

**Fortis Bank NV/SA**

# Annual Report 2011



# Introduction

The Fortis Bank Annual Report 2011 contains both the audited Consolidated and the Non-consolidated Financial Statements, preceded by the Report of the Board of Directors, the Statement of the Board of Directors and a section on Corporate Governance including the composition of the Board of Directors. The audited Fortis Bank Consolidated Financial Statements 2011, with comparative figures for 2010, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are followed by the audited Non-consolidated Financial Statements 2011 of Fortis Bank SA/NV, prepared based on the rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

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

*Fortis Bank SA/NV is the legal name of the company. The commercial activities in Belgium are performed under the brand name BNP Paribas Fortis.*

*Fortis Bank refers in the Consolidated Financial Statements to Fortis Bank SA/NV consolidated situation unless stated otherwise. Fortis Bank refers in the Non-Consolidated Financial Statements to Fortis Bank SA/NV non-consolidated situation, unless stated otherwise.*

*Following the restructuring of Fortis, 'Fortis SA/NV' and 'Fortis NV' are currently renamed to 'Ageas SA/NV' and 'Ageas NV', both referred to as Ageas.*

*All information in the Fortis Bank Annual Report 2011 is related to the Fortis Bank statutory consolidated and non-consolidated financial statements and does not cover the contribution of Fortis Bank to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website : [www.bnpparibas.com](http://www.bnpparibas.com).*

*The Fortis Bank Annual Report 2011 is available on the website : [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)*

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# **Fortis Bank Consolidated Annual Report 2011**

# Report of the Board of Directors

## A word from the Chairman and the CEO

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In the face of challenging economic and regulatory conditions, Fortis Bank's core activity remained successful in 2011. A strong commercial and operational performance enabled us to secure our leading market position in our domestic markets Belgium and Luxembourg. The Retail Banking arm delivered a good performance, while Corporate and Investment Banking remained resilient in the context of an adverse market climate.

Our customers remain our number one priority and our ambition is to be their preferred partner in achieving their goals. In 2011, we made further improvements to our product offering and also broadened our distribution channels. We take pride in the fact that, despite the tough environment, we are there for our clients and the communities in which we operate. We would like to thank our customers for the confidence they have placed in us.

2011 net income was severely impacted by the deteriorating conditions on the markets, especially the deepening European sovereign debt crisis, which led to a significant impairment on our exposure to Greek sovereign bonds.

There were significantly fewer investment/divestment operations in 2011 compared to 2010, when we made the bulk of the planned transactions to de-risk the balance sheet. The two most important operations during 2011 were the merger of Fortis Bank Turkey with Türk Ekonomi Bankasi (TEB) and the acquisition of Fortis Commercial Finance (FCF).

2011 was also a key year for the ongoing integration with BNP Paribas. Many systems are already fully integrated and synergies have exceeded our original targets. Fortis Bank achieved this successful integration and even hired 2,700 new employees over the last two years.

The high pace of regulatory changes showed no signs of slowing in 2011. It is clear that new regulation such as the set out under Basel III will have a material impact on the banking sector's profitability and its ability to finance the economy in the long term through liquidity transformation. Fortis Bank is taking pro-active measures to comply with the new regulatory requirements and we are engaging in prudent solvency and liquidity management to ensure that the Bank is prepared for the regulatory challenge. Fortis Bank ended the year with a strong Tier 1 capital ratio of 16.5% and a favorable loan-to-deposit ratio of 101.4%.

The outstanding efforts of our staff will enable the Bank to weather the economic storm and emerge stronger. We would like to take this opportunity to express our gratitude to our 34,000 employees for their continued commitment to the development of the Bank.

In view of the uncertain outlook for 2012, we have taken the necessary actions to respond to the tougher operating environment. This puts Fortis Bank in a good position to continue to play its vital role as a partner helping clients to achieve their goals and aspirations. In addition, the Bank will continue to engage with society at large through the BNP Paribas Fortis Foundation, our various Corporate Social Responsibility (CSR)-initiatives, and through such partnerships as the microStart project, which finances and supports people who are keen to be self-employed but do not have access to traditional banking facilities.

Maxime Jadot  
Chief Executive Officer (CEO)

Herman Daems  
Chairman Board of Directors

## Good performance in an increasingly challenging market

### Context

From a macro-economic point of view, 2011 showed two distinct faces. The first half of the year continued to be characterised by a strengthening recovery following the deep recession of 2008. The Belgian economy, which had posted growth of 2.3% in 2010, grew by an annualised 2.5% in first-half 2011, the best performance in years. However, the economy cooled off sharply in the second half. Impacted by an escalating financial crisis in the euro zone and a political crisis in the United States, confidence among businesses, consumers and investors ebbed away. Belgian GDP growth turned negative in the third quarter, which heralded the start of a new recession, that promised however to be somewhat less severe than in 2008-09. Meanwhile, inflation in the euro zone kept rising, exceeding the target set by the European Central Bank (ECB). Belgium's inflation rate averaged 3.5% over the year and was thus, for the second year running, notably higher than in the rest of the euro zone, where inflation averaged 2.7%.

The financial markets were marked in 2011 by the crisis unfolding in the euro zone. After Greece and Ireland obtained rescue packages, Portugal became the third country to have to call on the European Financial Stability Facility (EFSF) and the IMF for support. Meanwhile, the adequacy of the 'firepower' of this European emergency fund was called into question when the Italian and Spanish bond rates rose to around 7%. Belgium too came under scrutiny when the long process of forming a new government dragged on, leading to some disquiet over the financial situation of the country, so that Standard & Poor's ratings agency decided to downgrade the country's credit rating from AA+ to AA. When finally a budget was agreed for 2012, tensions surrounding Belgian interest rates eased somewhat but at the end of 2011 the interest rate spread compared to Germany and the other leading European countries was still considerably wider than at the start of the year. The differential between the rates on 10-year bonds issued by Belgium and Germany, which stood at some 100 basis points at the beginning of the year, had soared to as high as 230 basis points by end December 2011.

The ECB has played an important role in battling the crisis. To keep inflation under control, the ECB raised its leading interest rate in April 2011 from 1.0% to 1.5% in two stages. However, in the light of the worsening situation in the economy and on the financial markets in the second half of the year, the ECB was forced to reverse that decision and towards the end of the year, the interest rate once again stood at 1%. The ECB has also been providing liquidity support to banks and buying sovereign bonds, thereby relieving part of the financial stress. The first-ever 3-year liquidity operation by the ECB (long-term refinancing operation or LTRO) was an unqualified success. Banks bid for almost EUR 500 billion, making this the largest-ever single refinancing operation in the ECB's history. However, the health of the European financial sector in general and the flow of credit in particular depend largely on fixing the Euro sovereign debt crisis. As long as the financial markets have doubts about the solvency of particular countries and the quality of their debt paper, the outlook for the financial sector will remain depressed.

The operating environment in 2011 was unfavourable for the banking sector. Falling prices of European sovereign bonds led to significant write-downs, while at the same time, regulatory capital requirements were toughening. In June, the European Banking Authority (EBA) ran a series of stress tests, followed just a few months later by a stricter test, implying a total need for new capital among the European banking sector estimated at 115 billion euro. Given the challenging market conditions, which virtually rules out raising this amount from private capital sources, banks are currently in the process of divesting their non-core activities, often in markets outside of the home market, putting pressure on the financial systems of these markets. On top of this, governments are looking to obtain a greater tax contribution from banks in order to limit their budget deficits. All these elements are reducing the profitability of banks.

Despite the challenging operating environment for Belgian banks, lending to the private sector has remained unaffected. Lending to households, which had risen 3.2% in 2010, was up a further 6.9% in 2011, while the rate of growth in loans to businesses rose from 1.6% in 2010 to 4.2%. The fact that Belgium has one of the lowest loan-to-deposit ratios in the euro zone reduces the likelihood of a credit crunch in Belgium, compared to some other European countries.

## Fortis Bank

The combination of the volatility on the financial markets, the Euro sovereign debt crisis and the expected impact of the changes in the regulatory framework created a challenging operating environment in 2011. Against this background, Fortis Bank recorded a good operating performance, with the second half of the year significantly more difficult, due to rapidly deteriorating market conditions and increasing risk-aversion among clients. The results of the year and the evolutions in the balance sheet are commented on dedicated sections later in this report.

Liquidity remained satisfactory throughout the whole of 2011 and Fortis Bank's solvency, based on simulations and validated by the competent authorities, is in a good starting position to meet the new Basel III standards.

In a drive to boost efficiency, 2011 saw various programmes launched with the aim of bringing both operating and staff expenses under control. The action plan ('Initiative 2014') calls for ongoing cost reductions amounting to 200 million euro per annum by 2014. The relevant measures are being phased in, in cooperation with all stakeholders. Accordingly, an agreement was reached with the social partners, which introduces a new compensation model ('new reward model') together with an employment guarantee until 2016 and a commitment not to engage in large-scale outsourcing. Under the new reward model, the compensation policy will take into account sustainability criteria, including increasing diversity and reducing the Bank's environmental footprint. Efficiency measures in both the supporting functions and the business lines will be implemented over the next few years.

## Integration with BNP Paribas going according to plan

The integration with BNP Paribas is proceeding according to plan and generating more synergies than forecast in the revised plan announced in February 2011. At the end of the year cumulative synergies amounted to 1,127 million euro (529 million euro of which was realised in 2011 alone), almost double the 600 million euro forecast in 2009 in the initial plan, and one year in advance of the revised plan. The synergy objective has consequently been revised upwards by 300 million euro to 1.5 billion euro by end 2012.

In addition, by end-2011, more than 1,200 jobs had been created in the European Competence and Services Centres set up in Belgium under the integration plan.

Among the projects carried out last year as part of the integration process were:

- the development of four Competence Centres: Corporate & Transaction Banking Europe, Global Trade Services, Global Cash Management and Factoring are now well-established and key components of the Group set-up, based in Brussels
- the extension of multi-channel banking services, including inter alia mobile banking and improvement in the telephone availability of advisors in the Belgian retail branch network
- the completion of network transformation in Belgium (rebranding of branches) and creation of Private Banking Centres throughout the country
- new Factoring services offering following the purchase of Fortis Commercial Finance
- the set-up of Cash Management in Belgium and the strengthening of links with Corporate & Investment Banking (e.g. Fixed Income platform in Brussels)
- the integration of activities of the Belgian branch of BNP Paribas into BNP Paribas Fortis
- the launch of a multi-channel project in BNP Paribas Bank Polska and the strengthening of cooperation between Retail and CIB activities
- the integration and rationalisation of the branch network in Turkey, following the merger of Fortis Bank Turkey with TEB
- the roll-out of 673 releases related to new IT systems and upgrades
- the successful set-up, migration and integration of organisational and client databases
- connection to Group systems for functions such as financial consolidation and management accounting, access to the SWIFT network and the Group intranet
- the delivery of solutions for the Group by the Competence and Services Centres, such as the internet banking platform for BNP Paribas in France and a security monitoring centre.

## Strong focus on customer satisfaction

Every year, BNP Paribas Fortis has some 270 million unique contacts with clients through all the various channels. In June 2011 BNP Paribas Fortis signed up to the Belgian 'Customer Satisfaction Charter'. In signing the charter, the Bank demonstrates its intention to place more emphasis on the importance of customer satisfaction, the efficient handling of customer complaints and the Bank's availability and approachability via the various channels.

BNP Paribas Fortis launched new initiatives designed to improve the level of Customer Satisfaction with the overall service. The bank set out five promises to clients: 'We are a bank that listens, that is accessible, that gives clear information, that shares clients' ideas, and that really cares'. Customers have shown great appreciation for these promises, which pervade the organisation at all levels. During 2011, satisfaction scores continued to rise related to the Bank's Belgian operations for both retail and corporate clients.

In recognition of its efforts, BNP Paribas Fortis received in 2011 the 'Bank of the Year' country award from The Banker and Euromoney's 'Best Bank' award.

## Engaged Bank Platform

In 2011, BNP Paribas Fortis clearly formulated its ambition, as a responsible and engaged bank, to contribute to the sustainable development of our society and our economy.

Within the company, we have taken initiatives in various areas:

- Ethical Corporate Governance, by distributing codes of conduct for employees
- Sustainable HR Management with particular attention to equality and diversity and staff retention
- Responsible financial products and services through inter alia the establishment of a number of sector policies governing certain environmentally sensitive operations and the Retail's Bank's signing of the Belgian Customer Satisfaction Charter
- Corporate Environment Management, by reducing Bank-wide CO<sub>2</sub> emissions and paper consumption and by improving selective waste management.

Moreover, BNP Paribas Fortis has a long tradition of supporting cultural and social projects through inter alia the work of the BNP Paribas Fortis Foundation. Especially noteworthy here is the creation in 2011 of microStart, a joint venture between BNP Paribas Fortis, the European Investment Fund and microfinance institution ADIE. The key objective is to provide micro-loans to people from less privileged backgrounds who are keen to set up small business of their own without however being able to make use of traditional bank finance formulae. In 2011, two microStart branches opened in the Brussels Region, granting 100 loans totalling EUR 500,000 during the year.

## Changes to the consolidation perimeter of Fortis Bank SA/NV

Changes to the consolidation perimeter of Fortis Bank SA/NV include inter alia the merger of Fortis Bank Turkey with TEB concluded in early 2011. Under the new structure, Fortis Bank SA/NV holds, via the Special Purpose Vehicle BNP Paribas Fortis Yatirimlar Holding A.Ş., a direct 17.08% stake in TEB and a 50% share of TEB Mali Yatirimlar A.Ş., a joint venture with the Colakoglu Group, which holds 55% of TEB's share capital. The newly-merged entity is the ninth-biggest bank in Turkey on total assets, with 602 branches, 9,300 employees, 3 million individual customers and 500,000 company clients, including both Corporates and SMEs.

In 2011, BNP Paribas Fortis acquired from ABN AMRO the entire international network of Fortis Commercial Finance (FCF), apart from the Netherlands-based business. FCF is a leading factoring company with an extensive commercial network in 12 countries across Europe and Asia: Belgium, Luxembourg, France, Germany, Sweden, Denmark, United Kingdom, Spain, Italy, Poland, Turkey and Hong Kong. The acquired parts of the FCF network in Belgium and the other countries will be joining the BNP Paribas factoring network which, following the takeover, serves BNP Paribas clients in 14 countries. FCF's 500 employees will strengthen the Group's factoring network, helping to expand and enhance the quality of the factoring services offer in Belgium, the other countries in which BNP Paribas Fortis does business, plus six new countries – the UK, Poland, Germany, Denmark, Luxembourg and Hong Kong.

More information about the changes in the consolidation scope is included in note 8.a 'Scope of Consolidation' and Note 8.b 'Business combinations'.

## Dividend

The Board of Directors of Fortis Bank SA/NV will propose to the Annual General Meeting of shareholders in April 2012 a gross dividend of EUR 0.43 per share over the year 2011.

The remainder of this section - Core Businesses - contains a description of the activities of each of the BNP Paribas Fortis business lines. The following chapters will then complement this description with details of the consolidated financial results for 2011.

## Core Businesses

### BNP Paribas Fortis

In Belgium, Fortis Bank conducts business under the commercial name BNP Paribas Fortis. This covers both the Retail Banking and the Corporate & Investment Banking activities of the BNP Paribas Group in Belgium. The Bank employs a total of 16,990 people in Belgium.

#### Retail Belgium

The retail activities of BNP Paribas Fortis consists of banking services for individuals, SMEs, corporates, local institutions and not-for-profit organisations. Retail Belgium is run through two networks following a segmented business approach: Retail & Private Banking Belgium and Corporate & Public Banking Belgium.

#### Retail & Private Banking Belgium

In Retail & Private Banking (RPB), BNP Paribas Fortis occupies a leadership position in Belgium, with more than 9,000 employees serving 3.7 million clients (one third of the Belgian population) and strong positions in all banking products. Retail clients are reached by means of a multi-channel distribution strategy. The sales network includes 983 branches, complemented by 308 franchises under the Fintro brand and 681 points of sale under a 50/50 joint venture with Banque de La Poste. Alternative channels include a network of 3,952 ATMs, non-cash bank transfer machines and bank statement printers, online banking facilities (1.2 million active users), mobile banking and phone banking. The long-term partnership with AG Insurance scheduled to run until 2020 leverages the distribution power of the Retail network and builds on the experience gained in bancassurance over the years.

A Customer Relationship Management (CRM) platform enable the deployment of real-time information on 'key moments in the life of the customer' across all channels.

With 38 Private Banking centres, BNP Paribas Fortis is a major player in the Belgian private banking market. Individuals with assets of more than EUR 250,000 are eligible for private banking services, creating a large customer base for investment purposes. Wealth Management caters to clients with potential assets of more than EUR 4 million. These clients benefit from a dedicated service model and are primarily served via two Wealth Management centres located in Antwerp and Brussels.

In 2011, Retail & Private Banking continued to provide support to the Belgian economy through a successful credit policy. Lending to self-employed and professional clients and businesses on the one hand and to individual customers on the other experienced steady growth. Noteworthy in terms of lending to individual clients was the interest in 'green loans' for house building and renovations. The Bank also saw a significant increase in business in the consumer credit segment, thanks to the launch of a customer-focused 'responsible lending' credit policy.

The extremely volatile situation on the financial markets during the second half of the year had a significant impact on client attitudes, showing a distinct preference for security. The Bank responded to this need with a widely differentiated range of savings and investment products and an approach firmly geared to each customer's individual situation under the heading 'savings and investments tailored to your needs'.

The Bank's ongoing efforts to improve customer satisfaction found their reward. During 2011 satisfaction scores at RPB continued to rise, with a number of awareness campaigns conducted both at the branches and in the support services contributing to this improvement.

In addition, the new launch of the 'key moments in the life of the customer' campaign created the opportunity to provide solutions that fully meet the needs of the client and thus help to ensure satisfaction.

The Bank took further steps in expanding the multi-channel approach. Improvements were made in accessibility by telephone through the provision of direct lines for advisers and staff at the Central Customer Department, which, coupled with extended opening hours and a guaranteed answer rate of over 90%, helped to provide clients with an even better service. The number of ATMs was also increased and a considerable number of them are specially equipped for use by visually impaired clients.

Among online services, PC banking has now become a truly comprehensive channel for all customer needs - not only for carrying out routine transactions and checking information but also for obtaining advice on and signing up to bank services, resulting in extremely high customer satisfaction scores. The launch of a new, improved website includes recordings of key moments and news items presented in a visually impressive format and dynamic content. Mobile banking saw an increasing number of users as well.

In addition, the new CRM infrastructure was further developed, enabling all channels to be fed with real-time information on the current situation and needs of each and every individual client. During the year, the roll-out of new workstation software began at the branches, key aims being smoother booking of customer appointments via all channels and providing high-quality support for client contacts.

Meanwhile, the roll-out of the Private Banking business model is going full-steam ahead. The updated product range - including the addition of a 'Wealth Agreement' - has been well received by the clients. The ongoing investment in enhancing the skills of the Private Banking team continued with inter alia an intensive training programme for the 'Certified Private Banker' qualification.

## Corporate & Public Banking, Belgium

Corporate & Public Banking Belgium (CPBB) offers a comprehensive range of local and international financial services to Belgian enterprises, public entities and local authorities. With more than 650 corporate clients and 14,200 midcap clients, CPBB is the market leader in both these categories and a strong challenger in public banking (850 clients). The offering includes domestic banking products, specialised financial skills, and securities, insurance, real estate services, trade services, cash management, factoring and leasing services, plus mergers & acquisitions and capital markets activities. A central team of more than 70 corporate bankers, 217 relationship managers at 22 business centres, as well as skills officers, ensure that BNP Paribas Fortis is close to the market. Combined with the European network of business centres, managed via Corporate and Investment Banking, CPBB is able to offer unified commercial services to its Belgian clients both locally and abroad.

CPBB endeavours to build on its long-term client relationships, in which it aspires to understand clients' strategic priorities and long-term goals.

CPBB Relationship Managers think alongside their clients to identify key moments, proactively providing solutions, swiftly resolving banking matters and suggesting new ideas and potential improvements to clients' daily operations.

Many clients of Corporate & Public Banking Belgium took advantage during 2011 of the low interest rates to refinance their existing debts on more favourable terms, especially during the first half of the year.

A number of clients, taking advantage of the proactive advice provided by CPBB Relationship Managers, decided to hedge their interest rate risks by buying interest-rate derivatives.

In the Large Corporates segment, 2011 saw a rising trend towards disintermediation, with companies deciding to issue bonds and use private placements, transactions in which BNP Paribas Fortis played a leading role. During the year, many companies also increased their efforts to optimise their working capital, making use of BNP Paribas Fortis' attractive cash management services offer at both domestic and international level.

On the international front, closer links between Corporate & Public Banking Belgium, the other three domestic markets of the BNP Paribas Group (France, Italy and Luxembourg), and the rest of the network has enabled CPBB to bring on board a considerable number of new clients within the BNP Paribas Group.

### Corporate & Investment Banking

BNP Paribas Fortis Corporate & Investment Banking (CIB) offers its clients in Belgium and across Europe full access to the BNP Paribas CIB product portfolio.

BNP Paribas Fortis CIB consists of six business lines: Capital Markets, Structured Finance, Corporate & Transaction Banking Europe, Corporate Finance & Equity Capital Markets, Institutional Banking and Private Equity.

Capital Markets, a Brussels-based platform, offers the comprehensive product range of BNP Paribas. In Fixed Income, Capital Markets serves mainly Belgian clients, but also European Corporates. In Equity Derivatives, the focus is on serving Belgian clients.

Structured Finance groups the activities of Corporate Acquisition Finance, Leveraged Finance, Export Finance, Project Finance and Loan Syndication. A regional platform is set up in Brussels to serve clients in the Benelux countries, Northern & Central Europe and Turkey.

Corporate & Transaction Banking Europe (CTBE) is an integrated banking network focused in particular on servicing subsidiaries of BNP Paribas clients in 16 non-domestic countries in Europe. CTBE delivers daily banking products and services (vanilla loans, cash management, trade services, flow-hedging products and, when available, leasing, factoring and investment solutions products) in 16 non-domestic countries in Europe, through a network of more than 30 business centres which ensure close proximity with the clients. CTBE operates in close collaboration with two competence centres based in Belgium, which operate on behalf of the entire BNP Paribas group: Cash Management and Global Trade Solutions. Cash Management provides companies with liquidity management services, in line with the increasing requirement from corporates for comprehensive, homogeneous solutions at European level (e.g. SEPA solutions, cash pooling and payment factories). Global Trade Solutions assists companies in their international trading activities, providing inter alia international guarantees for commercial agreements between parties in different countries.

Corporate Finance is active in Mergers & Acquisitions Advisory and in Equity Capital Markets. Corporate Finance focuses on clients in Belgium and Luxembourg.

Institutional Banking is responsible for relationship management with financial institutions, promoting flow banking and plain vanilla products.

Private Equity continues to support the Belgian economy by investing in capital assets and mezzanine finance, thus enabling BNP Paribas Fortis to support its clients in their external development.

### Notable deals concluded in 2011

- Private placement of EUR 145 million and additional financing of EUR 75 million for Aquafin through a series of private investments based on a non-bank loan agreement, in addition to conventional OLO financing
- Coordinator and joint bookrunner for a EUR 500 million 7-year institutional bond for Belgacom and structuring advisor and deal manager for a cash tender on a bond buyback of EUR 398.9 million
- Global coordinator and mandated lead arranger of a EUR 325 million revolving credit facility for the Belgian lime products manufacturer Carmeuse and joint bookrunner for a new USD 450 million 6.875% high-yield bond
- A EUR 600 million syndicated credit facility was successfully completed and signed on behalf of leading Belgian-based retailer Delhaize Group; BNP Paribas Fortis acted as sole active bookrunner, sole coordinator, documentation agent and facility agent for the facility, thanks to the long-standing core relationship between BNP Paribas Fortis, plus the leading position occupied by BNP Paribas in the syndication league tables in the euro syndicated market
- BNP Paribas Fortis was sole global coordinator and sole bookrunner for an up to EUR 84 million 5-year convertible bond for Econocom, the European leader in business-to-business IT and telecoms infrastructure management.



- BNP Paribas Fortis acted as underwriter, bookrunner and mandated lead arranger for a EUR 1.3 billion acquisition and refinancing facilities for Etex Group, an industrial enterprise producing and selling high-quality building materials and systems, which has become one of the main plasterboard manufacturers in Europe following the acquisition of the European plasterboard division of Lafarge
- BNP Paribas Fortis acted as sole mandated lead arranger, bookrunner, documentation agent and facility agent for a EUR 210 million syndication for Magotteaux, a world leader in solutions for material size reduction (crushing, grinding and shredding equipment) whose clients consist mainly of mining, dredging and recycling companies and power stations
- Joint bookrunner for a EUR 500 million 6-year benchmark bond for the Fédération Bruxelles-Wallonie
- Mandated lead arranger and coordinating bank for EUR 450 million credit facilities to finance the construction of Russia's largest integrated PVC plant, a Solvay & Sibur joint venture
- Bookrunner and mandated lead arranger for the amendment, restatement and extension of an existing EUR 1 billion revolving credit facility for the global biopharmaceutical company UCB, and also joint bookrunner for a EUR 300 million bond issue.

BNP Paribas Fortis was named 'No.1 Bond Finance House 2011' by NYSE Euronext in recognition of its leading role in corporate bond issuance on behalf of Belgian and Luxembourg clients. During 2011, BNP Paribas Fortis confirmed its position as the number one player on the domestic market, acting as lead manager on all but one of the corporate and public sector bond issues targeted at individual investors in Belgium and Luxembourg during the year.

## BGL BNP Paribas

The year 2011 was noteworthy for the attainment of the objectives set out in the Industrial Plan. This major step towards completing the integration of BGL BNP Paribas and BNP Paribas Luxembourg has strengthened the advantages BGL BNP Paribas enjoys in the Luxembourg market. BGL BNP Paribas was awarded the title of 'Socially Responsible Company' by the INDR (National Institute for Sustainable Development and Corporate Social Responsibility) and was named 'Bank of the Year' by the international magazine *The Banker*.

In Luxembourg, BGL BNP Paribas is ranked:

- N° 1 in Corporate Banking
- N° 2 in Retail Banking
- N° 1 employer in the financial sector
- N° 1 in banking activity in the 'Grande Région' cross-border cooperation area

All three of the BNP Paribas group's core activities - Retail Banking, Investment Solutions and Corporate and Investment Banking - are represented at BGL BNP Paribas. The Bank employs a total of 2,540 people.

### Retail Banking

Retail Banking in Luxembourg offers a wide range of financial products and services to its individual, professional and corporate customers through its network of 38 branches. BGL BNP Paribas is the number two bank in the Grand Duchy of Luxembourg for resident individuals (223,000 customers, a 16% market share). It is the number one bank for corporates (36,000 clients, a 38% market share).

2011 was a year of growth in multi-channel banking, with a new customer relations strategy and a new work tool. The opening of the Europe branch, developed in line with an innovative concept using the very latest technology in order to ensure close client-focus, encapsulates all the strengths and advantages of multi-channel banking.

Customer confidence has returned. This was confirmed in 2011, when market share stabilised. As far as banking activity for corporates is concerned greater collaboration with BNP Paribas group entities in bordering countries led to a simplified process for opening accounts and joint campaigns for client prospecting.

## Investment Solutions

BGL BNP Paribas Wealth Management aims to serve both native Luxembourg and international clients. The multilingual teams are organised on a market basis, enabling customers to benefit from a range of services suitable to their needs, including expert support in managing their private wealth.

The organisational changes in the branch network led to the opening of six new private banking centres across Luxembourg. Every high net worth resident client has his/her designated personal advisor, offering a comprehensive Wealth Management service ranging from day-to-day banking operations to project financing, asset structuring and financial investments.

In addition, a growth strategy vis-à-vis international clients is being pursued with a sophisticated and innovative product offering drawing on synergies and cooperation with all the Group's business lines.

Under the BNP Paribas Personal Investors brand, BGL BNP Paribas runs a service that specialises in offering advice and wealth management for active investors. A diversified approach ensures that clients may obtain advice over the telephone or via internet, but equally may speak to their advisor face-to-face if they so wish. The Personal Investors service is ranked number one in online savings and brokerage in Continental Europe.

## Corporate and Investment Banking

The Corporate and Investment Banking division offers services linked to the stock markets and money markets, brokerage services, investment banking services, structured finance, hedging strategies for corporates, as well as active and passive portfolio management. CIB customers are for the most part financial institutions domiciled in the Grand Duchy.

## BNP Paribas Bank Polska SA

The former Fortis Bank Polska SA has been operating under the BNP Paribas brand since 29 April 2011. The adoption of a new name and brand did not entail any changes to the Bank's capital structure nor has it caused any changes in its relations with customers.

BNP Paribas Bank Polska SA encompasses the Group's retail activities in Poland. The Bank is organised along the following business lines: Retail Banking (including Wealth Management and SMEs), Personal Finance and Corporate & Transaction Banking.

BNP Paribas Bank Polska SA has a network of 227 branches and 2,700 employees, with almost 400,000 customers, most of whom are in the Bank's Retail banking segment.

In a market characterised by intense competition, BNP Paribas Bank Polska has continued to carry out the transformation of its business model with strong focus on improving its risk profile and developing its client base in specific segments. This has materialised in a decrease in the cost of risk during 2011, accompanied by a rise in the number of clients.

The product offering for individual customers has been developed to cater for the needs of the three segments targeted by the Bank, i.e. Aspiring, Mass Affluent and Affluent. The Bank serves its clients through the branch network, internet, a call centre and external channels (car dealers, insurance companies and financial brokers). In addition to products and services available to individual customers of the Bank, in the Wealth Management segment, the Bank provides integrated asset management services and solutions for affluent private individuals. Private Banking customers are also given access to services and products offered by the international BNP Paribas network.

Following new market trends, BNP Paribas Bank Polska created a new branch concept (NBC) which is more appealing to customers as well as more ergonomic for staff, thanks to new functionalities and state-of-the-art solutions, developed with customers and employee care in mind. Since July, BNP Paribas Bank Polska has opened 12 NBC branches in the main cities and will continue to do so in the coming years while, at the same time, upgrading the standards of its existing branches to NBC level.

BNP Paribas Bank Polska was named the most comprehensive banking provider in Poland by product comparison website Comperia.pl for its offer range to individual clients. The Bank achieved first place for the fourth time in a row, thanks to its competitive cash and car loans offer.

In addition to individual clients, the Retail Banking arm serves SMEs (companies with a turnover of up to PLN 30 million per annum), providing a complete range of financing and banking solutions through dedicated teams in the main branches.

Due to the attractiveness of the Bank's offer to SME clients, BNP Paribas Bank Polska was one of the winners at the annual Forbes Polska ranking of 'Best Bank for Companies'. The offering for companies was supplemented by structured finance and real estate project finance. Competence centres were set up in order to serve customers from the public administration and institutions sectors.

Corporate clients with an annual turnover of over PLN 30 million are served via the Corporate & Transaction Banking (CTB) business line through its eight business centres. Its scope includes both domestic groups and subsidiaries of international groups which are clients of BNP Paribas on a global or European level.

CTB recorded systematic growth in revenues, the most dynamic growth being observed in the Cash Management area. The Bank also acquired many new international clients served by BNP Paribas Group entities in other countries under the 'One Bank for Corporates in Europe' strategy.

In servicing the Corporate Banking segment, the Bank closely cooperates with BNP Paribas SA Branch in Poland. The Bank focuses on rendering services related to daily banking operations for companies, including cash management, full-credit service, global trade finance and financial markets products. The branch's priority is to serve the largest corporate and institutional customers of the BNP Paribas Group, providing advanced investment banking products.

BNP Paribas Bank Polska SA holds 100% stakes in two subsidiaries: an asset management company 'Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA' and Fortis Lease Polska Sp. z o.o., a leasing company. The latter offers, in cooperation with the Bank, leasing of fixed assets, including real estate, transport assets, construction machinery and specialist equipment for industry. Other services, such as securities, insurance, leasing and fleet management services, are provided through specialised subsidiaries of the BNP Paribas Group.

## TEB

BNP Paribas Fortis operates in Turkey through TEB, in which it has a 44.58% stake. This is the result of the merger between Fortis Bank Turkey and TEB A.Ş., which took place on 14 February 2011. Following the legal merger, the operational

merger immediately began and was completed in July, three months ahead of schedule. The merged bank ranks 9th in the Turkish banking sector in terms of loans and deposits market share and it encompasses the full range of the BNP Paribas Group retail activities in the country. The bank employs 9,300 people.

In Retail Banking, TEB offers debit and credit cards, mortgage loans, personal loans, and investment and insurance products, which are distributed through 602 branches and via internet, phone and mobile banking.

Through its commercial and small business banking departments, the Bank offers a full range of banking services to small and medium-sized enterprises.

Corporate Banking services include international trade finance, asset and cash management, credit services, hedging of currency, interest and commodity risk, plus factoring and leasing.

As a merged bank, TEB still has an appetite for growth and continues to increase its market share. Upon completion of the legal merger in the first quarter of 2011, TEB continued growing and exceeded sector growth averages in both loans and deposits. Margins suffered however from the contractive pressures stemming both from the market and the regulatory framework.

Although external factors – other than GDP growth – were not very favourable for banks in Turkey in 2011, TEB performed very satisfactory in terms of improvements to its operations and balance sheet.

Throughout 2011, satisfactory performance was achieved in revenue generation. However, the new general provisioning regulations, restructuring costs and costs associated with higher reserve ratio requirement had a negative effect on commercial income.

TEB's main priorities are to increase efficiency and profitability. A number of projects, which will assist the Bank in achieving its short to mid-term strategic objectives, range from increasing sales efficiencies to improving staff performance, as well as achieving sustainable cost reductions without disrupting business.

## Credit ratings of Fortis Bank SA/NV at 29/02/2012

	Long-term	Outlook	Short-term
<b>Standard &amp; Poor's</b>	AA-	Negative	A-1+
<b>Moody's</b>	A1	Review for downgrade	P-1
<b>Fitch Ratings</b>	A	Stable	F1

The table above shows the main Fortis Bank credit ratings and outlook at 29 February 2012. Each of these ratings reflects the view of the rating agency specifically at the moment when

the rating was issued; any explanation of the significance of a given rating is to be obtained from the rating agency which issued it.

Adjustments to long-term credit ratings in the course of 2011:

- Standard & Poor's downgraded Fortis Bank's long-term rating to 'AA-' from 'AA' on 14 October 2011.
- Fitch downgraded Fortis Bank's long-term rating to 'A' from 'A+' on 15 December 2011.

## Forward-looking Statements

It should be noted that any statement of future expectations and other forward-looking elements are based on the company's current views and assumptions and involve a degree

of risk and uncertainty, in particular given the current general economic and market conditions.

## Comments on the evolution of the results

Fortis Bank delivered a good commercial and operational performance during 2011, in a still challenging financial and macro-economic environment.

The net income before discontinued operations of EUR 585 million was strongly influenced by the impairments on the Greek sovereign debt and decreased with 50% compared to the EUR 1,180 million net income before discontinued operations of 2010. Excluding the impairments on the Greek sovereign debt of EUR (866) million, the remaining 2011 cost of risk of EUR (286) million can be considered as rather low, even if being substantially higher than the nearly zero cost of risk in 2010.

The good commercial performance is shown in the revenues increasing with EUR 354 million or 6%, up to EUR 5,733 million. The operating expenses and depreciations decreased with EUR 270 million or 7%, down to EUR (3,856) million.

From a geographical point of view, 66% of the revenues are generated in Belgium, 15% in Luxembourg and 19% in other countries where Fortis Bank is active. These proportions remain in line with 2010.

The net profit attributable to shareholders ended in 2011 at EUR 104 million, compared to a EUR 1,907 million profit in 2010. Besides the negative impact of the impairments on the Greek sovereign debt in 2011, the main driver for that evolution is the net result of discontinued operations, negative for EUR (314) million in 2011 and mainly induced by the reorganization of the BNP Paribas Group activities in Turkey.

Fortis Bank's consolidated results of 2011 were still largely impacted by the consequences of the integration of Fortis Bank in the BNP Paribas Group, as it was also the case in 2009 and 2010.

During the first half year of 2011, the operations of BNP Paribas Group in Turkey were reorganized, leading to the merger of Türk Ekonomi Bankasi (TEB) with Fortis Bank Turkey. Fortis Bank has also sold its branch's activities in Shanghai and Guangzhou and its subsidiary Fortis Wealth Management Hong Kong to entities of the BNP Paribas Group in China during the second quarter of 2011. In December 2011, Fortis Bank sold its subsidiary Fortis Bank Réinsurance to an entity of the BNP Paribas Group in Luxembourg and a merger took place between Fortis Luxembourg Vie and Cardif Luxembourg International, leading to a merged company Cardif Luxembourg Vie in which BGL BNP Paribas has a shareholding of 33%.

The impacts on the components of the income statements of the two most important changes, being the reorganization of BNP Paribas activities in Turkey and the acquisition of Fortis Commercial Finance by Fortis Bank, will be highlighted in the relevant captions below.

**Net interest income** reached EUR 4,162 million in 2011, up to EUR 501 million or 14% compared to 2010. The increase is driven by good commercial performance with strong volume growth of loans and deposits and improved commercial margins on deposits in Retail Banking Belgium. BGL BNP Paribas benefited from higher margins on deposits and lower funding costs of participations. These positive evolutions were partly compensated by a decrease of interest revenues related to trading activities in Corporate & Investment Banking (CIB) Belgium, while 2010 benefited from a very low interest rate environment. Next to this, the evolution includes increases of EUR 318 million due to the scope change related to the reorganization of the BNP Paribas activities in Turkey, EUR 6 million due to the acquisition of FCF and a positive one-off adjustment on inflation linked bonds of EUR 101 million.

**Net commission income** amounted to EUR 1,240 million in 2011, up EUR 85 million or 7% compared to 2010. The net commission income was under pressure because of lower selling fees on off-balance products in Belgium and lower fee income in Luxembourg resulting from financial markets movements. This trend was offset by an increase of CIB Capital Markets activities mainly on the back of retrocession of results induced by the reorganization of the capital markets activities within the BNP Paribas Group. Furthermore, the trend was also partially offset by the scope change related to the restructuring of the BNP Paribas activities in Turkey (EUR 85 million) and the acquisition of FCF (EUR 7 million).

**Net results on financial instruments at fair value through profit or loss** came in at EUR 309 million in 2011, a decrease by EUR (11) million compared to 2010. The result benefited from higher revaluation gains on own debt held-at-fair value on the back of widening credit spreads partly compensated by a negative fair value change on loans to public institutions. Markets activity reflected a slight decline following higher volatility and deterioration in the markets. Furthermore, the scope change related to the reorganization of the BNP Paribas activities in Turkey contained a loss of EUR (25) million.

**Net results on available-for-sale financial assets** amounted to EUR (36) million in 2011 following the sale of bonds in the banking book, reflecting the reduction of the exposure to sovereign debt risk and some impairments on the private equity portfolio, partly offset by gains on structured credit investments. The scope change related to the reorganization of the BNP Paribas activities in Turkey contributed EUR 22 million. In 2010, the bond sales from the banking book led to a gain of EUR 72 million.

**Net income from other activities** reached EUR 58 million in 2011, down by EUR (113) million compared to 2010. This evolution is mainly due to the divestment of part of the container business in 2010. The results on the remaining part of the container business are reported in the caption Share of earnings of associates as from 2011. The net income of EUR 58 million in 2011 resulted mainly from recurrent rental income on investment properties, reinvoiced expenses to customers, as well as net reversals of legal and operational risk provisions.

**Operating expenses** amounted to EUR (3,629) million in 2011, EUR (194) million or 5% lower compared to 2010. The evolution of the operating expenses in 2011 was impacted by elements largely off-setting each other. In Belgium, a higher contribution of EUR (16) million related to the deposit guarantee scheme, totaling EUR (107) million in 2011, and an increase of staff expenses due to a higher average workforce combined with the impact of wage drift on the back of higher inflation, lifted the cost base. Moreover, the scope change related to the reorganization of the BNP Paribas activities in Turkey increased the operating expenses with EUR (278) million as well as the acquisition of FCF EUR (7) million. These evolutions have been more than off-set by lower restructuring costs of EUR (176) million and a release of provisions of EUR (327) million, mainly tax related provisions.

**Depreciation charges** were at EUR (227) million in 2011, EUR (76) million lower versus prior year fully driven by lower restructuring costs in 2011. Prior year included higher accelerated depreciation of branches in the frame of reshaping the retail distribution network in Belgium.

**Cost of risk** amounted to EUR (1,152) million in 2011 including a provision for Greek sovereign debt of EUR (866) million. The impact and the exposure to sovereign debt is further detailed in note 8.h 'Exposure to sovereign debt risk' of the Annual Financial Statements 2011. Excluding this provision related to the Greek sovereign debt, the cost of risk remained low compared to an over-the-cycle level of provisions, although in the last quarter of 2011 signs of deterioration set in. The level of cost of risk in 2010 was a net reversal of EUR 3 million, reflecting the overall economic recovery and benefiting from releases of collective provisions and sector provisions on loans and structured credit instruments, offsetting the high level of specific loan loss provisions in 2010.

**Share of earnings of associates** reached EUR (111) million in 2011, reflecting a strong decrease of EUR (236) million versus 2010. This evolution is due to the negative contribution of AG Insurance of EUR (140) million in 2011, mainly caused by impairments of EUR (185) million on the Greek sovereign debt of AG Insurance, and due to an impairment by Fortis bank on the investment in AG Insurance of EUR (167) million. These negative results were partly counterbalanced by the increased positive contributions of associates emerged from the merger of BNP Paribas entities and Fortis Bank entities, being: BNP Paribas Investment Partners contributing EUR 66 million and BNP Paribas Lease Group contributing EUR 84 million. The container activities in the US, restructured around TCG Fund and Cronos Holding Company, contributed EUR 28 million in 2011. Postbank Ireland had a negative contribution in 2010 of EUR (31) million, following the decision to close down the activities, but no remaining impact in 2011.

**Net results on non-current assets** came in at EUR 51 million in 2011 mainly due to the sale of Textainer Marine Containers LTD and Fortis Bank Réinsurance. The 2010 result of EUR 8 million was due to the sale of real estate properties and the deconsolidation of some smaller participations.

**Income tax expenses** amounted to EUR (80) million in 2011. The effective tax rate stands at 12% mainly as a result of by the recognition of deferred tax assets following the liquidation of Fortis Proprietary Investment (Ireland). Excluding this DTA recognition and the share in result of associates reported net of income taxes, the effective tax rate was actually at 36%. Income taxes in 2010 amounted to EUR (199) million with a low effective tax rate of 14% thanks to the recognition of additional deferred tax assets of EUR 158 million and the high level of share of earnings of associates.

**Net result of discontinued operations** reached EUR (314) million in 2011. This result contains the realized gains and losses (EUR (311) million) on the subsidiaries and branches sold during the period and the net operating results of the disposed subsidiaries and branches (EUR (3) million). Included in the results of 2011 is mainly a negative accounting result related to a currency conversion loss of EUR (233) million resulting from the loss of control on Fortis Bank Turkey in addition to the negative fair value of the put option granted to the partner in the TEB Holding joint venture of EUR (75) million. The result of discontinued operations for EUR 970 million in 2010 included the realized gains and losses of EUR 1,003 million on the subsidiaries and branches sold during the period and the net operating results for EUR (33) million of the disposed subsidiaries and branches and of the entities which were not yet sold but already classified as discontinued operations.

## Comments on the evolution of the balance sheet

The total balance sheet of Fortis Bank amounted to EUR 346 billion at the end of December 2011, in line with the level of EUR 348 billion at the end of 2010. The commercial balance sheet showed a stable commercial evolution where growth of loans and deposits linked to Belgian retail clients and credit institutions was offset by lower volumes in other countries and in relation to corporate clients. Financial assets and liabilities at fair value through profit or loss showed a strong increase mainly related to interest rate derivatives and due to the interest rate evolution in 2011. Assets and liabilities considered as discontinued operations were significantly lower compared to end 2010, following the execution of the sale of branches in the US and in Asia to BNP Paribas and the finalization of the restructuring of activities and entities of the BNP Paribas Group in Turkey.

From a geographical point of view, 82% of assets are located in Belgium, 9% in Luxembourg and 9% in other countries.

### Assets

**Cash & amounts due from central banks and post office banks** amounted to EUR 8.3 billion at the end of December 2011, an increase of EUR 5.3 billion compared to the end of 2010. This rise is mainly related to higher monetary reserves with the central bank in Belgium (EUR 2.8 billion) and in Luxembourg (EUR 0.4 billion). Furthermore, reserves with other central banks increased by EUR 1.7 billion while the scope impact from restructuring of activities in Turkey contributed EUR 0.5 billion.

**Financial assets at fair value through profit or loss** increased substantially by EUR 13 billion or 17% to EUR 91.2 billion compared to the end of 2010. This is mainly related to the increase in the fair value of interest rate swaps (EUR 13.4 billion) and interest rate options (EUR 3.1 billion) driven by the decline in long-term interest rates. Next to this, reverse repurchase agreement activities decreased by EUR (3.3) billion due to the deleveraging of the balance sheet.

**Available-for-sale financial assets** decreased by EUR (10.5) billion or 20% to EUR 42.7 billion at the end of December 2011. This is mainly attributable to the decline in the government bond portfolio (EUR (8.2) billion) and in the corporate bonds portfolio (EUR (2.9) billion) following sales and redemptions and following reclassification of Greek, Irish and Portuguese government bonds to 'Loans and receivables due from customers' (EUR (1.9) billion). This decrease was partly offset by an increase in equity securities (EUR 0.6 billion) as a result of the deconsolidation of entities not reaching the revised materiality thresholds for inclusion in the consolidation scope.

**Loans and receivables due from credit institutions** amounted to EUR 35.8 billion at the end of December 2011, EUR 7.4 billion or 26% higher compared to the end of 2010. This increase is mainly driven by interbank loans (EUR 4.0 billion), demand accounts (EUR 1.4 billion) and reverse repurchase agreements (EUR 2.0 billion) linked to the funding activities of the bank.

**Loans and receivables due from customers** amounted to EUR 145.8 billion at the end of December 2011, a decline by EUR (6.3) billion or 4% compared to the end of 2010. Volume growth in Retail Belgium, mainly on the back of mortgage loans, was more than offset by reductions in other countries and in Corporate & Investment Banking (CIB). This decrease is explained by the redemptions in reverse repurchase agreements (EUR (8.5) billion), sales and redemptions in the structured credit portfolio (EUR (2.4) billion) and by lower commercial loans (EUR (3.2) billion). The overall decrease is counterbalanced by scope changes related to the reorganization of the BNP Paribas Group activities in Turkey (EUR 3.3 billion), by the acquisition of Fortis Commercial Finance (EUR 1.7 billion) as well as by the reclassification from 'Available-for-sale financial assets' related to the Greek, Irish and Portuguese sovereign bond portfolio (EUR 1.9 billion) to the Loans and Receivables caption.

**Held to maturity financial assets** decreased by EUR (0.9) billion or 29% to EUR 2.2 billion at the end of December 2011, mainly due to sales and redemptions of sovereign bonds at BGL and impairments on the Greek sovereign debt. The sale of Italian and Spanish securities was prompted by the deterioration in Italy's and Spain economic situation, as reflected by the downgrading of Italy's and Spain credit ratings by various rating agencies in September and October 2011 and by the fall in the market value of these securities.

**Accrued income and other assets** increased by EUR 0.2 billion or 2.5% to EUR 8.3 billion at the end of December 2011, mainly caused by higher balances on other debtors (EUR 1.5 billion, mainly margin accounts) partly offset by lower balances for settlement accounts (EUR (1.3) billion).

**Investments in associates** amounted to EUR 4.1 billion at the end of December 2011, a slight decrease of EUR (0.4) billion or 7% compared to the end of 2010. The balance of EUR 4.1 billion as at 31 December 2011 is mainly composed of BNP Paribas Investment Partners (EUR 1.9 billion), AG Insurance (EUR 1.1 billion) and BNP Paribas Lease Group (EUR 0.8 billion). The decrease of EUR (0.4) billion in 2011 is mainly related to AG Insurance due to the impairment of the Greek sovereign debt of EUR (185) million and the impairment by Fortis bank on the investment in AG Insurance of EUR (240) million, of which EUR (167) million is recognized in profit or loss and EUR (73) million recognized in equity.

**Property, plant and equipment** remain stable to EUR 1.5 billion at 31 December 2011.

**Goodwill** amounted to EUR 0.2 billion, an increase of EUR 0.17 billion which is related to the goodwill recognized on the acquisition of TEB Bank in the framework of the reorganization of the Turkish entities.

**Assets classified as held for sale** amounted to EUR 0.1 billion, showing a substantial decrease of EUR (10.9) billion compared to the end of 2010 and resulting from the further implementation of the integration projects between Fortis Bank and BNP Paribas. At 31 December 2011, these assets mainly concern the part of the UK branch activities still to be transferred to BNP Paribas. At 31 December 2010, assets held for sale included the activities in Fortis Bank Turkey (EUR 5.7 billion), in Asia (EUR 0.8 billion), in the US (EUR 3.7 billion), in the UK (EUR 0.2 billion) and in Asset Management (EUR 0.3 billion).



## Liabilities and equity

**Financial liabilities at fair value through profit or loss** increased by EUR 10.1 billion or 11% to EUR 99.4 billion at the end of December 2011. As it was the case for the financial assets at fair value through profit or loss, this rise on the liability side is also driven by the increase in the fair value of interest rate swaps (EUR 13.5 billion) and interest rate options (EUR 3 billion) resulting from the interest rate evolution. Next to that, trading repurchase agreement activities decreased by EUR (5.8) billion due to the deleveraging of the balance sheet.

**Due to credit institutions** amounted to EUR 38.9 billion at the end of December 2011, which is EUR 6.8 billion or 21% higher compared to end 2010. This is mainly due to the increase in interbank borrowing (EUR 4.8 billion), repurchase agreements (EUR 1 billion) and in demand accounts (EUR 1 billion).

**Due to customers** showed an increase of EUR 1.7 billion or 1.1% reaching at EUR 154.5 billion at the end of December 2011. Deposit growth due to retail customers in Belgium is mitigated by a decline in margin accounts (cash collateral) and in corporate client deposits. Outside Belgium, deposits are lower mainly in the UK and in Luxembourg. There is an increase due to the scope change related to the reorganization of the BNP Paribas Group activities in Turkey and the acquisition of Fortis Commercial Finance which contributed EUR 3.2 billion and due to the repurchase activities by EUR 2.3 billion. Deposits went down by EUR (3.8) billion, mainly due to a fall in term accounts and demand deposits of EUR (4.6) billion, partly offset by an increase in saving certificates by EUR 0.8 billion.

**Debt Securities** amounted to EUR 14.6 billion at 31 December 2011, a decrease by EUR (12.7) billion or 47% compared to the end of 2010, mainly driven by the non-renewal of certificates of deposit by EUR (12.5) billion.

**Accrued expenses and other liabilities** increased by EUR 2.5 billion impacted by higher balances on trade and settlement date differences of EUR 0.2 billion and higher balances on transitory accounts of EUR 2.7 billion.

**Subordinated debt** decreased by EUR (1.1) billion or 11% to EUR 9.5 billion driven by the redemption of long term subordinated debt.

**Liabilities classified as held for sale** amounted to EUR 0.1 billion at 31 December 2011 compared to EUR 9.3 billion at the end of 2010. The significant decrease of EUR (9.1) billion or 98% is the result of the further implementation of integration projects between Fortis Bank and BNP Paribas. At 31 December 2011, these liabilities represent the residual liabilities of the UK branch still to be transferred to BNP Paribas. At 31 December 2010, these liabilities were related to the activities in Fortis Bank Turkey (EUR 3.6 billion), in Asia (EUR 0.5 billion), in the US (EUR 4.3 billion), in the UK (EUR 0.4 billion) and in Asset Management (EUR 0.3 billion).

**Shareholders' equity** amounted to EUR 16.3 billion at 31 December 2011 compared to EUR 16.6 billion at the end of 2010. This slight decrease of EUR (0.3) billion is mainly due to the dividend pay-out during 2011 by Fortis Bank of EUR (387) million, partly offset by the positive impact of EUR 104 million net result of the year 2011.

**Minority interests** remained stable to EUR 3.0 billion at 31 December 2011. The positive result attributable to minority shareholders of EUR 167 million for the year 2011 is offset by the dividend paid in 2011 by BGL BNP Paribas to its minority holders of EUR (167) million.

## Liquidity and solvency

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The liquidity of Fortis Bank remained solid as shown by the loan-to-deposit ratio, although there was some stress on the wholesale deposit market towards the end of the year.

The loan-to-deposit ratio (excluding repurchase and reverse repurchase agreements) increased slightly to 101.4% at the end of 2011, compared to 99.5% at 31 December 2010.

The solvency of Fortis Bank remained strong. At 31 December 2011, Fortis Bank's Tier 1 capital ratio stood at 16.5%, level with 31 December 2010. The total capital ratio stood at 21.6% end of December 2011 well above the regulatory required minimum of 8%.

The evolution of the Tier 1 capital ratio can be explained by the reduction in Risk Weighted Assets (RWA) with EUR (1.4) billion or 1% and a slight decrease in Tier 1 capital of EUR (0.2) billion to EUR 19.5 billion.

## Principal risks and uncertainties

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Fortis Bank's activities are exposed to a number of risks such as credit risk, market risk, liquidity risk and operational risk. To ensure that these risks are identified and adequately controlled and managed, the bank adheres to a number of internal control procedures and refers to a whole array of risk indicators, which are further described in note 4, 'Risk Management and Capital Adequacy' of the Fortis Bank Consolidated Financial Statements 2011.

Fortis Bank is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business and following the restructuring of Fortis Bank and Fortis Group at the end of September and beginning of October 2008, as further described in note 8.j 'Contingent assets and liabilities' of the Fortis Bank Consolidated Financial Statements 2011.

Events after the reporting period are further described in the note 8.l 'Events after the reporting period' of the Fortis Bank Consolidated Financial Statements 2011.

# Statement of the Board of Directors

The Board of Directors of Fortis Bank is responsible for preparing the Fortis Bank Consolidated Financial Statements as at 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the European Union and the Fortis Bank Non-consolidated Financial Statements as at 31 December 2011 in accordance with rules laid down in the (Belgian) Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The Board of Directors reviewed the Fortis Bank Consolidated and Non-consolidated Financial Statements on 15 March 2012 and authorised their issue.

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

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

The Fortis Bank Consolidated Financial Statements and the Fortis Bank Non-consolidated Financial Statements as at 31 December 2011 will be submitted to the Annual General Meeting of Shareholders for approval on 19 April 2012.

Brussels, 15 March 2012  
The Board of Directors of Fortis Bank SA/NV

# Corporate Governance

Fortis Bank has issued debt securities that are listed on a regulated market in the sense of article 2, 3° of the Law of 2 August 2002 regarding the supervision of the financial sector and financial services. In addition, but without the involvement of Fortis Bank itself however, its shares are traded from time to time on a multilateral trading facility in the sense of article 2, 4° of the Law of 2 August 2002 regarding the supervision of the financial sector and financial services.

Taking into account the above and in accordance with article 96§2 of the Companies Code and article 1 of the Royal Decree of 6 June 2010, Fortis Bank has adopted the 'Belgian Corporate Governance Code 2009' as its reference code (hereafter referred to as 'the Code').

The Code can be consulted on <http://www.corporategovernancecommittee.be>

The Remuneration Report as referred to in Provision 7.2 of the Code can be found in Note 8.d 'Remuneration and benefits awarded to the Fortis Bank corporate officers'.

## 1. Compliance with the Code

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Fortis Bank generally complies with the principles and provisions of the Code. Main differences relate to Principle 8: 'Dialogue with shareholders'. The fact that the Company is not able to comply with all of the provisions of Principle 8 of the Code relates to the ownership of Fortis Bank. On the one hand the 'free float' is limited to 0.07% of the issued shares, while on the other hand is the fact of the Company's commercial and operational integration within its controlling shareholder, BNP Paribas SA, which holds 74.93% of the issued shares. Nevertheless, Fortis Bank constantly communicates with its various stakeholders through its website and via other media.

Fortis Bank has submitted to the National Bank of Belgium (NBB) for approval a draft of its Internal Governance Memorandum and will publish its Corporate Governance Charter after obtaining the Supervisor's approval.

BNP Paribas SA itself is a Euronext listed company which implies that certain legal provisions on the disclosure of sensitive information to the market need to be taken into account by Fortis Bank, its Directors and staff. The Board of Directors is however determined to protect the interests of all shareholders of Fortis Bank at all times and will provide all of them with the necessary information and facilities to exercise their rights, in compliance with the Companies Code.

Fortis Bank took note of the 'quota law' of 28 July 2011 ensuring, amongst others, gender diversity on boards of listed companies. The Bank's diversity policy is in line with the aforesaid pursuit to have its Board composed of at least one third women by January 2017. In line with this engagement, the Board of Directors will propose to the General Shareholders' Meeting of 19 April 2012 the nomination as independent director of Mrs. d'Aspremont Lynden who will replace Mr. JP Pruvot. This will bring the number of female directors on two. Mrs. Dutordoir was nominated to the Board of Directors at the end of 2010.

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

Although no formal meetings among Fortis Bank's non-executive directors were held without the presence of the CEO or other executive directors (Provision 4.12 of the Code), there is, given the share ownership and the composition of the Board, ongoing discussion in and outside the Board and in its committees.

## 2. Governing Bodies

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### Board of Directors

#### Role and responsibilities

In accordance with the legislation and regulations relating to credit institutions prevailing in Belgium, the Board of Directors is responsible for setting the general policy of the Bank ('policy function'), supervising the activities of the Executive Board, appointing and dismissing the members of the Executive Board and supervising the Internal Control Functions ('supervisory function'). The Board of Directors decides on the company's values and strategy, its risk appetite and key policies.

In accordance with article 26 of the Banking Act<sup>1</sup> and article 22 of the articles of association of Fortis Bank ('Articles of Association'), the members of the Board of Directors have elected from among themselves an Executive Board, whose members are referred to as 'Executive Directors'. The Executive Board has received a general delegation of power to perform any acts necessary or relevant to manage the banking activities within the general policy framework set out by the Board of Directors ('management function').

#### Size and membership criteria

The Board of Directors shall be made up of not less than five and not more than 35 Directors. Members of the Board of Directors may or may not be shareholders, and are appointed for a period not exceeding four years.

Board members must have the necessary qualities to exercise their function in an objective and independent way in order to safeguard the interests of Fortis Bank at all times.

According to the Fortis Bank' policy, the composition of the Board of Directors consists of an appropriate and balanced mix between Executive Directors and non-Executive Directors, whether independent or not.

Executive Directors may not constitute the majority of the Board. Furthermore, Fortis Bank strives to maintain an appropriate balance of skills and competences within the Board of Directors in accordance with the provisions of the Banking Act.

The establishment, composition, responsibilities and functioning of the Board of Directors and the Executive Board comply with the Code.

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<sup>1</sup> *The Law of 22 March 1993 regarding the statute of and the supervision on credit institutions*

## Composition

On 15 March 2012, the composition of the Board of Directors is as follows:

### **DAEMS Herman**

Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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### **CHODRON de COURCEL Georges**

Vice-Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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### **JADOT Maxime**

Executive Director; Chairman of the Executive Board since 01 March 2011; Member of the Board of Directors by cooption since 13 January 2011.

Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **DIERCKX Filip**

Executive Director; Vice-Chairman of the Executive Board.

Member of the Board of Directors since 28 October 1998.

Board Member mandate expires at the 2013 Ordinary Annual General Meeting of Shareholders.

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### **FOHL Camille**

Executive Director; Member of the Board of Directors and of the Executive Board since 01 January 2008.

Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **MENNICKEN Thomas**

Executive Director; Member of the Board of Directors and of the Executive Board since 14 May 2009.

Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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### **FILLION Jean-Yves**

Executive Director; Member of the Board of Directors and of the Executive Board since 21 April 2011.

Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **VANDEKERCKHOVE Peter**

Executive Director; Member of the Board of Directors and of the Executive Board since 21 April 2011.

Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **BONNAFÉ Jean-Laurent**

Non-Executive Director since his resignation as Chairman of the Executive Board on 28 February 2011; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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**BOOGMANS Dirk**

Independent Non-Executive Director; Member of the Board of Directors since 01 October 2009.  
Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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**GEENS Koen**

Non-Executive Director proposed by SFPI/FPIM\*; Member of the Board of Directors by cooption since 26 May 2011 following resignation of Wim COUMANS on 02 May 2011.  
Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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**DUTORDOIR Sophie**

Independent Non-Executive Director; Member of the Board of Directors by cooption since 30 November 2010.  
Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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**LAVENIR Frédéric**

Non-Executive Director; Member of the Board of Directors from 14 May 2009 until 01 October 2009 and again since 10 December 2009.  
Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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**PAPIASSE Alain**

Non-Executive Director; Member of the Board of Directors since 14 May 2009.  
Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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**PRUVOT Jean-Paul**

Non-Executive Director; Member of the Board of Directors since 27 January 2009.  
Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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**STÉPHENNE Jean**

Independent Non-Executive Director; Member of the Board of Directors since 26 April 2001.  
Board Member mandate expires at the 2013 Ordinary Annual General Meeting of Shareholders.

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**VARÈNE Thierry**

Non-Executive Director; Member of the Board of Directors since 14 May 2009.  
Board Member mandate expires at the 2012 Ordinary Annual General Meeting of Shareholders.

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*(\*) Société Fédérale de Participations et Investissements / Federale Participatie- en Investeringsmaatschappij.*

Mr. Luc VANSTEENKISTE is a permanent invitee to the Board of Directors and all Board Committees.

The mandate of Mr Koen GEENS, Board Member appointed by cooption, is to be confirmed by the Ordinary Annual General Meeting of Shareholders on 19 April 2012. Fortis Bank organises induction meetings for its directors upon their appointment to the Board of Directors or a Board Committee.

The Fortis Bank Board of Directors, which is responsible for setting general policy and supervising the activities of the Executive Board, is currently composed of seventeen Directors, of which eleven are Non-Executive Directors (three of these appointed as Independent Directors in compliance with the criteria laid down in article 526ter of the Companies Code) and six are Executive Directors.

Between 1 January 2011 and 31 December 2011, the composition of the Board of Directors was as follows:

**DAEMS, Herman**

Chairman, Board of Directors

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**CHODRON de COURCEL, Georges**

Vice Chairman, Board of Directors

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**BONNAFÉ, Jean-Laurent**

Chairman, Executive Board and Executive Director (until 28 February 2011). Non-Executive Director (since 01 March 2011)

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**JADOT, Maxime**

Chairman Executive Board (since 01 March 2011). Executive Director (since 13 January 2011)

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**DIERCKX, Filip**

Executive Director; Vice Chairman, Executive Board

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**FOHL, Camille**

Executive Director; Member of the Executive Board

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**MENNICKEN, Thomas**

Executive Director; Member of the Executive Board

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**RAYNAUD, Eric**

Executive Director; Member of the Executive Board (until 13 January 2011)

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**FILLION, Jean-Yves**

Executive Director; Member of the Executive Board (since 21 April 2011)

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**VANDEKERCKHOVE, Peter**

Executive Director; Member of the Executive Board (since 21 April 2011)

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**BOOGMANS, Dirk**

Independent Non-Executive Director

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**DUTORDOIR, Sophie**

Independent Non-Executive Director

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**STÉPHENNE, Jean**

Independent Non-Executive Director

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**COUMANS, Wim**

Non-Executive Director (until 02 May 2011)

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**WIBAUT, Serge**

Non-Executive Director

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**LAVENIR, Frédéric**

Non-Executive Director

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**PAPIASSE, Alain**

Non-Executive Director

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**VARÈNE, Thierry**

Non-Executive Director

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**PRUVOT, Jean-Paul**

Non-Executive Director

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**GEENS, Koen**

Non-Executive Director (since 26 May 2011)

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### Attendance at meetings

The Board of Directors held 13 meetings in 2011. The attendance at meetings was as follows:

<b>Director</b>	<b>Number of Meetings Attended</b>
DAEMS, Herman	13
CHODRON de COURCEL, Georges	10
BONNAFÉ, Jean-Laurent	11
JADOT, Maxime (as of 13 January 2011)*	12*
BOOGMANS, Dirk	12
COUMANS, Wim (until 02 May 2011)*	3*
DIERCKX, Filip	13
FOHL, Camille	9
LAVENIR, Frédéric	10
MENNICKEN, Thomas	12
PAPIASSE, Alain	3
PRUVOT, Jean-Paul	13
RAYNAUD, Eric (until 13 January 2011)*	1*
STÉPHENNE, Jean	12
VARÈNE, Thierry	9
WIBAUT, Serge	12
DUTORDOIR, Sophie	12
GEENS, Koen (as of 26 May 2011)*	7*
FILLION, Jean-Yves (as of 21 April 2011)*	8*
VANDEKERCKHOVE, Peter (as of 21 April 2011)*	8*
VANSTEENKISTE, Luc**	13**

\* Fewer meetings attended as the Director joined or left the Board during 2011.

\*\* Present as permanent invitee.

### **Assessment of the Board of Directors**

During 2011, the Chairman of the Board of Directors held interviews with his Non-Executive colleagues in order to assess the Board's size, composition and performance and those of the various Board Committees, and their interactions with the executive management.

These interviews have four objectives:

- to assess how the Board or the Board Committee in question operates
- to verify that the important issues are being suitably prepared and discussed
- to assess the contribution made by each Director in terms of the Director's attendance at Board and Board Committee meetings and his/her constructive involvement in discussions and decision-making and
- to assess the current composition of the Board and the Board Committee against the desired composition.

### **Remuneration**

Information regarding the total remuneration for 2011, including benefits in kind and pension costs, of Executive and Non Executive Members of the Board of Directors, paid and payable by Fortis Bank, is to be found in Note 8.d 'Remuneration and benefits awarded to the Fortis Bank corporate officers' of the Fortis Bank Consolidated Financial Statements. This report is deemed to be the Remuneration Report in accordance with Provision 7.2 of the Code.

## Board Committees

In order to fulfil its role and responsibilities efficiently, the Board of Directors has set up an Audit, Risk and Compliance Committee and a Governance, Nomination and Remuneration Committee. The existence of these Committees does not in any way impinge upon the Board's right to set up further ad-hoc Committees to deal with specific matters as when the need arises. Each Board Committee has an advisory function in relation to the Board. The appointment of Committee members is based on (i) their specific competencies and experience, in addition to the general competency requirements for Board Members, and (ii) the requirement that each Committee, as a group, should possess the competencies and experience needed to perform its tasks. Assessments of each Board Committee are led by the Chairman of that Committee in the same manner as assessments made of the Board of Directors.

The establishment, composition, responsibilities and functioning of the aforementioned Board Committees comply with the Code.

### **Audit, Risk & Compliance Committee (ARCC)**

The role of the ARCC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Fortis Bank, including internal control over financial reporting and risk.

#### **Role and responsibilities**

The ARCC shall monitor, review and make recommendations to the Board of Directors regarding:

##### ***Audit***

- The performance of the statutory audit process: the ARCC oversees the work performed by the statutory auditors, reviews their audit plan, formally assesses their performance at least once every three years against stated criteria and makes recommendations to the Board of Directors regarding their appointment or reappointment, mandate renewal and remuneration. The ARCC follows up on questions or recommendations of the statutory auditors. The ARCC also monitors the independence of statutory audit firms, including the review and approval of non-audit services provided to Fortis Bank
- The performance of the internal audit process: the ARCC oversees the work performed by the internal audit department and endorses the annual audit plan, including focal point audit assignments, scope and audit budget. It monitors the follow-up that management gives to the internal audit recommendations; takes part in the external quality assessment of the internal audit department carried out at least once every five years; and concurs in the appointment or dismissal of the General Auditor.

##### ***Risk***

- The Bank's major risk exposures and the operation of internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations. This implies that the ARCC identifies and acknowledges major risk areas such as credit risk, market risk and liquidity risk.

### **Compliance & Operational Risk**

The coherence and effectiveness of the internal control system. This includes overseeing and reviewing the consistency and effectiveness of the Fortis Bank internal control system, through oversight and controls, more specifically with regard to its permanent control, the compliance of its activities with the law and with internal and external regulations and the safeguarding of its reputation, including the supervision of operational risk management. The ARCC concurs in the appointment or dismissal of the Head of Compliance & Operational Risk ('Conformité').

### **Financial Reporting**

- The integrity of financial statements and of any report on Fortis Bank financial performance; this includes the consistent application of accounting principles (and changes thereto) and the quality of internal control over financial reporting
- The consolidation scope and accounting principles
- The Annual Report and the statements to be made by the Board of Directors therein, plus any external or official communication on the financial statements or the financial performance of Fortis Bank

### **Composition**

The ARCC consists of at least three non-Executive Directors. At least half of its members should be independent directors. In case of a tied vote, the Chairman of the ARCC shall have a casting vote.

Members of the ARCC need to have the necessary skills and competences in the field of accounting, audit and financial businesses. The presence of the necessary skills and competences is also judged at the level of the ARCC, not only on an individual basis.

In accordance with article 526bis, §2 of the Companies Code, at least one member of the ARCC is both independent director and has the necessary skills and competences in the field of accounting, audit and financial business. Both Independent Directors in the Fortis Bank ARCC comply with this rule.

Composition :

- Dirk Boogmans (Independent Director), Chairman
- Wim Coumans (until 02 May 2011)
- Serge Wibaut (since 26 May 2011)
- Herman Daems
- Jean Stéphenne (Independent Director)

### Attendance to the meetings:

The ARCC met 8 times in 2011.

<b>Committee Member</b>	<b>Number of Meetings Attended</b>
BOOGMANS, Dirk	8
DAEMS, Herman	7
COUMANS, Wim (until 02 May 2011)*	1*
STÉPHENNE, Jean	7
WIBAUT, Serge (as from 26 May 2011)*	5*
VANSTEENKISTE, Luc**	7**

\* Fewer meetings attended as the Member joined or left the ARCC during 2011.

\*\* Present as a permanent invitee.

### Remuneration

Information regarding the remuneration for 2011, including that of the Members of the Audit, Risk & Compliance Committee, paid and payable by Fortis Bank, is to be found in Note 8.d, 'Remuneration and benefits awarded to the Fortis Bank corporate officers' of the Fortis Bank Consolidated Financial Statements. This report is deemed to be the Remuneration Report in accordance with Provision 7.2 of the Code.

### Governance, Nomination and Remuneration Committee (GNRC)

The GNRC fulfils the role of Remuneration Committee within the meaning of Provision 20, §2 ter of the Banking Act and Provision 5.4 of the Code.

The mission of the GNRC is:

- 1) to assist the Board of Directors in matters relating to:
  - the appointment of Board members and the members of the Executive Board (the 'Executive Directors')
  - remuneration policies in general, including but not limited to the policies applicable to Directors, Executive Directors and Senior Management
  - Bank governance on which the Board or its Chairman wishes to receive advice from the GNRC
- 2) to review and approve the individual compensation packages of Executive Directors and Senior Management.

### Role and responsibilities

The GNRC shall monitor, review and make recommendations to the Board of Directors regarding:

#### Governance

- the adequacy of the Bank's corporate governance practices and rules and assessment of the Bank's compliance with its corporate governance rules
- emerging corporate governance issues or significant developments in the applicable laws and/or corporate governance practices
- all matters of corporate governance and any corrective action to be taken, including advising on organisation of the Board of Directors or Board Committees and their membership, functions, duties and responsibilities

- related insider and affiliated party transactions and/or matters of conflict of interest involving Executive or Non-Executive Directors
- the (re)appointment of the Head of Compliance & Operational Risk ('Conformité'), upon a proposal by the Chairman of the Executive Board
- disclosures in the Annual Report on the remuneration of Executive and Non-Executive Directors, on the processes that govern their appointment and remuneration, and on the activities of the GNRC.

### **Appointments**

- the policies and criteria (independence requirements, competencies and qualifications) which govern the selection and appointment of Board members, members of Board Committees and of the Executive Board, recommending changes to the Board of Directors where necessary
- verifying that the appointment and re-election process is carried out objectively and professionally
- recommendations to the Board with regard to the size of the Board of Directors, the appointment or re-election of Board members and the appointment or dismissal of Executive Directors:
  - The process of appointing or re-electing Non-Executive Board members is initiated and led by the Chairman of the Board, in close cooperation with the Chairman of the GNRC, who proposes to the GNRC candidate(s) for appointment. The GNRC considers such proposals and makes recommendations to the Board of Directors, which then decides on the appointment or re-election proposals to be submitted to the General Meeting of Shareholders for a decision
  - The re-election and succession process of the Chairman of the Board is conducted by the GNRC
  - all issues related to succession planning for Executive Directors and the members of the executive management are to be monitored by the GNRC, in close cooperation with the Chairman of the Board; proposals in this regard are to be made by the Chairman of the Executive Board and further monitored and approved by the GNRC and/or the Board of Directors
  - Regarding the termination and succession of the mandate of the Chairman of the Executive Board, the GNRC recommendation is based on a proposal by the Chairman of the Board in close cooperation with the chairman of the GNRC; for the appointment or dismissal of members of the Executive Board, recommendations are based on a proposal submitted by the Chairman of the Executive Board, in consultation with the GNRC<sup>2</sup>.
- the reports of the Chairman of the Executive Board on management development and Executive Board succession planning
- the (re)appointment of the General Auditor upon a proposal by the Chairman of the Executive Board.

<sup>2</sup> In line with article 22 of the Articles of Association.

### Remuneration

- the remuneration policies of Fortis Bank
- the remuneration of the Executive Directors and staff members in accordance with the Fortis Bank remuneration policies
- the objectives for the Chairman of the Executive Board, and, based on a proposal made by the Chairman of the Executive Board, for the other Executive Directors; for Senior Management, the GNRC reviews the main principles applied which will subsequently serve as benchmarks in their performance appraisals
- the performance of Directors:
  - with regard to Non-Executive Directors, the GNRC assesses their performance in the context of their re-election
  - with regard to the Executive Directors, the GNRC assesses their performance in the context of determining their remuneration; for Executive Directors, the GNRC receives a joint proposal by the Chairman of the Board of Directors and the Chairman of the Executive Board.

### Composition

The GNRC is composed of at least three Non-Executive Directors. At least half of its members should be Independent Directors.

Composition:

- Herman Daems (Chairman)
- Dirk Boogmans (Independent Director)
- Sophie Dutordoir (Independent Director)
- Jean Stéphenne (Independent Director)
- Serge Wibaut (until 25 May 2011)
- Koen Geens (since 26 May 2011)

### Attendance at meetings

The GNRC met seven times in 2011.

Committee Member	Numbers of Meetings Attendeds
DAEMS, Herman	7
WIBAUT, Serge (until 25 May 2011)*	5*
STÉPHENNE, Jean	6
DUTORDOIR, Sophie	6
BOOGMANS, Dirk	7
GEENS, Koen (as from 26 May 2011)*	3*
VANSTEENKISTE, Luc**	7**

\* Fewer meetings attended as the Member joined or left the GNRC during 2011.

\*\* Present as permanent invitee.

### Remuneration

Information regarding the remuneration for 2011, including that of the members of the Governance, Nomination and Remuneration Committee, paid and payable by Fortis Bank, is to be found in Note 8.d. 'Remuneration and benefits awarded to the Fortis Bank corporate officers' of the Fortis Bank Consolidated Financial Statements. This report is deemed to be the Remuneration Report in accordance with Provision 7.2 of the Code.

## Executive Committee

The Executive Committee is a non-statutory body which has an advisory role in relation to the Executive Board and also facilitates the execution of the Bank's strategy and operational management.

The Executive Committee currently has 13 members and is composed of the six Executive Directors (who together make up the Executive Board) and seven key heads of Businesses and Support Functions as follows:

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### Maxime JADOT

Executive Director; Chairman of the Executive Board/Executive Committee; Chief Executive Officer

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### Filip DIERCKX

Executive Director; Vice Chairman of the Executive Board/Executive Committee; Chief Operating Officer (Group Functions)

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### Thomas MENNICKEN

Executive Director; Member of the Executive Board/Executive Committee; Chief Risk Officer

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### Camille FOHL

Executive Director; Member of the Executive Board/Executive Committee; Head of Europe Mediterranean

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### Peter VANDEKERCKHOVE

Executive Director; Member of the Executive Board/Executive Committee; Head of Retail & Private Banking

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### Jean-Yves FILLION

Executive Director; Member of the Executive Board/Executive Committee; Head of Corporate & Investment Banking

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### Luc HAEGEMANS

Member of the Executive Committee; Secretary General

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### Bert VAN ROMPAEY

Member of the Executive Committee; Head of Human Resources

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### Emmanuel BUTTIN

Member of the Executive Committee; Chief Financial Officer (as of 01 March 2012; in replacement of Lars Machenil)

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### Jacques GODET

Member of the Executive Committee; Head of Technology, Operation & Property Services

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### Frédéric VAN GHELUWE

Member of the Executive Committee; Head of Capital Markets

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### Olivier DE BROQUEVILLE

Member of the Executive Committee, Head of Investment Solutions

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### Yvan DE COCK

Member of the Executive Committee, Head of Corporate & Public Banking

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### 3. Internal Control Procedures

This chapter describes the internal control procedures as required by Provision 1.3 of the Code.

The reader is also referred to Note 4, 'Risk Management and Capital Adequacy' for more information about all types of risks applicable to Fortis Bank.

Fortis Bank has implemented an internal control system following the 3 lines of defense model. As described in the bank's internal control charter, controlling risk and achieving strategic objectives are first and foremost the responsibility of operational staff and their management: the first line of defense. The second line of defense independently and permanently oversees, evaluates and advises on the functioning, suitability and completeness of permanent control. The third line of defense, internal audit, carries out periodic controls on the functioning of the first two lines of defense.

The bank has installed a strong internal control governance structure. Periodically, the Internal Control Committees of each business line assess the most important risks and control shortcomings in order to define remedial action. The main weaknesses are escalated to the Internal Control Committee at the level of the executive committee.

The internal control system is based on a strict segregation of duties and is designed to be exhaustive and evidenced. The system consists of a systematic and formalized action involving the elements of risk identification, assessment and quantification, procedure management, key controls, reporting and monitoring.

The executive management reports yearly to the Board of Directors, the supervisor and the external auditors on the suitability and functioning of the internal control system by means of the Management Control Statement. This statement describes also the material issues and the mitigating actions that are being taken. The statement is complemented with a description of the internal control system.

#### Roles and responsibilities regarding the preparation and processing of financial accounting and management accounting information

The Fortis Bank financial reporting process for preparing the Annual Report 2011 is monitored using documented accounting policies and reporting formats, supported by a chart of accounts with detailed instructions and guidance. The submission of financial information from each entity to the central Finance department is subject to specific controls and certifications.

Acting under the authority of the Chief Operating Officer and the Chief Financial Officer, the Finance department is responsible for the preparation and processing of financial accounting and management accounting information. Its activities and responsibilities include inter alia:

- producing and distributing high quality financial statements
- producing qualitative management accounts, and providing all forecast financial quantitative data needed for managing Fortis Bank
- supervising project management from a financial perspective
- optimising Fortis Bank's financial position and ensuring that it is properly represented to the financial markets
- coordinating Fortis Bank's development, commercial and financial strategy and managing its external growth as part of the BNP Paribas Group
- providing executive management with early warnings

The responsibilities of the Finance department are exercised at different levels of Fortis Bank: within each entity by the local finance department, at the level of each business/business line and centrally by the Fortis Bank Finance department. Additional controls are also performed at BNP Paribas level by the finance department of each of the business lines and by Group Finance-Development.

The production of accounting and financial data, and the controls designed to ensure their reliability, are first handled by the financial department of each local entity, which reports this information centrally and attests that it is reliable, based on the internal certification procedures described below.

The BNP Paribas core businesses/business lines then perform further controls at their respective level on the financial statements prepared by the accounting departments of each entity. They enhance the quality of the reporting by carrying out appropriate reconciliations of financial accounting and management accounting data and report the information, using the BNP Paribas corporate tools managed by Group Finance-Development, to the Fortis Bank Finance Department.

The Fortis bank Finance department gathers, verifies and approves all the financial accounting and management accounting information produced by the local accounting department in line with formalised reporting procedures. It then consolidates these data for use by executive management, statutory auditors, the BNP Paribas Group and for external reporting.

## Production of accounting and financial information

### Reporting policies and rules

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

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

The Management Control department draws up management reporting rules applicable to all Fortis Bank entities. Fortis Bank accounting and management control policies can be accessed via the internal network communication tool (intranet).

### Systems used

The accounting systems used are the same as those used by the BNP Paribas Group. Dedicated teams within BNP Paribas' Group Finance-Development decide on the target architecture of the information systems (accounting systems, cost-accounting systems, accounting and regulatory consolidated reporting systems and consolidated management reporting systems) to be used by the finance departments across the Group. They facilitate the sharing of information and the implementation of cross-functional projects in a context of increasing convergence of the various existing accounting platforms, both at BNP Paribas Group and Fortis Bank level.

The information used to prepare the Fortis Bank Consolidated Financial Statements is derived from the company's various transaction processing systems. All the systems have been designed and adapted in order to meet Fortis Bank's specific reporting needs. Routing controls ensure at each level of the data transmission chain that these systems are properly fed. Fortis Bank also regularly upgrades its systems to adapt them to the growth and increasing complexity of its business.

Dedicated teams are responsible for setting the accounting and control procedures in the back offices and accounting systems.

### Process for collecting and preparing consolidated financial accounting and management accounting information

The process for collecting financial accounting and management accounting information is based on the accounting systems used across the BNP Paribas Group and is organised around two separate reporting channels, one dedicated to financial accounting data and the other to management accounting data, using the same integrated collection and consolidation software system known as MATISSE ('Management & Accounting Information System'). At local level, the accounting teams enter validated financial accounting and management accounting data into the system in accordance with Fortis Bank principles.

This reporting process applies to the channels dedicated to both financial accounting and management accounting data as follows :

- Financial accounting data : the procedures for preparing Fortis Bank's Financial Statements are set out in the instructions distributed to all consolidated entities. This facilitates the standardisation of financial accounting data and compliance with Fortis Bank accounting standards. Each entity closes its accounts on a quarterly basis and prepares a consolidation reporting package in accordance with pre-determined reporting instructions and deadlines. The validation procedures which accompany each phase of the reporting process seek to verify that:
  - accounting standards have been correctly applied
  - inter-company transactions have been correctly identified and eliminated for consolidation purposes
  - consolidation entries have been correctly recorded.

The finance departments within the various BNP Paribas core businesses verify the consolidation packages coming from the accounting entities within their perimeter before reporting them, via BNP Paribas Group Finance-Development, to the Fortis Bank Finance department, which is in charge of preparing the Fortis Bank Consolidated Financial Statements.

- Management accounting data : management accounting information is reported on a monthly basis by each entity and business line to the relevant core business and business line, which then reports management reporting data consolidated at its level to the Strategic Management Control unit at Group Finance-Development.

Quarterly, for each entity and business, a reconciliation is performed between the main income and expense items based on management accounting data and the Profit and Loss account intermediate balances. This is supplemented by an overall reconciliation performed by Group Finance-Development to ensure consistency between consolidated financial accounting data and management accounting data. These two reconciliations form part of the procedure for ensuring reliable financial accounting and management accounting data.

## Procedure for control of financial accounting and management accounting information

### Internal control within the Finance department

The operational permanent control in Finance is executed by dedicated teams in Accounting, Controlling and Consolidation and is supported by a central function to ensure the overall monitoring of internal controls.

The mission of these teams is to ensure, on a continuous basis, the reliability of the processes used for producing and validating the financial figures for Fortis Bank, and to ensure compliance with the legal and regulatory reporting requirements. Other activities consist inter alia in maintaining relations with the external auditors and ensuring that their recommendations are correctly applied throughout Fortis Bank, monitoring the certifications issued by Fortis Bank, and verifying the valuation of financial instruments.

### Internal Certification Process

As already mentioned, Fortis Bank procedures for accounting control include a certification process, whose purpose is to confirm that the information provided in the MATISSE reporting system has been properly verified. The results of the certification process are presented quarterly to the Fortis Bank Audit, Risk and Compliance Committee (ARCC) and are an integral part of the accounting process.

Under a general rule set, by BNP Paribas Group, each entity submitting a MATISSE reporting package is required to certify the accuracy of the reporting package on a quarterly basis, using the Finance Accounting Control Tool (FACT), an Internet/ Intranet-based application dedicated to the certification process across the BNP Paribas Group. Certificates are made up of standardised questions, of which many refer to the application of the relevant accounting procedures and principles.

The main task of Permanent Control within Finance is to provide a level of comfort to the CFO, the Fortis Bank Audit, Risk and Compliance Committee (ARCC), the external auditors and also the National Bank of Belgium that internal control measures are being properly maintained for the entities which fall within the Fortis Bank perimeter.

The certification process encompasses:

- certification that the accounting data reported are reliable and comply with the Fortis Bank accounting policies
- certification that the accounting internal control system designed to ensure the quality of accounting data is operating effectively.

This internal certification process forms part of the overall accounting internal control monitoring system and enables the Fortis Bank Finance department, which has overall responsibility for the preparation and quality of the Fortis Bank Consolidated Financial Statements, to be informed of any incidents relating to the preparation of the financial statements and to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to book appropriate provisions. As regards Fortis Bank in Belgium, the certification process is supported by an extensive set of sub-certificates which cover, from an end-to-end perspective, all the financial reporting activities of the company.

### **Measuring the financial instruments and determining the results of market transactions**

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

The purpose of these control procedures within Finance is:

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

### **General inspection team**

The General Inspection department is in charge of the periodic controls within Fortis Bank. It includes a team of auditors and inspectors specialising in financial audits. This reflects Fortis Bank's strategy of strengthening the internal audit capability in terms of both the technical scope and the areas of accounting risk addressed in the audit engagements undertaken.

The General Inspection department is empowered to intervene independently in all entities and areas of Fortis Bank. General Inspection may inspect any subject it deems necessary and enjoys unlimited access to all documents, persons and property of any audited entity. General Inspection's basic mission may be summarised as follows:

- to add value and improve Fortis Bank's operations through independent, objective assurance and consulting activity
- to help Fortis Bank achieve its objectives by driving a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance processes
- to carry out periodic controls on the compliance of operations as to the level of risk actually incurred, on compliance with procedures, and on the appropriateness and effectiveness of the permanent control system.

When performing assignments, General Inspection is bound by a number of specific principles, including the requirements that:

- auditors remain independent, objective and impartial in their investigations and in reporting the results of their work to executive management and to the audited entities
- auditors do not engage directly in acts of operational management.

Finally, General Inspection has a duty of vigilance and alert at all levels. It informs executive management about all major internal control deficiencies as soon as they are detected.

## Relations with the statutory auditors

in 2011, the college of accredited Statutory Auditors was composed of:

- PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises scrl, represented by Mr Roland JEANQUART
- Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises SC sfd SCRL, represented by Mr Philip MAEYAERT and Mr Frank VERHAEGEN.

The Statutory Auditors are appointed by the General Meeting of Shareholders, based on advice from the Audit, Risk and Compliance Committee and upon a proposal by the Board of Directors and the Workers' Council.

The Statutory Auditors are required to issue a report every financial year in which they give their opinion concerning the fairness of the Consolidated Financial Statements of Fortis Bank and its subsidiaries.

The Statutory Auditors also carry out limited reviews of the quarterly accounts. As part of their statutory audit assignment:

- They examine any significant changes in accounting standards and present their recommendations to the Audit, Risk and Compliance Committee regarding choices that have a material impact
- They present the relevant entity and the Finance department with their findings, observations and recommendations for the purpose of improving aspects of the internal control system for the preparation of accounting and financial information, reviewed in the course of their audit.

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

## 4. Conflict of Interests

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In addition to the legal provisions on Conflicts of Interest in the Companies Code, the company is required to comply with the substance of a number of circular letters issued by the National Bank of Belgium (NBB) whose purpose is avoid conflicts of interest between Fortis Bank and its directors or executive management, inter alia in relation to external functions exercised and any loans granted.

Further, the Company has a general conflicts of interest policy and code of conduct in place which states that the attainment of commercial, financial, professional or personal objectives must not stand in the way of compliance with the following basic principles :

1. Act fairly, honestly and transparently
2. Respect others
3. Comply with the law, the regulations and professional standards
4. Comply with instructions
5. Act in the best interests of the customer
6. Ensure that market integrity is respected
7. Manage conflicts of interests
8. Behave professionally
9. Safeguard the interest of BNP Paribas
10. Report any irregularities observed.

Finally, Fortis Bank directors and executive management have been assessed by the NBB before their formal appointment, in accordance with the Banking Act. Before issuing an approval or statement of 'nihil obstat', the NBB conducts an inquiry which covers also the absence of certain conflicts of interest.

# Fortis Bank Consolidated Financial Statements 2011

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

## Profit and loss account for the year ended 31 December 2011

In millions of euros	Note	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Interest income	2.a	8,866	8,234
Interest expense	2.a	(4,704)	(4,573)
Commission income	2.b	1,750	1,625
Commission expense	2.b	(510)	(470)
Net gain/loss on financial instruments at fair value through profit or loss	2.c	309	320
Net gain/loss on available-for-sale financial assets and other-financial assets not measured at fair value	2.d	(36)	72
Income from other activities	2.e	99	211
Expense on other activities	2.e	(41)	(40)
<b>REVENUES</b>		<b>5,733</b>	<b>5,379</b>
Operating expense		(3,629)	(3,823)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.m	(227)	(303)
<b>GROSS OPERATING INCOME</b>		<b>1,877</b>	<b>1,253</b>
Cost of risk	2.f	(1,152)	3
<b>OPERATING INCOME</b>		<b>725</b>	<b>1,256</b>
Share of earnings of associates		(111)	125
Net gain on non-current assets		51	8
Goodwill	5.n		(10)
<b>PRE-TAX INCOME</b>		<b>665</b>	<b>1,379</b>
Corporate income tax	2.g	(80)	(199)
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>		<b>585</b>	<b>1,180</b>
Net result of discontinued operations	8.c	(314)	970
<b>NET INCOME</b>		<b>271</b>	<b>2,150</b>
Net income attributable to minority interests		167	243
<b>NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>104</b>	<b>1,907</b>

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

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
<b>Net income for the period</b>	<b>271</b>	<b>2,150</b>
<b>Changes in assets and liabilities recognised directly in equity</b>	<b>(174)</b>	<b>(347)</b>
Items related to exchange rate movements	50	110
Changes in fair value of available-for-sale financial assets	(482)	(434)
Changes in fair value of available-for-sale assets reported in net income	201	22
Deferred gains and losses on hedging instruments	54	67
Changes in value of hedging instruments reported in net income		
Items related to equity-accounted companies	3	(112)
<b>TOTAL</b>	<b>97</b>	<b>1,803</b>
Attributable to equity shareholders	21	1,548
Attributable to minority interests	76	255



## Balance sheet at 31 December 2011

In millions of euros	Note	31 December 2011	31 December 2010
<b>ASSETS</b>			
Cash and amounts due from central banks and post office banks		8,287	2,989
Financial assets at fair value through profit or loss	5.a	91,241	78,239
Derivatives used for hedging purposes	5.b	935	503
Available-for-sale financial assets	5.c	42,688	53,138
Loans and receivables due from credit institutions	5.f	35,786	28,358
Loans and receivables due from customers	5.g	145,757	152,107
Remeasurement adjustment on interest-rate risk hedged portfolios		674	537
Held-to-maturity financial assets	5.i	2,187	3,073
Current and deferred tax assets	5.j	4,198	3,898
Accrued income and other assets	5.k	8,281	8,076
Investments in associates	5.l	4,141	4,454
Investment property	5.m	58	68
Property, plant and equipment	5.m	1,509	1,442
Intangible assets	5.m	127	86
Goodwill	5.n	192	24
Assets classified as held for sale	8.c	118	10,975
<b>TOTAL ASSETS</b>		<b>346,179</b>	<b>347,967</b>
<b>LIABILITIES</b>			
Due to central banks and post office banks		41	25
Financial liabilities at fair value through profit or loss	5.a	99,359	89,308
Derivatives used for hedging purposes	5.b	2,282	1,321
Due to credit institutions	5.f	38,918	32,134
Due to customers	5.g	154,514	152,821
Debt securities	5.h	14,560	27,325
Remeasurement adjustment on interest-rate risk hedged portfolios		472	359
Current and deferred tax liabilities	5.j	258	290
Accrued expenses and other liabilities	5.k	3,482	1,022
Technical reserves of insurance companies			48
Provisions for contingencies and charges	5.o	3,384	3,821
Subordinated debt	5.h	9,491	10,626
Liabilities classified as held for sale	8.c	137	9,265
<b>TOTAL LIABILITIES</b>		<b>326,898</b>	<b>328,365</b>
<b>CONSOLIDATED EQUITY</b>			
<i>Share capital and additional paid-in capital</i>		9,605	9,605
<i>Retained earnings</i>		8,679	7,092
<i>Net income for the period attributable to shareholders</i>		104	1,907
<b>Total capital, retained earnings and net income for the period attributable to shareholders</b>		<b>18,388</b>	<b>18,604</b>
Change in assets and liabilities recognised directly in equity		(2,096)	(2,012)
<b>Shareholders' equity</b>		<b>16,292</b>	<b>16,592</b>
Retained earnings and net income for the period attributable to minority interests		3,124	3,054
Change in assets and liabilities recognised directly in equity		(135)	(44)
<b>Total minority interests</b>		<b>2,989</b>	<b>3,010</b>
<b>TOTAL CONSOLIDATED EQUITY</b>		<b>19,281</b>	<b>19,602</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>346,179</b>	<b>347,967</b>

## Statement of changes in shareholders' equity between 1 January 2010 and 31 December 2011

In millions of euros	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity			Total Shareholders' Equity
	Ordinary shares	Non distributed reserves	Total Capital and Retained Earnings	Exchange rate	Financial Assets Available for sale	Derivatives used for hedging purposes	
	Capital and retained earnings at 31 December 2009	29,651	(12,539)	17,112	(460)	(1,184)	
Other movements	(20,046)	19,631	(415)				(415)
Dividends							
Changes in assets and liabilities recognised directly in equity				124	(551)	68	(359)
Net income for 2010		1,907	1,907				1,907
Capital and retained earnings at 31 December 2010	9,605	8,999	18,604	(336)	(1,735)	59	16,592
Other movements		67	67				67
Dividends		(387)	(387)				(387)
Changes in assets and liabilities recognised directly in equity				79	(216)	54	(83)
Net income for 2011		104	104				104
Capital and retained earnings at 31 December 2011	9,605	8,783	18,388	(257)	(1,951)	113	16,293

## Minority Interests between 1 January 2010 and 31 December 2011

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity	Total Minority Interests
Capital and retained earnings at 31 December 2009	3,050	(56)	2,994
Other movements	(63)		(63)
Dividends	(176)		(176)
Change in assets and liabilities recognised directly in equity		12	12
Net income for 2010	243		243
Capital and retained earnings at 31 December 2010	3,054	(44)	3,010
Other movements	72		72
Dividends	(169)		(169)
Change in assets and liabilities recognised directly in equity		(91)	(91)
Net income for 2011	167		167
Capital and retained earnings at 31 December 2011	3,124	(135)	2,989

## Statement of cash flows for the year ended 31 December 2011

In millions of euros	Note	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Pre-tax net income of continuing activities		665	1,379
Pre-tax net income of discontinued activities		(311)	930
<b>Non-monetary items included in pre-tax net income and other adjustments of continuing activities</b>		<b>21</b>	<b>11,145</b>
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		231	314
Impairment of goodwill and other non-current assets		167	70
Net addition to provisions		323	30
Share of earnings of associates		111	(125)
Net income from investing activities		(196)	2,675
Net income from financing activities			
Other movements		(615)	8,181
<b>Net increase (decrease) in cash related to assets and liabilities generated by continuing operating activities</b>		<b>10,755</b>	<b>(13,104)</b>
Cash related to transactions with credit institutions		1,674	(666)
Cash related to transactions with customers		(55)	(33,224)
Cash related to transactions involving other financial assets and liabilities		9,136	20,349
Cash related to transactions involving non-financial assets and liabilities			437
Taxes paid		(119)	(98)
<b>CASH AND EQUIVALENTS GENERATED BY CONTINUING OPERATING ACTIVITIES</b>		<b>11,322</b>	<b>(678)</b>
<b>CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES</b>	8.c	<b>(403)</b>	<b>4,920</b>
Cash related to acquisitions and disposals of consolidated entities	8.b	755	1,663
Cash related to property, plant and equipment and intangible assets		(271)	(297)
<b>CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES</b>		<b>484</b>	<b>1,366</b>
<b>CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES</b>	8.c	<b>(10)</b>	<b>(1,503)</b>
Cash and equivalents related to transactions with shareholders		(438)	
Cash and equivalents generated by other financing activities		(5,532)	(7,223)
<b>CASH AND EQUIVALENTS RELATED TO CONTINUING FINANCING ACTIVITIES</b>		<b>(5,970)</b>	<b>(7,223)</b>
<b>CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES</b>	8.c	<b>1</b>	<b>(5,498)</b>
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES		(147)	23
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES		1	9
<b>Balance of cash and equivalent accounts of continuing activities at the start of the period</b>		<b>(4,022)</b>	<b>2,490</b>
Cash and amounts due from central banks and post office banks		2,989	3,982
Due to central banks and post office banks		(25)	(93)
Demand deposits with credit institutions	5.f	607	3,634
Demand loans from credit institutions	5.f	(7,593)	(5,033)
<b>Balance of cash and equivalent accounts of continuing activities at the end of the period</b>		<b>1,667</b>	<b>(4,022)</b>
Cash and amounts due from central banks and post office banks		8,287	2,989
Due to central banks and post office banks		(41)	(25)
Demand deposits with credit institutions	5.f	1,969	607
Demand loans from credit institutions	5.f	(8,548)	(7,593)
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES</b>		<b>5,689</b>	<b>(6,512)</b>
<b>Balance of cash and equivalent accounts of discontinued activities at the start of the period</b>		<b>415</b>	<b>2,487</b>
<b>Balance of cash and equivalent accounts of discontinued activities at the end of the period</b>		<b>4</b>	<b>415</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES</b>		<b>(411)</b>	<b>(2,072)</b>



# Notes to the consolidated financial statements

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

# 1 Summary of significant accounting policies applied by Fortis Bank

## 1.a Applicable accounting standards

The Consolidated Financial Statements of Fortis Bank are prepared in accordance with the international accounting standards (International Financial Reporting Standards -IFRS) as adopted for use in the European Union<sup>1</sup>. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded and certain recent texts have not yet undergone the approval process.

<sup>1</sup> The full set of standards adopted for use in the European Union can be consulted on the website of the European Commission at: [http://ec.europa.eu/internal\\_market/accounting/ias\\_en.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission).

The introduction of other standards, which are mandatory as of 1 January 2011, had no effect on the Consolidated Financial Statements at 31 December 2011.

Fortis Bank did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union whose application in 2011 is optional.

## 1.b Segment reporting

The organisation, operating model and governance structure of Fortis Bank changed significantly following the acquisition of a 75% share in Fortis Bank by BNP Paribas and the commencement of the integration project, as set out in the Industrial Plan. These changes also have a major impact on the way performance is assessed and resources of the segments allocated and on the format and content of Fortis Bank's the segment reporting.

We consider that within the legal and regulatory scope of Fortis Bank ('controlled perimeter'), the nature and financial effects of the business activities in which it engages and the economic environments in which it operates, are best reflected through operating segments based on geographical components, namely:

- Fortis Bank in Belgium
- Fortis Bank in Luxembourg
- Other countries

Operating segments are components of Fortis Bank:

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

The Fortis Bank Board of Directors is deemed to be the chief operating decision maker (CODM) in the context of IFRS 8, Operating Segments, jointly overseeing the activities, performance and resources of Fortis Bank.

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

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

Within this organisational structure, with the presence of significant minority shareholders, and in the context of the regulatory scope ('controlled perimeter') of Fortis Bank, operating segments based on geographical areas and regulatory environments are mostly in line with the core principle and criteria for determining operating segments as defined in IFRS 8 Operating Segments.

Transactions or transfers between the operating segments are entered into on normal commercial terms and conditions as would be available to unrelated third parties.

## 1.c Consolidation

### 1.c.1 Scope of consolidation

The Consolidated Financial Statements of Fortis Bank encompass all entities under the exclusive or joint control of Fortis Bank or over which Fortis Bank exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial to Fortis Bank. An entity is considered to be non-material and is therefore not consolidated if its contribution does not reach any of the following thresholds<sup>2</sup>: EUR 15 million in consolidated revenues, EUR 10 million in consolidated net income before tax and EUR 500 million worth of total consolidated assets. Entities that exceed none of the above thresholds but generate a consolidated net income before tax between EUR 1 million and EUR 10 million are reported via the equity method. Entities in which Fortis Bank has a significant influence are reported via the equity method if the net asset value of the equity associate exceeds EUR 500 million or the net profit exceeds EUR 1 million. Otherwise these entities are reported as investments.

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

Fortis Bank also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where Fortis Bank has no equity interest in the entity, provided that the substance of the relationship indicates that Fortis Bank exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of Fortis Bank, such that Fortis Bank obtains benefits from those activities
- Fortis Bank has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws)

- Fortis Bank has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks inherent in the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings (calculated on an annual basis), to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation
- Fortis Bank retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if Fortis Bank remains exposed to the initial losses on a portfolio of assets held by the SPE.

### 1.c.2 Consolidation methods

Enterprises under the exclusive control of Fortis Bank are fully consolidated. Fortis Bank has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist when Fortis Bank holds, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when Fortis Bank has power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Currently exercisable or convertible potential voting rights are taken into account when determining the percentage of control held.

Jointly-controlled companies are consolidated by the proportional method. Fortis Bank exercises joint control when, under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

<sup>2</sup> These thresholds were updated on 1 January 2011. Before that date, the thresholds were EUR 8 million in consolidated revenues, EUR 1 million in consolidated net income before tax and EUR 40 million worth of total consolidated assets.

Enterprises over which Fortis Bank exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist when Fortis Bank holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and Fortis Bank effectively exercises significant influence. This applies to companies developed in partnership with other groups, where Fortis Bank participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or decision-making tools, and provides technical assistance to support the development of the enterprise.

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

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

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

Transactions resulting in a loss of control completed prior to 1 January 2010 give rise to the recognition of a gain or loss equal to the difference between the sale price and the share of Fortis Bank in the underlying equity. For transactions completed after 1 January 2010, the revised IAS 27 now requires any equity interest retained by Fortis Bank to be remeasured at its fair value through profit or loss.

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

### 1.c.3 Consolidation procedures

The Consolidated Financial Statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

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

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

#### **Translation of financial statements expressed in foreign currencies**

The Consolidated Financial Statements of Fortis Bank are prepared in euros.

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

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

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



On liquidation or disposal of all or part of an interest in a foreign operation outside the eurozone, leading to a change in the nature of the investment (loss of control, significant influence or joint control), the cumulative translation adjustment recorded in equity at the date of liquidation or sale is recognised in the profit or loss account.

Should the percentage interest held change without any change in the nature of the investment, the translation adjustment is reallocated between the portion attributable to shareholders and that attributable to minority interests, if the enterprise is fully consolidated. For associates and joint ventures, the portion related to the interest sold is recognised in the profit and loss account.

#### 1.c.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 assumed are measured at fair value at the acquisition date, except for non-current assets held for sale which are accounted for at fair value less cost to sell.

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

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

Any contingent consideration is included in the consideration transferred at its acquisition-date fair value as soon as control is obtained. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

Fortis Bank may recognise any adjustments to the provisional accounting of the business combination within 12 months after the acquisition date.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while badwill is recognised immediately in profit or loss, on the acquisition date.

Minority interests are measured for their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, Fortis Bank can elect to measure the minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, Fortis Bank has never used this latter option.

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

At 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 is applied prospectively, business combinations completed prior to 1 January 2010 were not restated for the effects of changes to IFRS 3.

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

##### Measurement of goodwill

Fortis Bank tests goodwill for impairment on a regular basis.

##### Cash-generating units

Fortis Bank has divided all its activities into cash-generating units<sup>3</sup>, representing the reporting entities of Fortis Bank. This split is consistent with Fortis Bank's organisational structure and management methods, and reflects the independence of each reporting entity in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

<sup>3</sup> As defined by IAS 36.

### **Testing cash-generating units for impairment**

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

### **Recoverable amount of a cash-generating unit**

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit and its value in use.

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

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

### **Transactions under common control**

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

## 1.d Financial assets and financial liabilities

### 1.d.1 loans and receivables

Loans and receivables include credit provided by Fortis Bank, Fortis Bank's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as 'Available-for-sale financial assets' and measured using the methods applicable to this category.

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

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments where the probability of drawdown is low, or when there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

### 1.d.2 Securities

#### Categories of securities

Securities held by Fortis Bank are classified in one of four categories.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of:

- financial assets held for trading purposes
- financial assets that Fortis Bank has designed, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.d.9 'Determination of fair value'.

Securities in this category are measured at fair value at the balance sheet date. Transaction costs are directly posted in the profit and loss account. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under 'Net gain/loss on financial instruments at fair value through profit or loss', along with dividends from variable-income securities and realised gains and losses on disposal.

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

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

#### Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as 'Loans and receivables' if they do not meet the criteria to be classified as 'Financial assets at fair value through profit or loss'. These securities are measured and recognised as described in section 1.d.1 'Loans and receivables'.

#### Held-to-maturity financial assets

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

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in 'Interest income' in the profit and loss account.

#### Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as 'fair value through profit or loss' or 'held-to-maturity' or 'loans and receivables'.

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the balance sheet date, they are remeasured to fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity. Upon disposal, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line 'Net gain/loss on available-for-sale financial assets'. The same applies in the event of impairment.

Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in 'Interest income' in the profit and loss account. Dividend income from variable-income securities is recognised in 'Net gain/loss on available-for-sale financial assets' when Fortis Bank's right to receive payment is established.

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

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

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Fortis Bank's balance sheet. The corresponding receivable is recognised under 'Loans and receivables' except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under 'Financial assets at fair value through profit or loss'.

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

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

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

Regardless of their classification (at fair value through profit or loss, loans and receivables or debt), temporary sales of securities and sales of borrowed securities are initially recognised at the settlement date.

Securities transactions are carried on the balance sheet until Fortis Bank's right to receive the related cash flows expire, or until Fortis Bank has transferred substantially all the risks and rewards incident to ownership of the securities.

### **1.d.3 Foreign currency transactions**

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

#### **Monetary assets and liabilities<sup>4</sup> expressed in foreign currencies**

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

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

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

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

<sup>4</sup> *Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.*

#### 1.d.4 Impairment of financial assets

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

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by Fortis Bank, with the probability of drawdown taken into account in any assessment of financing commitments.

At individual level, objective evidence that a financial asset is impaired includes observable data about the following events:

- the existence of accounts more than three months past due (six months past due for real estate loans and loans to local authorities)
- knowledge or indications that the borrower meets significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments
- concessions in respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in the profit and loss account under 'Cost of risk'. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under 'Cost of risk'. Once an asset has been impaired, income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised in 'Interest income' in the profit and loss account.

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

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables Fortis Bank to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken in the profit and loss account under 'Cost of risk'.

Based on the experienced judgement of the Bank's divisions or Risk Management, Fortis Bank may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

##### **Impairment of available-for-sale financial assets**

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis and is based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts Fortis Bank to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

Apart from the identification criteria, Fortis Bank has determined three indications of impairment, one being a significant decline in price, defined as a fall of more than 50% of the acquisition price, another being a prolonged decline over two consecutive years and the final one being a decline on average of at least 30% over an observation period of one year. Fortis Bank believes that a period of two years is what necessary for a moderate decline in price below the purchase cost to be considered as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but which represents a lasting phenomenon justifying an impairment.

A similar method is applied for variable-income securities which are not quoted on an active market. Any impairment is then determined based on the model value.

In the case of fixed-income securities, impairment is assessed on the basis of the same criteria applied to individually impaired loans and receivables. For securities quoted in an active market, impairment is determined on the basis of quoted price. For all others, it is determined based on model value.

Impairment losses taken against variable-income securities are recognised as a component of Revenues on the line 'Net gain/loss on available-for-sale financial assets', and may not be reversed through the profit and loss account until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

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

## 1.d.5 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near-term, out of 'Financial assets at fair value through profit or loss' and into:
  - 'Loans and receivables' if the asset meets the definition for this category and Fortis Bank has the intention and ability to hold the asset for the foreseeable future or until maturity, or
  - other categories only under rare circumstances where justified and provided that the reclassified assets meet the conditions applicable to the host portfolio
- out of 'Available-for-sale financial assets' and into:
  - 'Loans and receivables' on the same conditions as set out above for 'Financial assets at fair value through profit or loss', or
  - 'Held-to-maturity financial assets', for assets that have a maturity, or 'Financial assets at cost', for unlisted variable-income assets.

Financial assets are reclassified at fair value, or the value calculated by a model, on the reclassification date. Any derivatives embedded in the reclassified financial assets are recognised separately and changes in fair value are recognised through profit or loss.

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

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

Any upward revisions to the estimated recoverable amounts are recognised through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the carrying amount of the financial asset.

### 1.d.6 Issues of debt securities

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

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

Bonds redeemable for or convertible into equity instruments of Fortis Bank are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

### 1.d.7 Own equity instruments and own equity instrument derivatives

The term 'own equity instruments' refers to shares issued by the parent company (BNP Paribas SA) or by its fully consolidated subsidiaries.

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

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

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

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

If the contract includes an obligation, whether contingent or not, for the Bank to repurchase its own shares, the Bank must recognise the present value of the debt with an offsetting entry in equity.

### 1.d.8 Derivative instruments and hedge accounting

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

#### Derivatives held for trading purposes

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

#### Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

### **Embedded derivatives**

Derivatives embedded in hybrid financial instruments are separated from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

## **1.d.9 Determination of fair value**

Financial assets and liabilities classified as at fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value upon initial recognition and at subsequent dates. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Fair value is determined:

- on the basis of quoted prices in an active market; or
- using valuation techniques involving:
  - mathematical calculation methods based on accepted financial theories, and
  - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods because of resulting from the absence of an active market.

Whether or not a market is active is determined on the basis of a variety of factors. Characteristics of an inactive market include a significant decline in the volume and level of trading activity in identical or similar instruments, a significant variation of the available prices over time or among market participants or observed transaction prices are not current.

### **Use of quoted prices on active markets**

If quoted prices in an active market are available, they are used to determine fair value. These represent directly quoted prices for identical instruments.

### **Use of models to value unquoted financial instruments**

The majority of over-the-counter derivatives are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black & Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

Some financial instruments, although not traded on an active market, are measured using methods based on parameters which are observable on the market.

The models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates and loss.

The valuation derived from these models is adjusted for liquidity and credit risk. Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

Similarly, a counterparty risk adjustment is included in the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

The margin generated when financial instruments, are traded is taken to the profit and loss account immediately.

Other illiquid complex financial instruments are valued using internally-developed techniques and techniques that are entirely based on data or on partially non-observable on active markets.

In the absence of observable inputs, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated by comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

Lastly, the fair value of unlisted equity securities is measured in comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such points of reference are available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of Fortis Bank's share of net assets calculated using the most recent information available.

#### 1.d.10 Financial assets and liabilities designated at fair value through profit or loss (fair value option)

The amendment to IAS 39 relating to the 'fair value option' was adopted by the European Union on 15 November 2005, with effect from 1 January 2005.

This option allows entities to designate any financial asset or financial liability on initial recognition as measured at fair value, with changes in fair value recognised in profit or loss, in the following cases:

- Hybrid financial instruments containing one or more embedded derivatives which otherwise would have been separated and accounted for separately
- Where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories
- Where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, in accordance with a documented risk management and investment strategy.

#### 1.d.11 Income and expenses arising from financial assets and financial liabilities

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in 'Available-for-sale financial assets' are recognised in the profit and loss account using the effective interest method.

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

The method used by Fortis Bank to recognise service-related commission income and expenses depends on the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in 'Net interest income'. Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under 'Commission income and expense'. Commission payable or receivable for recurring services is recognised over the term of the service, also under 'Commission income and expense'.

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Revenues.

External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

### 1.d.12 Cost of risk

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

### 1.d.13 Derecognition of financial assets and financial liabilities

Fortis Bank derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when Fortis Bank transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions

are fulfilled, Fortis Bank retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

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

### 1.d.14 Offsetting of financial assets and financial liabilities

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

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

## 1.e Accounting standards specific to insurance business

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the assets and liabilities of Fortis Bank generally, and are included under the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

### 1.e.1 Assets

Financial assets and non-current assets are accounted for using the policies described elsewhere in this note. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in 'Financial assets at fair value through profit or loss', and are stated at the realisable value of the underlying assets at the balance sheet date.

### 1.e.2 Liabilities

Fortis Bank's obligations to policyholders and beneficiaries are shown in 'Technical reserves of insurance companies' and comprise liabilities relating to insurance contracts carrying a significant insurance risk (e.g., mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive a share of actual profits as a supplement to guaranteed benefits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in 'Due to customers'.

Unit-linked contract liabilities are measured in reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers' insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period. A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the Consolidated Financial Statements, the bulk of this reserve is reclassified to 'Policyholders' surplus' on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders' surplus reserve resulting from the application of shadow accounting. This represents the policyholders' interest in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

In the event of an unrealised loss on shadow accounted assets, a policyholders' loss reserve is recognised on the assets side of the consolidated balance sheet in an amount equal to the probable deduction from the policyholders' future profit share. The recoverability of the policyholders' loss reserve is assessed prospectively, taking account of policyholders' surplus reserves recognised elsewhere, capital gains on financial assets that are not shadow accounted due to accounting elections made (held-to-maturity financial assets and property investments measured at cost) and the company's ability and intention to hold the assets carrying the unrealised loss. The policyholders' loss reserve is recognised symmetrically with the corresponding assets and shown on the assets side of the balance sheet under the line item 'Accrued income and other assets'.

### 1.e.3 Profit and loss account

Income and expenses arising on insurance contracts written by Fortis Bank are recognised in the profit and loss account under 'Income from other activities' and 'Expenses on other activities'.

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders' surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

## 1.f Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise on assets used in operations and investment property.

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

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

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

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

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

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

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

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different

uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. Fortis Bank has adopted the component-based approach for property used in operations and for investment property.

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

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

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

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

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

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

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

## 1.g Leases

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

### 1.g.1 Lessor accounting

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

#### Finance leases

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

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

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

#### Operating leases

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

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

### 1.g.2 Lessee accounting

Leases contracted by Fortis Bank as lessee are categorised as either finance leases or operating leases.

#### Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

#### Operating leases

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

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

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

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

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

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

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

## 1.i Employee benefits

Employee benefits are classified in one of four categories:

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

### 1.i.1 Short-term benefits

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

### 1.i.2 Long-term benefits

These are benefits, other than post-employment benefits and termination benefits, which are not settled fully within 12 months after the employees render the related service. This relates in particular to compensation deferred for more than 12 months and not linked to the BNP Paribas share price, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately as is the effect of any plan amendments.

### 1.i.3 Termination benefits

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

### 1.i.4 Post-employment benefits

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

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

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

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

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

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by Fortis Bank, using the projected unit credit method. This method takes into account various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

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

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby causing actuarial gains and losses. Fortis Bank applies the 'corridor' method in accounting for actuarial gains and losses. Under this method, Fortis Bank is allowed to recognise, as from the following period and over the average remaining service lives of employees, only that portion of actuarial gains

and losses that exceeds the greater of (i) 10% of the present value of the gross defined-benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period.

At the date of first-time adoption, Fortis Bank elected for the exemption allowed under IFRS 1, under which all unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under 'Salaries and employee benefits' with respect of defined-benefit plans is comprised of the current service cost (the rights vested by each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

## 1.j Share-based payment

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

Fortis Bank has elected to apply IFRS 2 to all share options and restricted shares outstanding as of 1 January 2004 and all options issued subsequent to 1 January 2004.

Employees are granted stock subscription option plans and deferred share-based compensation plans and also offered the opportunity of subscribing for specially-issued BNP Paribas shares at a discount, on condition that they retain the shares for a specified period.

### 1.j.1 Stock option and share award plans

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

Stock option and share award expense under recorded in salaries and employee benefits, with the credit entry is posted to shareholders' equity. They are calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.

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

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



## 1.j.2 Share subscriptions or purchases offered to employees under the company savings plan

Share subscriptions or purchases offered to employees under the company savings plan at lower-than-market rates over a specified period do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of five years. This restriction is taken into account by measuring the benefit to the employees, which is reduced accordingly. The benefit therefore equals the difference, at the date the plan is announced to employees, between the fair value of the share (after allowing for the

restriction on sale) and the acquisition price paid by the employee, multiplied by the number of shares acquired.

The cost of the mandatory five-year holding period is equivalent to the cost of a strategy involving the forward sale of shares subscribed at the time of the capital increase reserved for employees and the cash purchase of an equivalent number of BNP Paribas shares on the market, financed by a loan repaid at the end of a five-year period out of the proceeds from the forward sale transaction. The interest rate on the loan is the rate that would be applied to a five-year general purpose loan taken out by an individual with an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

## 1.k Provisions recorded under liabilities

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

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

## 1.l Current and deferred taxes

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will

generate future taxable profits against which these temporary differences and tax losses can be offset.

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

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

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets or to changes in the fair value of instruments designated as cash flow hedges, which are taken to shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income

to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under 'Corporate income tax'.

## 1.m Statement of cash flows

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

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by Fortis Bank's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

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

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

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

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

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

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities
- the use of internally-developed models to measure positions in financial instruments that are not quoted in active markets
- calculations of the fair value of unquoted financial instruments classified in 'Available-for-sale financial assets', 'Financial assets at fair value through profit or

loss' or 'Financial liabilities at fair value through profit or loss', and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement

- whether a market is active or inactive for the purposes of using a valuation technique
- impairment losses on variable-income financial assets classified as 'available-for-sale'
- impairment tests performed on goodwill and intangible assets
- impairment testing on investments in equity associates
- deferred tax assets recognition
- the appropriateness of the designation of certain derivative instruments as cash flow hedges, and the measurement of hedge effectiveness
- estimates of the residual value of assets leased under finance leases or operating leases, and more generally of assets on which depreciation is charged net of their estimated residual value
- the measurement of provisions for contingencies and charges.

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

## 2 Notes to the profit and loss account for the year ended 31 december 2011

### 2.a Net interest income

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

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

In millions of euros	Year to 31 Dec. 2011			Year to 31 Dec. 2010		
	Income	Expense	Net	Income	Expense	Net
<b>Customer items</b>	<b>5,516</b>	<b>(2,326)</b>	<b>3,190</b>	<b>4,492</b>	<b>(1,879)</b>	<b>2,613</b>
Deposits, loans and borrowings	5,465	(2,259)	3,206	4,379	(1,772)	2,607
Repurchase agreements	38	(67)	(29)	113	(107)	6
Finance leases	13		13			
<b>Interbank items</b>	<b>559</b>	<b>(416)</b>	<b>143</b>	<b>1,215</b>	<b>(1,252)</b>	<b>(37)</b>
Deposits, loans and borrowings	546	(341)	205	1,150	(1,155)	(5)
Repurchase agreements	13	(75)	(62)	65	(97)	(32)
<b>Debt securities issued</b>		<b>(867)</b>	<b>(867)</b>		<b>(1,130)</b>	<b>(1,130)</b>
<b>Cash flow hedge instruments</b>	<b>206</b>	<b>(149)</b>	<b>57</b>	<b>1</b>		<b>1</b>
<b>Interest rate portfolio hedge instruments</b>	<b>449</b>	<b>(452)</b>	<b>(3)</b>	<b>113</b>	<b>(6)</b>	<b>107</b>
<b>Trading book</b>	<b>420</b>	<b>(494)</b>	<b>(74)</b>	<b>276</b>	<b>(306)</b>	<b>(30)</b>
Fixed-income securities	107		107	97		97
Repurchase agreements	233	(217)	16	57	(77)	(20)
Loans / Borrowings	80	(247)	(167)	122	(205)	(83)
Debt securities		(30)	(30)		(24)	(24)
<b>Available-for-sale financial assets</b>	<b>1,501</b>		<b>1,501</b>	<b>2,021</b>		<b>2,021</b>
<b>Held-to-maturity financial assets</b>	<b>215</b>		<b>215</b>	<b>116</b>		<b>116</b>
<b>TOTAL INTEREST INCOME / (EXPENSE)</b>	<b>8,866</b>	<b>(4,704)</b>	<b>4,162</b>	<b>8,234</b>	<b>(4,573)</b>	<b>3,661</b>

Interest income on individually impaired loans amounted to EUR 35 million at 31 December 2011 and EUR 37 million at 31 December 2010.

## 2.b Commission income and expenses

Net commission income and expenses for the year ended 31 December are specified in the table below:

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Guarantees, commitments and credit operations	206	159
Payment services	255	219
Securities and derivatives operations	190	245
Asset management	411	429
Insurance	275	277
Intermediaries	(159)	(170)
Other	62	(4)
<b>TOTAL NET COMMISSION INCOME AND EXPENSE</b>	<b>1,240</b>	<b>1,155</b>

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

Net gain/loss on financial instruments at fair value through profit or loss includes all profit and loss items relating to financial instruments managed in the trading book and financial instruments (including dividends) that Fortis Bank has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in 'Net interest income' (Note 2.a).

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
<b>Trading book</b>	<b>(573)</b>	<b>(132)</b>
Debt instruments	(155)	(103)
Equity instruments	(413)	(42)
Other derivatives	(3)	5
Repurchase agreements	(2)	8
<b>Financial instruments designated at fair value through profit and loss</b>	<b>786</b>	<b>294</b>
<b>Impact of hedge accounting</b>	<b>(49)</b>	<b>38</b>
Hedging instruments	(750)	(243)
Items covered by fair value hedges	701	281
<b>Remeasurement of currency positions</b>	<b>145</b>	<b>120</b>
<b>TOTAL</b>	<b>309</b>	<b>320</b>

## 2.d Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
<b>Loans and receivables, fixed-income securities <sup>1</sup></b>	<b>(47)</b>	<b>40</b>
<b>Equities and other variable-income securities</b>	<b>11</b>	<b>32</b>
Dividend income	11	28
Additions to impairment provisions	(26)	(19)
Net disposal gains	26	23
<b>TOTAL</b>	<b>(36)</b>	<b>72</b>

<sup>1</sup> Interest income from available-for-sale fixed-income securities is included in 'Net interest income' (Note 2.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 2.f).

Unrealised gains and losses, previously recorded under 'Change in assets and liabilities recognised directly in shareholders' equity' and taken to pre-tax income, amounted to EUR 81 million for the year ended 31 December 2011 compared with a gain of EUR 187 million for the year ended 31 December 2010.

## 2.e Net income from other activities

In millions of euros	Year to 31 Dec. 2011			Year to 31 Dec. 2010		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities		(14)	(14)			
Net income from investment property	16	(4)	12	15	(2)	13
Net income from assets held under operating leases	1		1	145	(28)	117
Other income and expense	82	(23)	59	51	(10)	41
<b>TOTAL NET INCOME FROM OTHER ACTIVITIES</b>	<b>99</b>	<b>(41)</b>	<b>58</b>	<b>211</b>	<b>(40)</b>	<b>171</b>

## 2.f Cost of risk

Cost of risk represents the net amount of impairment losses recognised in respect of credit risks inherent in the banking intermediation activities, plus any impairment losses in the case of known counterparty risks on over-the-counter financial instruments.

### Cost of risk for the period

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Net additions to impairment provisions	(1,046)	(30)
Recoveries on loans and receivables previously written off	19	34
Irrecoverable loans and receivables not covered by impairment provisions	(125)	(1)
<b>TOTAL COST OF RISK FOR THE PERIOD</b>	<b>(1,152)</b>	<b>3</b>
<i>of which losses on Greek sovereign debt <sup>1</sup></i>	<i>(866)</i>	

### Cost of risk for the period by asset type

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Loans and receivables due from credit institutions	7	9
Loans and receivables due from customers <sup>1</sup>	(877)	(54)
Available-for-sale financial assets <sup>1</sup>	(146)	69
Held-to-maturity financial assets <sup>1</sup>	(116)	
Financial instruments on trading activities	(57)	
Other assets	2	24
Off-balance sheet commitments and other items	35	(45)
<b>TOTAL COST OF RISK FOR THE PERIOD</b>	<b>(1,152)</b>	<b>3</b>

<sup>1</sup> The provisioning charge relating to Greek sovereign debt results from the release to income of the change in value of securities recognised in equity on the date these securities were reclassified as loans and receivables (see note 8.h 'Exposure to sovereign debt risk'), i.e. EUR (144) million, and from additional provisioning assuming a 75% loss.

### Provisions for impairment: credit risks

#### Movement in impairment provisions during the period:

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
<b>TOTAL IMPAIRMENT PROVISIONS AT START OF PERIOD</b>	<b>4,700</b>	<b>5,455</b>
Discontinued operations		1,057
<b>TOTAL IMPAIRMENT PROVISIONS OF CONTINUING OPERATIONS AT START OF PERIOD</b>	<b>4,700</b>	<b>4,398</b>
Net additions to impairment provisions	1,046	30
Utilisation of impairment provisions	(305)	(192)
Effect of exchange rate movements and other items	(1,100)	464
<b>TOTAL IMPAIRMENT PROVISIONS OF CONTINUING OPERATIONS AT END OF PERIOD</b>	<b>4,341</b>	<b>4,700</b>

## Impairment provision by asset type:

In millions of euros	31 December 2011	31 December 2010
<b>Impairment of assets</b>		
Loans and receivables due from credit institutions (Note 5.f)	266	339
Loans and receivables due from customers (Note 5.g)	3,642	3,462
Financial instruments on trading activities	57	
Available-for-sale financial assets (Note 5.c)	37	429
Held-to-maturity financial assets (Note 5.i)	116	
Other assets	11	116
<b>TOTAL IMPAIRMENT PROVISIONS AGAINST FINANCIAL ASSETS</b>	<b>4,129</b>	<b>4,346</b>
<b>Provisions recognised as liabilities</b>		
Provisions for off-balance sheet commitments		
- to credit institutions		
- to customers	199	307
Other items subject to provisions	13	47
<b>TOTAL PROVISIONS RECOGNISED AS LIABILITIES</b>	<b>212</b>	<b>354</b>
<b>TOTAL IMPAIRMENT PROVISIONS</b>	<b>4,341</b>	<b>4,700</b>

## 2.g Corporate income tax

Reconciliation of income tax expense to theoretical tax expense at standard tax rate in Belgium	Year to 31 Dec. 2011		Year to 31 Dec. 2010	
	In millions of euros	In %	In millions of euros	In %
<b>Corporate income at standard tax rate expense in Belgium</b>	<b>(264)</b>	<b>33.99%</b>	<b>(430)</b>	<b>33.99%</b>
Differential effect in tax rates applicable to foreign entities	26	(3.3%)	90	(7.0%)
Effect of dividends and asset disposals taxed at reduced rate	14	(1.8%)	14	(1.1%)
Tax effect linked to capitalisation of tax loss carryforward and prior temporary differences	183	(23.6%)	158	(12.3%)
Tax effect of using tax losses not capitalised	11	(1.4%)	10	(0.8%)
Other items	(50)	6.4%	(41)	3.2%
<b>Corporate income tax expense</b>	<b>(80)</b>	<b>10.3%</b>	<b>(199)</b>	<b>16.0%</b>
<i>Of which</i>				
<i>Current tax expense for the period to 31 December</i>	<i>(127)</i>		<i>(90)</i>	
<i>Deferred tax expense for the period to 31 December (Note 5.j)</i>	<i>47</i>		<i>(109)</i>	

### 3 Segment content

The organisation, operating model and governance structure of Fortis Bank changed significantly following the acquisition of a 75% share in Fortis Bank by BNP Paribas and the commencement of the integration project, as set out in the Industrial Plan. These changes also have a major impact on the way performance is assessed and resources of the segments allocated and on the format and content of Fortis Bank's the segment reporting.

We consider that within the legal and regulatory scope of Fortis Bank ('controlled perimeter'), the nature and financial effects of the business activities in which it engages and the economic environments in which it operates, are best reflected through operating segments based on geographical components, namely:

- Fortis Bank in Belgium
- Fortis Bank in Luxembourg
- Other countries.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) in order to make decisions as to the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

In the context of IFRS 8, 'Operating Segments', the Fortis Bank Board of Directors is deemed to be as the CODM, jointly overseeing the activities, performance and resources of Fortis Bank.

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

The combined activities of Fortis Bank in Belgium, Luxembourg and other countries are now being integrated into the overall BNP Paribas operating model. The integration of Fortis Bank activities into the BNP Paribas organisational structure of businesses and support functions ensures that adequate levers exist to effectively implement BNP Paribas Group strategy across all entities that form part of Fortis Bank.

However, Fortis Bank group and the legal entities that form part of this group must continue to exercise management control over its full legal and regulatory scope, known as the 'controlled perimeter', including the establishment of appropriate governance structures and control procedure.

Within this organisational structure, with the presence of significant minority shareholders, and in the context of the regulatory scope ('controlled perimeter') of Fortis Bank, operating segments based on geographical areas and regulatory environments are mostly in line with the core principles and criteria for determining operating segments as defined in IFRS 8, 'Operating Segments'.

The basis of segmentation has changed since the Consolidated Financial Statements for the year ended 31 December 2009, driven by the deployment of the process of integrating Fortis Bank activities into the BNP Paribas Group and the related Industrial Plan, while complying with the requirements arising from the 'controlled perimeter', including the establishment of appropriate governance structures and control and reporting processes.

Transactions between segments are entered under normal commercial terms and conditions such as would apply vis-à-vis with non-related parties.

The segment profit or loss, segment assets and segment liabilities are prepared in conformity with the accounting policies adopted for preparing and presenting the Fortis Bank Consolidated Financial Statements, as this is the measure used in the reportings to the CODM.



## 3.a Operating segments

### Fortis Bank in Belgium

Under the brand name BNP Paribas Fortis, Fortis Bank offers a comprehensive package of financial services for private individuals, the self-employed, professionals and SMEs. The Bank also provides high net worth individuals, corporations and public and financial institutions with customised solutions for which it can draw on the know-how and international network of its mother company BNP Paribas.

In Retail & Private Banking (RPB), Fortis Bank has a solid footprint, serving 3.7 million individuals, professionals, SMEs and private banking customers. RPB has a very strong presence in the local market, through an extensive network of just under 1,000 branches, plus other channels such as ATMs and online and phone banking. Fortis Bank operates its Retail banking activities under three complementary brands: the main brand BNP Paribas Fortis, Fintro and Banque de la Poste/Bank van De Post.

Through Corporate & Public Banking, Belgium (CPBB), a comprehensive range of local and international financial services is provided to Belgian enterprises, public entities and local authorities. The range includes domestic banking products, specialist financial skills, and securities, insurance and real estate services. Skills include specialist trade services, cash management, factoring and leasing, plus M&A and capital markets services. A central team of corporate bankers, relationship managers and staff with specialist skills ensures that Fortis Bank stays in close touch with the market. This team, combined with the European network of business centres managed by Corporate & Investment Banking, enables the Bank to offer unified commercial management to its Belgian clients both locally and abroad.

Corporate & Investment Banking (CIB) offers its clients in Belgium and throughout Europe full access to the BNP Paribas CIB product portfolio. It consists of six business lines: Capital Markets, Structured Finance, Corporate Finance, Private Equity, Institutional Banking Group Europe, and Corporate & Transaction Banking Europe.

In the insurance sector, Fortis Bank works closely with the Belgian market leader, AG Insurance.

### Fortis Bank in Luxembourg

Fortis Bank in Luxembourg refers to all the subsidiaries of Fortis Bank which are located in Luxembourg (amongst others BGL BNP Paribas and BNP Paribas Fortis Funding).

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

As a partner with a longstanding commitment to the national economy, BGL BNP Paribas offers an especially wide range of products on the market not only for individuals but also for professional and institutional clients. The bank is Luxembourg's number-one provider of banking services to professionals and small- and medium-sized companies, and number two in services for individuals. It is also the leader in bancassurance, providing combined offerings of insurance and banking services.

### Other countries

The segment 'Other countries' covers all activities carried out by Fortis Bank outside its domestic markets of Belgium and Luxembourg.

In Poland, BNP Paribas Bank Polska SA has a network of 227 branches and 2,700 employees, with just under 400,000 customers, most of whom are in the Retail banking segment. BNP Paribas Bank Polska SA holds 100% shares in two subsidiaries: an asset management company 'Towarzystwo Funduszy Inwestycyjnych BNP Paribas Polska SA'; and Fortis Lease Polska Sp. z o.o., a leasing company which, in cooperation with the Bank, offers leasing of fixed assets, including real estate, transport assets, construction machinery and specialist equipment for industry. Other services, such as securities services, insurance, leasing and fleet management, are provided through specialized subsidiaries of the BNP Paribas Group.

BNP Paribas Fortis operates in Turkey through TEB, in which it has a 44.58% stake. This is the result of the merger between Fortis Bank Turkey and TEB A.Ş. which took place on 14 February 2011. The merged bank ranks 9th in the Turkish banking sector in terms of loans and deposits market share. Retail Banking offers debit and credit cards, mortgage loans, personal loans, and investment and insurance products, which are distributed through some 602 branches and also via internet, phone and mobile banking. Corporate banking

services include international trade finance, asset and cash management, credit services, currency hedging, interest and commodity risk, factoring and leasing. Through its commercial and small business banking departments, the bank provides a full range of banking services to small and medium-sized enterprises.

Branches of Fortis Bank SA/NV located outside Belgium are also reported under the segment 'Other countries'.

## 3.b Information by operating segment

### Income by operating segment

In millions of euros	Year to 31 Dec. 2011				Year to 31 Dec. 2010			
	Fortis	Fortis	Other	Total	Fortis	Fortis	Other	Total
	Bank in Belgium	Bank in Luxembourg	Countries		Bank in Belgium	Bank in Luxembourg	Countries	
Revenues	3,773	878	1,082	5,733	3,634	839	906	5,379
Operating expense	(2,782)	(415)	(659)	(3,856)	(3,229)	(432)	(465)	(4,126)
Cost of risk	(929)	(157)	(66)	(1,152)	53	(22)	(28)	3
Operating Income	62	306	357	725	458	385	413	1,256
Non Operating items	(243)	32	151	(60)	87	34	2	123
Pre-tax income	(181)	338	508	665	545	419	415	1,379

### Assets and liabilities by operating segment

In millions of euros	31 December 2011				31 December 2010			
	Fortis	Fortis	Other	Total	Fortis	Fortis	Other	Total
	Bank in Belgium	Bank in Luxembourg	Countries		Bank in Belgium	Bank in Luxembourg	Countries	
Assets	284,966	29,496	31,717	346,179	270,591	35,376	42,000	347,967
<i>of which goodwill on acquisitions during the period</i>	2		167	169				
<i>of which investments in associates and Joint ventures</i>	2,655	453	1,033	4,141	3,196	509	749	4,454
Liabilities	274,264	24,894	27,740	326,898	260,617	30,530	37,218	328,365

# 4 Risk management and capital adequacy

## Introduction

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The information presented in this chapter reflects the entirety of the risks carried by Fortis Bank. It provides a comprehensive description of Fortis Bank's risk management organisation and a quantitative and qualitative overview of Fortis Bank's risk exposure at year end 2011.

Fortis Bank's risk measures are presented according to the Basel II Pillar 3 principles. These risks are calculated using methods approved by the Belgian banking regulator, i.e. the National Bank of Belgium (NBB) and, until March 2011, the CBFA (Banking, Finance and Insurance Commission), and are measured and managed as consistently as possible with the BNP Paribas Group Risk Management methodologies.

Further details on BNP Paribas Group's approach to the measuring and managing of risks resulting from banking activities can be found in the Registration Document and the BNP Paribas Annual Financial Report 2011.

## 4.a Risk management organisation

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### 4.a.1 Mission and organisation

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised primarily by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the divisions, business lines and territories and reports directly to Group Executive Management. The Group Compliance department (GC) monitors operational and reputation risk as part of its responsibility for permanent controls.

The guiding principles of the mission and organisation of Fortis Bank's Risk department are aligned

- with the mission of BNP Paribas' Group Risk Management (GRM):
  - advise the bank's management on risk appetite and policy
  - provide a 'second pair of eyes' so that risks taken by the Bank are aligned with its policies and compatible with its profitability and solvency objectives
  - report to and alert Bank management, core business division heads and the special committee of the Board of Directors on the status of the risks to which the bank is exposed
  - ensure compliance with banking regulations in the risk area, in liaison with other relevant Group Functions
- and its organisational principles:
  - a single integrated risk entity, which is responsible for risk aspects across all businesses
  - independent of business-line management
  - organised with local and global reporting lines (matrix principle)

The Risk department was integrated into the BNP Paribas GRM function in November 2009. The Chief Risk Officer (CRO) of Fortis Bank is a member of the Executive Board and also has a reporting line to the BNP Paribas Head of Group Risk Management. The CRO has no hierarchical link to the heads of businesses or of countries. This structure is designed to:

- ensure objective risk control
- ensure that swift, objective and complete information is provided in the event of increased risk
- maintain a single set of high-quality risk management standards throughout the Bank
- ensure that risk professionals implement and further develop methods and procedures of the highest quality in line with international competitors' best practices

The CRO heads the various Risk functions:

- Risk Information, Modelling & Reporting is responsible for the Basel II program, credit modelling, model certification, business architecture, risk performance and for credit reporting, strategic risk analysis, provisioning and country risk analysis.
- Risk Investments and Markets has the role of providing full transparency and dynamic analysis of market, liquidity and counterparty risks plus credit risks on financial institutions and sovereigns to all businesses
- Credit Risk Retail & Private Banking Belgium is responsible for the retail and private banking credit risk in the domestic market.
- Corporate Credit Risk is responsible for the management of credit risks arising from corporate, public and commercial banking in Belgium and from the Corporate & Investment Banking division.
- Strategy & Organisation is responsible for operational permanent control (ensuring second-line control of the Risk function and of business continuity), the Risk Operating Office (coordinating the non-core support functions), change management projects and Communication.

Outside Belgium, alongside the existing local and global reporting lines, the CROs of companies that remain within the Fortis Bank perimeter report to the CRO of Fortis Bank in order to ensure compliance with internal and external rules.

The key principle of the Bank's overall risk governance (covering all risk types including credit, market, counterparty, liquidity risk etc.) is the double-walled defence, as stated in the BNP Paribas Fortis Risk Policy reviewed by the Executive Board and the Audit, Risk & Compliance Committee).

The primary responsibility for Risk lies with the businesses (first line of defence), which are responsible for the approval, monitoring and management of the Risks arising from their activities.

The Risk Function provides a second pair of eyes, helping to ensure that the risks taken by the Bank are compliant and compatible with its policies, and thus represents the second line of defence in line with the mission stated above, contributing strongly to joint decision making with the businesses and increasing the emphasis on risk monitoring and controls.

## 4.a.2 Fortis Bank's Risk committees

### Fortis Bank Risk committee structure

#### Risk committees

- Fortis Bank Audit, Risk and Compliance Committee (ARCC): the role of the ARCC is to assist the Board in fulfilling its supervisory and monitoring responsibilities with respect to internal control in the broadest sense within Fortis Bank, including risk strategy and internal control over financial reporting and risk.
- Central Credit Committee: the highest Credit Committee of Fortis Bank acting in line with the dedicated authority held by its members (CEO and Heads of Business Lines, together with the CRO and other senior Risk representatives), it ensures that client-level credit decisions are taken in accordance with the desired credit risk appetite, formulated credit policies and the Bank's legal lending limits.
- Capital Markets Risk Committee: draws up and enforces the risk strategy, policies, methods and thresholds for capital markets, including investment portfolios, at business line and transaction level.
- Risk Policy Committee: determines the risk appetite, approves the main risk policies and methodologies, reviews exposures, concentrations and cost of risk, examines current and potential risks in the light of market conditions, business strategy and profitability prospects and enforces risk decisions at the portfolio level.
- Bank Assets and Liabilities Committee: manages liquidity, interest rate and forex risk on the balance sheet: manages the Bank's funding and capital.
- Committee on Impairments and Provisions: makes final decisions on consolidated provisions and impairments.

- Exceptional Transactions Committees: validate and approve exceptional transactions.

- New Activity Committees: validate and approve new activities and products, including significant changes in current activities.

## 4.b Risk measurement and categories

### 4.b.1 Risk measurement

Risk measurement is a crucial step in the risk management process.

To assess and measure risks, Fortis Bank uses several qualitative and/or quantitative methodologies. These range from regular reporting on matters such as concentration and quantitative and qualitative portfolio overviews to more sophisticated quantitative risk models for estimating internal risk parameters. The latter include probability of default, loss given default, exposure at default and expected loss (for credit risk) and Value at Risk (for market risk).

The development and review of these models, and their validation, are subject to Bank-wide standards in order to ensure adequacy and consistency.

The monitoring of the observed risk parameters, stress tests and model based expectations are then compared to a framework of limits and risk guidelines.

Ultimately, all these risk measurements, together with stress tests, are then consolidated in Risk Dashboards, which provide a general overview for senior management. These aggregation documents are intended to provide a basis for well-founded decisions and are subject to ongoing improvement.

### 4.b.2 Risk taxonomy

The risk categories reported below evolve in line with methodological developments at BNP Paribas and regulatory requirements.

#### Credit and counterparty risk

Credit risk is the risk of incurring a loss on loans and receivables (existing or potential due to commitments given) resulting from a change in the credit quality of the Bank's debtors, which may ultimately result in default. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio.

Counterparty risk is the manifestation of credit risk in market, investment and/or payment transactions that potentially expose the Bank to the risk of default by the counterparty. It is a bilateral risk on a counterparty with whom one or more market transactions have been concluded. The amount of this risk may vary over time in line with market parameters that impact the value of the underlying market instrument.

#### Market risk

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Market risk arises mainly from trading activities carried out by the Fixed Income and Equity teams within Corporate and Investment Banking and encompasses various risk factors defined as follows:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates.
- Equity risk arises from changes in the market prices and volatilities of equity shares and/or equity indices.
- Commodity risk arises from changes in the market prices and volatility of commodities and/or commodity indices.
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer.
- Optional products create by these nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

### **Operational risk**

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the 'cause-event-effect' chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses human resources risks, legal risks, tax risks, information system risks, misprocessing risks, risks related to published financial information and the financial implications resulting from compliance and reputation risk.

### **Compliance and reputational risk**

Compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the significant financial loss that a bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities (including instructions given by an executive body, particularly in application of guidelines issued by a supervisory body).

By definition, compliance risk is a sub-category of operational risk. However, as certain implications of compliance risk involve more than a purely financial loss and may actually damage the institution's reputation, the Bank treats compliance risk separately.

Reputational risk is the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, regulators and any other stakeholder whose trust is an essential condition for the corporation to carry out its day-to-day operations.

Reputational risk is primarily contingent on all the other risks borne by the Bank.

### **Asset-liability management risk**

Asset-liability management risk is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. Asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk.

### **Liquidity and refinancing risk**

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil its obligations at an acceptable price in a given place and currency.

## **4.c Capital adequacy**

### **Framework**

As a credit institution, Fortis Bank is subject to regulatory supervision.

At a consolidated and statutory level, Fortis Bank is supervised by the National Bank of Belgium (NBB) and, prior to April 2011, was supervised by the CBFA (Banking, Finance and Insurance Commission). Fortis Bank's subsidiaries may also be subject to regulations by various supervisory authorities in the countries where the subsidiaries operate.

Regulators require banks to hold a minimum level of qualifying capital (8% of risk-weighted assets). Since 2008, Fortis Bank computes its qualifying capital and its risk-weighted assets under the Basel II Framework.

The CBFA has granted Fortis Bank its approval for using the most advanced approaches for calculating the risk-weighted assets under Basel II: Advanced Internal Ratings Based Approach for credit and market risk; and Advanced Measurement Approach for operational risk.

Some subsidiaries of Fortis Bank have not been granted such an approval and therefore use the Standardised Approach for calculating risk-weighted assets.

### **Breakdown of regulatory capital**

Qualifying capital for regulatory purpose is calculated at consolidation level based on IFRS accounting standards and taking into account prudential filters imposed by the regulator, as described in the Circulaire PPB 2007-1-CPB.

The table below details the composition of the regulatory capital of Fortis Bank:

In millions of euros	31 December 2011	31 December 2010
<b>Shareholders' equity</b>	<b>21,313</b>	<b>21,377</b>
Share capital, retained earnings and similar	17,650	17,806
of which dividend payment *	(208)	(387)
Super subordinated notes and similar securities	3,663	3,571
<b>Minority interests</b>	<b>2,974</b>	<b>2,827</b>
<b>Regulatory deductions and other items</b>	<b>(4,794)</b>	<b>(4,541)</b>
Intangible assets deductions	(319)	(268)
of which goodwill	(192)	(179)
Other regulatory items	(4,475)	(4,273)
of which deduction from Tier 1 capital at 50%	(2,265)	(2,142)
<b>TIER 1 CAPITAL</b>	<b>19,493</b>	<b>19,663</b>
Total Tier 2 capital	8,370	9,623
of which positive difference between provisions and expected losses over 1 year	367	424
Tier 2 regulatory deductions	(2,320)	(2,322)
Allocated Tier 3 capital		
<b>REGULATORY CAPITAL</b>	<b>25,543</b>	<b>26,964</b>

(\*) Dividend to be recommended at the Annual General Meeting of shareholders

The table below shows the key capital indicators:

In millions of euros	31 December 2011	31 December 2010
Tier 1 capital	19,493	19,663
Total capital	25,543	26,964
<b>Risk weighted commitments</b>		
Credit risk	105,551	107,188
Market risk	3,080	3,536
Operational risk	9,360	8,619
<b>TOTAL RISK WEIGHTED COMMITMENTS</b>	<b>117,991</b>	<b>119,343</b>
Tier 1 ratio	16.5%	16.5%
Total capital ratio	21.6%	22.6%

### Internal Capital Adequacy Assessment Process (ICAAP)

The second pillar of the Basel II capital framework prescribes how supervisory authorities and banks can effectively assess the appropriate level of regulatory capital. The assessment must cover all the risks incurred by the bank, their sensitivity to crisis scenarios, and how they are expected to evolve in the light of changes in the businesses going forward.

Fortis Bank's internal Capital Adequacy Assessment Process (ICAAP) supports the assessment of whether the level of capital is adequate to mitigate the Bank's risk profile. This internal assessment is regularly integrated into the Bank's decision-making and management processes and supported, where appropriate, by impact or what-if analyses.

## 4.d Credit and counterparty risk

The following table shows all Fortis Bank's financial assets, including fixed-income securities, which are exposed to credit risk. Credit risk exposure does not include collateral and other security taken by the Bank in its lending business or purchases of credit protection.

### Exposure to credit risk by Basel asset class

In millions of euros	31 December 2011			31 December 2010		
	Standardised			Standardised		
	IRBA	Approach	Total	IRBA	Approach	Total
Central governments and central banks	50,465	8,667	59,132	60,080	6,595	66,676
Corporates	83,966	21,335	105,301	91,857	18,895	110,752
Institutions *	40,628	16,554	57,182	59,793	9,097	68,890
Retail	63,145	8,115	71,260	58,713	8,614	67,327
Securitisation positions	21,982		21,982	31,336		31,336
Other non-credit-obligation assets **		2,702	2,702		2,549	2,549
<b>TOTAL EXPOSURE</b>	<b>260,186</b>	<b>57,373</b>	<b>317,559</b>	<b>301,779</b>	<b>45,750</b>	<b>347,530</b>

(\*) The Basel II Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

(\*\*) Other non credit-obligation assets include tangible assets and accrued income and other assets.

The table above shows the entire prudential scope based on the asset classes defined in accordance with article VI.2 of the CBFA Regulation of 17 October 2006 on capital requirements for credit institutions and investment firms.

Total credit risk exposure reduced with 8% compared to 31 December 2010. This evolution was most noticeable in the asset classes 'Institutions' and 'Securitisation positions' and to a lesser extent in 'Central Governments' and 'Corporates'. Those decreases were partially offset by a 6% increase in retail exposures.

The exposure to 'Institutions' dropped by 17% mainly due to the liquidation of the funding of BNPP NY branch by BGL BNP Paribas. Securitisation exposure dropped by 30% due to, amongst others, the maturity and liquidation of some securitisation positions.

The table below shows the Bank's exposure to counterparty risk (measured as exposure at the time of default) by Basel asset class on derivatives contracts and securities lending/borrowing transactions, after the impact of any netting agreements.



## Exposure at default to counterparty risk by Basel asset class

In millions of euros	31 December 2011			31 December 2010		
	Standardised			Standardised		
	IRBA	Approach	Total	IRBA	Approach	Total
Central governments and central banks	374		374	621	6	627
Corporates	2,654	1,128	3,782	1,998	1,078	3,076
Institutions *	20,268	520	20,788	14,421	95	14,516
Retail		2	2		9	9
<b>TOTAL EXPOSURE</b>	<b>23,296</b>	<b>1,650</b>	<b>24,946</b>	<b>17,040</b>	<b>1,188</b>	<b>18,228</b>

(\*) The Basel II Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

The 37% increase of counterparty risk is mostly due to the gradual increase during the year of repo transactions towards BNP Paribas group companies.

### 4.d.1 Credit risk

#### 4.d.1.1 General credit policy and control and provisioning procedures

Fortis Bank's lending activities are governed by the Global Credit Policy that applies to all BNP Paribas Group entities. It is approved by the BNP Paribas Group Risk Committee, chaired by the Chief Executive Officer and endorsed by the Fortis Bank Executive Board, chaired by its Chief Executive Officer. The policy is underpinned by core principles relating to compliance with the Group's ethical standards, clear definition of responsibilities (Business and Risk), the existence and implementation of procedures and requirements for a thorough analysis of risks. It is cascaded in the form of specific policies tailored to each type of business or counterparty. The framework for the governance of credit risks within the Bank is further detailed in a specific, transversal approach which elaborates on key credit routing principles, rules governing the granting of delegations of authority and the role of the Central Credit Committee, which is the highest-level credit committee at the Bank. It also reiterates and reinforces the key principle that the Risk Function is independent from the Businesses.

#### 4.d.1.2 The credit lifecycle

##### Decision-making procedures

The basis for effective credit risk management is the identification of both existing and potential credit risk inherent in any product or activity. This process includes the gathering of all relevant information concerning the products offered, the counterparties involved and all other elements that may influence credit risk. In particular, before making any commitments, Fortis Bank carries out an in-depth review of any known development plans of the client, and ensures that the Bank has thorough knowledge of all the structural aspects of the client's operations and that adequate monitoring will be feasible.

Assessing the credit risk of a proposed transaction consists of:

- analysis of the probability that the client will fail to meet his obligations, also translated into a risk classification on the Bank's rating scale
- analysis of the possibilities of fulfilling the client's obligations by other means in the event that the client fails to meet his obligations by himself
- formulation of a credit proposal which brings together all these facets to the attention of the decision makers

Authorised persons or committees composed of designated Business and Risk representatives take a joint decision based on the credit proposal. Credit proposals must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations.

A system of discretionary lending limits has been established, under which all lending decisions must be approved by formally designated members of Business and Risk. The underlying principle is the need to achieve an appropriate balance (in terms of overall profitability) between two opposite drivers, i.e. maximising the decision-making autonomy of the businesses on the one hand and reducing unexpected counterparty risk on the other.

Approvals are systematically given in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Discretionary lending limits correspond to aggregate commitments by business group and vary according to internal credit ratings and the specific nature of the business concerned. In addition, an industry expert or designated specialist may also be required to sign off on the loan application for certain sectors/industries. In retail banking, simplified procedures are applied, based on statistical decision-making aids, for standard products and limited amounts.

### **Monitoring procedures**

All Fortis Bank's entities are subject to comprehensive risk monitoring and reporting. This is carried out by Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Exception reports are produced (at varying intervals depending on the business) and various tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of discretionary lending limits. The monitoring teams report to the Risk Department. Monitoring teams are closely involved in the organisation of the Watch list and Impairment Committees which meet at monthly intervals to examine all higher risk, sensitive or problem loans in excess of a certain amount. Its responsibilities include guidance on strategy and giving its opinion on any adjustments to impairment provisions, based on the recommendations of the relevant Business and the Risk Department.

### **Impairment procedures**

The Risk Department reviews all corporate, bank and sovereign loans in default at monthly intervals to confirm the amount of any impairment loss to be recognised. The review relates to all material decisions taken within the appropriate decision levels as defined in related policies. The amount of the impairment loss is based on the present value of probable net recoveries, taking into account the possible realisation of guarantees received.

In addition, a collective impairment is established for each business on a statistical basis. The Fortis Bank Committee on Impairments and Provisions gathers on a quarterly basis to approve the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans whose credit quality is considered to be impaired, but where the customers have not been identified as in default (i.e. loans not covered by specific impairment). The simulations carried out by the Risk Department use the parameters of the internal rating system described below.

The aforementioned Committee takes the final decision on all elements of cost of risk, including specific provisions for impairment and collective impairments. Decisions on the structured credits portfolio are taken in the same Committee.

#### **4.d.1.3 Internal rating system**

Fortis Bank has chosen to adopt the most advanced approach – the 'Advanced Internal Ratings Based Approach' (AIRBA) as described by the Basel II accord – and received approval from the CBFA on 3 March 2008 for using this approach for calculating capital requirements under Basel II. This approach has been implemented throughout the whole Group in a consistent way. Convergence projects with the BNP Paribas Group are currently in progress with a view to harmonising methods, processes and systems while remaining compliant with regulatory requirements.

The Bank has a comprehensive internal rating system for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented. For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating, loss given default, which depends on the structure of the transaction; and the credit conversion factor (CCF), which estimates the portion of off-balance sheet exposure at risk.

There are twenty counterparty ratings. Seventeen cover performing clients with credit assessments ranging from 'excellent' to 'very concerning', and three relate to clients classified as in default, as per the definition published by the banking supervisor.

Ratings are determined at least once a year, in connection with the annual review of the client's total exposure, drawing on the combined expertise of Business line staff and Senior Credit Officers from Risk, the latter having the final say. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk.

Various quantitative and other methods are used to check rating consistency and the rating system's robustness. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. The Risk department has overall responsibility for the quality of the entire system. This responsibility is fulfilled either by directly designing the system, validating it or verifying its performance.

Loss given default is determined either using statistical models for books with the highest degree of granularity or using expert judgment based on comparative values. Basel II defines loss given default as the loss that the Bank would suffer in the event of the counterparty's default.

For each transaction, it is measured using the recovery rate for a senior unsecured exposure to the counterparty concerned, adjusted for any effects related to the transaction structure (e.g. subordination) and for the effects of any risk mitigation techniques (collateral and other security). Amounts recoverable against collateral and other security are estimated each year on a prudent basis and discounts are applied for realising security in a stressed environment.

Exposure at default has been modelled by the Bank, using either historical internal default data or other techniques when there is insufficient historical data. Conversion factors are used to measure the off-balance sheet exposure at risk in the event of borrower default.

Each of the three credit risk parameters is back-tested annually to check the system's performance for each of the Bank's business segments. Back-testing consists of comparing estimated and actual results for each parameter.

For back-testing ratings, the default rate of populations in each rating category, or each group of risks with similar characteristics for retail banking operations is compared with the actual default rate observed on a year-by-year basis. An analysis by rating policy, rating, geographical area and rating method is carried out to identify any areas where the models might be underperforming. The stability of the rating and its population is also verified. The Bank has also developed back-testing techniques tailored to low default portfolios to assess the appropriateness of the system, even where the number of actual defaults is very low.

Back-testing of the overall recovery rates is based mainly on analysing recovery flows on exposures in default. When an exposure has been written off, each amount recovered is discounted back to the default date and calculated as a percentage of the exposure. When an exposure has not yet been written off, the amount of provisions made is used as a proxy for future recoveries. The recovery rate determined in this way is then compared with the initial forecast rate. As for the rating, recovery rates are analysed on an overall basis and by rating policy and geographical area. Variances on an item by item and average basis are analysed taking into account the bimodal distribution of recovery rates. The results of these tests show that the Bank's estimates are consistent with economic downturn conditions and are conservative on an average basis.

The credit conversion factor is also backtested annually.

The result of all backtesting work is presented annually to the bodies responsible for overseeing the rating system and risk practitioners worldwide. These results and ensuing discussions are used to help set priorities in terms of developing methodology and deploying tools.

Internal estimates of risk parameters are used in the Bank's day-to-day management in line with Basel II recommendations. For example, apart from calculating capital requirements, they are used when making new loans or reviewing existing loans to measure profitability, determine collective impairment, monitor and ensure active risk management, and for internal and external reporting.

#### 4.d.1.4 Portfolio policy

In addition to carefully selecting and assessing individual risks, Fortis Bank follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. As part of this policy, Fortis Bank may use credit risk transfer instruments (such as securitisation programmes or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses from crisis scenarios.

#### 4.d.1.5 Risk mitigation techniques

##### Collateral and other security

Risk mitigation is the result of reducing the credit risk by hedging or by obtaining collateral. Hedging is any financial technique designed to reduce or eliminate the financial risk engendered by products and/or activities. Security (collateral) is any commitment made or privilege given by a counterparty or third party to which the Bank can seek recourse in the event of the counterparty's default in order to reduce loan losses, or any other agreement or arrangement having a similar effect. The lending activity is never based purely on collateral or hedging. Risk mitigation factors are always regarded as an alternative solution.

The BNP Paribas Global Credit Policy, which also applies to Fortis Bank, sets out how transactions should be structured in order to mitigate risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases such as for example commodities financing. Cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment process as primary debtors.

Banking regulations set clear guidelines for assessing the risk-mitigating effect of collateral and other security under the Basel II advanced approaches. The Bank's diversified business base means that loans are secured by many different types of collateral and security charges over inventory, accounts receivable or real estate. Risk assessments also take into account direct guarantees issued by the counterparty's parent company or other guarantors such as financial institutions. Other guarantees assessed by the Bank include credit derivatives, export credit agencies and credit enhancers. Acceptance of these types of guarantees is governed by strict criteria. A guarantee is considered as mitigating a risk only when the

guarantor is rated higher than the counterparty. The value of collateral or other security is only taken into account in measuring exposure if there is no strong correlation with the risk on the first-rank debtor.

##### Purchases of credit protection

Optimisation of credit portfolio management requires the use of efficient hedging techniques to avoid concentration or unwanted exposure in the loan or debt security portfolio. For this purpose, Fortis Bank uses mainly single name credit default swaps (CDS). CDS counterparties are carefully selected and virtually all contracts benefit from collateral agreements.

##### Asset securitisation

Asset securitisation is the process of creating a marketable financial instrument that is backed by the cash flow or value of specific financial assets. During the securitisation process, assets (e.g. consumer loans, receivables, mortgages) are selected and pooled together into a special purpose vehicle (SPV) which issues securities that can be sold to investors. Detailed information on asset securitisation is provided in the section 4.d.3 'Securitisation' of this chapter and in note 8.g 'Structured Credit Instruments'.

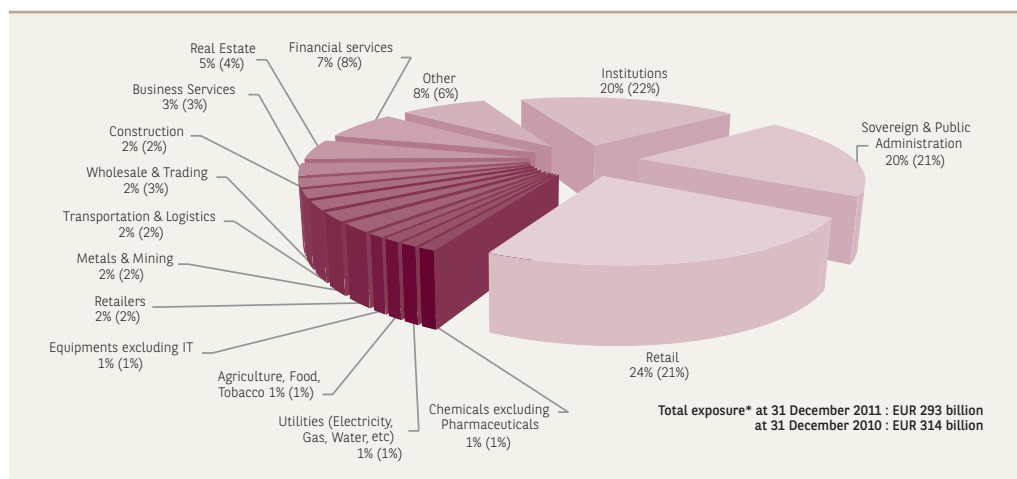
##### Diversification of exposure to credit risk

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to Fortis Bank's credit risk strategy of maintaining granular, liquid and diversified portfolios.

To identify potential linkages between exposures to single counterparties, Fortis Bank applies the concept of 'total one obligor'. This implies that groups of connected counterparties are considered to be a 'Business Group' for the management of credit risk exposure.

To manage the diversity of credit risk, Fortis Bank's credit risk management policy seeks to spread credit risk across different sectors and countries. The table below shows the industry concentration of Fortis Bank's customer credit portfolio at 31 December 2011.

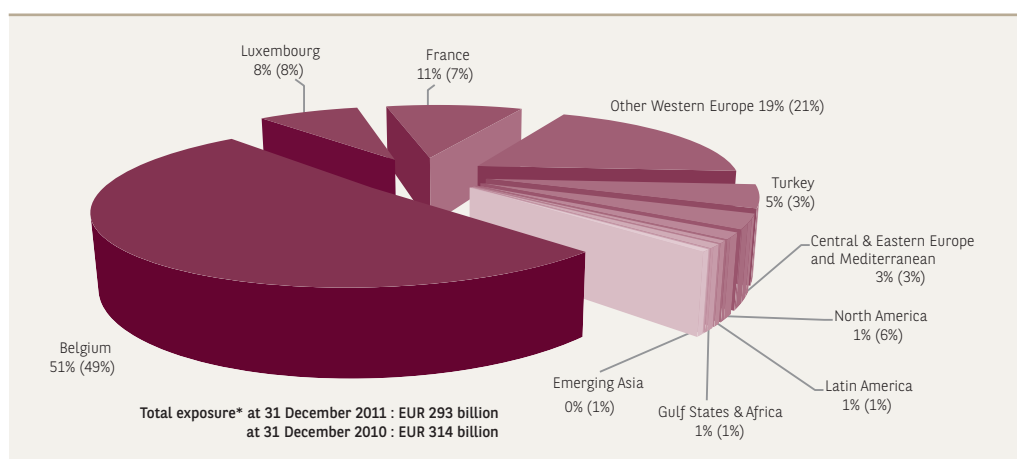
*Breakdown of credit risk by Basel II Asset Class and by corporate industry at 31 December 2011*



(\* Total exposure excluding counterparty risk, equity, other non-credit obligation assets and securitisation positions. Percentages in brackets reflect the breakdown at 31 December 2010.

Country concentration risk is the sum of all exposures to obligors in the country concerned. The table below shows the geographical concentration of Fortis Bank's customer credit portfolio at 31 December 2011.

*Geographical breakdown of credit risk at 31 December 2011 by counterparty's country of location*



(\* Total exposure excludes counterparty risk, equity, other non credit obligation assets and securitisation positions. Percentages in brackets reflect the breakdown at 31 December 2010.

#### 4.d.1.6 Credit risk rating

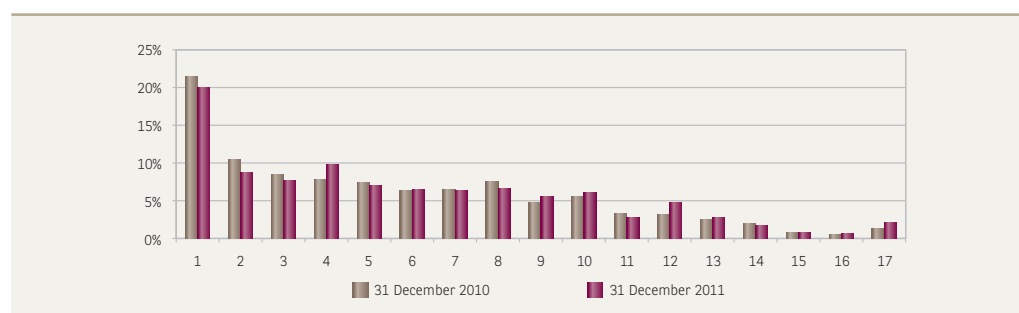
Credit risk rating is a classification that results from the Risk Rating Assignment Process, which is based on a qualified assessment and formal evaluation. This classification is the result of an analysis of each obligor's financial history and estimate of its ability to meet debt obligations in the future.

To that end, Fortis Bank has drawn up a 'Master Scale', ranging from 1 to 20, which provides an indication of the probability that a counterparty will default within one year. Master Scale ratings from 1 to 6 are considered investment grade, from 7 to 17 non-investment grade and from 18 to 20 impaired.

#### IRBA Corporate exposures by credit rating

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate loan book (asset classes: corporates, central governments and central banks, institutions) for all the Bank's business lines, measured using the internal ratings-based approach. This exposure represents EUR 78.2 billion of the gross credit risk at 31 December 2011 compared with EUR 86.4 billion at 31 December 2010.

#### *Breakdown of IRBA - individually rated - Corporate exposures by credit rating*



#### Retail banking operations

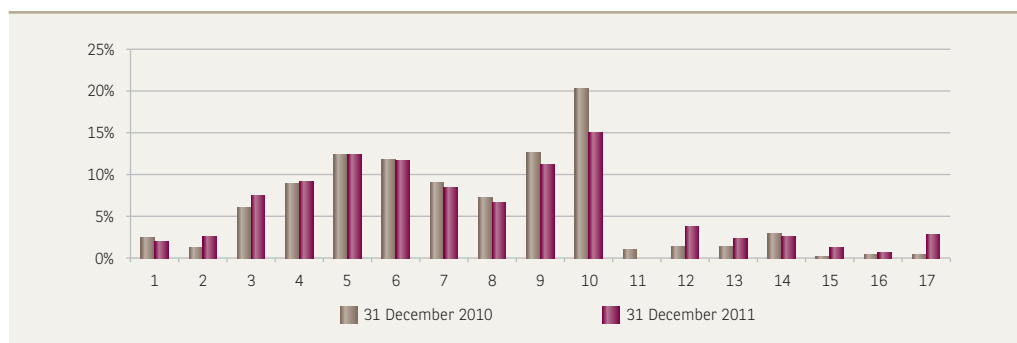
Retail banking operations are carried out via Fortis Bank branches and via the Alpha Credit subsidiary. The Belgian field of operations is embedded in structured and automated credit processes, complying with the Basel II Internal Rating Based Advanced approach endorsed in March 2008.

All the advanced Basel II parameters estimates (PD, EAD, LGD) are reviewed and/or updated yearly. The explanatory variables for the Retail part of the portfolio rely on internal behavioural data. These parameters are computed monthly on the basis of the latest available information and made available without any manual intervention.

Classical scoring techniques are used for screening the customers at application time, always remaining in line with the Basel II parameters.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Retail loan book for all the Bank's business lines, measured using the internal ratings-based approach. This exposure represents EUR 62.5 billion of the gross credit risk at 31 December 2011 compared with EUR 57.3 billion at 31 December 2010.

*Breakdown of IRBA - individually rated - Retail exposures by credit rating*



The relative increase of higher rated positions (12 and above) was principally driven by a more conservative risk weighting of residential mortgage loans as well as by the review of models applied to SME loans.

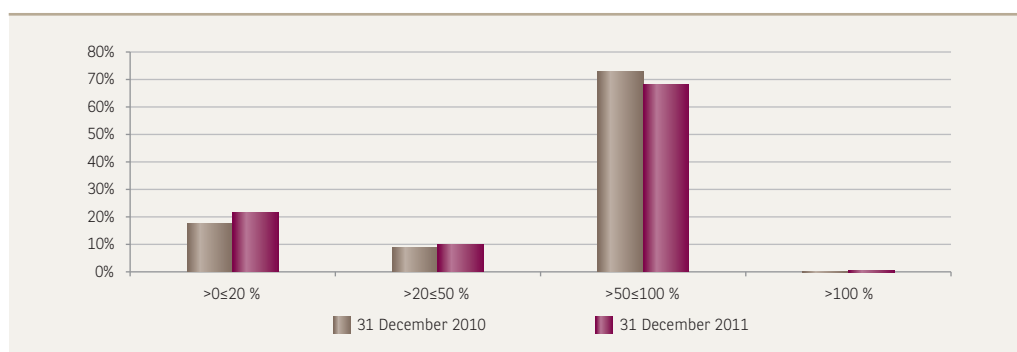
**Standardised approach**

Fortis Bank also applies the standardised approach or the 'Unrated Standardised Approach' (USTA) to legal entities or business units, inter alia those that are classified under 'Permanent exemptions'.

The entities classified under 'Permanent exemptions' are those legal entities or business units that are earmarked as non-material based on the eligibility criteria or processes defined by Fortis Bank. Permanent exemptions will remain as long as the eligibility criteria or processes for non-materiality continue to be met.

The chart below provides information on the exposure to the Corporate loan book measured using the standardised approach and broken down by risk weight buckets.

*Breakdown of Corporate (\*) exposure by weighting in the standardised approach*



(\*) The 'Corporate' loan book shown in the chart above includes corporates, central governments and central banks, and institutions

The overall exposure to corporate clients, risk weighted in the Standardised Approach, increased by 35%. The business segment Corporate and Transaction Banking Europe (CTBE) was the main contributor to this evolution.

#### 4.d.1.7 Loans with past-due instalments, whether impaired or not, and related collateral or other security

The following table presents, the carrying amounts of financial assets that are past due but not impaired (by age of past due), impaired assets and related collateral or other security. The amounts shown are stated before any provision on a portfolio basis.

	31 December 2011								
	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of impaired assets
	Total	Up to 90 days	Between 90 days and 180 days	Between 180 days and 1 year	More than 1 year				
<b>In millions of euros</b>									
Financial assets at fair value through profit or loss (excl. variable-income securities)									
Available-for-sale financial assets (excl. variable-income securities)						13	13		
Loans and receivables due from credit institutions	203	203				382	585	132	88
Loans and receivables due from customers	2.924	2.708	150	65	2	3.458	6.382	1.793	2.296
Held-to-maturity financial assets						44	44		
<b>Past-due assets, net of individual impairment</b>	<b>3.127</b>	<b>2.911</b>	<b>150</b>	<b>65</b>	<b>2</b>	<b>3.897</b>	<b>7.024</b>	<b>1.925</b>	<b>2.383</b>
Financing commitments given						284	284		102
Guarantee commitments given						184	184		120
<b>Off-balance sheet non-performing net of provisions</b>						<b>468</b>	<b>468</b>		<b>222</b>
<b>TOTAL EXPOSURE</b>	<b>3.127</b>	<b>2.911</b>	<b>150</b>	<b>65</b>	<b>2</b>	<b>4.364</b>	<b>7.492</b>	<b>1.925</b>	<b>2.605</b>

	31 December 2010								
	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of impaired assets
	Total	Up to 90 days	Between 90 days and 180 days	Between 180 days and 1 year	More than 1 year				
<b>In millions of euros</b>									
Financial assets at fair value through profit or loss (excl. variable-income securities)									
Available-for-sale financial assets (excl. variable-income securities)						29	29		
Loans and receivables due from credit institutions	134	134				310	445	105	267
Loans and receivables due from customers	3,146	3,140	7			3,644	6,791	2,180	2,596
<b>Past-due assets, net of individual impairment</b>	<b>3,281</b>	<b>3,274</b>	<b>7</b>			<b>3,983</b>	<b>7,264</b>	<b>2,285</b>	<b>2,863</b>
Financing commitments given						361	361		123
Guarantee commitments given						388	388		335
<b>Off-balance sheet non-performing net of provisions</b>						<b>749</b>	<b>749</b>		<b>458</b>
<b>TOTAL EXPOSURE</b>	<b>3,281</b>	<b>3,274</b>	<b>7</b>			<b>4,733</b>	<b>8,014</b>	<b>2,285</b>	<b>3,321</b>



## 4.d.2 Counterparty risk

Fortis Bank is exposed to counterparty risk on its capital markets and ALM-Treasury transactions. This risk is managed through the widespread use of standard close-out netting and collateral agreements and through a dynamic hedging policy. Changes in the value of the Bank's exposure are taken into account in the measurement of over-the-counter financial instruments through a process of credit value adjustments.

### Netting agreements

Netting is used by the Bank in order to mitigate counterparty credit risk associated with derivatives trading. The main instance where netting occurs is in case of trades-termination: if the counterparty defaults, all the trades are terminated at their current market value, and all the positive and negative market values are summed to obtain a single amount (net) to be paid to or received from the counterparty. The balance ('close-out netting') may be subject to a guarantee ('collateralisation') granted as cash collateral, securities or deposits.

The Bank also applies netting in case of currency-settlements in order to mitigate counterparty credit risk. This corresponds to the netting of all payments and receipts between the Bank and one counterparty in the same currency, to be settled in the same day. The netting results in a single amount (for each currency) to be paid either by the Bank or by the counterparty.

Transactions affected by this are processed in accordance with bilateral or multilateral agreements respecting the general principles of the national or international framework. The main forms of bilateral agreements are those issued by the National Bank of Belgium (NBB), and on an international basis by the International Swaps and Derivatives Association (ISDA)

### Counterparty exposure valuation

The exposure at default (EaD) for counterparty risk is measured using an internal model and is subsequently incorporated into the credit risk assessment system. This measure is regularly updated. It is based on 'Monte Carlo' simulations which assess possible exposure movements. The stochastic processes used are sensitive to parameters including volatility, correlations and are calibrated on historical market data. The potential future counterparty risk exposures are measured using an internal model, known as ValRisk, which can simulate thousands of potential market scenarios and makes a valuation of each counterparty trading portfolio at several points in the future (from 1 day to more than 30 years for the longest transactions). Value changes are calculated up to the maturity of transactions.

When performing the exposure aggregation, the system takes into account the legal contracts linked to each transaction and counterparty, such as netting and margin call agreements.

Counterparty credit risk exposures are characterized by high variability over time due to constant evolution of market parameters affecting the underlying transaction value. It is therefore important to monitor not only the current transaction values, but also to analyse potential changes in the future.

For regulatory purposes Fortis Bank does not use a Value at Risk (VaR) calculated by the internal model described above, as the NBB has not yet approved the use of this model. A request to extend the ValRisk perimeter to Fortis Bank has been submitted to the NBB and a decision is expected in the first quarter of 2012.

### Supervision and monitoring of counterparty risk

Future potential exposures calculated by ValRisk are compared with the limits assigned to each counterparty on a daily basis. In addition, ValRisk can simulate new transactions and measure their impact on the counterparty risk of the portfolio. It is therefore an essential tool of the Risk approval process. The following Committees (listed in ascending order of authority) set the limits according to their delegated authority level: Regional Credit Committee (Comité de Crédit Régional), Global Credit Committee (Comité de Crédit Global) and Comité de Crédit Direction Générale (CCDG).

### Credit adjustments on financial instruments traded over-the-counter (OTC)

The valuation of financial OTC trades carried out by Fortis Bank as part of its trading activities (Fixed Income, Global Equity & Commodity Derivatives) includes credit adjustments. A 'Credit Value Adjustment' (CVA) is an adjustment of the trading portfolio valuation to take into account the counterparty credit risk. It reflects the expected loss in fair value on a counterparty exposure based on the potential positive value of the contract, the counterparty default probability, credit quality migration and the estimated recovery rate.

### Dynamic management of counterparty credit risk

The credit value adjustment is a variable of the existing exposure movements and the credit risk level of the counterparty, linked to the movements of the credit default swaps (CDS) spreads used in the default probability calculation.

For Corporate and Investment Banking (CIB) clients, the CVA varies according to changes in the existing exposure and in the prices quoted for the counterparty's credit risk as well as its global recovery rate (GRR), which may be reflected in particular in the credit default swap (CDS) spread variations used to calculate the probability of default.

For Corporate and Public Banking Belgium (CPBB) clients, the CVA varies according to changes in the existing exposure and in the internal rating and GRR used to calculate the probability of default.

To reduce the risk associated with the credit quality deterioration embedded in a financial operations portfolio, Fortis Bank is able to make use of a dynamic hedging strategy, involving the purchase of market instruments such as credit derivative instruments.

#### 4.d.3 Securitisation

Asset securitisation is the process of creating a marketable financial instrument that is backed by the cash flow or value of specific financial assets. During the securitisation process, assets (e.g. consumer loans, receivables, mortgages) are selected and pooled together into a special purpose vehicle (SPV) which issues securities that can be sold to investors.

##### **Proprietary securitisation (Originator under Basel II)**

To support its business development, while meeting regulatory capital requirements, Fortis Bank has launched securitisation programmes. Securitisation of own assets can provide long term funding, liquidity or a capital management tool depending on the requirements. The related securitisation vehicles are fully consolidated and, hence, the securitised assets are reported on-balance in the Consolidated Financial Statements.

Fortis Bank has also created a special purpose vehicle called Bass Master Issuer NV/SA to securitize mortgage loans, originally granted by Fortis Bank and a SPV called Esmée Master Issuer NV/SA to securitize loans to self-employed people and small and medium-sized enterprises, originally granted by Fortis Bank. Exposure in Bass Master Issuer NV/SA and Esmée Issuer NV/SA are excluded from the table below as bonds issued under these programs have not been sold to third parties so far and as such are not considered as efficient under Basel 2.5. Additional information on both securitisation transactions is included in the 'Other Information' section of the Fortis Bank Consolidated Financial Statements.

##### **Securitisation as sponsor on behalf of clients**

In 2011, securitisation provided a financing alternative for the Bank's clients. In particular, financing via Scaldis Capital Limited ('Scaldis'), an asset-backed commercial paper (ABCP) vehicle sponsored by Fortis Bank, gave Fortis Bank's corporate and institutional clients access to an alternative source of funding than that of the capital markets. On 31 December 2011, the total face value of the commercial paper issued via Scaldis was USD 6.23 billion (EUR 4.81 billion). The proceeds of the commercial paper issuance was used to invest USD 3.55 billion (EUR 2.74 billion) in highly rated eligible securities and USD 1.88 billion (EUR 1.45 billion) in eligible financial assets from clients of Fortis Bank as well as from the Bank itself and USD 0.79 billion (EUR 0.61 billion) in cash and deposits.

Scaldis' eligible asset purchases are structured to justify an A-1+/F1+/P1 rating level. Throughout 2011, Scaldis' commercial paper obtained the highest short term rating from each of Standard & Poor's, Moody's and Fitch Ratings: respectively A-1+, F1+ and P1.

##### **Securitisation as investor**

Fortis Bank has made investments in a wide variety of ABS/MBS (asset-backed securities/mortgage-backed securities), with a clear focus on the differentiation of deal ticket size and diversification by asset type and geographical distribution, ranging from European Prime residential mortgage-backed securities (RMBS), to US RMBS, US Student Loans, Credit Cards, Commercial MBSs, collateralised loan obligations (CLOs), Consumer ABS, SME and Small Business Loans. Redemptions from these assets are no longer reinvested in the ABS/MBS portfolio.

Fortis Bank's structured credits are overweight in investment grade securities (94% of the portfolio is investment grade). Fortis Bank's credit risk exposures arising from these transactions as of year-end 2011 and the valuation methods applied are described in note 8.g 'Structured Credit Instruments'.

The Bank's activities in each of these roles are described below:

In millions of euros	31 December 2011	31 December 2010
<b>Fortis Bank role</b>		
Originator		639
Sponsor	4,916	5,340
Investor	17,066	25,478
<b>TOTAL EXPOSURE</b>	<b>21,982</b>	<b>31,457</b>

### Securitisation risk management

Securitisation transactions arranged by Fortis Bank on behalf of clients are highly technical and specific in nature. They are therefore subject to a specific risk management system:

- independent analysis and monitoring by dedicated teams within the Risk Department;
- specific processes (with specific committees, approval procedures, credit and rating policies) to ensure a consistent, tailored approach.

## 4.e Market risk

### 4.e.1 Market risk related to trading activities

#### 4.e.1.1 Introduction

Market risk arises mainly from trading activities carried out by the Fixed Income and Equity teams within Corporate and Investment Banking and encompasses different risk factors defined as follows:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates
- Equity risk arises from changes in the market prices and volatility of equity shares and/or equity indices
- Commodities risk arises from changes in the market prices and volatility of commodities and/or commodity indices
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer
- Optional products create by their nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

#### 4.e.1.2 Organisational principles

##### Governance

The purpose of the market risk management system is to track and control market risks while ensuring that the control functions remain totally independent from the business lines.

Market Risk monitoring is structured around several committees:

- The Capital Markets Risk Committee (CMRC) is the main committee governing the risks related to capital markets. It is responsible for addressing, in a coherent manner, the issues related to market and counterparty risk. The CMRC sets the aggregate trading limits, outlines risk approval procedures and reviews loss statements and hypothetical losses estimated on the

basis of stress tests. It meets every month (except during summer) and is chaired by either the CEO or by the Head of Corporate and Investment Banking (who is a member of the Executive Committee).

- At business unit level, the Valuation Review Committee (VRC) meets monthly to examine and approve the results of Market parameters review and any changes in reserves. The Valuation Review Committee also acts as the referee in any disagreements between the business units and the control functions. The Committee is chaired by the Head of Trading and other members include representatives from Trading, Risk-IM (Investments & Markets), Valuation and Risk Control and Finance.

##### Risk monitoring system and limit-setting / monitoring

The Group uses an integrated system called Market Risk eXplorer (MRX) to follow the trading positions on a daily basis and manage VaR calculations. MRX not only tracks the VaR, but also details positions and sensitivities to market parameters based on various simultaneous criteria (currency, product, counterparty, etc.). MRX is also configured to include trading limits, reserves and stress tests. This system is already deployed in Fortis Bank and co-existed with the legacy tool Market Risk MrMa until the end of June. The extension of MRX to the Fortis Bank perimeter was approved by the Regulators (ACP and NBB) on 1 July 2011.

Risk-IM's responsibility in terms of market risk management is to define, monitor and analyse risk sensitivities and risk factors, and to measure and control Value at Risk (VaR), which is the overall indicator of potential losses. Risk-IM ensures that all business activities comply with the limits approved by the various committees. In this respect, it also participates to the approval of new activities and major transactions, applies the BNP Paribas position valuation models and conducts a monthly review of market parameters (MAP review) in association with the Valuation and Risk Control departments.

Responsibility for limit setting and monitoring is delegated at two levels, which are the CMRC (under the responsibility of the Head of the CMRC) and Business Line (under the responsibility of the Head of the Business Line). Limits may be changed either temporarily or permanently, in accordance with the level of authority delegated and the prevailing procedures.

### Reporting and information toward Executive management

Risk-IM reports, through various risk analysis and reports, to Executive Management and Business Line Senior Management on its risk analysis work (limit, VaR monitoring, core risk analysis, etc). The Global Risk Analysis and Reporting team is responsible for generating/circulating the main Risk reports.

The following Risk reports are generated on a regular basis :

- Weekly 'Main Position' reports for heads of Business Line; these reports provide a summary of all positions, as also highlighting items requiring special attention
- CMRC supporting documents, which are used as a basis for discussions during CMRC meetings
- Monthly risk dashboard covering Capital Markets' market and counterparty risk
- Quarterly risk 'dashboard' covering the key market, credit, liquidity and counterparty risks covered by Risk-Capital Markets and CIB Other and Treasury.

#### 4.e.1.3 Valuation control

The financial instruments that are part of the prudential Trading Book are valued and reported at fair value through profit or loss, in compliance with IAS 39. However, there also exist products in the Banking Book that are also reported at fair value.

Valuation control has been strengthened with the publication of a Charter of Responsibility on Valuation, which lays down how responsibilities are split, plus the creation of dedicated Valuation and Risk Control teams who supervise the Valuation and P&L control framework. These policies and governance apply to all market activities and is being extended to ALM Treasury. Via the integration process, Fortis Bank benefits from the enhancements implemented since 2007 at Group level to portfolio valuation controls, i.e. the creation of a Value and Risk Control team and the design of its own Charter of Responsibility on Valuation based on the Group principles.

In addition to the Charter of Responsibilities, the topics relevant to the valuation controls are detailed in specific policies. The main processes that together form the valuation control governance are set out below.

### Control of booking of transactions

Capital Markets Operations ensure that the deal representation in the official systems corresponds to the contractual terms of the deals, unless specific approximations are agreed, in which case, they control that the approximation has been correctly implemented. This excludes the case of complex deals for which first level controls stated above fall under the responsibility of Risk - IM.

### Market parameter (MAP) review, also known as Independent Price Verification (IPV)

This task is managed and shared by the Risk-IM department and the Valuation and Risk Control department (V&RC). A comprehensive and formal review of all market parameters is performed at month end. The types of parameters verified by V&RC are precisely listed. These are essentially the parameters for which an automatic control against external sources can be implemented, in particular prices of securities and the vanilla parameters. This may include the use of consensus price services. Risk-IM is in charge of verifying the most complex parameters. Risk-IM continues to perform controls for any parameters for which the responsibility has not been formally transferred to V&RC.

The Market parameter review results in an estimation of valuation adjustments which are communicated to Finance impacting the official profit or loss after being discussed with the relevant traders. The results are communicated to Trading management during the Valuation Review Committee sessions, where final arbitrages can be made. Disagreement can however be escalated up to the Group Product and Financial Control Committee (PFC).

The general principles of the Market parameter reviews are described in the Charter of Responsibility on Valuation and as part of special policies such as the Global Marking and IPV Policy and the MAP review principles.

### Models approval and reviews

For operations of which nature is common to BNP Paribas and Fortis Bank, Fortis Bank uses BNP Paribas models. Should Fortis Bank have specific products/activities not monitored outside Brussels, Fortis Bank Risk - IM would, in close cooperation with BNP Paribas Risk - IM, define official valuation methodologies and reserve policies. In this case, Fortis Bank Risk - IM would also be responsible for the 'models/products' mapping. The whole BNPP model control framework must guarantee that the use of models is compliant with the IAS-IFRS standard relative to the fair value measurement of financial instruments.

### Reserve and other valuation adjustments

Risk-IM defines and calculates reserves. From an accounting point of view, reserves are part of the fair value adjustments.

The reserves cover mainly:

- The liquidity risk and the bid-offer spreads
- The model or market parameters uncertainties
- A risk premium that market participant would charge for positions containing non hedgeable or non diversifiable risks

All reserves are compatible with the regulatory concept of prudent valuation. Some reserves may however not be compliant with accounting principles, such as the penalisation of concentrated positions. In this case, the reserve taken at desk level needs to be reversed in the accounts.

A general valuation adjustment policy exists. Reserve methodologies are documented by Risk-IM for each product line and these documentations are updated regularly. The analysis of reserve variations is reported at the monthly VRC.

Reserve methodologies are regularly improved and any change is a Valuation Model event. Reserve improvements are generally motivated by the conclusion of a model review or by calibration with market information during the Market parameter review process.

### Day-one profit and fair value levels

Some transactions are valued with 'non-observable' parameters. This is also known as Level 3 inputs and the fair value is allocated to the level 3 of the fair value hierarchy. IAS 39 requires any initial profit or loss for non-observable transactions to be deferred as the initial fair value needs to be calibrated with the transaction price.

The management of this 'Day One profit process' involves Finance, Middle-Office, Risk-IM and Trading. This entails:

- defining whether a type of parameter or transaction is observable or not and documenting these rules (observability rules)
- checking whether a given transaction is observable or not in accordance with the observability rules, when automatic screening is not possible or needs to be validated

The profit or loss impact of the initial profit or loss deferral is calculated by the Middle-Office.

Observability rules are also used for the IFRS 7 reporting of the fair value reporting.

During 2011, no transactions at Fortis Bank were subject to day-one-profit.

### 4.e.1.4 Market risk monitoring

Market risk monitoring is based on the analysis of three types of indicators (market risk sensitivities, VaR and stress tests) which aim to cover the entire scope of market risk.

#### Market risk sensitivities analysis

Market risk is first analysed by systematically measuring portfolio sensitivity to various market parameters. The information obtained is used to set tolerance ranges for exposure maturities and size or strike price for option exposures. The results of these sensitivity analyses are compiled at various aggregate position levels and compared with market limits.

#### Market risk monitoring in normal market conditions

##### Value at Risk (VaR)

VaR is calculated using an internal model. It estimates the potential loss on a trading portfolio under normal market conditions over one trading day, based on changes in the market over the previous 260 business days with a confidence level of 99%. The model has been approved by the banking supervisor and takes into account all usual risk factors (interest rates, credit spreads, exchange rates, equity prices, commodities prices, and associated volatilities), and the correlation between these factors, in order to include the effects of diversification. It also takes into account specific credit risk.

The algorithms, methodologies and sets of indicators are reviewed and improved regularly to take into account growing market complexity and product sophistication.

In December 2010, Fortis Bank submitted a request to the French (ACP - Home) and Belgian (NBB - Host) Regulators for perimeter extension of the BNP Paribas internal model to the Fortis Bank SA/NV legal entity.

This perimeter extension was granted and as of July 2011, the market risk regulatory capital charge on the Fortis Bank trading portfolio is calculated based on the VaR figure computed with the BNP Paribas internal model.

### History of the VaR (10 days, 99%) in 2011

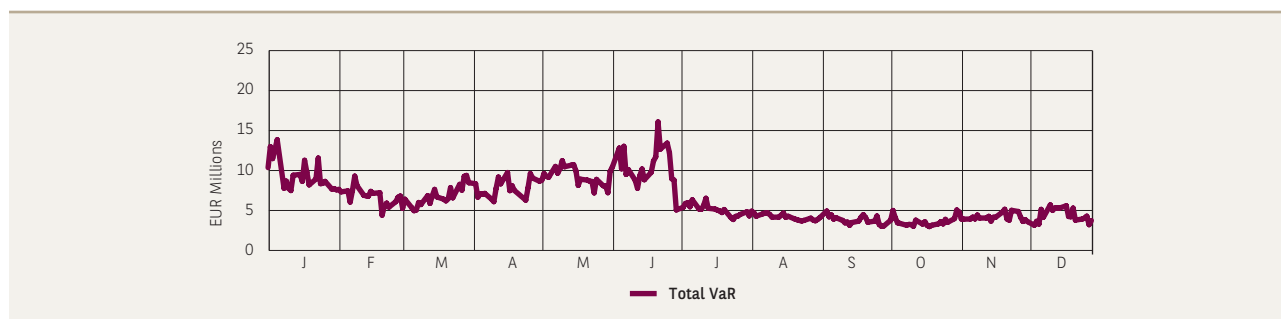
The Values at Risk (VaRs) set out below are calculated from an internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated value at risk ('Supplement to the Capital Accord to Incorporate Market Risks'). They are based on a ten-day time horizon and a 99% confidence interval.

In 2011, total average VaR is EUR 23.1 million (with a minimum of EUR 9.4 million and a maximum of EUR 56.6 million), after taking into account the EUR (9.2) million netting effect between the different types of risks. These amounts break down as follows:

Type of risk	Year to 31 Dec. 2011				Year to 31 Dec. 2010			
	Average	Minimum	Maximum	End of year	Average	Minimum	Maximum	End of year
Interest rate risk	19.2	6.7	57.9	9.8	27.4	10.3	44.3	29.2
Credit risk	6.5	2.7	9.5	6.4				
Foreign exchange risk	2.3	0.5	7.1	2.8	4.4	0.7	10.7	4.1
Equity price risk	4.3	0.4	15.6	2.0	10.9	5.1	29.2	6.5
Commodity price risk					1.6	0.7	6.3	1.2
Netting effect	(9.2)	(0.9)	(33.5)	(9.2)	(12.0)	(1.4)	(28.8)	(3.1)
<b>TOTAL VALUE AT RISK</b>	<b>23.1</b>	<b>9.4</b>	<b>56.6</b>	<b>11.8</b>	<b>32.3</b>	<b>15.4</b>	<b>61.7</b>	<b>37.9</b>

### Risk exposure in 2011

#### History of the VaR (1 day, 99%) in 2011



The VaR significantly decreased following the reduction of the exposures and the migration towards the BNP Paribas internal model, which now includes the credit risk component (not approved by the Belgian regulator in the Fortis Bank internal model) and the global books for Strips and Credit Flow trading. During the second half of the year, positions were kept small given the market turmoil, resulting in low VaR figures.

Risk-IM continuously tests the accuracy of its internal model through a variety of techniques, including a regular comparison over a long-term horizon between actual daily losses on capital market transactions and 1-day VaR. A 99% confidence level means that in theory the Bank should not incur daily losses in excess of VaR more than two or three days a year.

In 2011, daily losses exceeded the VaR on 1 occasion. This implies that a minimum multiplication factor of three for the first two quarters (minimum multiplication factor for the Fortis Bank internal model) and four for the last two quarters (minimum multiplication factor for the BNP Paribas Group internal model) was applied to the ten-day VaR in the RegCap computation formula. For Fortis Bank, the back testing was a hypothetical back testing for the first 2 quarters (Fortis Bank internal model, i.e. a back testing comparing theoretical mark-to-market variations on a frozen end-of-day portfolio with the VaR). For the last two quarters a real back testing is applied (BNP Paribas internal model), i.e. a back testing with the observed P&L of the next day and thus including intraday adjustments, fees and commissions.

In Europe, Basel guidelines are implemented via a Capital Requirement Directive (CRD). The CRD is drafted and adopted by the European Commission and then transposed by the national regulators in their own jurisdiction.

The CRD III ('Basel 2.5') consists of a revision of market risk framework (Stressed VaR, IRC, CRM and securitisation). Basel 2.5 began to apply to the capital requirement as from 31 December 2011.

#### *History of the Stressed VaR (10 days, 99%) in the fourth quarter of 2011*

A Stressed VaR (SVaR) is computed to fulfil Basel 2.5 requirements. It is calibrated on a fixed period during the crisis, is calculated to maintain a minimum level of VaR. A 12 month period (Q1-Q4 2008) has been taken as a reference period for the calibration of the Stressed VaR. This choice is subject to annual review, and was prompted by the extreme severity of the turmoil that occurred during the year 2008. This method is applied on top of the VaR, to correct the 'short memory' of the VaR and to reinforce Specific Risk control.

In the fourth quarter of 2011, total average 10-day SVaR is EUR 23.3 million (with a minimum of EUR 16.3 million and a maximum of EUR 35.2 million), after taking into account the EUR (13.4) million netting effect between the different types of risks.

Type of risk	4th Quarter 2011			Year to 31 Dec. 2010
	Average	Minimum	Maximum	
Interest rate risk	14.2	10.3	24.9	14.3
Credit risk	16.5	6.7	27.8	18.4
Foreign exchange risk	2.9	1.3	10.8	2.7
Equity risk	3.1	0.8	12.4	4.7
Commodity price risk				
<i>Netting effect</i>	<i>(13.4)</i>	<i>(2.8)</i>	<i>(40.7)</i>	<i>(17.0)</i>
<b>TOTAL VALUE AT RISK</b>	<b>23.3</b>	<b>16.3</b>	<b>35.2</b>	<b>23.1</b>

#### *History of the incremental risk capital in the fourth quarter of 2011*

The incremental risk capital (IRC) approach measures losses due to default and ratings migration at the 99.9% confidence interval over a capital horizon of one year, assuming a constant level of risk on this horizon. The approach to capturing the incremental default and migration risks covers all positions subject to a capital charge for specific interest rate risk including all government bonds, but excluding securitisation positions and nth-to-default credit derivatives.

The model is currently used in the risk management processes and a request for homologation was submitted to the ACP and the NBB in 2011 and duly approved.

The calculation of IRC is based on the assumption of a constant level of risk over the one-year capital horizon, implying that the trading positions or sets of positions can be rebalanced during the one-year capital horizon in a manner that maintains the initial risk level, measured by the VaR or by the profile exposure by credit rating and concentration. This rebalance frequency is called the liquidity horizon.

The model is built around a rating-based simulation for each obligor, which captures both the risk of the default and the risk of rating migration. The reliability among obligors is based on a multi-factor asset return model. The valuation of the portfolios is performed in each simulated scenario. The model uses a constant one-year liquidity horizon.



The model has been internally validated by an independent unit. The review considered the consistency of the proposed methodologies, the scope of the risk factors and the consistency between the calibration of model parameters and their usage in the course of simulations with a further focus on the production and on the definition of the perimeter.

In the fourth quarter of 2011, the total average IRC was EUR 58 million (with a minimum of EUR 24 million and a maximum of EUR 92 million).

Type of risk	4th Quarter 2011			Year to 31 Dec. 2010
	Average	Minimum	Maximum	
TOTAL IRC	57.76	23.65	92.41	47.53

#### *Comprehensive risk measure (Correlation portfolio)*

The comprehensive risk measure (CRM) is a charge for structured credit correlation products in the trading books. Following the de-risking as laid out by the Industrial Plan, the Comprehensive Risk Measure (CRM) is not applicable to Fortis Bank.

#### *Securitisation positions in Trading books outside correlation portfolio*

Following the de-risking as laid out by the Industrial Plan, this additional capital charge for re-securitisation is not applicable to Fortis Bank.

### **Market Risk monitoring under extreme market conditions**

Stress tests are simulated in order to assess potential variations in the trading portfolio value in extreme market conditions.

Extreme market conditions are defined by rupture scenarios, for which the assumptions are reviewed according to the economic conditions. The results obtained from the tests are further detailed for the different levels of the Capital Markets activities. Stress testing is intended to make management aware of the risks (and the implications for the income statement) of these extreme and abnormal movements, and so 'early warning signals' have been set up to enable all stakeholders to:

- adopt the same approach towards the entity's risk appetite
- be warned simultaneously
- decide on remedial actions

If stress testing results exceed the early warning signals, they are considered to be triggers for management action. In alignment with the Group, Fortis Bank uses 15 macro stress test scenarios covering all market activities: fixed-income, currency, equity derivatives, commodities and treasury. These scenarios are presented to and reviewed by the CMRC on a bi-monthly basis.

The risk department may also outline specific scenarios for managing some types of risks with extra care, most notably the more complex risks requiring a full revaluation rather than an estimate based on sensitivity indicators. The results of these stress tests may be presented to business line managers and stress test limits may be set.

## 4.e.2 Market risk related to banking activities

The market risk related to banking activities encompasses the risk of loss on equity positions on the one hand, and the interest rate and currency risks stemming from banking intermediation activities on the other. Only the equity and currency risk give rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

Interest rate and currency risks related to banking intermediation activities and investments mainly concern retail banking activities, the specialised financing and savings management subsidiaries, the CIB financing businesses and investments made by Fortis Bank. These risks are managed by the ALM & Treasury Department.

At Group level, ALM & Treasury reports directly to the Group Functions. Group ALM & Treasury has functional authority over the ALM and Treasury staff of each subsidiary. Strategic decisions are made by the Asset and Liability Committee (ALCO), which oversees ALM & Treasury activities. These committees have been set up at Group, core business division and operating entity level.

### 4.e.2.1 Equity risk

Equity interests held by the Bank outside the trading book are securities which convey a residual, subordinated claim on the assets or income of the issuer or have a similar economic substance. They include:

- listed and unlisted equities and units in investment funds
- options embedded in convertible and mandatory convertible bonds
- equity options
- super subordinated notes
- commitments given and hedges related to equity interests
- interests in companies accounted for by the equity method

### Modelling equity risk

In accordance with the Capital Requirement Directive, banks using the Internal Risk Based Approach are required to apply a separate treatment to the equity exposures held in their banking book. Fortis Bank therefore applies the Simple Risk Weight approach (except for (i) equity exposure held prior to 2008 or held in non material entities, for which the Standardised approach is applied, and (ii) participations which are deducted from own funds).

The Simple Risk Weight approach is based on long term market observations and sets out separate risk weights covering unexpected losses:

- 190% of exposure value for private equity exposures in sufficiently diversified portfolios
- 290% of exposure value for exchange traded equity exposure
- 370% of exposure value for other equity exposures

In addition, expected losses for equity exposure are deducted from own funds. The model has been validated by the CBFA for measuring the capital requirement for equity risk as part of the Basel II approval process.

## Exposure\* to equity risk

In millions of euros	31 December 2011	31 December 2010
<b>Simple risk weight method</b>	<b>623</b>	<b>757</b>
190% weighted	584	571
290% weighted	5	5
370% weighted	34	181
<b>Standardised approach</b>	<b>957</b>	<b>1,099</b>
<b>TOTAL</b>	<b>1,580</b>	<b>1,856</b>

(\*) fair value (on and off balance sheet)

### 4.e.2.2 Currency risk (Pillar 1)

#### Calculation of risk-weighted assets

Currency risk relates to all transactions whether part of the trading book or not. This risk is treated in the same way under both Basel I and Basel II.

Except for Fortis Bank Belgium's currency exposure, which is calculated using the Fortis Bank internal model approved by the CBFA, exposure to currency risk is now determined under the standardised approach, using the option provided by the banking supervisor to limit the scope to operational currency risk.

Fortis Bank's entities calculate their net position in each currency, including the euro. The net position is equal to the sum of all asset items less all liability items plus off-balance sheet items (including the net forward currency position and the net delta-based equivalent of the currency option book), minus structural, non-current assets (long-term equity interests, property, plant and equipment, and intangible assets). These positions are converted into euros at the exchange rate prevailing on the reporting date and aggregated to give the Bank's overall net open position in each currency. The net position in a given currency is long when assets exceed liabilities and short when liabilities exceed assets. For each entity, the net currency position is balanced in the relevant currency (i.e. its reporting currency) such that the sum of long positions equals the sum of short positions.

The rules for calculating the capital requirement for currency risk are as follows:

- Matched positions in currencies of Member States participating in the European Monetary System are subject to a capital requirement of 1.6% of the value of the matched positions.
- Positions in closely correlated currencies are subject to a capital requirement of 4% of the matched amount.
- Other positions, including the balance of unmatched positions in the currencies mentioned above, are subject to a capital requirement of 8% of their amount.

### Currency risk and hedging of earnings generated in foreign currencies

Fortis Bank's exposure to operational currency risks stems from the net earnings in currencies other than the euro. Fortis Bank's policy is to hedge on a monthly basis all its non-EUR earnings against EUR. Earnings generated locally in a currency other than the operation's functional currency are hedged locally. Net earnings generated by foreign subsidiaries and branches and positions relating to portfolio impairment are managed centrally.

### Currency risk and hedging of net investments in foreign operations

Fortis Bank's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests denominated in foreign currencies.

Fortis Bank's policy is usually to borrow the investment currency in order to protect the investment against currency risk. Such borrowings are documented as hedges of net investments in foreign operations. However, for most soft currencies, the investment may also be financed by purchasing the currency in question.

#### 4.e.2.3 Interest rate risk (Pillar 2)

##### Interest rate risk management framework

Interest rate risk on the commercial transactions of Retail banking, the specialised financing subsidiaries, the savings management business lines in the Investment Solutions and CIB's Corporate Banking divisions are managed centrally by ALM & Treasury through the client intermediation book. Interest rate risk on the Bank's equity and investments is also managed by ALM & Treasury, in the equity intermediation and investments book.

Transactions initiated by each Fortis Bank business line are transferred to ALM & Treasury via internal contracts booked in the management accounts or via loans and borrowings. ALM & Treasury is responsible for managing the interest rate risk inherent in these transactions.

The main decisions concerning positions arising from banking intermediation activities are taken at monthly or quarterly committee meetings. These meetings are attended by the management of the business line, ALM & Treasury, Finance and the Risk department.

The four main sources of interest rate risk are:

- repricing risk, due to a mismatch of interest rate repricing between assets and liabilities (usual mismatch)
- changes in the structure of yield curves (parallel, flattening or steepening shifts)
- basis risk resulting from imperfect correlation between different reference rates (for example swap rates and government bond yields)
- optionality: on the asset side, certain financial instruments carry embedded options (hidden or explicit) that will be exercised depending on movements in interest rates.

##### Measurement of interest rate risk

Fortis Bank measures, monitors and controls its banking book interest rate risk using the following indicators:

- duration of equity
- interest rate sensitivity of the fair value of equity
- Earnings at Risk (EaR).

**Duration of equity** - Duration is a measure of the average timing of cash flows from an asset or a liability portfolio. Duration of equity is an application of duration analysis and measures Fortis Bank's consolidated interest rate sensitivity. It is measured as the difference between the present value of the future weighted cash flows generated by the assets and the present value of the future weighted cash flows from the liabilities. The duration of equity is an overall indicator of the mismatch in duration of assets and liabilities.

**Interest rate sensitivity of the fair value of equity** - This approach consists of applying +/- 100bp to the fair value of an instrument or portfolio.

**Earnings at Risk** - In the case of Retail banking activities, structural interest rate risk is also measured on a going-concern basis, through an earnings sensitivity indicator. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes. Lastly, for products with underlying behavioural options, a specific option risk indicator is analysed in order to fine-tune hedging strategies.

The choice of indicators and risk modelling and the production of indicators are subject to control by independent Product Control teams and dedicated Risk teams. The results of these controls are presented regularly to specialist committees and once a year to the Board of Directors.

These indicators are systematically presented to the ALM committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

### Risk limits

For the customer banking intermediation books, overall interest rate risk for Retail Banking entities is subject to a primary limit, based on the sensitivity of revenues to changes in interest rates over the next 12 months. The limit is based on recurring revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. The specialized financing subsidiaries are exposed to very low levels of interest rate risk, considering the centralisation of risks at ALM & Treasury level. The residual risk is controlled by technical interest rate gap limits that are monitored by the ALM committee of the relevant business line.

At Fortis Bank, a limit for the duration of equity is defined per entity. Duration of equity is the duration that should be

attributed to the difference between the value of assets and the value of liabilities in order to render the total balance sheet insensitive to interest rate changes. Fortis Bank has a positive duration of equity. This means that an increase in interest rates leads to a decrease in value for the bank. This limit is reviewed and approved by the ALM Committee on an annual basis.

### Sensitivity of the value of banking books

Since the books of financial instruments resulting from banking activities are not intended to be sold, they are not managed on the basis of their fair value.

The sensitivity analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data take account of the replication portfolios and models used to generate theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an increase in value in the event of a fall and a decrease in value in the event of a rise of approximately EUR 12.839 million at 31 December 2011, compared with EUR 11.256 million at 31 December 2010.

## Interest rate sensitivity of the value of the banking books

In thousands of euros	31 December 2011					TOTAL
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	
EUR	71	(883)	637	1,335	(12,907)	(11,747)
USD	(4)	(30)	(89)	(482)	(24)	(629)
GBP	(2)	(21)	(15)	(2)	(1)	(41)
Other currencies	4	(12)	(57)	(97)	(260)	(422)
<b>TOTAL</b>	<b>69</b>	<b>(946)</b>	<b>476</b>	<b>754</b>	<b>(13,192)</b>	<b>(12,839)</b>

In thousands of euros	31 December 2010					TOTAL
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	
EUR	(35)	(757)	(761)	2,315	(11,653)	(10,891)
USD	41	(12)	77	100	(297)	(91)
GBP	8	(62)	(20)	(59)	(2)	(135)
Other currencies	3	(50)	(129)	139	(102)	(139)
<b>TOTAL</b>	<b>17</b>	<b>(881)</b>	<b>(833)</b>	<b>2,495</b>	<b>(12,054)</b>	<b>(11,256)</b>

### **Hedging of interest rate and currency risks**

Hedging relationships initiated by the Bank mainly consist of interest rate or currency hedges in the form of swaps, options, forwards or futures.

Depending on the hedging objective, derivative financial instruments used for hedging purposes are qualified as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument and the nature of the hedged risk, and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

#### ***Global Interest rate risk***

The Bank's strategy for managing global interest rate risk is based on closely monitoring the sensitivity of the Bank's earnings to changes in interest rates. In this way, it can determine how to achieve an optimum level of offset between different risks. This procedure requires an extremely accurate assessment of the risks incurred so that the Bank can determine the most appropriate hedging strategy, after taking into account the effects of netting the different types of risk.

These hedging strategies are defined and implemented for each portfolio and currency.

The evolution of the customer assets and liabilities (without reverse repos and repos) remained very stable between December 2010 and the end of 2011. Due to the different production pace in liabilities versus assets the structural interest rate hedges put in place by the Bank in 2011 are based mainly on a fixed-rate lender strategy. They include derivatives accounted for as fair value hedges and government securities which are recorded in the 'Available for sale' category.

Interest rate risk is mitigated using a range of different instruments, the most important of which are derivatives, primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile mainly caused by long-term assets and liabilities. Options are used to reduce the non-linear risk, which is mainly caused by embedded options sold to clients, e.g. caps and prepayment options in mortgages.

#### ***Structural currency risk***

Currency hedges are contracted by the ALM department in respect of the Bank's investments in foreign currencies and its future foreign currency revenues. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument, and the nature of the hedged risk and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

A hedging relationship is applied and documented for investments financed by foreign currency loans so that impacts of movements in exchange rates can be recorded in a symmetrical fashion and have no impact on the profit and loss account. These instruments are designated as net investment hedges.

A similar hedging relationship is set up to hedge the currency risk on net foreign currency assets of branches and consolidated subsidiaries. Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies. No hedging relationship was disqualified from hedge accounting in 2011.

#### ***Hedging of financial instruments recognised in the balance sheet (fair value hedges)***

Fair value hedges of interest rate risks relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates. Identified assets consist mainly of available-for-sale securities. Hedges of portfolios of financial assets and liabilities relate to fixed-rate mortgages, fixed-rated debt issues demand deposits and loans.

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates). No hedging relationship was disqualified from hedge accounting in 2011.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex-post basis by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

#### **Cash Flow Hedge**

In terms of interest rate risk, the Bank uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After

factoring in prepayment assumptions and estimated default rates, the Bank uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments. Identified assets consist mainly of available-for-sale securities. Hedges of portfolios of financial assets and liabilities relate to Bank loans and deposits, term deposits and future loans.

In the year ended 31 December 2011, no hedges of forecast transactions were re-qualified as ineligible for hedge accounting on the grounds that the related future event would no longer be highly probable.

## 4.f Operational risk

### Risk management framework

#### Regulatory framework

Fortis Bank has opted for an all-embracing, single, operational risk management framework for the entire bank, which complies with the Basel II criteria laid down in the Advanced Measurement Approach ('AMA'). This approach supports the organisation by offering better management of risk through heightened operational risk awareness. It ensures effective measurement and monitoring of the operational risk profile and an adequate level of own fund requirements.

#### Key players and governance

An appropriate risk management structure has been created around a model with three levels of defence, which places the primary responsibility for operational risk management and mitigation with the businesses. The role of second line of defence is assumed by the risk management functions. Their role is to ensure that the operational risk management framework is properly embedded, that the operational risks that are identified, assessed, measured and managed reflect the true risk profile and that the resulting levels of own funds are adequate. The third line of defence is provided by internal audit, which provides assurance that Risk structures and policies are being properly implemented.

The main governance bodies for the areas of Operational Risk & Internal Control are the Internal Control Committees (ICCs).

Fortis Bank has five ICCs, each presided by a member of the Executive Committee. In addition, there is also an ICC at the level of the Executive Committee.

The role of the ICCs covers the management of the operational permanent control framework and the management of operational risks and risks of non-compliance. Operational risks and risks of non-compliance include reputational risk, fraud risk, financial reporting risk, tax risk, legal risk, risk of not complying with laws, regulations and policies, operational risks related to people, process, systems and the external environment and business risk. The role of the ICCs includes, but is not limited to:

- creating an organised overall view on the operational permanent control framework and the management of operational risks and risks of non-compliance of Fortis Bank SA/NV
- analysing and deciding on these subjects
- constituting a level of warning, alert and escalation for any weaknesses observed
- demonstrating and evidencing the involvement of the Executive Board and Executive Committee in the management of these issues and the follow up of actions undertaken

The objective of the ICC is to allow the business and functions to signal the most significant operational risks, risks of non-compliance and weaknesses in the permanent control environment, highlight the associated action plan, and provide an overview of the status of measures taken.

A framework encompassing the four elements is required for an advanced measurement approach:

- Loss data collections is the first building block of the operational risk management framework. Operational losses that occur throughout the organisation are systematically collected in a central database.
- Fortis Bank supplements this internal loss data, with external loss data sources, using both consortium and public databases to supplement its internal loss database for risk analysis.
- A central element of the framework consists of forward-looking risk assessments, which draw up the bank's risk profile and are used as primary input for calculating capital requirements:
  - Risk assessment combines bottom-up risk self assessments (RSA) and top-down scenario analysis. The bottom-up RSA provides an insight into operational risks that are closely related to the internal organisation and control environment. RSAs are conducted within each Business and support Function at a reasonable level of detail and result in a description of the identified risks, an analysis of the causal drivers of these risks and a description and assessment of the control environment. Finally, the residual risk exposure is quantified.
  - Top-down scenario analysis complements the operational risk profile for the more systemic or low frequency-high impact operational risks. It captures the operational risks to which the organisation is subject due to of the type of activities in which it engages and the business environment in which it operates. Scenario analyses are conducted at senior management level and is based primarily on an analysis of external loss data. Scenario documentation details the type of risk, the quality of the control environment and the quantification of the risk exposure.
- Operational risk triggers (or key risk indicators) are followed up to alert for apparent changes in the operational risk profile due to internal or business environment factors.

### Calculation of own funds requirements

Fortis Bank applies the most advanced methods to determine – for the material elements of its activities – the required levels of own funds against operational risks. These methods are compliant with the Advanced Measurements Approach (AMA). The Basic Indicator approach is used for smaller and non-material parts of the activities.

### Merger with BNP Paribas

The BNP Paribas Group has a very similar operational risk management system to that of Fortis Bank. Fortis Bank is AMA-compliant and has established a system that analyses loss data and forward-looking data. In time, the BNP Paribas Group's system will be extended to encompass Fortis Bank and BGL BNP Paribas.

### Operational Control and Mitigation

Fortis Bank has a variety of tools to control and mitigate operational risk. Risk assessments, loss data analysis and key risk indicator movements enable the formalisation of actions to further control operational risks. These actions often relate to organisational and process context. Centrally coordinated operational risk mitigation techniques include business continuity management, information security measures, insurance and a governance structure to decide on exceptional transactions and new activities via the Exceptional Transactions Committees and New Activities Committees.



## 4.g Compliance and reputational risk

### Compliance mission

The overall mission of Compliance is to provide reasonable assurance of the consistency and effectiveness of the Fortis Bank permanent control system, the compliance of its activities and to safeguard the Bank's reputation through advice, oversight and independent controls.

Compliance, as a second line of defence, has a dual role:

The first role of Compliance consists in the supervision of the effective management of compliance risk. This involves policy setting, providing advice and raising the awareness of colleagues of the need to follow key compliance principles:

- Financial security: anti-money laundering, combatting corruption and the financing of terrorism, financial sanctions and disclosure to financial intelligence units
- Customer Protection: includes appropriateness of products and services offered to clients and conflicts of interest
- Employee integrity: includes codes of conduct, gifts policy, conflicts of interest and a personal transactions policy
- Market abuse: market integrity, conflicts of interest.

The Compliance department sets policies and gives binding advice in these areas. In the event of any contention, Compliance advice may be escalated to a higher level, until consensus is found, so as to ensure appropriate issue resolution.

The second role of Compliance relates to the creation of a general framework in the area of permanent control. In this area, Oversight of Operational Permanent Controls (2OPC), which is part of Compliance, will draw up and coordinate the general control framework.

### Compliance organisational set up

As required by Belgian regulations, the Compliance function is an independent control function reporting to the Chief Executive Officer. Compliance has direct, independent access to the Board's Audit, Risk and Compliance Committee and is a permanent invitee to the Committee.

Compliance is part of a Group-wide function steered from Paris, which is responsible for overseeing and supervising all compliance matters. The head of Compliance at Fortis Bank has a strong dotted line to the Group-wide head of Compliance, ensuring local application of the Group-wide operating model. The Compliance function within the Group has grown continuously since 2004.

### Basic principles

Management of compliance and reputational risks is based on the following basic principles:

- Individual responsibility: compliance is everyone's responsibility, not solely the responsibility of the Compliance department.
- Exhaustive and comprehensive approach: the scope of compliance extends to all banking activities. In this respect, compliance will have unrestricted access to all required information.
- Independence: Compliance colleagues exercise their mission in a context which guarantees their independence of action and thought.
- Primacy of Group policies over local policies as far as consistent with local law.

## 4.h Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the Bank being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position.

Liquidity and refinancing risk is managed through a general liquidity policy approved by the Executive Board of Fortis Bank. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The liquidity policy of Fortis Bank is fully aligned with BNP Paribas Group liquidity policy. The Bank's liquidity position is assessed on the basis of internal standards and regulatory ratios.

### 4.h.1 Liquidity risk management policy

#### Policy objectives

The objectives of Fortis Bank's liquidity risk management policy are to (i) secure a balanced financing mix to support Fortis Bank's development strategy; (ii) ensure that Fortis Bank is always in a position to discharge its obligations to its customers; (iii) comply with the standards set by the local banking supervisor; (iv) keep the cost of refinancing as low as possible; and (v) cope with any liquidity crises.

#### Roles and responsibilities in liquidity risk management

The Bank ALCO sets the general liquidity risk management policy, including risk measurement principles, acceptable risk levels and the internal billing system. It submits its decisions to the Executive Board for final approval. Responsibility for monitoring and implementation has been delegated to the ALM & Treasury department. The Audit, Risk and Compliance Committee (ARCC) reports to the Board of Directors on liquidity policy principles and the Bank's position.

The Bank ALCO is informed on a regular basis of liquidity indicators, results of stress tests, and the execution of financing programmes. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

After approval by the Bank ALCO, the ALM & Treasury department is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The Business Line and Entity ALCOs implement at local level the strategy approved by the Bank ALCO.

Group Risk Management (GRM) contributes to defining liquidity policy principles. It also provides second-line control by validating the models, risk indicators (including liquidity stress tests), limits and market parameters used. The Fortis Bank CRO is a member of the Bank ALCO and the Executive Board.

#### Centralised liquidity risk management

Liquidity risk is managed centrally by ALM & Treasury across all maturities and currencies. ALM & Treasury is tasked with providing financing to the Bank's core businesses and business lines, and investing their surplus cash. The Treasury unit is responsible for short-term refinancing, including short-term issues (certificates of deposit, commercial paper, etc.), while the ALM unit is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, etc), preferred share issues, and loan securitisation programmes for the Retail banking business and the financing business lines at the Corporate and Investment Banking division.

## 4.h.2 Liquidity risk management and supervision

Day-to-day liquidity management is based on a full range of internal information tools and standards that provide cash flow gap information at various maturities and for various currencies.

The refinancing capacity needed to cope with an unexpected surge in liquidity needs is measured daily at Bank level. It mainly comprises available securities and loans eligible for central bank refinancing, available ineligible securities that can be sold under repurchase agreements or immediately on the market, and overnight loans not liable to be renewed.

Fortis Bank measures daily the diversification of its sources of short-term funds to ensure that it is not over-dependent on a limited number of providers of funding.

Medium- and long-term liquidity management is based mainly on an analysis of the medium- and long-term sources of funds available to finance assets with the same maturity. Fortis Bank's consolidated liquidity position is measured regularly by maturity, by business line and by currency.

In addition, severe liquidity stress tests are performed, based on market factors and factors specific to Fortis Bank or BNP Paribas, which would adversely affect the liquidity position.

Regulatory observation ratios represent the final plank in the liquidity risk management system. These include the 1-week and 1-month liquidity observation ratios, which are calculated monthly on a statutory and consolidated basis. Fortis Bank complies with these binding observation ratios both at a statutory and consolidated level. Foreign subsidiaries and branches may be required to comply with local regulatory ratios.

## 4.h.3 Risk mitigation techniques

As part of the day-to-day management of liquidity, in the event of a temporary liquidity crisis, the Bank's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by refinancing them on the repo market or discounting them with the central bank. If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by selling assets outright.

Less liquid assets may be converted into liquid assets or collateralised as part of the day-to-day management of liquidity, by securitising pools of mortgage or consumer loans granted to Retail banking customers and also pools of Corporate loans.

Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing.

### Hedging strategies

The Bank has continued its policy of diversifying its sources of financing in terms of investors, currencies and collateralised financing. In 2010, it created the 'deposit product line', a sales unit within the Treasury department that contributed to diversifying the corporate and institutional investor base. The Bank further continues to attract funding through commercial paper and certificate of deposit programmes in several countries.

From a structural point of view, the Bank has a solid loan-to-deposit ratio of 101.4% at the end of 2011

### Senior debt

In 2011, Fortis Bank Retail customers bought a total of EUR 1.1 billion worth of senior debt issued in various currencies.

## 5 Notes to the balance sheet at 31 December 2011

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

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Financial assets and financial liabilities at fair value through profit or loss consist of trading book transactions and certain assets and liabilities designated as at fair value through profit or loss at the time of acquisition or issue.

#### Financial assets

Trading book assets include proprietary securities transactions, reverse repurchase agreements and derivative instruments contracted for position management purposes.

Assets designated at fair value through profit or loss include assets with embedded derivatives that have not been separated from the host contract and also assets valued at fair value at fair value through profit or loss to avoid an accounting mismatch.

#### Financial liabilities

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements and derivative instruments contracted for position management purposes.

Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in fair value are counterbalanced by changes in the fair value of the economic hedging instrument.

	31 December 2011			31 December 2010		
	Trading Book	Designated at fair value through profit or loss	TOTAL	Trading Book	Designated at fair value through profit or loss	TOTAL
<b>In millions of euros</b>						
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
<b>Negotiable certificates of deposit</b>	<b>68</b>		<b>68</b>	<b>499</b>		<b>499</b>
Treasury bills and other bills eligible for central bank refinancing	68		68	14		14
Other negotiable certificates of deposit				485		485
<b>Bonds</b>	<b>3,740</b>	<b>118</b>	<b>3,858</b>	<b>2,482</b>	<b>604</b>	<b>3,086</b>
Government bonds	1,532		1,532	1,913		1,913
Other bonds	2,208	118	2,326	569	604	1,173
<b>Equities and other variable-income securities</b>	<b>335</b>	<b>706</b>	<b>1,041</b>	<b>426</b>	<b>769</b>	<b>1,195</b>
<b>Repurchase agreements</b>	<b>18,917</b>		<b>18,917</b>	<b>22,169</b>		<b>22,169</b>
<b>Loans</b>	<b>27</b>	<b>1,804</b>	<b>1,831</b>		<b>2,031</b>	<b>2,031</b>
<b>Trading book derivatives</b>	<b>65,526</b>		<b>65,526</b>	<b>49,259</b>		<b>49,259</b>
Currency derivatives	909		909	635		635
Interest rate derivatives	63,723		63,723	46,987		46,987
Equity derivatives	382		382	1,013		1,013
Credit derivatives	450		450	604		604
Other derivatives	62		62	20		20
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
	<b>88,613</b>	<b>2,628</b>	<b>91,241</b>	<b>74,835</b>	<b>3,404</b>	<b>78,239</b>
<i>of which loaned securities</i>	<i>4,142</i>	<i>823</i>	<i>4,965</i>	<i>3,407</i>	<i>1,372</i>	<i>4,779</i>
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
<b>Borrowed securities and short selling</b>	<b>1,235</b>		<b>1,235</b>	<b>921</b>		<b>921</b>
<b>Repurchase agreements</b>	<b>23,623</b>		<b>23,623</b>	<b>29,396</b>		<b>29,396</b>
<b>Borrowings</b>	<b>47</b>	<b>841</b>	<b>888</b>	<b>11</b>	<b>1,039</b>	<b>1,050</b>
<b>Debt securities</b>		<b>3,916</b>	<b>3,916</b>		<b>3,675</b>	<b>3,675</b>
<b>Subordinated debt</b>		<b>3,153</b>	<b>3,153</b>		<b>3,881</b>	<b>3,881</b>
<b>Trading book derivatives</b>	<b>66,544</b>		<b>66,544</b>	<b>50,385</b>		<b>50,385</b>
Currency derivatives	845		845	594		594
Interest rate derivatives	65,025		65,025	48,442		48,442
Equity derivatives	319		319	970		970
Credit derivatives	285		285	351		351
Other derivatives	70		70	28		28
<b>TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
	<b>91,449</b>	<b>7,910</b>	<b>99,359</b>	<b>80,713</b>	<b>8,595</b>	<b>89,308</b>

## Loans

Fortis Bank has designated some financial assets of Commercial and Public Banking Belgium (CPBB) at fair value through profit or loss. Selected inflation rate-linked credit contracts with governmental counterparties are designated at fair value through profit or loss, reducing a potential accounting mismatch between the measurement of the interest rate swaps and other derivatives involved and the credits otherwise measured at amortised cost.

The evolution of the fair value of the loans held at fair value through profit or loss is influenced by repayments, the evolution of the interest rates and the general widening of the credit spreads linked to the sovereign debt crisis.

Some other structured loans and contracts, including derivatives, are also designated as 'Held at fair value through profit or loss', reducing a potential accounting mismatch.

The amortised cost of 'Loans held at fair value through profit or loss' at 31 December 2011 was EUR 1,723 million (2010: EUR 2,097 million).

### Borrowings

Fortis Bank has designated financial liabilities classified in 'Borrowings as held at fair value through profit or loss'. In accordance with the defined investment strategies, financial assets and financial liabilities, including derivatives, are aggregated in specific portfolios. These portfolios are managed and their performance is measured and reported on a fair value basis.

The contractual amount to be repaid on **Borrowings from customers** held at fair value through profit or loss is EUR 712 million (2010: EUR 934 million). There is no significant difference between the carrying amount and the nominal value of the Borrowings held at fair value through profit or loss.

The contractual amount to be repaid on **Borrowings from credit institutions** held at fair value through profit or loss is EUR 155 million (2010: EUR 106 million). There is no significant difference between the carrying amount and the nominal value of the loans held at fair value through profit or loss.

### Debt securities measured at fair value through profit or loss

Fortis Bank has designated selected debt certificates with embedded derivatives and corresponding investments as 'Held at fair value through profit or loss', reducing a potential accounting mismatch.

The nominal value of debt securities held at fair value through profit or loss was EUR 4,142 million as at 31 December 2011 (2010: EUR 3,910 million) due to the fact that the value of new issues was higher than the one of reimbursed issues.

The fair value of liabilities held at fair value through profit or loss takes account of the evolution of the interest rates plus any change attributable to the issuer credit risk relating to Fortis Bank itself, which has been impacted by the global widening of credit spreads linked to the sovereign debt crisis.

The change in fair value of 'Debt securities due to own credit risk' amount to EUR (147) million cumulatively since inception.

### Subordinated debt measured at fair value through profit or loss

#### Subordinated convertible securities: CASHES

On 19 December 2007, Fortis Bank SA/NV issued undated floating rate convertible and subordinated hybrid equity-linked securities (CASHES) with a nominal value of EUR 3 billion, denominated at EUR 250,000 each. Coupons on the securities are payable quarterly, in arrears, at a variable rate of three month Euribor + 2.0%.

For regulatory purposes, the CASHES are treated as part of Tier 1 capital. The CASHES constitute direct and subordinated obligations of Fortis Bank SA/NV, Ageas SA/NV and Ageas N.V. jointly and severally as co-obligors.

The CASHES are subordinate to all other loans, subordinated loans and preference shares, but rank senior to ordinary shares. The principal amount of the securities will never be repaid in cash. The sole recourse of the holders of the CASHES securities against any of the co-obligors with respect to the principal amount is equal to the 125,313,283 Ageas shares that Fortis Bank SA/NV has pledged in favour of such debt holders.

From 19 December 2014 onwards, the bonds will be automatically exchanged for Ageas shares if the price of Ageas shares is equal to or higher than EUR 35.91 on twenty consecutive stock exchange business days. The CASHES have no maturity date, but may be exchanged for Ageas shares at a price of EUR 23.94 per share at the discretion of the holder.

At the time of issuance of the CASHES instrument, Ageas SA/NV and Fortis Bank agreed a Relative Performance Note (RPN), whose fair value was to neutralise the impact on Fortis Bank differences between the value changes in the CASHES and the value changes in the related Ageas shares that occur on Fortis Bank's balance sheet and otherwise affect Fortis Bank's profit or loss.

In 2009, some conditions of that initial agreement were amended in Avenant (Rider) 3 to the Protocole d'Accord (Memorandum of Agreement) between Ageas Holding, the Belgian State and BNP Paribas. It was agreed to leave the RPN in place and to provide an interest payment mechanism between Ageas and Fortis Bank based on the reference amount of the RPN, with quarterly payment of interest from the third quarter of 2009 onwards. The Belgian State has issued a state guarantee on the RPN interest paid by Ageas, to the benefit of Fortis Bank SA/NV. If Ageas defaulted on its interest payments in respect of the RPN (and the Belgian State did not elect to make such interest payments instead of Ageas), Fortis Bank would have the option of terminating the RPN. In the case of such termination, Ageas would be required to pay Fortis Bank the amount due under the RPN (subject to a cap of EUR 2.35 billion).

Depending on movements in the fair value of the CASHES and Ageas shares, either Ageas or Fortis Bank will owe an amount to the other party under the RPN. The party owing this reference amount will be required to pay interest on such amount to the other party on a quarterly basis at a rate of Euribor 3 months plus 20 basis points.

At the end of 2011, the basis for the calculation of the RPN interest payments resulted in an amount due by Ageas to Fortis Bank and will evolve over time in accordance with changes in the fair value of the CASHES instrument and changes in the fair value of the related Ageas shares.

From the start of the transaction, Fortis Bank has treated the liability component of the CASHES instrument, including an embedded derivative, as held at fair value through profit or loss, thus avoiding the separation of the embedded derivative from the host contract.

To avoid volatility in profit or loss due to an accounting mismatch, it was decided in 2007 to treat the related Ageas shares and the RPN as 'held at fair value through profit or loss'.

The fair value of the CASHES instrument (liability) and the fair value of the related Ageas shares are based on the market prices quoted at the end of the reporting period. As at 31 December 2011, Fortis Bank calculated the value of the RPN, consistently with the previous years the valuation of the RPN, based on the difference between the change in fair value of the CASHES instrument since inception and the change in the value of the related Ageas shares since inception.

The valuation of the CASHES, the related Ageas shares and the RPN are based on the initial assumptions of the transaction, i.e. the principal amount of the CASHES will not be repaid in cash and that the sole recourse of the holders of the CASHES is the 125 million Ageas shares that Fortis Bank has pledged in favour of such holders. The liability component of the CASHES was valued at 31 December 2011 at EUR 1,028 million, the Ageas shares at EUR 150 million and the RPN at EUR 227 million.

At 26 January 2012, Ageas and Fortis Bank announced an agreement on a partial settlement of the RPN and the full call of a Tier 1 instrument issued by Fortis Bank in 2001 and 95% held by Ageas since September 2011. More information on this transaction is included in note 8.I, 'Events after the reporting period'.

#### **Hybrid Tier 1 non-innovative loans entered into by Fortis Bank (related to Nitsh I & II)**

In 2006, Ageas set up Ageas Hybrid Financing S.A., a special purpose vehicle in the form of a Luxembourg limited liability company. Its sole purpose was to provide a vehicle for raising solvency capital for Ageas SA/NV and Ageas N.V. and the operating companies of Ageas group, by issuance of securities which would rank *pari passu* and investing the proceeds thereof in instruments (other than ordinary share capital) issued by any of the Ageas operating companies (in banking or insurance) which qualified as solvency for that entity.

Consequently, on the back of hybrid Tier 1 securities issued by Ageas Hybrid Financing in the course of 2008, Fortis Bank concluded two subordinated hybrid Tier 1 loans with Ageas Hybrid Financing:

- A perpetual loan for a nominal amount of USD 750 million, dated 27 February 2008, at an interest rate of 8.28% (on-loan of Nitsh I issued by Ageas Hybrid Financing on 27 February 2008); Fortis Bank may terminate this loan at its discretion as from 27 August 2013
- A perpetual loan for a nominal amount of EUR 375 million, dated 2 June 2008, at an interest rate of 8.03% (on-loan of Nitsh II issued by Ageas Hybrid Financing on 2 June 2008); Fortis Bank may terminate this loan at its discretion as from 2 June 2013

Fortis Bank treats both subordinated perpetual loans as 'held at fair value through profit or loss' in order to avoid an accounting mismatch. The interest rate risk related to the fixed rate to be paid on the loans and the risk that the loans would be called by the issuer after five years have been hedged by entering into derivatives contracts measured at fair value through profit or loss.

These subordinated perpetual loans are loans between Ageas Hybrid Financing and Fortis Bank and are not the Nitsh I and Nitsh II securities issued by Ageas Hybrid Financing. As such, the loans between Fortis Bank and Ageas Hybrid Financing and the Nitsh I and Nitsh II have different risk profiles, due to differences in the credit risk profile of the debtor, i.e. Fortis Bank or Ageas Hybrid Financing.

The fair value of the subordinated perpetual loans between Fortis Bank and Ageas Hybrid Financing was determined by a mark-to-model method based on the following elements:

- The structure of the interest rate risk, relating to the possibility of calling the fixed rate debt
- The price evolution relating to the evolution in credit spreads on subordinated credit instruments, taking into account the own credit risk of the issuer component

### Other subordinated liabilities

Other subordinated liabilities include:

- Debt securities denominated in various currencies
- Perpetual loans denominated in various currencies

Fortis Bank has decided to value selected subordinated liabilities and corresponding investments at fair value through profit or loss, reducing an accounting mismatch.

The total nominal value of the subordinated liabilities held at fair value through profit or loss amounted to EUR 5,396 million at year end 2011 (2010: EUR 5,627 million).

The fair value of 'Liabilities held at fair value through profit or loss' takes account of the evolution of the interest rates and of any change attributable to the issuer risk relating to Fortis Bank itself, which has been impacted by the global widening of credit spreads linked to the sovereign debt crisis.

The change in fair value of these subordinated liabilities (excluding CASHES), which was due to own credit risk, amounts to EUR (417) million cumulatively since inception.

### Derivative financial instruments held for trading

Derivative financial instruments held for trading are related to transactions initiated for trading purposes. On the other hand, Fortis Bank actively trades in derivatives in the context of its sale activities towards its customers. Transactions include trades in ordinary instruments such as interest rate swaps and structured transactions with tailored complex risk profiles. The net position is in all cases subject to limits.

Trading book derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but for which Fortis Bank has not documented a hedging relationship and as a consequence are classified as assets or liabilities held at fair value through profit or loss. These derivatives do not qualify for hedge accounting under IFRS, what applies in particular to credit derivative transactions that are primarily contracted to protect Fortis Bank's loan book.

The positive or negative fair value of derivative instruments 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.



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

In millions of euros	31 December 2011	31 December 2010
<b>Trading book derivatives</b>	<b>2,643,240</b>	<b>3,030,033</b>
Currency derivatives	113,899	95,297
Interest rate derivatives	2,520,766	2,918,212
Equity derivatives	5,040	13,285
Credit derivatives	3,209	2,905
Other derivatives	326	334

Derivatives traded on organised markets represented 1% of Fortis Bank's derivatives transactions at 31 December 2011 (1% at 31 December 2010).

## 5.b Derivatives used for hedging purposes

Derivatives held for hedging purposes are related to fair value hedges and cash flow hedges. Fortis Bank uses derivatives, mainly interest rate swaps, for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables Fortis Bank to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

The table below shows the fair values of derivatives used for hedging purposes.

In millions of euros	31 December 2011		31 December 2010	
	Negative fair value	Positive fair value	Negative fair value	Positive fair value
<b>FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>2,235</b>	<b>698</b>	<b>1,298</b>	<b>390</b>
Currency derivatives	8	4	1	1
Interest rate derivatives	2,227	694	1,297	389
Other derivatives				
<b>CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>47</b>	<b>237</b>	<b>23</b>	<b>113</b>
Currency derivatives				
Interest rate derivatives	47	237	23	113
Other derivatives				
<b>NET FOREIGN INVESTMENT HEDGES</b>				
Currency derivatives				
<b>DERIVATIVES USED FOR HEDGING PURPOSES</b>	<b>2,282</b>	<b>935</b>	<b>1,321</b>	<b>503</b>

The total notional amount of derivatives used for hedging purposes stood at EUR 41,632 million at 31 December 2011, compared with EUR 34,902 million at 31 December 2010.

Derivatives used for hedging purposes are primarily contracted on over-the-counter markets.

## 5.c Available-for-sale financial assets

In millions of euros	31 December 2011	31 December 2010
<b>Fixed-income securities</b>	<b>41,431</b>	<b>52,530</b>
Treasury bills and other bills eligible for central bank refinancing	38	411
Other negotiable certificates of deposit	355	3
Government bonds	35,276	43,468
Other bonds	5,762	8,648
<b>Variable-income securities</b>	<b>1,257</b>	<b>609</b>
Listed securities	37	167
Unlisted securities	1,220	442
<b>TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>42,688</b>	<b>53,138</b>
<i>of which loaned securities</i>	<i>21,724</i>	<i>157</i>
<i>of which changes in value recognised directly in equity</i>		
<i>Fixed-income securities</i>	<i>(1,499)</i>	<i>(884)</i>
<i>Variable-income securities</i>	<i>89</i>	<i>34</i>
<i>of which provisions for impairments recognised in the profit and loss account</i>		
<i>Fixed-income securities</i>	<i>(37)</i>	<i>(429)</i>
<i>Variable-income securities</i>	<i>(1,320)</i>	<i>(151)</i>

Fortis Bank has deployed investment strategies under which micro fair value hedge accounting is applied. The general objective of these strategies is to take a medium or long-term investment position on the credit spread between a bond and the swap curve over a certain period. The interest rate swap associated with the bond is designated to hedge the underlying bond against adverse changes in the interest rate. The hedged risk is interest rate risk. Credit risk is currently not being hedged. The main principal hedged items relate to government and corporate bonds and structured credit instruments.

Changes in the fair value of the bonds which are attributable to the hedged interest rate risk are included in the line 'Government bonds' and 'Other bonds'.

As required by the hedge accounting principles, valuations of interest rate swaps and bonds are recognised at fair value in the income statement.

The difference between the fair value and the carrying value of the hedged bonds at designation of the hedging is amortised over the remaining life of the hedged item.

Fortis Bank also applies micro cash flow hedges in order to hedge exposure to the variability in cash flows resulting from floating rate bonds in available-for-sale portfolios. Fortis Bank has designed interest rate swaps as hedging instruments.

Changes in the fair value of the hedging instruments are recognised in the line 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes' in equity. Any hedge ineffectiveness is immediately recognised in the income statement.

Fortis Bank hedges the acquisition cost or net asset value of some consolidated participations against exchange rates fluctuations. For these hedging relationships, Fortis Bank has designated foreign currency borrowing contracts as hedging instruments.

## 5.d Measurement of the fair value of financial instruments

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation:

### **Level 1 - Financial instruments with quoted market prices**

This level comprises financial instruments with prices quoted in an active market that can be used directly.

It includes such instruments as liquid shares and bonds, borrowings and short sales of these instruments, derivatives traded in organised markets (futures and options, etc.), and units in funds with net asset value calculated on a daily basis.

### **Level 2 - Financial instruments measured using valuation techniques based on observable inputs**

This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which regular transactions can be observed or, lastly, instruments measured using valuation techniques based on observable inputs.

This level includes such instruments as shares and bonds with low liquidity; borrowings and short sales of these instruments; short-term repurchase agreements not measured based on a quoted price directly observed in the market, where the underlying assets are appraised from time to time using observable

market data; units in funds for which liquidity is provided on a regular basis; derivatives traded in OTC markets measured using techniques based on observable inputs; and structured debt issues measured using only observable inputs.

### **Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs**

This level comprises essentially financial instruments measured using valuation techniques based wholly or partially on non-observable inputs. A non-observable input is defined as a parameter, whose value is derived from assumptions or correlations not based either on observable transaction prices in the identical instrument at the measurement date or observable market data available at the same date.

An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs.

This level notably comprises unlisted shares; bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active market (such as CDO, CLO and ABS units); long-term or structured repurchase agreements; units in funds undergoing liquidation or for which the quotation has been suspended; complex derivatives with multiple underlyings (hybrid instruments, synthetic CDOs, etc.) and the structured debt underlying these derivatives.

Breakdown by measurement method applied to financial instruments recognised at fair value presented in line with the recommendations of IFRS 7

	31 December 2011				31 December 2010			
	Quoted market price  (level 1)	Valuation techniques using observable inputs (level 2)	Valuation techniques using non - observable inputs (level 3)	TOTAL	Quoted market price  (level 1)	Valuation techniques using observable inputs (level 2)	Valuation techniques using non - observable inputs (level 3)	TOTAL
<b>In millions of euros</b>								
<b>FINANCIAL ASSETS</b>								
Financial instruments at fair value through profit or loss held for trading (Note 5.a)	1,765	86,460	388	<b>88,613</b>	12,327	60,086	2,422	<b>74,835</b>
Financial instruments designated as at fair value through profit or loss (Note 5.a)	251	1,888	489	<b>2,628</b>	512	2,419	473	<b>3,404</b>
Derivatives used for hedging purposes (Note 5.b)		935		<b>935</b>		503		<b>503</b>
Available-for-sale financial assets (Note 5.c.)	29,644	11,825	1,219	<b>42,688</b>	33,426	19,275	437	<b>53,138</b>
<b>FINANCIAL LIABILITIES</b>								
Financial instruments at fair value through profit or loss held for trading (Note 5.a)	429	90,858	162	<b>91,449</b>	12,848	67,045	820	<b>80,713</b>
Financial instruments designated as at fair value through profit or loss (Note 5.a)	339	7,537	34	<b>7,910</b>	181	7,925	489	<b>8,595</b>
Derivatives used for hedging purposes (Note 5.b)		2,282		<b>2,282</b>		1,321		<b>1,321</b>

## Table of changes in level 3 financial instruments

For Level 3 financial instruments, the following movements took place between 1 January and 31 December:

	Financial Assets			Financial Liabilities			TOTAL
	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	Available-for-sale financial assets	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	TOTAL	
In millions of euros at 31 December 2011							
<b>Beginning of the period</b>	<b>2,422</b>	<b>473</b>	<b>437</b>	<b>3,332</b>	<b>820</b>	<b>489</b>	<b>1,309</b>
- purchases			70	70			
- issues					(430)		(430)
- sales	(2,057)		(88)	(2,145)			
- settlements <sup>1</sup>			5	5		(80)	(80)
Reclassifications <sup>2</sup>			(1,909)	(1,909)			
Transfers to level 3			2,754	2,754		10	10
Transfers from level 3			(107)	(107)		(398)	(398)
Gains or (losses) recognised in income	23	16	(32)	7	(228)	13	(215)
Changes in fair value of assets and liabilities recognised directly in equity							
- exchange rate movements			(1)	(1)			
- changes in assets and liabilities recognised in equity			90	90			
Other							
<b>End of the period</b>	<b>388</b>	<b>489</b>	<b>1,219</b>	<b>2,096</b>	<b>162</b>	<b>34</b>	<b>196</b>
Total gains or losses in the period recognised in income for instruments outstanding at the end of the period	2			2			

	Financial Assets			Financial Liabilities			TOTAL
	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	Available-for-sale financial assets	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	TOTAL	
<b>In millions of euros at 31 December 2010</b>							
<b>Beginning of the period</b>	<b>761</b>	<b>1,125</b>	<b>722</b>	<b>2,608</b>	<b>1,627</b>	<b>540</b>	<b>2,167</b>
- purchases	2,069			<b>2,069</b>			
- issues					429	233	<b>662</b>
- sales	(250)			<b>(250)</b>			
- settlements <sup>1</sup>	(1,164)		28	<b>(1,136)</b>	(1,588)	(320)	<b>(1,908)</b>
Reclassifications <sup>2</sup>							
Transfers to level 3		473	11	<b>484</b>		56	<b>56</b>
Transfers from level 3			(606)	<b>(606)</b>		(335)	<b>(335)</b>
Gains or (losses) recognised in income	137		29	<b>166</b>	516	321	<b>837</b>
Changes in fair value of assets and liabilities recognised directly in equity							
- exchange rate movements							
- changes in assets and liabilities recognised in equity			(17)	<b>(17)</b>	(284)		<b>(284)</b>
Other	869	(1,125)	270	<b>14</b>	120	(6)	<b>114</b>
<b>End of the period</b>	<b>2,422</b>	<b>473</b>	<b>437</b>	<b>3,332</b>	<b>820</b>	<b>489</b>	<b>1,309</b>
Total gains or losses in the period recognised in income for instruments outstanding at the end of the period	137		(384)	<b>(247)</b>	516	461	<b>977</b>

<sup>1</sup> For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives whose fair value is positive. For the liabilities, includes principal redemptions, interest on payments plus inflows and outflows relating to derivatives whose fair value is negative.

<sup>2</sup> These are financial instruments initially recognised at fair value and reclassified as loans and receivables.

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

## Sensitivity of model values to reasonably likely changes in assumptions

Trading portfolio instruments, which are managed using dynamic risk hedging, generally complex derivatives, are subject to general sensitivity calculations based on adjustments of the portfolio's model value risks.

These adjustments help to factor in risks not included in the model and the uncertainty inherent in the estimate of the inputs and form a component of the fair value of these portfolios.

To measure the sensitivity of the portfolio's fair value to a change in assumptions, the following two scenarios were explored: a favourable scenario in which no valuations of Level 3 financial instruments require value adjustments and an unfavourable scenario in which all these valuations require a model risk value adjustment of double the size. Based on this method, each position (portfolios of instruments managed together with netting of risks) is considered individually, and no diversification effect between non-observable inputs of different types is taken into account.

The sensitivity of the fair value of securities positions, whether trading portfolio securities, available-for-sale assets or instruments designated as at fair value through profit or loss, is

based on a change of 1% in fair value. For instruments with doubtful counterparties, sensitivity is calculated on the basis of the scenario of a 1% change in the assumed recovery rate.

In millions of euros	31 December 2011		31 December 2010	
	Potential impact	Potential impact	Potential impact	Potential impact
	on income	on equity	on income	on equity
Financial instruments at fair value through profit or loss held for trading or designated as at fair value <sup>1</sup>	+/- 170		+/- 138	
Available for sale assets		+/- 12		+/- 4

<sup>1</sup> Financial instruments at fair value through profit or loss, whether they are part of the trading portfolio or have been designated as at fair value through profit or loss, are presented under the same heading to reflect the manner in which these instruments are accounted for as sensitivity is calculated on the net positions in instruments classified as Level 3 regardless of their accounting classification.

## Deferred margin on financial instruments measured using techniques developed internally and based on inputs partly non-observable in active markets

Deferred margin on financial instruments (Day One Profit) only relates to the scope of market activities eligible for Level 3.

value through profit or loss' as a reduction in the fair value of the relevant complex transactions.

The day-one profit is calculated after setting aside reserves for uncertainties as described previously and taken back to profit or loss over the expected period for which the inputs will be non-observable. The still to be amortised amount is included under 'Financial instruments held for trading purposes at fair

The deferred margin not taken to the profit and loss account but contained in the price of the derivatives sold to clients and measured using internal models based on non-observable parameters ('Day One Profit') is less than EUR 1 million, both at 31 December 2011 and at 31 December 2010.

## 5.e Financial instruments reclassified as loans and receivables

Fortis Bank has opted to transfer certain financial assets from 'available-for-sale investments', 'financial assets held for trading' and 'other assets' to 'loans and receivables'. The reclassification of these financial assets reflects the change in the intent and ability of Fortis Bank to hold them in the foreseeable future.

the date of reclassification, which became their new cost base at that date. Subsequent measurement is at amortised cost.

Financial assets that have been reclassified as loans and receivables were initially recognised at their fair value on

Financial assets that have been reclassified as loans and receivables relate to a significant extent on the one hand to the structured credit instruments (see note 8.g 'Structured Credit Instruments') and on the other hand to part of the sovereign bond portfolio relating to Greece, Ireland and Portugal (see note 8.h 'Exposure to sovereign debt risk').

## 5.f Interbank and money-market items

### Loans and receivables due from credit institutions

In millions of euros	31 December 2011	31 December 2010
Demand accounts	1,983	625
Loans	29,928	25,988
Repurchase agreements	4,141	2,084
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT PROVISIONS</b>	<b>36,052</b>	<b>28,697</b>
Provisions for impairment of loans and receivables due from credit institutions (Note 2.f)	(266)	(339)
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT PROVISIONS</b>	<b>35,786</b>	<b>28,358</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked in 'due to/from credit institutions' and 'due to/from customers'. From 2011, this activity has been taken over by the Treasury department which has now taken sole responsibility for financing the funding of the Fortis Bank.

In accordance with the monetary policy, Credit institutions are required to place amounts on deposit with the central banks in the countries where Fortis Bank operates. The total balance held with central banks and post office accounts amounted to EUR 7,694 million at year end 2011. (2010: EUR 2,489 million).

Fortis Bank has deployed investment strategies under which micro fair value hedge accounting is applied. The general objective of this strategy is to hedge the fair value changes of certain loans in USD concluded with related parties.

Several cross currency swaps are designated to hedge underlying loans against adverse changes in the interest rate and/or changes in USD/EURO exchange rate.

As required by hedge accounting principles, changes in the fair value of the cross currency swaps and those of the loans that are attributable to the hedged interest rate /or currency risk are both recognised in the line 'Net gain/loss on financial instruments at fair value through profit or loss'.

Elsewhere, Fortis Bank has also deployed investment strategies under which macro cash flow hedge accounting is applied. This strategy consists of hedging the future interests received on the excess cash the Bank has placed with the National Bank of Belgium.

The hedging instruments in question are interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties.

Changes in the fair value on the hedging instruments are recognised in the line 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes' in equity. Any hedge ineffectiveness is immediately recognised in the income statement.



## Due to credit institutions

In millions of euros	31 December 2011	31 December 2010
Demand accounts	8,553	7,594
Borrowings	23,952	19,098
Repurchase agreements	6,413	5,442
<b>TOTAL DUE TO CREDIT INSTITUTIONS</b>	<b>38,918</b>	<b>32,134</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked in 'due to/from credit institutions' and 'due to/from customers'. This activity has been taken over from 2011 by the Treasury department which has now taken sole responsibility for financing the funding of the Bank.

Fortis Bank has deployed investment strategies on which macro cash flow hedge accounting is applied. The general objective of this strategy is to hedge the future fix interest due on bank deposits made by credit institutions. The hedging instruments are interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties.

Changes in the fair value of the hedging instruments are recognised in the line 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes' in equity. Any hedge ineffectiveness is immediately recognised in the income statement.

## 5.g Customer items

### Loans and receivables due from customers

In millions of euros	31 December 2011	31 December 2010
Demand accounts	1,533	1,329
Loans to customers	146,367	144,697
Repurchase agreements	1,071	9,541
Finance leases	428	2
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT PROVISIONS</b>	<b>149,399</b>	<b>155,569</b>
Impairment of loans and receivables due from customers (Note 2.f)	(3,642)	(3,462)
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT PROVISIONS</b>	<b>145,757</b>	<b>152,107</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked in 'due to/from credit institutions' and 'due to/from customers'. From 2011, this activity has been taken over by the Treasury department which has now taken sole responsibility for financing the funding of the Bank.

In addition, Fortis Bank hedges the interest rate exposure of fixed-rate mortgages on a portfolio basis (macro fair value hedge), by using interest rate swaps. Mortgages included in a portfolio hedge of interest rate risk must share the risk characteristics being hedged.

As a result of the hedge, the volatility of changes in the hedged item's net present value (NPV) of future cash flows, due to changes in the appropriate benchmark interest rate curve, will be reduced by offsetting changes in the fair value of the hedging derivative financial instruments.

The hedging instruments are plain vanilla interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties and their changes in fair value are recognised in the income statement.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under the line 'Remeasurement adjustment on interest-rate risk hedged portfolios' in the balance sheet in order to adjust the carrying amount of the loan.

The difference between the fair value and the carrying value of the hedged mortgages at designation of the hedging is amortised over the remaining life of the hedged item and is also reported in 'Remeasurement adjustment on interest-rate risk hedged portfolios' in the balance sheet.

Fortis Bank also hedges on a portfolio basis the cash flows on the future production of commercial loans at fixed rate by using constant maturity swaps. A constant maturity swap (CMS) is a swap that allows the purchaser to fix the duration of the received flows on a swap.

The constant maturity swaps are transacted at market rates prevailing at the time of the transaction with external counterparties.

## Breakdown of finance leases

In millions of euros	31 December 2011	31 December 2010
Gross investment	427	
Receivable within 1 year	99	
Receivable after 1 year but within 5 years	175	
Receivable beyond 5 years	153	
<b>Unearned interest income</b>	<b>1</b>	<b>2</b>
Net investment before impairment provisions	428	2
Receivable within 1 year	99	
Receivable after 1 year but within 5 years	176	2
Receivable beyond 5 years	153	
<b>Impairment provisions</b>	<b>(36)</b>	
Net investment after impairment provisions	392	2

In 2011, BNP Paribas Leasing Solutions (consolidated via the equity method) sold its investment in Fortis Lease Polska Sp.z.o.o. to BNP Paribas Bank Polska (fully consolidated). Consequently Fortis Lease Polska Sp.z.o.o, which was consolidated in 2010 via the equity method is now fully consolidated. The increase in finance lease receivables from EUR 2 million to EUR 392 million is due to this change in consolidation method.

## Due to customers

In millions of euros	31 December 2011	31 December 2010
Demand deposits	45,210	47,831
Term accounts and short-term notes	41,026	39,119
Regulated Belgian savings accounts	56,455	56,345
Repurchase agreements	11,823	9,526
<b>TOTAL DUE TO CUSTOMERS</b>	<b>154,514</b>	<b>152,821</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked in 'due to/from credit institutions' and 'due to/from customers'. From 2011, this activity has been taken over by the Treasury department which has now taken sole responsibility for financing the funding of the Bank.

Fortis Bank has deployed investment strategies under which macro cash flow hedge accounting is applied. The Bank's strategy consists of hedging interest rate exposure of floating rate term deposits by buying and selling interest rate options (caps). As a result, the hedge is assumed on a fluctuation of the interest rate within a predetermined range. The Bank buys interest rate options that protect against a rise in the interest rate. If the interest rate exceeds the strike price the payment received from the derivative can be used to support the interest payment on the deposits for that period. The Bank also sells caps at a higher strike.

Results related to the intrinsic value of the caps designated as hedging instrument are recognised in the line 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes' in the equity. Any hedge ineffectiveness is immediately recognised in the income statement.

Furthermore, Fortis Bank has also decided to apply macro fair value hedge accounting on demand deposits received in the Belgian market by Retail and Private Banking clients of BNP Paribas Fortis. The Bank's objective is to hedge the interest rate risk on the demand deposits by buying interest rate swaps. Demand deposits are designated as the hedged items and form a portfolio. The hedge relationship is regarded as a macro fair value hedge.

As required by the hedge accounting principles, valuations on demand deposits and interest rate swaps are recognised at fair value in the income statement.

## 5.h Debt securities and subordinated debt

This note covers all debt securities and subordinated debt measured at amortised cost. Debt securities and subordinated debt measured at fair value through profit or loss are presented in note 5.a 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'.

### Debt securities measured at amortised cost

In millions of euros	31 December 2011	31 December 2010
Negotiable certificates of deposit	10,257	22,793
Bond issues	4,303	4,532
<b>TOTAL DEBT SECURITIES</b>	<b>14,560</b>	<b>27,325</b>

### Subordinated debt measured at amortised cost

In millions of euros	31 December 2011	31 December 2010
Redeemable subordinated debt	7,350	8,489
Undated subordinated debt	2,141	2,137
<b>TOTAL SUBORDINATED DEBT AT AMORTISED COST</b>	<b>9,491</b>	<b>10,626</b>

### Hybrid Tier 1 innovative securities issued directly by Fortis Bank

In 2001 and 2004, Fortis Bank directly issued perpetual hybrid debt securities each with a nominal value of EUR 1 billion.

- Redeemable perpetual cumulative debt securities with a nominal value of EUR 1 billion issued by Fortis Bank in 2001, at an interest rate of 6.50% until 26 September 2011 and the three-month euro reference rate + 2.37% thereafter
- Directly issued perpetual securities with a nominal value of EUR 1 billion issued by Fortis Bank in 2004, at an interest rate of 4.625% until 27 October 2014 and the three-month euro reference rate + 1.70% thereafter.

These two issues share very similar features. They are redeemable in whole and not in part, at the option of the issuer after ten years. The securities benefit from a support agreement entered into by Ageas SA/NV and Ageas N.V.

This Support Agreement grants securities' holders the option, should Fortis Bank SA/NV not call the instrument, to request Ageas SA/NV and Ageas N.V. to exchange the securities against newly issues Ageas' shares. On 27 and 28 April 2011, the shareholders' meetings of Ageas did not approve sufficient authorised capital for the exchange. Ageas SA/NV and Ageas N.V. will therefore need to settle the exchange for cash, subject to regulatory approval, as provided by the securities' issuance terms and conditions.

Fortis Bank decided not to exercise its call option on the EUR 1 billion Redeemable Perpetual Cumulative Coupon Debt Securities at their first call date of 26 September 2011. Following the Fortis Bank decision, and pursuant to the terms and conditions of these Securities, Ageas asked for the approval of the National Bank of Belgium to acquire the securities against cash and at par at 26 September 2011. On 19 August 2011, Ageas was notified by the NBB of its consent to the exchange. In addition, Ageas was informed that holders representing 95% of the amount of the securities had decided to opt for the exchange.

At 26 January 2012, Ageas and Fortis Bank reached an agreement to the full call of this Tier 1 instrument. This agreement was subject to BNP Paribas reaching at least a 50% success rate on a cash tender of the CASHES, launched on 26 January 2012 and successfully closed on 30 January 2012. This transaction is further described in Note 8.l, 'Events after the reporting period'.

### Other subordinated liabilities

Fortis Bank hedges the interest rate risk attached to fixed rate subordinated liabilities on a portfolio basis (macro fair value hedge) using interest rate swaps.

Subordinated liabilities with such characteristics form the portfolio of liabilities and are designated as the hedged items. Subordinated liabilities included in a portfolio hedge of interest rate risk must share the risk being hedged. Cash flows are allocated to monthly time buckets based on contractual maturity dates.

Hedging instruments are plain vanilla interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties and their changes in value are recognised at fair value in the income statement.

Changes in the fair value of the subordinated liabilities that are attributable to the hedged interest rate risk are recorded under 'Re-measurement adjustment on interest rate risk hedged portfolios' in the balance sheet in order to adjust the carrying amount of the subordinated liabilities.

The difference between the fair value and the carrying value of the hedged subordinated liabilities at the time of hedging is amortised over the remaining life of the hedged item and is reported in 'Re-measurement adjustment on interest rate risk hedged portfolios' in the balance sheet.

## 5.i Held-to-maturity financial assets

In millions of euros	31 December 2011	31 December 2010
<b>Negotiable certificates of deposit</b>	<b>5</b>	<b>57</b>
Treasury bills and other bills eligible for central bank refinancing	5	57
Other negotiable certificates of deposit		
<b>Bonds</b>	<b>2,182</b>	<b>3,016</b>
Government bonds	1,781	2,712
Other bonds	401	304
<b>TOTAL HELD-TO-MATURITY FINANCIAL ASSETS</b>	<b>2,187</b>	<b>3,073</b>

The impairments on financial assets relating to Greek bonds amounted to EUR 116 million at 31 December 2011. There were no impairments as at 31 December 2010.

Disposals of sovereign debt securities classified as held-to-maturity financial assets during 2011, are described in note 8.h 'Exposure to sovereign debt risk'.

## 5.j Current and deferred taxes

In millions of euros	31 December 2011	31 December 2010
Current taxes	80	91
Deferred taxes	4,118	3,807
<b>CURRENT AND DEFERRED TAX ASSETS</b>	<b>4,198</b>	<b>3,898</b>
Current taxes	110	103
Deferred taxes	148	187
<b>CURRENT AND DEFERRED TAX LIABILITIES</b>	<b>258</b>	<b>290</b>

### Change in deferred taxes over the period:

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
<b>NET DEFERRED TAXES AT START OF PERIOD</b>	<b>3,620</b>	<b>3,344</b>
Profit (loss) of deferred taxes (note 2.g)	47	(109)
Change in deferred taxes linked to the remeasurement and reversal through-profit or loss of remeasurement adjustments on available-for-sale financial assets	158	279
Change in deferred taxes linked to the remeasurement and reversal through-profit or loss of remeasurement adjustments on hedging derivatives	(27)	(36)
Effect of exchange rate and other movements	172	142
<b>NET DEFERRED TAXES AT END OF PERIOD</b>	<b>3,970</b>	<b>3,620</b>

### Breakdown of deferred taxes by origin:

In millions of euros	31 December 2011	31 December 2010
Available-for-sale financial assets	964	452
Hedging derivatives	483	306
Unrealised finance lease reserve		42
Provisions for employee benefit obligations	59	23
Provision for credit risk	572	735
Other items	5	7
Tax loss carryforwards	1,887	2,055
<b>NET DEFERRED TAXES</b>	<b>3,970</b>	<b>3,620</b>
<i>of which</i>		
<i>Deferred tax assets</i>	<i>4,118</i>	<i>3,807</i>
<i>Deferred tax liabilities</i>	<i>(148)</i>	<i>(187)</i>

To determine the size of the tax loss carryforwards recognised as assets, Fortis Bank conducts every year a specific review for each relevant entity based on the applicable tax regime – notably incorporating any expiration rules – and a realistic projection of their future revenue and charges in line with their business plan. Tax loss carryforwards not recognised as assets at the end of the year totalled EUR 1,364 million at 31 December 2011 compared with EUR 1,445 million at 31 December 2010.

The net deferred tax assets as per 31 December 2011, the statutory limits on recovery of tax losses and the expected recovery period for the main entities concerned are shown below.

In millions of euros	31 December 2011	Statutory limits on carryforwards	Expected recovery period
Fortis Bank (Belgium)	3,601	unlimited	14 years
Esmée	125	unlimited	14 years
BASS	112	unlimited	14 years
US Branch	71	20 years	13 years
Other	209	-	-
<b>TOTAL NET DEFERRED TAX ASSETS</b>	<b>4,118</b>		

Net deferred tax assets concerning Fortis Bank Belgium amount to EUR 3,601 million, composed of EUR 1,848 million relating to tax losses carried forward; EUR 837 million relating to temporary differences due to changes in fair value recorded in equity (and relating mainly to the Available-for-sale-portfolio); and EUR 916 million relating to other temporary differences (mainly linked to impairments).

Bass and Esmée are securitisation vehicles of Fortis Bank for which the fair value changes relating to the derivatives hedging the interest rate risk in these entities, are fully mirrored in Fortis Bank Belgium. The stock of deferred tax assets in these entities consists of temporary differences deemed to be fully covered by the Fortis Bank Belgium business plan.

## 5.k Accrued income/expense and other assets/liabilities

In millions of euros	31 December 2011	31 December 2010
Guarantee deposits and bank guarantees paid	41	16
Settlement accounts related to securities transactions	730	2,038
Collection accounts	18	107
Accrued income and prepaid expenses	170	87
Other debtors and miscellaneous assets	7,322	5,828
<b>TOTAL ACCRUED INCOME AND OTHER ASSETS</b>	<b>8,281</b>	<b>8,076</b>
Guarantee deposits received	14	
Settlement accounts related to securities transactions	696	526
Collection accounts	84	189
Accrued expenses and deferred income	159	41
Other creditors and miscellaneous liabilities	2,529	266
<b>TOTAL ACCRUED INCOME AND OTHER LIABILITIES</b>	<b>3,482</b>	<b>1,022</b>

The line 'Settlement accounts related to securities transactions' contains temporary balancing amounts between trade date and settlement date for purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention that are recognised on the

trade date, i.e. the date when Fortis Bank becomes a party to the contractual provisions of the instrument. However, the temporary sales of securities and sales of borrowed securities are initially recognised at the settlement date.

## 5.l Investments in associates and joint ventures

The following table shows Fortis Bank's investments in associates as at 31 December 2011:

In millions of euros	31 December 2011	31 December 2010
AG insurance	1,102	1,431
BNP Paribas Investment Partners S.A.	1,921	1,873
BNP Paribas Lease group	786	784
Cardif Luxembourg Vie	54	
Fortis Commercial Finance Gmbh	20	
Fortis Commercial Finance Ltd	25	
Stradios FCP FIS		99
Textainer Marine Containers LTD		57
Trip Rail Holdings LLC		26
TAP Ltd	87	
Fortis Luxembourg - Vie SA BNPP		50
Belgolaise		29
Fortis Bank Malta Ltd	43	
FORTIS YATIRIM MENKUL DEGERLER A.S		22
Immob Sauvenière SA	19	19
Crédit pour habitations sociales - Krediet voor sociale woningen		11
Cronos Holding Company Ltd	48	28
Other	36	25
<b>INVESTMENTS IN ASSOCIATES</b>	<b>4,141</b>	<b>4,454</b>

The following table gives statutory financial data of the holding companies of Fortis Bank's main associates:

In millions of euros	Country	Total Assets	Net revenue	Net income
BNP Paribas Investment Partners S.A. <sup>1</sup>	France	4,072	(148)	(138)
AG insurance <sup>2</sup>	Belgium	57,910	6,659	176
BNP Paribas Lease group <sup>1</sup>	Luxembourg	6,231	169	162

<sup>1</sup> Data at 31 December 2011.

<sup>2</sup> Data at 31 December 2010.

More information about the changes in ownership impacting the associates and joint ventures is included in note 8.a 'Scope of consolidation' and note 8.b 'Business combinations'.

According to IFRS, we are required to assess at the end of each reporting period whether there is any objective evidence that an investment in an equity associate is impaired or not. There is objective evidence of impairment if events have occurred after the acquisition of the asset which have negative impacts on the estimated future cash flows generated by the investment.

If objective evidence of impairment exists, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36, by comparing its recoverable amount with its carrying amount.

At 31 December 2011, we considered that for the investments in associates and joint ventures no triggers were present which would require an impairment test, excluding the investments in BNP Paribas Investment Partners (BNPP-IP) and AG Insurance (AGI).



The overall uncertain conditions prevailing on the financial markets, especially in the banking and insurance industry, have given rise to relative pressure on the profitability of asset management and insurance activities, intensified by the risk relating to the euro sovereign debt crisis. These conditions could be seen as triggers or indicators that the cost of the investments in BNPP-IP and in AGI may not be completely recoverable.

Under these conditions, the investments in BNPP-IP and AGI were tested for impairment.

The method applied to determine the value in use of the investment in BNPP-IP is based on a number of assumptions in terms of future revenues, expenses and credit risk provisions for each reporting unit. These parameters are taken from the medium-term business plan for the first three years, thereafter extrapolated over a sustainable growth period of seven years and then extrapolated in perpetuity, based on sustainable growth rates up to ten years and the inflation rate thereafter.

The tests take into account the cost of capital based on a risk-free rate plus a business specific risk premium. The key parameters, which are sensitive to the assumptions made, are therefore the cost/income ratio, the sustainable growth rate and the cost of capital. These parameters are specific to each business.

Notional equity allocated is set at 7% of the Risk Weighted Assets and growth rates beyond 10 years are set at 2%. The percentage of capital employed complies with regulatory requirements and the growth rate beyond 10 years is conservative given inflation rates in most countries in which the entities operate.

The cost of capital used for discounting the future profits is entity specific and based on the risk-free rate, its beta and the expected market risk premium.

In the medium to long term, Fortis Bank judges that BNPP-IP should be in a position to benefit from stabilised markets and to achieve net growth (net new cash inflow) above normal market performance. On the cost side, the improvement of the cost/income ratio is achievable, considering the ongoing restructuring and integration measures. The valuation made, based on these assumptions, leads to a recoverable amount above the carrying value of the investment in BNPP-IP.

The valuation approach followed for the participation in AGI consists in calculating a recoverable amount based on the determination of a value-in-use of the investment, taking into account the specific features of the insurance business and related activities.

An insurance industry specific valuation method to determine the value in use is based on the appraisal value of the insurance portfolio and is composed of:

- the embedded value, being the current shareholder's net asset value allocated to the insurance activity, increased by the value of business in force, being the present value of the distributable earnings generated by the actual insurance portfolio;
- the value of the future new business, being the present value of the projected future distributable earnings generated by the future new business.

The shareholders' current net asset value plus the future profitability on business in force are industry specific valuation methods which are consistent with the principles of discounted earnings approaches as the value of business in force results from the projection of distributable earnings. The value of future new business is computed on the basis of multiples of a year of new business contributions.

The valuation made for AGI leads to a recoverable amount below the carrying amount of the investment and gives rise to an impairment of EUR (240) million, recognised in the amount of EUR (167) million via profit and loss and EUR (73) million via equity.

## 5.m Investment property, property, plant and equipment and intangible assets

	31 December 2011			31 December 2010		
	Gross value	Accumulated depreciations, amortisation and impairments	Carrying amount	Gross value	Accumulated depreciations, amortisation and impairments	Carrying amount
<b>In millions of euros</b>						
<b>INVESTMENT PROPERTY</b>	110	(52)	58	117	(49)	68
Land and buildings	1,944	(919)	1,025	1,780	(750)	1,030
Equipment, furniture and fixtures	1,300	(928)	372	1,254	(850)	404
Plant and equipment leased as lessor under operating leases						
Other property, plant and equipment	181	(69)	112	50	(42)	8
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3,425	(1,916)	1,509	3,084	(1,642)	1,442
Purchased software	176	(141)	35	208	(177)	31
Internally-developed software	296	(286)	10	320	(301)	19
Other intangible assets	156	(74)	82	86	(50)	36
<b>INTANGIBLE ASSETS</b>	628	(501)	127	614	(528)	86

### Investment property

The estimated fair value of investment property accounted for at cost at 31 December 2011 was EUR 65 million, compared with EUR 88 million at 31 December 2010.

### Intangible assets

Other intangible assets comprise leasehold rights, goodwill and trademarks acquired by Fortis Bank.

In general, software is amortised over a maximum of five years and other intangible assets have an expected useful life of 10 years at most.

With the exception of goodwill (see note 5.n, 'Goodwill') and intangibles relating to the business referral to Fortis Bank by BNP Paribas, no other intangible assets have indefinite useful lives. The fees paid by Fortis Bank to compensate BNP Paribas for the business referral in respect of the Corporate

and Transaction Banking Europe (CTBE) business, by the Portuguese, German, UK and Spanish branches of BNP Paribas to the branches of Fortis Bank in those countries, are booked as 'Other intangible assets with indefinite useful lives' (EUR 32 million). An intangible asset with an indefinite useful life is not amortised but tested for impairment by comparing its recoverable amount with its carrying value. No impairment was recognised at 31 December 2011.

### Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2011 came to EUR 227 million, compared with EUR 303 million for the year ended 31 December 2010.

The reversal on impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2011 amounted to EUR 0.3 million, compared with a reversal on impairment loss of EUR 1 million for the year ended 31 December 2010.

## 5.n Goodwill

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
<b>CARRYING AMOUNT AT START OF PERIOD</b>	<b>24</b>	<b>292</b>
Discontinued operations		246
<b>CARRYING AMOUNT OF CONTINUING OPERATIONS AT START OF PERIOD</b>	<b>24</b>	<b>46</b>
Acquisitions	198	6
Divestments		(14)
Impairment losses recognised during the period		(13)
Translation adjustments	(30)	
Other movements		
<b>CARRYING AMOUNT OF CONTINUING OPERATIONS AT END OF PERIOD</b>	<b>192</b>	<b>24</b>
<i>Of which</i>		
<i>Gross value</i>	<i>571</i>	<i>408</i>
<i>Accumulated impairment recognised at the end of period</i>	<i>(379)</i>	<i>(383)</i>

Goodwill by cash-generating unit at 31 December 2011 is as follows :

In millions of euros	Carrying amount		Gross amount		Impairment recognised		Accumulated impairments	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Fortis Bank in Belgium</b>	<b>24</b>	<b>22</b>	<b>24</b>	<b>22</b>				
Alpha Crédit	22	22	22	22				
Fortis Commercial Finance	2		2					
<b>Fortis Bank in Luxembourg</b>			<b>40</b>	<b>40</b>		<b>(10)</b>	<b>(40)</b>	<b>(40)</b>
SADE			12	12		(10)	(12)	(12)
Fundamentum Asset Management			28	28			(28)	(28)
<b>Other countries</b>	<b>169</b>	<b>2</b>	<b>508</b>	<b>345</b>		<b>(4)</b>	<b>(339)</b>	<b>(343)</b>
Dominet			206	206			(206)	(206)
Margaret Inc.			102	102			(102)	(102)
Von Essen KG Bank			28	28			(28)	(28)
TEB Bank	167		167					
Other	2	2	5	9		(4)	(3)	(7)
<b>TOTAL</b>	<b>192</b>	<b>24</b>	<b>572</b>	<b>407</b>		<b>(14)</b>	<b>(379)</b>	<b>(383)</b>

The activities of Fortis Bank are divided into cash-generating units, representing reporting entities of Fortis Bank. This split is consistent with Fortis Bank's organisational structure and management methods, and reflects the independence of each reporting entity in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

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

The recoverable amount of a cash-generating unit can be based on one of three different methods: transaction multiples for comparable businesses, share price data for listed companies with comparable businesses, and discounted future cash flows (DCF).

If one of the two comparables based methods indicates the need for impairment, the DCF method is used to validate the results and determine the amount of required impairment. The DCF method is also applied if no transaction multiples for comparable businesses or share price data for listed companies with comparable businesses are available.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and credit risk provisions for each reporting unit. These parameters are taken from the medium-term business plan for the first three years, thereafter extrapolated over a sustainable growth period of seven years and then extrapolated in perpetuity, based on sustainable growth rates up to ten years and the inflation rate thereafter.

The tests take into account the cost of capital based on a risk-free rate plus a business specific risk premium. The key parameters, which are sensitive to the assumptions made, are therefore the cost/income ratio, the sustainable growth rate and the cost of capital. These parameters are specific to each business.

Notional equity allocated is set at 7% of the Risk Weighted Assets and growth rates beyond 10 years are set at 2% respectively for all businesses. The percentage of capital employed complies with regulatory requirements and the growth rate beyond 10 years is conservative given the inflation rates in most countries in which the entities operate. The cost of capital used for discounting the cash flows is entity specific and based on the risk free rate, its beta and the expected market risk premium.

The continuous expansion of Alpha Crédit is based on the growth in personal loans, the development of the direct financing business and the strengthening of its position as market leader in the car financing segment.

In the fast-growing Turkish market, TEB Bank is consolidating its position following the integration, thanks to solid deposit and loan growth.

The valuations made for Alpha Crédit and TEB Bank have led to a recoverable amount well above their carrying value and therefore no impairment of the goodwill is required.

The initial accounting for the acquisition of Fortis Commercial Finance is still on-going and will be finalised in the first half-year of 2012.

## 5.0 Provisions for contingencies and charges

Provisions for contingencies and charges mainly included provisions for post-employment benefits (Note 7.b 'Employee benefit obligations'), for impairment related to credit risks (Note 2.f 'Cost of risk'), for risks on regulated savings products and for litigations in connection with banking transactions.

In millions of euros	31 December 2011	31 December 2010
TOTAL PROVISION AT START OF PERIOD	3,821	3,916
Discontinued operations		66
TOTAL PROVISION OF CONTINUING ACTIVITIES AT START OF PERIOD	3,821	3,850
Additions to provisions	360	648
Reversals of provisions	(573)	(182)
Provisions used	(248)	(236)
Effect of movements in exchange rates and other movements	24	(259)
TOTAL PROVISION OF CONTINUING ACTIVITIES AT END OF PERIOD	3,384	3,821

## 6 Financing commitments and guarantee commitments

### 6.a Financing commitments given or received

Contractual value of financing commitments given and received by Fortis Bank:

In millions of euros	31 December 2011	31 December 2010
<b>Financing commitments given:</b>		
- to credit institutions	2,230	21,217
- to customers	38,086	47,375
<i>confirmed letters of credit</i>	37,332	46,750
<i>other commitments given to customers</i>	754	625
Total financing commitments given	40,316	68,592
<b>Financing commitments received:</b>		
- from credit institutions	30,421	27,759
- from customers	21	718
Total financing commitments received	30,442	28,477

### 6.b Guarantee commitments given by signature

In millions of euros	31 December 2011	31 December 2010
<b>Guarantee commitments given:</b>		
- to credit institutions	15,176	1,426
- to customers	14,229	12,701
<b>TOTAL GUARANTEE COMMITMENTS GIVEN</b>	<b>29,405</b>	<b>14,127</b>

The increase in guarantee commitments given to credit institutions relates to guarantees given by branches of Fortis Bank towards branches of BNP Paribas. In 2010, Fortis Bank acquired from BNP Paribas the activities of its Corporate Transaction Group. For the assets acquired that are not yet transferred, Fortis Bank has given a guarantee towards BNP Paribas.

## 6.c Other guarantee commitments

### Financial instruments given as collateral:

In millions of euros	31 December 2011	31 December 2010
<b>Financial instruments (negotiable securities and private receivables) lodged with central banks and eligible for use at any time as collateral for refinancing transactions</b>		
- Used as collateral with central banks	19,999	11,635
- Available for refinancing transactions	8,814	
<b>Securities sold under repurchase agreements</b>	<b>37,391</b>	<b>42,026</b>
<b>Other financial assets pledged as collateral for transactions with banks and financial customers</b>	<b>27,281</b>	<b>10,537</b>

Financial instruments given as collateral by Fortis Bank that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 80,572 million at 31 December 2011 (EUR 44,179 million at 31 December 2010).

### Financial instruments received as collateral:

In millions of euros	31 December 2011	31 December 2010
<b>Financial instruments received as collateral (excluding repurchase agreements)</b>	<b>9,536</b>	<b>10,550</b>
<i>Of which instruments that the Group is authorised to sell and reuse as collateral</i>	1,219	1,272
<b>Securities received under repurchases agreements</b>	<b>20,000</b>	<b>33,224</b>

Financial instruments received as collateral by Fortis Bank or under repurchase agreements that Fortis Bank effectively sold or reused as collateral amounted to EUR 18,723 million at 31 December 2011 (EUR 28,036 million at 31 December 2010).

# 7 Salaries and employee benefits

## 7.a Salary and employee benefit expenses

In millions of euros	31 December 2011	31 December 2010
Fixed and variable remuneration, incentive bonuses and profit-sharing	(1,678)	(1,601)
Retirement bonuses, pension costs and social security taxes	(595)	(740)
<b>TOTAL SALARY AND EMPLOYEE BENEFIT EXPENSES</b>	<b>(2,273)</b>	<b>(2,341)</b>

## 7.b Employee benefit obligations

### 7.b.1 Post employment benefits

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to paying a defined amount (stated as a percentage of the beneficiary's annual salary, for example) to an external organisation handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of premiums from employees and to bear the cost of benefits itself-or to guarantee the final amount subject to future events-it is described as a defined-benefit plan. The same applies, if the entity entrusts management of the collection of premiums and payment of benefits to an external body, but retains the risk arising from management of the assets and from future changes in the benefits.

#### Pensions and other post-employment benefits

Fortis Bank has implemented a policy over the past few years of converting defined-benefit plans into defined-contribution plans.

Fortis Bank contributes to several defined benefit plans in Belgium, Luxembourg and Turkey, most of them having been closed. New employees are offered defined-contribution plans. Under these plans, the Group's obligation essentially consists in paying a percentage of the employee's annual salary into the plan.

The amount paid into defined-contribution post-employment plans in Belgium and other countries for the year to 31 December 2011 was EUR 23 million compared with EUR 11 million for the year to 31 December 2010.

### 1) Defined benefit pension plans of Fortis Bank entities

In Belgium, Fortis Bank provides a pension plan for its employees and middle managers who joined the bank before its pension plans were harmonised on 1 January 2002, based on final salary and the number of years' service. The obligation is mainly funded through the insurance company AG Insurance, in which Fortis Bank owns a 25% interest. Senior managers have a pension plan that provides a capital sum based on number of years' service and final salary, which is mainly funded through AXA Belgium and AG Insurance.

Under Belgian law, the employer is responsible for a guaranteed minimum return on defined-contribution plans. As a result of this obligation, these plans are classified as defined-benefit plans.

In some countries, there still exist defined benefit pension plans, generally closed to new employees, based on pensions linked to the employee's final salary and length of service (Turkey, Luxembourg and United Kingdom).

At 31 December 2011, Belgium accounted for 86% of the total gross obligations of Fortis Bank. The fair value of the related plan assets and reimbursement rights was split as follows: 77% bonds, 10% cash, 9% insurance contracts, 3% equities and 1% in Real Estate.

The expected contribution to pension plans in 2012 amounts to EUR 157 million, of which EUR 145 million for the obligation in Belgium.

### 2) Post-employment healthcare plans

In Belgium, Fortis Bank has a scheme in relation to healthcare benefits for its retired employees and retired middle managers.

### 3) Commitments under defined benefit plans.

## Reconciliation of assets and liabilities recognised in the balance sheet for defined benefit plans

In millions of euros	Post-employment benefits		Post-employment healthcare benefits	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
<b>Present value of defined benefit obligation</b>	<b>3,301</b>	<b>3,000</b>	<b>59</b>	<b>58</b>
Defined benefit obligations arising from wholly or partially funded plans	3,271	2,980		
Defined benefit obligations arising from wholly unfunded plans	30	20	59	58
<b>Fair value of plan assets</b>	<b>(462)</b>	<b>(128)</b>		
<b>Fair value of reimbursement rights</b>	<b>(2,410)</b>	<b>(2,356)</b>		
<b>Cost not yet recognised in accordance with IAS 19</b>	<b>(462)</b>	<b>(514)</b>	<b>(3)</b>	<b>(4)</b>
Prior service cost				
Net actuarial gains (losses)	(462)	(514)	(3)	(4)
<b>Effect of asset ceiling</b>	<b>76</b>			
<b>NET OBLIGATION FOR DEFINED BENEFIT PLANS</b>	<b>43</b>	<b>2</b>	<b>56</b>	<b>54</b>
Asset recognised in the balance sheet for defined benefit plans	(2,430)	(2,373)		
of which net assets for defined benefit plans	(20)	(17)		
of which fair value of reimbursement rights	(2,410)	(2,356)		
Liability recognised in the balance sheet for defined benefit plans	2,473	2,375	56	54

## Movements in the present value of the defined benefit obligation

In millions of euros	Post-employment benefits		Post-employment healthcare benefits	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION</b>				
<b>AT START OF PERIOD</b>	<b>3,000</b>	<b>3,819</b>	<b>58</b>	<b>55</b>
Discontinued operations		556		4
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION</b>				
<b>OF CONTINUING OPERATIONS AT START OF PERIOD</b>	<b>3,000</b>	<b>3,263</b>	<b>58</b>	<b>51</b>
Current service cost	134	130	1	1
Interest cost	130	107	3	2
Effect of plan amendments	6			
Effect of plan curtailments or settlements	(2)	(250)		
Net actuarial (gains) losses on obligation	(1)	(113)	(1)	5
Actual employee contributions	13	8		
Benefits paid directly by the employer	(22)	(17)	(1)	(1)
Benefits paid from assets/reimbursement rights	(171)	(158)		
Effect of movements in exchange rates	(10)	3		
Effect of changes in scope of consolidation	224	26		
Other		1	(1)	
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION</b>				
<b>OF CONTINUING OPERATIONS AT END OF PERIOD</b>	<b>3,301</b>	<b>3,000</b>	<b>59</b>	<b>58</b>



## Movements in the fair value of plan assets

In millions of euros	31 December 2011	31 December 2010
FAIR VALUE OF PLAN ASSETS AT START OF PERIOD	128	784
Discontinued operations		667
FAIR VALUE OF PLAN ASSETS OF CONTINUING OPERATIONS		
AT START OF PERIOD	128	117
Expected return on plan assets	35	6
Effect of plan curtailments or settlements		
Net actuarial gains/ (losses)	(12)	4
Actual employee contributions	4	
Employer contributions	13	2
Benefits paid from plan assets	(12)	(6)
Effect of movements in exchange rates	(13)	2
Effect of changes in scope of consolidation	320	1
Other	(1)	2
FAIR VALUE OF PLAN ASSETS OF CONTINUING OPERATIONS		
AT END OF PERIOD	462	128

## Movements in the fair value of reimbursement rights

In millions of euros	31 December 2011	31 December 2010
FAIR VALUE OF REIMBURSEMENT RIGHTS AT START OF PERIOD	2,356	2,548
Discontinued operations		5
FAIR VALUE OF REIMBURSEMENT RIGHTS OF CONTINUING OPERATIONS		
AT START OF PERIOD	2,356	2,543
Expected return on reimbursement rights	92	95
Effect of plan curtailments or settlements		(198)
Net actuarial gains / (losses)	1	(58)
Actual employee contributions	9	8
Employer contributions	109	106
Benefits paid from reimbursement rights	(159)	(153)
Effect of movements in exchange rates		
Effect of changes in scope of consolidation	1	12
Other	1	1
FAIR VALUE OF REIMBURSEMENT RIGHTS OF CONTINUING OPERATIONS		
AT END OF PERIOD	2,410	2,356

Because Fortis Bank has defined benefit plans that are funded through associated insurance companies, the related assets do not qualify as plan assets, and must be considered as 'reimbursement rights' according to IAS 19. This means that these assets may not be deducted from the defined benefit obligations when determining the defined benefit liability. They are shown instead as separate assets called 'reimbursement rights', expressing the right of reimbursement of expenditures (required to settle the defined benefit obligations) by the related party.

## Components of pension cost

In millions of euros	Post-employment benefits		Post-employment healthcare benefits	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Current service cost	134	130	1	1
Interest cost	130	107	3	2
Expected return on plan assets	(35)	(6)		
Expected return on reimbursement rights	(92)	(95)		
Amortisation of actuarial (gains) / losses	63	35		
Amortisation of prior service cost	6			
Effect of plan curtailments or settlements	(1)	13		
Effect of asset ceiling	(28)			
<b>TOTAL EXPENSE RECORDED IN</b>				
<b>"SALARY AND EMPLOYEE BENEFIT EXPENSES"</b>	<b>177</b>	<b>184</b>	<b>4</b>	<b>3</b>

### Method used to measure obligations

The legacy defined-benefit plans in Belgium and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits still payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of specific economic conditions in each country and Fortis Bank company.

Obligations under post-employment healthcare benefit plans are measured using the specific mortality tables applicable in each country. They also build in assumptions about healthcare

benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

### Principal actuarial assumptions used to calculate post-employment benefit obligations at the end of the period (excluding post-employment healthcare benefits)

Fortis Bank discounts its obligation at the government bond yield in the eurozone and the yield on first-class private bonds with a similar maturity to the obligation in other currency areas. When the market for such bonds is not sufficiently liquid, the obligation is discounted at the government bond yield.

The rates used are as follows :

In %	31 December 2011			31 December 2010	
	Eurozone	UK	Turkey	Eurozone	UK
Discounting rate	3.30%-4.70%	3.50%	9.15%-9.55%	3.80%-4.50%	4.70%
Future rate of compensation increase *	3.50%-4.27%	2.00%	7.00%	3.90%-4.35%	3.25%

(\* ) Inflation included

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

The expected return on plan assets is determined by weighting the expected return on each asset class by its respective contribution to the fair value of total plan assets.

In %	31 December 2011			31 December 2010	
	Eurozone	UK	Turkey	Eurozone	UK
Expected return on plan assets and reimbursement rights <sup>1</sup>	3.25%-4.65%	6.24%	9.15%	3.25%-4.54%	6.80%
Actual return on plan assets and reimbursement rights <sup>1</sup>	(3.43)%-7.33%	2.80%	6.91%-7.79%	(1.64)%-8.18%	7.80%

<sup>1</sup> Range of values, reflecting the existence of several plans within a single country or geographical or monetary zone

## Actuarial gains and losses

Actuarial gains and losses resulting from the change in the present value of a defined-benefit plan obligation are the result of experience adjustments (differences between previous actuarial assumptions and actual occurrences) and the effects of changing actuarial assumptions.

Fortis Bank applies the 'corridor' approach permitted in IAS 19, which specifies that recognition of actuarial gains and losses is deferred when they do not exceed 10% of the greater of the i) obligation and ii) value of the plan assets. The 'corridor' is calculated separately for each defined-benefit plan. Where this limit is breached, the portion of the actuarial gains and losses exceeding it is recognised in the profit and loss account in instalments over average remaining service period of the plan participants.

The following table shows the actuarial gains and losses:

In millions of euros	31 December 2011	31 December 2010
AMOUNT OF CUMULATIVE UNRECOGNISED ACTUARIAL GAINS/(LOSSES)	(462)	(514)
NET ACTUARIAL GAINS AND LOSSES GENERATED OVER THE PERIOD	(10)	59
<i>of which actuarial gains and (losses) on plan assets or reimbursement rights</i>	(11)	(54)
<i>of which actuarial gains and (losses) from changes in actuarial assumptions on obligation</i>	1	109
<i>of which experience gains and (losses) on obligation</i>		4

## 7.b.2 Other long-term benefits

Fortis Bank offers its employees various long-term benefits, mainly long-service bonuses, the ability to save up paid leave in time savings accounts, and certain guarantees protecting them in the event of incapacity.

As part of the Group's variable compensation policy, annual deferred compensation plans are set up for certain

high-performing employees or pursuant to special regulatory frameworks.

Under these plans, payment is deferred over time and is contingent on the performance achieved by the business units, core businesses and Group.

In millions of euros	31 December 2011	31 December 2010
Net provisions for other long term benefits	90	96

## 7.b.3 Termination benefits

Fortis Bank has implemented a number of voluntary redundancy plans for employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans

are provided for where the plan is the subject of a bilateral agreement or a draft thereof.

In millions of euros	31 December 2011	31 December 2010
Provisions for voluntary departure and early retirement plans	217	275

## 8 Additional information

### 8.a Scope of consolidation

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The consolidated accounts are prepared in accordance with the Royal Decree of 5 December 2004 amending the Royal Decree of 23 September 1992 on the non-consolidated accounts and consolidated accounts of credit institutions. The Royal Decree stipulates that, for financial years beginning on or after 1 January 2006, consolidated annual accounts must be drawn up in accordance with international financial reporting standards (IAS/IFRS), as adopted by the European Union.

The consolidated financial statements include those of Fortis Bank SA/NV and its subsidiaries. Subsidiaries are those companies whose financial and operating policies Fortis Bank, directly or indirectly, has the power to govern so as to obtain benefits from its activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Fortis Bank and are no longer consolidated from the date that control ceases.

The consolidated accounts are prepared in accordance with IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures, and in accordance with SIC-12 Consolidation - Special Purpose Entities (SPEs), by which Fortis Bank must consolidate the SPE when the substance of the relationship indicates that Fortis Bank controls the SPE and retains a significant beneficial interest in the SPE's activities.

Investments in joint ventures – contractual agreements whereby Fortis Bank and other parties undertake an economic activity that is subject to joint control – are accounted for using the proportional method.

Investments in Associates – investments in which Fortis Bank has significant influence, but which it does not control, generally holding between 20% and 50% of the voting rights – are accounted for using the equity method.

The consolidation thresholds are detailed in section 1.c.1 Scope of consolidation in Note 1: 'Summary of significant accounting policies applied by Fortis Bank'.

The tables below include the scope changes during the years 2010 and 2011.

Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
<b>Consolidating company</b>						
Fortis Banque SA / Fortis Bank NV	Belgium			Full	100.00%	100.00%
<b>Belgium</b>						
Ace Equipment Leasing	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Ace Leasing	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Ag Insurance-Groupe	Belgium			Equity	25.00%	25.00%
Alpha Card Scrl (Groupe)	Belgium			Equity	50.00%	50.00%
Alpha Cr�dit SA	Belgium			Full	100.00%	100.00%
Banking Funding Company SA	Belgium	2010	< thresholds			
Banque De La Poste S.A. - Bank Van De Post N.V.	Belgium			Prop.	50.00%	50.00%
Bcc Corporate	Belgium			Equity	50.00%	50.00%
Belgolaise SA	Belgium	2011 2010	< thresholds	Equity	1 100.00%	100.00%
Bnp Paribas Fortis Factor	Belgium			Full	99.99%	99.99%
Bnp Paribas Investment Partners Be Holding	Belgium	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners Belgium	Belgium	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bancontact-MisterCash BC-MC	Belgium	2011	Before known as 'Brand & Licence Company SA'			
Certifimmo V SA	Belgium	2010	< thresholds			
Comptoir Agricole De Wallonie	Belgium	2010	< thresholds			
Continuing Care Retirement Community NV	Belgium	2011 2010	< thresholds	Full	99.00%	99.00%
Credissimo	Belgium	2010	< thresholds			
Credissimo Hainaut SA	Belgium	2010	< thresholds			
Cr�dit Pour Habitations Sociales	Belgium	2011 2010	< thresholds	Equity	1 81.66%	81.66%
Demetris N.V.	Belgium			Equity	1 99.99%	99.99%
Eos Aremas Belgium S.A./N.V.	Belgium			Equity	49.97%	49.97%
Es-Finance	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Euro Fashion Center SA	Belgium	2010	Disposal			
Europay Belgium	Belgium			Equity	40.02%	40.02%
F.L. Zeebrugge	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	12.50%
Finalia	Belgium			Full	51.00%	51.00%
Fintrimo SA	Belgium	2010	< thresholds			
Fortis Commercial Finance Nv	Belgium	2011	Purchase	Full	100.00%	100.00%
Fortis Film Fund SA	Belgium	2010	< thresholds			
Fortis Finance Belgium S.C.R.L.	Belgium			Full	100.00%	100.00%
Fortis Lease	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%

1 - Non-material subsidiaries consolidated via equity method

2 - Entities excluded from the prudential scope of consolidation

3 - Entities consolidated under the equity method for prudential purposes

Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Fortis Lease Car & Truck	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Group Services	Belgium	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Private Equity Asia Fund SA	Belgium	2010	< thresholds			
Fortis Private Equity Belgium N.V.	Belgium			Full	100.00%	100.00%
Fortis Private Equity Expansion Belgium N.V.	Belgium			Full	100.00%	100.00%
Fortis Private Equity Management NV	Belgium	2010	< thresholds			
Fortis Private Equity Venture Belgium S.A.	Belgium			Full	100.00%	100.00%
Fpre Management (Belgium) SA	Belgium	2011 2010	< thresholds	Full	100.00%	100.00%
Fpre Second Residences SA	Belgium	2010	Merger			
Fpre Second Residences Sca	Belgium	2010	Merger			
Frynaco	Belgium	2011 2010	< thresholds	Full	99.00%	99.00%
Fund Administration Services & Technology Network Belgium	Belgium	2011 2010	Disposal	Equity	47.80%	23.90%
Fv Holding NV	Belgium			Equity	40.00%	40.00%
Genfinance International SA	Belgium	2010	< thresholds			
Het Werkmanshuis NV	Belgium	2010	< thresholds			
Immobiliere Sauveniere S.A.	Belgium			Equity	1	99.99%
Isabel SA	Belgium	2010	< thresholds			
La Propriété Sociale De Binche-Morianwelz SA	Belgium	2010	< thresholds			
Landbouwkantoor Van Vlaanderen NV	Belgium	2010	< thresholds			
Mees Pierson Private Belgian Offices NV	Belgium	2011 2010	< thresholds	Full	99.00%	99.00%
Nieuwe Maatschappij Rond Den Heerd NV	Belgium	2010	Liquidation			
Nissan Finance Belgium N.V.	Belgium			Full	100.00%	79.17%
Prestibel Left Village	Belgium	2010	< thresholds			
Sowo Investment SA	Belgium	2010	< thresholds			
Visa Belgium Srcl	Belgium	2010	< thresholds			
<b>Special Purpose Entities</b>						
Bass Master Issuer NV	Belgium			Full		
Esmee Master Issuer	Belgium			Full		
<b>Luxembourg</b>						
Alleray	Luxembourg	2011 2010	< thresholds	Full	100.00%	50.00%
Argance	Luxembourg	2010	Disposal			
Bgl Bnp Paribas	Luxembourg			Full	50.00%	50.00%
Bnp Paribas Fortis Funding	Luxembourg			Full	100.00%	100.00%
Bnp Paribas Lease Group Luxembourg	Luxembourg	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Bnp Paribas Leasing Solutions	Luxembourg	2011 2010		Equity	33.33%	16.67%
Bnp Paribas Luxembourg SA	Luxembourg	2010	Purchase	Equity	33.33%	16.67%
Cardif Lux Vie	Luxembourg	2010	Purchase & Merger			
Cardif Lux Vie	Luxembourg	2011	Purchase	Equity	33.33%	16.67%
Cofhylux S.A.	Luxembourg			Full	100.00%	50.00%
Compagnie Financière De La Porte Neuve SA	Luxembourg	2011 2010	< thresholds	Full		
Dalgamo	Luxembourg	2010	Purchase			
Delvino	Luxembourg	2010	< thresholds			

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Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Elfa Auto	Luxembourg	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	34.00%	17.00%
Eris Investissements	Luxembourg	2010	< thresholds			
F.A.M. Fund Advisory	Luxembourg	2010	Dissolution			
Fb Energy Trading S.A R.L.	Luxembourg	2011	< thresholds			
Flexifund Associates	Luxembourg	2010		Full	100.00%	100.00%
Fortis Bank Reinsurance S.A.	Luxembourg	2010	Dissolution			
		2011	Disposal	Full	3	100.00%
Fortis Direct Real Estate Management	Luxembourg	2010	Disposal			
Fortis International Finance Luxembourg Sarl	Luxembourg	2010	Disposal			
Fortis Investment Management Luxembourg SA	Luxembourg	2010	Merger			
Fortis Luxembourg - Vie S.A.	Luxembourg	2011	Merger			
		2010		Equity	50.00%	25.00%
Fortis Private Real Estate Holding	Luxembourg	2011	< thresholds			
		2010		Full	100.00%	100.00%
Fund Administration Services & Technology Network Luxembourg	Luxembourg	2010	Disposal			
Fundamentum Asset Management	Luxembourg			Full	100.00%	50.00%
Generalcorp 10	Luxembourg	2011	Disposal			
		2010		Full	3	100.00%
		2011	< thresholds			
Immoparibas Royale-Neuve SA	Luxembourg	2010	Purchase	Full	100.00%	50.00%
Internaxx Bank	Luxembourg	2010	Disposal			
Marie Lease Sarl	Luxembourg	2010	< thresholds			
Paribas Trust Luxembourg SA	Luxembourg			Full	100.00%	50.00%
Pattison	Luxembourg	2010	< thresholds			
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg			Full	100.00%	50.00%
Quainton Funding Sarl.	Luxembourg	2010	< thresholds			
Tabor Funding	Luxembourg	2010	< thresholds			
<b>Special Purpose Entities</b>						
Aura Capital Investment SA	Luxembourg			Full		
Delphinus Titri 2010 SA	Luxembourg			Full		
Royale Neuve Finance S.A.R.L.	Luxembourg			Full		
Royale Neuve Investments Sarl	Luxembourg			Full		
Stradios Fcp Fis	Luxembourg	2011	Disposal			
		2010		Equity		
<b>Rest of the world</b>						
3D Güvenlik Sistemleri Ve Org Tic. As	Turkey	2010	Dissolution			
Abn Amro Asset Management Investments (Asia) Ltd.	Cayman Islands	2010	Dissolution			
Abn Amro Asset Management Real Estate (Asia)	Cayman Islands	2010	< thresholds			
Abn Amro Asset Management Real Estate, Korea (Cayman)	Cayman Islands	2010	< thresholds			
Abn Amro Emerging Europe Private Equity (Curaçao)	Dutch West Indies	2010	< thresholds			
Abn Amro Investment Trust Company	U.S.A	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Abn Amro Teda Fund Management Co. Ltd	China	2010	Disposal			
Ace Leasing BV	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Acg Capital Partners LLC	U.S.A	2010	Disposal			
Acg Investment Capital Partners LLC	U.S.A	2010	Disposal			

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Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
All Lease BV	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Agrilease BV	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Alfred Berg Administration A/S	Denmark	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Asset Management Ab	Sweden	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Asset Management Services	Sweden	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Fonder Ab	Sweden	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Fondsmæglerelskab A/S	Denmark	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Forvaltning As	Norway	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Funds	Finland	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Kapitalforvaltning Ab	Sweden	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Kapitalforvaltning As	Norway	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alfred Berg Kapitalforvaltning Finland Ab	Finland	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Alsabail	France	2011 2010	Disposal	Equity	40.68%	20.34%
Aramea Asset Management Ag	Germany	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	10.00%	9.23%
Arnhem Investment Management Pty Ltd	Australia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	13.33%	12.31%
Artemis Asset Management Ltd.	UK	2010	Disposal			
Artemis Fund Managers Ltd.	UK	2010	Disposal			
Artemis Investment Management Ltd.	UK	2010	Disposal			
Artemis Ocean Racing 2 Ltd.	UK	2010	Disposal			
Artemis Ocean Racing Ltd.	UK	2010	Disposal			
Artemis Strategic Asset Management Ltd.	UK	2010	Disposal			
Artemis Unit Trust Managers Ltd.	UK	2010	Disposal			
Athymis Gestion SA	France	2010	< thresholds			
Bnp Paribas Asset Management India Private Limited	India	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%

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Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Bnp Paribas Bank Polska	Poland			Full	99.87%	99.87%
Bnp Paribas Clean Energy Partners Gp Limited	UK	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Energy Trading Canada Corp	Canada	2010	Disposal			
Bnp Paribas Energy Trading Gp	U.S.A	2010	Disposal			
Bnp Paribas Fortis Yatirimlar Holding Anonim Sirketi	Turkey	2011		Full	100.00%	100.00%
		2010	Incorporation	Full	100.00%	100.00%
Bnp Paribas Investment Partners	France	2011		Equity	33.33%	30.78%
		2010	Purchase	Equity	33.33%	30.78%
Bnp Paribas Investment Partners (Australia) Holdings Pty Limited	Australia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners (Australia) Pty Limited	Australia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners (Suisse) SA	Switzerland	2010	< thresholds			
Bnp Paribas Investment Partners Asia Limited	Hong-Kong	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners Canada Ltd.	Canada	2010	< thresholds			
Bnp Paribas Investment Partners Funds (Nederland) NV	Netherlands	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners Holding N.V.	Netherlands	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners Netherlands N.V.	Netherlands	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Investment Partners Taiwan Co. Ltd.	Taiwan	2010	< thresholds			
Bnp Paribas Investment Partners Uk Holding Limited	UK	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Bnp Paribas Private Investment Management Ltd.	UK	2010	Disposal			
Ca Motor Finance Ltd.	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Camomile Alzette Investments (Uk) Ltd.	Cayman Islands	2010	Disposal			
Camomile Asset Finance (N°5) Partnership	UK	2010	< thresholds			
Camomile Canopia Trading (Uk) Ltd.	Cayman Islands	2010	Disposal			
Camomile Investments Uk Ltd.	UK	2010	Disposal			
Camomile Pearl (Uk) Ltd.	Cayman Islands	2010	Disposal			
Camomile Ulster Investments (Uk) Ltd.	Cayman Islands	2010	Disposal			
Captive Finance Ltd.	Hong-Kong	2010	< thresholds			
Captive Finance Taiwan Co. Ltd.	Taiwan	2010	< thresholds			
Cf Leasing Ltd.	Bermuda	2010	Partial disposal & Integration in the Cronos Group	Equity	30.00%	29.90%
Cronos Holding Company	Bermuda			Equity	30.00%	30.00%
Dikodi BV	Netherlands	2010	< thresholds			
Dominet Finanse SA	Poland	2010	Disposal			
Dominet S.A.	Poland			Full	100.00%	100.00%
Dominet Spv-Ii Sp Z.O.O.	Poland	2010	< thresholds			
Dreieck One Ltd.	Cayman Islands	2010	Dissolution			
Eiser Infrastructure Capital Management Ltd.	UK	2010	Disposal			
Euro-Scribe Sas	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	16.67%	8.33%

1 - Non-material subsidiaries consolidated via equity method

2 - Entities excluded from the prudential scope of consolidation

3 - Entities consolidated under the equity method for prudential purposes

Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Fastnet Nederland	Netherlands	2011	Disposal	Equity	47.84%	23.92%
		2010				
Fb Energy Holdings LLC	U.S.A	2011	< thresholds	Full	100.00%	100.00%
		2010				
Bnp Paribas Holding Canada	Canada	2011	Dissolution Before known as 'Fb Holdings Canada Corp.'	Full	100.00%	100.00%
		2010				
Fb Transportation Capital LLC	U.S.A			Full	100.00%	100.00%
Fbc Ltd.	Bermuda	2010	Liquidation			
Fcm Private Equity Sl	Spain	2010	Liquidation			
Fimagen Holding SA	France	2010	Disposal			
Fimapierre	France	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Fischer Francis Trees & Watts Singapore Ltd.	Singapore	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Fisher Francis Trees & Watts Uk Limited	UK	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Folea Grundstücksverwaltungs Und Vermietungs Gmbh & Co. Objekt Burtenbach Kg	Germany	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	1.51%
Folea Grundstücksverwaltungs Und Vermietungs Gmbh & Co. Objekt Leverkusen Kg	Germany	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	3.01%	1.51%
Folea Grundstücksverwaltungs Und Vermietungs Gmbh & Co. Objekt Thalfingen	Germany	2010	< thresholds			
Folea Ii Verwaltungs Gmbh	Germany	2010	< thresholds			
Folea Iii Verwaltungs Gmbh	Germany	2010	< thresholds			
Folea Verwaltungs Gmbh	Germany	2010	< thresholds			
Fondo Nazca I Fcr	Spain	2010	Dissolution			
Fortis / Kfh Scof Advisor Ltd.	Virgin Islands	2010	Disposal			
Fortis Asset Management Japan Co Ltd.	Japan	2010	Disposal			
Fortis Bank Anonim Sirketi	Turkey	2011	Merger	Full	94.11%	94.11%
		2010				
Fortis Bank Malta Ltd	Malta	2011	< thresholds for full	Equity	1	100.00%
		2010				
Fortis Bank Suisse SA	Switzerland	2010	Disposal			
Fortis Banque France SA	France	2010	Disposal			
Fortis Capital (Canada) Ltd.	Canada	2010	Disposal			
Fortis Capital Corporation	U.S.A	2010	Disposal			
Fortis Commercial Finance Deutschland Bv	Netherlands	2011	Purchase	Equity	1	100.00%
Fortis Commercial Finance Gmbh	Germany	2011	Purchase	Equity	1	100.00%
Fortis Commercial Finance Holding Bv	Netherlands	2011	Purchase	Full		100.00%
Fortis Commercial Finance Ltd	UK	2011	Purchase	Equity	1	100.00%
Fortis Energy Leasing X2	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Energy Leasing Xi	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Energy Leasing X3 BV	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%

1 - Non-material subsidiaries consolidated via equity method

2 - Entities excluded from the prudential scope of consolidation

3 - Entities consolidated under the equity method for prudential purposes

Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Fortis Energy Leasing Xiv BV	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Epargne Retraite	France	2010	Disposal			
Fortis Faktoring As	Turkey	2011	Purchase	Equity 1	100.00%	100.00%
Fortis Finansal Kiralama A.S.	Turkey	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Funding LLC	U.S.A			Full	100.00%	100.00%
Fortis Gesbeta Sgiic	Spain	2010	Disposal			
Fortis Gestao De Investimentos Brasil Limitada	Brazil	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Fortis Gestion Privée	France	2010	Disposal			
Fortis Holding Malta B.V.	Netherlands			Full	100.00%	100.00%
Fortis Holding Malta Ltd	Malta			Full	100.00%	100.00%
Fortis International Finance (Dublin)	Ireland	2010	< thresholds	Full	100.00%	100.00%
		2011	Before known as 'Fortis Investment Finance'			
Bnp Paribas Bergere	France	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Fortis Investment Management (Cayman) Ltd..	Cayman Islands	2010	Liquidation			
Fortis Investment Management Argentina Soc. Gerente De Fci SA	Argentina	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Fortis Investment Management Chile SA	Chile	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
Fortis Investment Management France	France	2010	Disposal			
Fortis Investment Management Hong Kong Ltd.	Hong-Kong	2010	Liquidation			
Fortis Investment Management Usa, Inc.	U.S.A	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%
		2011	Before known as 'Fortis Lease (China) Co Ltd.'			
'Bnp Paribas Leasing Solutions China Co. Ltd	China	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease (France)	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease (Malaysia) Sdn. Bhd	Malaysia	2010	< thresholds			
Fortis Lease Czech	Czech Republic	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Danmark As	Denmark	2010	< thresholds			
Fortis Lease Deutschland Ag	Germany	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Holding Norge As	Norway	2010	< thresholds			
Fortis Lease Holdings Uk Ltd.	UK	2010	< thresholds			
Fortis Lease Hong Kong Ltd.	Hong-Kong	2010	< thresholds			
Fortis Lease Hungaria Equipment Financing Financial Leasing Company	Hungary	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%

1 - Non-material subsidiaries consolidated via equity method

2 - Entities excluded from the prudential scope of consolidation

3 - Entities consolidated under the equity method for prudential purposes

Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Fortis Lease Hungaria Real Estate	Hungary	2010	< thresholds			
Fortis Lease Hungaria Vehicle Financing Financial Leasing Company	Hungary	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Iberia	Spain	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	34.49%	34.49%
Fortis Lease Immobilier Suisse	Switzerland	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
		2011	Before known as 'Fortis Lease Nederland N.V.'			
'Bnp Paribas Leasing Solutions N.V.	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Norge As	Norway	2010	Disposal			
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Polska Sp.Z.O.O.	Poland	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Portugal	Portugal	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Romania Ifn Sa	Romania	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease S.P.A.	Italy	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Singapore Pte Ltd.	Singapore	2010	< thresholds			
		2011	Before known as 'Fortis Lease Suisse'			
Bnp Paribas Leasing Solutions Suisse	Switzerland	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Sweden Ab	Sweden	2010	Disposal			
Fortis Lease Uk (1) Ltd	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Uk (2) Ltd.	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Uk (3) Ltd.	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Uk (4) Ltd.	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Fortis Lease Uk (5) Ltd.	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	15.00%
Fortis Lease Uk Ltd	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%

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Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)	
Fortis Lease Uk Retail Limited	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%	
Fortis Mediacom Finance	France	2010	Disposal				
Fortis Money Short Term Fund	France	2010	Liquidation				
Fortis Park Lane Ireland Ltd.	Ireland	2010	< thresholds				
Fortis Pf Investments (Uk) Ltd.	UK	2010	Disposal				
Fortis Portföy Yönetimi A.S.	Turkey	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	32.67%	30.16%	
Fortis Prime Fund Solutions (Usa) LLC	U.S.A	2010	< thresholds				
Fortis Private Equity France Fund	France			Full	99.90%	99.90%	
Fortis Private Equity France Sas	France	2010	Disposal				
Investment Funds management Company	Poland	2011	Before known as 'Fortis Private Investment Polska'				
Investment Funds management Company	Poland	2010	< thresholds				
Fortis Proprietary Capital Inc.	U.S.A	2010	Disposal				
Fortis Proprietary Investment (Ireland) Ltd.	Ireland	2011	< thresholds				
Fortis Securities LLC	U.S.A	2010	Disposal	Full	100.00%	100.00%	
Fortis Vastgoedlease BV	Netherlands	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%	
Fortis Wealth Management Hong Kong Ltd.	Hong-Kong	2011	Disposal				
Fortis Wealth Management Taiwan Co. Ltd.	Taiwan	2010	Liquidation	Full	100.00%	100.00%	
Fortis Yatirim Menkul Degerler As	Turkey	2011	Merger				
		2010		Equity	1	100.00%	94.11%
Friedland Participation Et Gestion	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%	
Fsi Holdings Inc.	U.S.A	2010	Disposal				
G I Finance	Ireland	2011	Liquidation				
		2010		Full	100.00%	100.00%	
Generale Belgian Finance Cy Ltd.	Hong-Kong	2010	Disposal				
Geneve Credit & Leasing SA	Switzerland	2011	Disposal				
		2010	Passing qualifying thresholds	Prop.	51.00%	51.00%	
Gesellschaft Fur Capital & Vermögensverwaltung Gmbh	Germany	2010	< thresholds				
Gie Immobilier Groupe Fortis France	France	2010	Disposal				
Gie Services Groupe Fortis France	France	2010	Disposal				
Global Management Services	Romania	2010	< thresholds				
Groevirmogen NV	Netherlands	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%	
Haitong - Fortis Private Equity Fund Management Co. Ltd	China	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	11.00%	10.16%	
Hft Investment Management Co., Limited	China	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	16.33%	15.08%	
Industrifinans Forskningsparken Eiendom As	Norway	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.33%	30.78%	
Inkasso Kodat Gmbh & Co. Kg	Germany	2010	< thresholds				

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Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Kit Fortis Investment Management	Kazakhstan	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	16.67%	15.39%
Kota Jaya Ltd.	Hong-Kong	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Kota Juta Ltd.	Hong-Kong	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Lisia I Ltd.	Jersey	2010	Dissolution			
Margaret Inc.	U.S.A	2011	< thresholds			
Merconter SA	Argentina	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Full	100.00%	100.00%
Mercur Beteiligungs Und Verwaltungsgesellschaft Mit Beschränkter Haftung	Germany	2010	< thresholds			
Mermoz Jet Finance	Spain	2010	Disposal			
Money Alpha	France	2011	Dissolution			
Money Beta	France	2010		Full	100.00%	100.00%
Nazca Inversiones SA	Spain	2011	Dissolution			
Ostara Partners Inc.	Cayman Islands	2010	Liquidation			
Ostara Partners Inc. Korea	Cayman Islands	2010	< thresholds			
Otis Vehicle Rentals Ltd.	UK	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	13.33%	6.67%
Park Mountain Sme 2007-l BV	Netherlands	2010	Liquidation			
Loft Beck Ltd	Ireland	2011	< thresholds			
		2010	Before known as 'Postbank Ireland Ltd.'	Equity	50.00%	25.00%
Pt Abn Amro Manajemem Investasi	Indonesia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	28.33%	26.16%
Pt. Bnp Paribas Investment Partners	Indonesia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	33.00%	30.47%
Rth Ltd.	Bermuda			Equity	1	100.00%
Robin Flight Ltd.	Ireland	2011	< thresholds			
		2010	Purchase	Full		
Sci Champvernier	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Sci Flif Azur	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Sci Flif Château Landon	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Sci Flif Evry 2	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%

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Name	Country		Change in the scope of consolidation	Method	Fortis Bank voting interest (%)	Fortis Bank ownership interest (%)
Sci Flif Le Gallo	France	2010	(a) - Dilution of Fortis Bank in Fortis Lease group	Equity	33.33%	16.67%
Sci Flif Le Port	France	2010	Dissolution			
Sci Flif Sainte Marie	France	2010	Dissolution			
Societe Alsacienne De Developpement Et D'Expansion	France			Full	100.00%	50.00%
Tap Ltd	Bermuda	2011	Incorporation	Equity	1	100.00%
Tcg Fund I, L.P.	Cayman Islands			Full	99.66%	99.66%
Teb Holding As	Turkey	2011		Prop.	50.00%	50.00%
		2010	Purchase	Prop.	50.00%	50.00%
Textainer Marine Containers Ltd.	Bermuda	2011	Disposal			
		2010		Equity	25.00%	24.92%
Tfunds Mutual Fund Management Company SA	Greece	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	15.00%	13.85%
Tkb Bnp Paribas Investment Partners LLC	Russia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	16.67%	15.39%
Tkb Bnp Paribas Investment Partners Holding B.V.	Netherlands	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	16.67%	15.39%
Tkb Bnp Paribas Investment Partners, Jsc	Russia	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	16.67%	15.39%
Trip Rail Holdings Inc	U.S.A	2011	No significant influence			
		2010		Equity	16.33%	16.33%
Upper Hatch Securities Ltd.	Ireland	2010	< thresholds			
Versiko Ag	Germany	2010	(b) - Dilution of Fortis Bank in BNP Paribas IP BE Holding group, which was purchased by BNPP Investment Partners.	Equity	8.33%	7.69%
Von Essen Gmbh & Co. Kg Bankgesellschaft	Germany			Full	100.00%	100.00%
Wa Pei Finance Company Ltd.	Hong-Kong	2010	Disposal			
Wa Pei Properties Ltd.	Hong-Kong	2010	Disposal			
<b>Special Purpose Entities</b>						
Alandes BV	Netherlands			Full	2	
Astir B.V.	Netherlands			Full		
Black Kite Investments Limited	Ireland			Full		
Scaldis Capital LLC	U.S.A			Full	2	
Scaldis Capital (Ireland) Ltd	Ireland			Full	2	
Scaldis Capital Limited	Jersey			Full	2	
Swallow Flight Ltd.	Ireland	2011	< thresholds			
		2010	Purchase	Full		

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## 8.b Business combinations

In the context of the overall project to integrate Fortis Bank into the BNP Paribas Group, it was proposed to reorganise and integrate certain a number of Fortis Bank and BNP Paribas activities by transferring and re-allocating assets between various entities of the Group. The project dealing with this re-organisation and related transactions was labelled the 'Knight project'. The implementation of this project generated most of the acquisitions and disposals in 2010 and some of the transactions continued to be implemented during the year 2011.

### 8.b.1 Restructuring of Turkish entities

Following the implementation of the 'Knight project', the 'Nectarine' operation was set in motion with the aim of merging the two banks belonging to the BNP Paribas Group in Turkey (Türk Ekonomi Bankasi A.S. ('TEB') and Fortis Bank Turkey). This operation was executed in several stages in 2010 and 2011.

On 25 October 2010, Fortis Bank acquired through BNP Paribas Fortis Yatirimlar, a fully owned special purpose vehicle (SPV), 250 million (a 50% stake) shares of TEB Mali Yatirimlar A.S. ('TEB Mali') from BNP Paribas for a consideration of TRY 1,162,650,714. TEB Mali is accounted for using the 'proportionate method' in Fortis Bank's consolidated financial statements. In 2011, TEB Mali was renamed 'TEB Holding'.

On 14 February 2011, the merger between Türk Ekonomi Bankasi A.S. ('TEB') (84% subsidiary of TEB Holding) and Fortis Bank Turkey (94.10% subsidiary of Fortis Bank) took place. Fortis Bank received 1,039,356,553 (47.15%) of the shares of TEB (market value TRY 2.16 per share) totalling TRY 2,245,010,154 against the shares it held in Fortis Bank Turkey.

On 30 March 2011, TEB Holding performed a capital increase totalling 90,863,380 shares. BNP Paribas Fortis Yatirimlar (Fortis Bank's SPV) subscribing 88,423,113 (or 14.97%) of the shares at TRY 4.65 per share for a total amount TRY 411,167,475.

On 30 March 2011, Fortis Bank disposed of 280,364,843 (12.72%) shares of total value TRY 605,588,060 (at TRY 2.16 per share) which it held in the merged bank TEB to TEB Holding. As a result of this transaction, TEB Holding now holds 55% of the merged bank TEB.

On 30 March 2011, Fortis Bank disposed of 448,511,854 (20.35%) shares of total value TRY 865,440,422 (at TRY 1.9296 per share) which it held in the merged bank TEB to BNP Paribas.

On 30 March 2011, Fortis Bank disposed of 310,479,856 (14.08%) shares of total value TRY 670,636,489 (at TRY 2.16 per share) which it held in the merged bank TEB to its 100% subsidiary BNP Paribas Fortis Yatirimlar (SPV).

On 31 March 2011, BNP Paribas Fortis Yatirimlar disposed of 42,991,423 (7.28%) shares of total value TRY 200,000,000 (at TRY 4.65 per share) which it held in TEB Holding to the Turkish Partner – Colakoglu Group. As a result of this transaction, BNP Paribas Fortis Yatirimlar and Colakoglu Group now each own 50% of the shares in TEB Holding.

As a result of the merger on 14 February 2011, Fortis Bank lost its exclusive control of Fortis Bank Turkey and this gave rise, at the date of loss of control, to a realized loss of EUR 233 million in the profit and loss account mainly related to the recycling of net impact of foreign exchange rate differences previously recorded in 'other comprehensive income' in Fortis Bank Turkey.

As part of the Shareholders' Agreement, BNP Paribas and Fortis Bank (on a 50% - 50% basis) have granted a liquidity right (put option) to the Colakoglu Group (which holds the remaining 50% of TEB Holding shares) on its TEB Holding shares. This option is regarded as a derivative and is valued at fair value through profit or loss. The initial (negative) fair value of this put option led to a loss of EUR 75 million.

Following the acquisition of 50% of TEB Holding on 25 October 2010 by Fortis Bank via its SPV, Fortis Bank applied the 'predecessor basis' of accounting method to account for this acquisition. An existing historical goodwill of TRY 212 million was reflected as negative equity by the end of 2010 at the level of TEB Holding which relates to TEB Holding's acquisition of the former TEB.

On 31 March 2011, this goodwill of TRY 212 million (EUR 97 million) was transferred to Fortis Bank. Following the disposal of shares in TEB (448,511,854 shares or 20.35%) by Fortis Bank to BNP Paribas, part of the goodwill (TRY 69 million (EUR 32 million)) was transferred to BNP Paribas, which reduced the amount of goodwill to TRY 143 million (EUR 65 million) recognized on the balance sheet of Fortis Bank's subsidiary - BNP Paribas Fortis Yatirimlar. The goodwill amounted to TRY 143 million (EUR 59 million) as at 31 December 2011.

A new amount of goodwill was also recognised on Fortis Bank's balance sheet, representing the difference between the fair value of the TEB shares received by Fortis Bank and the proportional share of the assets and liabilities of the newly merged bank TEB owned by Fortis Bank. This goodwill amounts to TRY 237 million (EUR 98 million).

On 17 June 2011, a Mandatory Tender Offer took place whereby Fortis Bank acquired, through its 100% subsidiary BNP Paribas Fortis Yatirimlar, an additional 66,103,950 shares (3%) of the merged bank TEB. As a result of this acquisition, an additional goodwill of TRY 26 million (EUR 11 million) was recognised.

Following all restructuring transactions, Fortis Bank was left with joint control of the newly merged bank TEB via its 50% stake in TEB Holding (which holds 55% of the merged bank) plus the 17.08% direct shareholding via its subsidiary BNP Paribas Fortis Yatirimlar. BNP Paribas holds 23.58% of the merged bank TEB. The remaining shareholdings in the merged bank TEB are free floating.

## 8.b.2 Acquisitions

### Transactions with BNP Paribas

On 29 December 2011, Cardif Luxembourg International absorbed Fortis Luxembourg Vie SA in which BGL BNP Paribas SA has a 50% shareholding. BGL BNP Paribas SA is a subsidiary of Fortis Bank.

Following the merger, Fortis Luxembourg Vie SA was deconsolidated from Fortis Bank and BGL BNP Paribas SA. The newly merged company is named Cardif Luxembourg Vie in which BGL BNP Paribas SA has a shareholding of 33.33%. Cardif Luxembourg Vie is accounted for using the equity method. This transaction resulted in a capital gain of EUR 6.2 million on the dilution of the shareholding of BGL BNP Paribas SA in Fortis Luxembourg Vie from 50% to 33.33%, and in a badwill of EUR 8.2 million on the acquisition of 33.33% of Cardif Luxembourg Vie.

During the year 2010, Fortis Bank made several acquisitions as part of the overall project to integrate Fortis Bank into the BNP Paribas Group. The main entities acquired from BNP Paribas being BNP Paribas Luxembourg (BNPPL), BNP Paribas Investment Partners (BNPP IP) and TEB Mali Yatirimlar A.S. ('TEB Mali'). Details of these transactions can be found in the Fortis Bank 2010 Annual Report, note 8.b 'Business combinations'.

### Transactions with non-related parties

On 10 June 2011, Fortis Bank and ABN AMRO announced that they had signed an agreement whereby Fortis Bank is to acquire the worldwide network of Fortis Commercial Finance (FCF), with the exception of the activities in the Netherlands.

FCF is a leading factoring company, with a wide commercial network in 12 countries throughout Europe and Asia. The acquired part of FCF network, in Belgium and other countries, is to join the BNP Paribas Factoring Network which, following this acquisition, will serve BNP Paribas' corporate clients in 14 countries.

On 3 October 2011, Fortis Bank completed the acquisition of FCF Holding, the holding company of several subsidiaries. Among the entities of the group, Fortis Commercial Financial Holding NV (a Dutch company) and Fortis Commercial Finance NV (Belgium) are accounted for as fully consolidated entities, Fortis Commercial Finance Deutschland BV, Fortis Commercial Finance GmbH, Fortis Commercial Finance Ltd and Fortis Faktoring AS are accounted for using the equity method in Fortis Bank's consolidated financial statements. The remaining entities are not consolidated. In addition, Fortis Commercial Finance SAS in France was sold to BNP Paribas Factor on December 21, 2011.

Further restructurings of the acquired factoring companies within the BNP Paribas Group are envisaged in 2012.

### 8.b.3 Disposals

#### Transactions with BNP Paribas

On 23 December 2011, Fortis Bank sold its 100% subsidiary Fortis Bank Réinsurance to Royal Neuve VII for a consideration of EUR 149 million, resulting in a net gain of EUR 36.9 million.

#### Fortis Bank Asia

On 16 April 2011, Fortis Bank sold its branch activities in Shanghai and Guangzhou (China) to BNP Paribas China Ltd for a consideration of USD 131.8 million, resulting in a net loss of EUR 2.7 million.

On 20 June 2011, Fortis Bank sold its subsidiary Fortis Wealth Management Hong Kong to Fortune Business Holding Ltd., for a consideration of HKD 76.7 million (EUR 6.9 million), resulting in a net gain of EUR 1.7 million.

During the year 2010, Fortis Bank disposed of some of its branch activities (Tokyo, Taipei, Singapore, Hong Kong, New York, London, Paris, Milan, Athens, Budapest, Madrid) and a number of subsidiaries, mainly Fortis Capital Corp, Fortis Bank Switzerland, Fortis Investment Management to BNP Paribas Group. These disposals were the result of the implementation of the integration project. Details on these transactions can be found in Fortis Bank 2010 the Annual Report, note 8.b: 'Business combinations'.

#### Transactions with non-related parties

On 5 May 2011, BGL BNP Paribas SA, a subsidiary of Fortis Bank, sold its interest in Alsabail to OSEO SA for a consideration of EUR 5.4 million, resulting in a net gain of EUR 0.5 million.

On 13 July 2011, Fortis Bank sold its building 'Chambon' for a consideration of EUR 35 million, resulting in a net gain of EUR 3.1 million.

On 30 September 2011, BGL BNP Paribas SA, a subsidiary of Fortis Bank sold its 47.80% interest in Fastnet Belgium to CACEIS BANK LUXEMBOURG SA for a consideration of EUR 8.3 million, resulting in a net gain of EUR 2.9 million.

The main disposals in 2010 to non-related parties included the sale of Artemis Asset Management Ltd, Internaxx Bank, Teda, Infrastructure Capital Management Limited (ICM) and Captive Finance Norway and Sweden. Details of these transactions can be found in the Fortis Bank 2010 Annual Report, note 8.b: 'Business combinations'.

The table below provides details on the business combinations during the year of 2011.

Acquired subsidiaries	Country	Acquired %	In millions of euros					
			Acquisition price	Goodwill (Badwill)	Net cash inflow	Key figures on acquisition date		
						Assets	Liabilities	
Fortis Commercial Finance-Holding N.V.	The Netherlands	100.00%	48	2	(34)	Loans and receivables- due from customers	Due to financial institutions Due to customers	867 463
Cardif Luxembourg Vie	Luxembourg	16.66%	82	(8)		Financial assets at fair value- through profit or loss Available for sale financial assets	Technical reserves- of insurance companies Due to customers	2,126 2,579

## 8.c Non-current assets classified as Held for Sale and Discontinued operations

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### Discontinued operations

On 12 and 13 May 2009, BNP Paribas acquired control over Fortis Bank NV/SA by acquiring 74.93% of the shares of Fortis Bank NV/SA and 15.96% of the shares of BGL BNP Paribas S.A. (BGL). Following the acquisition, a general integration project was initiated to integrate Fortis Bank NV/SA into the BNP Paribas Group. The main purposes of the integration project are to consolidate and integrate the two groups, to streamline and simplify the Group structure, to achieve synergies between the various activities of each group and to identify opportunities for value creation. A number of transactions between various affiliates of BNP Paribas S.A. (BNPP) and Fortis Bank NV/SA are taking place in order to integrate certain activities of Fortis Bank NV/SA with activities of BNP Paribas.

In the Fortis Bank's Annual Report 2009, section 'Fortis Bank Annual Report 2009 (non-consolidated)', information related to Article 524 of the Belgian Companies Code, the integration transactions approved in 2009 and executed in 2010 and 2011 were described.

The additional integration transactions approved in 2010 and executed in 2010 and 2011 were described in Fortis Bank's Annual Report 2010, section 'Fortis Bank Annual Report 2010 (non-consolidated)', information related to Article 524 of the Belgian Companies Code'.

The major part of the integration transactions approved in 2009 and 2010 were executed in 2010 and 2011. The assets and liabilities still classified as held-for-sale at year-end 2011 relate to contracts for which the sale has not yet taken place because of legal constraints.

Assets and liabilities of entities that qualify as held for sale and discontinued operations are reclassified and presented in separate line items 'Assets classified as held for sale' and 'Liabilities classified as held for sale', respectively, in the consolidated balance sheet as at 31 December 2011.

The income and expenses relating to those entities are reclassified and presented in a separate line item 'Net result of discontinued operations' in the consolidated profit and loss account as at 31 December 2011.

The following sections contain an analysis of the major classes of assets and liabilities and the net result of the entities presented as discontinued operations.

### Major classes of assets and liabilities classified as held for sale

The assets and liabilities classified as held for sale as at 31 December 2011 and 31 December 2010 are shown below:

In millions of euros	31 December 2011	31 December 2010
<b>ASSETS</b>		
Cash and amounts due from central banks and post office banks		358
Financial assets at fair value through profit or loss	125	505
Derivatives used for hedging purposes		
Available-for-sale financial assets		516
Loans and receivables due from credit institutions	5	4,426
Loans and receivables due from customers	(12)	4,490
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		88
Current and deferred tax assets		116
Accrued income and other assets		206
Investments in associates		14
Investment property		
Property, plant and equipment		98
Intangible assets		4
Goodwill		154
<b>TOTAL ASSETS</b>	<b>118</b>	<b>10,975</b>
<b>LIABILITIES</b>		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	114	226
Derivatives used for hedging purposes		
Due to credit institutions		882
Due to customers	23	4,513
Debt securities		2,998
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		22
Accrued expenses and other liabilities		577
Provisions for contingencies and charges		47
Subordinated debt		
<b>TOTAL LIABILITIES</b>	<b>137</b>	<b>9,265</b>

## Transactions with BNP Paribas

The tables below show the composition of assets classified as held for sale and liabilities classified as held for sale for the entities that are part of the integration transactions with BNP Paribas and that have been approved but not yet fully executed as of 31 December 2011.

In millions of euros	31 December 2011	
	Fortis Bank	Fortis Bank
	UK	Greece
<b>ASSETS</b>		
Cash and amounts due from central banks and post office banks		
Financial assets at fair value through profit or loss	125	
Derivatives used for hedging purposes		
Available-for-sale financial assets		
Loans and receivables due from credit institutions		5
Loans and receivables due from customers	(12)	
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets		
Investments in associates		
Investment property		
Property, plant and equipment		
Intangible assets		
Goodwill		
<b>TOTAL ASSETS</b>	<b>113</b>	<b>5</b>
<b>LIABILITIES</b>		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	114	
Derivatives used for hedging purposes		
Due to credit institutions		
Due to customers	23	
Debt securities		
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		
Accrued expenses and other liabilities		
Provisions for contingencies and charges		
Subordinated debt		
<b>TOTAL LIABILITIES</b>	<b>137</b>	

31 December 2010

In millions of euros	Fortis Bank Asia	Fortis Bank North America	Fortis Bank UK	Asset Management
<b>ASSETS</b>				
Cash and amounts due from central banks and post office banks	31			
Financial assets at fair value through profit or loss	2	3	115	
Derivatives used for hedging purposes				
Available-for-sale financial assets	36			
Loans and receivables due from credit institutions	259	3,464	9	309
Loans and receivables due from customers	385	111	46	25
Remeasurement adjustment on interest-rate risk hedged portfolios				
Held-to-maturity financial assets				
Current and deferred tax assets	14	81		
Accrued income and other assets	35	7		2
Investments in associates				
Investment property				
Property, plant and equipment		2		
Intangible assets				
Goodwill				
<b>TOTAL ASSETS</b>	<b>762</b>	<b>3,668</b>	<b>170</b>	<b>336</b>
<b>LIABILITIES</b>				
Due to central banks and post office banks				
Financial liabilities at fair value through profit or loss	2	54	138	
Derivatives used for hedging purposes				
Due to credit institutions	267	162	1	68
Due to customers	168	900	286	261
Debt securities		3,000	(2)	
Remeasurement adjustment on interest-rate risk hedged portfolios				
Current and deferred tax liabilities	20			
Accrued expenses and other liabilities	63	164		8
Provisions for contingencies and charges				
Subordinated debt				
<b>TOTAL LIABILITIES</b>	<b>520</b>	<b>4,280</b>	<b>423</b>	<b>337</b>

31 December 2010

In millions of euros	Fortis Bank Greece	Fortis Bank Hungary	Fortis Bank Turkey	Fortis Bank Italy	Fortis Bank Switzerland
<b>ASSETS</b>					
Cash and amounts due from central banks and post office banks			327		
Financial assets at fair value through profit or loss			385		
Derivatives used for hedging purposes					
Available-for-sale financial assets			480		
Loans and receivables due from credit institutions	4	1	373	7	
Loans and receivables due from customers			3,923		
Remeasurement adjustment on interest-rate risk hedged portfolios					
Held-to-maturity financial assets			88		
Current and deferred tax assets			21		
Accrued income and other assets	8		70	84	
Investments in associates					
Investment property					
Property, plant and equipment			66		
Intangible assets			4		
Goodwill			154		
<b>TOTAL ASSETS</b>	<b>12</b>	<b>1</b>	<b>5,891</b>	<b>91</b>	
<b>LIABILITIES</b>					
Due to central banks and post office banks					
Financial liabilities at fair value through profit or loss			32		
Derivatives used for hedging purposes					
Due to credit institutions			384		
Due to customers			2,898		
Debt securities					
Remeasurement adjustment on interest-rate risk hedged portfolios					
Current and deferred tax liabilities	4		(3)	1	
Accrued expenses and other liabilities	25		237	78	2
Provisions for contingencies and charges			47		
Subordinated debt					
<b>TOTAL LIABILITIES</b>	<b>29</b>		<b>3,595</b>	<b>79</b>	<b>2</b>



### Transactions with non-related parties

The table below shows the composition of assets classified as held for sale and liabilities classified as held for sale for entities that will be sold to non-related parties.

In millions of euros	31 December 2011	31 December 2010
	Other entities	Other entities
<b>ASSETS</b>		
Cash and amounts due from central banks and post office banks		
Financial assets at fair value through profit or loss		
Derivatives used for hedging purposes		
Available-for-sale financial assets		
Loans and receivables due from credit institutions		
Loans and receivables due from customers		
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets		
Investments in associates		14
Investment property		
Property, plant and equipment		30
Intangible assets		
Goodwill		
<b>TOTAL ASSETS</b>		<b>44</b>
<b>LIABILITIES</b>		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss		
Derivatives used for hedging purposes		
Due to credit institutions		
Due to customers		
Debt securities		
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		
Accrued expenses and other liabilities		
Provisions for contingencies and charges		
Subordinated debt		
<b>TOTAL LIABILITIES</b>		

## Net result of discontinued operations

The result related to assets and liabilities classified as held for sale is reported in the income statement under net result from discontinued operations. Results on disposals that have occurred during the period are also reported under this Heading. The total net result of discontinued operations is detailed in the tables below.

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Interest income	60	1,059
Interest expense	(27)	(478)
Commission income	9	474
Commission expense	(6)	(253)
Net gain/loss on financial instruments at fair value through profit or loss	1	(25)
Net gain/loss on available-for-sale financial assets and other-financial assets not measured at fair value	3	5
Income from other activities	3	60
Expense on other activities	(1)	(42)
<b>REVENUES</b>	<b>42</b>	<b>800</b>
Operating expense	(39)	(596)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(3)	(48)
<b>GROSS OPERATING INCOME</b>		<b>156</b>
Cost of risk	(3)	(113)
<b>OPERATING INCOME</b>	<b>(3)</b>	<b>43</b>
Share of earnings of associates		(3)
Net gain/loss on non-current assets		(6)
Goodwill		(102)
<b>PRE-TAX INCOME</b>	<b>(3)</b>	<b>(68)</b>
Corporate income tax	(2)	35
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>	<b>(5)</b>	<b>(33)</b>
Results on the sale of the discontinued operations	(309)	1,003
<b>NET INCOME</b>	<b>(314)</b>	<b>970</b>

## Transactions with BNP Paribas

The total net result of discontinued operations of the entities that form part of the integration transactions with BNP Paribas is detailed in the tables below:

In millions of euros	Year to 31 Dec. 2011			
	Fortis Bank Asia	Fortis Bank Turkey	Fortis Bank UK	Fortis Bank Spain
Interest income	5	55		
Interest expense	(2)	(25)		
Commission income	1	8		
Commission expense	(1)	(5)		
Net gain/loss on financial instruments at fair value through profit or loss		1		
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value		3		
Income from other activities		3		
Expense on other activities		(1)		
<b>REVENUES</b>	<b>3</b>	<b>39</b>		
Operating expense	(1)	(38)		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(3)		
<b>GROSS OPERATING INCOME</b>	<b>2</b>	<b>(2)</b>		
Cost of risk		(3)		
<b>OPERATING INCOME</b>	<b>2</b>	<b>(5)</b>		
Share of earnings of associates				
Net gain/loss on non-current assets				
Goodwill				
<b>PRE-TAX INCOME</b>	<b>2</b>	<b>(5)</b>		
Corporate income tax	(1)	(1)		
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>	<b>1</b>	<b>(6)</b>		
Results on the sale of the discontinued operations		(308)	(6)	2
<b>NET INCOME</b>	<b>1</b>	<b>(314)</b>	<b>(6)</b>	<b>2</b>

In millions of euros	Year to 31 Dec. 2010			
	Fortis Bank	Fortis Bank	Fortis Bank	Asset
	Asia	North America	UK	Management
Interest income	99	35	47	3
Interest expense	(42)	(14)	(14)	(2)
Commission income	21	16	10	280
Commission expense	(6)	(2)	10	(192)
Net gain/loss on financial instruments at fair value through profit or loss	(8)	25	3	9
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value	(10)	(10)		(1)
Income from other activities	6			
Expense on other activities		(6)		
<b>REVENUES</b>	<b>60</b>	<b>44</b>	<b>56</b>	<b>97</b>
Operating expense	(57)	(47)	(26)	(66)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(5)	(7)	(1)	(7)
<b>GROSS OPERATING INCOME</b>	<b>(2)</b>	<b>(10)</b>	<b>29</b>	<b>24</b>
Cost of risk	24	35	(78)	4
<b>OPERATING INCOME</b>	<b>22</b>	<b>25</b>	<b>(49)</b>	<b>28</b>
Share of earnings of associates				5
Net gain/loss on non-current assets	(2)			
Goodwill				
<b>PRE-TAX INCOME</b>	<b>20</b>	<b>25</b>	<b>(49)</b>	<b>33</b>
Corporate income tax	(7)	65	10	(12)
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>	<b>13</b>	<b>90</b>	<b>(39)</b>	<b>21</b>
Results on the sale of the discontinued operations	509	23	122	195
<b>NET INCOME</b>	<b>522</b>	<b>113</b>	<b>83</b>	<b>216</b>

In millions of euros	Year to 31 Dec. 2010			
	Fortis Bank	Fortis Bank	Fortis Bank	Fortis Lease
	France	Italy	Switzerland	
Interest income	16	7	9	252
Interest expense		(2)	(4)	(173)
Commission income	6	2	13	1
Commission expense	(23)	(1)	(2)	(1)
Net gain/loss on financial instruments at fair value through profit or loss	2		3	7
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value				5
Income from other activities		1		32
Expense on other activities	(3)			(15)
<b>REVENUES</b>	<b>(2)</b>	<b>7</b>	<b>19</b>	<b>108</b>
Operating expense	(1)	(5)	(14)	(51)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets			(2)	(1)
<b>GROSS OPERATING INCOME</b>	<b>(3)</b>	<b>2</b>	<b>3</b>	<b>56</b>
Cost of risk	(9)	(10)	(4)	(77)
<b>OPERATING INCOME</b>	<b>(12)</b>	<b>(8)</b>	<b>(1)</b>	<b>(21)</b>
Share of earnings of associates				(8)
Net gain/loss on non-current assets				(3)
Goodwill				
<b>PRE-TAX INCOME</b>	<b>(12)</b>	<b>(8)</b>	<b>(1)</b>	<b>(32)</b>
Corporate income tax	5	(8)		
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>	<b>(7)</b>	<b>(16)</b>	<b>(1)</b>	<b>(32)</b>
Results on the sale of the discontinued operations	13	3	65	97
<b>NET INCOME</b>	<b>6</b>	<b>(13)</b>	<b>64</b>	<b>65</b>

In millions of euros	Year to 31 Dec. 2010			
	Fortis Bank Greece	Fortis Bank Hungary	Fortis Bank Turkey	Fortis Bank Spain
Interest income	13	3	572	2
Interest expense	(1)	(1)	(223)	
Commission income	1		95	4
Commission expense	(1)		(26)	
Net gain/loss on financial instruments at fair value through profit or loss			(66)	
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value			21	
Income from other activities			14	
Expense on other activities			(13)	
<b>REVENUES</b>	<b>12</b>	<b>2</b>	<b>374</b>	<b>6</b>
Operating expense	(3)	(2)	(303)	(11)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets			(25)	
<b>GROSS OPERATING INCOME</b>	<b>9</b>		<b>46</b>	<b>(5)</b>
Cost of risk	23	1	16	1
<b>OPERATING INCOME</b>	<b>32</b>	<b>1</b>	<b>62</b>	<b>(4)</b>
Share of earnings of associates				
Net gain/loss on non-current assets				(1)
Goodwill			(102)	
<b>PRE-TAX INCOME</b>	<b>32</b>	<b>1</b>	<b>(40)</b>	<b>(5)</b>
Corporate income tax	(9)		(19)	
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>	<b>23</b>	<b>1</b>	<b>(59)</b>	<b>(5)</b>
Results on the sale of the discontinued operations	(22)	(1)		(1)
<b>NET INCOME</b>	<b>1</b>		<b>(59)</b>	<b>(6)</b>

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
	Other entities	Other entities
Interest income		1
Interest expense		(1)
Commission income		1
Commission expense		
Net gain/loss on financial instruments at fair value through profit or loss		
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value		
Income from other activities		
Expense on other activities		
<b>REVENUES</b>		<b>1</b>
Operating expense		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		
<b>GROSS OPERATING INCOME</b>		<b>1</b>
Cost of risk		
<b>OPERATING INCOME</b>		<b>1</b>
Share of earnings of associates		
Net gain/loss on non-current assets		
Goodwill		
<b>PRE-TAX INCOME</b>		<b>1</b>
Corporate income tax		
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>		<b>1</b>
Results on the sale of the discontinued operations		10
<b>NET INCOME</b>		<b>11</b>

## Transactions with non-related parties

The total net result of discontinued operations of the entities sold to non-related parties is detailed in the tables below.

In millions of euros	Year to 31 Dec. 2011		Year to 31 Dec. 2010	
	Non-core Asset Management companies	Other entities	Non-core Asset Management companies	Other entities
Interest income				
Interest expense				(1)
Commission income			24	
Commission expense			(9)	
Net gain/loss on financial instruments at fair value through profit or loss				
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value				
Income from other activities				7
Expense on other activities				(5)
<b>REVENUES</b>			15	1
Operating expense			(9)	(1)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets				
<b>GROSS OPERATING INCOME</b>			6	
Cost of risk				(39)
<b>OPERATING INCOME</b>			6	(39)
Share of earnings of associates				
Net gain/loss on non-current assets				
Goodwill				
<b>PRE-TAX INCOME</b>			6	(39)
Corporate income tax			(2)	12
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>			4	(27)
Results on the sale of the discontinued operations		3	(9)	(1)
<b>NET INCOME</b>		3	(5)	(28)

## 8.d Remuneration and benefits awarded to the Fortis Bank corporate officers

### Remuneration and benefits awarded to the members of the board of directors and the executive committee of Fortis Bank

#### 8.d.1 Remuneration policy

The remuneration policy for the Board of Directors and Executive Committee has not been adapted significantly during 2011.

##### Category 1: The Chief Executive Officer

During 2011, the position of Chief Executive Officer (CEO) and Chairman of the Executive Board of Directors was fulfilled from January 1st to February 28th by Mr. Jean-Laurent Bonnafé, replaced since March 1st 2011 by Mr. Maxime Jadot. This self-employed position entitles the holder to the following reward components: fixed monthly remuneration, variable annual remuneration based on the achievement of clear performance criteria and risk monitoring, the possibility to get long-term incentive pay (free shares or stock options) and benefits in kind (the use of a company car, of a mobile phone and internet). The variable part of the remuneration is proposed by the Chairman of the Board of Directors to the Governance, Nomination and Remuneration Committee (GNRC) for review and approved by the Board of Directors. The variable part of the remuneration is subject to the deferral principles as detailed under the general principles mentioned hereunder, and may be subject to further regulation to be proposed by the Government.

With regard to company insurances (pension plan and welfare benefits), Mr. Maxime Jadot is entitled to an insurance plan which comprises a defined benefit and a defined contribution pension plan, a hospital plan, a life insurance and disability benefits. Mr. Bonnafé did not benefit from additional insurance plans to those already existing at the level of BNP Paribas S.A. in France, and linked to his various positions within BNP Paribas Group.

##### Category 2: The non-Executive Members of the Board of Directors

The non-Executive Members of the Board of Directors only receive Board remuneration based on the below principles, as approved by the General Shareholders' Meeting of April 21st 2011, during which the principle was confirmed to keep the maximum board remuneration at EUR 1.5 million total per annum.

Annual fixed salary Chairman Board of Directors	EUR	50,000 (gross)
Annual fixed salary Board Members	EUR	25,000 (gross)
Attendance fee Chairman Board Committees	EUR	4,000 (gross)
Attendance fee Members Board of Directors / Board Committees	EUR	2,000 (gross)

The non-Executive Members of the Board of Directors do not receive any variable pay, pension plan or insurances, nor any other benefit <sup>1</sup>.

The detailed remuneration paid to the non-Executive Members of the Board of Directors is provided further in this note.

<sup>1</sup> With the exception of the Chairman, who receives the use of a company car, mobile phone and internet at home.

### **Category 3: The Executive Members of the Board of Directors (composing with the CEO, the Executive Board)**

The Executive Members of the Board of Directors are self-employed and receive a Board remuneration based on the same principles as non-Executive Members. In addition to that, they are rewarded for their functions in the Executive Management through the following components: fixed monthly remuneration, variable annual remuneration based on the achievement of clear performance criteria and risk monitoring, linked to collective and individual performance criteria as mentioned below, a company insurance plan (pension plan, hospital plan, life insurance and disability benefits), benefits in kind (the use of a company car, of a mobile phone and internet) and the possibility to get long-term incentive share-based payments (free shares or stock options). Their variable remuneration may be subject to further regulation to be proposed by the Government.

The variable part of the remuneration is subject to the deferral principles as detailed under the general principles mentioned hereunder and may be subject to further regulation to be proposed by the Government.

### **Category 4: The Executive Committee Members**

The Executive Committee Members, as belonging to an advisory board, have an employment contract and their reward package consists of the following elements: fixed monthly remuneration, variable annual remuneration based on the achievement of clear performance criteria and linked to collective and individual performance criteria as mentioned below, a company insurance plan (pension plan (defined benefit plan for all and for some an additional defined contribution plan), hospital plan, life insurance and disability benefits), benefits in kind (the use of a company car, of a mobile phone and internet) and the possibility to get long-term incentive share-based payments (free shares or stock options).

The variable part of the remuneration is subject to the deferral principles as detailed under the general principles mentioned hereunder.

## **General principles**

The remuneration structure and levels of the remuneration policy are determined by the Board of Directors upon recommendation by the Governance, Nomination and Remuneration Committee (GNRC) by reference to the appropriate executive management compensation common practices and market benchmarking, and with the support of specialised consultancy firms. The governance relative to the remuneration followed the same processes and principles than last year and it is expected to continue in the following years.

In view of the applicable remuneration policies and practices, the variable part of the remuneration will follow the following principles, whereby the deferred part is conditional to future performance of the company and to sound risk management:

### **Category 1 – The Chief Executive Officer, Category 3 – The Executive Members of the Board of Directors**

The Governance, Nomination and Remuneration Committee of the Board has not yet decided on the subject of variable remuneration and long term incentives at the time of publication of this report.



### Category 4 – The Executive Committee Members

Application of the rules following the DCP2012 plan as approved by the GNRC and by the Board of Directors on February 9th, 2012 .

After application of the applicable deferral rules, it is split up as follows :

- The upfront part:
  - 50% paid effectively in April 2012
  - 50% paid within the year after the bonus has been accrued
  
- The deferred part:
  - Parts paid in 2013, 2014 and 2015
  - Indexed part (min. 50%):
    - Part of the Global Share-based Incentive Plan (GSIP) : vesting in 2016
    - Indexed part after deduction of GSIP part: payment in 2013, 2014 and 2015

### Overview employment conditions of Executive Management

Executive Board Members and Executive Committee Members	Employment contract	
	Yes	No
<b>Executive Board</b>		
Mr. Jean-Laurent Bonnafé (until 28 February 2011)		x
Mr. Maxime Jadot (as from 1 March 2011)		x
Mr. Filip Dierckx		x
Mr. Jean-Yves Fillion (as from 1 February 2011)		x
Mr. Camille Fohl		x
Mr. Thomas Mennicken		x
Mr. Peter Vandekerckhove (as from 1 May 2011)		x
<b>Executive Committee</b>		
Mr. Olivier de Broqueville (as from 1 March 2011)	x	
Mr. Yvan De Cock (as from 1 March 2011)	x	
Mr. Jacques Godet	x	
Mr. Luc Haegemans	x	
Mr. Maxime Jadot (until 28 February 2011)	x	
Mr. Lars Machenil	x	
Mr. Frédéric Van Gheluwe	x	
Mr. Peter Vandekerckhove (until 30 April 2011)	x	
Mr. Bert Van Rompaey	x	

### Performance criteria used to determine variable remuneration

There are three performance criteria used to determine the variable part of the remuneration of the executive directors of the Board and members of the Executive Committee :

- individual performance and risk monitoring
- business performance
- company performance.

## A. Individual performance

A self assessment is prepared by each Executive Board and Executive Committee Member, which is then challenged by the Chief Executive Officer who decides in close discussion with the Chairman of the Board of Directors on the scoring. A global assessment is also made by the Control Functions.

The Individual performance is defined as being the achievement of personal objectives and managerial performance as assessed by the Board of Directors in terms of the following four management principles:

- Client Focus: inspire people to focus in an innovative way on the client first, as the interest of the client is always at the centre of the action
- Risk-Aware Entrepreneurship: undertake initiatives for development and efficiency while being accountable, by:
  - Acting in an interdependent and cooperative way with the other entities to serve the global interest of the Group and its clients
  - Being continuously vigilant of the risks related to our area of responsibility and to empower our people to do the same
- People Care: care for our people, by showing them respect, promoting equal opportunities and developing their talents and skills
- Lead by example: set an example through own behaviour and with regard to ethics by respecting the regulations, applying the compliance rules and behaving in a socially responsible way.

## B. Business performance Based on Key Performance Indicators (KPI's)

The Business performance is based on Key Performance Indicators (KPI's). Every year, each business make a strategic plan, from which are derived indicators enabling the Business management team to measure and evaluate the business performance. The performance criteria measured for each business are: financial results, cost management, risk management/Mifid, long term developments and Corporate Social Responsibility (people management, CSR policy, sustainability, etc.). On a yearly basis, the Executive Board/Executive Committee gives a score for the performance of each Business.

## C. Company performance

The Executive Board/Executive Committee determines a score for the performance of Fortis Bank based on the following criteria:

- financial results of Fortis Bank
- realisation of the integration and of the industrial plan
- risk Management, Compliance and Permanent Control and
- repositioning of the company with a long term perspective (improvement of customer satisfaction, improvement of employee engagement, Corporate Social Responsibility, etc.).

The evaluation period during which performance is measured at these three levels is January to December of each year. The methods used to evaluate the performance against targets are both qualitative (client satisfaction, sound risk governance, global employees' survey results, people management, etc.) and quantitative (net operating profit, gross income, increase in market shares, etc.).

## 8.d.2 Remuneration of the year

### BASE REMUNERATION

#### Remuneration of the Board of Directors

The table below shows the gross board remuneration paid in 2011 to each member of the Board of Directors.

NAME	FIRST NAME	ATTENDANCE FEES	FIXED FEES	TOTAL 2011
DAEMS	Herman	82,000	50,000	132,000
CHODRON de COURCEL	Georges	18,000	25,000	43,000
BONNAFÉ	Jean-Laurent	22,000	25,000	47,000
BOOGMANS	Dirk	60,000	25,000	85,000
COUMANS	Wim	8,000	4,167	12,167
DIERCKX	Filip	24,000	25,000	49,000
DUTORDOIR	Sophie	32,000	25,000	57,000
FILLION	Jean-Yves	16,000	18,750	34,750
FOHL	Camille	18,000	25,000	43,000
GEENS	Koenraad	16,000	18,750	34,750
JADOT	Maxime	22,000	25,000	47,000
LAVENIR	Frédéric	20,000	25,000	45,000
MENNICKEN	Thomas	22,000	25,000	47,000
PAPIASSE	Alain	6,000	25,000	31,000
PRUVOT	Jean-Paul	24,000	25,000	49,000
STÉPHENNE	Jean	42,000	25,000	67,000
VANDEKERCKHOVE	Peter	14,000	18,750	32,750
VARÈNE	Thierry	18,000	25,000	43,000
WIBAUT	Serge	38,000	25,000	63,000
TOTAL		502,000	460,417	962,417

#### Remuneration of the CEO

The table below shows the gross remuneration paid or payable to the CEO and Chairman of the Executive Board for the year 2011, including benefits in kind and Director's fees.

Remuneration attributed over 2011 In euros	Remuneration			GSIP 2012 at fair value	Director's fees 2011	Benefits In kind	Pension, life and orphan's pension	Total Remuneration
	Fixed	Cash part of variable 2011	Deferred part of variable 2011					
Mr. Jean-Laurent Bonnafé (until 28/2/2011)	33,333				12,250			45,583
Mr. Maxime Jadot (as from 1/3/2011)	466,729				47,000	2,283	142,667	658,679

## Remuneration of the Executive Board and of the Executive Committee

The table below shows, on an aggregate basis, the gross remuneration payable or paid to the Executive members of the Board of Directors and to the members of the Executive Committee, with the exception of the CEO, for the year ended 31 December 2011 (including benefits in kind and director's fees).

Remuneration attributed over 2011 (1) In euros	Remuneration			GSIP 2012 At fair value (6)	Director's fees 2011	Benefit in kind (2)(4)	Pension, life and orphan's pension (3)	Total remuneration
	Fixed (5)	Cash part	Deferred part					
		of variable 2011 (6)	of variable 2011 (6)					
Members of the Executive Board and of the Executive Committee	5,717,530	299,081	334,215	363,638	206,500	212,209	579,522	<b>7,712,695</b>

(1) Only remuneration within Executive Board and Executive Committee membership periods is reported.

(2) The members of the Executive Board each have a company car and a mobile telephone.

(3) For defined contribution plans: sum of employer contributions and for defined benefit plans: sum of service costs.

(4) In 2011, 7350 restricted shares 2008 were granted to one Executive Director who decided to an additional lock-up of 3.675 shares. The taxable benefit hereof was 8,489.25 EUR and the applicable taxes due have been paid in November 2011.

(5) Vacation pay, gross rental allowances and relocation allowances are included in the reported fix pay.

(6) only for Executive Committee members.

The Governance, Nomination and Remuneration Committee of the Board has not yet decided on the subject of variable remuneration and long term incentives for the members of the Executive Board at the time of publication of this report.

For the Executive Committee members, a bonus pool individually allocated of EUR 633.296 (EUR 299.081 cash and EUR 334.215 deferred) has been decided by the Governance Nomination and Remuneration Committee of the Board on March the 15th 2012.

### Stock subscription option plans

In 2011, all employees and managers of BNP Paribas Fortis were offered the possibility – just like in 2010 - to participate in the existing share purchase plan at Group level, which consists of buying BNP shares at a reduced rate. The same conditions applied to all categories of staff, except self-employed staff.

## Share based payment

### 2011

The table below shows, on an individual basis, the number and main characteristics of the shares, stock options and other rights granted in 2011 and in 2012 to the Executive members of the Board of Directors and to the members of the Executive

Committee, as well as those exercised or lapsed during 2011. These elements were disclosed in the 2010 annual report as deferred part of the variable remuneration.

Stock subscription options granted to and/or exercised by the Members of the Executive Board and Executive Committee	Number of options/free shares granted exercised	Exercise price in EUR	Grant date	Plan expiry date
<b>OPTIONS GRANTED IN 2011</b>				
Mr. Filip Dierckx	7,485	56.45	04/03/2011	05/03/2019
Revised based on 2011 performance conditions	2,495	62.10	04/03/2011	05/03/2019
Mr. Camille Fohl	3,720	56.45	04/03/2011	05/03/2019
Revised based on 2011 performance conditions	1,240	62.10	04/03/2011	05/03/2019
Mr. Thomas Mennicken	2,565	56.45	04/03/2011	05/03/2019
Revised based on 2011 performance conditions	135	62.10	04/03/2011	05/03/2019
Members of the Executive Committee	28,389	56.45	04/03/2011	05/03/2019
Revised based on 2011 performance conditions	7,591	62.10	04/03/2011	05/03/2019
<b>FREE SHARES GRANTED IN 2011</b>				
Mr. Filip Dierckx	2,505	n/a	04/03/2011	05/03/2015
Mr. Camille Fohl	1,260	n/a	04/03/2011	05/03/2015
Mr. Thomas Mennicken	675	n/a	04/03/2011	05/03/2015
Members of the Executive Committee	9,000	n/a	04/03/2011	05/03/2015

As described in the Terms and Conditions of the 2011 Stock Option Plan, the vesting of a fraction of Options is subject to a performance condition based on a comparison of the performance of the BNP Paribas Share to that of the Index. The performance condition will be based upon four assessments, respectively for each of the years 2011, 2012, 2013 and 2014. Each assessment applies to one quarter of the Options subject to the performance condition. At each assessment, the exercise price for the corresponding Options is dependant upon the result of the performance assessment and is fixed at: EUR 56.45 if the BNP Paribas Share outperforms the Index, EUR 59.28 if the BNP Paribas Share underperforms the Index by less than 5 points, EUR 62.10 if the BNP Paribas Share underperforms the Index by 5 to less than 10 points, EUR 67.74 if the BNP Paribas Share underperforms the Index by 10 to less than 20 points. Should the BNP Paribas Share underperform the Index by 20 points or more, the corresponding Options subject to the performance condition become null and void and can no longer be exercised.

As described in the Terms and Conditions of the 2011 Free Shares Plan, the vesting of a fraction of the total award of Free shares is subject to performance conditions linked to the Earnings per Share of BNP Paribas ('EPS'). The performance condition will be assessed three times, respectively for each of the calendar years 2011, 2012 and 2013, whereby each assessment applies to one third of the Free shares. If the performance condition would not have been met at the time of one of the first three assessments, an additional assessment will be carried out in 2013. At each assessment, if the increase in the EPS is greater than or equal to 5%, the corresponding Free shares may be vested at the date of vesting. If the increase in the EPS is less than 5%, the corresponding Free shares are permanently forfeited, except if following the additional assessment in 2013, the EPS has increased by at least 15% during those three years. The first assessment in 2011 is expressed as a percentage whereby the EPS in respect of calendar year 2011 is divided by the EPS in respect of calendar year 2010.

## 2012

The Governance, Nomination and Remuneration Committee of the Board has not yet decided on the subject of long term incentives granted to members of the Executive Board at the time of publication of this report.

The members of the Executive Committee have received 12,700 free shares under the 2012 Group Stock Incentive Plan without performance conditions at EUR 32.36 and with performance conditions at EUR 27.46.

In 2009, no options were granted nor exercised by any members of the executive Board and executive Committee. In 2010 and 2011, no options were exercised by any of them.

### Information on severance pay

The contracts of all Executive members of the Board of Directors are fully compliant with the provisions on severance pay out of the Belgian Corporate Governance Code 2009.

In 2011, no termination benefits have been paid to any member of the Board of Directors or of the Executive Committee of Fortis Bank.

## 8.e Related parties

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### Parties related to Fortis Bank

Parties related to Fortis Bank as at 31 December 2011 include:

- parties that control or have an interest that gives them significant influence over Fortis Bank
- parties that are controlled by Fortis Bank
- associates and joint ventures
- other related entities such as non-consolidated subsidiaries and pension funds
- members of the Board of Directors and of the Executive Committee of Fortis Bank
- close family members of any person referred to above and
- entities controlled or significantly influenced by any person referred to above.

Consequently, parties related to Fortis Bank as at 31 December 2011 include the following parties:

- consolidated companies including entities consolidated under the proportionate consolidation method or the equity method
- BNP Paribas (and all its subsidiaries), which has control of Fortis Bank
- SFPI/FPIM (Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij), which has a significant influence on Fortis Bank
- the Belgian State, which indirectly exerts a significant influence over Fortis Bank
- other Belgian State-controlled enterprises under common control (excluding local, regional and supra-national organisations, and local authorities and municipalities).

Transactions between Fortis Bank and its fully-consolidated subsidiaries, which are related parties to Fortis Bank, were eliminated upon consolidation and are not disclosed in this note.

## Relations with the Belgian State, the National Bank of Belgium (NBB), the SFPI/FPIM and other Belgian State-controlled entities

According to IAS 24, Related party disclosures, no disclosures are required for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities').

There has been no significant change in transactions between Fortis Bank and the Belgian State, the SFPI/FPIM, the National Bank of Belgium and other Belgian State-controlled entities in comparison with those described in Note 8.e 'Related parties' of the Annual Report 2010.

## Transactions with other related parties

Fortis Bank enters into transactions with various related parties in the course of its business operations. All kinds of transactions are entered into under the same commercial and market terms and conditions that apply to non-related parties.

A list of companies consolidated by Fortis Bank is provided in Note 8.a: 'Scope of consolidation'. As transactions and

period-end balances between fully-consolidated entities are eliminated in full during the consolidation process, the tables below only show figures relating to transactions and balances with (i) companies over which Fortis Bank exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which Fortis Bank exercises significant influence (accounted for by the equity method).

## Related parties profit and loss items:

In million of euros	Year to 31 Dec. 2011			Year to 31 Dec. 2010		
	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
Interest income	321	8	333	212	3	286
Interest expense	(276)		(51)	(217)	(5)	(7)
Commission income	135	1	440	95	1	244
Commission expense	(34)		(22)	(154)		(8)
Services provided	109	2	17	29	2	5
Services received	(62)		(25)	(13)	1	1
Lease income						
<b>TOTAL</b>	<b>193</b>	<b>11</b>	<b>692</b>	<b>(48)</b>	<b>2</b>	<b>521</b>

## Related parties balance sheet items:

	31 December 2011			31 December 2010		
	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
In million of euros						
<b>ASSETS</b>						
<b>Loans, advances and securities</b>						
<i>Demand accounts</i>	1,156	1	298	298	1	19
<i>Loans</i>	23,693	492	10,257	11,947	221	9,225
<i>Securities</i>	522	74	19	658		56
<i>Finance leases</i>						
<i>Non-trading securities held in the portfolio</i>	5	1	2	6		850
<b>Other assets</b>	<b>252</b>	<b>4</b>	<b>133</b>	<b>435</b>		<b>28</b>
<b>TOTAL</b>	<b>25,628</b>	<b>572</b>	<b>10,709</b>	<b>13,344</b>	<b>222</b>	<b>10,178</b>
<b>LIABILITIES</b>						
<b>Deposits</b>						
<i>Demand accounts</i>	1,963	29	2,610	2,062	85	2,478
<i>Other borrowings</i>	15,480	1	47	11,394		11
<b>Debt securities</b>	<b>7,193</b>	<b>62</b>	<b>3</b>	<b>2,464</b>	<b>188</b>	<b>20</b>
<b>Other liabilities</b>	<b>65</b>		<b>2</b>	<b>910</b>		
<b>TOTAL</b>	<b>24,701</b>	<b>92</b>	<b>2,662</b>	<b>16,830</b>	<b>273</b>	<b>2,509</b>
<b>FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS</b>						
Financing commitments given	27,564	1	1,111	12,929	4	2,807
Guarantee commitments given	707	88	141	547		271
<b>TOTAL</b>	<b>28,271</b>	<b>89</b>	<b>1,252</b>	<b>13,476</b>	<b>4</b>	<b>3,078</b>

Fortis Bank also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.) Amounts as at 31 December 2010 for balance sheet items and Year to 31 December 2010 for profit and loss items have been restated to exclude these transactions.

On 12 March 2009 an agreement was concluded on the sale of 25% + 1 share of AG Insurance to Fortis Bank for an amount of EUR 1,375 million. As part of this transaction Ageas granted to Fortis Bank a put option to resell the acquired stake in AG Insurance Belgium in the six-month period starting January 1, 2018 to Ageas at fair value.

## Relation with key management personnel

At 31 December 2011, total outstanding loans granted directly or indirectly to the members of the Board of Directors and to the members of the Executive Committee amounted to EUR 4.7 million. This represents the total amount of loans granted to members of the Fortis Bank Board of Directors and Executive Committee and their close family members. These loans represent normal transactions and were carried out on an arm's length basis.



## 8.f Balance sheet by maturity

The table below gives a breakdown of the balance sheet by contractual maturity. The maturities of financial assets and liabilities measured at fair value through profit or loss within the trading portfolio are regarded as 'undetermined' insofar as these instruments are intended to be sold or redeemed

before their contractual maturity dates. The maturities of variable-income financial assets classified as available for sale, derivative hedging instruments, re-measurement adjustments on interest-rate risk hedged portfolios and undated subordinated debt are also deemed to be 'undetermined'.

31 December 2011	Not determined	overnight or demand	up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
In millions of euros								
Cash and amounts due from central banks and post office banks		8,287						8,287
Financial assets at fair value through profit or loss	91,241							91,241
Derivatives used for hedging purposes	935							935
Available-for-sale financial assets	1,256		1,390	1,065	7,359	15,259	16,359	42,688
Loans and receivables due from credit institutions	71	5,126	3,017	16,683	2,482	6,394	2,013	35,786
Loans and receivables due from customers		5,764	15,310	14,220	13,900	29,221	67,342	145,757
Remeasurement adjustment on interest-rate risk hedged portfolios	674							674
Held-to-maturity financial assets			10	60	631	961	525	2,187
<b>FINANCIAL ASSETS BY MATURITY</b>	<b>94,177</b>	<b>19,177</b>	<b>19,727</b>	<b>32,028</b>	<b>24,372</b>	<b>51,835</b>	<b>86,239</b>	<b>327,555</b>
Due to central banks and post office banks		41						41
Financial liabilities at fair value through profit or loss	99,359							99,359
Derivatives used for hedging purposes	2,282							2,282
Due to credit institutions		9,872	5,751	12,180	2,035	8,128	952	38,918
Due to customers		103,841	23,568	7,244	5,378	10,803	3,680	154,514
Debt securities			3,972	4,315	1,891	2,281	2,101	14,560
Subordinated debt	2,140		27	259	337	2,933	3,795	9,491
Remeasurement adjustment on interest-rate risk hedged portfolios	472							472
<b>FINANCIAL LIABILITIES BY MATURITY</b>	<b>104,253</b>	<b>113,754</b>	<b>33,318</b>	<b>23,998</b>	<b>9,641</b>	<b>24,145</b>	<b>10,528</b>	<b>319,637</b>

31 December 2010	Not determined	overnight or demand	up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
In millions of euros								
Cash and amounts due from central banks and post office banks		2,989						2,989
Financial assets at fair value through profit or loss	78,239							78,239
Derivatives used for hedging purposes	503							503
Available-for-sale financial assets	611		1,157	2,034	5,453	22,366	21,517	53,138
Loans and receivables due from credit institutions		1,698	4,950	3,602	3,469	4,460	10,179	28,358
Loans and receivables due from customers		15,067	10,455	13,318	17,950	29,427	65,890	152,107
Remeasurement adjustment on interest-rate risk hedged portfolios	537							537
Held-to-maturity financial assets			30	43	242	2,068	690	3,073
<b>FINANCIAL ASSETS BY MATURITY</b>	<b>79,890</b>	<b>19,754</b>	<b>16,592</b>	<b>18,997</b>	<b>27,114</b>	<b>58,321</b>	<b>98,276</b>	<b>318,944</b>
Due to central banks and post office banks		25						25
Financial liabilities at fair value through profit or loss	89,308							89,308
Derivatives used for hedging purposes	1,321							1,321
Due to credit institutions		13,961	10,080	2,809	2,418	3,207	(341)	32,134
Due to customers		115,145	9,954	7,575	4,574	5,571	10,002	152,821
Debt securities			8,023	7,789	4,583	4,607	2,323	27,325
Subordinated debt	2,137		20	93	178	3,019	5,179	10,626
Remeasurement adjustment on interest-rate risk hedged portfolios	359							359
<b>FINANCIAL LIABILITIES BY MATURITY</b>	<b>93,125</b>	<b>129,131</b>	<b>28,077</b>	<b>18,266</b>	<b>11,753</b>	<b>16,404</b>	<b>17,163</b>	<b>313,919</b>

The majority of the financing and guarantee commitments given, which amounted to EUR 40,316 million and EUR 15,543 million respectively at 31 December 2011 (EUR 68,592 million

and EUR 14,127 million respectively at 31 December 2010), can be drawn at sight.

## 8.g Structured Credit Instruments

Fortis Bank holds structured credit instruments (SCIs) as part of its investment portfolio. SCIs are securities created by repackaging cash flows from financial products. They encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised loan obligations (CLOs). The exposure to structured credit instruments is categorised in the Consolidated Financial Statements as available-for-sale investments, investments reclassified as loans and receivables and financial assets at fair value through profit or loss.

Net exposure to global structured credit instruments as at 31 December can be detailed by accounting category as follows:

In million of euros	31 December 2011	31 December 2010
SCI under Available-for-sale financial assets	3	152
SCI under Financial assets at fair value through profit or loss	128	394
SCI under Loans and receivables	18,501	20,785
<b>TOTAL</b>	<b>18,632</b>	<b>21,331</b>

This net exposure as at 31 December can be further detailed by type of assets as follows:

In million of euros	31 December 2011	31 December 2010
RMBS	10,511	11,744
CMBS	766	828
CLOs	2,577	3,200
Other ABS	4,779	5,559
<b>TOTAL</b>	<b>18,633</b>	<b>21,331</b>

On 12 May 2009, a substantial part of the retained SCI portfolio was transferred to investments reclassified as loans and receivables, applying the amendments to IAS 39, **Financial Instruments: Recognition and Measurement**, and IFRS 7, **Financial Instruments: Disclosures** (see Annual Report 2010 note 5.e 'Financial instruments reclassified as loans and receivables'). This reclassification concerned financial assets that were previously recognised as available for sale investments, assets held for trading or other assets.

Part of this portfolio carries a guarantee by the Belgian State on the second level of loss. Beyond a first tranche of final loss (EUR 3.5 billion), the Belgian State guarantees on demand a second loss tranche up to EUR 1.5 billion.

The financial assets reclassified to loans and receivables are summarised in the following table:

In millions of euros	Carrying amount as of reclassi- fication date	31 December 2011		31 December 2010	
		Carrying Value	Market or model value	Carrying Value	Market or model value
<b>Financial assets reclassified from the trading portfolio</b>	<b>108</b>	<b>251</b>	<b>238</b>	<b>376</b>	<b>397</b>
- Into loans and receivables due from customers	108	251	238	376	397
<b>Financial assets reclassified from the available-for-sale portfolio</b>	<b>21,312</b>	<b>12,917</b>	<b>12,854</b>	<b>14,871</b>	<b>14,613</b>
- Into loans and receivables due from customers	21,312	12,917	12,854	14,871	14,613
<b>Financial assets reclassified from the other assets portfolio</b>	<b>2,030</b>	<b>1,434</b>	<b>1,313</b>	<b>1,638</b>	<b>1,582</b>
- Into loans and receivables due from customers	2,030	1,434	1,313	1,638	1,582
<b>TOTAL PORTFOLIO RECLASSIFIED INTO LOANS AND RECEIVABLES</b>	<b>23,450</b>	<b>14,602</b>	<b>14,405</b>	<b>16,885</b>	<b>16,592</b>

As of the reclassification date, the weighted average effective interest rate on financial assets reclassified as loans and receivables was 7.157% and the expected recoverable cash flows were EUR 18,531 million.

In September 2010, Dutch mortgage-backed notes (Dolphin notes) have been called at nominal value for an amount of EUR 4.1 billion. These notes were previously recorded as SCI under loans and receivables. The proceeds of this call have been reinvested for an amount of EUR 3.9 billion into other

Dutch mortgage-backed notes (Goldfish notes), also recorded as SCI under loans and receivables.

Other sales and reimbursements since the reclassification date explain the further decrease over time of the portfolio.

The following table shows the profit or loss items related to the reclassified assets, both as they were recorded over the period and as they would have been recorded if the reclassification had not taken place:

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Profit or loss and equity items (before tax) related to reclassified assets as recorded	(1,014)	(1,481)
<b>Profit or loss item</b>	<b>342</b>	<b>241</b>
- Interest income	277	191
- Gains or losses on financial assets	12	(33)
- Cost of risk	39	73
- Other	14	10
<b>Equity items</b>	<b>(1,356)</b>	<b>(1,722)</b>
Profit or loss and equity items (before tax) if assets had not been reclassified	372	(2,739)
<b>Profit or loss items</b>	<b>(125)</b>	<b>271</b>
<b>Equity items</b>	<b>497</b>	<b>(3,010)</b>

## 8.h Exposure to sovereign debt risk

As part of their liquidity management, Fortis Bank and BNP Paribas Group seek to maximise the assets available for refinancing so that they can meet unexpected liquidity needs. In particular, this strategy is predicated on holding securities eligible as collateral for refinancing from central banks and includes a substantial proportion of highly rated

debt securities issued by governments representing a low level of risk. As part of its ALM and structural interest-rate risk management policy, the Group also holds a portfolio of assets that includes sovereign debt instruments, with interest-rate characteristics that contribute to its hedging strategies.

The portfolio of Fortis Bank is presented in the table below:

In millions of euros	31 December 2011
	Banking Book
<b>Eurozone</b>	
Austria	539
Belgium	17,007
Cyprus	23
Finland	293
France	2,761
Germany	2,226
Italy	1,111
Luxembourg	31
Netherlands	7,467
Slovakia	29
Slovenia	41
Spain	578
<b>Countries under support</b>	
Greece	290
Ireland	169
Portugal	1,182
<b>Total eurozone</b>	<b>33,747</b>

### Special circumstances concerning sovereign credit risk in Greece, Ireland and Portugal, which have received support under a European plan

Three European countries, namely Greece, Ireland and Portugal, have experienced a marked deterioration in their public finances against the backdrop of the economic and financial crisis. This prompted the markets progressively to shun public-sector debt securities issued by these countries, leaving them unable to raise the funding they need to run their public deficits.

The European solidarity policy countries prompted the euro zone members, in conjunction with the International Monetary Fund (IMF), to put in place support arrangements. This led to the formulation and implementation of several plans for Greece, then for Ireland and Portugal.

In May 2010, the euro zone governments and the IMF provided Greece with a EUR 110 billion support plan in exchange for a commitment to reduce its budget deficit. On 21 July 2011, representatives from the 17 euro zone member states drew up a second assistance plan for Greece worth close to EUR 160 billion overall. This plan was subject to Greece reaching an agreement with representatives of private-sector creditors. Those creditors would waive 50% of the nominal value of Greek government securities they hold, in return for the reimbursement of around 15% of securities held in a form to be determined, along with the issue of new securities to be exchanged for existing securities and representing 35% of their nominal value. At 21 February 2012, a subsequent agreement was reached between the Greek government and the European finance ministers (the Eurogroup) on the terms of an additional financial aid package for Greece.

The support plan for Ireland, which was adopted in November 2010, provided for EUR 85 billion in public support, while the plan for Portugal adopted in May 2011 provided for EUR 78 billion in public support.

Each of these plans is accompanied by measures to bring about hefty reductions in the public deficits.

### **Accounting treatment of debt securities issued by Greece, Ireland and Portugal**

#### **Reclassification of securities at 30 June 2011**

Given the lack of liquidity seen in the markets for public debt instruments issued by Greece, Ireland and Portugal during the first half of 2011, Fortis Bank and BNP Paribas Group reached the conclusion that these securities could no longer be classified as available-for-sale assets.

The standstill in the primary market, the increasingly thin trading volumes in the secondary market, their small size and the widening in bid/offer spreads reflect investors' risk aversion to these three countries and the near disappearance of the market. As an illustration, the monthly transaction volumes in Greek sovereign debt instruments accounted during the first half of 2011 for just 2% of the monthly average recorded over the past ten years. The implied yield curve on the public debt of these countries is currently inverted, i.e. with short-term rates significantly higher than long-term rates, confirming the dislocation of the market. The implied losses that the very high level of short-term rates suggests do not reflect the expected results of the support plans implemented to give these countries the ability to pull their public finances back into good order and honour their commitments.

Accordingly, as permitted in paragraph 50E of IAS 39 in such exceptional circumstances, given the period that the bank believes to be necessary for these three countries to restore the state of their finances, Fortis Bank and the BNP Paribas Group reclassified with effect from 30 June 2011 public debt securities from these three countries from the 'Available-for-sale financial assets' category to the 'Loans and receivables' Heading.

Greek sovereign debt instruments due to mature prior to 31 December 2020 are covered by provisions under the second support plan for Greece, which was initiated in June 2011 and finalised on 21 July 2011, reflecting the banks' commitment to provide support. This plan had several options, including a voluntary exchange at par for 30-year debt securities with

their principal collateralised by AAA-rated zero coupon bonds, with terms leading to recognition of an initial discount of 21%. Fortis Bank and the BNP Paribas Group intended to take up this exchange option in line with the collective undertaking given by the financial sector. Accordingly, the debt securities held on the Group's balance sheet and due to be exchanged were measured by recognising the 21% discount. Treated as a concession by the lender owing to difficulties encountered by the borrower, this discount led to an impairment loss being recognised through profit or loss in the first half of 2011.

As regards Greek sovereign debt securities not exchanged, and also Irish and Portuguese sovereign debt instruments, after due consideration of the various aspects of the European support plan, most investors took the view that there was no objective evidence that the recovery of the future cash flows associated with these securities was compromised, especially since the European Council had stressed the unique and non-replicable nature of the private sector's participation in this type of support operation. Accordingly, the Bank took the view that there were no grounds for recognizing any impairment on these securities.

#### **Measurement of securities at 31 December 2011**

In the second half of 2011, it was recognised that Greece was having trouble meeting the economic targets on which the 21 July plan was based, particularly as regards the sustainability of its debts. This led to a new agreement in principle, dated 26 October, based on private-sector creditors waiving 50% of the amounts owed to them. Initially, the Bank determined an impairment loss on all the securities it holds, on the basis of the October 2011 proposal put forward by the private-sector creditors represented by the Institute of International Finance (IIF).

The conditions included in the agreement in principle dated 26 October 2011 were (1) a 50% face value reduction, (2) the immediate repayment of 15% of the amounts owed through securities of the European Financial Stability Facility (EFSF) with a maturity of two years and paying market interest rates, (3) the payment of accrued interest through EFSF securities with a maturity of six months and paying market interest rates, (4) a coupon of 3% until 2020 and 3.75% subsequently on securities maturing between 2023 and 2042 received in exchange for existing securities and (5) a discount rate of 12% on future cash flows. On that basis, the bank has estimated the likely loss on existing securities at 75%, which is almost identical to that priced in by the market through the average discount on these securities at 31 December 2011.

On 21 February 2012, a subsequent agreement was reached between the Greek government, the European finance ministers and private investors on the terms of an additional financial aid package for Greece. The Eurogroup said that they expected Greece's debt-to-GDP ratio to fall to 120.5% by 2020, from around 160% in 2011 and that the measures now being undertaken will preserve the financial stability of Greece.

It was also announced that a common understanding on the terms and conditions of new Greek government bonds and GDP-linked securities to be issued in exchange for privately held Greek government bonds has been reached between the Government of Greece, endorsed by the Eurogroup, the Troika (composed of representations of the European Commission, the IMF and the European Central Bank), and the Steering Committee of the Private Creditor-Investor Committee for Greece.

The offer calls for a 53.5% reduction in the nominal value of Greek debt held by private investors and involves official sector support of EUR 30 billion by the European Financial Stability Facility (EFSF).

Greece has entered into a broad package of understandings with its official and private sector creditors of which the debt exchange is an integral part. If successfully concluded, the debt exchange will lead to a reduction in Greece's debt stock of approximately EUR 107 billion.

The main features of the exchange offer to be presented by Greece are:

- For each eligible privately held Greek government bond 53.5% of the principal amount will be forgiven, 31.5% of the principal amount will be exchanged for 20 new Greek government bonds with maturities of 11 to 30 years, and the remaining 15% will be swapped for short-dated securities issued by the European Financial Stability Facility (EFSF).
- The coupon on the new Greek government bonds will be structured so as to be 2% for the three year period from February 2012 to February 2015; then 3% for the following five years 2015 to February 2020; 3.65% for the year 2021 and 4.3% for the period from February 2022 to February 2042.
- Accrued interest on the existing eligible Greek government bonds will be provided in short-dated EFSF notes.

- Separate securities related to the future GDP growth of the Greek economy will be offered to investors that may provide an increase in yield in the event that growth exceeds currently anticipated levels.

On the basis of the conditions for the new exchange offer related to the Greek government bonds, the bank still considers that the net present value of the securities to be received is approximately 25%, based on a discount rate of 12%. Their final value will be fixed, based on the final conditions of the offer and on the market conditions prevailing at the date of the exchange.

As a result, the bank's Greek securities were written down by 75% and the loss with respect to 2011 is therefore EUR 866 million, included in the cost of risk (see note 2.f 'Cost of Risk') and EUR 185 million included in the caption Share of earnings of associates related to AG Insurance.

At 9 March 2012, it was announced by the Hellenic Republic that holders of approximately €172 billion principal amount of bonds issued or guaranteed by the Hellenic Republic have tendered their bonds for exchange or consented to proposed amendments in response to the invitations and consent solicitations announced by the Hellenic Republic on 24 February 2012. Fortis Bank has also tendered its Greek government bonds for exchange.

Securities issued by Portugal and Ireland, held by Fortis Bank and reclassified under 'Loans and Receivables', have been measured at market value for the purposes of note 5.e. 'Financial instruments reclassified as loans and receivables' and are classified as level 2 instruments given the lack of market liquidity.

#### **Fortis Bank's exposure to Greek, Irish and Portuguese sovereign credit risk, the three euro zone countries backed by a European support plan**

The following table shows the Bank's exposure at 31 December 2011 to these three sovereign states' credit risk in the form of securities, after the impairment recognised on Greek securities.

The amounts shown in the 'Loans and receivables' category derive from the reclassification at 30 June 2011 of securities previously shown under 'Available-for-sale financial assets'.

## Banking book positions, broken down by residual term to maturity

In millions of euros	Remaining time to maturity						31 December 2011 Total
	1 year	2 years	3 years	5 years	10 years	> 10 years	
<b>Greece</b>							
Loans and receivables							
Risk exposure and carrying value after impairment	22	34	114	25		52	248
Held-to-maturity financial assets							
Risk exposure and carrying value after impairment	37	6					42
<b>Ireland</b>							
Loans and receivables							
Risk exposure			3	20	187		210
Carrying value			3	17	150		169
<b>Portugal</b>							
Loans and receivables							
Risk exposure	113	140	401	478	30	100	1,262
Carrying value	115	129	353	367	21	95	1,080
Held-to-maturity financial assets							
Risk exposure and carrying value after impairment	72	10			19		102

## Reclassification of financial instruments initially recognised as available-for-sale assets

The amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008 permit the reclassification of instruments initially classified as available-for-sale within the customer loan portfolios.

The financial assets relating to sovereign securities reclassified to loans and receivables are summarized in the following table:

In millions of euros	Assets reclassified as loans and receivables			
	Reclassification date	Carrying value	Expected cash flows deemed recoverable	Average effective interest rate
Sovereign securities from the available-for-sale portfolio		1,903	3,897	
of which Greek sovereign securities	30 June 2011	687	2,168	9.0%
of which Portuguese sovereign securities	30 June 2011	1,020	1,446	8.8%
of which Irish sovereign securities	30 June 2011	196	283	6.1%

## Measurement of reclassified assets at 31 December 2011

The following tables show the items related to the reclassified assets, both as they were recorded during the period and as they would have been recorded if the reclassification had not taken place:

On the balance sheet

In millions of euros	31 December 2011	
	Carrying value	market or model value
Sovereign securities reclassified as-		
loans and receivable due from customers	1,497	1,331
of which Greek sovereign securities	248	248
of which Portuguese sovereign securities	1,080	907
of which Irish sovereign securities	169	176

In profit and loss and as a direct change in equity

In millions of euros	31 December 2011			Pro forma amount for the period
	Realised		Total	
	before reclassification	after reclassification		
In profit or loss item	(115)	(477)	(592)	(592)
<b>in revenues</b>	<b>29</b>	<b>131</b>	<b>160</b>	<b>161</b>
of which Greek sovereign securities	9	65	74	75
of which Portuguese sovereign securities	14	61	75	75
of which Irish sovereign securities	6	5	11	11
<b>in cost of risk</b>	<b>(144)</b>	<b>(608)</b>	<b>(752)</b>	<b>(753)</b>
of which Greek sovereign securities	(144)	(608)	(752)	(753)
as direct change in equity (before tax)	16	124	139	(32)
of which Greek sovereign securities	173	95	268	268
of which Portuguese sovereign securities	(158)	26	(132)	(308)
of which Irish sovereign securities	1	3	3	8
Total profit and loss impact and direct changes in equity resulting from reclassified items	(99)	(353)	(453)	(624)

### Disposals of Held-to-maturity securities in 2011

In 2011, BGL BNP Paribas sold EUR 550 million of sovereign debt securities, issued by Italy and Spain, which had until then been classified under 'held-to-maturity assets'.

The sale of Italian and Spanish securities was prompted by the deterioration in Italy's and Spain's economic situation, as reflected by the downgrading of the two countries credit ratings by various rating agencies in September and October 2011 and by the fall in the market value of these securities.

Rating downgrades suffered by certain issuers threatened to increase the amount of risk-weighted assets corresponding to the loans concerned. As a result, the Bank has reduced its exposure to positions most affected by this change, regardless of their accounting classification.

As a result, the Group applied the requirements of paragraphs AG 22a) and e) of IAS 39, to demonstrate that these disposals do not alter its intention to hold other assets in this category to maturity, or its ability to finance them. Other assets were therefore kept within this category.



## 8.i Fair value of financial instruments carried at amortised cost

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

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2011. They can fluctuate from day to day as a result of changes in various parameters, such as interest rates and the credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to Fortis Bank as a going concern.
- Most of these fair values are not taken into account in the management of the commercial banking activities.
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of Fortis Bank.

In millions of euros	31 December 2011		31 December 2010	
	Carrying value <sup>1</sup>	Estimated fair value	Carrying value <sup>1</sup>	Estimated fair value
<b>FINANCIAL ASSETS</b>				
Loans and receivables due from credit institutions	35,786	35,912	28,358	28,693
Loans and receivables due from customers	145,757	151,432	152,107	154,712
Held-to-maturity financial assets	2,187	2,306	3,073	3,188
<b>FINANCIAL LIABILITIES</b>				
Due to credit institutions	38,918	39,105	32,134	32,336
Due to customers	154,514	155,583	152,821	153,888
Debt securities	14,560	15,257	27,325	28,528
Subordinated debt	9,491	9,221	10,626	11,090

<sup>1</sup> The carrying amount does not include the re-measurement of portfolios of financial instruments in fair value hedging relationships. At 31 December 2011, this is included under 'Re-measurement adjustment on interest-rate risk hedged portfolios' for EUR 674 million under assets, and EUR 472 million under liabilities (EUR 537 million and EUR 359 million, respectively, at 31 December 2010).

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by Fortis Bank ensure that the fair value of financial assets and liabilities 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 estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in note 1, 'Summary of significant accounting policies applied by Fortis Bank'. In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, fair value equates to the carrying amount. The same applies to most regulated savings products.

## 8.j Contingent assets and liabilities

### Legal proceedings

Fortis Bank and its consolidated subsidiaries are involved as a defendant in various claims, disputes and legal proceedings in Belgium and in a number of foreign jurisdictions, arising in the ordinary course of the banking business, including in connection with their activities as lender, employer, investor and taxpayer.

Fortis Bank makes provision for such matters when in the opinion of management, after consulting legal advisors, it is probable that a payment will have to be made by Fortis Bank, and when the amount can be reasonably estimated.

With respect to further claims and legal proceedings against Fortis Bank (and its consolidated subsidiaries) of which management is aware (and for which, according to the principles outlined above, no provision has been made), management is of the opinion, after due consideration of appropriate professional advice that, while it is often not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, such proceedings are without merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Fortis Bank Consolidated Financial Statements.

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis N.V.' and currently 'Ageas SA/NV' and 'Ageas NV' both referred to as Ageas) at the end of September and beginning of October 2008, a number of groups representing shareholders, and others, have initiated (or threatened) legal action against various entities of the former Fortis group and/or certain members of their Board of Directors and management. These legal actions include inter alia:

#### **MCS Noteholders claim against Ageas, Fortis Bank and others**

Certain holders of MCS notes have filed two actions against the co-issuers of the MCS, including Fortis Bank, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and in secondary order claiming damages. Fortis Bank is of the opinion, after consultation with its legal advisors, that under the transaction documentation and Belgian law the claims have no merit. It is expected that a court verdict will be issued in the course of 2012.

#### **Dutch State claim letter against Ageas and Fortis Bank**

On 23 December 2010, the Dutch State (Ministerie van Financiën) sent Fortis Bank a claim letter in the order of EUR 186 million. The claim stems from the sale by Fortis Bank of the shares in Fortis Bank Nederland (Holding) N.V. to the Dutch State on 3 October 2008 and is based upon an alleged warranty breach. No proceedings against Fortis Bank have been initiated in this respect.

#### **Claims by VEB NCVB and 'Stichting Investor Claims against Fortis' before Dutch courts**

These two legal actions relate to the writs issued against Fortis at the time of its acquisition of ABN Amro and the role of Fortis Bank as underwriter.

In September 2007, Fortis Bank acted together with Merrill Lynch and other banks as underwriter of a rights issue by Fortis SA/NV and Fortis N.V. (now respectively Ageas SA/NV and Ageas N.V.) in the amount of EUR 13.4 billion. The rights issue served to partly finance the participation by Fortis in the acquisition of ABN Amro Bank N.V.

Fortis Bank received on 3 February 2011 a writ of summons from the Dutch association of shareholders 'VEB NCVB'. According to this association, Fortis Bank, together with Ageas, Merrill Lynch and others, is jointly and severally liable in connection with the alleged shortcomings of the prospectus. The association is seeking declaratory relief that the statements and omissions in the prospectus were misleading to all who purchased Fortis shares from 24 September 2007 until 3 October 2008 and that as a consequence Fortis Bank is jointly with other banks and officers liable for the damages sustained by the shareholders. As the procedure relates to a declaration sought by an association, no claim for damages has been made at this moment, but these proceedings may potentially lead to future damage claims.

On July 7, 2011 Fortis Bank also received a writ of summons by a foundation named 'Stichting Investor Claims Against Fortis'. This writ addresses the same subject matter and is largely based on the same allegations. Ageas and Merrill Lynch are co-defendants.

While it cannot be ruled out that the above claims may negatively affect the Consolidated Financial Statements of Fortis Bank, any likelihood of this happening is regarded as limited at this point in time.

Other litigation and investigations are pending in relation to the restructuring of the Fortis group to which Fortis Bank is at this moment not a party. This includes, inter alia, an enquiry report into the management and course of events at Fortis ordered by the Dutch 'Ondernemingskamer' (Entreprise Chamber) which was filed in June 2010. After the filing of the report, the VEB requested the court to decide whether improper management had occurred. The possibility cannot be ruled out that the outcome of such litigation and/or investigations might also have an impact on Fortis Bank.

Like many other companies in the banking, investment, mutual funds and brokerage sectors, Fortis Bank (and its consolidated subsidiaries) have received or may receive requests for information from supervisory, governmental or self-regulatory agencies. Fortis Bank responds to such requests and cooperates with the relevant regulators and other parties and helps to address any issues they might raise. Fortis Bank believes that any issues that have been identified do not represent a systemic problem to Fortis Bank or its businesses.

## 8.k Fees paid to the Statutory Auditors

The breakdown of the fees paid to the statutory auditors for the year 2011 and 2010 is as follows:

In thousand of euros	Year to 31 Dec. 2011						Year to 31 Dec. 2010					
	Deloitte	%	PwC	%	Total	%	Deloitte	%	PwC	%	Total	%
<b>Audit</b>												
Statutory audits and contractual audits, including:	2,377	47%	2,087	89%	4,464	60%	2,360	36%	2,412	46%	4,772	41%
- Fortis Bank	1,348	26%	1,179	50%	2,527	34%	1,087	17%	1,140	22%	2,227	19%
- Consolidated subsidiaries	1,029	20%	908	39%	1,937	26%	1,273	20%	1,272	24%	2,545	22%
Other reviews and services directly related to the statutory audit engagement, including:	85	2%	256	11%	341	5%	627	10%	2,653	51%	3,280	28%
- Fortis Bank	40	1%	233	10%	273	4%	573	9%	2,507	48%	3,080	26%
- Consolidated subsidiaries	45	1%	23	1%	68	1%	54	1%	146	3%	200	2%
Sub-total	2,462	48%	2,343	100%	4,805	64%	2,987	46%	5,065	97%	8,052	69%
<b>Non Audit</b>												
Tax and legal	4	0%		0%	4	0%	67	1%	63	1%	130	1%
- Fortis Bank		0%		0%		0%		0%		0%		0%
- Consolidated subsidiaries	4	0%		0%	4	0%	67	1%	63	1%	130	1%
Others	2,645	52%		0%	2,645	35%	3,461	53%	110	2%	3,571	30%
- Fortis Bank		0%		0%		0%		0%		0%		0%
- Consolidated subsidiaries	2,645	52%		0%	2,645	35%	3,461	53%	110	2%	3,571	30%
Sub-total	2,649	52%		0%	2,649	36%	3,528	54%	173	3%	3,701	31%
<b>TOTAL</b>	<b>5,111</b>	<b>100%</b>	<b>2,343</b>	<b>100%</b>	<b>7,454</b>	<b>100%</b>	<b>6,515</b>	<b>100%</b>	<b>5,238</b>	<b>100%</b>	<b>11,753</b>	<b>100%</b>

The audit fees paid to auditors that are not members of the network of one of the auditors certifying the Fortis Bank consolidated financial statements and the non-consolidated

financial statements, shown in the table above, amounted to EUR 635,000 for the year 2011.

## 8.l Events after the reporting period

There have been no material events since the balance sheet date that would require adjustments to the Consolidated Financial Statements as at 31 December 2011.

At 26 January 2012, Ageas and Fortis Bank announced an agreement on a partial settlement of the Relative Performance Note (RPN) related to the CASHES and the full call of a Tier 1 instrument issued by Fortis Bank in 2001 and 95% held by Ageas since September 2011. The settlement and call were both subject to BNP Paribas reaching at least a 50% success rate on a cash tender for the CASHES, launched on 26 January 2012.

The CASHES (Convertible And Subordinated Hybrid Equity-linked Securities) are securities issued by Fortis Bank SA/NV in 2007, with a floating rate (3 month EURIBOR + 200 bps), with the former Fortis' parent companies, now Ageas N.V. and Ageas SA/NV, as Co-obligors, and convertible into 125,313,283 Ageas shares. The CASHES are further described in note 5.a: 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'.

The RPN related to the CASHES is a financial instrument held by Ageas SA/NV, Ageas N.V. and Fortis Bank, which results in quarterly interest payments being made to, or received from Fortis Bank SA/NV. Each quarterly interest payment (3 month EURIBOR + 20 bps) is paid over a reference amount based on the value of the RPN. This RPN was initially designed to avoid accounting volatility at Fortis Bank SA/NV with regard to the market value changes of the CASHES and its underlying 125,313,283 Ageas shares.

The Tier 1 instrument issued by Fortis Bank in 2001 relates to EUR 1 billion worth of Redeemable Perpetual Cumulative Coupon Debt Securities, EUR 952.9 million of this owned by Ageas N.V. since 26 September 2011 as a result of an exchange for cash with previous holders after Fortis Bank decided not

to call these bonds at their first call date. This exchange is in line with a Support Agreement entered into by the former Fortis' parent companies, now Ageas SA/NV and Ageas N.V. These hybrid Tier 1 innovative securities are further described in note 5.h: 'Debt securities and subordinated debt'.

On 31 January 2012, it was announced that the tender offer of the CASHES, launched by BNP Paribas on 26 January 2012 had successfully closed on Monday 30 January 2012. The acceptance rate reached 63% at an offer price of 47.5%.

On 6 February 2012, BNP Paribas exchanged 7,553 of tendered securities out of 12,000 CASHES securities outstanding (62.94%) for 78,874,241 existing Ageas shares, entitled to dividend and voting rights. BNP Paribas has committed not to sell these shares for a period of 6 months.

BNP Paribas will collect an indemnification from Ageas and Fortis Bank. The RPN mechanism will cease to exist in proportion to the CASHES converted. The payments of the redemption of the Tier 1 securities and the indemnification payment will be netted.

This transaction will have several impacts on Fortis bank in 2012. The main positive financial impact is due to the redemption of a majority of the CASHES, thus avoiding a relatively high interest charge over the coming years. This impact is off-set by the one-time indemnifications and transaction costs paid in order to (partly) exit this instrument. In addition, should BNP Paribas exchange any additional CASHES within a period of 2 years, it will be indemnified by Fortis Bank and Ageas, within the limits specified for the recent offer.

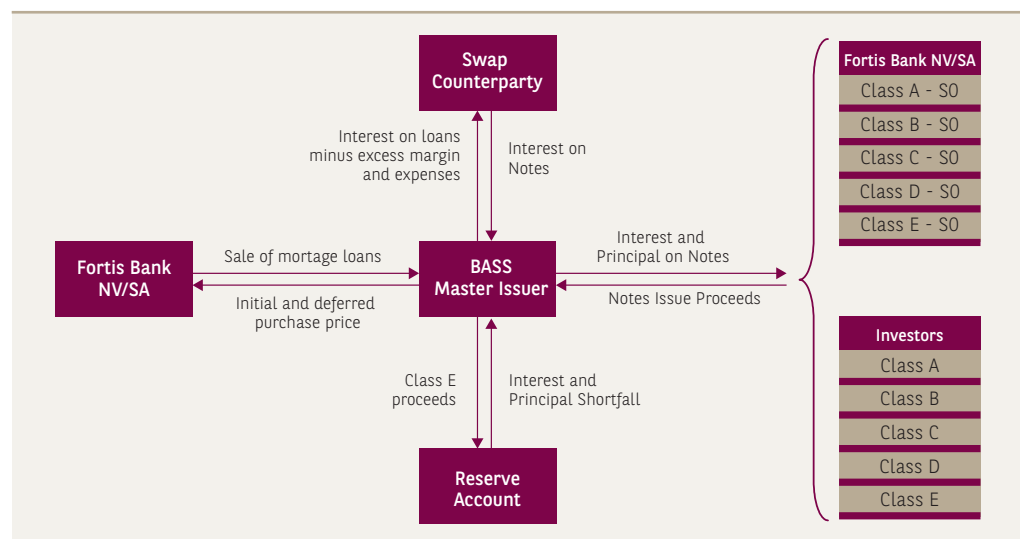
There is a negative impact on the liquidity and solvency of Fortis Bank, although not leading to a major change in the related regulatory ratios.

## 8.m Additional information on the Bass and Esmée securitisation transactions

BASS Master Issuer NV/SA, institutional company for investment in receivables under Belgian law

### Description of the transaction

Bass Master Issuer NV/SA is a special purpose vehicle (SPV) created to securitise mortgage loans, originally granted by Fortis Bank NV/SA in Belgium. The mortgage loans are securitised based on the following structure:



Fortis Bank NV/SA transfers monthly interest and principal repayments on the securitised loans to BASS Master Issuer NV/SA. To the extent permitted under the provisions of the programme, BASS Master Issuer NV/SA uses the capital receipts to purchase new mortgage loans from Fortis Bank NV/SA. The interest payments BASS Master Issuer NV/SA receives are swapped on a quarterly basis for the interest payable on the issued bonds, plus the guaranteed excess spread of 0.20% a year.

The bonds issued under the BASS Master Issuer programme as at 31 December 2011 are shown in the following table. Bass Master Issuer was launched in June 2008. The total amount of notes issued under the programme has been increased over time.

Tranche	ISIN	Original notional amount in EUR	Notional amount as of 31 December 2011	Step up date	Legal final maturity	Coupon	Step up coupon	Fitch	Moody's	S&P
Bass 2008-1 A0	BE0002364363	15,750,000,000	23,400,000,000	15/07/2012	15/07/2052	3-m Euribor + 25	3-m Euribor + 25	AAA	Aaa	NR
Bass 2008-1 B0	BE0002365378	525,000,000	780,000,000	15/07/2012	15/07/2052	3-m Euribor + 45	3-m Euribor + 45	AA	Aa3	NR
Bass 2008-1 C0	BE0002366384	525,000,000	780,000,000	15/07/2012	15/07/2052	3-m Euribor + 60	3-m Euribor + 60	A	A2	NR
Bass 2008-1 D0	BE0002367390	700,000,000	1,040,000,000	15/07/2012	15/07/2052	3-m Euribor + 120	3-m Euribor + 120	BBB	NR	NR
Bass 2008-1 E0	BE0002368406	157,500,000	234,000,000	15/07/2012	15/07/2052	3-m Euribor + 600	3-m Euribor + 600	NR	NR	NR
Total Bass			26,234,000,000							

As at 31 December 2011, Fortis Bank NV/SA had transferred mortgage loans to the value of EUR 25,800,721,999.90 to BASS Master Issuer NV/SA.

### Overview of relevant parties

Fortis Bank NV/SA plays several roles within the securitisation transaction, with several other roles played by parties outside the scope of Fortis Bank NV/SA. The following table contains an overview of the relevant parties:

#### Issuer of the bonds

BASS Master Issuer NV/SA, institutional company for investment in receivables under Belgian law. The company is not a subsidiary of Fortis Bank NV/SA and is represented by two Independent directors.

#### Seller of the loans

Fortis Bank NV/SA. Direct or indirect subsidiaries of Fortis Bank NV/SA may participate in the programme, subject to certain conditions, provided that a supplement to the prospectus is published.

#### Loan provider

Fortis Bank NV/SA or any subsidiary or predecessor of Fortis Bank NV/SA.

#### Loan servicer

Fortis Bank NV/SA

#### Administrator of BASS Master Issuer NV/SA

Intertrust (Nederland) B.V.

#### GIC counterparty

Fortis Bank NV/SA

#### Interest swap counterparty

Fortis Bank NV/SA

#### Security Agent

Stichting Security Agent BASS, foundation under Dutch law. The foundation is represented by an independent director.

#### Shareholders of BASS Master Issuer

Stichting Holding BASS, foundation under Belgian law, and Genfinance NV/SA. Stichting Holding BASS is represented by two Independent directors.

#### Domiciliary Agent

Fortis Bank NV/SA

#### Listing Agent

Fortis Bank NV/SA

#### Reference Agent

Fortis Bank NV/SA

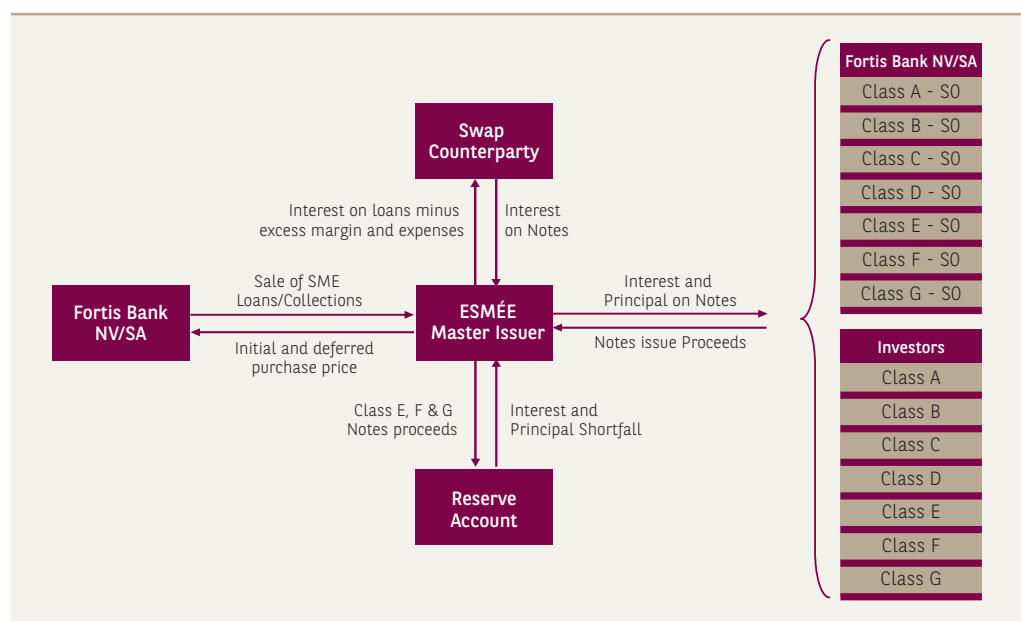
### Other rights and obligations

Since the securitisation vehicle is fully consolidated by Fortis Bank NV/SA, all other mutual relationships between the two entities are also consolidated.

## Esmée Master Issuer NV/SA, institutional company for investment in receivables under Belgian law

### Description of the transaction

Esmée Master Issuer NV/SA is a second special purpose vehicle (SPV) created to securitise loans to self-employed people and small and medium-sized enterprises, originally granted by Fortis Bank NV/SA in Belgium. The loans are securitised based on the following structure:



Fortis Bank NV/SA transfers monthly interest and principal repayments on the securitised loans to Esmée Master Issuer NV/SA. To the extent permitted under the provisions of the programme, Esmée Master Issuer NV/SA uses the capital receipts to purchase new loans from Fortis Bank NV/SA, based on predetermined criteria that the loans are required to meet. The interest payments Esmée Master Issuer NV/SA receives are swapped on a quarterly basis for the interest payable on the issued bonds, plus the guaranteed excess spread of 0.75% a year.

The bonds issued under the Esmée Master Issuer programme as at 31 December 2011 are shown in the following table. Esmée Master Issuer was launched in December 2009.

Tranche	ISIN	Original notional amount in EUR	Notional amount as of 31 December 2011	Step up date	Legal final maturity	Coupon	Step up coupon	Fitch	Moody's	S&P
Esmee 2009-1 A0	BE0002387596	6,040,000,000	6,040,000,000	25/10/2013	25/10/2045	3-m Euribor + 35	3-m Euribor + 35	AAA	Aaa	NR
Esmee 2009-1 B0	BE0002388602	1,400,000,000	1,400,000,000	25/10/2013	25/10/2045	3-m Euribor + 75	3-m Euribor + 75	NR	A2	NR
Esmee 2009-1 C0	BE0002389618	320,000,000	320,000,000	25/10/2013	25/10/2045	3-m Euribor + 100	3-m Euribor + 100	NR	Baa2	NR
Esmee 2009-1 D0	BE0002390624	240,000,000	240,000,000	25/10/2013	25/10/2045	3-m Euribor + 150	3-m Euribor + 150	NR	Ba2	NR
Esmee 2009-1 E0	BE0002391630	96,000,000	96,000,000	25/10/2013	25/10/2045	3-m Euribor + 300	3-m Euribor + 300	NR	NR	NR
Esmee 2009-1 F0	BE0002392646	96,000,000	96,000,000	25/10/2013	25/10/2045	3-m Euribor + 400	3-m Euribor + 400	NR	NR	NR
Esmee 2009-1 G0	BE0002393651	88,000,000	88,000,000	25/10/2013	25/10/2045	3-m Euribor + 500	3-m Euribor + 500	NR	NR	NR
Total Esmée			<u>8,280,000,000</u>							

As at 31 December 2011, Fortis Bank NV/SA had transferred loans to self-employed people and small and medium-sized enterprises to the value of EUR 7,854,189,449.02 to Esmée Master Issuer NV/SA.

### Overview of relevant parties

Fortis Bank NV/SA plays several roles within the securitisation transaction, with several other roles played by parties outside the scope of Fortis Bank NV/SA. The following table contains an overview of the relevant parties:

#### Issuer of the bonds

Esmée Master Issuer NV/SA, institutional company for investment in receivables under Belgian law. The company is not a subsidiary of Fortis Bank NV/SA and is represented by two Independent directors.

#### Seller of the loans

Fortis Bank NV/SA. Direct or indirect subsidiaries of Fortis Bank NV/SA may participate in the programme, subject to certain conditions, provided that a supplement to the prospectus is published.

#### Loan provider

Fortis Bank NV/SA or any subsidiary or predecessor of Fortis Bank NV/SA.

#### Loan servicer

Fortis Bank NV/SA

#### Administrator of Esmée Master Issuer NV/SA

Intertrust (Nederland) B.V.

#### GIC counterparty

Fortis Bank NV/SA

#### Interest swap counterparty

Fortis Bank NV/SA

#### Security Agent

Stichting Security Agent Esmée, foundation under Dutch law. The foundation is represented by an independent director.

#### Shareholders of Esmée Master Issuer

Stichting Holding Esmée, foundation under Belgian law, and Genfinance NV/SA. Stichting Holding Esmée is represented by two Independent directors.

#### Domiciliary Agent

Fortis Bank NV/SA

#### Listing Agent

Fortis Bank NV/SA

#### Reference Agent

Fortis Bank NV/SA

### Other rights and obligations

Since the securitisation vehicle is fully consolidated by Fortis Bank NV/SA, all other mutual relationships between the two entities are also consolidated.



# Report of the accredited statutory auditors

## JOINT STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011

As required by law and the Company's articles of association, we report to you in the context of our appointment as the Company's statutory auditors. This report includes our opinion on the consolidated financial statements and the required additional remarks.

### **Unqualified opinion on the consolidated financial statements with an explanatory paragraph**

We have audited the consolidated financial statements of Fortis Bank SA/NV (the "Company") and its subsidiaries (the "Group") as of and for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated balance sheet amounts to EUR (000.000) 346.179 and the consolidated profit and loss account shows a gain for the year (group share) of EUR (000.000) 104.

The Company's board of directors is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Group, as well as the presentation of the consolidated financial statements taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets and liabilities and its financial position as of 31 December 2011 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Without further qualifying our opinion, we draw the attention to the fact that as described in note 8.j to the consolidated financial statements as of 31 December 2011, as a result of 2008 events having impacted the Fortis group, a number of claimants have initiated legal actions against the former Fortis group, including the Company and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the consolidated financial statements.

### **Additional remarks**

The Company's board of directors is responsible for the preparation and content of the management report on the consolidated financial statements.

Our responsibility is to include in our report the following additional remarks, which do not have any effect on our opinion on the consolidated financial statements:

- The management report on the consolidated financial statements deals with the information required by the law and is consistent with the consolidated financial statements. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the matters disclosed do not present any obvious inconsistencies with the information we became aware of during the performance of our mandate.

Brussels, 23 March 2012

### **The Joint Statutory Auditors**

#### **PwC Reviseurs d'Entreprises scrl/ Bedrijfsrevisoren bcvba**

Represented by

R. Jeanquart  
Reviser d'Entreprises / Bedrijfsrevisor

#### **Deloitte Reviseurs d'Entreprises sc sous forme d'une scrl / Bedrijfsrevisoren bv ovv cvba**

Represented by

Ph. Maeyaert  
Reviser d'Entreprises / Bedrijfsrevisor

F. Verhaegen  
Reviser d'Entreprises / Bedrijfsrevisor



# **Fortis Bank Annual Report 2011 (non-consolidated)**

# Report of the Board of Directors

In conformity with the Belgian Companies Code (art. 119) and to avoid repetition, Fortis Bank has combined the non-consolidated report and the consolidated report of the Board of Directors. The consolidated report of the Board of Directors can be found from page 10 to 46 of this Annual report.

## Comments on the evolution of the Balance Sheet

The **total balance sheet** at 31 December 2011 amounts to EUR 301 billion, an increase of EUR 2 billion or 1% compared with 31 December 2010. There is an increase in Fortis Bank in Belgium of EUR 6 billion, largely offset by a decrease in the foreign branches of the Bank of EUR (4) billion, which is mainly the result of the transfer of activities to other entities of the BNP Paribas Group.

### Assets

The **Cash, balances with central banks and giro offices** amount to EUR 2 billion at 31 December 2011, reflecting an increase of EUR 1.7 billion. This evolution is related to the amounts due from central banks.

The **amounts receivable from credit institutions** reached EUR 44 billion end 2011, increasing by EUR 3 billion or 7%, consisting of an increase by EUR 7 billion in Belgium and a decrease by EUR (4) billion in the foreign branches.

The amount of EUR 44 billion contains mainly reverse repurchase agreements (EUR 17 billion), current accounts and day to day loans (EUR 8 billion), interbank investments (EUR 14 billion) and monetary Reserve assets (EUR 4 billion). At the end of 2011, interbank receivables represented 14% of total assets in line with the previous year's relative weighting.

In Belgium, interbank investments and the monetary Reserve increased respectively by EUR 6 billion and EUR 3 billion, the current accounts and the day to day loans decreased by EUR (2) billion. Over the period, at the foreign branches, current accounts and day to day loans decreased by EUR (3) billion.

The **amounts receivable from customers** stood at EUR 82 billion at 31 December 2011, a decrease of EUR (9) billion or 10%, of which EUR (7) billion in Belgium and EUR (2) billion in the foreign branches.

The amount of EUR 82 billion consists of term loans (EUR 52 billion), reverse repurchase agreements (EUR 10 billion), mortgage loans (EUR 11 billion), advances on current accounts (EUR 4 billion) and other receivables (EUR 5 billion). At the end of 2011, they represented 27% of the total assets compared with 31% at end 2010.

The securitization via 'Special Purposed Vehicles' remained stable, amounting to EUR 33 billion at the end of 2011, of which EUR 25 billion related to mortgage loans and EUR 8 billion to term loans.

The evolution compared to 2010 can be described as follows. In Belgium, the reverse repurchase agreements decreased by EUR (11) billion while mortgage loans increased by EUR 3 billion. term loans at the branches decreased by EUR (2) billion, mainly owing to the transfer of branches to the BNP Paribas Group.

The **bonds and other fixed-income securities** amounted to EUR 91 billion. This portfolio decreased by EUR (5) billion or 5%, mainly in Belgium.

The amount of EUR 91 billion consists for the most part of an investment portfolio containing bonds from other issuers (EUR 56 billion), bonds issued by public authorities (EUR 31 billion) and by financial institutions (EUR 2 billion). The trading portfolio amounts to EUR 2 billion. Bonds and other fixed-income securities represent 30% of the total assets versus 32% at the end of 2010.

The total decrease is explained by a reduction of EUR (5) billion in the investment portfolio, mainly in bonds issued by public authorities.

The **financial fixed assets** amounted to EUR 9 billion at 31 December 2011. The reduction of EUR (207) million or 2% is mainly due to the sale of participations (Fortis Bank Reinsurance and BIM) and the impairment on the Bank's stake in AG Insurance.

The **other assets** amounted to EUR 5 billion at 31 December 2011 and a decrease by EUR (1) billion or 12%. This decrease is in particular concentrated in Belgium due to lower paid premiums on derivatives, essentially trading options.

The **deferred charges and accrued income** amounted to EUR 67 billion, an increase by EUR 13 billion or 25%, mainly in Belgium. This evolution mainly concerns the accruals on derivatives, essentially on interest rate swaps (EUR 11 billion) and interest rate options (EUR 4 billion), and is due to a valuation effect arising from the impact of the evolution of long term interest rates on the value of the fixed leg of the contracts. On the other side, the volumes of interest rate options and interest rate swaps declined by 15% in Belgium.

The deferred charges and accrued income represented 22% of total assets against 18% at the end of 2010.

## Liabilities and shareholders' equity

The **amounts payable to credit institutions** represented EUR 47 billion at 31 December 2011. They increased by EUR 5 billion or 11% compared to 2010, mainly in Belgium.

The amount of EUR 47 billion consists essentially of repurchase agreements (EUR 27 billion), interbank borrowings (EUR 12 billion) and credit institutions sight accounts (EUR 7 billion). At the end of 2011, interbank liabilities represented 16% of the total liabilities against a weighting of 14% at end 2010.

The repurchase agreements show a positive evolution of EUR 5 billion. However, this effect is slightly offset by a decrease of EUR (1) billion in interbank borrowings.

The **amounts payable to clients** stood at EUR 132 billion at 31 December 2011. This represents a reduction of EUR (8) billion or 6% split between EUR (2) billion in Belgium and EUR (6) billion in the foreign branches.

The amount of EUR 132 billion consists mainly of savings deposits (EUR 54 billion), current accounts (EUR 30 billion), reverse repurchase agreements (EUR 26 billion) and term deposits (EUR 19 billion), representing 44% of total liabilities against 47% at end 2010.

This decrease is mainly the result of a decline in term deposits (EUR (4) billion) at the foreign branches (which however increased in Belgium by EUR 1 billion) plus a decline in sight deposits (EUR (3) billion, EUR (1) billion of which came in Belgium and EUR (2) billion at the foreign branches).

The **amounts payable represented by a security** totalled EUR 19 billion at 31 December 2011. Overall, they decreased by EUR (6) billion or 23% on 2010, the decline breaking down into EUR (2) billion in Belgium and EUR (4) billion at the foreign branches.

The amount of EUR 19 billion consists mainly of certificates of deposit (EUR 4 billion), non-convertible bonds (EUR 8 billion) and savings certificates (EUR 7 billion), representing 6% of total liabilities, compared with 8% at end 2010.

This decline is largely explained by a decrease of EUR (7) billion in certificates of deposit - EUR (3) billion in Belgium and EUR (4) billion at the foreign branches. On the other hand, savings certificates were up by EUR 1 billion in Belgium.

The **other amounts payable** represented EUR 7 billion at 31 December 2011, reflecting a decrease of EUR (2) billion or 23%, essentially related to the decrease in received premiums on the derivatives, predominantly trading options (EUR (2) billion). This evolution is mainly concentrated in Belgium.

The **accrued charges and deferred income** amounted to EUR 67 billion, a rise of EUR 15 billion or 28%, mainly in Belgium. This increase essentially relates to the accruals on derivatives and is due to a valuation effect arising from the impact of the evolution of long term interest rates on the value of the fixed leg of the contracts. On the other hand, the volumes of interest rate options and interest rate swaps declined by 15% in Belgium.

The accrued charges and deferred income represent 22% of total liabilities compared with 18% at the end of 2010.

The **fund for general banking risks** remains unchanged at EUR 1 billion.

The **subordinated debts** amounted to EUR 15 billion, a decrease by EUR (1) billion or 7%. The decrease is reflecting the run-off calendar.

The **shareholders' equity**, after earnings appropriation, amounted to EUR 12 billion at end 2011, a decrease by EUR (0.1) billion or 1%. The reduction is explained by the distributed dividend (EUR (0.2) billion), which was higher than the profit of the year (EUR 0.1 billion), thus generating a decrease in the profit reserves built up in previous years (EUR (0.1) billion).

## Comments on the evolution of the Income statement

The **result of the year**, before transfer from untaxed reserves, showed a profit of EUR 72 million, compared to EUR 1,875 million in 2010.

The year 2011 was influenced negatively by the impact of the impairments on the Greek sovereign debt leading to a provision of EUR (670) million, and by impairments and realised results on financial fixed assets of EUR (180) million. The year 2011 was also negatively impacted by the costs of integrating Fortis Bank into BNP Paribas (EUR (199) million) though positively impacted by the reversal of a tax related provision amounting to EUR 253 million.

The result of the year 2010 was impacted by some one-off events such as the disposal of stakes shareholdings (EUR 1,175 million) and foreign branches activities (EUR 156 million) and also by the costs of Fortis Bank integration into BNP Paribas (EUR (301) million).

The retail and private banking revenues showed an increase on the previous year while earnings from market activities decreased due to the difficult market conditions. Costs, excluding integration costs, decreased and impairments, excluding Greek sovereign debt impact, were lower than the previous year.

The **interest margin** (Headings I and II) amounted to EUR 2,522 million, reflecting a decrease of EUR (105) million or 4% on 2010. This decrease is for EUR (208) million at the foreign branches, mainly explained by the progressive integration during 2010 of foreign branches into other entities of the BNP Paribas Group, and is partially compensated by an increase of EUR 103 million in Belgium.

The Retail banking interest margin grew in 2011. On the one hand, the average volume of loans increased by 4.3 billion with a stable average interest rate. On the other hand, the average volume of savings accounts rose by 4 billion, combined with a slight decrease in the average interest rate.

In addition, interest income increased also due to the rise in the average interest rate on the bonds portfolio despite a decline in volumes. On the liabilities side, fewer issues and lower bankers' funding needs plus a decrease in term deposits, exerted downward pressure on the interest charge.

**Income from variable-income securities** (Heading III) amounted to EUR 453 million in 2011, an increase of EUR 69 million or 18% compared to 2010, mainly explained by an increase in received dividends from stakes shareholdings.

The **commissions** (Heading IV and V) amounted to EUR 959 million, an increase of EUR 48 million or 5%.

The commissions of retail banking decreased, in particular those in relation with the securities and the insurance products, to put in parallel with the positive evolution of the on-balance savings.

The net commissions were also negatively impacted by the reorganisation of the capital market activities within the BNP Paribas Group.

These negative evolutions were however more than compensated by the transfer of activities between foreign branches and other entities of the BNP Paribas Group.

The **profit on financial operations** (Heading VI) amounted to EUR 20 million, down by EUR (244) million. This decrease can be explained by the difficult economic environment characterised by turbulence within the euro-zone and reflected by an increased credit risk and the exposure of the banks to the sovereign debt crisis.

The profit on exchange transactions and trading in securities and other financial instruments amounted to EUR 41 million in 2011 against EUR 182 million in 2010.

The disposal of investment securities, related to both fixed- and variable-income securities, generated a loss totalling EUR (21) million in 2011 compared to a profit of EUR 82 million in 2010.

The **general administrative expenses** (Heading VII) amounted to EUR (2,826) million, a decrease by EUR 46 million versus to 2010.

The remuneration, social charges and pensions decreased by EUR 92 million or 5%, mainly due to a lower average workforce at the foreign branches following the integration process with BNP Paribas. The cost level in Belgium remained stable, reflecting on the one hand the higher average workforce (+ 1.6%) and on the other hand a decrease in variable compensation.



The other administrative expenses increased in 2011 by EUR (46) million mainly owing to the costs of integration into BNP Paribas Group and a rising contribution to the deposit guarantee scheme.

The **depreciations and amounts written off on formation expenses, intangible and tangible fixed assets** (Heading VIII) amounted to EUR (172) million, a decrease by EUR 12 million compared to 2010. This evolution can be explained by the accelerated depreciations of buildings in 2010, partially compensated by the higher depreciations on intangible assets in 2011 (EUR (14) million) due to the integration of the Corporate Transaction Group and Fortis Finance Belgium activities.

The **amounts written off on the amounts receivable and on the investment portfolio** (Heading IX + X) totalled EUR (847) million in 2011 compared with EUR (251) million in 2010, showing an increase of EUR (596) million. The level of impairments in 2011 was mainly impacted by the impairments on the Greek sovereign debt, resulting in a provision of EUR (670) million. Excluding this impact, the level of specific provisions in 2011 was actually lower than in 2010.

The **provisions for risks and charges** (Heading XI + XII) show a net reversal of EUR 350 million in 2011 against a charge of EUR (10) million in 2010. The provisions in 2011 are, firstly, impacted by a reversal of tax related provisions (EUR 253 million) and, secondly, by a reversal of legal provisions used (EUR 64 million - to be seen in parallel with Heading XV: Other Operating Charges).

In 2010, provisions relating to contractual engagements were booked at the foreign branches.

The **other operating income** (Heading XIV) amounted to EUR 213 million, EUR 13 million higher than 2010. This evolution can be explained mainly by the re-invoicing of costs to the BNP Paribas Group.

The **other operating charges** (Heading XV) amounted to EUR (326) million for 2011, up by EUR (67) million compared to 2010. This evolution can mainly be explained by the payment of already provisioned legal risks (EUR (64) million and should be taken in tandem with Heading XI Uses of provisions for risks and charges).

The **extraordinary income** (Heading XVII) amounted to EUR 317 million, a decrease by EUR (1,687) million, relating mainly to the reversal of impairments on financial fixed assets (EUR 244 million, included in Heading XVII B), the realised gains on financial fixed assets (EUR 35 million, included in Heading XVII D) and the realised gains on property, plant and equipment (EUR 32 million, included in Heading XVII D). In 2010 the EUR 2,004 million figure was mainly due to the realised gains on financial fixed assets (EUR 1,325 million, included in Heading XVII D) and the realised gains on foreign branches (EUR 648 million, included in Heading XVII E).

The **extraordinary charges** (Heading XVIII) came to EUR (541) million, a decrease by EUR 479 million, relating mainly to impairments on financial fixed assets (EUR (386) million, included in Heading XVIII B), realised losses on financial fixed assets (EUR (73) million, included in Heading XVIII D) and realised losses on property, plant and equipment (EUR (35) million, included in Heading XVIII D). In 2010 the EUR (1,020) million figure mainly resulted from impairments on financial fixed assets (EUR (240) million, included in Heading XVIII B), provisions for early departures (EUR (118) million, included in Heading XVIII C), realised losses on financial fixed assets (EUR (150) million, included in Heading XVIII D) and realised losses on foreign branches (EUR (492) million, included in Heading XVIII E).

The **income taxes** (Heading XIXbis + XX) show a negative figure of EUR (49) million in 2011, in comparison with a positive amount of EUR 81 million in 2010. The tax level was influenced by regularisations of previous years and by the fiscal treatment of the provisions for early departures in Belgium and also by tax regimes at the foreign branches.

The remaining 10 **foreign branches** are situated in Bucharest, Cologne, Copenhagen, Lisbon, London, Madrid, New York, Prague, Stockholm and Vienna, together making a profit of EUR 211 million in 2011, against a profit of EUR 268 million from the 21 foreign branches in 2010.

Taking into account the transfer from the untaxed reserves, the **profit for the year available for appropriation** come to EUR 72 million.

## Proposed appropriation of the result for the accounting period

Profit for the year for appropriation	EUR	72.5	million
Profit brought forward from the previous year	EUR	1,371.6	million
Profit to be appropriated	EUR	1,444.1	million
Appropriation to statutory reserve	EUR	3.6	million
Profit to be carried forward	EUR	1,221.3	million
Dividend	EUR	207.8	million
Other allocations	EUR	11.4	million

In accordance with the aforementioned profit appropriation for the financial year 2011, the Board of Directors of Fortis Bank will request the approval of the General Meeting of Shareholders for the distribution of a gross dividend of EUR 0.43 per share. This corresponds to a net dividend of EUR 0.3225. For shares with VVPR-strips the net dividend amounts to EUR 0.3397.

As part of its pursuit of cheaper capital, Fortis Bank issued innovative financial debt instruments ('Redeemable Perpetual Cumulative Coupon Debt Securities') on the international market on 26 September 2001 to a total value of EUR 1 billion. The purpose of the issue was to bolster Fortis Bank's solvency in a proactive manner and hence to support the further development of banking operations, in terms of corporate and consumer credit provision and of marketing operations. This move also anticipates new solvency regulations, including coverage of additional risk categories such as operating risk. Since these securities are, by their nature, highly subordinated liabilities, the Banking, Finance and Insurance Commission has agreed to rate them as equal to Tier 1 capital. A number of conditions have to be met to this end, including the possibility of converting the securities into Fortis Bank profit-sharing instruments under certain circumstances. To allow profit-sharing instruments to be issued on submission of these securities, the Extraordinary Meeting of Shareholders of 23 November 2001 added Article 5bis to the Articles of Association. The authorised capital was also adjusted to enable the Board of

Directors, amongst other things, to pay the interest on the securities by issuing new Fortis Bank shares, if that should prove necessary. Article 5bis of the Articles of Association further lists the circumstances in which profit-sharing instruments of this kind may be issued, the characteristics of those instruments, the dividend restrictions applying to them and various other provisions.

The Board of Directors has also undertaken to abide by the following regulatory limits: if actually issued, the profit-sharing instruments, together with other innovative capital instruments issued by Fortis Bank that qualify as Tier 1 capital, will not amount to more than 15% of Fortis Bank's Tier 1 capital and if actually used, the profit-sharing instruments, together with other similar instruments or shares without voting rights issued by Fortis Bank, will not amount to more than one third of Fortis Bank's authorised capital, including issue premiums.

Fortis Bank has decided not to exercise its call option on the EUR 1 billion Redeemable Perpetual Cumulative Coupon Debt Securities at their first call date of 26 September 2011. Following the Fortis Bank decision, and pursuant to the terms and conditions of these Securities, Ageas sought the approval of the National Bank of Belgium (NBB) to acquire the securities against cash and at par on 26 September 2011. On 19 August 2011, Ageas was notified by the NBB of its consent to the exchange. In addition, Ageas was informed that holders representing 95% of the amount of the securities had decided to opt for the exchange.

On 27 October 2004, Fortis Bank issued Directly Issued Perpetual Securities to the value of EUR 1 billion with a goal and characteristics that are broadly comparable with the Redeemable Perpetual Cumulative Coupon Debt Securities dating from 2001. The regulatory limits described above also apply for this issue. In order to facilitate the issue of Directly Issued Perpetual Securities, the Articles of Association were amended at an Extraordinary General Meeting of Shareholders on 28 April 2005. A new Article 5ter was added, which defines in detail the circumstances under which profit-sharing instruments will be issued, their characteristics, the associated dividend restrictions and various other provisions.

On 19 December 2007, Fortis Bank issued Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) with a nominal value of EUR 3 billion and a denomination of EUR 250,000 each. The coupons on the securities are payable quarterly at a variable rate per annum of 3 month Euribor + 2.0%. For regulatory purposes, the CASHES securities are treated as part of Tier 1 capital. The coupons on the CASHES securities constitute direct and subordinated obligations of each of Fortis Bank S.A./N.V., Ageas S.A./N.V. (formerly Fortis S.A./N.V.) and Ageas N.V. (formerly Fortis N.V.) as obligors. The coupons of CASHES are subordinated to all other loans, subordinated loans and preference shares, but rank senior to ordinary shares. The principal amount of the securities will not be repaid in cash. The sole recourse of the note holders of the CASHES securities against any of the co-obligors with respect to the principal amount is the equivalent of 125,313,283 shares that Fortis Bank has pledged in favour of the CASHES holders. Those shares have no dividend entitlement or voting rights until the exchange. The CASHES securities have no maturity date, but may be exchanged against Ageas (ex-Fortis) shares at a price of EUR 23.94 per share at the discretion of the holder. From 19 December 2014, the bonds will be automatically exchanged into Ageas (ex-Fortis) shares if the price of the Ageas (ex-Fortis) share is equal to or higher than EUR 35.91 on twenty successive trading days.

At 26 January 2012, Ageas and Fortis Bank announced an agreement on a partial settlement of the RPN related to the CASHES and the full call of the Tier 1 instrument issued by Fortis Bank in 2001 and for 95% held by Ageas since September 2011. The settlement and call were both subject to BNP Paribas reaching at least a 50% success rate on a cash tender of the CASHES, launched at 26 January 2012.

The RPN is a financial instrument held by Ageas SA/NV, Ageas N.V. and Fortis Bank, that results in quarterly payments being made to, or received from Fortis Bank SA/NV

At 31 January 2012, it was announced that the tender offer of the CASHES, launched by BNP Paribas on 26 January 2012 was successfully closed on Monday 30 January 2012. The acceptance rate reached 63% at an offer price of 47.5%. On 6 February 2012, BNP Paribas exchanged 7,553 of tendered securities out of 12,000 CASHES securities outstanding (62.94%) into 78,874,241 existing Ageas shares, entitled to dividend and voting rights. BNP Paribas will collect an indemnification from Ageas and Fortis Bank. The RPN mechanism will cease to exist in proportion to the CASHES converted. The redemption of the Tier 1 securities and the indemnification payment will be netted.

# Information related to Article 523 of the Belgian Companies code

## Indemnification of directors – Conflict of interest

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### Meeting of 13 January 2011

- On 21 and 27 January 2009, on 28 July 2009, on 5 November 2009 and on 2 December 2010, the Board of Directors of the company decided that the potential liability incurred by its directors in the exercise of their mandate should be indemnified by the company in certain instances.
- The Chairman explains that the company should consider also granting an indemnity to Mr. Maxime JADOT to protect him from the liability that he may incur as director of the company. The Chairman refers to the considerations underlying the decisions of the Board of 21 and 27 January 2009, of 28 July 2009, of 5 November 2009 and of 2 December 2010, which remain relevant to date. The Chairman therefore proposes that the company undertakes to indemnify Mr. M. JADOT in all instances where he acted in good faith and in a manner he believed to be in the best interest of the company, except where the liability of a director would arise out of a fraud or wilful misconduct or where such liability would be covered by an insurance policy (whether or not subscribed by the company) benefiting to such director.
- The Chairman enacted that, in compliance with article 523 of the Company Code, prior to any deliberation, Mr. M. JADOT has informed the other directors and the auditors of the company that he has to be considered as having an interest conflicting with the decisions to be taken by the Board in connection with this item of the agenda given that he would benefit personally from the indemnity described above.
- Mr. M. JADOT left the meeting room and did not participate in the deliberation and the resolution of the Board recorded in paragraphs 5 and 6 below.
- The other Directors acknowledged that the indemnity described above would be in line with market practices in Belgium considering the specificities of the company. This indemnity would be in the best interest of the company since the company needs to be able to attract and maintain directors and to benefit from their valuable contribution. Furthermore, the other Directors benefit from a similar indemnity and not granting such indemnity to these Directors would be a difference in treatment that cannot be justified and that would make it very difficult to attract and maintain directors going forward. The Directors participating in the deliberation further acknowledged that there should be no financial consequences for the company arising from this indemnity other than those resulting from any payment made by the company there under.
- The other Directors then proceeded with the deliberation. They discussed the indemnification undertaking and unanimously decided that the company shall indemnify and shall hold harmless Mr. M. JADOT to the fullest extent permitted by applicable law, against or from all liabilities, expenses, damages or other amounts reasonably incurred or borne by him in connection with any proceeding or claim brought by a third party (including, without limitation, a shareholder of the company acting for his own account) against him as a director of the company in respect of any decision, action or omission which was made or occurred (or which is claimed to have been made or to have occurred) before, on or after the date of this meeting, provided however that:
  - he acted in good faith and in a manner he believed to be in the best interest of the company; and
  - this indemnification undertaking shall not be applicable (i) in respect of liabilities, expenses, damages or other amounts arising out of a fraud or wilful misconduct of a director; nor (ii) if, and to the extent that, any such liabilities, expenses, damages or other amounts are covered by an insurance policy (whether or not subscribed by the company) benefiting the relevant director.

## Meeting of 26 May 2011

- During meetings which took place in 2009, 2010 and 2011, the Board of Directors of the company decided that the potential liability incurred by its directors in the exercise of their mandate should be indemnified by the company in certain instances.
- The Chairman explains that the company should consider also granting an indemnity to Mr. Peter Vandekerckhove and Mr. Koen Geens to protect them from the liability that they may incur as directors of the company. The Chairman refers to the considerations underlying the decisions of the Board of 2009, 2010 and 2011, which remain relevant to date. The Chairman therefore proposes that the company undertakes to indemnify Mr. P. Vandekerckhove and Mr. K. Geens in all instances where they acted in good faith and in a manner they believed to be in the best interest of the company, except where the liability of the director would arise out of a fraud or willful misconduct or where such liability would be covered by an insurance policy (whether or not subscribed by the company) benefiting to such director.
- The Chairman enacted that, in compliance with article 523 of the Company Code, prior to any deliberation, Mr. P. Vandekerckhove and Mr. K. Geens informed the other directors and the auditors of the company that they have to be considered as having an interest conflicting with the decisions to be taken by the Board in connection with this item of the agenda given that they would benefit personally from the indemnity described above.
- Mr. P. Vandekerckhove and Mr. K. Geens left the meeting room and did not participate to the deliberation and the resolution of the Board recorded in paragraphs 5 and 6 below.
- The other Directors acknowledged that the indemnity described above would be in line with market practices in Belgium considering the specificities of the company. This indemnity would be in the best interest of the company since the company needs to be able to attract and maintain directors and to benefit from their valuable contribution. Furthermore, the other Directors benefit from a similar indemnity and not granting such indemnity to this Director would be a difference in treatment that cannot be justified and that would make it very difficult to attract and maintain directors going forward. The Directors participating in the deliberation further acknowledged that there should be no financial consequences for the company arising from this indemnity other than those resulting from any payment made by the company there under.
- The other Directors then proceeded with the deliberation. They discussed the indemnification undertaking and unanimously decided that the company shall indemnify and shall hold harmless Mr. P. Vandekerckhove and Mr. K. Geens to the fullest extent permitted by applicable law, against or from all liabilities, expenses, damages or other amounts reasonably incurred or borne by them in connection with any proceeding or claim brought by a third party (including, without limitation, a shareholder of the company acting for his own account) against them as directors of the company in respect of any decision, action or omission which was made or occurred (or which is claimed to have been made or to have occurred) before, on or after the date of this meeting, provided however that:
  - they acted in good faith and in a manner they believed to be in the best interest of the company; and
  - this indemnification undertaking shall not be applicable (i) in respect of liabilities, expenses, damages or other amounts arising out of a fraud or willful misconduct of a director; nor (ii) if, and to the extent that, any such liabilities, expenses, damages or other amounts are covered by an insurance policy (whether or not subscribed by the company) benefiting the relevant director.



# **Fortis Bank Financial Statements 2011 (non-consolidated)**

## Balance sheet after appropriation

No.	BE 403.199.702				F-estb 2.1
<b>BALANCE SHEET AFTER APPROPRIATION</b>					
		Notes	Codes	Financial year	Previous financial year
<b>ASSETS</b>					
I .	Cash in hand, balances with central banks and giro offices		10100	2,057,488	351,580
II .	Treasury bills eligible for refinancing with the central bank		10200		19,992
III .	Loans and advances from credit institutions	5.1	10300	43,635,968	40,838,054
	A . Repayable on demand		10310	8,307,011	12,412,946
	B . Other loans and adv. (with agreed maturity dates)		10320	35,328,957	28,425,108
IV .	Receivables from customers	5.2	10400	81,908,899	91,241,507
V .	Debt securities and other fixed-income securities	5.3	10500	90,696,553	95,916,770
	A . Issued by public bodies		10510	32,182,825	38,032,831
	B . Issued by other borrowers		10520	58,513,728	57,883,939
VI .	Shares and other variable-yield securities	5.4	10600	752,451	1,059,803
VII .	Financial fixed assets	5.5/5.6.1	10700	9,015,811	9,222,319
	A . Participating interests in affiliated enterprises		10710	6,027,852	5,910,871
	B . Participating interests in other enterprises linked by participating interests		10720	2,657,688	3,002,917
	C . Other shares held as financial fixed assets		10730	162,565	227,090
	D . Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests		10740	167,706	81,441
VIII .	Formation expenses and intangible fixed assets	5.7	10800	62,211	82,703
IX .	Tangible fixed assets	5.8	10900	1,023,703	983,518
X .	Own shares		11000		
XI .	Other assets	5.9	11100	4,844,963	5,504,109
XII .	Deferred charges and accrued income	5.10	11200	66,650,093	53,253,241
<b>TOTAL ASSETS</b>			<b>19900</b>	<b>300,648,140</b>	<b>298,473,596</b>



	Notes	Codes	Financial year	Previous financial year	
<b>LIABILITIES</b>					
<b>THIRD PARTY FUNDS</b>					
		201/208	288,871,622	286,550,386	
<b>I .</b>	<b>Amounts owed to credit institutions</b>	5.11	20100	47,264,789	42,540,364
	A . Repayable on demand		20110	8,841,926	8,547,988
	B . Amounts owed as a result of the rediscounting of trade bills		20120		
	C . Other debts with agreed maturity dates or financial years of notice		20130	38,422,863	33,992,376
<b>II .</b>	<b>Amounts owed to customers</b>	5.12	20200	132,283,340	140,193,353
	A . Savings deposits		20210	53,887,795	54,010,775
	B . Other debts		20220	78,395,545	86,182,578
	1 . repayable on demand		20221	31,091,680	34,406,006
	2 . with agreed maturity dates or financial years of notice		20222	47,303,865	51,776,572
	3 . as a result of the rediscounting of trade bills		20223		
<b>III .</b>	<b>Debts evidenced by certificates</b>	5.13	20300	19,030,111	24,779,625
	A . Debt securities and other fixed-income securities in circulation		20310	15,114,915	13,869,501
	B . Other		20320	3,915,196	10,910,124
<b>IV .</b>	<b>Other liabilities</b>	5.14	20400	6,856,628	8,861,032
<b>V .</b>	<b>Accrued charges and deferred income</b>	5.15	20500	67,446,803	52,613,869
<b>VI .</b>	<b>Provisions and deferred taxes</b>		20600	403,588	949,799
	A . Provisions for liabilities and charges		20610	403,579	949,688
	1 . Pensions and similar obligations		20611		
	2 . Taxation		20612	9,000	10,586
	3 . Other liabilities and charges	5.16	20613	394,579	939,102
	B . Deferred taxes		20620	9	111
<b>VII .</b>	<b>Fund for general banking risks</b>		20700	871,681	871,680
<b>VIII .</b>	<b>Subordinated liabilities</b>	5.17	20800	14,714,683	15,740,664
<b>OWN FUNDS</b>					
			209/213	11,776,518	11,923,210
<b>IX .</b>	<b>CAPITAL</b>	5.18	20900	9,374,878	9,374,878
	A . Subscribed capital		20910	9,374,878	9,374,878
	B . Uncalled capital (-)		20920		
<b>X .</b>	<b>Share premium account</b>		21000	230,475	230,475
<b>XI .</b>	<b>Revaluation surpluses</b>		21100		
<b>XII .</b>	<b>Reserves</b>		21200	949,878	946,280
	A . Legal reserve		21210	408,809	405,184
	B . Reserves not available for distribution		21220	36,988	36,988
	1 . In respect of own shares held		21221		
	2 . Other		21222	36,988	36,988
	C . Untaxed reserves		21230	150,790	151,100
	D . Reserves available for distribution		21240	353,291	353,008
<b>XIII .</b>	<b>Profits (losses (-)) brought forward</b>	(+)/(-)	21300	1,221,287	1,371,577
<b>TOTAL LIABILITIES</b>			29900	300,648,140	298,473,596

## Off-Balance sheet

No.	BE 403.199.702	F-estb 2.3			
<b>OFF BALANCE SHEET CAPTIONS</b>					
		Notes	Codes	Financial year	Previous financial year
<b>I .</b>	<b>Contingent liabilities</b>	5.22	30100	51,340,692	45,774,283
	A . Non-negotiated acceptances		30110	5,117	5,441
	B . Guarantees serving as direct credit substitutes		30120	16,844,532	8,946,746
	C . Other guarantees		30130	32,924,463	34,032,614
	D . Documentary credits		30140	1,566,580	2,789,482
	E . Assets pledged as collateral on behalf of third parties		30150		
<b>II .</b>	<b>Commitments which could give rise to credit risk</b>	5.22	30200	44,385,719	62,322,148
	A . Firm credit commitments		30210	2,267,958	9,037,938
	B . Commitments as a result of spot purchases of transferable or other securities		30220	202,898	318,838
	C . Undrawn margin on confirmed credit lines		30230	41,914,863	52,962,836
	D . Underwriting and placing commitments		30240		2,536
	E . Commitments as a result of open-ended sale and repurchase agreements		30250		
<b>III .</b>	<b>Assets lodged with the credit institution</b>		30300	121,634,425	115,486,240
	A . Assets held by the credit institution for fiduciary purposes		30310		
	B . Safe custody and equivalent items		30320	121,634,425	115,486,240
<b>IV .</b>	<b>Uncalled amounts of share capital</b>		30400	278,847	401,649

## Income statement

No.	BE 403.199.702	F-estb 3
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### INCOME STATEMENT (presentation in vertical form)

	Notes	Codes	Financial year	Previous financial year
<b>I . Interest receivable and similar income</b>	5.23	40100	5,679,707	5,845,202
A . Of which : from fixed-income securities		40110	2,458,862	2,297,699
<b>II . Interest payable and similar charges</b>		40200	3,157,114	3,217,858
<b>III . Income from variable-yield securities</b>	5.23	40300	452,818	384,074
A . From shares and other variable-yield securities		40310	64,754	60,111
B . From participating interests in affiliated enterprises		40320	334,205	312,192
C . From participating interests in other enterprises linked by participating interests		40330	52,618	10,520
D . From other shares held as financial fixed assets		40340	1,241	1,251
<b>IV . Commissions receivable</b>	5.23	40400	1,267,166	1,247,547
A . Brokerage and related commissions		40410	534,798	563,945
B . Management, consultancy and custody commissions		40420	266,815	251,191
C . Other commissions received		40430	465,543	432,411
<b>V . Commissions paid</b>		40500	307,743	336,379
<b>VI . Profit (loss) on financial transactions</b>	(+)/(-) 5.23	40600	19,918	264,170
A . On trading of securities and other financial instruments		40610	40,828	182,426
B . On disposal of investment securities		40620	(20,910)	81,744
<b>VII . General administrative expenses</b>		40700	2,826,157	2,872,312
A . Remuneration, social security costs and pensions		40710	1,652,537	1,744,831
B . Other administrative expenses		40720	1,173,620	1,127,481
<b>VIII . Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets</b>		40800	172,420	183,803
<b>IX . Decrease in write downs on receivables and in provisions for off balance sheet captions 'I. Contingent liabilities' and II. Commitments which could give rise to credit risk</b>	(+)/(-) 40900	40900	155,112	282,660
<b>X . Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities</b>	(+)/(-) 41000	41000	692,100	(31,656)
<b>XI . Utilization and write-backs of provisions for liabilities and charges other than those included in the offbalance sheet captions</b>	(+)/(-) 41100	41100	(379,402)	(66,211)
<b>XII . Provisions for liabilities and charges other than those included in the off balance sheet captions</b>		41200	29,762	76,676
<b>XIII . Transfer from (Transfer to) the fund for general banking risks</b>	(+)/(-) 41300	41300		438
<b>XIV . Other operating income</b>	5.23	41400	212,833	199,596
<b>XV . Other operating charges</b>	5.23	41500	326,278	259,439
<b>XVI . Profits (losses) on ordinary activities before taxes</b>	(+)/(-) 41600	41600	345,148	809,767

					Notes	Codes	Financial year	Previous financial year
<b>XVII .</b>	<b>Extraordinary income</b>					41700	316,653	2,003,552
	A .	Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets				41710		
	B .	Adjustments to write-downs on financial fixed assets				41720	244,146	15,584
	C .	Adjustments to provisions for extraordinary liabilities and charges				41730	2,148	
	D .	Gain on disposal of fixed assets				41740	67,513	1,332,236
	E .	Other extraordinary income			5.25	41750	2,846	655,732
<b>XVIII .</b>	<b>Extraordinary charges</b>					41800	540,667	1,019,853
	A .	Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets				41810		
	B .	Write-downs on financial fixed assets				41820	386,265	240,360
	C .	Provisions for extraordinary liabilities and charges		(+/-)		41830	16,882	118,180
	D .	Loss on disposal of fixed assets				41840	108,248	153,289
	E .	Other extraordinary charges			5.25	41850	29,272	508,024
<b>XIX .</b>	<b>Profits (Losses) for the financial year before taxes</b>			(+/-)		41910	121,134	1,793,466
<b>XIXbis .</b>	<b>A .</b>	<b>Transfer to deferred taxes</b>				41921		
	<b>B .</b>	<b>Transfer from deferred taxes</b>				41922	102	113
<b>XX .</b>	<b>Income taxes</b>			(+/-)	5.26	42000	48,784	(80,941)
	A .	Income taxes				42010	61,975	(36,423)
	B .	Adjustment of income taxes and write-back of tax provisions				42020	13,191	44,518
<b>XXI .</b>	<b>Profits (Losses) for the financial year</b>			(+/-)		42100	72,452	1,874,520
<b>XXII .</b>	<b>Transfer to (from) untaxed reserves</b>			(+/-)		42200	(27)	(23)
<b>XXIII .</b>	<b>Profit (Losses) for the financial year available for appropriation</b>			(+/-)		42300	72,479	1,874,543

**APPROPRIATION ACCOUNT**

						Codes	Financial year	Previous financial year
<b>A .</b>	<b>Profits (Losses) to be appropriated</b>		(+/-)			49100	1,444,056	(18,171,036)
	1 .	Profits (Losses) for the financial year available for appropriation		(+/-)		(42300)	72,479	1,874,543
	2 .	Profit (Losses) brought forward from previous financial year		(+/-)		(21300P)	1,371,577	(20,045,579)
<b>B .</b>	<b>Transfers from capital and reserves</b>					49200		20,045,579
	1 .	From capital and share premium account				49210		20,045,579
	2 .	From reserves				49220		
<b>C .</b>	<b>Appropriations to capital and reserves</b>					49300	(3,625)	(94,000)
	1 .	To capital and share premium account				49310		
	2 .	To legal reserve				49320	(3,625)	(94,000)
	3 .	to other reserves				49330		
<b>D .</b>	<b>Result to be carried forward</b>		(+/-)			49400	1,221,287	(1,371,577)
<b>E .</b>	<b>Shareholders' contribution in respect of losses</b>					49500		
<b>F .</b>	<b>Distribution of profits</b>					49600	(219,144)	(408,966)
	1 .	Dividends				49610	(207,794)	(386,593)
	2 .	Director's entitlements				49620		
	3 .	Other allocations				49630	(11,350)	(22,373)

## Notes on the accounts

No.	BE 403.199.702	F-estb 5.1
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### ANNEXE

#### I. STATEMENT OF LOANS AND ADVANCES FROM CREDIT INSTITUTIONS (Assets caption III)

	Codes	Financial year	Previous financial year
<b>A. FOR THE CAPTION AS A WHOLE</b>	(10300)	43,635,968	40,838,054
1. Loans and advances from affiliated enterprises	50101	18,952,824	5,448,893
2. Loans and advances from other enterprises linked by participating interests	50102		
3. Subordinated loans and advances	50103	19,288	
<b>B. OTHER LOANS AND ADVANCES from CREDIT INSTITUTIONS (with agreed maturity dates or period of notice)</b>	(10320)	35,328,957	28,425,108
1. Trade bills eligible for refinancing with the central bank of the country(ies) of establishment of the credit institution	50104	752,693	
2. Breakdown according to the remaining maturity			
a. Up to 3 months	50105	24,271,960	
b. Over 3 months up to 1 year	50106	3,553,335	
c. Over 1 year up to 5 years	50107	2,960,284	
d. Over 5 years	50108	4,543,378	
e. Undated	50109		

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#### II. STATEMENT OF LOANS AND ADVANCES FROM CUSTOMERS (Assets caption IV)

	Codes	Financial year	Previous financial year
1. Loans from affiliated enterprises	50201	8,422,332	7,853,528
2. Loans from other enterprises linked by participating interests	50202	358,898	21,423
3. Subordinated loans	50203	19,658	
4. Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established	50204	201,626	
5. Breakdown according to the remaining maturity :			
a. Up to 3 months	50205	19,423,309	
b. over 3 months up to 1 year	50206	12,536,849	
c. over 1 year up to 5 years	50207	12,453,014	
d. over 5 years	50208	32,700,999	
e. undated	50209	4,794,728	
6. Breakdown of customer loans based on the type of debtor			
a. Claims on government	50210	8,955,879	6,636,821
b. Retail exposures	50211	9,755,659	7,471,344
c. Claims on enterprises	50212	63,197,361	77,133,342
7. Breakdown by type :			
a. trade bills (including own acceptance)	50213	201,626	
b. loans and advances as a result of leasing and similar agreements	50214		
c. fixed-rate loans	50215	195,956	
d. mortgage loans	50216	11,498,616	
e. other term loans with a maturity over 1 year	50217	33,786,552	
f. other loans and advances	50218	36,226,149	
8. Geographical breakdown			
a. Belgian origin	50219	53,587,968	
b. Foreign	50220	28,320,931	
9. Details of mortgage loans with reconstitution of capital or linked to life insurance and capitalization contracts			
a. principal sums initially lent	50221		
b. reconstitution fund and mathematical reserves relating to these loans	50222		
c. net amount outstanding (a-b)	50223		

**III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES (Assets caption V)**

	Codes	Financial year	Previous financial year
<b>A. GENERAL STATEMENT</b>	(10500)	90,696,553	95,916,770
<b>1. Bonds and securities issued by affiliated enterprises</b>	50301	33,380,193	33,503,791
<b>2. Bonds and securities issued by enterprises with which exist a linked participating interest</b>	50302		226
<b>3. Bonds and securities representing subordinated loans</b>	50303		
<b>4. Country analysis of the securities issued</b>			
a. by public bodies	50304	15,619,877	
b. by other borrowers	50305	16,562,948	
c. Belgian issuers other than public bodies	50306	34,973,658	
d. Foreign issuers other than public bodies	50307	23,540,070	
<b>5. Listing</b>			
a. Book value of listed securities	50308	27,255,366	
b. Market value of listed securities	50309	26,999,504	
c. Book value of unlisted securities	50310	63,441,187	
<b>6. Maturities</b>			
a. Remaining maturity of up to one year	50311	14,193,630	
b. Remaining maturity of over one year	50312	76,502,923	
<b>7. Analysis by portfolio</b>			
a. Trading portfolio	50313	6,949,619	
b. Investment portfolio	50314	83,746,934	
<b>8. Trading portfolio</b>			
a. Difference between market value (if higher) and acquisition value (for securities marked to market)	50315	66,525	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Art. 35ter §2 para. 2)	50316	10,719	
<b>9. Investment portfolio</b>			
a. Difference between redemption value (if higher) and carrying value	50317	356,467	
b. Difference between redemption value (if lower) and carrying value	50318	482,183	

**B. DETAILED STATEMENT OF THE CARRYING VALUE OF INVESTMENT SECURITIES AND OTHER FIXED-INCOME SECURITIES**

	Codes	Financial year	Previous financial year
<b>1. As at end of previous financial year</b>	50323P	xxxxxxxxxxxxxx	93,953,026
<b>2. Movements during the financial year</b>			
a. Acquisitions	50319	(9,401,782)	
b. Sales	50320	4,619,931	
c. Adjustments by application of Article 35ter §4 and 5	50322	48,452	
		(+/-)	
<b>3. Acquisition value as at end of financial year</b>	50323	84,551,244	
<b>4. Transfers between portfolios</b>			
a. Transfers from the investment portfolio to the trading portfolio	50324		
b. Transfers from the trading portfolio to the investment portfolio	50325		
c. Impact on result	50326		
<b>5. Write-Downs as at end of the previous financial year</b>	50332P	xxxxxxxxxxxxxx	909,523
<b>6. Movements during the financial year</b>			
a. Recorded	50327	(105,213)	
b. Excess written back	50328	718,717	
c. Cancellations	50329	66,351	
d. Transfers from one caption to another	50330	757,579	
		(+/-)	
<b>7. Write-downs as at end of period</b>	50332	804,310	
<b>8. Net carrying value as at end of period</b>	(50314)	83,746,934	

**IV. STATEMENT OF SHARES AND OTHER VARIABLE-YIELD SECURITIES (Assets caption VI)**

	Codes	Financial year	Previous financial year
<b>A. GENERAL REPORT</b>	(10600)	752,451	1,059,803
<b>1. Country analysis of the issuers of securities</b>			
a. Belgian issuers	50401	3,206	17,509
b. Foreign issuers	50402	749,245	1,042,294
<b>2. Listing</b>			
a. Carrying value	50403	50,675	
b. Market value	50404	50,675	
c. Carrying value of unlisted securities	50405	701,776	
<b>3. Analysis by portfolio</b>			
a. Trading portfolio	50406	46,076	
b. Investment portfolio	50407	706,375	
<b>4. Trading portfolio</b>			
a. difference between market value (if higher) and acquisition value (for securities marked to market)	50408	7,475	
b. difference between market value (if higher) and carrying value (for securities valued in accordance with Article 35ter §2 paragraph 2)	50409		

	Codes	Financial year	Previous financial year
<b>B. DETAILED STATEMENT OF THE CARRYING VALUE OF INVESTMENT SECURITIES AND OTHER VARIABLE SECURITIES</b>			
<b>1. Acquisition value as at the end of the previous financial year</b>	5041P	xxxxxxxxxxxxxxxx	935,061
<b>2. Movements during the financial year</b>			
a. Acquisitions	50410	22,428	
b. Sales	50411	139,825	
c. Other adjustments	(+/-) 50412	124,385	
		6,988	
<b>3. Acquisition value as at end of financial year</b>	50414	957,489	
<b>4. Transfers between portfolios</b>			
a. Transfers from the investment portfolio to the trading portfolio	50415		
b. Transfers from the trading portfolio to the investment portfolio	50416		
c. Impact on result	50417		
<b>5. Write-downs as per end of the previous financial year</b>	50423P	xxxxxxxxxxxxxxxx	238,644
<b>6. Movements during the financial year</b>			
a. Recorded	50418	12,470	
b. Excess written back	50419	74,306	
c. Cancellations	50420	34,572	
d. Transfers from one caption to another	(+)(-) 50421	27,264	
		50422	
<b>7. Write-downs as at end of financial year</b>	50423	251,114	
<b>8. Net carrying value as at end of financial year</b>	(50407)	706,375	

## V. STATEMENT OF FINANCIAL FIXED ASSETS (Assets caption VII)

	Codes	Financial year	Previous financial year
<b>A . GENERAL STATEMENT</b>			
<b>1 . Breakdown of Financial Fixed Assets captions by economic sector</b>			
a . Participating interests in affiliated enterprises that are credit institutions	50501	3,254,808	4,192,124
b . Participating interests in affiliated enterprises that are not credit institutions	50502	2,773,044	1,718,747
c . Participating interests in other enterprises linked by participating interests	50503		63,248
d . Participating interests in other enterprises linked by participating interests that are not credit institutions	50504	2,657,688	2,939,669
e . Other shares held as financial fixed assets in enterprises that are credit institutions	50505	51	57
f . Other shares held as financial fixed assets in enterprises that are not credit institutions	50506	162,514	227,032
g . Subordinated loans in affiliated enterprises that are credit institutions	50507	167,706	81,441
h . Subordinated loans in affiliated enterprises that are not credit institutions	50508		
i . Subordinated loans in other enterprises with participation interests that are credit institutions	50509		
j . Subordinated loans in other enterprises with participation interests that are not credit institutions	50510		
<b>2 . Listings</b>			
a . Participating interests in affiliated listed enterprises	50511	310,190	
b . Participating interests in affiliated not listed enterprises	50512	5,717,662	
c . Participating interests in other enterprises linked by participating interests that are listed	50513		
d . Participating interests in other enterprises linked by participating interests that are not listed	50514	2,657,688	
e . Other shares held as financial fixed assets in enterprises that are listed	50515	150,940	
f . Other shares held as financial fixed assets in enterprises that are not listed	50516	11,625	
g . Amount of subordinated loans represented by listed securities .	50517		



**B. DETAILED STATEMENT OF THE CARRYING VALUE OF  
FIXED FINANCIAL ASSETS IN AFFILIATED ENTERPRISES**

	Codes	Financial year	Previous financial year
1. Acquisition value at the end of the previous financial year	50522P	xxxxxxxxxxxxxxx	7,676,644
2. Movements during the financial year	50518	(175,574)	
a. Acquisitions	50519	2,155,633	
b. Sales and disposals	50520	2,331,207	
c. Transfers from one caption to another (+)(-)	50521		
3. Acquisition value as at the end of the financial year	50522	7,501,070	
4. Revaluation surpluses at the end of the previous financial year	50528P	xxxxxxxxxxxxxxx	113,023
5. Movements during the financial year	50523		
a. Recorded	50524		
b. Acquisitions from third parties	50525		
c. Cancellations	50526		
d. Transfers from one caption to another (+)(-)	50527		
6. Revaluation surpluses as at the end of financial year	50528	113,023	
7. Write-downs as at the end of the previous financial year	50535P	xxxxxxxxxxxxxxx	1,878,796
8. Movements during the financial year	50529	(292,555)	
a. Recorded	50530	36,369	
b. Excess written back	50531	244,146	
c. Acquisitions from third parties	50532		
d. Cancellations	50533	84,778	
e. Transfers from one caption to another (+)(-)	50534		
9. Write-downs as at end of financial year	50535	1,586,241	
10. Net carrying value as at the end of financial year	10710	6,027,852	

**C. ANALYSIS OF THE CARRYING VALUE OF FINANCIAL FIXED ASSETS  
IN OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS**

	Codes	Financial year	Previous financial year
1. Acquisition value as at end of the previous financial year	50540P	xxxxxxxxxxxxxxx	3,045,574
2. Movements during the financial year	50536	(82,001)	
a. Acquisitions	50537	7,272	
b. Sales and disposals	50538	89,273	
c. Transfers from one caption to another (+/-)	50539		
3. Acquisition value as at end of financial year	50540	2,963,573	
4. Revaluation surpluses at the end of the previous financial year	50546P	xxxxxxxxxxxxxxx	
5. Movements during the financial year	50541		
a. Recorded	50542		
b. Acquisitions from third parties	50543		
c. Cancellations	50544		
d. Transfers from one caption to another (+/-)	50545		
6. Revaluation surpluses at the end of financial year	50546		
7. Write-downs as at the end of the previous financial year	50553P	xxxxxxxxxxxxxxx	42,657
8. Movements during the financial year	50547	263,228	
a. Recorded	50548	285,378	
b. Excess written back	50549		
c. Acquisitions from third parties	50550		
d. Cancellations	50551	22,150	
e. Transfers from one caption to another (+/-)	50552		
9. Write-downs as at the end of financial year	50553	305,885	
10. Net carrying value as at end of financial year	10720	2,657,688	

**D. ANALYSIS OF THE CARRYING VALUE OF OTHER SHARES HELD AS FINANCIAL FIXED ASSETS**

1. Acquisition value as at end of the previous financial year

Codes	Financial year	Previous financial year
50558P	xxxxxxxxxxxxxxxx	2,369,317

2. Movements during the financial year

- a. Acquisitions 50554 (60)
- b. Sales and disposals 50555 27
- c. Transfers from one caption to another 50556 87

3. Acquisition value as at end of financial year

50557 (+/-)	50558	2,369,257
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4. Revaluation surpluses at the end of the previous financial year

50558	50564P	xxxxxxxxxxxxxxxx
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5. Movements during the financial year

- a. Recorded 50559
- b. Acquisitions from third parties 50560
- c. Cancellations 50561
- d. Transfers from one caption to another 50562

6. Revaluation surpluses as at end of financial year

50563 (+/-)	50564	
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7. Write-downs as at end of the previous financial year

50564	50571P	xxxxxxxxxxxxxxxx	2,142,226
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8. Movements during the financial year

- a. Recorded 50565 64,466
- b. Excess written back 50566 64,518
- c. Acquisitions from third parties 50567
- d. Cancellations 50568
- e. Transfers from one caption to another 50569 52

9. Write-downs as at end of financial year

50570 (+/-)	50571	2,206,692
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10. Net carrying value as at end of financial year

10730		162,565
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**E. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO AFFILIATED ENTERPRISES**

1. Net carrying value as at end of financial year

Codes	Financial year	Previous financial year
50579P	xxxxxxxxxxxxxxxx	81,441

2. Movements during the financial year

- a. Additions 50572 86,265
- b. Reimbursements 50573 135,000
- c. Write-downs 50574 47,000
- d. Amounts written back 50575
- e. Realized exchange gains/losses 50576
- f. Other 50577 (1,735)

3. Net carrying value as at end of financial year

50578 (+/-)	50579	167,706
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4. Accumulated write-downs as at end of financial year

50580 (+/-)	50580	
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**F. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS**

1. Net carrying value as at end of financial year

Codes	Financial year	Previous financial year
50588P	xxxxxxxxxxxxxxxx	

2. Movements during the financial year

- a. Additions 50581
- b. Reimbursements 50582
- c. Write-downs 50583
- d. Amounts written back 50584
- e. Realized exchange gains/losses 50585
- f. Other 50586 (1,735)

3. Net carrying value as at end of financial year

50587 (+/-)	50588	
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4. Accumulated write-downs as at end of financial year

50589 (+/-)	50589	
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**VI LIST OF ENTERPRISES IN WHICH THE INSTITUTION HOLDS A PARTICIPATING INTEREST**

**A. SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES**

List enterprises in which the enterprise holds a participating interest within the meaning of the Royal Decree of 23 September 1992 and other enterprises in which the institution holds rights in the amount of at least 10% of the capital issued .

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			by subsidiaries	Annual accounts dated	Currency code	Own funds	Net result
	Type	Number	%	%				
AG Insurance Bruxelles BE 404.494.849		157,822	25.00		31/12/2010	EUR	2,122,295	176,050
Alandes B.V. Amsterdam		1	50.00		31/12/2010	EUR	46	13
Alpha Card Watermael-Boitsfort BE 463.926.551		735,000	50.00		31/12/2010	EUR	11,825	2,866
Alpha Credit Bruxelles BE 445.781.316		1,146,937	100.00		31/12/2010	EUR	147,998	28,392
ASLK-CGER Services Bruxelles BE 458.523.354		89	89.00			BEF	Liquidation	
Astir B.V. Amsterdam		1	100.00		31/12/2010	EUR	20	(3,528)
Atrialis Dublin		1	100.00		30/06/2011	EUR	38	
Banking Funding Company S.A. Bruxelles BE 884.525.164		20,586	33.47		31/12/2010	EUR	801	55
Banque de La Poste S.A. Bruxelles BE 456.038.471		300,000	50.00		31/12/2010	EUR	255,368	26,566
BBOF III Investors B.V. Amsterdam		24,300	12.13		31/12/2010	EUR	36,998	4,143
Bedrijvencentrum Dendermonde N.V. Dendermonde BE 436.558.081		500	19.61		31/12/2010	EUR	1,162	21
Bedrijvencentrum Regio Aalst N.V. Erembodegem BE 428.749.502		80	14.23		31/12/2010	EUR	701	14
Bedrijvencentrum Vilvoorde N.V. Vilvoorde BE 434.222.577		400	10.20		31/12/2010	EUR	933	15
Bedrijvencentrum Waasland N.V. Sint-Niklaas BE 427.264.214		400	16.03		31/12/2010	EUR	613	(30)
Bedrijvencentrum Zaventem N.V. Zaventem Sud 8 BE 426.496.726		751	24.98		31/12/2010	EUR	254	42
Belgolaise N.V. Bruxelles BE 403.200.294	(1) (2)	449,999 119,250	100.00		31/12/2010	EUR	28,758	22

(1) Ordinary shares

(2) Shares VVPR

BEM II Lombardstraat 34-42, 1000 Brussel BE0832115686		2,000	15.04			EUR	Startup phase	
BEM-Flemish Construction & Investment Company N.V. Bruxelles BE 461 612 904		2,793	12.05		31/12/2010	EUR	3,982	(210)
BGL BNP Paribas Luxembourg		13,989,568	50.00		31/12/2010	EUR	5,618,790	290,209
BNP Paribas Fortis Funding Luxembourg		19,999	100.00		31/12/2010	EUR	59,995	30,803
BNP Paribas Fortis Yatirimlar Holding Anonim Sirketi Istanbul		49,996	99.99	0.01	31/12/2010	YTL	9,969	(31)
BNP Paribas Investment Partners Paris		406,433	28.22	2.56	31/12/2010	EUR	2,525,041	21,350
BNPP Fortis Factor Louvain BE 819.568.044		8,999	99.99		31/12/2010	EUR	7,665	(1,330)
Brand & Licence Company Bruxelles BE 884.499.250		123	20.00		31/12/2010	EUR	185	35
Certifimmo V S.A. Bruxelles BE 450.355.261		12,261	99.99	0.01	31/12/2010	EUR	5,189	1,654
China-Belgium Direct Equity investment Fund Beijing		10,000,000	10.00		31/12/2010	RMB	1,382,458	236
Coppefis Bruxelles BE 453.987.813		74	98.67	1.33	31/12/2010	EUR	627	585
Comptoir Agricole de Wallonie Nivelles BE 400.364.530		2,499	99.96	0.04	31/12/2010	EUR	2,046	156
Coöperatieve H2 Equity Partners Fund III U.A. Amsterdam		6,670,994	24.07		31/12/2010	EUR	46,963	24,624
Credissimo Seraing BE 403.977.482		124,999	100.00		31/12/2010	EUR	13,724	436
Credissimo Hainaut Tournai BE 402.495.065		465,570	99.72		31/12/2010	EUR	3,248	120
Crédit pour Habitations Sociales Watermael-Boitsfort BE 402.204.461		70,629	77.56	3.89	31/12/2010	EUR	13,724	436
Crédit Social de la Province du Brabant Wallon Nivelles BE 400.351.068		11,013	12.10	0.08	31/12/2010	EUR	287	97
Demetris Groot-Bijgaarden BE 452.211.723		9,999	99.99	0.01	31/12/2010	EUR	5,406	2,606
Dikodi Amsterdam		42	100.00		31/12/2010	EUR	(17,494)	(499)
Discontokantoor van Turnhout Turnhout BE 404.154.755		10,000	100.00		31/12/2010	EUR	22	(15)
Distri-Invest S.A. Bruxelles BE 431.242.105		102	51.00		28/02/2011	EUR	124	1
Dominet S.A. Piaseczno		25,615	100.00		31/12/2010	PLN	286,490	11,691

Domus Flandria N.V. Antwerpen BE 436.825.642		22,500	11.22		31/12/2010	EUR	26,975	1,842
Eiser Global Infrastructure Fund LTD Londen			26.50		31/12/2010	EUR	243,448	4,328
Europay Belgium S.C. Bruxelles BE 434.197.536		13,618	39.79	0.15	31/12/2010	EUR	1,255	5,278
European Carbon Fund Luxembourg		15,000,000	10.53		31/12/2010	EUR	74,534	8,909
FB Energy Trading S.à.r.l. Luxembourg		10,434,106	100.00		31/12/2010	USD	437	(70,075)
FB Transportation Capital LLC Wilmington, USA		5,000,000	100.00		31/12/2010	USD	88,425	8,139
Finest Bruxelles BE 449.082.680		14,793	99.99		12/11/2010	EUR	(169)	(177)
Fintrimo S.A. Sint-Joost-ten-Noode BE 0874.308.807		300	50.00	12.50	31/12/2010	EUR	263	(11)
Fortis Bank Escritorio de Representacao Ltda Sao Paulo		450,000	75.00		31/12/2011	BRL	673	30
Fortis Bank Polska Warszawa		18,848,593	78.13	21.74	31/12/2010	PLN	1,251,673	21,593
FORTIS COMMERCIAL FINANCE HOLDING NV Hambakenwetering 2, 5231 DC 's-HERTOGENBOSCH NETHERLANDS		91,449	100.00		31/12/2011	EUR	51,842	4,847
Fortis Film Fund S.A. Bruxelles BE 893.587.655		99	99.00	1.00	31/12/2010	EUR	114	16
Fortis Finance Belgium S.C.R.L. Bruxelles BE 879.866.412		599,998	100.00		31/12/2010	EUR	701,300	50,995
Fortis Funding LLC New York		100,000	100.00		31/12/2010	USD	(3,059)	1
Fortis Holding Malta B.V. Amsterdam		55,123,082	100.00		31/12/2010	EUR	64,493	(13)
Fortis Int'l Finance Dublin Dublin		209,368,065	100.00		31/12/2010	EUR	327,616	425
Fortis Lease Iberia Barcelona		1,170,000	21.39	13.10	31/12/2010	EUR	(7,671)	(12,911)
Fortis Private Equity Asia Fund Bruxelles BE 0866.161.894		22,199	100.00		31/12/2010	EUR	5,332	1,106
Fortis Private Equity Belgium Bruxelles BE 421.883.286		557,866	100.00		31/12/2010	EUR	141,927	31,031
Fortis Private Equity France Fund Strasbourg		50,000,000	99.84		31/12/2010	EUR	12,241	(1,466)
Fortis Private Real Estate Holding Luxembourg		700	100.00		31/12/2010	EUR	20,233	17,218
Fortis Proprietary Investments Dublin, Ireland		762,506,366	100.00		31/12/2010	USD	241,002	124,017

FPRE Management (Belgium) Bruxelles BE 871.937.750		148,501	99.58	0.42	31/12/2010	EUR	630	(27)
Fscholen Sint-Joost-ten-Noode		8,925	50.00		31/12/2010	EUR	7,990	
FV Holding Etterbeek BE 810.422.825		17,504.600	40.00		31/12/2010	EUR	29,141	(4,459)
Generale Branch Nominees Ltd Londres		100	100.00		31/12/2010	GBP	117	
Genfinance International Bruxelles BE 421.429.267		19,999	100.00		31/12/2010	EUR	1,241	27
German Equity Partners III Francfort			14.49		31/12/2010	EUR	42,468	22,398
GIE Immobilier Groupe Fortis Parijs Puteaux			12.61	1.36	31/12/2009	EUR		
G I Finance Dublin 2		54,600,000	100.00		31/12/2010	GBP	54,615	(14)
Gudrun Xpert Bruxelles BE 477.315.422		5,200	26.00		31/12/2010	EUR	739	2
Heraclès S.C.R.L. Charleroi BE 427.178.892		4,500	13.55		31/12/2010	EUR	221	(513)
Immo Kolonel Bourgstraat Bruxelles BE 461.139.879		1,250	50.00		31/12/2010	EUR	(9,117)	(4,337)
Immo-Beaulieu Bruxelles BE 450.193.133		500	25.00		16/06/2010	EUR	68	117
Immobilier Distri-Land N.V. Bruxelles BE 436.440.909		156	12.48		31/12/2010	EUR	234	11
Immobilier Sauvenière N.V. Bruxelles BE 403.302.739		15,741	99.99	0.01	31/12/2010	EUR	18,225	1,426
Immolouneuve S.A. Bruxelles BE 416.030.426		1,000	50.00	12.50	31/12/2010	EUR	100	13
Innovation et Développement en Brabant Wallon Tubize (Saintes) BE 460.658.938		3,500	16.32		31/12/2010	EUR	2,278	(28)
Isabel N.V. Bruxelles BE 455.530.509		253,322	25.33		31/12/2010	EUR	12,732	1,561
La Propriété Sociale de Binche - Morlanwelz Binche BE 401.198.136		23,520	20.81	0.67	31/12/2010	EUR	1,306	13
Landbouwkantoor Vlaanderen Wevelgem BE 405.460.889		499	99.80	0.20	31/12/2010	EUR	4,686	373
Le Crédit Social de Tubize Tubize BE 400.344.140		400	11.43		31/12/2010	EUR	116	(125)
Le Crédit Social et les petits Propriétaires Réunis Châtelet BE 401.609.593		3,347	12.38		31/12/2010	EUR	2,766	87
Le Petit Propriétaire Bruxelles BE 403.290.366		690	11.60		31/12/2010	EUR	696	

Margaret Inc Atlanta		500	100.00		31/12/2010	USD	176,046	33,775
MeesPierson Private Belgian Offices CV Bruxelles BE 870.419.996		126	99.56		31/12/2010	EUR	17,048	688
Microstart Saint-Gilles BE 0829.081.071		899	89.90	0.10	31/12/2010	EUR	Startup phase	
Greenspring Global Partners II Owings Mills			16.24		31/12/2010	USD	115,597	26,756
Park De Haan N.V. Bruxelles BE 438.533.436		300	15.00		31/12/2010	EUR	210	(30)
Penta Fund 1 Ltd Partnership United Kingdom			12.28		31/12/2010	GBP	35,162	877
Renoir CDO Amsterdam		1	100.00		31/12/2010	EUR	18	9
Seavi Advent Equity V (Cayman) LP Grand Cayman			23.58		31/12/2010	USD	22,209	(479)
S.A. Berlaymont 2000 N.V. Bruxelles BE 441.629.617		150	14.85		31/12/2010	EUR	13,581	(352)
Secoya Private Equity Investments General Partner Luxembourg		250	100.00		30/06/2011	EUR	19,620	2,003
Secoya Private Equity Investments SCA-SICAR Luxembourg		309	99.68	0.32		EUR	Startup phase	
Shenergy Groupe Finance Company Limited Shanghai		100,000,000	10.00		31/12/2010	CNY	1,267,000	100,000
St.-Jozefs Kredietmaatschappij Beringen Beringen BE 401.349.970		522	11.93		31/12/2010	EUR	21,514	628
S.B.I. - B.M.I. Bruxelles BE 411.892.088		2,595	19.51		31/12/2010	EUR	34,949	886
SOWO Invest Bruxelles BE 877 279 282		875	87.50		31/12/2010	EUR	543	1
Tous Propriétaires SA Erquennes BE 401.731.339		43,425	16.82		31/12/2010	EUR	6,441	316
Via-Zaventem N.V. Bruxelles BE 892.742.765		5,100	51.00		31/12/2010	EUR	87	(14)
Visa Belgium SRCL Bruxelles BE 435.551.972		44	24.58	0.56	30/09/2011	EUR	900	2,773
Von Essen GmbH Essen		1	100.00		31/12/2010	EUR	60	2
Von Essen GmbH & Co. KG Bank Essen		1	100.00		31/12/2010	EUR	100,971	42,712

**B. ENTERPRISES FOR WHICH THE INSTITUTION HAS UNLIMITED LIABILITY IN ITS CAPACITY OF FULLY LIABLE PARTNER OR MEMBER**

The annual accounts of any enterprise, to which the enterprise is unlimited liable, will be added to the present accounts and published jointly, unless the reason why the requirement is not met, is mentioned in the 2nd column referring to the appropriate code (A, B or C) explained hereafter .

The annual accounts of the enterprise:

- A . are published by filing with the National Bank of Belgium;
- B . are effectively published in another Member State of the EEC as laid down in Article 3 of the Directive 68/151/EEC;
- C . are proportionally or fully consolidated in the reporting institution's accounts which have been prepared audited and published in accordance with the Royal Decree of September 23rd 1992 on the consolidated accounts of institutions, investment firms and management companies of undertakings for collective investments .

Name and full address of the registered office and, for enterprises governed by Belgian law, the company number	Code, if any
ASLK-CGER Services, rue du Fossé-aux-loups 48, 1000 Bruxelles BE 458.523.354	

**VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS (heading VIII of the assets)****A. FORMATION EXPENSES**

1 . Net carrying value as at the end of financial year

2 . Movements during the financial year

a . New expenses incurred

b . Amortization

c . Other

(+)(-)

3 . Net carrying value as at the end of the financial year

4 . Of which

a . Expenses of formation or capital increase, loan issue expenses and other formation expenses

b . Reorganization costs

Codes	Financial year	Previous financial year
50705P	xxxxxxxxxxxxxx	
50701		
50702		
50703		
50704		
50705		
50706		
50707		



	Codes	Financial year		Previous financial year
<b>B. GOODWILL</b>				
1. Acquisition value as at end of the previous financial year	50712P	xxxxxxxxxxxxxxx		83,924
2. Movements during the financial year	50708	12,000		
a. Acquisitions, including own construction	50709	12,000		
b. Sales and disposals	50710			
c. Transfers from one caption to another	50711		(+)/(-)	
3. Acquisition value as at end of financial year	50712	95,924		
4. Amortizations and write-downs as at the end of the previous financial year	50719P	xxxxxxxxxxxxxxx		27,228
5. Movements during the financial year	50713	27,363		
a. Recorded	50714	27,363		
b. Excess written back	50715			
c. Acquisitions from third parties	50716			
d. Cancellations	50717			
e. Transfers from one caption to another	50718		(+/-)	
6. Amortizations and write-downs as at end of financial year	50719	54,591		
7. Net carrying value as at end of financial year	50720	41,333		

	Codes	Financial year		Previous financial year
<b>C. COMMISSIONS PAID FOR ATTRACTING NEW BUSINESS WITH CUSTOMERS</b>				
1. Acquisition value as at end of the previous financial year	50725P	xxxxxxxxxxxxxxx		
2. Movements during the financial year	50721			
a. Acquisitions, including own construction	50722			
b. Sales and disposals	50710			
c. Transfers from one caption to another	50724		(+)/(-)	
3. Acquisition value as at end of financial year	50725			
4. Amortizations and write-downs as at end of the previous financial year	50732P	xxxxxxxxxxxxxxx		
5. Movements during the financial year	50726			
a. Recorded	50727			
b. Excess written back	50728			
c. Acquisitions from third parties	50729			
d. Cancellations	50730			
e. Transfers from one caption to another	50731		(+)/(-)	
6. Amortizations and write-downs as at end of financial year	50732			
7. Net carrying value as at end of financial year	50733			

	Codes	Financial year	Previous financial year
<b>D. OTHER INTANGIBLE FIXED ASSETS</b>			
1. Acquisition value as at end of the previous financial year	50738P	xxxxxxxxxxxxxxxx	97,199
2. Movements during the financial year	50734	(7,165)	
a. Acquisitions, including own construction	50735	6,142	
b. Sales and disposals	50736	13,307	
c. Transfers from one caption to another (+)/(-)	50737		
3. Acquisition value as at end of financial year	50738	90,034	
4. Amortizations and write-downs as at end of the previous financial year	50745P	xxxxxxxxxxxxxxxx	71,192
5. Movements during the financial year	50739	(2,036)	
a. Recorded	50740	11,564	
b. Excess written back	50741		
c. Acquisitions from third parties	50742		
d. Cancellations	50743	13,600	
e. Transfers from one caption to another (+)/(-)	50744		
6. Amortizations and write-downs as at end of financial year	50745	69,156	
7. Net carrying value as at end of financial year	50746	20,878	

	Codes	Financial year	Previous financial year
<b>VIII. TANGIBLE FIXED ASSETS (Assets caption IX)</b>			
<b>A. LAND AND BUILDINGS</b>			
1. Acquisition value as at end of the previous financial year	50805P	xxxxxxxxxxxxxxxx	1,629,560
2. Movements during the financial year (+)/(-)	50801	(11,131)	
a. Acquisition, including own construction	50802	46,203	
b. Sales and disposals	50803	110,124	
c. Transfers from one caption to another (+)/(-)	50804	52,790	
3. Acquisition value as at end of financial year	50805	1,618,429	
4. Capital gains as at end of the previous financial year	50811P	xxxxxxxxxxxxxxxx	258,220
5. Movements during the financial year (+)/(-)	50806	(58,275)	
a. Recorded	50807	214	
b. Acquisitions from third parties	50808		
c. Cancellations	50809	58,489	
d. Transfers from one caption to another (+)/(-)	50810		
6. Capital gains as at end of financial year	50811	199,945	
7. Amortizations and write-downs as at end of the previous financial year	50818P	xxxxxxxxxxxxxxxx	1,219,419
8. Movements during the financial year (+)/(-)	50812	(38,130)	
a. Recorded	50813	53,466	
b. Excess written back	50814		
c. Acquisitions from third parties	50815		
d. Cancellations	50816	125,868	
e. Transfers from one caption to another (+)/(-)	50817	34,272	
9. Amortizations and write-downs as at end of financial year	50818	1,181,289	
10. Net carrying value as at end of financial year	50819	637,085	

		Codes	Financial year	Previous financial year
<b>B. PLANT, MACHINERY AND EQUIPMENT</b>				
1.		50824P	xxxxxxxxxxxxxx	271,405
2.		(+)/(-) 50820	36,433	
	a.	50821	43,551	
	b.	50822	9,407	
	c.	(+)/(-) 50823	2,289	
3.		50824	307,838	
4.		50830P	xxxxxxxxxxxxxx	
5.		(+)/(-) 50825		
	a.	50826		
	b.	50827		
	c.	50828		
	d.	(+)/(-) 50829		
6.		50830		
7.		50837P	xxxxxxxxxxxxxx	199,872
8.		(+)/(-) 50831	33,079	
	a.	50832	34,592	
	b.	50833		
	c.	50834		
	d.	50835	2,769	
	e.	(+)/(-) 50836	1,256	
9.		50837	232,951	
10.		50838	74,887	

		Codes	Financial year	Previous financial year
<b>C. FURNITURE AND VEHICLES</b>				
1.		50843P	xxxxxxxxxxxxxx	127,426
2.		(+)/(-) 50839	16,806	
	a.	50840	20,218	
	b.	50841	1,012	
	c.	(+)/(-) 50842	(2,400)	
3.		50843	144,232	
4.		50849P	xxxxxxxxxxxxxx	
5.		(+)/(-) 50844		
	a.	50845		
	b.	50846		
	c.	50847		
	d.	(+)/(-) 50848		
6.		50849		
7.		50856P	xxxxxxxxxxxxxx	70,138
8.		(+)/(-) 50850	10,310	
	a.	50851	12,845	
	b.	50852		
	c.	50853		
	d.	50854	430	
	e.	(+)/(-) 50855	(2,105)	
9.		50856	80,448	
10.		50857	63,784	

		Codes	Financial year	Previous financial year
<b>D. LEASING AND OTHER SIMILAR RIGHTS</b>				
1.	<b>Acquisition value as at end of the previous financial year</b>	50862P	xxxxxxxxxxxxxx	
2.	<b>Movements during the financial year</b>	(+)/(-) 50858		
	a. Acquisition, including own construction	50859		
	b. Sales and disposals	50860		
	c. Transfers from one caption to another	(+)/(-) 50861		
3.	<b>Acquisition value as at end of financial year</b>	50862		
4.	<b>Capital gains as at end of the previous financial year</b>	50868P	xxxxxxxxxxxxxx	
5.	<b>Movements during the financial year</b>	(+)/(-) 50863		
	a. Recorded	50864		
	b. Acquisitions from third parties	50865		
	c. Cancellations	50866		
	d. Transfers from one caption to another	(+)/(-) 50867		
6.	<b>Capital gains as at end of financial year</b>	50868		
7.	<b>Amortizations and write-downs as at end of the previous financial year</b>	50875P	xxxxxxxxxxxxxx	
8.	<b>Movements during the financial year</b>	(+)/(-) 50869		
	a. Recorded	50870		
	b. Excess written back	50871		
	c. Acquisitions from third parties	50872		
	d. Cancellations	50873		
	e. Transfers from one caption to another	(+)/(-) 50874		
9.	<b>Amortizations and write-downs as at end of financial year</b>	50875		
10.	<b>Net carrying value as at end of financial year</b>	50876		
11.	<b>Of which</b>			
	a. Land and buildings	50877		
	b. Plant, machinery and equipment	50878		
	c. Furniture and vehicles	50879		

		Codes	Financial year	Previous financial year
<b>E. OTHER TANGIBLE FIXED ASSETS</b>				
1.	<b>Acquisition value as at end of the previous financial year</b>	50884P	xxxxxxxxxxxxxxx	369,098
2.	<b>Movements during the financial year</b>	(+)(-)		
a.	Acquisition, including own construction	50880	(39,981)	
b.	Sales and disposals	50881	20,467	
c.	Transfers from one caption to another	50882	7,635	
		(+)(-)		
		50883	(52,813)	
3.	<b>Acquisition value as at end of financial year</b>	50884	329,117	
4.	<b>Capital gains as at end of the previous financial year</b>	50890P	xxxxxxxxxxxxxxx	8,102
5.	<b>Movements during the financial year</b>	(+)(-)		
a.	Recorded	50885	(251)	
b.	Acquisitions from third parties	50886		
c.	Cancellations	50887		
d.	Transfers from one caption to another	50888	251	
		(+)(-)		
		50889		
6.	<b>Capital gains as at end of financial year</b>	50890	7,851	
7.	<b>Amortizations and write-downs as at end of the previous financial year</b>	50897P	xxxxxxxxxxxxxxx	190,864
8.	<b>Movements during the financial year</b>	(+)(-)		
a.	Recorded	50891	(9,405)	
b.	Excess written back	50892	32,590	
c.	Acquisitions from third parties	50893		
d.	Cancellations	50894	7	
e.	Transfers from one caption to another	50895	6,722	
		(+)(-)		
		50896	(35,280)	
9.	<b>Amortizations and write-downs as at end of financial year</b>	50897	181,459	
10.	<b>Net carrying value as at end of financial year</b>	50898	155,509	

		Codes	Financial year	Previous financial year
<b>F. FIXED ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS</b>				
1. Acquisition value as at end of the previous financial year		50903P	xxxxxxxxxxxxxxxx	
2. Movements during the financial year	(+)/(-)	50899	92,438	
a. Acquisition, including own construction		50900	92,438	
b. Sales and disposals		50901		
c. Transfers from one caption to another	(+)/(-)	50902		
3. Acquisition value as at end of financial year		50903	92,438	
4. Capital gains as at end of the previous financial year		50909P	xxxxxxxxxxxxxxxx	
5. Movements during the financial year	(+)/(-)	50904		
a. Recorded		50905		
b. Acquisitions from third parties		50906		
c. Cancellations		50907		
d. Transfers from one caption to another	(+)/(-)	50908		
6. Capital gains as at end of financial year		50909		
7. Amortization and write-downs as at end of the previous financial year		50916P	xxxxxxxxxxxxxxxx	
8. Movements during the financial year	(+)/(-)	50910		
a. Recorded		50911		
b. Excess written back		50912		
c. Acquisitions from third parties		50913		
d. Cancellations		50914		
e. Transfers from one caption to another	(+)/(-)	50915		
9. Amortizations and write-downs as at end of financial year		50916		
10. Net carrying value as at end of financial year		50917	92,438	

**IX. OTHER ASSETS (Assets caption XI)**

	Financial year
<b>Breakdown (if the amount in this caption is significant)</b>	
Premiums paid in advance on derivatives & Forex	3,674,339
Suspense accounts	926,559
Claims on invoices	172,297
Tax recovery	50,936
Social claim	11,194
Property held for resale	5,433
Outstanding deposits in cash	4,205

No.	BE 403.199.702	F-estb 5.10
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**X. DEFERRED CHARGES AND ACCRUED INCOME (Assets caption XII)**

	Codes	Financial year
1. Deferred charges	51001	100,424
2. Accrued income	51002	66,549,669

**X.bis REINVESTMENT OF SEGREGATED CUSTOMER FUNDS**

	Code	Financial year
Total	51003	

No.	BE 403.199.702	F-estb 5.11
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**XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS (liabilities caption I)**

	Codes	Financial year	Previous financial year
1. Amounts due to affiliated enterprises	51101	13,181,069	7,432,765
2. Amounts due to other enterprises linked by participating interests	51102		
3. Breakdown of debts other than on sight according to their remaining maturity			
a. Up to 3 months	51103	34,217,856	
b. Over 3 months up to 1 year	51104	2,231,679	
c. Over 1 year up to 5 years	51105	1,298,186	
d. Over 5 years	51106	675,142	
e. undated	51107		

No.	BE 403.199.702	F-estb 5.12
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**XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS (Liabilities caption II)**

	Codes	Financial year	Previous financial year
1. Amounts due to affiliated enterprises	51201	4,555,249	3,683,804
2. Amounts due to other enterprises linked by participating interests	51202	2,366,733	1,452,699
3. Breakdown according to their remaining maturity			
a. Repayable on demand	51203	29,965,920	
b. Up to 3 months	51204	35,136,843	
c. Over 3 months up to 1 year	51205	2,881,281	
d. Over 1 year up to 5 years	51206	5,620,839	
e. Over 5 years	51207	4,636,412	
f. Undated	51208	54,042,045	
4. Breakdown of debts owed to customers depending on the nature of the debtors			
a. Debts to the government	51209	6,929,803	6,481,420
b. Debt to private persons	51210	58,144,927	58,687,939
c. Debt to enterprises	51211	67,208,610	75,023,994
5. Geographical breakdown of debt owed to customers			
a. Of Belgian origin	51212	94,020,031	
b. Of foreign origin	51213	38,263,309	

## XIII. STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES (liabilities caption III)

	Codes	Financial year	Previous financial year
1. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to affiliated companies	51301	2,000,814	2,901,752
2. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to companies linked by participating interests	51302		
3. Breakdown of debts represented by certificates in accordance to their remaining maturity			
a. Up to 3 months	51303	4,952,308	
b. Over 3 months up to 1 year	51304	3,424,852	
c. Over 1 year up to 5 years	51305	9,109,259	
d. Over 5 years	51306	1,458,724	
e. Undated	51307	84,968	

## XIV. OTHER LIABILITIES (liabilities caption IV)

	Codes	Financial year
1. Taxes, remuneration and social security charges due to the tax authorities:	51401	68,187
a. Overdue debts	51402	
b. Unmatured debts	51403	68,187
2. Taxes, remuneration and social security charges due to the National Social Security Office	51404	
a. Overdue debts	51405	
b. Unmatured debts	51406	128,777
3. Taxes		
a. Taxes payable	51407	
b. Estimated tax liabilities	51408	8,679
4. Other liabilities		
Breakdown if the amount in this caption is significant		
Premiums received on financial derivatives		4,137,785
Suspense accounts		1,592,261
Debts - suppliers		203,829
Debts resulting from the allocation of profit		211,653
Revaluation of the funding of participations in foreign currency		38,517
Wage debts		466,940



No.	BE 403.199.702	F-estb 5.15
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**XV. ACCRUED CHARGES AND DEFERRED INCOME (liabilities caption V)**

	Codes	Financial year
1 . <b>Accrued charges</b>	51501	67,324,851
2 . <b>Deferred income</b>	51502	121,952

No.	BE 403.199.702	F-estb 5.16
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**XVI. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (liabilities VI.A.3)**

	Financial year
<b>Breakdown of Liabilities VI.A.3 if the amounts in this caption are significant</b>	
Provision for unsettled claims	192,903
Provision for commitments	94,132
Provision for personnel expenses	107,544

No.	BE 403.199.702	F-estb 5.17
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**XVII. STATEMENT OF SUBORDINATED LIABILITIES (liabilities caption VIII)**

	Codes	Financial year	Previous financial year
1 . <b>Subordinated debts due to affiliated enterprises</b>	51701	2,132,936	2,069,291
2 . <b>Subordinated debts due to other enterprises linked by participating interests</b>	51702		

	Codes	Financial year
3 . <b>Charges as a result of subordinated liabilities</b>	51703	637,922

4 . For each subordinated loan, the following: reference number, the ISO code of the currency, the amount of borrowing in the currency of the loan, the remuneration arrangements, the maturity and, if the maturity date is indetermined , the conditions governing the maturity and , where appropriate, the circumstances under which the institution is required to repay in advance, the conditions of subordination, and, where appropriate, the conditions of convertibility in capital or some other form of liability

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital	
BE2121879040	EUR	2,547		4.70	01/01/2012	-
BE2122114454	EUR	5,057		5.00	01/01/2012	-
BE2130116939	EUR	7,262		3.70	01/01/2012	-
BE2130234179	EUR	12,135		3.50	01/01/2012	-
XS0208412063	EUR	100,000		4.20	02/01/2012	-
BE2122229633	EUR	6,881		5.00	01/02/2012	-
BE2130351379	EUR	13,454		3.50	01/02/2012	-
BE2122346833	EUR	2,270		5.00	01/03/2012	-
BE2122581272	EUR	3,408		5.20	01/03/2012	-
BE2130468579	EUR	5,154		3.50	01/03/2012	-
BE2130586784	EUR	2,670		3.35	01/03/2012	-
BE2130780783	EUR	3,530		3.25	01/03/2012	-
XS0186431895	EUR	150,000		4.63	19/03/2012	-
BE2122464073	EUR	10		5.00	01/04/2012	-
BE2122697466	EUR	13,365		5.20	01/04/2012	-
BE2122932871	EUR	5,264		5.35	01/04/2012	-
BE2130664599	EUR	328		3.35	01/04/2012	-
BE2130782805	EUR	16,905		3.25	01/04/2012	-
XS0110854071	EUR	14,413		6.16	27/04/2012	-
XS0110854071	EUR	7,206		6.16	27/04/2012	-
BE2122815670	EUR	43		5.20	01/05/2012	-
BE2123048099	EUR	6,398		5.35	01/05/2012	-
BE2130785832	EUR	333		3.25	01/05/2012	-
BE2131132422	EUR	28,937		3.55	01/05/2012	-
BE2131253665	EUR	4,402		3.30	01/05/2012	-
XS0147076037	EUR	1,990		5.72	03/05/2012	-
BE0932894455	USD	700,000		0.49	22/05/2012	a) 22/05/2012
XS0190917160	EUR	100,000		4.64	25/05/2012	-
BE2123166305	EUR	5,440		5.35	01/06/2012	-
BE2131135458	EUR	157		3.55	01/06/2012	-
BE2131370865	EUR	13,953		3.30	01/06/2012	-
BE2123282490	EUR	6,764		5.35	01/07/2012	-
BE2131488105	EUR	13,118		3.30	01/07/2012	-
BE2131606318	EUR	9,314		3.05	01/07/2012	-
BE2123398684	EUR	1,888		5.35	01/08/2012	-
BE2123515881	EUR	5,372		5.05	01/08/2012	-
BE2123749316	EUR	202		4.90	01/08/2012	-
BE2131724525	EUR	9,114		3.05	01/08/2012	-
BE2123632116	EUR	120		5.05	01/09/2012	-
BE2123865500	EUR	911		4.90	01/09/2012	-
BE2123983717	EUR	2,403		4.75	01/09/2012	-
BE2131841725	EUR	10,792		3.05	01/09/2012	-
BE2124100915	EUR	4,730		4.75	01/10/2012	-
BE2124333334	EUR	1,083		4.60	01/10/2012	-
BE2131958925	EUR	12,904		3.05	01/10/2012	-
BE2124216133	EUR	73		4.75	01/11/2012	-
BE2124449528	EUR	3,789		4.60	01/11/2012	-
BE2132075158	EUR	2,247		3.05	01/11/2012	-
BE2132193365	EUR	8,194		3.15	01/11/2012	-
BE2124566727	EUR	5,379		4.60	01/12/2012	-

BE2132273191	EUR	1,965	3.15	01/12/2012	-
BE2132391407	EUR	15,659	3.45	01/12/2012	-
BE2124682912	EUR	7,398	4.60	01/01/2013	-
BE2132509610	EUR	26,561	3.45	01/01/2013	-
BE2124798130	EUR	4,898	4.60	01/02/2013	-
BE2125145695	EUR	2,347	4.40	01/02/2013	-
BE2132626810	EUR	20,129	3.45	01/02/2013	-
XS0055748544	USD	22,330	0.46	19/02/2013	a) 17/02/2013
BE2125261880	EUR	2,242	4.40	01/03/2013	-
BE2125379120	EUR	3,540	4.15	01/03/2013	-
BE2132743045	EUR	11,753	3.45	01/03/2013	-
BE2125495314	EUR	2,426	4.15	01/04/2013	-
BE2125612512	EUR	10,369	4.05	01/04/2013	-
BE2132860245	EUR	2,306	3.45	01/04/2013	-
BE2132978450	EUR	17,632	3.55	01/04/2013	-
BE2125729712	EUR	1,524	4.05	01/05/2013	-
BE2125846912	EUR	4,104	4.30	01/05/2013	-
BE2133096666	EUR	590	3.55	01/05/2013	-
BE2133214871	EUR	20,782	3.95	01/05/2013	-
XS0166164789	EUR	100,000	5.25	16/05/2013	-
BE2125962131	EUR	5,487	4.30	01/06/2013	-
BE2126079331	EUR	1,690	3.95	01/06/2013	-
BE2133332111	EUR	21,635	3.95	01/06/2013	-
XS0362491291	EUR	375,000	8.03	03/06/2013	a) 3/06/2013
BE2126195525	EUR	545	3.95	01/07/2013	-
BE2126313730	EUR	6,235	3.70	01/07/2013	-
BE2126546156	EUR	477	3.50	01/07/2013	-
BE2133449311	EUR	20,994	3.95	01/07/2013	-
BE2126429924	EUR	210	3.70	01/08/2013	-
BE2126662342	EUR	1,313	3.50	01/08/2013	-
BE2126782579	EUR	2,096	3.80	01/08/2013	-
BE2133566510	EUR	77	3.95	01/08/2013	-
BE2133684727	EUR	35,555	4.20	01/08/2013	-
XS0346793713	USD	750,000	8.28	27/08/2013	a) 27/08/2013
BE2126899779	EUR	46	3.80	01/09/2013	-
BE2127014956	EUR	29,821	4.40	01/09/2013	-
BE2127251418	EUR	13,574	4.50	01/09/2013	-
BE2133802931	EUR	65,111	4.20	01/09/2013	-
BE2127136239	EUR	136	4.40	01/10/2013	-
BE2127252424	EUR	88,800	4.50	01/10/2013	-
BE2133919164	EUR	5,667	4.20	01/10/2013	-
BE2134035358	EUR	20,511	3.95	01/10/2013	-
BE2127255450	EUR	39,013	4.50	01/11/2013	-
BE2127370630	EUR	9,287	4.15	01/11/2013	-
BE2127491873	EUR	12,954	4.40	01/11/2013	-
BE2134155586	EUR	15,716	3.95	01/11/2013	-
BE2127373667	EUR	65	4.15	01/12/2013	-
BE2127608104	EUR	19,435	4.40	01/12/2013	-
BE2134272787	EUR	21,805	3.95	01/12/2013	-
XS0234938024	EUR	14,000	3.82	06/12/2013	-

BE2127726310	EUR	38,851	4.40	01/01/2014	-
BE2134389011	EUR	17,270	3.95	01/01/2014	-
XS0236744321	EUR	13,000	3.78	06/01/2014	-
BE2127843511	EUR	1,923	4.40	01/02/2014	-
BE2127959705	EUR	8,637	4.10	01/02/2014	-
BE2128080949	EUR	2,944	4.00	01/02/2014	-
BE2134506218	EUR	11,668	3.95	01/02/2014	-
BE2134923504	EUR	10,196	4.25	01/02/2014	-
XS0238588353	EUR	10,000	3.63	06/02/2014	-
BE2127962733	EUR	34	4.10	01/03/2014	-
BE2128197172	EUR	6,592	4.00	01/03/2014	-
BE2134805297	EUR	31	3.95	01/03/2014	-
BE2135040704	EUR	25,838	4.25	01/03/2014	-
BE2128315386	EUR	2,825	4.00	01/04/2014	-
BE2128433593	EUR	5,586	3.90	01/04/2014	-
BE2135158910	EUR	16,790	4.25	01/04/2014	-
BE2135274139	EUR	16,960	4.10	01/04/2014	-
BE2128551808	EUR	3,621	3.90	01/05/2014	-
BE2135277165	EUR	12,316	4.10	01/05/2014	-
BE2128668032	EUR	26	3.90	01/06/2014	-
BE2128786248	EUR	9,690	4.20	01/06/2014	-
BE2135394366	EUR	5,025	4.10	01/06/2014	-
BE2135629779	EUR	10,540	4.30	01/06/2014	-
BE2128904452	EUR	5,492	4.20	01/07/2014	-
BE2129139868	EUR	8,976	4.40	01/07/2014	-
BE2135511563	EUR	41	4.10	01/07/2014	-
BE2135746979	EUR	5,066	4.30	01/07/2014	-
BE2135865225	EUR	15,990	4.50	01/07/2014	-
BE2129256092	EUR	8,652	4.40	01/08/2014	-
BE2129375314	EUR	4,087	4.20	01/08/2014	-
BE2135984448	EUR	3,960	4.50	01/08/2014	-
BE2136102651	EUR	14,880	4.70	01/08/2014	-
BE2129492515	EUR	7,762	4.20	01/09/2014	-
BE2136222889	EUR	12,766	4.70	01/09/2014	-
BE2136457329	EUR	8,733	4.55	01/09/2014	-
XS0196988587	EUR	200,000	4.92	03/09/2014	-
BE2136460356	EUR	100,000	4.76	01/10/2014	-
BE2129610728	EUR	16,267	4.20	01/10/2014	-
BE2136460356	EUR	17,305	4.55	01/10/2014	-
BE0119806116	EUR	1,000,000	4.63	27/10/2014	a) 27/10/2014
BE2129727928	EUR	3,140	4.20	01/11/2014	-
BE2129843147	EUR	8,154	4.05	01/11/2014	-
BE2136809933	EUR	18,331	4.55	01/11/2014	-
BE2129956303	EUR	11,925	4.05	01/12/2014	-
BE2136926166	EUR	28,137	4.55	01/12/2014	-
BE2137275746	EUR	1,253	4.85	01/12/2014	-
BE2137509177	EUR	159	4.85	01/12/2014	-
BE2130117945	EUR	5,705	4.05	01/01/2015	-
BE2130235184	EUR	8,411	3.85	01/01/2015	-
BE2137158546	EUR	220	4.55	01/01/2015	-

BE2137392947	EUR	15,003	4.85	01/01/2015	-
BE2137624356	EUR	618	4.70	01/01/2015	-
BE2130352385	EUR	6,078	3.85	01/02/2015	-
BE2137645567	EUR	20,150	4.70	01/02/2015	-
BE2137687015	EUR	777	4.50	01/02/2015	-
BE2130469585	EUR	4,098	3.85	01/03/2015	-
BE2130587790	EUR	2,056	3.60	01/03/2015	-
BE2130781799	EUR	1,366	3.50	01/03/2015	-
BE2137666779	EUR	56	4.70	01/03/2015	-
BE2137708225	EUR	7,015	4.50	01/03/2015	-
XS0213287070	EUR	25,000	4.02	31/03/2015	-
BE2130665604	EUR	188	3.60	01/04/2015	-
BE2130783811	EUR	6,652	3.50	01/04/2015	-
BE2137729437	EUR	13,942	4.50	01/04/2015	-
XS0214846874	EUR	50,000	4.12	11/04/2015	-
XS0247259871	EUR	50,000	1.58	20/04/2015	-
BE2130786848	EUR	109	3.50	01/05/2015	-
BE2131133438	EUR	14,124	3.85	01/05/2015	-
BE2131254671	EUR	2,271	3.60	01/05/2015	-
BE2137750649	EUR	4,039	4.50	01/05/2015	-
BE2137798150	EUR	61	4.50	01/05/2015	-
BE2137993165	EUR	2	4.95	01/05/2015	-
BE2131136464	EUR	42	3.85	01/06/2015	-
BE2131371871	EUR	6,238	3.60	01/06/2015	-
BE2137771850	EUR	13	4.50	01/06/2015	-
BE2137819360	EUR	250	4.50	01/06/2015	-
BE2137840572	EUR	4,039	4.95	01/06/2015	-
BE2137899198	EUR	24	4.95	01/06/2015	-
BE2137951718	EUR	176	4.95	01/06/2015	-
BE2138003261	EUR	1,869	4.95	01/06/2015	-
BE2138045684	EUR	20	4.95	01/06/2015	-
BE2138087132	EUR	20	4.95	01/06/2015	-
XS0168668498	EUR	50,000	5.12	17/06/2015	-
BE2131489111	EUR	6,599	3.60	01/07/2015	-
BE2131607324	EUR	4,896	3.35	01/07/2015	-
BE2137859762	EUR	303	4.95	01/07/2015	-
BE2137972920	EUR	23	4.95	01/07/2015	-
BE2138024473	EUR	839	4.95	01/07/2015	-
BE2138066896	EUR	412	4.95	01/07/2015	-
BE2138089153	EUR	250	4.95	01/07/2015	-
BE2138114407	EUR	380	4.95	01/07/2015	-
XS0221564544	EUR	10,000	3.58	01/07/2015	-
XS0221564544	EUR	10,000	3.71	01/07/2015	-
XS0223235390	EUR	22,000	3.74	29/07/2015	-
BE2131725530	EUR	5,335	3.35	01/08/2015	-
BE2138135618	EUR	144	4.95	01/08/2015	-
XS0059603802	EUR	22,890	1.74	21/08/2015	a) 21/08/2015
BE2131842731	EUR	5,256	3.35	01/09/2015	-
BE2138165912	EUR	112	4.95	01/09/2015	-
BE2138208373	EUR	1	4.80	01/09/2015	-

XS0058107102	USD	61,637	0.54	08/09/2015	a) 8/09/2015
BE2131959931	EUR	7,292	3.35	01/10/2015	-
BE2138220493	EUR	366	4.80	01/10/2015	-
XS0061894316	JPY	5,000,000	4.82	26/10/2015	a) 26/10/2015
XS0061263082	JPY	20,000,000	4.85	26/10/2015	a) 26/10/2015
BE2132076164	EUR	4,667	3.35	01/11/2015	-
BE2138232613	EUR	18	4.80	01/11/2015	-
BE2138255846	EUR	240	4.80	01/11/2015	-
BE2132274207	EUR	1,150	3.35	01/12/2015	-
BE2132392413	EUR	5,032	3.65	01/12/2015	-
BE2138276081	EUR	327	4.80	01/12/2015	-
BE2138297293	EUR	23	4.10	01/12/2015	-
BE2132510626	EUR	9,884	3.65	01/01/2016	-
BE2138318503	EUR	48	4.10	01/01/2016	-
BE2138339715	EUR	3	3.80	01/01/2016	-
BE2132627826	EUR	7,543	3.65	01/02/2016	-
BE2138381162	EUR	13	4.10	01/02/2016	-
XS0122720732	EUR	149,510	6.47	16/02/2016	-
BE2132744050	EUR	3,555	3.65	01/03/2016	-
BE2138423584	EUR	362	5.00	01/03/2016	-
BE0931376793	EUR	500,000	4.25	23/03/2016	a) 23/03/2016
BE2132861250	EUR	455	3.65	01/04/2016	-
BE2132979466	EUR	4,506	3.70	01/04/2016	-
BE2138444796	EUR	6,018	5.00	01/04/2016	-
BE2138465031	EUR	3,105	4.80	01/04/2016	-
BE2138497356	EUR	10,122	5.30	01/04/2016	-
BE2133097672	EUR	449	3.70	01/05/2016	-
BE2133215886	EUR	4,088	4.00	01/05/2016	-
BE2138474124	EUR	10	4.80	01/05/2016	-
BE2138498362	EUR	7,183	5.30	01/05/2016	-
BE2138502403	EUR	11,400	5.50	01/05/2016	-
XS0252159404	EUR	50,000	4.42	01/06/2016	-
BE2133333127	EUR	3,839	4.00	01/06/2016	-
BE2138522609	EUR	31,878	5.50	01/06/2016	-
BE2138545832	EUR	10,353	4.80	01/06/2016	-
BE2133450327	EUR	2,532	4.00	01/07/2016	-
BE2138547853	EUR	11,976	4.80	01/07/2016	-
BE2138585267	EUR	5,723	4.50	01/07/2016	-
XS0258903923	EUR	50,000	4.36	11/07/2016	-
BE2133567526	EUR	11	4.00	01/08/2016	-
BE2133685732	EUR	8,777	4.40	01/08/2016	-
BE2138607483	EUR	5,325	4.50	01/08/2016	-
BE2138634750	EUR	6,971	4.35	01/08/2016	-
BE2138678229	EUR	1,433	4.35	01/08/2016	-
XS0260531297	EUR	50,000	4.66	29/08/2016	-
BE2133803947	EUR	15,835	4.40	01/09/2016	-
BE2138656977	EUR	36	4.35	01/09/2016	-
BE2138700445	EUR	10,316	4.35	01/09/2016	-
BE2133920170	EUR	1,257	4.40	01/10/2016	-
BE2134036364	EUR	11,558	4.15	01/10/2016	-

BE2138722662	EUR	15,872	4.35	01/10/2016	-
BE2138785321	EUR	3,242	4.25	01/10/2016	-
XS0267937935	EUR	49,700	4.36	25/10/2016	-
BE21341566592	EUR	7,570	4.15	01/11/2016	-
BE2138799462	EUR	24,224	4.25	01/11/2016	-
BE2138821688	EUR	772	4.00	01/11/2016	-
XS0269358734	EUR	49,610	4.38	28/11/2016	-
BE2134273793	EUR	7,784	4.15	01/12/2016	-
BE2138835829	EUR	9,804	4.00	01/12/2016	-
BE2138857070	EUR	2,530	3.90	01/12/2016	-
XS0071344799	USD	62,383	0.57	28/12/2016	a) 24/12/2016
XS0269360045	EUR	49,950	4.24	29/12/2016	-
BE2134390027	EUR	7,884	4.15	01/01/2017	-
BE2138866162	EUR	6,721	3.90	01/01/2017	-
BE2138888380	EUR	2,015	3.70	01/01/2017	-
BE0932317507	EUR	500,000	1.57	17/01/2017	a) called
BE2134507224	EUR	6,681	4.15	01/02/2017	-
BE2134924510	EUR	4,224	4.35	01/02/2017	-
BE2138909590	EUR	3,592	3.70	01/02/2017	-
BE2138932824	EUR	1,528	3.60	01/02/2017	-
XS0280951392	EUR	49,860	4.47	21/02/2017	-
XS0284019907	EUR	49,900	4.56	27/02/2017	-
BE2134806303	EUR	97	4.15	01/03/2017	-
BE2135041710	EUR	4,707	4.35	01/03/2017	-
BE2138952053	EUR	1,287	3.60	01/03/2017	-
XS0288084881	EUR	49,960	4.64	30/03/2017	-
BE2135159926	EUR	2,000	4.35	01/04/2017	-
BE2135275144	EUR	3,481	4.20	01/04/2017	-
BE2135278171	EUR	2,889	4.20	01/05/2017	-
XS0293631296	EUR	49,950	4.44	04/05/2017	-
BE2135395371	EUR	956	4.20	01/06/2017	-
BE2135630785	EUR	2,895	4.40	01/06/2017	-
BE2135512579	EUR	5	4.20	01/07/2017	-
BE2135747019	EUR	555	4.40	01/07/2017	-
BE2135866231	EUR	4,511	4.60	01/07/2017	-
XS0301637459	EUR	74,970	4.84	03/07/2017	-
BE2135985452	EUR	735	4.60	01/08/2017	-
BE2136103667	EUR	3,295	4.80	01/08/2017	-
BE2136223895	EUR	3,155	4.80	01/09/2017	-
BE2136458335	EUR	4,109	4.70	01/09/2017	-
XS0318517009	EUR	49,950	5.04	28/09/2017	-
BE2136461362	EUR	7,798	4.70	01/10/2017	-
BE0933514839	EUR	1,000,000	5.76	04/10/2017	-
BE0933514839	EUR	225,000	5.76	04/10/2017	-
BE2136810949	EUR	5,985	4.70	01/11/2017	-
BE2136927172	EUR	8,442	4.70	01/12/2017	-
BE2137276751	EUR	263	5.05	01/12/2017	-
BE2137510183	EUR	138	5.05	01/12/2017	-
BE0933860414	EUR	251,800	1.47	05/12/2017	-
BE0933831126	EUR	178,000	5.60	28/12/2017	-

## XVIII. STATEMENT OF CAPITAL AND SHAREHOLDERS STRUCTURE

## A. CAPITAL STATEMENT

## 1. Subscribed capital

- a. Subscribed capital as at end of preceding financial year  
 b. Subscribed capital as at end of financial year

Codes	Financial year	Previous financial year
20910P	9,374,878	9,374,878
(20910)	9,374,878	

- c. Changes during the financial year

- d. Structure of the capital

- e. Categories of shares

Common

- f. Registered shares

- g. Bearer and or dematerialized shares

Codes	Amounts	Number of shares
	9,374,878	483,241,153
51801	xxxxxxxxxxxxxx	482,999,010
51802	xxxxxxxxxxxxxx	242,143

## 2. CAPITAL NOT PAID UP

- a. Uncalled capital  
 b. Called but unpaid capital  
 c. Shareholders still owing capital payment

Codes	Uncalled capital	Called but unpaid capital
(20920)		xxxxxxxxxxxxxx
51803	xxxxxxxxxxxxxx	

## 3. OWN SHARES

- a. Held by the reporting institution itself  
 \* Amount of capital held  
 \* Corresponding number of shares  
 b. Held by its subsidiaries  
 \* Amount of capital held  
 \* Corresponding number of shares

Codes	Financial year
51804	
51805	
51806	
51807	
51808	
51809	
51810	
51811	
51812	
51813	
51814	9,374,000

## 4. SHARE ISSUANCE COMMITMENTS

- a. Following the exercise of conversion rights  
 \* Amount of convertible loans outstanding  
 \* Amount of capital to be subscribed  
 \* Maximum corresponding number of shares to be issued  
 b. Following the exercise of subscription rights  
 \* Number of subscription rights outstanding  
 \* Amount of capital to be subscribed  
 \* Maximum corresponding number of shares to be issued

## 5. AUTHORIZED CAPITAL NOT ISSUED

## 6. SHARES NOT REPRESENTING CAPITAL

- a. Repartition  
 \* Number of parts  
 \* Number of votes  
 b. Breakdown by shareholder  
 \* Number of parts held by the reporting institution itself  
 \* Number of parts held by its subsidiaries

Codes	Financial year
51815	
51816	
51817	
51818	



No.	BE 403.199.702	F-estb 5.18
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**B. SHAREHOLDERS STRUCTURE OF THE INSTITUTION AT YEAR END ACCORDING TO THE NOTIFICATIONS RECEIVED BY THE INSTITUTION**

Fortis Bank Sa holds its registered office at 1000 Brussels, Montagne du Parc, 3.

On 31 december 2011, subscribed called capital amounted to EUR 9.374.878.367.

BNP Paribas was holder of 362,115,778 capital shares of the 483,241,153 Fortis Bank shares which represents 74,93% of the shareholding.

The 'Société Fédérale de Participation et d'investissement / Federale participatie en Investeringsmaatschappij NV'

was owner of 120,810,289 Fortis Bank shares which represents 25% of the capital

The remaining 315,086 shares, representing 0,07% of the shareholding are held by other minority shareholders.

No.	BE 403.199.702	F-estb 5.19
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**XIX. BREAKDOWN OF BALANCE SHEET IF MORE THAN 15 MILLION EUROS, IN EUROS AND IN FOREIGN CURRENCY**

	Codes	Financial year
<b>1. Total Assets</b>		
a. In Euro	51901	265,840,503
b. In foreign currency (equivalent in EUR)	51902	34,807,637
<b>2. Total liabilities</b>		
a. In Euro	51903	271,118,213
b. In foreign currency (equivalent in EUR)	51904	29,529,927

No.	BE 403.199.702	F-estb 5.20
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**XX. FIDUCIARY TRANSACTIONS ACCORDING TO ARTICLE 27TER §1 PARAGRAPH 3**

	Financial year
Concerned assets and liabilities items	

No.	BE 403.199.702	F-estb 5.21.1
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**XXI. STATEMENT OF GUARANTEED DEBTS AND OBLIGATIONS**

**A. MORTGAGES (amount of registration or carrying amount of the collateralized buildings, if this is less)**

1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution
  - a. Liabilities
  - b. Off-balance sheets
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties

Financial year

**B. PLEDGE OF THE GOODWILL (amount of the registration)**

1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution
  - a. Liabilities
  - b. Off-balance sheet
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties

Financial year

**C. PLEDGE OF OTHER ASSETS (book value of pledged assets)**

1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution
  - a. Liabilities  
Amount owed as a result of mobilizations and advances
  - b. Off-balance sheet
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties

Financial year
38,837,710

**D. COLLATERAL ON FUTURE ASSETS (amount of the related assets)**

1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution
  - a. Liabilities
  - b. Off-balance sheet
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties

Financial year

**XXII. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS WITH POTENTIAL CREDIT RISK (off-balance-sheet I and II)**

1. Total contingent liabilities on behalf of affiliated companies
2. Total contingent liabilities on behalf of other companies linked by participating interests
3. Total commitments with a potential credit risk to affiliated companies
4. Total commitments with a potential risk with regard to companies linked by participating interests

Codes	Financial year	Previous financial year
52201		
52202		
52203	18,536,729	2,620,635
52204	310,091	87,230

**XXIII. OPERATING RESULTS (Items I to XV of the income statement)**

	Codes	Financial year	Previous financial year
<b>1 . Breakdown of operating income according to origin</b>			
a . Interest and similar income	(40100)	5,679,707	5,845,202
* Belgian sites	52301	5,453,112	5,350,153
* Foreign offices	52302	226,595	495,049
b . Income from variable-income securities: shares and other variable-yield securities	(40310)	64,754	60,111
* Belgian sites	52303	64,754	60,111
* Foreign offices	52304		
c . Income from variable-income securities: investments in associated companies	(40320)	334,205	312,192
* Belgian sites	52305	334,205	301,174
* Foreign offices	52306		11,018
d . Income from variable-income securities: shares in other companies linked by participating interests	(40330)	52,618	10,520
* Belgian sites	52307	52,618	10,520
* Foreign offices	52308		
e . Income from variable-income securities: other shares held as financial fixed assets	(40340)	1,241	1,251
* Belgian sites	52309	1,231	1,241
* Foreign offices	52310	10	10
f . Commissions received	(40400)	1,267,156	1,247,547
* Belgian sites	52311	1,096,166	1,163,238
* Foreign offices	52312	170,990	84,309
g . Profit on financial transactions	(40600)	19,918	264,170
* Belgian sites	52313	6,891	247,540
* Foreign offices	52314	13,027	16,630
h . Other operating income	(41400)	212,833	199,596
* Belgian sites	52315	193,671	199,596
* Foreign offices	52316	19,162	
<b>2 . Employees on the personnel register</b>			
a . Total number at the closing date	52317	20,453	20,510
b . Average number of employees in full-time equivalents	52318	18,671	18,695
* Management Personnel	52319	1,951	1,907
* Employees	52320	16,720	16,788
* Workers	52321		
* Other	52322		
c . Number of actual worked hours	52323	24,910,137	24,654,913
<b>3 . Personnel expenses</b>			
a . Remuneration and direct social benefits	52324	1,168,398	1,259,466
b . Employers' social security	52325	323,081	316,653
c . Employers' premiums for extra statutory insurance	52326	119,060	118,765
d . Other personnel expenses	52327	40,081	47,548
e . Retirement and survivors' pensions	52328	1,917	2,399
<b>4 . Provisions for pensions and similar obligations</b>			
a . Increase (+)	52329		6
b . Decrease (-)	52330		50

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	Codes	Financial year	Previous financial year
<b>5 . Breakdown of other operating income if this represents a significant amount</b>			
a. Rental income		12,731	11,707
b. Various recoveries		162,287	142,232
c. Inventory costs		14,170	17,812
d. Postage charges		13,210	13,811
e. Returns on receivables		11,811	11,156
f. Others			1,130
<b>6 . Other operating expenses</b>			
a. Corporate taxes	52331	202,114	210,093
b. Other	52332	124,164	49,346
c. Analysis of other operating expenses if this represents a significant amount			
<b>7 . Operating revenue from affiliated companies</b>	52333	1,859,144	2,394,857
<b>8 . Operating costs relating to affiliated companies</b>	52334	925,072	800,443

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**XXIV. STATEMENT OF FORWARD OFF-BALANCE SHEET TRANSACTIONS ON SECURITIES, FOREIGN CURRENCIES AND OTHER FINANCIAL INSTRUMENTS NOT INVOLVING COMMITMENTS CARRYING POTENTIAL CREDIT RISK ACCORDING TO HEADING II OFF THE OFF-BALANCE SHEET ITEMS**

**A. TYPES OF TRANSACTION (amounts on the closing date of the accounts)**

**1 . Securities transactions**

- a. Forward purchases and sales of securities and marketable securities  
\* of which: not intended for hedging purposes

Codes	Financial year
52401	6,530
52402	6,530

**2 . Transactions on foreign currencies (amounts to be delivered)**

- a. Forward exchange operations  
\* of which: not intended for hedging purposes
- b. Currency and interest rate swaps  
\* of which: not intended for hedging purposes
- c. Currency futures  
\* of which: not intended for hedging purposes
- d. Currency options  
\* of which: not intended for hedging purposes
- e. Forward exchange contracts  
\* of which: not intended for hedging purposes

52403	41,603,731
52404	41,441,552
52405	11,846,336
52406	10,293,412
52407	
52408	
52409	6,248,985
52410	6,248,985
52411	1,843,916
52412	1,843,916

**3 . Transactions on other financial instruments**

Forward interest rate transactions (nominal / notional reference amount)

- a. Interest rate swap agreements  
\* of which: not intended for hedging purposes
- b. Interest rate futures  
\* of which: not intended for hedging purposes
- c. Forward Rate Agreements  
\* of which: not intended for hedging purposes
- d. Interest rate options  
\* of which: not intended for hedging purposes

52413	943,668,247
52414	865,549,118
52415	12,729,759
52416	12,729,759
52417	408,421,501
52418	408,421,501
52419	1,224,486,923
52420	1,221,619,373

Other forward purchases and sales (sale / purchase price agreed between parties)

- e. Other option transactions  
\* of which: not intended for hedging purposes
- f. Other futures transactions  
\* of which: not intended for hedging purposes
- g. Other forward purchases and sales  
\* of which: not intended for hedging purposes

52421	3,457,438
52422	3,359,910
52423	
52424	
52425	317,570
52426	317,570

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**B. QUANTIFICATION OF THE IMPACT ON THE RESULTS OF THE DEROGATION OF VALUATION  
RULE UNDER article 36bis, § 2 RELATING TO THE FORWARD INTEREST RATE TRANSACTIONS**

		Codes	Financial year
<b>1. Forward Interest rate transactions in the context of the treasury management</b>			
a. Nominal / notional reference amount on the closing date of accounts		52427	15,832,483
b. Difference between market value and carrying value	(+)/(-)	52428	(4,674)
<b>2. Forward Interest rate transactions regarding ALM</b>			
a. Nominal / notional reference amount on the closing date of accounts		52429	37,372,178
b. Difference between market value and carrying value	(+)/(-)	52430	(245,656)
<b>3. Forward Interest rate transactions without the effect of risk reduction (LOCOM)</b>			
a. Nominal / notional reference amount on the closing date of accounts		52431	Nihil
b. Difference between market value and carrying value	(+)/(-)	52432	Nihil

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**XXV. EXTRAORDINARY RESULTS**

		Codes	Financial year
<b>1. Capital gains on the transfer of fixed assets to affiliated companies</b>		52501	30,340
<b>2. Capital losses on the transfer of fixed assets to affiliated companies</b>		52502	72,653
<b>3. Breakdown of other exceptional result if it comprises significant amounts</b>			
a. capital gain on disposal of participations			30,340
b. capital gain on disposal of foreign branches activities to entities of the group BNP Paribas SA			1,912
<b>4. Breakdown of the other extraordinary charges if they comprise significant amounts</b>			
a. reorganisation plan			15,776
b. capital loss on disposal of foreign branches activities to entities of the group BNP Paribas SA			13,495

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**XXVI. INCOME TAXES**

		Codes	Financial Year
<b>1. Income taxes for the year</b>			
a. Taxes and withholding taxes due or paid		52601	30,894
b. Activated excess of income tax prepayments or withholding taxes		52602	29,615
		52603	
c. Estimated additional charges for income taxes		52604	1,279
<b>2. Income taxes for previous years</b>			
a. Additional income taxes due or paid		52605	17,890
b. Additional charges for income taxes, estimated (included in liabilities)		52606	23,313
		52607	(5,423)
<b>3. Main sources of differences between the profit before tax, as stated in the financial statements and estimated taxable income</b>			
Disallowed expenses			143,939
Movements on reserves			(51,140)
Capital loss/gain on securities portfolio			355,688
			(160,609)
<b>4. Impact of extraordinary results on the amount of income taxes for the year</b>			(8,987)
<b>5. Sources of deferred taxes</b>			
a. Deferred tax assets			
* Accumulated tax losses deductible from future taxable profits		52608	8,829,417
* Other deferred tax assets		52609	8,750,954
For the current restructuring plans, deferred tax assets have been booked			78,463
b. Deferred tax liabilities			
* Breakdown of the deferred tax liabilities		52610	25
For the potential tax charges related to revaluation surpluses on the premises of the former 'Crédit à l'Industrie', deferred taxes have been booked			25

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**XXVII. VALUE ADDED TAXES AND TAXES BORNE BY THIRD PARTIES**

	Codes	Financial year	Previous financial year
<b>1. Charged value added tax</b>			
a. To the reporting institution (deductible)	52701	82,524	115,700
b. By the reporting institution	52702	50,373	47,548
<b>2. Amounts withheld on behalf of third parties as</b>			
a. Payroll tax	52703	363,944	379,096
b. Withholding tax	52704	273,517	263,762

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**XXVIII. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS AND TRANSACTIONS WITH RELATED PARTIES**

**A. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS**

1. Substantial commitments to acquire fixed assets

2. Substantial commitments to dispose of fixed assets

3. Significant litigation and other significant commitments

4. Where appropriate, a brief description of the system of supplementary retirement or survivor in the benefit of the personnel or the executives, stating the measures taken to cover the resulting charges

5. Pensions that are borne by the institution itself: the estimated amount of obligations arising from past  
\* Bases and methods of estimation

6. Nature and business purpose of off-balance sheet arrangements

Provided that the risks or benefits of such arrangements are material and to the extent that disclosure of the risks or benefits is necessary for assessing the financial situation of the institution; where appropriate, the financial consequences of these operations for the facility must also be mentioned:

Codes	Financial year

Code	Financial year
52801	

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**B. TRANSACTIONS WITH RELATED PARTIES OUTSIDE NORMAL MARKET CONDITIONS**

Indication of such transactions if they are significant, including the amount of these transactions, the nature of the relationship with the related party and any other information on transactions that would be required to obtain a better understanding of the financial situation of the institution:

Financial year

**XXIX. FINANCIAL RELATIONS WITH**

**A . DIRECTORS AND MANAGERS, INDIVIDUALS OR CORPORATE BODIES WHO CONTROL THE INSTITUTION DIRECTLY OR INDIRECTLY WITHOUT BEING RELATED TO IT OR OTHER COMPANIES CONTROLLED DIRECTLY OR INDIRECTLY BY THESE PEOPLE**

- 1 . **Amounts receivable from these persons**
  - a . Conditions on amounts receivable
- 2 . **Guarantees granted on their behalf**
  - a . Principal terms of the guarantees granted
- 3 . **Other significant commitments undertaken in their favour**
  - a . Main conditions of these other obligations
- 4 . **Direct and indirect remunerations and pensions, included in the P & L, provided that such disclosure does not concern exclusively or mainly the situation of a single identifiable person**
  - a . To directors and managers
  - b . To former directors and former managers

Codes	Financial year
52901	4,736
52902	
52903	
52904	7,207
52905	12

**B . THE AUDITOR(S) AND THE PEOPLE HE (SHE) IS (ARE) RELATED TO**

- 1 . **Remuneration of the auditor(s)**
- 2 . **Fees for exceptional services or special services provided to the company by the auditor(s)**
  - a . Other audit services
  - b . Tax advisory services
  - c . Other non-audit services
- 3 . **Fees for exceptional services or special services provided to the company by persons with whom the auditor(s) is(are) connected**
  - a . Other audit services
  - b . Tax advisory services
  - c . Other non-audit services
- 4 . **Statements in accordance with Article 133, § 6 of the Company Code**

Codes	Financial year
52906	2,527
52907	273
52908	
52909	
52910	
52911	
52912	

**XXX. POSITIONS ON FINANCIAL INSTRUMENTS**

- 1 . **Financial instruments to be received by the institution on behalf of clients**
- 2 . **Financial instruments to be delivered by the institution to clients**
- 3 . **Financial instruments of clients held in custody by the institution**
- 4 . **Financial Instruments from clients given in custody by the institution**
- 5 . **Financial Instruments from clients held as collateral by the institution**
- 6 . **Financial Instruments from clients given as collateral by the institution**

Codes	Financial year
53001	1,877,572
53002	916,377
53003	114,242,335
53004	119,552,264
53005	6,271,304
53006	

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**XXXI. DERIVATIVES NOT ESTIMATED AT FAIR VALUE**

The derivatives mentioned below are used for hedging purposes. The fair value of the whole transaction (fair value of hedged deals and of the hedges) has no material impact on the profit of the year.

Estimated fair value of each class of derivative instruments not measured at fair value, with information on the nature and volume of these instruments

	Financial year
ALM / IRS	253,761
ALM/ CAP	13,563
( C ) IRS	(929,789)
Other Derivatives	(979)

No.	BE 403.199.702	F-estb 5.32.1
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**XXXII. DECLARATION ON CONSOLIDATED ACCOUNTS**

**A. To be completed by all credit institutions**

The credit institution has drawn up and has published consolidated annual accounts and a consolidated annual report\*

**B. To be completed by credit institutions which are solely or jointly-held subsidiaries**

Name and full address of the registered office and, for enterprises governed by Belgian law, the enterprise number of the parent company or companies preparing and publishing the consolidated accounts in which the accounts of the reporting institution are consolidated \*\*: BNP PARIBAS SA - Boulevard des italiens, 16 à 75009 - Paris - France

If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated accounts may be obtained \*\*: BANQUE NATIONALE DE FRANCE - Rue croix des petits champs, 31 à 75001 Paris - France

\* Delete where inapplicable

\*\* If the accounts are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated accounts are prepared and published



**C . FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO:** Statement in accordance with article 133, paragraph 6 from the Company Law

**D . FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO :** Statement in accordance with article 134, paragraphs 4 and 5 from the Company Law

**1 . Auditor's fees for carrying out an auditor's mandate on the level of the group led by the company that publishes the information**

**2 . Fees for exceptional services or special services provided to this group by the auditor(s)**

- a . Other audit services
- b . Tax consultancy services
- c . Other non-audit services

**3 . Fees for the people who are related to the auditor(s) for carrying out an auditor's mandate on the level of the group led by the company that publishes the information**

**4 . Fees for exceptional services or special services rendered to this group by the people who are related to the auditor(s)**

- a . Other audit services
- b . Tax consultancy services
- c . Other non-audit services

Codes	Financial year
53201	2,527
53202	273
53203	
53204	
53205	1,937
53206	68
53207	4
53208	2,645

## UNCALLED AMOUNTS ON PARTICIPATING INTEREST AND SHAREHOLDINGS

(in thousands EUR)

(in implementation of Art. 29 § 1)

Heading schéma B	Company name	Uncalled amount
VII. A	FORTIS PRIVATE EQUITY BELGIUM	32,438
	F SCHOLEN	3,500
	SOWO INVEST N.V	73
	FINTRIMO S.A	25
	FINTRIMO S.A	25
	FINTRIMO S.A	25
	VIA ZAVENTEM N.V.	144
	<b>Total</b>	<b>36,230</b>
VII. B	CREDIT SOC. DE BRABANT WALLON	16
	CREDIT SOC.P.P. REUNIS LIB 90	4
	BEM II	375
<b>Total</b>	<b>395</b>	
VII. C	CREDIT HYPOTH. OSCAR BRICOULT	4
	CREDIT TRAVAILLEURS LIB 50 PC	1
	LANDWAARTS SOC. WOONKR LIB 36 %	80
	ONS EIGEN HUIS LIB 95 PC	1
	EIGEN HUIS - THUIS BEST	3
	UW EIGEN HUIS VLAAN. LIB 84 PC	6
	MAISON DE L'ENTREPR. LIB 25%	6
	MAISON DE L'ENTREPR. LIB 25%	9
<b>Total</b>	<b>110</b>	

**XXVIII. RIGHTS AND OBLIGATIONS NOT STATED ON THE BALANCE SHEET AND COVERED BY THE FOREGOING SECTION OR THE OFF-BALANCE SHEET ITEMS**

C. Where appropriate, a brief description is given of the supplementary retirement and survival pension for employees or executives, stating the measures taken to cover the resultant costs.

I. Brief description of the pension systems

Four pension systems are in operation within Fortis Bank.

A. The first pension system applies for employees who joined the Bank before 1 January 2002 and who are not Fortis Bank executives (ex-ASLK, ex-Generale Bank and Fortis Bank).

This system comprises :

- 1) A basic defined benefit plan providing the following benefits :
  - retirement benefit payable at the retirement age (60 years), which takes into account the actual State pension of the member;
  - benefit payable on death before retirement age and orphan's benefit.
- 2) A supplementary plan (only for the category ex-ASLK) of the defined contribution type, with compulsory contributions by the member, providing additional retirement and death benefit.

B. The second system applies for employees who joined the Bank on or after 1 January 2002 and who are not Fortis Bank executives (only the category Fortis Bank). This system, with compulsory contributions by the member, is a defined contribution system for the retirement pension and a defined benefit system for the death and orphan's benefit.

C. The third system applies for employees in the category ex-KN. It is a defined contribution system for the retirement benefit and a defined benefit system for the death and orphan's benefit.

D. The fourth system applies for Fortis Bank executives.

It is a defined benefit system which provides the following benefits :

- retirement benefit payable at the retirement age (65 years), with the pension capital varying according to job grade;
- benefit payable on death before retirement age and orphan's benefit.

II. Brief description of the measures taken by the company to cover the resultant costs

A. The costs of the pension system are covered by :

- a collective insurance with AXA Belgium and Allianz for the accrued entitlements (for the employees contributions) as at 31 December 2001 for the categories ex-Generale Bank and Fortis Bank;
- a collective insurance with AG Insurance for the difference between the defined benefits and these accrued entitlements and for the benefit payable on death and the orphan's benefit.

1) For the commitments under I.A.1), the employer pays monthly contributions to the Financing Fund of the collective insurance (calculated as a fixed percentage of salaries);

2) For the commitments under I.A.2), the contributions are split equally between employees and the employer.

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B. The costs of the second system are covered by a collective insurance taken out with AG Insurance.

Employees pay a monthly personal contribution withheld on their salary. The employer pays a monthly contribution to the Financing Fund of the collective insurance.

C. The costs of the third system are covered by a collective insurance with AG Insurance.

The employer pays a monthly collective insurance premium.

D. The costs of the fourth system are covered by a collective insurance taken out with AXA Belgium. The employer pays a monthly collective insurance premium into the Financing Fund of the collective insurance, administered by AG Insurance.

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#### SOCIAL REPORT (in euro)

Numbers of joint industrial committees which are competent for the enterprise:  
for the enterprise: 310

#### STATEMENT OF THE PERSONS EMPLOYED

##### EMPLOYEES RECORDED IN THE STAFF REGISTER

During the financial year and the previous financial year

	Codes	1. Full-time	2. Part-time	3. Total (T) or total of full-time equivalents (FTE)	3P. Total (T) or total of full-time equivalents (FTE)
		(Financial year)	(Financial year)	(Financial year)	(Previous financial year)
Average number of employees	100	14,739	5,700	18,671 (FTE)	18,455 (FTE)
Number of hours actually worked	101	20,625,028	4,285,109	24,910,137 (T)	24,654,913 (T)
Personnel costs	102	1,257,871,587	324,954,117	1,582,825,704 (T)	1,586,528,000 (T)
Advantages in addition to wages	103	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	(T)	(T)

At the closing date of the financial year

Number of employees recorded in the personnel register

By nature of the employment contract

Contract for an indefinite period

Contract for a definite period

Contract for the execution of a specifically assigned work

Replacement contract

According to the gender and by level of education

Male

primary education

secondary education

higher education (non-university)

university education

Female

primary education

secondary education

higher education (non-university)

university education

By professional category

Management staff

Employees

Workers

Other

Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
105	14,858	5,595	18,694
110	14,632	5,591	18,465
111	226	4	229
112			
113			
120	8,753	1,510	9,711
1200			
1201	2,047	889	2,586
1202	3,398	422	3,680
1203	3,308	199	3,445
121	6,105	4,085	8,983
1210			
1211	1,208	1,766	2,390
1212	2,600	1,577	3,745
1213	2,297	742	2,848
130	1,880	102	1,954
134	12,978	5,493	16,740
132			
133			

**HIRED TEMPORARY STAFF AND PERSONNEL PUT AT THE ENTERPRISE'S DISPOSAL****During the financial year**

Average number of employees  
 Number of hours actually worked  
 Charges of the enterprise

Codes	1. Temporary personnel	2. Persons put at the disposal of the enterprise
150	127	
151	237,596	
152	7,739,055	

**TABLE OF PERSONNEL CHANGES DURING THE financial year****ENTRIES**

**Number of employees recorded on the personnel register during the financial year**

**By nature of the employment contract**

Contract for an indefinite period  
 Contract for a definite period  
 Contract for the execution of a specifically assigned work  
 Replacement contract

Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
205	1,519	35	1,547
210	1,304	32	1,330
211	215	3	217
212			
213			

**DEPARTURES**

**The number of employees with a in the staff register listed date of termination of the contract during the financial year**

**By nature of the employment contract**

Contract for an indefinite period  
 Contract for a definite period  
 Contract for the execution of a specifically assigned work  
 Replacement contract

**According to the reason for termination of the employment contract**

Retirement  
 Early retirement  
 Dismissal  
 Other reason  
 Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis

Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
305	1,030	581	1,358
310	848	578	1,174
311	182	3	184
312			
313			
340	268	458	521
341			
342	157	18	168
343	605	105	669
350			

**INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE FINANCIAL YEAR****Total number of official advanced professional training projects at company expense**

Number of participating employees  
 Number of training hours  
 Costs for the company  
 of which gross costs directly linked to the training  
 of which paid contributions and deposits in collective funds  
 of which received subsidies (to be deducted)

Codes	Male	Codes	Female
5801	9,688	5811	8,858
5802	287,228	5812	281,322
5803	35,334,748	5813	32,307,515
58031	34,999,190	58131	32,000,704
58032	335,559	58132	306,810
58033		58133	
5821	76	5831	87
5822	1,479	5832	2,840
5823	98,372	5833	188,896
5841		5851	
5842		5852	
5843		5853	

**Total number of less official and unofficial advanced professional training projects at company expense**

Number of participating employees  
 Number of training hours  
 Costs for the company

**Total number of initial professional training projects at company expense**

Number of participating employees  
 Number of training hours  
 Costs for the company

# Summary of the accounting policies for the non-consolidated financial statements

## General principles

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Fortis Bank's accounting policies comply with the rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The following summary gives further details of the accounting policies used for the major components in the balance sheet and income statement.

The accounting policies of Fortis Bank are the same as last year.

## Assets

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### Amounts receivable from credit institutions and customers

Loans and advances to credit institutions and customers are recognised for the initial amount paid less subsequent repayments and related allowances. All expenses paid to third parties for bringing in transactions with customers are fully recognised in the accounting period in which they are incurred.

Any difference between the nominal value of the loans and advances and the amounts originally granted is recognised on an accrual basis as interest income or charges in the income statement.

Other receivables are recognised at their nominal value.

Allowances for doubtful loans and for loans with an uncertain future are recognised in proportion to the part regarded as unrecoverable based on objective sources of information. Once a loan has been classified as doubtful or uncertain, related interests are normally no longer included in the income statement.

The accounting policies provide the option of setting up an internal security fund to cover well-defined risks, possibly arising in the future, but which can not yet be individualised.

### Bonds and shares

Securities or receivables represented by marketable securities are included in the trading portfolio if they are acquired with the intention of selling them back based on their return over a period which normally does not exceed six months.

Trading securities are valued at market value if traded on a liquid market. In the absence of a liquid market, they are valued at cost (all costs included, provisions received deducted) or market value, whichever is lower.

The fixed-income securities in the investment portfolio are recognised on the basis of their yield-to-maturity. The difference between the acquisition cost (all costs included, provisions received deducted) and the redemption value is accrued in the income statement.

The gains and losses realised on the sale of fixed-income securities are immediately recognised in the income statement. If however they are realised on arbitrage transactions, they may be accrued, in accordance with the provisions of article 35ter §5 of the Royal Decree of 23 September 1992.

Shares in the investment portfolio are valued at the lower of cost (all costs included, provisions received deducted) or market value, with all differences recognised in the income statement.

If the debtor carries a risk of non-payment, write-downs are made as for doubtful loans or loans with an uncertain future.

## Financial fixed assets

Financial fixed assets are recognised at cost. A write-off is recorded where a decrease in value is permanent. Where financial fixed assets are financed with borrowed funds, the exchange differences on the borrowed funds are not recognised in the income statement.

Incremental costs are taken directly to the income statement.

## Formation expenses and intangible fixed assets

Start-up costs are capitalised and depreciated on a straight-line basis over 5 years.

Capital increase costs are charged directly to the income statement.

The issuing costs of subordinated loans are depreciated on a straight-line basis over the duration of the loan. The issuing costs of perpetual loans are depreciated on a straight-line basis over 5 years, or over the length of the period before the date of the first call, if this date is earlier.

Costs relating to software developed by the bank itself or relating to standard or specific software acquired from third parties are recognised directly on the income statement as a general expenses. If it is certain that the economic life of specific software purchased from a third party is more than one year, the economic life being mainly determined by the risk of technological changes and commercial developments, this software can be capitalised and depreciated on a straight-line basis over the estimated useful life, with a maximum of 5 years.

The other intangible fixed assets are depreciated over maximum 10 years.

The Bank makes no use of the option to capitalise commissions paid to third parties for bringing in transactions with clients with a contractual period exceeding one year.

## Tangible fixed assets

Tangible fixed assets are recognised at cost, including ancillary cost and non-recoverable indirect taxes, less depreciation.

Depreciation occurs on a straight-line basis over the estimated economic life.

Revaluation of tangible fixed assets is allowed, provided that the value clearly and durably exceeds the book value.

## Other assets

Among other items this Heading includes deferred tax assets.

Deferred tax assets cannot be recognised. However, the NBB allows the recognition of deferred tax assets relating to restructuring costs, including in relation to redundancy plans.

## Liabilities

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### Amounts payable to credit institutions and customers

The amounts payable to credit institutions and customers are recognised for the initial amount received, less subsequent repayments. All expenses paid to third parties for bringing in deposits are fully recognised in the accounting period in which they are incurred.

### Amounts payable represented by a security

Debt securities issued with fixed capitalisation are recognised for the original amount plus capitalised interests.

### Other amounts payable

Among other items this Heading includes all debts to personnel related to salaries and other social security charges incurred during the present accounting period and paid in the next accounting period.

### Provisions for risks and charges

Provisions for pensions and similar social security obligations are recognised in accordance with Belgian legal requirements.

### Fund for general banking risks

Setting up the fund for general banking risks is based on a defined method, approved by the Board of Directors, applied systematically and based on the weighted volume of credit and market risks for the banking business.

## Income Statement

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### Interest income and charges

Interest income and charges are recognised when earned or due. Once a loan has been classified as doubtful or uncertain, related interests are normally reserved and no longer included in the income statement. The actuarial depreciation of the difference between the acquisition cost and the redemption price of fixed-income securities from the investment portfolio is also included in interest revenues.

### Income from variable-income securities

Revenues on shares and participations are recognised as from the moment the dividend distribution is communicated to the bank.

### Derivatives

The results on derivatives are recorded in various way depending on the type of transaction.

### Hedging transactions

Transactions that protect against the risk of fluctuation in exchange rates, interest rates or prices. Gains and losses are recorded in the income statement symmetrically with the results of the hedged components in order, entirely or partially, to neutralise their impact.

To be regarded as a hedge, transactions must comply with the following conditions:

- The hedged component or the hedged homogeneous set should expose the bank to a fluctuation risk of exchange rates, interest rates or prices.
- The hedge transactions must be specifically indicated from inception, as well as the hedged components.
- Sufficient correlation is required between the value fluctuations of the hedged component and the hedging transaction (or the underlying instrument).

As soon as a transaction does not meet the conditions to be considered as a hedge, then it should be recognised at its fair value.



### Trading transactions

All transactions made in connection with the current trading activities that do not meet the requirements to be classified as hedging, are valued at market prices, with both gains and losses recognised in the income statement. If the market is not liquid, only the losses are recognised in the income statement.

### Some forward interest rate transactions are valued in accordance with other valuation methods, based on derogation from the NBB, in conformity with article 18 of the Royal Decree of 23 September 1992 :

- transactions concluded within the framework of the treasury management, with an initial maturity of maximum 1 year
- transactions concluded within the framework of balance sheet and off-balance sheet transactions, conducted with the objective of reducing the interest rate risk and documented as such
- transactions concluded within the framework of strategic ALM transactions in euros or a currency belonging to the European Monetary Union.

These 3 categories are valued by recording the related result on an accrual basis.

- Transactions concluded as part of overall management, without the objective of reducing the interest rate risk: these transactions are valued on an accrual basis, with the condition that the potential losses resulting from the valuation at market value are recognised in the income statement.

### Foreign currencies

When valuing foreign currencies, a distinction is made between the monetary and non-monetary items.

Monetary items are assets and liabilities, including accruals and deferrals, rights and commitments that represent a specific amount of money in a foreign currency, plus shares and other non-fixed income securities in the trading portfolio. Monetary items are converted at the average rate (average of bid and ask rate on the spot exchange market) at the closing date. Items settled at specific currency rates must be valued at those specific average rates. The resulting exchange differences are recognised in the income statement (with the exception of exchange gains on foreign currencies for which no liquid market exists).

Tangible, intangible and financial fixed assets are considered to be non-monetary items and are recognised at cost based on the exchange rate at the date of acquisition. When non-monetary items, exposed to a foreign exchange risk, are financed on a permanent basis with borrowed funds in the same currency, the translation differences on the borrowed funds are not recognised in the income statement.

Profit and loss components in foreign currencies are converted into euros in the income statement, at the spot exchange rate at the time of recognition as income or charges.



# Report of the accredited statutory auditors

## JOINT STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE ANNUAL FINANCIAL STATEMENTS OF THE COMPANY FORTIS BANK SA/NV AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011

As required by law and the Company's articles of association, we report to you in the context of our appointment as the Company's statutory auditors. This report includes our opinion on the annual financial statements and the required additional remarks and information.

### **Unqualified opinion on the annual financial statements with explanatory paragraph**

We have audited the annual financial statements of Fortis Bank SA/NV (the "Company") as of and for the year ended 31 December 2011, prepared in accordance with the financial reporting framework applicable in Belgium, and which show a balance-sheet total of EUR (000) 300.648.140 and a gain for the year of EUR (000) 72.452.

The Company's board of directors is responsible for the preparation of the annual financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the annual financial statements contain material misstatements, whether due to fraud or error. In making this risk assessment, we have considered the Company's internal control relating to the preparation and fair presentation of the annual financial statements, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the annual financial statements taken as a whole. Finally, we have obtained from the board of directors and Company officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the Company's net worth and financial position as of 31 December 2011 and of its results for the year then ended in accordance with the financial reporting framework applicable in Belgium.

Without further qualifying our opinion, we draw the attention to the report of the board of directors, in which is described that as a result of 2008 events having impacted the Fortis group to which the Company belonged, a number of claimants have initiated legal actions against the former Fortis group, including the Company and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the annual financial statements.

### **Additional remarks and information**

The Company's board of directors is responsible for the preparation and content of the report of the board of directors, and for ensuring that the Company complies with the Companies' Code and the Company's articles of association.

Our responsibility is to include in our report the following additional remarks and information, which do not have any effect on our opinion on the annual financial statements:

- The report of the board of directors deals with the information required by the law and is consistent with the annual financial statements. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the Company, the state of its affairs, its foreseeable development or the significant influence of certain events on its future development. Nevertheless, we can confirm that the matters disclosed do not present any obvious inconsistencies with the information we became aware of during the performance of our mandate.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- As indicated in the report of the board of directors, the board of directors has on 13 January 2011 and 26 May 2011 (a) decided to indemnify the liability of the directors M. Jadot (13 January 2011), P. Vandekerckhove (26 May 2011) and K. Geens (26 May 2011) in all instances where they acted in good faith and in a manner they believed to be in the best interest of the Company, except where the liability of these directors would arise out of a fraud or wilful misconduct or where such liability would be covered by an insurance policy and (b) applied the article 523 of the Companies' Code as a result of the conflict of interest. Since the aforementioned directors were conflicted, we understand that they have not participated to the discussion and decision of the board of directors. Considering the fact that the indemnification of the liability is without limitation and depending on the occurrence of future events, if any, we are not in a position to evaluate the possible financial consequences of such a decision on the financial position of the Company.
- No transactions have been undertaken or decisions taken in violation of the Company's articles of association or the Companies' Code such as we would be obliged to report to you.
- The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the Company's articles of association.

Brussels, 23 March 2012

### **The Joint Statutory Auditors**

#### **PwC Reviseurs d'Entreprises scrl/ Bedrijfsrevisoren bcvba**

Represented by

R. Jeanquart  
Reviser d'Entreprises / Bedrijfsrevisor

#### **Deloitte Reviseurs d'Entreprises sc sous forme d'une scrl / Bedrijfsrevisoren bv ovv cvba**

Represented by

Ph. Maeyaert  
Reviser d'Entreprises / Bedrijfsrevisor

F. Verhaegen  
Reviser d'Entreprises / Bedrijfsrevisor



# Other information

## Monthly high and low for Fortis Bank shares at the weekly auctions in 2011

The monthly high and low for Fortis Bank shares at the weekly auctions of Euronext Brussels in 2011 were as follows (in EUR):

Month	Low	High
January	25.20	26.50
February	26.00	29.54
March	32.49	39.10
April	35.19	39.10
May	28.50	32.45
June	28.00	28.00
July	29.50	29.50
August	23.90	29.50
September	19.17	26.29
October	17.40	19.14
November	16.50	18.00
December	14.94	18.15

## External posts held by directors and effective leaders that are subject to a legal disclosure requirement

Pursuant to Article 27 of the Law of 22 March 1993 on the status and supervision of credit institutions and the attendant ruling by the Belgian Banking, Finance and Insurance Commission relating to external posts held by leaders of credit institutions and investment companies, the Bank's Board of Directors has adopted 'Internal regulations for Directors and Effective Leaders of Fortis Bank SA/NV holding external posts'.

Inter alia, these regulations stipulate that external posts held by the Bank's Effective Leaders and Directors in companies other than those falling within the scope of Article 27, § 3, 3rd indent, of the Law of 22 March 1993 shall be disclosed in the annual management report.

The term 'Effective Leaders' refers to members of the Executive Board and persons in positions at a level immediately below the said Board, including leaders of foreign branches.

As regards 'external posts' – i.e., principally posts as director of a company – that are subject to disclosure, this involves posts held in companies other than family property companies, 'management companies', undertakings for collective investment or companies with which the Bank has close links as part of the Group.



Surname, forename (Post) Company (Head office)	Business Activity (Post)	Listing
<b>Herman DAEMS</b>		
(Chairman of the Board of Directors)		
- Barco SA/NV	Technology (Chairman of the Board of Directors)	Euronext Brussels
- Vanbreda Risk and Benefits SA/NV	Insurance (Director)	-
- Domo Chemicals SA/NV	Chemicals (Director, acting as representative of Crossbow BVBA)	-
- Domo Investment Group SA/NV	Chemicals (Director & Chairman of the Board of Directors, acting as representative of Crossbow BVBA)	-
- Uitgeverij Lannoo SA/NV	Publishing (Director, acting as representative of Crossbow BVBA)	-
<b>Georges CHODRON de COURCEL</b>		
(Vice-Chairman of the Board of Directors)		
- Alstom S.A.	Transport and Energy (Director)	Euronext Paris
- Bouygues S.A.	Construction and Telecommunication (Director)	Euronext Paris
- F.P.F. (Société Foncière, Financière et de Participations) S.A.	Portfolio Company (Director)	Euronext Paris
- Lagardère SCA	Media (Member of Supervisory Board)	Euronext Paris
- Nexans S.A.	Cabling (Director)	Euronext Paris
- Scor S.A.	Insurance (Censor)	Euronext Paris
- Erbé S.A.	Real Estate (Director)	-
- Scor Holding (Switzerland) AG	Holding (Director)	-
- Scor Global Life Rückversicherung Schweiz AG	Reinsurance (Director)	-
- Scor Switzerland AG	Insurance (Director)	-
- Groupe Bruxelles Lambert S.A.	Portfolio Company (Director)	Euronext Brussels
- CNP (Compagnie Nationale à Portefeuille) SA	Portfolio Company (Director)	-
<b>Jean-Laurent BONNAFÉ</b>		
(Director)		
Carrefour S.A.	Distribution (Director)	Euronext Paris

Surname, forename (Post) Company (Head office)	Business Activity (Post)	Listing
<b>Filip DIERCKX</b>		
(Vice-Chairman of the Executive Board)		
- SD Worx for Society SCRL/CVBA (Antwerp)	Management & Administrative Services (Chairman of the Board of Directors)	-
- IVD SA/NV (Antwerp)	Administrative Services (Chairman of the Board of Directors via GINGKO Associates BVBA)	-
- SD Diensten SA/NV (Antwerp)	Training & Management Services (Chairman of the Board of Directors)	-
- ZENO SA/NV	Administrative Services (Chairman)	-
- HAZELHEARTWOOD SCRL/CVBA	Administrative Services (Director)	-
<b>Dirk BOOGMANS</b>		
(Director)		
- P&V Verzekeringen SCRL/CVBA	Insurance (Director)	-
- Vivium SA/NV	Insurance (Director)	-
- Caesar Real Estate Fund SA/NV	Real Estate investments (Chairman of the Board of Directors via DAB Management)	-
- Ethias Finance SA/NV	Insurance (Director)	-
- Colibra SA/NV	Software – IT (Director)	-
- Global Lifting Partners SA/NV	Holding (Chairman of the Board of Directors)	-
- AIB Vinçotte Internationale SA/NV	Inspection, control & certification services (Director)	-
- Vinçotte Internationale SA/NV	Inspection, control & certification services (Director)	-
- THV Noriant	Infrastructure (Chairman of the Board of Directors)	-
- GIMV SA/NV	Investment company (Director)	Euronext Brussels
- Primary Resources BVBA	Real Estate (Director)	-
- CFE SA/NV	Real Estate (Advisor)	-
- QAT GROUP SA		-
	Chairman of the Advisory Board	
- ASAP HR GROUP SA/NV	Human Resources (Director)	-

Surname, forename (Post) Company (Head office)	Business Activity (Post)	Listing
<b>Jean-Paul PRUVOT</b>		
(Director)		
- L'Ardenne Prévoyante SA/NV	Insurance (CEO)	-
<b>Jean STEPHENNE</b>		
(Director)		
- BESIX Group SA/NV (Brussels)	Construction (Chairman of the Board of Directors)	-
- GlaxoSmithKline Biologicals SA/NV (Rixensart)	Pharmaceutical industry (Chairman of the Board of Directors and General Director)	-
- GlaxoSmithKline Biologicals Manufacturing SA/NV (Rixensart)	Pharmaceutical industry (Director)	-
- Groupe Bruxelles Lambert SA/NV (Brussels)	Portfolio Company (Director)	Euronext Brussels
- Ion Beam Applications SA/NV (Louvain - la - Neuve)	Technology (Director)	Euronext Brussels
- Nanocyl SA/NV (Namur)	Chemicals (Director)	-
- Vesalius Biocapital I SICAR (Luxembourg )	Risk capital (Chairman of the Board of Directors)	-
- Vesalius Biocapital II SICAR (Luxembourg )	Risk capital (Chairman of the Board of Directors)	-
- Innosté SA/NV (Luxembourg )	Pharmaceutical industry (Chairman of the Board of Directors & Managing Director)	-
<b>Serge WIBAUT</b>		
(Director)		
- ReacFin SA/NV	Consulting (Director)	-
- Gambit Financial Solutions	Portfolio Company (Chairman of the Board of Directors)	-
- Eurinvest SA	Asset management (Director)	-
- Compagnie Européenne d'Assurance des Marchandises et des Bagages SA/NV	Insurance (Director)	-
- Nationale Suisse Assurance	Insurance (Director)	-

Surname, forename (Post) Company (Head office)	Business Activity (Post)	Listing
<b>Sophie DUTORDOIR</b> (Director)		
- Electrabel Customer Solutions SA/NV	Energy (Chairman of the Board of Directors)	-
- Electrabel SA/NV	Energy (Director - General Manager)	-
- Brussels Network Operations SCRL/CVBA	Energy (Vice Chairman of the Board of Directors)	-
- Sibelga SCRL/CVBA	Energy (Director)	-
- GDF Suez Energy Deutschland AG	Energy (Member of the Supervisory Board)	-
- Ores SCRL/CVBA	Energy (Vice Chairman)	-
<b>Maxime JADOT</b> (Chairman of the Executive Board)		
- Bekaert SA/NV	Steel Industry (Director)	Euronext Brussels
<b>Koen GEENS</b> (Director)		
- Eubelius Law Firm SCRL/CVBA	Law (Founding Partner)	-
<b>Luc HAEGEMANS</b> (Member of the Executive Committee)		
- Fainfood SA/NV	Food (Director)	-
<b>Roger RAMOS (Spain)</b>		
- Mermoz Jet Finance S.L. (Singapore)	Transport - Finance (Director)	-

As at 31 December 2011, Fortis Bank does not hold a stake of 5% of more in any of the above-mentioned companies.

## Abbreviations

<b>2OPC</b>	Oversight of Operational Permanent Control	<b>EL</b>	Expected Loss
<b>ABS</b>	Asset backed security	<b>Euribor</b>	Euro inter bank offered rate
<b>ACP</b>	Autorité de contrôle prudentiel	<b>GDP</b>	Gross Domestic Product
<b>AFS</b>	Available for sale	<b>GRM</b>	Group Risk Management
<b>AGI</b>	AG Insurance	<b>GSIP</b>	Global Share-based Incentive plan
<b>AIRBA</b>	Advanced Internal Ratings Based Approach	<b>HTM</b>	Held to maturity
<b>ALCO</b>	Assets and Liabilities Committee	<b>IASB</b>	International Accounting Standards Board
<b>ALM</b>	Asset and liability management	<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>AMA</b>	Advanced Measurement Approach	<b>IFRS</b>	International Financial Reporting Standards
<b>ARCC</b>	Fortis Bank Audit, Risk and Compliance Committee	<b>IIF</b>	Institute of International Finance
<b>BGL</b>	Banque Générale de Luxembourg	<b>IMF</b>	International Monetary Fund
<b>BNPP-IP</b>	BNP Paribas Investment Partners	<b>IRBA</b>	Internal Ratings Based Approach
<b>CASHES</b>	Convertible and subordinated hybrid equity-linked securities	<b>ISDA</b>	International Swaps and Derivatives Association
<b>CBFA</b>	Banking, Finance and Insurance Commission	<b>FCF</b>	Fortis Commercial Finance
<b>CBO</b>	Collateralised bond obligation	<b>FV</b>	Fair Value
<b>CDS</b>	Credit default swap	<b>LGD</b>	Loss Given Default
<b>CDO</b>	Collateralised debt obligation	<b>MBS</b>	Mortgage-backed security
<b>CGU</b>	Cash generating unit	<b>MCS</b>	Mandatory Convertible Securities
<b>CIB</b>	Fortis Bank Corporate and Investment Banking	<b>MtM</b>	Mark to Market
<b>CLO</b>	Collateralised loan obligation	<b>NBB</b>	National Bank of Belgium / Nationale Bank van België
<b>CMBS</b>	Commercial mortgage-backed securities	<b>NPV</b>	Net present value
<b>CMS</b>	Constant Maturity Swap	<b>OCI</b>	Other comprehensive income
<b>CODM</b>	Chief Operating Decision Maker	<b>OTC</b>	Over the counter
<b>CP</b>	Commercial paper	<b>PD</b>	Probability of Default
<b>CPBB</b>	Corporate & Public Banking, Belgium	<b>PFC</b>	Product and Financial Control Committee
<b>CRO</b>	Chief Risk Officer	<b>RMBS</b>	Residential mortgage-backed securities
<b>CRM</b>	Central Risk Management	<b>RPB</b>	Retail & Private Banking
<b>CSO</b>	Collateralised swap obligation	<b>RPN</b>	Relative Performance Note
<b>CSR</b>	Corporate Social Responsibility	<b>RWA</b>	Risk Weighted Assets
<b>CTBE</b>	Corporate and Transaction Banking Europe	<b>SCI</b>	Structured Credit Instruments
<b>CVA</b>	Credit Value Adjustment	<b>SFPI/FPIM</b>	Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij
<b>DCF</b>	Discontinued cash flow	<b>SPE</b>	Special purpose entity
<b>EAD</b>	Exposure At Default	<b>SPV</b>	Special purpose vehicle
<b>EaR</b>	Earnings at Risk	<b>TEB</b>	Türk Ekonomi Bankasi
<b>EBA</b>	European Banking Authority	<b>VaR</b>	Value at Risk
<b>ECB</b>	European Central Bank	<b>VRC</b>	Valuation Review Committee
<b>EFSF</b>	European Financial Stability Facility		

## Glossary

### Active market

A market where homogeneous items are traded between willing buyers and sellers at any time and where the prices are available to the public.

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### Amortised cost

The amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/increase of any premium/discount, and minus any write-down for impairment.

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### Asset backed security (ABS)

Debt instrument that represents an interest in a pool of assets. The term 'ABS' is generally used to refer to securities in which underlying collateral consists of assets other than residential first mortgages such as credit card and home equity loans, leases, or commercial mortgage loans.

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### Associate

A company in which Fortis Bank has significant influence but which it does not control.

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### Basel 2.5

As from Q4-2011, European banks must also comply with Basel 2.5, a set of prudential measures published by the Basel Committee in July 2009 in order to respond to lessons learned from the financial crisis. Basel 2.5 intends to enhance the Basel 2 framework in two major areas: trading book and securitisation, introducing a stressed VaR, an incremental risk capital charge for specific risk, a banking book capital charge for securitisation exposures held in the trading book, and a higher capital charge for re-securitisation.

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### Basis point (bp)

One hundredth of a percentage point (0.01%).

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### Bid/Offer-spread

The difference in price between the highest price that a buyer is willing to pay for an asset and the lowest price for which a seller is willing to sell it.

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### Cash flow hedge

A hedge to mitigate the exposure to variability in cash flows of a recognised asset or liability, or forecast transaction, which is attributable to changes in variable rates or prices.

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### Clearing

Administrative settlement of securities, futures and options transactions through a clearing organisation and the financial institutions associated with it (clearing members).

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### Collateralised Debt Obligation (CDO)

A type of asset backed security and structured credit product that provides exposure to a portfolio of fixed income assets and divides the credit risk among different tranches with different credit ratings. CDO can comprise 'Collateralized Loan Obligations' (CLOs), 'Collateralized Bond Obligations' (CBOs) and 'Collateralized Synthetic Obligations' (CSOs).

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### Collateralised Loan Obligation (CLO)

A form of securitisation where payments from multiple middle sized and large business loans are pooled together and passed on to different classes of owners in various tranches.

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### Commercial mortgage-backed security (CMBS)

A type of bond which is backed by commercial property such as retail or office property, hotels, schools, industrial property and other commercial sites.

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### Controlled perimeter

The legal and regulatory consolidation scope of Fortis Bank.

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### Core capital

Total available capital at group level (based on the banking definition of Tier 1 capital).

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### Credit default swap (CDS)

A credit derivative contract between two counterparties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the creditworthiness of an underlying financial instrument.

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### Credit spread

The yield differential between a credit risk free benchmark security or reference rate (e.g. government bonds) and corporate bonds or credits.

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### Credit Value Adjustment

Adjustment to the value of the trading book to take into account the counterparty risk.

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**Derivative**

A financial instrument such as a swap, a forward, a future contract or an option (both written and purchased). This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.

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**Discounted cash flow method (DCF-model)**

An approach to valuation, whereby projected future cash flows are discounted at an interest rate that reflects the time value of money and a risk premium that reflects the extra return investors demand for the risk that the cash flow might not materialise.

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**Duration**

A general measure of the sensitivity of the price (the value of the principal) of a fixed-income instrument, expressed as a percentage change with a 100-basis-point change in yield. In the calculation of 'duration of equity', the term also refers to the weighted average timing of cash flows from an asset or a liability portfolio. It is computed on the basis of the net present values (NPV) of the cash flows (principal and interest).

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**Earnings at Risk**

A measure of the sensitivity of future net income to hypothetical adverse changes in interest rates or equity market prices. Earnings at Risk assesses the impact of stress tests on the projected IFRS net income before tax. EaR represent a possible deviation from expected (pre tax) earnings due to an adverse event over the next 12 months at a chosen confidence level. EaR covers both loss realisation and failure to generate revenues.

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**Embedded derivative**

A derivative instrument that is embedded in another contract - the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract or a sale or purchase contract.

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**Employee benefits**

All forms of consideration given by an entity in exchange for service rendered by employees, including their pay or salary.

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**Expected Loss (EL)**

The Expected Loss is the expected annual level of credit losses over an economic cycle. Actual losses for any given year will vary from the EL, but EL is the amount that our bank should expect to lose on average over an economic cycle. Expected Loss should be viewed as a cost of doing business rather than as a risk in itself. Expected Loss is calculated as follows:

$$EL = EAD \times PD \times LGD$$

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**Exposure at Default (EAD)**

Gives an estimate of the amount to which the bank is exposed in the event that the borrower defaults. EAD is one of the parameters used to compute the Expected Loss (EL).

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**Factoring**

A form of corporate financing in which a company transfers outstanding debts to a factoring company that, for a fee, assumes responsibility for the debtor records, debt collection, risk coverage and financing.

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**Fair value**

The amount for which an asset (liability) can be bought (incurred) or sold (settled), between knowledgeable, willing parties in an arm's length transaction.

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**Fair value hedge**

A hedge of an exposure to changes in the fair value of a recognised asset or liability (or a portion thereof) or a firm commitment. The exposure is attributable to a particular risk and will affect reported net income.

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**Finance lease**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

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**Goodwill**

This represents the excess of the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued over Fortis Bank's interest in the fair value of assets acquired and liabilities and contingent liabilities assumed.

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**Hedge accounting**

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

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**IFRS**

International Financial Reporting Standards, used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.

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**Impairment**

A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

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**Intangible asset**

An identifiable non-monetary asset without physical substance which is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

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**Investment property**

Property held by Fortis Bank to earn rental income or for capital appreciation.

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**Joint venture**

A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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**Loss given Default (LGD)**

The average amount to be lost in the event of default of the counterpart. LGD is a parameter used in the calculation of Expected Loss.

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**Macro hedge**

A hedge used to eliminate the risk of a portfolio of assets.

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**Net investment hedge**

A hedge used to reduce the financial risks of a reporting entity's share in the net assets of a foreign business activity by entering into transactions that provide an offsetting risk profile.

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**Notional amount**

Amount of currency units, number of shares, a number of units of weight or volume or other units specified in a derivative contract.

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**Nth-to-default credit derivatives**

Credit derivatives that provide credit protection only for the nth defaulting reference exposure in a group of reference exposures

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**Operating lease**

A contract that allows the use of an asset against periodic payments, but does not convey rights similar to legal ownership of the asset and where the financial risks related to the asset are with the issuer of the lease contract.

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**Option**

A contract sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

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**Private equity**

Equity securities of companies that are not listed on a public exchange. Investors looking to sell their stake in a private company have to find a buyer in the absence of a marketplace.

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**Probability of Default (PD)**

The probability that the counterparty will default over a one-year time horizon. PD is a parameter used in the calculation of Expected Loss.

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**Provision**

Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the balance sheet date.

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**Qualifying capital**

The liability components that qualify as Tier 1 capital (equity) under banking supervision regulations.

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**Repurchase agreement (repo)**

Agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price.

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**Residential mortgage-backed security (RMBS)**

A type of bond which is backed by mortgages on residential rather than commercial real estate.

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**Reverse repurchase agreement (reverse repo)**

The purchase of securities with an agreement to resell them at a higher price at a specific future date.

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**Securities lending (borrowing) transaction**

A loan (borrowing) of a security from one counterparty to another, who must eventually return (be returned) the same security as repayment. The loan is often collateralised. Securities lending allows an entity in possession of a particular security to earn enhanced returns.

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**Settlement date**

The date that an asset is delivered to or by an entity.

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**Structured credit instruments (SCI)**

Securities created by repackaging cash flows from financial contracts. These instruments encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDO). ABS are issues backed by loans (other than mortgages), receivables or leases, MBS are issues backed by mortgage loans and CDO are a class of asset-backed securities and another term for bonds backed by a pool of bonds (CBO), loans (CLO) or other assets such as swaps (CSO). Payment of the principal and interest of the CDO is financed with the cash flows generated by the underlying financial assets.

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**Subordinated bond (loan)**

A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

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**Subsidiary**

Any company, whose financial and operating policies Fortis Bank, either directly or indirectly, has the power to govern, so as to obtain the benefits from its activities ('control').

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**Synthetic CDO**

a collateralised debt obligation (CDO) in which the underlying credit exposures are taken by entering into a credit default swap agreement instead of buying actual financial assets.

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**Tier 1 ratio**

Core capital of a bank expressed as a percentage of the risk-weighted balance sheet total.

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**Trade date**

The date when Fortis Bank becomes a party to the contractual provisions of a financial asset.

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**Value at Risk (VaR)**

A technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount. For the assessment of the market risks related to its trading room activities, Fortis Bank computes VaR using a 99% confidence interval over a 1 day time horizon. This calibration is designed to reflect the risks of trading activities under normal liquidity conditions.

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