December 2019.

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

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

- Debt instruments which do not fulfil the criteria of IFRS 9 for classification as “instruments at fair value through equity” or “at amortized cost” :
  - their business model is not “hold to collect” or “hold to collect and sell”; and/or ;
  - 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 IN TRADING BOOK

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

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

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

	30 June 2020		31 December 2019	
In millions of euros	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rates derivatives	35.7	29.2	36.4	29.7
Foreign exchange derivatives	19.4	14.5	21.1	11.2
Equity derivatives	182.1	9.8	96.8	2.7
Derivatives financial instruments	**237.2**	**53.5**	**154.3**	**43.6**

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

	30 June 2020			31 December 2019		
In millions of euros	Exchange -traded	Over-the counter	Total	Exchange -traded	Over-the counter	Total
Interest rates derivatives	-	6,137.0	6,137.0	-	10,702.6	10,702.6
Foreign exchange derivatives	-	5,939.7	5,939.7	-	5,729.6	5,729.6
Equity derivatives	225.8	487.1	712.9	29.5	541.7	571.2
Derivatives financial instruments	**225.8**	**12,563.9**	**12,789.7**	**29.5**	**16,974.0**	**17,003.5**

4.b FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

In millions of euros	30 June 2020		31 December 2019	
	Fair value	of which changes in value taken directly to equity	Fair value	of which changes in value taken directly to equity
Debt securities	**2,119.9**	**28.9**	**1,519.9**	**18.1**
Governments	543.1	16.2	477.2	16.4
Other public administrations	1,061.7	8.2	587.0	4.7
Credit institutions	514.0	4.5	454.1	(2.9)
Others	1.1	(0.0)	1.6	(0.0)
Equity securities	**236.3**	**(39.0)**	**309.5**	**34.2**
Total financial assets at fair value through equity	**2,356.2**	**(10.1)**	**1,829.4**	**52.3**

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

4.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-fair value and additional valuation adjustments.

Mid-fair value is derived from external data or valuation techniques that maximize the use of observable and market-based data. Mid-fair 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 value are as follows:

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

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

Value adjustment for counterparty risk (Credit valuation adjustment or CVA): the CVA 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 option_and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. Own credit risk is inferred from the observation of the terms and conditions of appropriate bond issues carried out by the Group on the market.

Thus, the carrying value of debt securities designated at fair value fell by EUR 5.4 million as at 30 June 2020, compared with a reduction in value of EUR 3.6 million as at 31 December 2019, which represents a change of EUR 1.8 million recognized directly in equity that will not be reclassified to profit or loss.

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

The change in the fair value cost of financing derivatives was not significant as at 30 June 2020.

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

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

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

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

In millions of euros	30 June 2020											
	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	**224.3**	**-**	**-**	**224.3**	**3.7**	**188.0**	**134.6**	**326.2**	**2,218.7**	**1.1**	**136.4**	**2,356.2**
Governments	-	-	-	**-**	-	-	-	**-**	543.1	-	-	**543.1**
Asset Backed Securities	-	-	-	**-**	-	25.3	-	**25.3**	-	1.1	-	**1.1**
Other debt securities	-	-	-	**-**	-	161.4	99.8	**261.2**	1,575.7	-	-	**1,575.7**
Equities and other equity securities	224.3	-	-	**224.3**	3.7	1.2	34.8	**39.7**	99.9	-	136.4	**236.3**
Loans and repurchase agreements	**-**	**-**	**55.4**	**55.4**	**-**	**-**	**44.7**	**44.7**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	-	44.7	**44.7**	-	-	-	**-**
Repurchase agreements	-	-	55.4	**55.4**	-	-	-	**-**	-	-	-	**-**
FINANCIAL ASSETS AT FAIR VALUE	224.3	-	55.4	279.7	3.7	188.0	179.3	371.0	2,218.7	1.1	136.4	2,356.2
Deposits and repurchase agreements	**-**	**52.1**	**88.5**	**140.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Repurchase agreements	-	52.1	88.5	**140.6**	-	-	-	**-**	-	-	-	**-**
Issued debt securities (note 4.g)	**-**	**-**	**-**	**-**	**-**	**32.7**	**-**	**32.7**	**-**	**-**	**-**	**-**
Subordinated debts (note 4.g)	-	-	-	**-**	-	24.1	-	**24.1**	-	-	-	**-**
Non-subordinated debts (note 4.g)	-	-	-	**-**	-	8.5	-	**8.5**	-	-	-	**-**
FINANCIAL LIABILITIES AT FAIR VALUE	-	52.1	88.5	140.6	-	32.7	-	32.7	-	-	-	-

In millions of euros	31 December 2019											
	Trading book				Financial instruments at fair value through profit or loss not held for trading				Financial assets at fair value through equity			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
Securities	**1.8**	**-**	**-**	**1.8**	**4.1**	**484.0**	**134.8**	**622.9**	**1,641.6**	**1.6**	**186.2**	**1,829.4**
Governments	-	-	-	**-**	-	244.5	-	**244.5**	477.2	-	-	**477.2**
Asset Backed Securities	-	-	-	**-**	-	28.2	-	**28.2**	-	1.6	-	**1.6**
Other debt securities	-	-	-	**-**	-	210.1	101.0	**311.2**	1,041.1	-	-	**1,041.1**
Equities and other equity securities	1.8	-	-	**1.8**	4.1	1.2	33.8	**39.1**	123.3	-	186.2	**309.5**
Loans and repurchase agreements	**-**	**29.3**	**66.5**	**95.8**	**-**	**-**	**55.3**	**55.3**	**-**	**-**	**-**	**-**
Loans	-	-	-	**-**	-	-	55.3	**55.3**	-	-	-	**-**
Repurchase agreements	-	29.3	66.5	**95.8**	-	-	-	**-**	-	-	-	**-**
FINANCIAL ASSETS AT FAIR VALUE	1.8	29.3	66.5	97.6	4.1	484.0	190.1	678.2	1,641.6	1.6	186.2	1,829.4
Deposits and repurchase agreements	**-**	**113.9**	**-**	**113.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Repurchase agreements	-	113.9	-	**113.9**	-	-	-	**-**	-	-	-	**-**
Issued debt securities (note 4.g)	**-**	**-**	**-**	**-**	**-**	**114.0**	**-**	**114.0**	**-**	**-**	**-**	**-**
Subordinated debts (note 4.g)	-	-	-	**-**	-	86.9	-	**86.9**	-	-	-	**-**
Non-subordinated debts (note 4.g)	-	-	-	**-**	-	27.1	-	**27.1**	-	-	-	**-**
FINANCIAL LIABILITIES AT FAIR VALUE	-	113.9	-	113.9	-	114.0	-	114.0	-	-	-	-

In millions of euros	30 June 2020				31 December 2019			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
POSITIVE FAIR VALUE								
Foreign exchange derivatives	-	19.4	-	**19.4**	-	21.1	-	**21.1**
Interest rate derivatives	-	35.7	-	**35.7**	-	36.4	-	**36.4**
Equity derivatives	-	182.0	-	**181.7**	-	96.8	-	**96.8**
Positive fair value of derivatives (not used for hedging purposes)	**-**	**237.1**	**-**	**237.2**	**-**	**154.3**	**-**	**154.3**
Positive fair value of derivatives used for hedging purposes	**-**	**276.9**	**-**	**276.9**	**-**	**187.3**	**-**	**187.3**
NEGATIVE FAIR VALUE								
Foreign exchange derivatives	-	14.5	-	**14.5**	-	11.1	-	**11.1**
Interest rate derivatives	-	29.2	-	**29.2**	-	29.7	-	**29.7**
Equity derivatives	-	9.8	-	**9.8**	-	2.7	-	**2.7**
Negative fair value of derivatives (not used for hedging purposes)	**-**	**53.5**	**-**	**53.5**	**-**	**43.5**	**-**	**43.6**
Negative fair value of derivatives used for hedging purposes	**-**	**79.7**	**-**	**79.7**	**-**	**45.8**	**-**	**45.8**

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

During 2019 and the first half of 2020, no transfer between Level 1 and Level 2 has been noted.

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 organized 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, Student Loan Backed Securities, Mortgage Backed Securities, Asset Backed Securitues 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 and equity financial instruments** : 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.

Structured 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 during the first half of 2020

Financial assets

	Financial assets			
In millions of euros	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 instruments at fair value through equity	TOTAL
At 31 December 2019	**66.5**	**190.1**	**186.2**	**442.8**
Puchases	-	0.3	-	**0.3**
Settlements	(11.1)	(9.4)	-	**(20.5)**
Reclassification	-	(1.1)	-	**(1.1)**
Others	-	1.2	-	**1.2**
Gains (or losses) recognised in profit or loss with respect to unexpired instruments at the end of the period	-	(1.8)	-	**(1.8)**
Changes in assets and liabilities recognised directy to equity	-	(0.0)	(49.8)	**(49.8)**
At 30 June 2020	**55.4**	**179.3**	**136.4**	**371.1**

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.

SENSITIVITY OF THE FAIR VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS TO REASONABLY POSSIBLE CHANGES TO ASSUMPTIONS

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

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

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

To simplify matters, the sensitivity of Level 3 financial instruments is measured using a uniform variation of 1% of the value of the securities.

In millions of euros	30 June 2020		31 December 2019	
	Potential effect on profit and loss	Potential effect on equity	Potential effect on profit and loss	Potential effect on equity
Debt securities	+/-1,0	-	+/-1,0	-
Equities and other securities on equity	+/-0,3	+/-1,4	+/-0,3	+/-1,9
Loans and repruchase agreements	+/-1,0	-	+/-1,2	-
Sensitivity of level 3 financial instruments	**+/-2,3**	**+/-1,4**	**+/-2,6**	**+/-1,9**

4.d FINANCIAL ASSETS AT AMORTIZED COST

Detail of loans and receivables by nature

In millions of euros	30 June 2020			31 December 2019		
	Gross value before impairment	Impairment (note 2.g)	Carrying amount	Gross value before impairment	Impairment (note 2.g)	Carrying amount
Loans and receivables due from credit institutions	**6,835.9**	**(0.2)**	**6,835.8**	**15,717.2**	**(0.2)**	**15,717.0**
Demand accounts	1,281.6	(0.2)	1,281.4	978.4	(0.2)	978.2
Loans (1)	5,554.3	(0.0)	5,554.3	6,749.9	(0.0)	6,749.9
Repurchase agreements	-	-	-	7,988.9	-	7,988.9
Loans and receivables due from customers	**34,545.4**	**(698.2)**	**33,847.1**	**34,635.7**	**(672.1)**	**33,963.6**
Ordinary debit accounts	1,000.7	(77.3)	923.4	1,016.5	(77.3)	939.2
Loans to customers	18,832.2	(204.5)	18,627.7	18,580.4	(190.2)	18,390.2
Finance leases	14,712.5	(416.4)	14,296.1	15,038.8	(404.6)	14,634.2
TOTAL LOANS AND RECEIVABLES AT AMORTISED COST	**41,381.3**	**(698.4)**	**40,682.9**	**50,352.9**	**(672.3)**	**49,680.7**

(1)Loans to credit institutions include term deposits with central banks.

Detail of debt securities

In millions of euros	30 June 2020			31 December 2019		
	Gross value before impairment	Impairment (note 2.g)	Carrying amount	Gross value before impairment	Impairment (note 2.g)	Carrying amount
Governments	346.5	(0.0)	346.5	382.8	(0.0)	382.8
Other public administrations	659.4	(0.0)	659.4	689.4	(0.0)	689.4
Credit institutions	63.2	(0.0)	63.2	63.2	(0.0)	63.2
Others	11.7	(0.0)	11.7	12.3	(0.0)	12.3
TOTAL DEBT SECURITIES AT AMORTISED COST	**1,080.8**	**(0.0)**	**1,080.8**	**1,147.7**	**(0.0)**	**1,147.8**

Detail of loans and receivables and debt securities by stage

In millions of euros	30 June 2020			31 December 2019		
	Gross value before impairment	Impairment (note 2.g)	Carrying amount	Gross value before impairment	Impairment (note 2.g)	Carrying amount
Loans and receivables due from credit institutions	**6,835.9**	**(0.2)**	**6,835.8**	**15,717.2**	**(0.2)**	**15,717.0**
Stage 1	6,834.9	(0.0)	6,834.9	15,716.0	(0.0)	15,716.0
Stage 2	0.2	(0.0)	0.1	1.1	(0.0)	1.1
Stage 3	0.8	(0.2)	0.7	0.2	(0.2)	-
Loans and receivables due from customers	**34,545.4**	**(698.2)**	**33,847.1**	**34,635.7**	**(672.1)**	**33,963.6**
Stage 1	30,656.8	(92.1)	30,564.8	30,839.8	(88.1)	30,751.7
Stage 2	2,808.3	(85.6)	2,722.7	2,839.8	(88.8)	2,751.0
Stage 3	1,080.2	(520.6)	559.6	956.1	(495.2)	460.9
Debt securities	**1,080.8**	**(0.0)**	**1,080.8**	**1,147.7**	**(0.0)**	**1,147.8**
Stage 1	1,080.8	(0.0)	1,080.8	1,147.8	(0.0)	1,147.8

4.e IMPAIRED OUTSTANDINGS (STAGE 3)

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

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

In millions of euros	30 June 2020			
	Outstanding stage 3			Guarantees received
	Gross	Impairment	Net	
Loans and receivables due from credit institutions (note 4.d)	0.8	(0.2)	0.6	1.9
Loans and receivables due from customers (note 4.d)	1,080.2	(520.6)	559.6	446.1
Total outstanding at amortised cost depreciated (strate 3)	**1,081.0**	**(520.7)**	**560.2**	**448.0**
Funding commitments given	7.2	(0.0)	7.2	0.7
Financial guarantee commitments given	5.0	(2.8)	2.2	1.1
Total depreciated commitments off balance sheet (stage 3)	**12.2**	**(2.8)**	**9.4**	**1.8**
Total	**1,093.3**	**(523.5)**	**569.6**	**449.8**

In millions of euros	31 December 2019			
	Outstanding stage 3			Guarantees received
	Gross	Impairment	Net	
Loans and receivables due from credit institutions (note 4.d)	0.2	(0.2)	-	0.5
Loans and receivables due from customers (note 4.d)	956.1	(495.2)	460.9	385.4
Total outstanding at amortised cost depreciated (strate 3)	**956.3**	**(495.4)**	**460.9**	**385.9**
Funding commitments given	6.2	(0.6)	5.6	0.2
Financial guarantee commitments given	4.6	(3.3)	1.3	0.8
Total depreciated commitments off balance sheet (stage 3)	**10.8**	**(3.9)**	**6.9**	**1.1**
Total	**967.1**	**(499.3)**	**467.8**	**387.0**

4.f LIABILITIES AT AMORTIZED COST DUE TO CREDIT INSTITUTIONS AND CLIENTS

Debts due to clients and credit institutions

In millisons of euros	30 June 2020	31 December 2019
Due to credit institutions	**10,846.5**	**12,058.0**
Demand accounts	622.9	512.7
Interbank borrowings (1)	10,223.6	11,545.2
Due to customers	**32,902.6**	**33,239.7**
Ordinary credit accounts	21,424.1	19,205.1
Savings accounts	6,145.2	6,204.6
Term and assimilated accounts	5,333.4	7,830.0
TOTAL	**43,749.1**	**45,297.7**

(1)Interbank borrowings include term borrowings from central banks.

4.g ISSUED DEBT SECURITIES AND SUBORDINATED DEBT

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

Debts recognized at fair value though profit and loss (note 4.a)

			Non cash changes				
In millions of euros	31 December 2019	Cash flows	Foreign exchangeeffects	Fair value changes	Other changes	Total non cash	30 June 2020
Debt with a maturity of more than 1 year on issue							
Negotiables debt securities	19.5	(11.4)	(0.1)	(0.1)	(0.3)	(0.5)	7.6
Bond issues	7.6	(7.4)	-	0.7	-	0.7	0.9
ISSUED DEBT SECURITIES	**27.1**	**(18.8)**	**(0.1)**	**0.6**	**(0.3)**	**0.2**	**8.5**
Redeemable subordinated debt	86.9	(60.0)	-	(1.1)	(1.7)	(2.8)	24.1
SUBORDINATED DEBT	**86.9**	**(60.0)**	**-**	**(1.1)**	**(1.7)**	**(2.8)**	**24.1**

Debts recognized at amortized cost

			Variations "non cash"				
In millions of euros	31 December 2019	Cash flows	Foreign exchange effects	Fair value changes	Other changes	Total non cash	30 June 2020
Debt with a maturity of less than 1 year on issue							
Titres de créance négociables	650.3	412.7	(17.5)	-	-	(17.5)	1,045.5
Debt with a maturity of more than 1 year on issue							
Negotiables debt securities	25.0	(25.0)	-	-	-	-	-
Bond issues	32.5	(15.8)	(2.8)			(2.8)	13.9
ISSUED DEBT SECURITIES	**707.8**	**371.9**	**(20.3)**	**-**	**-**	**(20.3)**	**1,059.4**
Redeemable subordinated debt	100.0	-	-	-	2.5	2.5	102.5
SUBORDINATED DEBT	**100.0**	**-**	**-**	**-**	**2.5**	**2.5**	**102.5**

4.h CURRENT AND DEFERRED TAXES

In millions of euros	30 June 2020	31 December 2019
Current taxes	24.0	44.2
Deferred taxes	105.6	107.7
CURRENT AND DEFERRED TAX ASSETS	**129.5**	**151.9**
Current taxes	86.8	88.6
Deferred taxes	299.6	304.7
CURRENT AND DEFERRED TAX LIABILITIES	**386.4**	**393.1**

4.i ACCRUED INCOME/EXPENSE AND OTHER ASSETS AND LIABILITIES

In millions of euros	30 June 2020	31 December 2019
Guarantee deposits and bank guarantees paid	1.0	1.0
Collection accounts	39.1	49.0
Accrued income and prepaid expenses	151.8	151.5
Other debtors and miscellaneous assets	747.2	600.8
TOTAL ACCRUED INCOME AND OTHER ASSETS	**939.1**	**802.3**
Guarantee deposits received	227.9	193.7
Collection accounts	68.6	63.0
Accrued expenses and deferred income	294.2	325.3
Lease liabilities	37.5	41.5
Other creditors and miscellaneous liabilities	1,019.7	797.8
TOTAL ACCRUED EXPENSE AND OTHER LIABILITIES	**1,647.8**	**1,421.5**

4.j 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 equity associates In millions of euros	Country	Activity	% interest	30 June 2020	31 December 2019
Associates					
Cardif Lux Vie SA	Luxembourg	Insurance	33.33%	184.6	147.5
BNP Paribas Leasing Solutions SPA	Italy	Leasing	13.09%	15.0	16.7
BNL Leasing SPA	Italy	Leasing	13.09%	25.8	26.1

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

	First half 2020			30 June 2020	First half 2019			31 December 2019
In millions of euros	Share of net income	Share of changes in assets and liabilities recognised directly in equitys	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
Associates [(1)]	**4.0**	**(2.6)**	**1.5**	**231.0**	**11.3**	**16.9**	**28.3**	**194.1**
Cardif Lux Vie SA	6.1	(2.4)	3.7	184.6	11.4	16.5	27.9	147.5
BNP Paribas Leasing Solutions SPA	(1.8)	-	(1.8)	15.0	0.3	(0.0)	0.3	16.7
BNL Leasing SPA	(0.3)	0.0	(0.3)	25.8	(0.4)	0.0	(0.4)	26.1
Others	0.0	(0.2)	(0.2)	5.7	0.0	0.4	0.4	3.7
Total Associates	**4.0**	**(2.6)**	**1.5**	**231.0**	**11.3**	**16.9**	**28.3**	**194.1**

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

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.

In March 2020, the Group participated in the share capital increase of Cardif Lux Vie SA for an amount of EUR 33.3 million.

4.k PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	30 June 2020			31 December 2019		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
INVESTMENT PROPERTY	**321.9**	**(146.2)**	**175.7**	**315.4**	**(141.8)**	**173.6**
Land and buildings	477.2	(211.7)	265.5	473.1	(204.9)	268.2
Equipment, furniture and fixtures	333.8	(260.2)	73.6	329.3	(254.2)	75.1
Plant and equipment leased as lessor under operating leases	683.9	(334.6)	349.3	682.5	(325.7)	356.7
Other property, plant and equipment	78.2	(65.6)	12.6	79.5	(64.5)	15.0
PROPERTY, PLANT AND EQUIPMENT	**1,573.1**	**(872.1)**	**701.0**	**1,564.4**	**(849.3)**	**715.0**
Of which : Right of use of underlying tangible asset	*86.6*	*(49.9)*	*36.7*	*87.8*	*(47.1)*	*40.7*
Purchased software	164.2	(147.6)	16.6	156.3	(144.3)	12.0
Internally developped software	19.4	(9.2)	10.2	13.0	(7.8)	5.2
Other intangible assets	16.5	(7.8)	8.7	27.5	(7.2)	20.3
INTANGIBLE ASSETS	**200.1**	**(164.6)**	**35.4**	**196.8**	**(159.3)**	**37.5**

Investment property

Plots and buildings rented out under operating leases are grouped together under the heading "Investment property".

Intangible assets

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

Depreciation, amortisation and provisions

The net amount of depreciation and amortisation provisions and reversals booked in the first half of 2020 stood at EUR 21.9 million versus EUR 21.8 million in the first half of 2019.

A net reversal of depreciation, amortisation and impairment of property, plant and equipment and intangible assets of EUR 0.1 million was recognised through profit or loss in the first half of 2020, versus net provisions of close to zero in the first half of 2019.

4.l GOODWILL

In millions of euros	30 June 2020	31 December 2019
CARRYING AMOUNT AT START OF PERIOD	**186.8**	**188.1**
Acquisitions	0.4	-
Goodwill	(2.6)	(0.1)
Other movements	-	(1.3)
CARRYING AMOUNT AT END OF PERIOD	**184.6**	**186.8**
of which:		
Gross value	*185.2*	*187.4*
Accumulated impairments recognised at the end of period	*(0.6)*	*(0.6)*

Goodwill is mainly 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.

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

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

This analysis relied in particular on the assumptions underlying economic scenarios involving a “V-shaped” recovery (see section 2.g), which suggest that the profits of the various cash-generating units of the BNP Paribas Group will all be adversely affected to a varying extent before improving in 2021 and 2022. As a result of this analysis, no goodwill impairment was recognised as at 30 June 2020.

4.m PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions for contingencies and charges by nature

In millions of euros	31 December 2019	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Exchange rate movements and other movements	30 June 2020
Provisions for employee benefits	99.9	6.2	(18.4)	2.4	1.3	91.4
Provisions for credit commitments (note 2.g)	17.1	(1.5)	-	-	(0.0)	15.6
Provisions for litigations	30.5	(3.0)	(0.1)	-	(0.0)	27.4
Other provisions for contingencies and charges	29.1	(4.1)	(1.2)	-	0.2	24.0
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	**176.6**	**(2.4)**	**(19.7)**	**2.4**	**1.4**	**158.4**

4.n 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 recognized 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 recognized 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 recognized in the consolidated balance sheet in accrued income or expenses and other assets or liabilities.

In millions of euros, at 30 June 2020	Gross amounts of financial	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
Assets						
Financial instruments at fair value through profit or loss						
Securities portefolio	550.6	-	550.6		-	550.6
Loans and repurchase agreements	100.1	-	100.1	(55.4)	-	44.7
Derivatives (including derivatives used for hedging purposes)	514.1	-	514.1	(123.9)	(170.1)	220.1
Financial assets at amortised cost	41,763.7	-	41,763.7	-	-	41,763.7
Accrued income and other assets	939.1	-	939.1	-	-	939.1
of which: Guarantee deposits given	*1.0*	-	*1.0*	-	-	*1.0*
Other assets not subject to offsetting	11,788.1	-	11,788.1	-	-	11,788.1
TOTAL ASSETS	**55,655.7**	**-**	**55,655.7**	**(179.3)**	**(170.1)**	**55,306.4**

In millions of euros, at 30 June 2020	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
Liabilities						
Financial instruments at fair value through profit or loss						
Deposits and repurchase agreeements	140.6	-	140.6	(55.4)	(85.2)	-
Issued debt securities	32.7	-	32.7	-	-	32.7
Derivatives (including derivatives used for hedging purposes)	133.2	-	133.2	(123.9)	-	9.4
Financial liabilities at amortised cost	43,749.1	-	43,749.1	-	-	43,749.1
Accrued expenses and other liabilities	1,647.8	-	1,647.8	-	(170.1)	1,477.7
of which: Guarantee deposits received	*227.9*	-	*227.9*	-	*(170.1)*	*57.8*
Other liabilities not subject to offsetting	1,881.1	-	1,881.1	-	-	1,881.1
TOTAL LIABILITIES	**47,584.5**	**-**	**47,584.5**	**(179.3)**	**(255.3)**	**47,149.9**

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

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

5. FINANCING AND GUARANTEE COMMITMENTS

5.a FINANCING COMMITMENTS GIVEN OR RECEIVED

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

in millions of euros	30 June 2020	31 December 2019
Financing commitments given		
to credit institutions	**14.2**	**0.9**
to customers	**4,990.6**	**4,774.9**
Confirmed credit lines	4,890.2	4,681.1
Other commitments given to customers	100.4	93.8
TOTAL FINANCING COMMITMENTS GIVEN	**5,004.8**	**4,775.8**
of which: Stage 1	*4,862.4*	*4,637.4*
of which: Stage 2	*135.2*	*132.3*
of which: Stage 3	*7.2*	*6.2*
Financing commitments received		
from credit institutions	920.4	**1,242.8**
TOTAL FINANCING COMMITMENTS RECEIVED	**920.4**	**1,242.8**

5.b GUARANTEE COMMITMENTS GIVEN BY SIGNATURE

In millions of euros	30 June 2020	31 December 2019
Guarantee commitments given		
to credit institutions	**623.6**	**661.6**
to customers	**1,366.7**	**1,342.5**
Sureties provided to tax and other administrative authorities, other sureties	*1,282.5*	*1,261.3*
Other guarantees given to customers	*84.2*	*81.2*
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,990.3**	**2,004.1**
of which: Stage 1	*1,887.0*	*1,913.4*
of which: Stage 2	*98.4*	*86.0*
of which: Stage 3	*5.0*	*4.6*

5.c COMPOSITION OF COLLATERAL POSTED AND RECEIVED

	30 June 2020	
	Collateral used (*)	
In millions of euros	Fair value of collateral received	Fair value of collateral posted
Cash – euro	-	1.0
Cash - other currencies	140.6	55.4
Sovereign debt – euro	92.4	54.4
Equities	53.4	125.4
TOTAL	**286.4**	**236.2**

(*) Securities Financing Transactions (SFTs) : repurchase agreements and securities lending/borrowing transactions

In millions of euros	31 December 2019	
	Collateral used (*)	
	Fair value of collateral received	Fair value of collateral posted
Cash – euro	41.5	8,020.7
Cash - other currencies	72.3	66.4
Sovereign debt – euro	8,112.9	114.7
Equities	62.8	6.6
TOTAL	**8,289.5**	**8,208.5**

(*) Securities Financing Transactions (SFTs) : repurchase agreements and securities lending/borrowing transactions

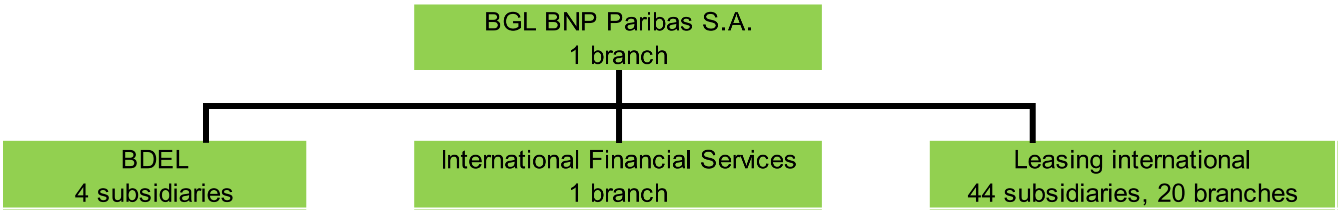
6. ADDITIONAL INFORMATION

6.a CHANGES IN SHARE CAPITAL

There were no transactions with respect to the share capital of BGL BNP Paribas during the first half of 2020.

6.b SCOPE OF CONSOLIDATION

Simplified structure of the Group by core business



List of subsidiaries and branches consolidated in the Group

Name	Country	Activity	30 June 2020			31 December 2019		
			Consolidation method	Group ownership interest	Réf. [1]	Consolidation method	Group ownership interest	Réf. [1]
Consolidating company								
BGL BNP Paribas SA	Luxembourg	Bank						
BGL BNP Paribas (succ. Allemagne)	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 company	IG	100.00%		IG	100.00%	
Visalux S.C	Luxembourg	Financial services	ME	25.34%	-	ME	25.34%	-
Luxhub S.A.	Luxembourg	Financial services	ME	28.00%	E3	-	-	-
Structured entities								
Elimmo SARL	Luxembourg	Real estate interest	-	-	-	IG	66.67%	S3
Leasing international								
All In One Vermietung GmbH	Austria	Leasing	IG	50.00%	-	IG	50.00%	-
Aprolis Finance SA	France	Leasing	IG	25.50%	-	IG	25.50%	-
Artegy SA	France	Leasing	IG	50.00%	-	IG	50.00%	-

Name	Country	Activity	30 June 2020			31 December 2019		
			Consolidation method	Group ownership interest	Réf. [1]	Consolidation method	Group ownership interest	Réf. [1]
BNL Leasing SPA	Italy	Leasing	ME	13.09%	-	ME	13.09%	E3
BNP Paribas Finansal Kiralama AS	Turkey	Leasing	IG	47.74%	-	IG	47.74%	-
BNP Paribas Lease Group (Belgium) SA	Belgium	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group Rentals Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group Sp.z o.o.	Poland	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Group UK PLC	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Groupe (succ. Allemagne)	Germany	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Groupe (succ. Spain)	Spain	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Groupe (succ. Italy)	Italy	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Lease Groupe (succ. Portugal)	Portugal	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions AS	Norw ay	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions IFN	Romania	Leasing	IG	49.97%	-	IG	49.97%	-
BNP Paribas Leasing Solutions Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions NV	Netherlands	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions SA	Luxembourg	Leasing	IG	50.00%	-	IG	50.00%	-
BNP Paribas Leasing Solutions SPA	Italy	Leasing	ME	13.09%	-	ME	13.09%	-
BNP Paribas Leasing Solutions Sw itzerland SA	Sw itzerland	Leasing	IG	50.00%	-	IG	50.00%	-
BNPP 3 Step IT (Anc. Arius SA)	France	Leasing	IG	25.50%	-	IG	25.50%	V2
BNPP 3 STEP IT succ United Kingdom (Anc. Arius succ. United Kingdom)	United Kingdom	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 STEP IT succ. Allemagne (Anc. Arius succ. Allemagne)	Germany	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 STEP IT succ. Belgium (Anc. Arius succ. Belgium)	Belgium	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 STEP IT succ. Italy (Anc. Arius succ. Italy)	Italy	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP 3 STEP IT succ. Netherlands (Anc. Arius succ. Netherlands)	Netherlands	Leasing	IG	25.50%	-	IG	25.50%	E1
BNPP Lease Group GmbH & Co KG	Austria	Leasing	IG	50.00%	-	IG	50.00%	-
BNPP Rental Solutions Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
BNPP Rental Solutions SPA (Anc. Locatrice Italiana SPA)	Italy	Leasing	IG	50.00%	-	IG	50.00%	-
Claas Financial Services (succ. Allemagne)	Germany	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services (succ. Spain)	Spain	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services (succ. Poland)	Poland	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services Ltd	United Kingdon	Leasing	IG	25.50%	-	IG	25.50%	-
Claas Financial Services SA	France	Leasing	IG	25.50%	-	IG	25.50%	-
Class Financial Services (succ. Italy)	Italy	Leasing	IG	25.50%	-	IG	25.50%	-
CMV Mediforce	France	Leasing	_	49.99%	S2	IG	49.99%	-
CNH Industrial Capital Europe (succ. Allemagne)	Germany	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (succ. Belgium)	Belgium	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (succ. Spain)	Spain	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (succ. Italy)	Italy	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe (succ. Poland)	Poland	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe BV	Netherlands	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe GmbH	Austria	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe Ltd	United Kingdom	Leasing	IG	25.05%	-	IG	25.05%	-
CNH Industrial Capital Europe SA	France	Leasing	IG	25.05%	-	IG	25.05%	-
Commercial Vehicle Finance Ltd	United Kingdon	Leasing	IG	50.00%	-	IG	50.00%	-
Folea Grundstucksverw altungs und Vermietungs Gmbh & Co	Germany	Leasing	IG	3.00%	-	IG	3.00%	-
Fortis Lease Belgium SA	Belgium	Leasing	IG	50.00%	-	IG	50.00%	-

Name	Country	Activity	30 June 2020 Consolidation method	30 June 2020 Group ownership interest	30 June 2020 Réf. [1]	31 December 2019 Consolidation method	31 December 2019 Group ownership interest	31 December 2019 Réf. [1]
Fortis Lease Deutschland GmbH	Germany	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease Iberia SA	Spain	Leasing	IG	39.31%	-	IG	39.31%	-
Fortis Lease Portugal SA	Portugal	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease UK Ltd	United Kingdom	Leasing	IG	50.00%	-	IG	50.00%	-
Fortis Lease Zeebrugge SA	Belgium	Leasing	IG	37.50%	-	IG	37.50%	-
Fortis Vastgoed Lease BV	Netherlands	Leasing	IG	50.00%	-	IG	50.00%	-
Heffiq Heftruck Verhuur BV	Netherlands	Leasing	IG	25.02%	-	IG	25.02%	-
JCB Finance (succ. Allemagne)	Germany	Leasing	IG	25.05%	-	IG	25.05%	-
JCB Finance (succ. Italy)	Italy	Leasing	IG	25.05%	-	IG	25.05%	-
JCB Finance Holdings Ltd	United Kingdon	Leasing	IG	25.05%	-	IG	25.05%	-
JCB Finance SA	France	Leasing	IG	25.05%	-	IG	25.05%	-
Manitou Finance Ltd	United Kingdon	Leasing	IG	25.50%	-	IG	25.50%	-
MFF SAS	France	Leasing	IG	25.50%	-	IG	25.50%	-
RD Leasing IFN SA	Romania	Leasing	IG	50.00%	-	IG	50.00%	-
Same Deutz Fahr Finance SA	France	Leasing	IG	50.00%	-	IG	50.00%	-
International Financial Services								
Cardif Lux Vie SA	Luxembourg	Insurance	ME	33.33%		ME	33.33%	
Other activities								
Plagefin SA	Luxembourg	Equity management	-	-	-	-	100.00%	S2/S1

[1] *Changes in the scope of consolidation:*

Entries (E) in the scope of consolidation	Removals (S) from the scope of consolidation
E1 Incorporation	S1 Disposal
E2 Purchase, gain of control or significant influence	S2 Merger
E3 Crossing of threshold as defined by Group	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

Variations (V) of rates
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)*

6.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 6.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 2020	31 December 2019
Shareholders' equity - Minority interests	1,200.7	1,194.6
Dividends paid to minority shareholders	(42.9)	(66.7)
Interim dividend payments to minority shareholders	-	(42.6)

In millions of euros	First half 2020	First half 2019
Net income attributable to minority interests	83.0	67.0

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

In millions of euros	30 June 2020	31 December 2019
Total balance sheet	23,261.9	23,770.3

In millions of euros	First half 2020	First half 2019
Revenues	437.3	417.3
Net income	147.2	116.6
Net income and changes in assets and liabilities recognised directly in equity, attributable to minority interests	48.3	65.0

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 2020, 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 9.9 million on 30 June 2020 compared to EUR 10.2 million on 31 December 2019.

6.d RELATED PARTIES

The parties related to the Group are associated companies, shareholders, 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 officers

At 30 June 2020, loans granted to members of the Board of Directors amounted to EUR 1.4 million (at 31 December 2019 : EUR 1.4 million); loans granted to key officers amounted to EUR 8.0 million (31 December 2019: EUR 9.0 million).

At 30 June 2020, the credit lines granted to members of the Board of Directors amounted to EUR 1.5 million (31 December 2019: EUR 1.9 million); credit lines granted to key officers totalled EUR 9.0 million (at 31 December 2019: EUR 9.9 million).

Relations with other related parties

The tables below summarize 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.

	30 June 2020			31 December 2019		
In millions of euros	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
ASSETS						
Financial instruments at fair value through profit or loss	97.8	204.1	56.5	96.8	123.1	68.6
Derivatives used for hedging purposes	-	276.9	-	-	187.3	-
Financial instruments at fair value through equity	-	-	136.3	-	-	186.2
Financial assets at amortised costs	234.8	6,383.3	441.4	238.1	15,290.7	401.7
Accrued income and other assets	6.6	8.7	141.0	8.5	7.3	99.6
Total	**339.2**	**6,873.0**	**775.1**	**343.4**	**15,608.3**	**756.1**
LIABILITIES						
Financial instruments at fair value through profit or loss	-	39.9	109.3	-	31.4	11.5
Derivatives used for hedging purposes	-	79.7	-	-	45.8	-
Financial liabilities at amortised costs	44.4	9,663.3	215.5	68.5	10,652.5	268.9
Accrued expenses and other liabilities	10.8	25.2	14.3	45.9	29.0	13.8
Total	**55.2**	**9,808.1**	**339.1**	**114.4**	**10,758.7**	**294.2**

Related-party balance sheet items:

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 2020			31 December 2019		
In millions of euros	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Onter BNP Paribas entities
FINANCING AND GUARANTEE COMMITMENTS						
Financing commitments given	-	6.5	0.1	-	-	0.1
Financing commitments received	-	334.0	7.3	-	425.8	7.2
Guarantee commitments given	7.0	325.6	259.6	4.8	348.5	192.5
Guarantee commitments received	376.5	184.6	27.7	363.6	172.5	37.3

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 2020			First half 2019		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
Interest and similar income	2.3	92.7	11.1	2.4	92.2	9.7
Interest and similar expense	-	(70.0)	(7.3)	(0.0)	(61.0)	(3.7)
Commission (income)	4.8	8.8	9.8	5.0	1.4	10.0
Commission (expense)	(1.9)	(4.0)	(4.3)	(1.9)	(3.2)	(4.0)
Gains (losses) on financial instruments at fair value through profit or loss	-	57.4	0.5	0.0	66.7	(0.1)
Income (expenses) from other activities	(12.4)	0.0	20.2	(15.0)	(0.0)	27.1
TOTAL	**(7.3)**	**84.9**	**30.1**	**(9.5)**	**96.2**	**39.2**

6.e FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

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

- These fair values are an estimate of the value of the relevant instruments as of 30 June 2020. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amount actually received or paid on maturity of the instrument. In most cases, this 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 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 client relationshipswith 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 2020	Estmated fair value				Balance sheet value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables (1)	-	7,681.6	18,977.2	26,658.8	26,386.8
Debt securities at amortised cost (note 4.d)	1,141.3	11.3	-	1,152.5	1,080.8
FINANCIAL LIABILITIES					
Deposits and borrowings	-	43,757.7	-	43,757.7	43,749.1
Issued debt securities (note 4.g)	-	1,059.4	-	1,059.4	1,059.4
Subordinated debt (note 4.g)	-	102.5	-	102.5	102.5

(1)Excluding lease financing

In millions of euros, at 31 December 2019	Estimated fair value Level 1	Level 2	Level 3	Total	Balance sheet value
FINANCIAL ASSETS					
Loans and receivables (1)	-	16,175.9	19,151.2	35,327.0	35,046.5
Debt securities at amortised cost (note 4.d)	1,165.6	62.4	-	1,227.9	1,147.8
FINANCIAL LIABILITIES					
Deposits and borrowings	-	45,302.3	-	45,302.3	45,297.7
Issued debt securities (note 4.g)	-	707.8	-	707.8	707.8
Subordinated debt (note 4.g)	-	100.0	-	100.0	100.0

The valuation techniques and assumptions used ensure that the fair value of financial assets and liabilities carried at amortized 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 debt securities at amortized cost 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 debt securities at amortized cost 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 clients, which are classified in Level 3. Where fair value cannot be determined, the amortized cost is used.

6.f CONTINGENT LIABILITIES: LEGAL PROCEEDINGS AND ARBITRATION

Like any other financial institution, the Group is involved as defendant in various claims, disputes and legal proceedings, arising in the ordinary course of the banking and insurance business.

The Group makes provisions for such matters when, in the opinion of management and upon consultation with its legal advisors, it is probable that a payment will have to be made by the Group, and when the amount can be reasonably estimated (see note 4.m "Provisions for contingencies and charges").

In respect of further claims and legal proceedings against the Group of which management is aware (and which, according to the principles outlined above, have not been provided for), it is the opinion of management, after due consideration of appropriate professional advice, that such claims are without merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Group's consolidated financial statements.

After the acquisition and merger of ABN AMRO Bank (Luxembourg) S.A. in H2 2018, the bank absorbed ABN AMRO Bank (Luxembourg) S.A.'s custody operations. In the context of these operations, one fund, for which ABN AMRO Bank (Luxembourg) S.A. acted as custodian between 19 April 2012 and 31 March 2015, issued BGL BNP Paribas with court summons dated 18 December 2019 and 19 June 2020. At this stage, no provision has been set aside with respect to this case, but the bank has decided to protect its interests in this process by exercising the liability guarantee agreed as part of the acquisition.

Moreover, the bank has decided to wind up these operations and has been obliged to terminate custody contracts and the associated banking relationships. As at 30 June 2020, no legal case had been brought against the bank following these measures.

6.g 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 has been capitalized through the payment of afirst tranche of 0.8% of the amount of guaranteed deposits with Luxembourg credit institutions and investment firms.

The target of 0.8% was reached at 31 December 2018. In accordance with Article 163 (8) of the Act, credit institutions and investment firms will henceforth 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 took into account the tranche relating to the 2020 financial year for an amount of

EUR 5.8 million (versus EUR 4.3 million in 2019).

6.h EVENTS AFTER THE REPORTING PERIOD

At the Statutory General Meeting held on 2 April 2020, profits were allocated on the basis of recommendation ECB/2020/19 of the European Central Bank (ECB) of 27 March 2020, relating to the COVID-19 health crisis. The shareholders decided that another general meeting would be held to discuss this point in the event of further recommendations from the ECB.

On 27 July 2020, the ECB issued recommendation ECB/2020/35 on dividend distributions during the COVID-19 pandemic, according to which, "I.1 The ECB recommends that until 1 January 2021 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by credit institutions for the financial years 2019 and 2020 [...]".

In light of the foregoing and in the context of the European authority's recommendations, the Board of Directors of BGL BNP Paribas met on 9 September 2020 to convene another general meeting on 30 September 2020 and thereby allow shareholders the final say on the allocation of profits for the 2019 financial year.