



# CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Unless otherwise indicated, all amounts stated in the tables are denominated in million of euros.



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#### **Independent Auditor's report**

To the Board of Directors of **BGL BNP PARIBAS S.A.** 

#### Report on the consolidated annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying consolidated annual accounts of BGL BNP PARIBAS S.A., which comprise the consolidated balance sheet as at December 31, 2009, the consolidated profit and loss account and statement of comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Board of Directors' responsibility for the consolidated annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated annual accounts 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.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated annual accounts.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, these consolidated annual accounts give a true and fair view of the consolidated financial position of BGL BNP PARIBAS S.A. as of December 31, 2009, and of its financial performance and its cash flows for the year ended December 31, 2009 in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated annual accounts.

PricewaterhouseCoopers S.à r.l. Represented by Luxembourg, March 12, 2010

Paul Neyens

Only the French version of the present consolidated annual report has been reviewed by the independent auditor. Consequently, the independent auditor's report only refers to the French version of the report, other versions result from a conscientious translation made under the responsibility of the Board of Directors. In case of differences between the French version and the translation, the French version should be retained.





# CONSOLIDATED BALANCE SHEET

(before appropriation of profit)

In million of euros

	Notes	31/12/2009	31/12/2008
Assets			
Cash and cash equivalents	14	1.347.6	8.418.6
Held for trading financial assets	15,38	366.4	709.3
Hedging derivatives	16,38	0.5	4.6
Loans and receivables to credit institutions	17	3,772.0	4,413.6
Loans and receivables to customers	18	21,814.1	25,652.8
Available for sale financial assets	19	5,834.8	8,161.7
Held to maturity financial assets	20	1,701.4	1,788.8
Financial assets designated at fair value through profit or loss	21	10.1	14.8
Investments in associates accounted for under the equity method	22	63.0	452.9
Investment property	23	635.6	617.0
Tangible assets	24	317.0	350.3
Goodwill and other intangible assets	25	148.8	221.7
Current and deferred tax assets	33	96.4	130.1
Other assets	26	693.8	994.1
Prepayments and accrued income	27	395.1	599.6
Non-current assets held for sale and discontinued operations	28	6,041.9	-
Total assets		43,238.5	52,529.9
Liabilities Held for trading financial liabilities	15,38	520.5	1,200.9
Hedging derivatives	16,38	47.0	54.9
Deposits from credit institutions	29	9,278.9	18,893.8
Deposits from customers	30	13,663.2	19,049.7
Debt certificates	31	6,350.4	5,134.9
Subordinated liabilities	32	604.8	802.6
Current and deferred tax liabilities	33	221.2	154.9
Provisions	34	80.4	136.4
Other liabilities	35	625.9	891.2
Accruals and deferred income	36	210.8	401.8
Liabilities linked to non-current assets held for sale and discontinued operations	37	5,464.7	-
Total liabilities		37,067.8	46,721.1
Equity attributable to the equity holders of the parent	4	6,181.7	5,800.4
Minority interest	5	-11.0	8.4
Total equity		6,170.7	5,808.8
Total lighilities and equity		40 000 F	E2 E20 0
Total liabilities and equity		43,238.5	52,529.9

The notes refer to the notes to the consolidated financial statements.

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# CONSOLIDATED PROFIT AND LOSS ACCOUNT

In million of euros

	Notes	2009	2008*
Interest and similar income	40	1,679.8	3,422.9
Interest expense and similar charges	40	-932.0	-2,771.7
Dividends and other investment income	41	70.9	72.7
Share of the profit or loss of associates accounted for under the equity method	22	2.5	11.7
Fee and commission income	42	329.2	398.9
Fee and commission expense	42	-87.9	-116.6
Net realised capital gains on investments	43	22.0	63.2
Other net realised and unrealised gains (losses)	44	85.3	-103.3
Other income		45.9	36.1
Net operating income before change in impairments		1,215.7	1,013.9
Change in impairments	45	-584.3	-478.7
Total net operating income		631.4	535.2
Staff expenses	46	-265.9	-263.7
Other administrative expenses	40	-191.8	-328.5
Amortisation of tangible and intangible assets	48	-191.8	-61.8
Total operating expenses		-516.1	-654.0
Profit before tax		115.3	-118.8
Tax expense	49	-73.7	81.4
Net profit for the year – continued operations		41.6	-37.4
	50	50.0	
Net profit of discontinued operations	50	-52.6	-71.7
Net profit for the year		-11.0	-109.1
Net profit attributable:			
To minority interests		-17.2	-1.9
Of which: Net profit of continued operations		-17.2	-1.9
To equity holders of the parent		6.2	-107.2
Of which: Net profit of continued operations		58.8	-35.5
Of which: Net profit of discontinued operations		-52.6	-71.7

\* The amounts of 2008 have been adjusted in order to transfer the resultats on discontinued operations in accordance with IFRS 5. The notes refer to the notes to the consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In million of euros

	31/12/2009	31/12/2008*
Net profit for the year	-11.0	-109.1
Foreign currency translation		
Exchange difference on translation of foreign operations	14.8	-6.8
Sub-total foreign currency translation, net of tax	14.8	-6.8
Financial investments available-for-sale		
Net unrealised gains/(losses) on financial investments available-for-sale, before tax	233.4	-655.5
Impairment charges reclassified to the income statement from equity	-4.6	216.1
Realised gains reclassified to the income statement from equity	-9.5	-141.4
Realised losses reclassified to the income statement from equity	142.1	39.3
Income tax relating to net unrealised gains/ (losses) on financial instruments available-for-sale	-100.7	106.6
Sub-total net unrealised gains/(losses) on financial instruments available-for-sale, net of tax	260.7	-434.9
Total other comprehensive income, net of tax	275.5	-441.7
Total comprehensive income, net of tax	264.5	-550.8
Total comprehensive income, net of tax, attributable:		
To minority interests	-17.2	-1.9
Of which: Net profit of continued operations	-17.2	-1.9
To equity holders of the parent	281.7	-548.9
Of which: Net profit of continued operations	279.6	-570.4
Of which: Net profit of discontinued operations	2.1	21.5

\* The amounts of 2008 have been adjusted in order to transfer the resultats on discontinued operations in accordance with IFRS 5.

# STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium reserve	Other reserves	Foreign currency translation	Net profit attributable to equity holders of the parent	Revaluation reserve	Equity attributable to equity holders of the parent	Minority interest	Total equity
Balance at 01/01/2008	350.0	633.5	2.255.7	-31.0	676.8	125.0	4,010.0	10.3	4,020.3
Net profit for the year	-	-	-	-	-107.2	-	-107.2	-1.9	-109.1
Revaluation of investments	-	-	-	-	-	-437.4	-437.4	-	-437.4
Hedge of net investments in foreign operations	-	-	-	-	-	2.5	2.5	-	2.5
Foreign currency translation	-	-	-	-6.8	-	-	-6.8	-	-6.8
Sub-total: other comprehensive income	-	-	-	-6.8	-	-434.9	-441.7	-	-441.7
Increase of share capital	348.6	2,042.8	-	-	-	-	2,391.4	-	2.391.4
Dividends	-	-	-	-	-52.2	-	-52.2	-	-52.2
Transfers	-	-	624.6	-	-624.6	-	-	-	-
Other	-	-	0.1	-	-	-	0.1	-	0.1
Balance at 31 December 2008	698.6	2,676.3	2,880.4	-37.8	-107.2	-309.9	5,800.4	8.4	5,808.8
Net musfit for the const					0.0		6.0	17.0	11.0
Net profit for the year Revaluation	-	-	-	-	6.2	-	6.2	-17.2	-11.0
of investments	-	-	-	-	-	273.6	273.6	-	273.6
Hedge of net investments in foreign operations	-	-	-	-	-	-12.9	-12.9	-	-12.9
Foreign currency translation	-	-	-	14.8	-	-	14.8	-	14.8
Sub-total: other comprehensive income	-	-	-	14.8	-	260.7	275.5	-	275.5
Increase of share capital	14.5	85.5	-	-	-	-	100.0	-	100.0
Dividends	-	-	-	-	-	-	-	-	-
Transfers	-	-	-107.2	-	107.2	-	-	-	-
Other	-	-	-0.4	-	-	-	-0.4	-2.2	-2.6
Balance at 31 December 2009	713.1	2,761.8	2,772.8	-23.0	6.2	-49.2	6,181.7	-11.0	6,170.7

The detail of the revaluation reserve is disclosed in note 4.

As at 15 December 2008, the Bank's shareholders decided at an Extraordinary General Meeting to proceed to an increase of the Bank's share capital in order to allow the Luxembourg state to become shareholder of the Bank with 49.9% equity interest through conversion into shares of its mandatory convertible loan (equity instrument) based on the agreements of end september 2008. Thus 13,677,216 new shares were issued for an amount of EUR 348.6 million. This transaction included a share premium reserve of EUR 2,042.8 million, net of contribution duty.

As at 13 May 2009, the Bank's Board of directors, in keeping with the decision of the Extraordinary General Meeting on 30 April 2009, increased the Bank's share capital by converting into BGL BNP Paribas shares the remaining EUR 100 million of the subordinated loan amounting to EUR 2.5 billion granted by the Luxembourg state on 30 September 2008, of which EUR 2.4 billion had already been converted into equity.



# CONSOLIDATED CASH FLOW STATEMENT

	2000	2000
	2009	2008
Cash and cash equivalents - at 1 January	8,418.6	15,194.1
Profit before tax	115.3	-118.8
Non-cash items included in net profit and other adjustments:		
Net realised gains (losses) on sales	-22.8	-95.0
Net unrealised gains (losses)	201.6	-720.8
Share of the profit or loss of associates accounted for under equity method, net of dividends received	2.5	11.7
Amortisations	115.2	-62.8
Provisions and impairments	602.9	618.0
Changes in operating assets and liabilities:		
Financial assets and liabilities held for trading	-341.9	695.1
Loans and receivables to credit institutions	617.6	-2,048.3
Loans and receivables to customers	2,948.6	-180.3
Other assets	-34.5	471.4
Deposits from credit institutions	-8,815.6	1,334.8
Deposits from customers	-4,068.6	-4,841.5
Net changes in other operational assets and liabilities	-1,380.6	-31.6
Non-current assets and liabilities held for sale and discontinued operations	-15.5	-58.0
Tax paid	-95.7	-150.8
Net cash used in operating activities	-10,171.5	-5,176.9
Purchases of investments	-1,010.5	-3,573.4
Sales and redemptions of investments	3,122.5	4,673.8
Purchases of investment property	-38.1	-68.5
Sales of investment property	9.0	36.1
Purchases of tangible assets	-37.9	-34.4
Sales of tangible assets	0.8	5.5
Acquisitions of subsidiaries, net of cash acquired	-	-
Divestments of subsidiaries, net of cash sold	90.6	54.2
Acquisitions of intangible assets	-1.0	-3.0
Divestments of intangible assets	0.5	0.2
Net cash used in investing activities	2,135.9	1,090.5

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# (CONTINUATION)

	2009	2008
Issuance of debt certificates	3,171.3	2,818.3
Redemption of debt certificates	-2,149.9	-6,700.5
Issuance of subordinated liabilities	-	100.0
Redemption of subordinated liabilities	-175.0	-166.5
Issuance of other borrowings	-	-
Redemption of other borrowings	-2.2	-1,119.6
Issuance of an equity instrument	100.0	2,391.4
Dividends paid to shareholders	-	-52.2
Net cash used in financing activities	944.2	-2,729.1
Impacts of foreign exchange differences on cash and cash equivalents	20.4	40.0
Cash and cash equivalents - at 31 December	1,347.6	8,418.6
Supplementary disclosures of operating cash flow information		
Interest received	1,352.9	2,997.5
Dividends received	15.2	18.1
Interest paid	-781.2	-2,521.2
Net cash used for non-current assets and liabilities held for sale and discontinued operations		
Net cash used in operating activities	828.3	-42.2
Net cash used in investing activities	-41.1	142.9
Net cash used in financing activities	-28.5	-24.3



### 1 - GENERAL INFORMATION

BGL BNP Paribas, referred below as the "Bank", was founded on 29 September 1919 as "Banque Générale du Luxembourg". The Bank took the legal form of a limited liability company under Luxembourg law on 21 June 1935. The statutory name of the company has been changed three times, to "Fortis Banque Luxembourg" by the Extraordinary General Meeting of 17 November 2005, to "BGL" by the Extraordinary General Meeting of 15 December 2008 and to "BGL BNP Paribas" by the Extraordinary General Meeting of 11 June 2009 effective on 21 September 2009.

The corporate purpose of the Bank is to engage in all types of banking and financial operations and services, to take participating interests in businesses as well as to undertake commercial, industrial and other operations, including transactions in moveable or real estate property, for its own account and on behalf of third parties, relating directly or indirectly to its corporate purpose or being conducive to favour its achievement. It may perform its activities in the Grand Duchy of Luxembourg or abroad.

As at 13 May 2009, the Bank's Board of directors, in keeping with the decision of the Extraordinary General Meeting on 30 April 2009, increased the Bank's share capital by converting into BGL BNP Paribas shares the remaining EUR 100 million of the subordinated loan amounting to EUR 2.5 billion granted by the Luxembourg state on 30 September 2008, of which EUR 2.4 billion had already been converted into equity.

Following transactions in France, Belgium and Luxembourg, the BNP Paribas group has become the majority shareholder of the Bank. It now controls – directly and indirectly through Fortis Banque – 65.96% of the bank's capital.

The Luxembourg state remains a significant shareholder of the Bank with a 34% interest.

The Bank is included in the consolidated financial statements of Fortis Banque SA, its major shareholder (50.00% + 1 share). The consolidated financial statements of Fortis Banque SA are available at its registered address, which is 3 Montagne du Parc, Brussels in Belgium.

The BNP Paribas group is the largest consolidating entity in which the Bank is integrated as a consolidated subsidiary. The consolidated financial statements of BNP Paribas group are available at its registered address, which is 16 boulevard des Italiens – 75009 Paris, France.

### 2 - ACCOUNTING POLICIES

#### 2.1 GENERAL INFORMATION

The Bank's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations existing as at 31 December 2009 and as adopted by the European Union. These comprise for IAS 39, *Financial Instruments: recognition and measurement*, the exclusion relating to the hedge accounting generally called "carve-out", as adopted by the European Union on 15 November 2005.

The consolidated financial statements are submitted to the Ordinary General Meeting on 1<sup>st</sup> April 2010.

Where accounting policies are not specifically mentioned below, reference should be made to the IFRS as adopted by the European Union.

#### 2.2 ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates. It requires Management to formulate assumptions and estimations based on its judgment and available information at the date of preparation of the consolidated financial statements. Actual results may differ from those assumptions and estimations.

Estimates and judgments relate mainly to the following areas:

- estimation of the recoverable amount of impaired assets (note 2.11);
- determination of fair values of non-quoted financial instruments and in case of momentary absence of quotation on an active market (notes 2.10, 15 and 19);
- determination of the useful life and the residual value of tangible assets, investment property and intangible assets (note 2.18, 2.20, 2.21, 23, 24 and 25);
- actuarial assumptions relating to the measurement of pension obligations and assets (note 8);
- estimation of present obligations resulting from past events in the recognition of provisions (notes 2.26 and 34);
- non-recognition of a receivable from the AGDL due to uncertainty as regard to the eventually recoverable amount (note 34);
- assumptions used for the impairment tests on goodwill (notes 2.21 and 25);
- determination of deferred tax assets (notes 2.33 and 49).

#### 2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used to prepare these 2009 consolidated annual financial statements are consistent with those applied for the year ended 31 December 2008.

During the year 2009, the following modifications were

brought to the IFRS standards and their interpretations ("IFRIC" or "International Financial Reporting Interpretations Committee"):

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- Revised IAS 1, Presentation of Financial Statements, aims to improve the analysis and the comparison of the informations included in the financial statements. Revised IAS 1 impacts the presentation of the changes in equity attributable to shareholders and the items directly recognised in equity;
- IFRS 8, Operating Segments, defines the informations to disclose as regard to the operating segments of the Group, as well as its products and services, the geographic areas in which it operates and its main customers. IFRS 8 requires the disclosure of additional informations as regard to these items;
- Amendment to IFRS 7, *Improving Disclosures about Financial Instruments*. This amendment requires additional disclosures about fair-value measurement, based on the hierarchy of its measurement, and the liquidity risk;

The following amendments and interpretations, effective as from 1<sup>st</sup> January 2009, do not impact the Group's financial statements and have not required additional disclosures:

- Revised IAS 23, *Borrowing Costs*, requires that borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset (which means an asset that takes a substantial period of time to get ready for its intended use) should be capitalised. The option of recognising borrowing costs directly in the income statement is removed;
- Revised IAS 32, Financial Instruments: Presentation, and revised IAS 1, Presentation of Financial Statements. These amendments require the recognition in equity of puttable financial instruments and of certain



instruments containing an obligation for an entity arising on liquidation to deliver a prorata of its net assets;

- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items.* The amendment clarifies how the existing standard underlying hedge accounting should be applied to a one-sided risk in a hedged item and to the inflation on a hedged financial item
- IFRIC 13, Customer Loyalty Programmes. IFRIC 13 addresses accounting of loyalty award programmes for customers (such as points or free products) when buying goods or services: such programmes are multiple element arrangements in which the consideration received from the customer has to be allocated to the different elements using fair values;
- IFRIC 15, Agreements for the Construction of Real Estate provides guidance on the scope of IAS 18, Revenue, and of IAS 11, Construction Contracts;
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. This interpretation provides guidance on accounting for the hedge of a net investment. This includes the issue that the hedge of a net investment relates only to differences of the functional currencies and not to the presentation currency, and the issue that the hedging instruments may be hold by any entity within the Group;
- Amendment to IFRS 2, *Share-based Payment: Vesting Conditions and Cancellations.* These amendments clarify the terms of vesting conditions, introduce the concept of features which do not meet the terms of vesting conditions, require that features which do not meet the terms of vesting conditions should be included in the grant date fair value and clarify the accounting for features which do not meet the terms of vesting conditions and for cancellations;

• Amendments to IFRS 1, *First-Time Adoption of IFRS* and to IAS 27, *Consolidated and Separate Financial Statements*. These amendments authorises each firsttime adopter to use for its separate financial statements the deemed cost at the date of transition as carrying value for the investment (in accordance with paragraph 38(a) of IAS 27) in a subsidiary, in a joint venture or an associate;

The IASB also published the following standards, amendments and interpretations of standards, applicable as from 1<sup>st</sup> January 2010 or later. The Bank decided not to early adopt these standards, amendments and interpretations. Some of these standards, amendments and interpretations of standards have not yet been endorsed by the European Union:

- Revised IFRS 3, Business Combinations. Revised IFRS 3 continues to apply the acquisition method to business combinations, impacted however by fundamental changes. For example, the requirement to measure at fair value the acquisition of an entity at the acquisition date: each adjustment of the carrying value depending of future events will be measured at fair value through the income statement. The goodwill shall be measured either based on the acquirer's interest in the net asset or may include the goodwill attributable to minority interests. All transaction costs must be recorded through the income statement. Revised IFRS 3 is applicable as from 1<sup>st</sup> January 2010 and will impact the recognition of the Group's future acquisitions;
- Revised IAS 27, Consolidated and Separate Financial Statements. Revised IAS 27 clarifies the accounting treatment for changes in controlling interests. In particular, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholder's equity, which is the accounting treatment presently applied by the Bank. IAS 27 is applicable as from 1<sup>st</sup> January 2010;

- IFRS 9, *Financial Instruments*. This standard addresses, in its current version, the recognition and measurement of financial assets. It aims to replace completely the standard IAS 39 and will become mandatory as from 1<sup>st</sup> January 2013;
- IFRIC 17, Distribution of Non-cash Assets to Owners. This interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, that the dividend payable should be measured at the fair value of the net assets to be distributed and that an entity should recognise the difference between the carrying value of the assets distributed and the carrying value of the dividend payable in the income statement. IFRIC 17 is applicable as from 1<sup>st</sup> January 2010;
- IFRIC 18, Transfers of Assets from Customers. This interpretation clarifies the recognition of assets, received from a customer and which are used to provide services on a regular basis. This interpretation is in particular applicable to companies active in public services, such as the supply of gas or electricity. This interpretation should not have a material impact on the Group. IFRIC 18 is applicable as from 1<sup>st</sup> January 2010;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, clarifies the accounting treatment for renegotiations of the terms of a financial liability when the creditor accepts equity instruments to settle the financial liability. IFRIC 19 is applicable as from 1<sup>st</sup> January 2010;

Except revised standard IAS 27, *Consolidated and Separate Financial Statements*, none of these standards should have a material impact on the consolidated accounts 2010. As regard to the sale of subsidiaries expected in 2010 (see note 56), the Bank will apply the accounting treatment foreseen by revised standard IAS 27, *Consolidated and Separate Financial Statements*, for the loss of controlling interest in investments which are part of the

scope of consolidation. Whilst the exact terms have not yet been completely decided, the Bank is not in position to measure the expected impact resulting from the application of this revised standard.

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#### 2.4 SEGMENT REPORTING

Operating segments represent the activities of the Bank. They are presented in accordance with the internal reporting addressed to the Management Board. The Management Board is the board responsible for the allocation of the Bank's resources to the different operational segments and for the measurement of their performance.

The Bank is organised in four businesses, further subdivided into business segments:

- Retail Banking;
- Private Banking;
- Asset Management;
- Merchant Banking.

Activities not related to Banking and elimination differences are reported separately from the Banking activities.

Transactions or transfers between the business segments are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

#### 2.5 CONSOLIDATION PRINCIPLES

#### 2.5.1 Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. Subsidiaries are those companies, of which the Bank, directly or indirectly, has the power to govern the financial and operating policies of the entity so as to obtain benefits from



its activities ("control"). Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date that control ceases.

Intercompany transactions, balances and gains and losses on transactions between the Bank's companies are eliminated. Minority interest in the net assets and net results of consolidated subsidiaries are shown separately on the balance sheet and income statement. Minority interests are stated at the fair value of the net assets at the date of acquisition. Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition and the minority's share of changes in equity since the date of acquisition.

The existence and impact of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Bank controls another entity.

#### 2.5.2. Joint ventures

Investments in joint ventures are accounted for using the equity method. Joint ventures are contractual agreements whereby the Bank and other parties undertake an economic activity that is subject to joint control.

# 2.5.3 Investments in associates accounted for under the equity method

Investments in associates where the Bank has significant influence, but which it does not control, are accounted for using the equity method. The ownership share of net income for the year is recognised in the income statement at the Bank's share of the net assets of the associate accounted for under the equity method. Goodwill recognised from an acquisition of an associate accounted for under the equity method is presented as part of the investment in that associate.

Gains on transactions between the Bank and associates accounted for under the equity method are eliminated to

the extent of the Bank's interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments are made to the financial statements of the associates to ensure consistent accounting policies across the Bank.

Losses are recognised until the carrying amount of the investment is reduced to nil and further losses are only recognised to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of an associate accounted for under the equity method.

#### 2.6 FOREIGN CURRENCIES

The consolidated financial statements are stated in euros, which is the functional currency of the Bank.

#### 2.6.1 Foreign currency transactions

For individual entities of the Bank, foreign currency transactions are accounted for using the exchange rate at the date of the transaction.

Outstanding balances in foreign currencies at year end are translated at year end exchange rates for monetary items.

Translation of non-monetary items depends on whether the non-monetary items are carried at historical cost or at fair value. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined.

The resulting exchange differences are recorded in the income statement under the caption "Other realised and unrealised gains (losses)", except for those non-monetary items whose fair value change is recorded as a component of other comprehensive income.

The distinction between exchange differences (recognised in the income statement) and unrealised fair value gains (losses) (recognised in shareholders' equity) on availablefor-sale financial assets is determined according to the following rules:

- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency;
- the unrealised (fair value) gains (losses) are determined based on the difference between the balances in euros of the previous and the new year, converted at the new exchange rate.

#### 2.6.2 Foreign currency translation

On consolidation, the income statement and cash flow statement of entities whose functional currency is not denominated in euros are translated into the presentation currency of the Bank, euro, at average daily exchange rates for the current year (or exceptionally at the exchange rate at the date of the transaction if exchange rates fluctuate significantly) and their balance sheets are translated using the exchange rates prevailing at the balance sheet date. Translation exchange differences are recognised in other comprehensive income.

Foreign currency translation differences arising on monetary liabilities designated as hedges of a net investment in a foreign entity and complying with the rules of hedge accounting are directly recorded in other comprehensive income attributable to the equity holders of the parent, except for any hedge ineffectiveness that is immediately recognised in the income statement. At the disposal of the net investment, the foreign currency translation differences are recognised in the income statement as a gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the balance sheet date.

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#### 2.7 TRADE AND SETTLEMENT DATE

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when the Bank becomes a party to the contractual provisions of the financial assets.

Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are recognised as derivative forward transactions until settlement.

#### 2.8 OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 2.9 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

The Bank classifies financial assets and liabilities based on the business purpose of entering into these transactions.

#### 2.9.1 Financial assets

The measurement and income recognition in the income statement depend on the IFRS classification of the financial assets, being: (a) loans and receivables; (b) held to maturity financial assets; (c) financial assets designated at fair value through profit or loss and (d) available for sale financial assets. This IFRS classification determines the measurement and recognition as follows:

a) Loans and receivables are initially measured at fair value



(including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation in the income statement.

b) Held to maturity financial assets consist of securities with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

c) Financial assets designated at fair value through profit or loss include:

(i) held for trading financial assets, including derivatives that do not qualify for hedge accounting, and
(ii) financial assets that the Bank has irrevocably designated at initial recognition or first-time adoption of IFRS as designated at fair value through profit or loss.

d) Financial assets available for sale are those that are otherwise not classified as loans and receivables, held to maturity financial assets, or financial assets designated at fair value through profit or loss. Available for sale financial assets are initially measured at fair value (including transaction costs), and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in other comprehensive income.

#### 2.9.2. Financial liabilities

Financial liabilities are classified as held for trading liabilities, deposits from credit institutions, deposits from customers, debt certificates, subordinated liabilities and other liabilities.

The measurement and recognition in the income statement depends on the IFRS classification of the financial liabilities, being: (a) financial liabilities designated at fair value through profit or loss, and (b) other financial liabilities. This IFRS classification determines the measurement and recognition in the income statement as follows:

a) Financial liabilities designated at fair value through profit or loss include:

(i) financial liabilities held for trading, including derivatives that do not qualify for hedge accounting, and
(ii) financial liabilities that the Bank has irrevocably designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss.

b) Other financial liabilities are initially recognised at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

#### 2.10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial asset or liability is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows. Such techniques include market prices of comparable investments, discounted cash flows, option pricing models and market multiples valuation methods. In the rare case where it is not possible to determine the fair value of a financial instrument, it is accounted for at cost.

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by observable current market transactions in the same instrument, or is based on a valuation technique that includes inputs only from observable markets. The principal methods and assumptions used by the Bank in determining the fair value of financial instruments are:

- Fair values for securities available for sale or at fair value through profit or loss are determined using market prices from active markets. For non-active market, the fair value is determined using price estimates published by external suppliers (Markit, FTID...). If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the swap curve plus a spread reflecting the risk characteristics of the instrument.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models.
- Fair values for unquoted private equity investments are estimated using applicable market multiples (e.g. price/ earnings or price/cash flow ratios) refined to reflect the specific circumstances of the issuer.
- Fair values for loans are determined using discounted cash flow models based upon the Bank's current incremental lending rates for similar type loans. For variablerate loans that reprice frequently and have no significant change in credit risk, fair values are approximated by the carrying amount. Option pricing models are used for valuing caps and prepayment options embedded in loans that have been separated according to IFRS.
- Off-balance-sheet commitments or guarantees are fair valued based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.
- For short-term payables and receivables, the carrying amounts are considered to approximate fair values.

#### 2.11 MEASUREMENT OF IMPAIRED ASSETS

An asset is impaired when its carrying amount exceeds its recoverable amount. The Bank reviews all of its assets at each reporting date for objective evidence of impairment.

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The carrying amount of impaired assets is reduced to its estimated recoverable amount and the amount of the change in the current year is recognised in the income statement. Recoveries, write-offs and reversals of impairment are included in the income statement as part of "change in impairments".

If in a subsequent period the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the income statement.

#### **Financial assets**

A financial asset (or group of financial assets) is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price;
- present value of expected future cash flows discounted at the instrument's original effective interest rate; or
- based on the fair value of the collateral.

Impairments to available-for-sale equity instruments cannot be reversed through the income statement.



#### Other assets

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost to sell and the value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

#### Goodwill

See note 2.21 Goodwill.

#### 2.12 CASH AND CASH EQUIVALENTS

#### Content

Cash and cash equivalents comprise cash on hand, freely available balances with central banks and other financial instruments with less than three months maturity from the date of acquisition.

#### Consolidated cash flow statement

The Bank reports cash flows from operating activities using the indirect method, whereby the profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest received and interest paid are presented as cash flows from operating activities in the cash flow statement. Dividends received are classified as cash flows from operating activities. Dividends paid are classified as cash flows from financing activities.

#### 2.13 Derivatives and hedge accounting

#### **Recognition and classification**

Derivatives are financial instruments such as swaps, forward and future contracts, and options (both written and purchased). Fair values of derivatives change in response to change in various underlying variables, require little or no net initial investment, and are settled at a future date.

All derivatives are recognised on the balance sheet at fair value on the trade date:

- derivatives held for trading in the captions "Held for trading financial assets" and "Held for trading financial liabilities";
- derivatives that qualify for hedge accounting in the caption "Hedging derivatives", as assets or liabilities depending on whether the fair value is positive or negative.

Subsequent changes in the clean fair value (i.e. excluding the interest accruals) of derivatives are reported in the income statement under the caption "Other realised and unrealised gains (losses)".

Financial assets or liabilities may include embedded derivatives. Such financial instruments are often referred to as hybrid financial instruments. Hybrid financial instruments include reverse convertible bonds (bonds whose repayment may take the form of equities) or bonds with indexed interest payments. If the host contract is not carried at fair value through profit or loss and the characteristics and risks of the embedded derivative instrument are not closely related to those of the host contract, the embedded derivative instrument should be separated from the host contract and measured at fair value as a stand-alone derivative instrument. Changes in the fair value are recorded in the income statement. The host contract is accounted for and measured applying the rules of the relevant category of the financial instrument. However, if the host contract is carried at fair value through profit or loss or if the characteristics and risks of the embedded derivative instrument are closely linked to those of the host contract, the embedded derivative instrument is not separated and the hybrid financial instrument is measured as one instrument.

Embedded derivatives requiring separation are reported as hedging derivatives or derivatives held for trading as appropriate.

#### Hedge accounting

On the date a derivative contract is entered into, the Bank may designate this contract as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); (2) a hedge of a net investment in a foreign entity or; (3) a hedge of future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge). Hedges of firm commitments are fair value hedges, except for hedges of foreign exchange risk, which are accounted for as cash flow hedges.

At the beginning of the transaction, the Bank documents the relationship between hedging derivatives and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment – both at the beginning of the hedge relationship and on an ongoing basis – of whether the derivatives that are used as hedging are highly effective in offsetting changes in fair values or cash flows of hedged items.

Only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to the Bank are designated as hedged items.

The change in fair value of a hedged asset or liability that is attributable to the hedged risk and the change in the fair value of the hedging derivative in a fair value hedge are recognised in the income statement. The change in the fair value of interest-bearing derivatives is presented separately from interest accruals in interest and similar income/charges.

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If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument that results from hedge accounting is amortised using the new effective interest rate calculated on the hedge discontinuance date.

Fair value hedge accounting is applied for portfolio hedges of interest rate risk ("macro hedging"). Macro hedging implies that a group of derivatives (or proportions) are viewed in combination and jointly designated as the hedging instrument. Although the portfolio may, for risk management purposes, include assets and liabilities, the amount designated is an amount of assets or an amount of liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro hedges, the Bank opted for the "carved out" version of IAS 39 adopted by the European Union which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. Under this version, the impact of the changes in the estimates of the repricing dates is only considered ineffective if it leads to underhedging.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised as unrealised gains and losses in other comprehensive income. Any hedge ineffectiveness is immediately recognised in the income statement.

When the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of that non-financial asset



or liability. Otherwise, amounts deferred in other comprehensive income are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

#### 2.14 LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS AND TO CUSTOMERS

#### Classification

Loans and receivables to credit institutions and to customers include loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent and loans purchased from third parties that are carried at amortised cost. Debt securities acquired on the primary market directly from the issuer are recorded as loans, provided there is no active market for those securities. Loans that are originated or purchased with the intent to be sold or securitised in the short-term are classified as "held for trading financial assets". Loans that are designated "at fair value through profit or loss" or "available for sale" are classified as such at initial recognition.

#### Measurement

Incremental costs incurred and loan origination fees earned in securing a loan are deferred and amortised over the life of the loan as an adjustment to the yield.

#### Impairment

A credit risk for specific loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due in accordance with contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows or, alternatively, the collateral value less costs to sell if the loan is secured. A collective impairment on loans is recorded in order to secure the credit risk on the loan portfolio, without having specifically identified impaired loans. This impairment is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate.

Impairments are recorded as a decrease in the carrying value of loans to credit institutions and loans to customers.

When a specific loan is identified as uncollectible and all legal and procedural actions have been exhausted, the loan is written off against the related charge for impairment and subsequent recoveries are credited to change in impairments in the income statement.

#### 2.15 SALE AND REPURCHASE AGREEMENTS AND LENDING/BORROWING OF SECURITIES

Securities subject to a repurchase agreement ("repos") are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in "deposits from credit institutions" or "deposits from customers" depending on the type of counterparty. Securities purchased under agreements to resell ("reverse repos") are not recognised on the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or due from customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties remain on the balance sheet. Similarly, securities borrowed are not recognised on the consolidated balance sheet. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded. The obligation to return the collateral is measured at fair value through profit or loss and is classified as a financial liability held for trading.

#### 2.16 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

A financial asset or a financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative (except for a derivative that is hedge accounted).

Held for trading financial assets and liabilities are initially recognised and subsequently measured at fair value through profit or loss. The (realised and unrealised) gains (losses) are included in "other net realised and unrealised gains (losses)". Interest received (paid) on held for trading assets (liabilities) is reported as interest income (expense). Dividends received are included in "dividends and other investment income".

#### 2.17 SECURITIES

Management determines the appropriate classification of its securities at the time of the purchase. Securities with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as "held to maturity". Securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available for sale. Securities that are acquired for the purpose of generating short-term profits are considered to be held for trading. Any investment, other than investments in equity instruments without a quoted market price in an active market, may be designated on initial recognition as a "financial assets designated at fair value through profit or loss". Once an asset has been designated at fair value through profit or loss it cannot be transferred to a different category.

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Held to maturity securities are carried at amortised cost less any impairment changes. Any difference between the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the security using the effective interest method. If a held to maturity security is determined to be impaired, the impairment is recognised in the income statement.

Available for sale securities are held at fair value. Changes in the fair value are recognised in other comprehensive income until the asset is sold unless the asset is hedged by a derivative. If a security is determined as impaired, the impairment is recognised in the income statement. For impaired available for sale securities, unrealised losses previously recognised in shareholders' equity are transferred to the income statement when the impairment occurs.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, the impairment is reversed, with the amount of the reversal recognised in the income statement. Impairments recognised in the income statement for an investment in an equity instrument classified as available for sale are not reversed through the income statement.

Available for sale securities that are hedged by a derivative are carried at fair value through the income statement.

Held for trading financial assets and assets designated at fair value through profit or loss are carried at fair value. Changes in the fair value are recognised in the income statement.

#### 2.18 INVESTMENT PROPERTY

Investment properties are those properties held to earn rental income or for capital appreciation. The Bank may



also use certain investment properties for its own use. If the own use portions can be sold separately or leased out separately under a finance lease, these portions are accounted for as "tangible assets". If the own use portions cannot be sold separately, the property is treated as "investment property" only if the Bank holds an insignificant portion for its own use.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual value and the useful life of investment property are reviewed at each year end.

The Bank rents its investment property to unrelated third parties under various non-cancellable rental contracts. Certain contracts contain renewal options for various periods of time; the rental income associated with these contracts is recognised on a straight-line basis over the rental term as "dividend and other investment income".

Transfers to, or from, investment property are only made when there is a change of use:

- into investment property at the end of owner-occupation, or at the start of an operating lease to a another party, or at the end of construction or development;
- out of investment property at the beginning of owner-occupation, or start of development with a view to sale.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### 2.19 LEASES

#### The Bank and its subsidiaries as a lessor

• Operating lease agreements

Assets leased under operating lease agreements are included in the consolidated balance sheet (1) under investment property (buildings), and (2) under tangible assets (equipment and motor vehicles). They are recorded at cost less accumulated depreciation. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the lease term. Initial direct costs incurred by the Bank and its subsidiaries are added to the carrying amount of the lease term on the same basis as the rental income.

• Financial lease agreements

The Bank and its subsidiaries have also entered into finance lease agreements, in which substantially all the risks and rewards related to ownership of the leased asset, other than legal title, are transferred to the customer.

When assets held are subject to a finance lease agreement, the present value of the lease payments and any guaranteed residual value is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income (see note 18). Lease interest income is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of finance leases. Initial direct costs incurred by the Bank and its subsidiaries are included in the finance lease receivable and allocated against lease interest income over the lease term.

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#### The Bank and its subsidiaries as a lessee

• Operating lease agreements

The Bank and its subsidiaries principally enter into operating leases for the rental of equipment and land and buildings. Payments made under such leases are typically charged to the income statement principally on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Any incentives received from the lessor in relation to operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

• Financial lease agreements

If the lease agreement transfers substantially all the risks and rewards incident to ownership of the asset, the lease is recorded as a finance lease agreement and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the shorter of its estimated useful life or the lease term. The corresponding lease obligation, net of finance charges, is recorded as borrowings. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period.

#### 2.20 TANGIBLE ASSETS

Real estate held for own use and fixed assets are stated at cost less accumulated depreciation (except for land that is not depreciated) and any accumulated impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Generally, depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual value and the useful life of tangible assets are determined for each significant part separately (component approach) and are reviewed at each year end.

Repairs and maintenance expenses are charged to the income statement when the expenditure is incurred. Expenditures that enhance or extend the benefits of real estate or fixed assets beyond their original use are capitalised and subsequently depreciated.

For borrowing costs to finance the construction of tangible assets: see note 2.32 "Borrowing costs".

#### 2.21 GOODWILL AND OTHER INTANGIBLE ASSETS

#### Goodwill

Goodwill represents the excess of the acquisition cost over the interest of the Bank in the fair value of assets, identifiable and contingent liabilities of the acquired entities. Goodwill arising on the acquisition of a subsidiary is reported on the balance sheet as an intangible asset. Goodwill arising on business combinations before 1 January 2005 is deducted from equity and is not restated under IFRS. At acquisition date, it is allocated to those cash-generating units that are expected to benefit from the synergies of the business combination. It is not amortised, but instead is tested for impairment. Goodwill arising on the acquisition of an associate is presented as part of the investment in the associate.

Any excess of the acquired interest in the net fair value of the acquiree's assets, liabilities and contingent liabilities over the acquisition cost is recognised immediately in the income statement.

In case of the acquisition of entities under joint control (already previously controlled by another entity of BNP



Paribas group), the excess of the acquisition cost over the historical carrying values of the acquired assets and liabilities is directly deducted from equity.

The Bank assesses the carrying value of goodwill annually or, more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable. If such indication exists, the recoverable amount is determined for the cash-generating unit to which goodwill belongs. This amount is then compared to the carrying amount of the cash-generating unit and an impairment loss is recognised if the recoverable amount is less than the carrying amount. Impairment losses are recognised immediately in the income statement.

The Bank first reduces the carrying amount of goodwill allocated to the cash generating unit and then reduces the other assets in the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash generating unit. Previously recognised impairment losses relating to goodwill are not reversed.

The Bank may obtain the control of a subsidiary in more than one transaction. When this occurs, each exchange transaction is treated separately by the Bank. The cost of each transaction is compared to the fair value of each transaction to determine the amount of goodwill associated with that individual transaction. Before the Bank obtains control of the entity, the transaction may qualify as an investment in an associate and be accounted for using the equity method. If so, the fair value of the investee's identifiable net assets at the date of each earlier transaction will have been determined in applying the equity method to the investment.

#### Intangible assets

An intangible asset is an identifiable non-monetary asset and 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. Internally generated intangible assets are capitalised when the Bank can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets arising from research and internally generated goodwill are not capitalised.

Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as a tangible asset. If the software is not an integral part of the related hardware, the costs incurred during the development phase for which the Bank can demonstrate all of the above-mentioned criteria are capitalised as an intangible asset and amortised using the straight-line method over the estimated useful life.

Other intangible assets include intangible assets with definite lives, such as trademarks and licenses that are generally amortised over their useful lives using the straight-line method. Intangible assets with finite lives are reviewed at each reporting date for indicators of impairment.

Intangible assets with indefinite lives, which are not amortised, are instead tested for impairment at least annually. Any impairment loss identified is recognised in the income statement. Intangibles are recorded on the balance sheet at cost less any accumulated amortisation and any accumulated impairment losses. The residual value and the useful lives of intangible assets are reviewed at each year-end.

#### 2.22 ON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and liabilities (or a group of assets and liabilities) held for sale are those for which the Bank will recover the carrying amount from a sale transaction that is expected to qualify as a sale within a year, instead of through continuing use.

A discontinued operation is a part of the Bank that has been disposed of or is classified as held for sale and meets the following criteria:

- it represents a separate major line of business or geographical area of operations;
- it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or;
- it is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or a group of assets) are not depreciated but measured at the lower of its carrying amount and fair value less costs to sell, and are separately presented on the balance sheet.

Gains (losses) on discontinued operations are presented separately in the income statement.

#### 2.23 OTHER ASSETS

Other receivables arising from the normal course of business and originated by the Bank are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less impairments. They are recorded as "Other assets".

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#### 2.24 DEPOSITS FROM CUSTOMERS

The obligations relating to customer accounts correspond to the amount due at the balance sheet date.

#### 2.25 DEBT CERTIFICATES, SUBORDINATED LIABILITIES AND OTHER LIABILITIES

Debt certificates, subordinated liabilities and other liabilities are initially recognised at fair value net of direct transaction costs incurred. Subsequently, they are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

#### 2.26 EMPLOYEE BENEFITS

#### **Pension liabilities**

The Bank operates a number of defined benefit and defined contribution plans throughout its global activities, in accordance with local conditions or industry practices. The pension plans are generally funded through payments to insurance companies or trustee administered plans, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age and years of service.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions. The Bank will have no legal or constructive obligations to pay further contributions if the assets are not sufficient to pay all employees the benefits relating to employee service in the current and prior periods. Qualified actuaries calculate the pension assets and liabilities at least annually.



For defined benefit plans, the pension costs and related pension asset or liability are estimated using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final liability. Under this method, the cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. The pension liability is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating the terms of the related liability. The assets of the pension plans are measured at fair value. Net cumulative unrecognised actuarial gains and losses for defined benefit plans exceeding the corridor (greater than 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets) are recognised in the income statement over the average remaining service lives of the employees.

Past-service costs are recognised immediately in the income statement, unless the charges to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Assets that support the pension liabilities of an entity, must meet certain criteria in order to be classified as "qualifying pension plan assets". These criteria relate to the fact that the assets should be legally separated from the Bank or its creditors. If these criteria are not met, the assets are included in the relevant item on the balance sheet (such as investments, tangible assets, etc.). If the assets meet the criteria, they are netted against the pension liability. The netting also applies to the income statement. If the pension assets qualify, the Bank shows reduced income from assets (such as interests, dividends, etc.) and reduced employee pension costs.

When the fair value of the plan assets is netted against the present value of the obligation of a defined benefit

plan, the resulting amount could be negative (an asset). In this case, the recognised asset cannot exceed the total of any cumulative unrecognised net actuarial losses and past service costs, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The contributions of the Bank to defined contribution pension plans are charged to the income statement in the year to which they relate.

#### Other long-term employee benefits

Benefit plans that provide long-term service benefits, but are not pension plans, are measured at present value using the projected unit credit method.

Actuarial differences are directly charged to the income statement.

#### **Employee entitlements**

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

#### 2.27 PROVISIONS, CONTINGENCIES, COMMITMENTS AND FINANCIAL GUARANTEES

#### **Provisions**

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. Provisions are established for certain guarantee contracts for which the Bank is responsible to pay upon default of payment. Provisions are estimated based on all relevant

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factors and information existing at the balance sheet date, and typically are discounted at the risk-free rate.

#### Contingencies

Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation.

#### Commitments

Loan commitments that allow for draw down of a loan within the timeframe generally established by regulation or convention in the market place are not recognised as derivative financial instruments. Loan commitments that are designated as at fair value through profit or loss or where the Bank has a past practice of selling the assets resulting from its loan commitments are recognised on the balance sheet at fair value with the resulting change recognised in the income statement. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

#### **Financial guarantees**

Financial guarantee contracts that require payments to be made in response to changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, and non-financial variables which are not specific to a party to the contract, are accounted for as derivatives.

#### **2.28 EQUITY**

#### Share capital

#### Share issue costs

Incremental costs directly attributable to the issue of new shares or share options, other than on a business combination, are deducted from equity net of any related income taxes.

#### Other equity components

Other items recorded in equity are related to:

- Foreign currency (see 2.6);
- Cash flow hedges (see 2.13);
- Available for sale financial assets (see 2.17).

#### 2.29 INTEREST INCOME AND EXPENSE

Interest income and interest expense are recognised in the income statement for all interest-bearing instruments (whether classified as held to maturity, available for sale, held at fair value through profit or loss or derivatives) on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating rate income instruments and the accretion or amortisation of the discount or premium.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.



# 2.30 NET REALISED AND UNREALISED GAINS (LOSSES)

For financial instruments classified as available for sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset or liability sold, less any impairment losses recognised in the income statement after adjusting for the impact of any fair value hedge accounting adjustments. Realised gains and losses on sales are included in the income statement in the caption "net realised capital gains on investments".

For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in "other net realised and unrealised gains (losses)".

For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in "other net realised and unrealised results gains (losses)".

Previously recognised unrealised gains and losses recorded directly in other comprehensive income are transferred to the income statement upon derecognition or upon the financial asset becoming impaired.

#### 2.31 FEES AND COMMISSIONS INCOME AND TRANSACTION COSTS

Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. This is the case for origination fees, received as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, etc., and also for origination fees received on issuing financial liabilities measured at amortised cost. Both types of fees are deferred and recognised as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Fees are generally recognised as revenue as the services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete.

Loan syndication fees are recognised as revenue when the syndication has been completed.

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

#### 2.32 BORROWING COSTS

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs should commence when:

 expenditures for the asset and borrowing costs are being incurred; and

#### activities necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. Where construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases upon substantial completion of that part.

For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

#### 2.33 TAX

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the year in which profits arise. The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which those losses can be utilised.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxes.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

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Current and deferred tax related to fair value re-measurement of available for sale investments and cash flow hedges which are charged or credited directly to other comprehensive income is also credited or charged directly to other comprehensive income and is subsequently recognised in the income statement together with the deferred gain or loss.



# **3** - CONSOLIDATION SCOPE

#### 3.1 PERIOD 2008

In the beginning of 2008, the Bank set up Eris Investissements S.à r.l. and integrated Park Mountain Lease 2008-I NV in its consolidation scope, two entities which have been set up in the respective context of financing and securitisation transactions. As regards this securitisation transaction, the secured assets relate to certain client portfolios of the subsidiaries Fortis Lease (B) SA, Fortis Lease France SA as well as Fortis Lease Nederland NV and amount to EUR 1,947.4 million (see note 18).

The Bank also acquired through its subsidiaries Fortis Lease Group SA the companies Folea Grundstücksverwaltungs- und Vermietungs GmbH & Co. Objekt Thalfingen KG and Folea III Verwaltungs GmbH.

The Bank moreover founded through its subsidiary Fortis Lease Group SA the company Fortis Lease (China) Co Ltd.

All these companies are fully consolidated.

In April 2008, the two Swiss entities PBI Holding AG and Fortis Banque (Suisse) SA were merged.

In September 2008, Fortis Lease Italia SpA merged with Fortis Lease SpA.

In July 2008, the Bank absorbed its subsidiary FBL Finance SA.

FAM Personal Fund Advisory SA was liquidated during the period.

Considering that the equity stake in BIP Investment Partners SA (BIP) is now below 10% following a significant sale transaction, the Bank decided to stop accounting this company under the equity method as from August 2008. As at 1 April, the Bank fully contributed to the increase of the share capital of Fortis Investment Management SA (FIM), contrary to the increase of share capital of 30 June in which the Bank did not participate. Consequently, the equity interest as at 31 December 2008 has been reduced to 15.33%.

#### 3.2 PERIOD 2009

In January 2009, the Bank increased its equity stake in Fundamentum Asset Management (FAM) SA from 96.54% to 100% through the acquisition of the remaining shares held by several managers of the company. In April 2009, Fundamentum Asset Management (FAM) SA has been put in liquidation.

In February 2009, BGL BNP Paribas SA ceded 50% of its shares held in Internaxx Bank SA to the second shareholder, reducing in this way its participation from 75% to 25%. Following this transaction, Internaxx Bank SA is not longer fully consolidated, but the equity method is applied.

The entity Park Mountain Lease 2008-I NV, founded mid of 2008 as part of a financing and securitisation transaction, is not longer in the consolidation scope of the Bank following the stop of the transaction in June 2009.

In November 2009 the liquidation of Fortis Lease Finland OY, held through Fortis Lease Group SA, has been finalised.

Our subsidiary Fortis Banque Monaco SAM has been entirely ceded to a monegasque company of BNP Paribas group in the mid of December 2009 as part of the integration transactions into the Group of BNP Paribas.

The Bank ceded its participation of 25.04% in the swiss associated entity Intertrust Group Holding SA which was accounted under the equity method. Consequently this entity was removed from the scope of consolidation at the second half year 2009.

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#### Fully consolidated companies:

			Perce of capit	ntage tal hold
Name	Registered office	Activity	2009	2008
ACE EQUIPMENT LEASING NV (*)	BERCHEM-SAINT- AGATHE (B)	Leasing	100.00 %	100.00 %
ACE LEASING NV (*)	BERCHEM-SAINT- AGATHE (B)	Leasing	100.00 %	100.00 %
ALLERAY S.à r.I.	LUXEMBOURG	Financing vehicle	100.00 %	100.00 %
ARGANCE S.à r.I.	LUXEMBOURG	Financing vehicle	100.00 %	100.00 %
CAPTIVE FINANCE Ltd (*)	WANCHAI (HONG KONG)	Leasing	100.00 %	100.00 %
CAPTIVE FINANCE TAIWAN CO. Ltd (*)	TAIPEI (TAIWAN)	Leasing	100.00 %	100.00 %
COFHYLUX SA	LUXEMBOURG	Real estate company	100.00 %	100.00 %
DALGARNO SA	LUXEMBOURG	Financing vehicle	100.00 %	100.00 %
DELVINO SA	LUXEMBOURG	Financing vehicle	100.00 %	100.00 %
DREIECK ONE Ltd (*)	GEORGE TOWN (CAYMAN ISLANDS)	Leasing	100.00 %	100.00 %
ERIS INVESTISSEMENTS S.à r.l.	LUXEMBOURG	Financing vehicle	100.00 %	100.00 %
ES-FINANCE NV (*)	BERCHEM-SAINT- AGATHE (B)	Leasing	100.00 %	100.00 %
FAM FUND ADVISORY SA (in liquidation)	LUXEMBOURG	Financing vehicle	100.00 %	100.00 %
F.L. ZEEBRUGGE NV (*)	BERCHEM-SAINT- AGATHE (B)	Leasing	75.00 %	100.00 %
FOLEA VERWALTUNGS GmbH (*)	DÜSSELDORF (D)	Leasing	100.00 %	100.00 %
FOLEA II VERWALTUNGS GmbH (*)	DÜSSELDORF (D)	Leasing	100.00 %	100.00 %
FOLEA III VERWALTUNGS GmbH (*)	DÜSSELDORF (D)	Leasing	100.00 %	100.00 %
FOLEA GRUNDSTÜCKSVERWALTUNGS- UND VERMIETUNGS GmbH & CO, OBJEKT BURTENBACH KG (*)	DÜSSELDORF (D)	Leasing	6.00 % (**)	6.00 % (**)



#### (CONTINUATION)

				ntage tal hold
Name	Registered office	Activity	2009	2008
FOLEA GRUNDSTÜCKSVERWALTUNGS- UND VERMIETUNGS GmbH & CO. OBJEKT LEVERKUSEN KG (*)	DÜSSELDORF (D)	Leasing	6.00 % (**)	6.00 % (**)
FOLEA GRUNDSTÜCKSVERWALTUNGS- UND VERMIETUNGS GmbH & CO, OBJEKT THALFINGEN KG (*)	DÜSSELDORF (D)	Leasing	100.00%	100.00%
FORTIS BANQUE MONACO SAM.	MONACO (MC)	Bank	-	99.33%
FORTIS BANQUE (SUISSE) SA	GENEVA (CH)	Bank	100.00%	100.00%
FORTIS FINANSAL KIRALAMA A.S. (*)	ISTANBUL (TR)	Leasing	100.00%	100.00%
FORTIS LEASE (B) SA (*)	BERCHEM-SAINT- AGATHE (B)	Leasing	100.00%	100.00%
FORTIS LEASE C.T. SA (*)	BERCHEM-SAINT- AGATHE (B)	Leasing	100.00%	100.00%
FORTIS LEASE (CHINA) CO. Ltd (*)	BEIJING (CHINA)	Leasing	100.00%	100.00%
FORTIS LEASE CZECH LLC.(*)	PRAGUE (CZ)	Leasing	100.00%	100.00%
FORTIS LEASE DANMARK A.S. (*) (previously CAPTIVE FINANCE DANMARK A.S.)	BALLERUP (DK)	Leasing	100.00%	100.00%
FORTIS LEASE DEUTSCHLAND AG (*)	DÜSSELDORF (D)	Leasing	100.00%	100.00%
FORTIS LEASE FINLAND O.Y. (*) (previously CAPTIVE FINANCE FINLAND O.Y.) (liquidated)	HELSINKI (FIN)	Leasing	-	100.00%
FORTIS LEASE FRANCE SA (*)	PUTEAUX (F)	Leasing	100.00%	100.00%
FORTIS LEASE GROUP SA	LUXEMBOURG	Leasing	100.00%	100.00%
FORTIS LEASE GROUP SERVICES SA/ NV (*)	BRUSSELS (B)	Leasing	100.00%	100.00%
FORTIS LEASE HOLDINGS UK Ltd (*)	LONDON (GB)	Leasing	100.00%	100.00%
FORTIS LEASE HOLDING NORGE A.S. (*) (previously CAPTIVE FINANCE HOLDING A.S.)	OSLO (N)	Leasing	100.00%	100.00%
FORTIS LEASE HONG KONG Ltd (*) (previously CF CORPORATION Ltd)	WANCHAI (HONG KONG)	Leasing	100.00%	100.00%
FORTIS LEASE HUNGARIA OPERATIV LIZING ZRT. (*)	BUDAPEST (H)	Leasing	100.00%	100.00%
FORTIS LEASE HUNGARIA ESZKÖZFINANSZIROZASI PENZÜGYI LIZING ZARTKÖRUEN MUKÖDO RESZVENYTARSASAG(*)	BUDAPEST (H)	Leasing	100.00%	100.00%
FORTIS LEASE HUNGARIA INGATLANFINANSZEROZASI PENZÜGYI LIZING ZRT. (*)	BUDAPEST (H)	Leasing	100.00%	100.00%

(CONTINUATION)			Perce of capit	ntage al hold
Name	Registered office	Activity	2009	2008
FORTIS LEASE HUNGARIA GEPJARMUFINANSZIROZASI PENZÜGYI LIZING ZARTKÖRUEN MUKÖDO RESZVENYTARSASAG (*)	BUDAPEST (H)	Leasing	100.00%	100.00%
FORTIS LEASE IBERIA E.F.C. SA (*)	BARCELONA (E)	Leasing	78.61%	78.61%
FORTIS LEASE IMMOBILIER (SUISSE) SA (*)	LAUSANNE (CH)	Leasing	100.00%	100.00%
FORTIS LEASE LUXEMBOURG SA (*)	LUXEMBOURG	Leasing	100.00%	100.00%
FORTIS LEASE (MALAYSIA) SDN. Bhd. (*) (previously CF CAPITAL (M) SDN. Ltd)	KUALA LUMPUR (MALAYSIA)	Leasing	100.00%	100.00%
FORTIS LEASE NEDERLAND NV (*)	HERTOGENBOSCH (NL)	Leasing	100.00%	100.00%
FORTIS LEASE NORGE A.S. (*) (previously CAPTIVE FINANCE NORGE A.S.)	OSLO (N)	Leasing	100.00%	100.00%
FORTIS LEASE POLSKA Sp. Z.o.o. (*)	WARSAW (PL)	Leasing	100.00%	100.00%
FORTIS LEASE PORTUGAL SA (*)	LISBON (P)	Leasing	100.00%	100.00%
FORTIS LEASE ROMANIA IFN SA (*)	BUCHAREST (RO)	Leasing	100.00%	100.00%
FORTIS LEASE SINGAPORE PTE. Ltd (*) (previously CF CAPITAL (S) PTE. Ltd)	SINGAPORE	Leasing	100.00%	100.00%
FORTIS LEASE S.p.A. (*)	TREVISE (I)	Leasing	100.00%	100.00%
FORTIS LEASE (SUISSE) SA (*)	LAUSANNE (CH)	Leasing	100.00%	100.00%
FORTIS LEASE SWEDEN A.B. (*) (previously CAPTIVE FINANCE SWEDEN A.B.)	LINKÖPING (S)	Leasing	100.00%	100.00%
FORTIS LEASE UK Ltd (*)	LONDON (GB)	Leasing	100.00%	100.00%
FUNDAMENTUM ASSET MANAGEMENT SA (FAM) (in liquidation)	LUXEMBOURG	Asset Management	100.00%	96.54%
GLOBAL MANAGEMENT SERVICES LLC (*)	BUCHAREST (RO)	Leasing	100.00%	100.00%
PARK MOUNTAIN LEASE 2008-I NV (*) (liquidated)	AMSTERDAM (NL)	Leasing	-	- (**)
PATTISON S.à r.I.	LUXEMBOURG	Financing vehicle	100.00%	100.00%

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Financing

Financing

vehicle

vehicle

Bank

100.00%

100.00%

100.00%

100.00%

100.00%

100.00%

LUXEMBOURG

LUXEMBOURG

STRASBOURG (F)

(\*) Companies held through a subsidiary, but directly consolidated by the Bank.

QUAINTON FUNDING S.à r.l.

D'EXPANSION SA (SADE)

TABOR FUNDING S.à r.I.

SOCIÉTÉ ALSACIENNE DE DÉVELOPPEMENT ET

(\*\*) Companies controlled and consolidated through agreements between shareholders.



#### Companies accounted for under the equity method:

		Perce of capit	0
Registered office	Activity	2009	2008
STRASBOURG (F)	Leasing	40.68%	40.68%
BRUSSELS (B)	Administration of UCIT's	47.80%	47.80%
LUXEMBOURG	Administration of UCIT's	47.79%	47.79%
AMSTERDAM (NL)	Administration of UCIT's	47.84%	47.84%
BRUSSELS (B)	Asset Management	15.33%	15.33%
GENEVA (CH)	Financial institution	-	25.04%
LUXEMBOURG	Bank	25.00%	75.00%
BRUSSELS (B)	Leasing	25.00%	25.00%
LUXEMBOURG	Insurance	50.00%	50.00%
LUXEMBOURG	Leasing	50.00%	50.00%
DUBLIN (IRL)	Bank	50.00%	50.00%
	STRASBOURG (F) BRUSSELS (B) LUXEMBOURG AMSTERDAM (NL) BRUSSELS (B) GENEVA (CH) LUXEMBOURG BRUSSELS (B) LUXEMBOURG LUXEMBOURG	STRASBOURG (F)LeasingBRUSSELS (B)Administration of UCIT'sLUXEMBOURGAdministration of UCIT'sAMSTERDAM (NL)Administration of UCIT'sBRUSSELS (B)Asset ManagementGENEVA (CH)Financial institutionLUXEMBOURGBankBRUSSELS (B)LeasingLUXEMBOURGInsuranceLUXEMBOURGInsuranceLUXEMBOURGLeasing	Registered officeActivity2009STRASBOURG (F)Leasing40.68%BRUSSELS (B)Administration of UCIT's47.80%LUXEMBOURGAdministration of UCIT's47.79%AMSTERDAM (NL)Administration of UCIT's47.84%BRUSSELS (B)Asset Management institution15.33%GENEVA (CH)Financial institution-LUXEMBOURGBank25.00%BRUSSELS (B)Leasing25.00%LUXEMBOURGInsurance50.00%LUXEMBOURGLeasing50.00%

(\*) Companies held through a subsidiary, but directly consolidated by the Bank.

Information which is of negligible interest in giving a true and fair view of the accounts has not been disclosed.

#### Assets and liabilities of acquisitions

Acquisitions of entities in 2009 and 2008 did not have a material impact on the consolidated financial statements. The cash used for these acquisitions amounts to EUR 4 (in units) and EUR 29,000 (in uniti) respectively.

#### Assets and liabilities of divestments

Cash received due to sales amounts to EUR 69.4 million at 31 December 2009 (EUR 54.2 million at 31 December 2008) and corresponds to the entire sales of the stakes held in Intertrust Group Holding and Fortis Banque Monaco SAM. for EUR 122.4 million and EUR 3.3 million respectively, partly unwound by the sale of treasury of these entities.

At 31 December 2009, the Bank has recorded a remaining receivable of EUR 67.3 million.

Sales of entities in 2008 did not have a material impact on the consolidated financial statements.
The table below provides details on the assets and liabilities of the ceded subsidiaries in 2009:

	2009
Cash and cash equivalents	-56.3
Loans to customers	-19.2
Participations	-75.8
Tangible assets	-1.3
Other intangible assets	-5.1
Other assets	-0.7
Prepayments and accrued income	-0.6
Financial liabilities held for trading	0.1
Due to credit institutions	4.3
Due to customers	116.8
Other liabilities	-46.8
Accruals and deferred income	1.6
Net assets ceded	-83.0
Cash used for sales	
Sale consideration	125.7
Cash and cash equivalents divested	-56.3
Net cash received for sales	69.4



## 4 - EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT

The following table shows the composition of equity attributable to the equity holders of the parent:

Share capital	2009	2008
Ordinary shares: 27,979,135 shares on an authorised maximum of 27,979,135 shares	713.1	698.6
Share premium reserve	2,761.8	2,676.3
Revaluation reserve	-49.2	-309.9
Foreign currency translation	-23.0	-37.8
Other reserves	2,772.8	2,880.4
Net profit attributable to shareholders	6.2	-107.2
Equity attributable to the equity holders of the parent	6,181.7	5,800.4



#### 4.1 REVALUATION RESERVES INCLUDED IN EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT

The table below shows the changes in revaluation reserves included in equity attributable to the equity holders of the parent for 2009 and 2008:

	Available for sale financial assets	Revaluation of equity accounted associates	Hedge of net investments in foreign operations	Total
Balance at 01/01/2008				
Gross amount	25.8	55.3	23.6	104.7
Deferred taxes	25.9	-	-5.6	20.3
Sub-total at 01/01/2008	51.7	55.3	18.0	125.0
Changes:				
Unrealised during the year	-785.8	-12.4	11.4	-786.8
Reversal of revaluation reserves because of sales	293.6	-42.0	-	251.6
Other	0.7	-	-7.2	-6.5
Gross change	-491.5	-54.4	4.2	-541.7
Deferred taxes	108.5	-	-1.7	106.8
Balance at 31/12/2008	-331.3	0.9	20.5	-309.9
Gross change	-465.7	0.9	27.8	-437.0
Deferred taxes	134.4	-	-7.3	127.1
Balance at 31/12/2008	-331.3	0.9	20.5	-309.9



	Available for sale financial assets	Revaluation of equity accounted associates	Hedge of net investments in foreign operations	Total
Balance at 01/01/2009				
Gross amount	-465.7	0.9	27.8	-437.0
Deferred taxes	134.4	-	-7.3	127.1
Sub-total at 01/01/2009	-331.3	0.9	20.5	-309.9
Changes:				
Unrealised during the year	366.0	0.1	-14.2	351.9
Reversal of revaluation reserves because of sales	-4.6	-	-	-4.6
Other	16.9	1.5	-3.6	14.8
Gross change	378.3	1.6	-17.8	362.1
Deferred taxes	-106.2	-	4.8	-101.4
Balance at 31/12/2009	-59.2	2.5	7.5	-49.2
Gross change	-87.4	2.5	10.0	-74.9
Deferred taxes	28.2	-	-2.5	25.7
Balance at 31/12/2009	-59.2	2.5	7.5	-49.2

#### **Revaluation of associates**

The share of the profit or loss of the year is recognised as investment income and the share in the direct movements in the total equity after acquisition is recognised in equity attributable to the equity holders of the parent.

#### Net investment hedges of foreign operations

As from 2007, the Bank applies the principle of net investment hedge of foreign operations. The net investment in a foreign operation is the interest of the Bank in the net assets of that operation. Exchange differences arising on borrowings and other currency instruments designated as hedging instruments of such investments are also recorded in equity attributable to the equity holders of the parent until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the profit and loss account. On disposal of a foreign entity, such exchange differences are recognised in the profit and loss account as part of the gain or loss on the sale.



#### **4.2 DIVIDENDS**

#### Dividend proposed for 2009

The Board of Directors will propose to shareholders at the General Meeting of 1 April 2010 to distribute a dividend of EUR 11.80 per share, thus a total dividend of EUR 330,153,793.00 payable from 7 April 2010 on.

## 5 - MINORITY INTEREST

As at 31 December 2009 and 31 December 2008, the amount of EUR -11.0 million (2008: EUR 8.4 million) in "Minority interest" relates mainly to the interest of minorities in the shareholders' equity of Fortis Lease Iberia E.F.C. SA, Folea Grundstücksverwaltungs- und -vermietungs GmbH & Co. Objekt Leverkusen KG et Folea Grundstücksverwaltungs- und -vermietungs GmbH & Co Objekt Burtenbach KG.



## 6 - RISK MANAGEMENT

#### **6.1 INTRODUCTION**

Advanced risk management is required for achieving sustainable profitable growth. Therefore the Bank considers its risk management practice to be one of its core competencies. The Bank continuously reviews and upgrades its risk management framework in order to align it with developments in the field and to maintain strong risk management standards. An appropriate awareness of risks is necessary to optimise profitability as regards to risks incurred by the Bank.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. This framework combines risk policies and methodologies, process design and the organisation, as well as a strong survey based on existing controls. The risk governance framework is presented in the following scheme. The different components of this risk governance framework are described extensively in this section, including a quantitative and qualitative overview of the Bank's risk exposure.

Hereafter mentioned principles will be gradually reviewed to be aligned with those effective in the BNP Paribas group in the context of the integration with BNP Paribas.

Assets of subsidiaries and associates falling under IFRS 5 "Non current assets and liabilities held for sale and discontinued operations" are not considered in the tables of this note.



## 6.2 PHILOSOPHY, STRATEGY AND PRINCIPLES FOR SOUND RISK MANAGEMENT

#### 6.2.1 Risk management philosophy

The Bank defines risk as the deviation from anticipated outcomes that may affect the value, capital or earnings of the Bank. The Bank's risk thus stems from its exposure to external or internal risk factors in conducting its business activities. Risk taking is an integral part of the Bank's value proposition to its shareholders. The Bank aims to take risks of which it has a good understanding and which can be adequately managed either at individual or at overall portfolio level. The Bank actively seeks exposure to these risks if it is efficient and affordable to do so. Risks that are not actively sought but rather arise as a consequence of conducting business are reduced to acceptable levels. The Bank aims to meet its shareholders and stakeholders expectations and to take and manage risks in a controlled and transparent manner.

#### 6.2.2 Risk management principles

The Bank's risk management is based on the four guiding principles resulting from the risk governance framework:

- Optimising risk/return in a controlled manner at high standards: the Bank is a professional risk taker; assuming risk (both actively and passively) is intrinsic to how the Bank creates value for its shareholders. To ensure that the Bank delivers superior shareholder value creation, its risk taking is both controlled and directed towards businesses that provide shareholders with attractive risk-adjusted returns.
- Clearly established responsibility and accountability: the Bank operates according to the principle of delegated authority. Individuals and business units are fully responsible for their decisions.

 Independent and properly resourced risk management functions: Risk-taking activities require the independent supervision of the risk management function. Well-resourced independent risk management, which is clearly separate from any business decisions, is essential in order to avoid conflicts of interest, to ensure proper risk governance and, consequently, to enforce the principles of the risk policy.

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• Open risk culture to promote trust and confidence: Risk transparency and responsiveness to change are integral to the Bank's business culture.

#### 6.2.3 Risk strategy

The Bank's risk strategy sets out how, what type of risks and to what extent risks are taken in order to achieve the business objectives. It also sets out to what extent undesired risks should be mitigated and avoided. Hence, the Banks' risk tolerance and risk appetite are components of its risk strategy. The risk strategy should not be considered independently, as it is based in part on the Bank's corporate strategy and is aligned with its strategic objectives.

The Bank's attitude towards risk reflects its desire or willingness to actively take certain risks (and to what extent) and to avoid or mitigate others. The Bank has classified each type of risk to which it is exposed into the following categories:

• Core risks:

These are risks to which the Bank actively seeks exposure when it is efficient to do so and where exposure can be contained and managed either at individual or at overall portfolio level. The Bank aims to continuously improve its understanding of risk to extend the universe of risks it underwrites and intermediates and to enhance its ability to manage existing risk exposures. The main sub-categories of core risks are credit risk, market risk (ALM risk and trading risk) and liquidity risk. Liquidity risk can be further split into funding risk and market liquidity risk.



#### • Non-core risks:

These are the risks that, in principle, are not actively sought but arise as a consequence of conducting business. Operational risk can be further broken down into business risk and event risk. These risks are reduced to acceptable levels, taking into account the cost and benefit trade-offs. The Bank manages its operational risks and protects its reputation by ensuring that its business practices conform to the highest standards of integrity as specified in its Code of Conduct. In addition to the strategic classification in core and non-core risks, the Bank uses a standard risk taxonomy that includes all material risks. This taxonomy is updated on a yearly basis to ensure that all material risks are identified, defined and integrated in the risk governance framework. Four main risk types are distinguished in the current risk taxonomy: the financial, insurance, liquidity and operational risk. The insurance risk is however less applicable for the Bank.



#### 6.3 RISK MANAGEMENT ORGANISATION

The different types of risks are monitored and managed by specific dedicated committees. Besides the verification of the risk limits assigned to the various operations, certain functions of the Bank are responsible for providing the necessary analysis for taking decisions of financial risk management. The methodologies for risk analysis make more and more use of quantitative models and are founded on specific dedicated information systems and calculators. Qualitative risk analysises are also developed, notably through specific "stress tests". Methodologies and systems are continuously improved.

The risk policy provides the principles for the management and control of the Bank's risks. It applies to the operations of the Bank which involve liquidity risk, market risk or credit risk and includes elements for the management of operational risk. They include the operations relating to lending, the merchant bank activities and the Asset & Liability Management relating to own investments of the Bank. The limits and guidelines of the different operations are regularly reviewed in order to allow an efficient management of the balance sheet. These limits are fixed with regard to the equity and the performance targets of the Bank as well as regards the current and predictable economic context.

The Bank's Risk Committee, which meets on a quarterly basis, analysis the global risk position of the Bank. It functions in fact as an enlarged meeting of the Bank's Management Board. The responsibilities of the BGL BNP Paribas Risk Committee comprise the approval of local risk policies and the associated limits, the approval of new products and services having a significant impact on the Bank's risk profile, and more generally the Bank's risk appetite. The Committees ALCO ("Asset & Liability Committee"), Central Credit Committee and Committee ORC ("Operational Risk Committee") are subordinated to the Risk Committee.

#### 6.3.1 Credit risk

The Central Credit Committee (weekly) approves the most important individual credit files. It has also the power to decide on the criteria and conditions for the raising of credit and the termination or suspension of a credit. Specific committees such as Merchant banking, as well as Retail, Commercial & Private Banking handle matters and affairs which are not of the exclusive competence of the Management board or the Central Credit Committee.

#### 6.3.2 Market risk

The ALCO committee, which meets bi-monthly, is responsible for the management of the balance sheet within the global limits set up in the risk policy and the targets and strategies fixed by the Management board. Structural changes to the balance sheet and the off-balance sheet are decided based on the perspective evolution of financial markets. Every product or activity which contains market risk, including also the limits of the trading activities, is to be validated by the ALCO committee. The ALCO committee is assisted by the operational ALCO committee, which meets on a semi-monthly basis, responsible for the regular management of investments and the mid and long term funding of the Bank.

#### 6.3.3 Operational risk

The ORC committee, which meets on a quarterly basis, is responsible for the monitoring and management of the operational risk of the Bank. Its principal missions are to establish the strategy and policy regarding the operational risk based on the Group's standards and national discretions, to follow the status of the internal control and to coordinate the measures taken in the context of the business continuity plan and information security. The ORC committee is assisted by the OCC committee ("Operational Risk Coordination Committee", quarterly meetings) comprising all business correspondents in charge of the management of operational risk.



#### 6.4 FINANCIAL RISKS

Financial risk encompasses two types of risks called credit risk and market risk.

#### 6.4.1 Credit risk

Credit risk is defined as the risk of loss arising from an obligor's failure to reimburse the principal and the interest of its contractual debt.

#### 6.4.1.1 Credit risk management

Credit risk management is governed by the Bank's Credit Policy. The Credit Policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk. It has to reflect the Bank's risk appetite as defined by the Board of directors and the Management board.

#### The credit lifecycle

The basis for effective credit risk management is the identification of existing and potential credit risk inherent in any product or activity. This process includes the gathering of all relevant information concerning the product offered, the counterparties involved and all elements that may influence credit risk.

Assessing the credit risk of a proposed agreement consists of:

- analysis of the probability that the counterparty will fail to meet its obligations, including the risk classification on the Rating Master scale;
- analysis of the possibilities of fulfilling the counterparty's obligations by some other means in the event that the counterparty fails to meet its obligations by itself;
- formulation of an independent and substantiated opinion.

In the context of the Credit Risk Policy, counterparty acceptance criteria have been defined, which sets out the conditions required for accepting a credit request. These conditions reflect the general acceptable credit risk profile that the Bank has determined.

The Bank only grants credit to customers who present, in the Bank's opinion, a low probability of insolvency. The counterparty acceptance criteria include a clear indication of the Bank's target market and a thorough understanding of the borrower or counterparty, as well as of the purpose and structure of the credit and the source of its repayment. Inspired by the Basel II standards, core credit risk measurement parameters are the probability of default, the loss given default and the exposure at default. These parameters allow estimating the expected loss and the unexpected loss.

The credit allowance decision is taken by authorised persons or committees. The delegation rules organise and condition the decision-making process regarding the acceptance and management of counterparty risk. The underlying principle in the setting of these rules is the need to strike an optimum balance (in terms of overall profitability) between two opposite drivers: the maximising of the decision-taking autonomy of the businesses and the reduction of counterparty risk.

The monitoring of credit risk is a permanent and automatic control which is performed on credit exposures and linked events with the primary purpose of early detection and reporting of potential credit problems.

The Bank ensures a daily monitoring of all credit risks and in particular of the compliance with all granted credit lines and the agreed reimbursements. This monitoring is ensured by comprehensive information systems and operational procedures. These procedures define criteria for identifying and reporting potential problem credits in order to ensure that they are subject to proper monitoring, possible corrective action and classification.

Impaired credits are transferred to the functions "Intensive Care" or to "Recovery". Intensive Care develops strategies to restructure an impaired credit. In case of failure of restructuring, Recovery will take all legal means to recover the amounts owed to the Bank.

The Bank has also created "stress tests" in order to optimise the qualitative risk analysis and their predictability during intensive crisis periods. These "stress tests" allow to identify and estimate potential credit risks in different scenarios as well as their potential impact on the Bank's own funds. Hypothesis, content and conclusion of these analysises are updated each quarter and transmitted to the Bank's Management Board.

#### 6.4.1.2 Credit risk exposure

The Bank's overall credit risk exposure (gross) as at 31 December 2009 and 31 December 2008 can be summarised as follows:

	2009	2008
Cash and cash equivalents	1,347.6	8,419.3
Impairments	-	-0.7
Total net cash and cash equivalents	1,347.6	8,418.6
Held for trading financial assets		
Debt securities	50.5	-
Derivatives	233.8	572.5
Total net held for trading financial assets	284.3	572.5
Loans and receivables to credit institutions		
Interest bearing deposits	25.9	207.3
Loans and receivables	2,418.8	2,510.4
Reverse repurchase agreements	-	-
Other	1,327.3	1,697.4
Total loans and receivables to credit institutions	3,772.0	4,415.1
Impairments	-	-1.5
Total net loans and receivables to credit institutions	3,772.0	4,413.6



#### (CONTINUATION)

	2009	2008
Loans and receivables to customers		
Government and official institutions	437.1	510.6
Residential mortgage	2,610.3	3,428.3
Consumer loans	1,051.7	1,044.1
Commercial loans	6,778.3	8,180.6
Reverse repurchase agreements	-	-
Other (mainly linked to financial lease agreements)	11,511.0	12,749.2
Total loans and receivables to customers	22,388.4	25,912.8
Impairments	-574.	-260.0
Total net loans and receivables to customers	21,814.1	25,652.8
Interest bearing investments		
Government bonds	4,518.3	4,773.2
Corporate debt securities	2,764.5	3,644.4
Mortgage-backed securities	-	896.4
Other asset-backed securities	-	571.0
Total interest bearing investments	7,282.8	9,885.0
Impairments	-23.7	-261.2
Total net interest bearing investments	7,259.1	9,623.8
Other receivables	251.7	228.7
Impairments	-1.9	-2.2
Total net other receivables	249.8	226.5
Total on-balance sheet credit risk exposure	35,326.9	49,433.4
Impairments	-600.0	-525.6
Total net on-balance sheet credit risk exposure	34,726.9	48,907.8
Off-balance credit exposure	5,941.6	7,423.4
Impairments	-24.7	-9.0
Total net off-balance credit exposure	5,916.9	7,414.4
Total credit exposure	41,268.5	56,856.8
Impairments	-624.7	-534.6
Total net credit exposure	40,643.8	56,322.2

The off-balance sheet credit commitments exposure is as follows:

	2009	2008
Granted and confirmed credit lines: available amounts		
Banks – Credit lines	-	-
Customers – Loans – Government and official institutions	58.1	125.6
Customers – Loans – Mortgage Ioans	72.0	75.2
Customers – Loans – Consumer Ioans	556.2	530.8
Customers – Loans – Commercial loans	3,422.9	4,421.5
Customers – Loans – Other	242.2	487.9
Total granted and confirmed credit lines: available amounts	4,351.4	5,641.0
Credit commitments		
Guarantees – Letters of credit – Credit substitutes	1,478.4	1,628.3
Banker's acceptances	66.8	87.3
Documentary credits given	45.0	66.8
Total credit commitments	1,590.2	1,782.4
Total off-balance sheet commitments	5,941.6	7,423.4

#### 6.4.1.3 Credit risk netting arrangements

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. However, the Bank may also enter into netting arrangements that do not meet the criteria for offsetting under IFRS. The table below provides information on the existence of such non-qualifying rights at year-end as well as on non-qualifying master netting agreements that serve to mitigate the exposure to credit loss. The financial assets reported below are those that are subject to a legal right of set-off against financial liabilities when such assets are not reported in the balance sheet on a net basis.



Credit risk – netting arrangements and main master netting arrangements:

	2009			2008
	Gross exposure	Total credit exposure which may be legally enforceable for netting	Gross exposure	Total credit exposure which may be legally enforceable for netting
Cash and cash equivalents	1,347.6	-	8,419.3	-
Held for trading financial assets	284.3	-	572.5	-
Interest bearing investments	7,282.8	-	9,885.0	-
Loans and receivables to credit institutions	3,772.0	0.4	4,415.1	0.4
Loans and receivables to customers	22,388.5	1,447.8	25,912.8	2,358.3
Others assets	251.7	20.0	228.7	34.0
Total credit exposure on the balance sheet	35,326.9	1,468.2	49,433.4	2,392.7

#### 6.4.1.4 Credit risk concentration

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of correlated counterparties with a significant potential loss in case of failure to pay or bankruptcy. The concentration may also result from a portfolio of receivables spread on a limited number of economic sectors or products. The Bank applies the "total one obligor" concept. This implies that groups of connected counterparties are regarded as a single counterparty in the management of credit risk. To manage the concentration of credit risk, the Bank's credit risk management policy aims to spread the credit risk across several sectors and countries.



The tables below show the industry concentration of the customer credit portfolio, the interest bearing deposits and the credit commitments at 31 December 2009 and at 31 December 2008:

Agriculture, forestry and fishing     -     248.2     9.7     257.9       Energy and water     116.8     254.0     273.4     644.2       Metallurgic & non-metallic minerals     20.3     518.5     228.2     767.0       Chemicals and plastics     48.0     756.9     367.2     1,172.1	0.7 1.8 2.2 3.4 4.9 5.1
Metallurgic & non-metallic minerals 20.3 518.5 228.2 767.0	2.2 3.4 4.9
	3.4
Chemicals and plastics     48.0     756.9     367.2     1,172.1	4.9
Other manufacturing     34.0     1,183.9     491.4     1,709.3	5.1
Construction and engineering     56.2     1,395.7     347.3     1,799.2	0.11
Distribution, hotels and catering     88.5     1,125.4     645.3     1,859.2	5.3
Transport     67.1     3,273.7     784.6     4,125.4	11.8
Communication 41.8 275.5 83.7 401.0	1.2
Real estate     9.9     3,635.4     470.6     4,115.9	11.8
Shipping     -     127.5     6.0     133.5	0.4
Trade and commodity finance     6.2     405.3     323.1     734.6	2.1
Other services - 2,077.1 241.3 2,318.4	6.6
Public administrations     4,508.1     352.3     19.2     4,879.6	14
Government and official institutions - 626.4 137.0 763.4	2.2
Financial institutions & services to firms (incl. Insurance)2,262.22,327.1909.25,498.5	15.7
Private persons - 3,033.5 3.8 3,037.3	8.6
Unclassified - 197.7 575.9 773.6	2.2
Total 7,259.1 21,814.1 5,916.9 34,990.1	100.0 %



2008	Carrying amount of interest bearing deposits	Carrying amount of due from customers	Credit commitments	Total	Total in %
Agriculture, forestry and fishing	-	278.3	12.8	291.1	0.7
Energy and water	108.7	285.0	483.3	877.0	2.1
Metallurgic & non-metallic minerals	20.0	489.7	270.8	780.5	1.8
Chemicals and plastics	54.7	883.5	368.0	1,306.2	3.1
Other manufacturing	29.9	1,308.6	496.7	1,835.2	4.3
Construction and engineering	76.0	1,397.2	339.2	1,812.4	4.2
Distribution, hotels and catering	90.1	1,307.9	775.0	2,173.0	5.1
Transport	62.7	3,826.1	851.9	4,740.7	11.1
Communication	60.5	389.2	633.6	1,083.3	2.5
Real estate	16.6	3,614.7	656.9	4,288.2	10.0
Shipping	-	160.1	7.8	167.9	0.4
Trade and commodity finance	26.3	247.1	243.2	516.6	1.2
Other services	-	3,268.4	311.9	3,580.3	8.4
Public administrations	4,755.4	609.5	87.3	5,452.2	12.8
Government and official institutions	-	635.5	153.4	788.9	1.8
Financial institutions & services to firms (incl. Insurance)	4,322.9	2,875.1	766.7	7,964.7	18.7
Private persons	-	3,817.5	260.9	4,078.4	9.6
Unclassified	-	259.4	695.0	954.4	2.2
Total	9,623.8	25,652.8	7,414.4	42,691.0	100.0 %

The geographical distribution of the Bank's credit risk exposure can be presented based on the location of the Bank's subsidiary involved or based on the location of the customer.

The table below shows the concentration of the on balance sheet credit risk (except the "Other receivables") based on the location of the Bank's subsidiary at 31 December 2009 and at 31 December 2008:

	2009		2008	8
	Carrying amount on balance sheet	%	Carrying amount on balance sheet	%
Benelux	27,211.6	77.0%	38,353.7	77.6%
Other European countries	8,026.3	22.7%	10,997.2	22.2%
Asia	89.0	0.3%	82.5	0.2%
Total	35,326.9	100.0%	49,433.4	100.0%



The tables below show the concentration of credit risk (except the "Other receivables") by the location of the customer and the type of counterparty as at 31 December 2009 and at 31 December 2008:

2009	Government and official institutions	Financial institutions	Corporate customers	Retail customers	Other	Total
On-balance sheet						
Benelux	1,351.2	2,327.9	8,321.0	3,345.1	385.5	15,730.7
Other European countries	3,737.0	3,842.9	10,226.8	297.7	47.0	18,151.4
North America	298.1	393.4	278.8	4.1	3.3	977.7
Asia	35.4	114.7	77.1	4.3	2.1	233.6
Other	19.4	89.2	114.1	10.8	-	233.5
Total on-balance sheet	5,441.1	6,768.1	19,017.8	3,662.0	437.9	35,326.9
Off-balance sheet						
Benelux	58.4	74.7	1,735.5	617.0	81.3	2,566.9
Other European countries	1.8	11.8	2,964.9	100.5	144.8	3,223.8
North America	-	-	64.9	1.2	-	66.1
Asia	-	-	1.9	3.9	-	5.8
Other	-	-	74.1	4.9	-	79.0
Total off-balance sheet	60.2	86.5	4,841.3	727.5	226.1	5,941.6
2008	Government and official institutions	Financial institutions	Corporate customers	Retail customers	Other	Total
On-balance sheet						
Benelux	1,419.8	9,810.9	8,987.6	3,228.6	545.0	23,991.9
Other European countries	3,767.3	5,336.1	12,404.3	1,254.2	128.2	22,890.1
North America	501.5	631.0	860.1	3.3	4.9	2,000.8
Asia	59.2	65.8	80.8	5.9	2.5	214.2
Other	37.8	154.5	130.8	13.3	-	336.4
Total on-balance sheet	5,785.6	15,998.3	22,463.6	4,505.3	680.6	49,433.4
	-,	10,000.0	,	1,00010		10, 10011
Off-balance sheet	-,		,	1,00010		10,10011
Off-balance sheet Benelux	126.0	95.6	1,516.9	658.9	175.2	2,572.6
Benelux	126.0	95.6	1,516.9	658.9	175.2	2,572.6
Benelux Other European countries	126.0	95.6 76.0	1,516.9 4,211.2	658.9 96.7	175.2 314.1	2,572.6
Benelux Other European countries North America	126.0	95.6 76.0	1,516.9 4,211.2 73.1	658.9 96.7 1.7	175.2 314.1 -	2,572.6 4,699.5 74.8



#### 6.4.1.5 Country Risk

Country risk is defined as the risk that a counterparty is unable to honour its credit obligations due to political, social, economic or other events in that country.

In view of managing its exposure to country risk, the Bank has established a set of maximum risk levels for all emerging countries according to the country ratings (aligned with the Group's country ratings) and the Bank's risk appetite for the relevant country. The country exposures are kept under regularly review. Each allocation to the country limits is based on the country of residence of the borrower and the nature of the transaction.

#### 6.4.1.6 Credit risk rating

The 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, specifically regarding its ability to meet debt obligations and insolvency probability; • the quality and safety of an asset based on the issuer's financial condition indicating the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments.

The ultimate goal of the process is to calculate the expected loss within one year for every given borrower or asset.

The Bank applies the same parameters to determine the collective provision, but covering the default risk until maturity of the contract.

The Bank's Rating Master scale ranges from 0 to 20 and gives an indication of the probability that a counterparty will default within one year. Master scale ratings from 0 to 5 are investment grade ratings, 6 to 17 are sub-investment grade ratings and 18 to 20 are impaired loans ratings.

The following table outlines the credit quality by investment grade of the Bank's debt securities at 31 December 2009 and at 31 December 2008, based on external ratings, excluding financial assets held for sale:



The following table outlines the credit quality by investment grade of the Bank's debt securities at 31 December 2009 and at 31 December 2008, based on external ratings, excluding non-current assets held for sale and discontinued operations:

	200	9	2008	
	Gross amount	%	Gross amount	%
Investment grade				
AAA	1,047.0	14.4%	2,783.5	28.9%
AA	2,731.3	37.6%	3,971.7	41.3%
A	2,640.7	36.4%	2,420.5	<b>25.1</b> %
BBB	543.2	7.5%	315.3	3.3%
Investment grade	6,962.2	95.9%	9,491.0	98.6%
Below investment grade	84.9	1.2%	12.5	0.1%
Unrated	212.1	2.9%	120.3	1.3%
Total net investments in interest bearing securities	7,259.2	100.0%	9,623.8	100.0%
Impairments	23.7		261.2	
Total gross investments in interest bearing securities	7,282.9		9,885.0	

#### 6.4.1.7 Credit risk mitigation

This is the technique of reducing:

- the financial risk by hedging;
- the counterparty risk by obtaining collateral.

Hedging is any financial technique designed to reduce or eliminate the financial risk engendered by products and/ or activities. For this purpose, the Bank uses, amongst others, the securitisation of assets. This technique consists of creating a negotiable financial instrument backed to the value or cash flows of specific financial assets. In the process of securitisation, the assets (for example consumer loans, receivables or mortgage loans) are selected and grouped in an ad hoc entity (special purpose entity or SPE) that issues securities to investors.

Security (collateral) is any commitment made or privilege given by a third party of a counterparty 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 purely based on collateral or hedging. The risk mitigation factors are always considered as a second way out.



Collateral and guarantees received as security for financial assets and commitments are as follows:

Carrying Equity and Loans Other financial Tangible 2009 Treasury amount debt securities and receivables assets assets Cash and cash equivalents 1,347.6 --0.5 --Interest bearing investments 7,259.1 -\_ ---Loans and receivables to credit institutions 3,772.0 \_ 8.8 79.0 -Loans and receivables to customers Government and official institutions 437.1 3.0 ----3,364.8 Residential mortgages 2,599.1 3.3 0.4 3.0 6.9 Consumer loans 1,015.3 10.8 31.7 28.0 561.6 43.5 Commercial loans 6,633.6 2,530.2 122.9 471.8 117.3 119.1 Reverse repurchase agreements --\_ ---Other loans 11,129.0 3,298.6 977.0 13.8 367.9 5,558.3 Total loans and receivables to customers 21,814.1 3,468.3 1,460.0 165.8 521.9 12,017.9 Other receivables 249.8 Total on-balance credit-risk 34,442.6 3,468.3 1,460.0 175.1 600.9 12,017.9 Off-balance sheet credit commitments 5,916.9 175.7 12.4 99.7 33.5 784.7 12,802.6 Total credit risk exposure 40,359.5 1,472.4 274.8 634.4 3,644.0

Collateral received

Other non financial assets	Past due credit contracts	Other guarantees	Collateral amounts in excess	Unsecured exposure
80.2	-	-	-	1,266.9
-	-	-	-	7,259.1
-	-	1,116.8	22.5	2,589.9
-	-	6.8	-	427.3
-	-	2.1	818.1	36.7
1.8	-	57.9	305.1	585.1
378.4	6.3	1,082.7	1,750.9	3,555.8
-	-	-	-	-
554.5	23.4	3,097.8	5,354.3	2,592.0
934.7	29.7	4,247.3	8,228.4	7,196.9
21.0	-	25.2	20.2	223.8
1,035.9	29.7	5,389.3	8,271.1	18,536.6
18.9	-	376.9	433.0	4,848.1
1,054.8	29.7	5,766.2	8,704.1	23,384.7

Collateral received

2008	Carrying amount	Equity and debt securities	Loans and receivables	Treasury	Other financial assets	Tangible assets
Cash and cash equivalents	8,418.6	-	-	-	-	-
Interest bearing investments	9,623.8	-	-	-	-	-
Loans and receivables to credit institutions	4,413.6	153.3	-	-	-	-
Loans and receivables to customers						
Government and official institutions	510.6	-	-	-	-	2.3
Residential mortgages	3,418.7	2.4	0.1	1.7	0.3	3,152.9
Consumer loans	999.2	41.1	5.0	21.6	15.4	458.2
Commercial loans	8,086.6	183.4	463.6	113.6	121.1	2,184.2
Reverse repurchase agreements	-	-	-	-	-	-
Other loans	12,637.7	-	825.9	9.9	14.5	7,232.7
Total loans and receivables to customers	25,652.8	226.9	1,294.6	146.8	151.3	13,030.3
Other receivables	226.5	-	-	-	-	-
Total on-balance credit-risk	48,335.3	380.2	1,294.6	146.8	151.3	13,030.3
Off-balance sheet credit commitments	7,414.4	150.5	15.1	115.1	24.5	880.9
Total credit risk exposure	55,749.7	530.7	1,309.7	261.9	175.8	13,911.2

Other non financial assets	Past due credit contracts	Other guarantees	Collateral amounts in excess	Unsecured exposure
-	-	-	-	8,418.6
-	-	-	-	9,623.8
-	-	1,068.8	-	3,191.5
-	-	9.2	-	499.1
-	-	-	732.8	994.1
0.6	-	57.8	196.6	596.1
81.8	17.8	894.3	1,524.7	5,551.5
-	-	-	-	-
55.4	60.6	4,338.3	5,478.6	5,579.0
137.8	78.4	5,299.6	7,932.7	13,219.8
-	-	-	-	226.5
137.8	78.4	6,368.4	7,932.7	34,680.2
11.2	130.7	176.0	467.6	6,378.0
149.0	209.1	6,544.4	8,400.3	41,058.2



## 6.4.1.8 Management of problem loans and defaulted exposures

Problem loans are exposures:

- for which the counterparty already does not meet its obligations;
- for which signals have been detected indicating that the counterparty is risk not meeting its obligations.

Problem loans are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans. Problem loans with ratings 18, 19 and 20 according to the Bank's Rating Master Scale have defaulted and are impaired.

#### Past due exposure

A financial asset is past due:

- if a counterparty has failed to make a payment when contractually due;
- if a counterparty has exceeded an advised limit or has been advised of a limit smaller than its current outstanding

Financial assets which are more than 90 days past due are automatically classified as impaired.



The table below provides information on the ageing of past due financial assets not classified as impaired:

2009	Carrying amount of normal assets (not classified as impaired)	< 30 days past due	> 30 days and < 60 days past due	> 60 days past due	Total
Cash and cash equivalents	1,316.0	0.7	-	-	0.7
Interest bearing investments	7,243.3	-	-	-	-
Loans and receivables to credit institutions	3,751.2	0.8	-	1.0	1.8
Loans and receivables to customers					
Government and official institutions	437.1	3.7	1.3	9.5	14.5
Residential mortgages	2,574.1	7.9	3.2	1.9	13.0
Consumer loans	995.1	43.2	7.1	1.5	51.8
Commercial loans	6,358.8	538.3	114.1	16.6	669.0
Other	10,278.4	12.6	16.5	39.9	69.0
Total loans and receivables to customers	20,643.5	605.7	142.2	69.4	817.3
Other receivables	248.6	-	-	19.6	19.6
Total credit risk exposure	33,202.6	607.2	142.2	90.0	839.4
2008	Carrying amount of normal assets (not classified as impaired)	< 30 days past due	> 30 days and < 60 days past due	> 60 days past due	Total
Cash and cash equivalents	8,419.3	14.6	-	-	14.6
Interest bearing investments	9,381.0	-	-	-	-
Loans and receivables to credit institutions	4,393.2	12.5	-	-	12.5
Loans and receivables to customers					
Government and official institutions	509.6	39.7	-	-	39.7
Residential mortgages	3,309.3	12.6	4.1	0.4	17.1
Consumer loans	967.6	51.2	5.3	2.1	58.6
Commercial loans	7,863.6	786.5	353.8	17.0	1,157.3
Other	12,340.5	61.3	14.6	31.1	107.0
Total loans and receivables to customers	24,990.6	951.3	377.8	50.6	1,379.7
Other receivables	226.7	2.7	1.0	20.7	24.4
Total credit risk exposure	47,410.7	981.1	378.8	71.3	1,431.2



Collateral and guarantees received as security for past due but not impaired financial assets are detailed below:

					Collateral rece	eived	
2009	Carrying value	Equity and debt securities	Loans and advances	Treasury	Other financial assets	Tangible assets	
Cash and Cash equivalents	0.7	-	-	-	-	-	
Loans and receivables to credit institutions	1.8	-	-	-	-	-	
Loans and receivables to customers							
Government and official institutions	14.5	-	-	-	-	-	
Residential mortgages	13.0	-	-	-	0.1	15.6	
Consumer loans	51.8	1.4	0.1	0.3	4.1	30.1	
Commercial loans	669.0	11.2	0.5	3.4	0.5	132.2	
Other	69.0	245.2	43.5	-	1.4	485.6	
Total loans and receivables to customers	817.3	257.8	44.1	3.7	6.1	663.5	
Other receivables	19.6	-	-	-	-	-	
Total on-balance sheet	839.4	257.8	44.1	3.7	6.1	663.5	

					Collateral rec	eived
2008	Carrying value	Equity and debt securities	Loans and advances	Treasury	Other financial assets	Tangible assets
Cash and Cash equivalents	14.6	-	-	-	-	-
Loans and receivables to credit institutions	12.5	-	-	-	-	-
Loans and receivables to customers						
Government and official institutions	39.7	-	-	-	-	-
Residential mortgages	17.1	-	-	-	-	20.5
Consumer loans	58.6	3.2	-	0.7	1.8	27.2
Commercial loans	1,157.3	11.0	0.9	4.7	2.3	64.2
Other	107.0	-	41.2	-	1.9	4.3
Total loans and receivables to customers	1,379.7	14.2	42.1	5.4	6.0	116.2
Other receivables	24.4		-	-		
Total on-balance sheet	1,431.2	14.2	42.1	5.4	6.0	116.2

Other non financial assets	Other guarantees	Collateral amounts in excess	Unsecured exposure
-	-	-	0.7
-	-	-	1.8
-	-	-	14.5
-	-	2.8	0.1
-	1.5	13.7	28.0
4.2	115.0	118.3	520.3
102.7	154.5	967.9	4.0
106.9	271.0	1,102.7	566.9
-	-	-	19.6
106.9	271.0	1,102.7	589.0

Unsecured exposure	Collateral amounts in excess	Other guarantees	Other non financial assets	
14.6	-	-	-	
12.5	-	-	-	
39.7	-	-	-	
0.3	3.7	-	-	
38.1	12.8	0.4	-	
1,079.0	24.9	19.8	0.3	
87.4	68.4	40.6	-	
1,244.5	109.8	60.8	0.3	
24.4	-	-	-	
1,296.0	109.8	60.8	0.3	



#### Impaired credit exposure

A financial asset is classified as impaired if one or more loss events are identified which have a negative impact on the estimated future cash flows related to that financial asset.

Events considered to be loss events include situations where:

- the counterparty is unlikely to pay in full its credit obligations to the Bank, without recourse by the Bank to actions such as realising collateral;
- the counterparty has a material credit obligation which is past due for more than 90 days.

In practice, the Bank has defined a set of obligatory and judgment-based triggers that can lead to classification as impaired. The final decision on declassification is always subject to expert judgment. Obligatory triggers include bankruptcy, financial restructuring and credit obligations that are past due for more than 90 days. Judgment-based triggers include (but are not limited to) negative equity, regular payment problems, improper use of credit lines, legal action by other creditors, etc. The procedure for handling problem loans may, considering the specific characteristics of each case, result in an individual restructuring of the credit.

Loan or Debt Restructuring is the change of one or more terms of an existing loan or debt agreement for economic or legal reasons related to the debtor's financial difficulties. The change can imply, among other things, modification of the repayment schedule and/or interest rate or an addition of sureties or borrowers. On its own, a loan restructuring process is not a trigger for transferring a loan from impaired to normal status, and any such restructured loan will therefore retain its impaired status after restructuring.

Impairment for specific credit risk is recorded if there is any objective indication that the Bank may not get back the total amounts due based on the contractual terms. The impairment is the difference between the carrying value and the recoverable amount, meaning the present value of expected cash flows and/or the value of the collateral less the sale costs if the credit is guaranteed.



The table below provides information on impairments and impaired or non-performing credit risk exposure at year end:

	00	00	2008		
	20	09	20	08	
	Impaired outstanding	Impairments for specific credit risk	Impaired outstanding	Impairments for specific credit risk	
Cash and cash equivalents	1.0	-	-	-	
Interest bearing investments	39.5	23.7	504.0	261.2	
Loans and receivables to credit institutions	20.9	0.1	21.9	0.1	
Loans and receivables to customers					
Government and official institutions	-	-	1.0	-	
Residential mortgages	36.2	4.1	119.0	8.4	
Consumer loans	56.7	30.0	76.5	39.7	
Commercial loans	419.5	119.8	317.0	80.2	
Other (mainly financial lease agreements)	883.3	219.9	408.7	93.6	
Total loans and receivables to customers	1,395.7	373.8	922.2	221.9	
Other receivables	3.1	1.9	2.0	2.0	
Total on-balance sheet	1,460.2	399.5	1,450.1	485.2	
Total off-balance sheet	35.3	9.3	19.4	2.1	
Total impaired credit exposure	1,495.5	408.8	1,469.5	487.3	



The table below provides information on the duration of impaired credit exposure at year end:

2009	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total
Cash and cash equivalents	1.0	-	-	1.0
Interest bearing investments	18.2	21.3	-	39.5
Loans and receivables to credit institutions	18.7	0.3	1.9	20.9
Loans and receivables to customers				
Government and official institutions	-	-	-	-
Residential mortgages	12.5	19.9	3.8	36.2
Consumer loans	16.6	22.8	17.3	56.7
Commercial loans	165.6	208.2	45.7	419.5
Other (mainly financial lease agreements)	441.0	417.8	24.5	883.3
Total loans and receivables to customers	635.7	668.7	91.3	1,395.7
Other receivables	1.3	1.8	-	3.1
Total on-balance sheet	674.9	692.1	93.2	1,460.2
Total off-balance sheet	19.9	11.6	3.8	35.3
Total impaired credit exposure	694.8	703.7	97.0	1,495.5

2008	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total
Interest bearing investments	504.0	-	-	504.0
Loans and receivables to credit institutions	19.6	0.4	1.9	21.9
Loans and receivables to customers				
Government and official institutions	1.0	-	-	1.0
Residential mortgages	100.8	14.2	4.0	119.0
Consumer loans	22.5	31.2	22.8	76.5
Commercial loans	177.7	102.1	37.2	317.0
Other (mainly financial lease agreements)	143.7	259.9	5.1	408.7
Total loans and receivables to customers	445.7	407.4	69.1	922.2
Other receivables	1.0	1.0	-	2.0
Total on-balance sheet	970.3	408.8	71.0	1,450.1
Total off-balance sheet	11.1	7.0	1.3	19.4
Total impaired credit exposure	981.4	415.8	72.3	1,469.5



The following table provides details on collateral and guarantees received as security for financial assets and commitments classified as impaired:

				C	ollateral received	ł
2009	Carrying value	Equity and debt securities	Loans and advances	Treasury	Other financial assets	Tangible assets
Cash and cash equivalents	1.0	-	-	-	-	-
Interest bearing investments	39.5	-	-	-	-	-
Loans and receivables to credit institutions	20.9	-	-	-	-	-
Loans and receivables to customers						
Government and official institutions	-	-	-	-	-	-
Residential mortgages	36.2	-	-	0.1	-	45.3
Consumer loans	56.7	0.2	0.1	0.2	0.5	24.8
Commercial loans	419.5	1.5	5.6	11.0	3.5	122.4
Other	883.3	3,409.5	58.4	8.4	20.0	407.5
Total loans and receivables to customers	1,395.7	3,411.2	64.1	19.7	24.0	600.0
Other receivables	3.1	-		-	-	-
Total on-balance sheet	1,460.2	3,411.2	64.1	19.7	24.0	600.0
Off-balance credit commitments	35,3	-	-	0,3	0,5	9,3
Total impaired credit risk exposure	1,495.5	3,411.2	64.1	20.0	24.5	609.3

Unsecured exposure	Collateral amounts in excess	Other guarantees	Past due credit contracts	Other non financial assets	
1.0	-	-	-	-	
39.5	-	-	-	-	
20.9	-	-	-	-	
-	-	-	-	-	
1.3	45.4	-	34.9	-	
41.9	26.8	1.5	13.2	1.1	
275.1	175.7	12.6	139.4	24.1	
34.9	4,336.4	552.4	675.7	52.9	
353.2	4,584.3	566.5	863.2	78.1	
0.9	21.0	1.3	0.9	21.0	
415.5	4,605.3	567.8	864.1	99.1	
20,5	20,0	1,3	13,6	9,8	
436.0	4,625.3	569.1	877.7	108.9	



	Collateral received			1		
2008	Carrying value	Equity and debt securities	Loans and advances	Treasury	Other financial assets	Tangible assets
Interest bearing investments	504.0	-	-	-	-	-
Loans and receivables to credit institutions	21.9	-	-	-	-	-
Loans and receivables to customers						
Government and official institutions	1.0	-	-	-	-	-
Residential mortgages	119.0	-	-	-	-	140.7
Consumer loans	76.5	0.4	-	0.8	1.3	28.0
Commercial loans	317.0	0.5	0.5	1.6	2.5	165.4
Other	408.7	12.8	65.8	-	0.4	25.5
Total loans and receivables to customers	922.2	13.7	66.3	2.4	4.2	359.6
Other receivables	2.0	-	-	-	-	-
Total on-balance sheet	1,450.1	13.7	66.3	2.4	4.2	359.6
Off-balance credit commitments	19,4	-	-	0,4	-	11,7
Total impaired credit risk exposure	1,469.5	13.7	66.3	2.8	4.2	371.3

Unsecured exposure	Collateral amounts in excess	Other guarantees	Past due credit contracts	Other non financial assets
-503.3	-	-	-	0.7
-21.9	-	-	-	-
-1.0	-	-	-	-
1.4	-23.1	-	-	-
56.1	12.4	2.3	-	-
193.0	57.2	5.1	-	5.6
235.3	1.6	41.5	5.0	24.0
486.8	94.3	48.9	5.0	29.6
-2.0	-	-	-	-
1,014.0	94.3	48.9	5.0	30.3
13.2	6,6	0,2	-	0,5
1,027.2	100.9	49.1	5.0	30.8



The table below informs on the assets obtained by realizing the guarantees:

	2009	2008
Investment property	11.2	25.1
Equity and debt securities	-	0.1
Total	11.2	25.2

When the Bank becomes owner of non liquid assets, the policy for use of these assets depends on their nature. As regard to securities or insurances received as security, the Bank immediately proceeds to the sale of the respective assets, for tangible assets, in order to protect its interests and those of the customers at default, it ensures that the sale occurs when market is most probitious. Standardised procedures are applied as regard to leasing activities for assets of moderate value in order to allow an optimised realisation value in the shortest possible delay. As regard to real estate, of high value or specific use, the policy and timeframe for reselling are decided specifically for each transaction by considering the parameters to manage in order to optimise the realisation value by securing the assets (maintenance, caretaking, insurances, local legislation ...).

#### Incurred but not reported impairments (IBNR)

In 2008, an impairment for "Incurred but not reported" ("IBNR") credit risk has been determined. It represents an impairment for potential losses on the performing credit loan portfolio.

The scope of the calculation of the IBNR impairments covers all financial assets found not to be individually impaired from the categories "Loans and receivables to credit institutions" and "Loans and receivables to customers". All related off-balance items such as unused credit facilities and credit commitments are also included. In 2009, a collective impairment for credits risks is recorded in order to cover potential losses on the performing credit loan portfolio.

The calculation of this impairment is based on the loss of a receivable by applying parameters which combine the Basel II concept of expected loss with elements such as macroeconomic factors and incubation period.

In the context of the integration of the Bank in the BNP Paribas group, the Bank has adapted the definition of the parameters used until 2008 for the calculation of the IBNR impairments, such as the probabilities of default and the scope of calculation.

#### 6.4.2 Market risk

Market risk is the risk of losses due to fluctuations in market risk factors which include share prices, interest rates and exchange rates. Market risk impacts both the structural positions (risk on the banking book monitored by the ALM department) and the trading positions (trading risk).

#### 6.4.2.1 ALM risk

The ALM department of the Bank monitors and controls the interest rate risk, the risk on equity securities and exchange rates of the banking book according to rules and guidelines set by the ALCO committee and the
Management board. It is a key player in managing the Bank's balance sheet.

#### ALM risk – interest rate risk on the banking book

Interest rate volatility is a dominant risk factor in the banking industry. The three main sources of interest rate risk monitored at the Bank are:

- repricing risk, evidencing a timing difference in the fixing of interest rates between assets and liabilities;
- changes in the structure of yield curves (parallel, flattening or sloping shifts);
- optionality: certain financial instruments carry embedded options (hidden or explicit) that may be exercised depending on the evolution of interest rates in the market.

The Bank measures, monitors and controls its ALM Interest Rate Risk using the following indicators:

- "interest rate gap", which illustrates the profile of the interest rate exposures over time;
- "duration of equity", used as a key indicator for the Interest Rate Risk. It reflects the value sensitivity to a small parallel interest rate shift;
- interest rate sensitivity of the fair value by applying stress tests of +/- 100 bp to the fair value;
- "Value-at-risk" (VaR), which calculates the maximum potential structural loss on a fair value basis resulting from different possible market fluctuations, based on a timescale of one year and a reliability interval of 99%;
- "Earnings-at-Risk", which is an indicator that simulates the effect of changes in interest rates on future results.

#### Analysis of net exposure over time (interest rate gaps)

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The table below shows the Bank's exposure to Interest Rate Risk. Cash flows of assets and liabilities are classified by the expected repricing or maturity date, whichever is earlier. For assets and liabilities without maturity, the projected cash flows reflect the interest rate-sensitivity of the product. The derivatives of the banking book are principally used to reduce the Bank's exposure to interest rate changes. The notional value is reported separately in the table for the activities of the banking book. A positive (negative) amount means a net receiving (paying) position in interest rates.



Interest rate gaps at 31 December 2009:

Interest rate gaps	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	5-10 years	>10 years
Assets	18,413	6,953	2,816	3,194	1,712	2,395	563
Liabilities	16,399	5,468	2,480	2,272	542	407	375
Gap Assets – Liabilities	2,014	1,485	336	922	1,170	1,988	188
Derivatives	520	0	0	-530	0	0	0
GAP	2,534	1,485	336	392	1,170	1,988	188

The above table illustrates the transformation of maturities in respect of interest rates which the Bank faces at year end.

#### Duration of equity

Duration reflects the value-sensitivity to an interest rate shift, up or down (noted  $\Delta i$ ):

$$\frac{\Delta Value}{Value} = - Duration \cdot \Delta i$$

A positive (negative) duration leads to a decrease (increase) in value when interest rates increase. The higher the absolute value of the duration, the higher the sensitivity of the value to an interest rate movement. The duration of equity measures the sensitivity of the fair value of the Bank's equity in respect to an interest rate shift.

	31/12/2009	31/12/2008
Duration of equity (in years)	3.12	3.65

The Bank's equity duration limit is fixed at 8 years. At the end of December 2009, the equity duration was slightly above 3 years, so remaining below its usual average range of 4 to 6 years.

While the duration of equity measures the sensitivity of the value to very small interest rate movements, the Bank also monitors the variability of the value for bigger interest rate shocks. This is shown in the following section.

Interest rate sensitivity of the fair value of equity

The following table shows the impact of a +/- 100 basis points shift in the yield curve on the global fair value of the Bank's activities.

Impact on the fair value at 31 December 2009:

	+100 pb.	-100 pb.
in million of euros	-230.5	+238.5

The interest rate risk indicators Value-at-risk and Earningsat-risk will be discussed in the section "ALM risk – other risk factors".

#### ALM risk – currency risk

Any financial product is denominated in a specific currency and exchange rate risk results from a change in the exchange rate of that currency to the functional currency of the Bank, the euro.

No currency risk is taken in the ALM position of the Bank due to the application of the following principles:

a) loans and bond investments in currencies other than the functional currency of the Bank must be hedged by a funding in the corresponding currency.

b) participations in currencies other than the functional currency of the Bank must be hedged by a funding in the corresponding currency. The Bank's policy for banking activities is to hedge via one-year funding in the corresponding currency where possible. Net investment hedge accounting is applied.

c) the results of branches and subsidiaries in currencies other than the functional currency of the Bank's activities are hedged on a regular basis (quarterly).

Exceptions to this general rule must be approved by the ALCO committee

#### ALM risk - other risk factors

In addition to interest rate risk and currency risk, ALM risk also encompasses equity securities risk. Equity securities risk is the risk of losses due to unfavourable movements on equity markets.

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These risk factors are monitored through risk indicators such as "Value-at-Risk" and "Earnings-at-Risk".

#### Value-at-Risk

The table below shows in absolute amounts the maximum loss in the event of a worst-case scenario given a Value-at-risk model on a time frame of two months and a confidence interval of 99%.

in million of euros	Value-at-Risk
Equity securities risk	33.7
Interest rate risk	111.4
Foreign exchange risk	19.1

Taking into account diversification impacts between these three risks, the Bank's global Value-at-Risk amounts to EUR 105.4 million at year end 2009, given a time frame of two months and a confidence interval of 99%.

#### Earnings-at-Risk

Earnings-at-Risk measures the sensitivity of future IFRS net income to hypothetical adverse changes in interest rates or equity market prices. As regards to the interest rate scenarios, Earnings-at-Risk means the amount of the decrease / increase of net interest margin on an annual basis following to a hypothetical unfavourable / favourable evolution of interest rates. The basis for comparison is the interest margin calculated on a stable interest rate scenario in 2010 on basis of the levels at year-end 2009. The simulated interest rate shocks (+100 bp, -100 bp) are supposed to apply immediately.



A scenario for a decrease of equity securities prices by 20% is also analysed. It shows the impact on the income statement following additional estimated impairments in the context of such a scenario.

in million of euros	Earnings-at-Risk
Interest rates +100 bp	+34
Interest rates -100 bp	-30
Decrease of equity securities markets by 20%	-4

#### Risk ALM – Stress Tests

The ALM department has developed a set of analyses that allows several unfavourable interest rate scenarios to be identified and measured, including their potential impact on the value of the balance sheet and on results. These internal ALM scenario analyses are performed every quarter, so as to report both the "value" and the "result" impact.

For the internal ALM "stress test" models, the scenarios are based on a quantitative model that reviews six scenarios of interest rate changes and relies on past market data. The impact of a "standardised stress test" scenario on the economic value of the Bank is also measured by ALM. It consists in applying an immediate and parallel interest rate shock on the interest rate curves. ALM also analyses the impact of a historical scenario on the economic value of the Bank, which is a valuable measure as this scenario reflects market movements that did actually occur. This fact provides it with a certain level of objectivity and credibility.

#### 6.4.2.2 Trading risk

The structure of limits ("Value-at-Risk" or "VaR", "modi-

fied duration", "vega and evaluation limits") is harmonised within Fortis group in order to allow a coordinated monitoring of the trading risk of Merchant Bank. A daily VaR is calculated on a confidence interval of 99% in accordance with the regulators requirements. For the activities "Structured Products Services", "Structured Credit Group" and "Equity facilitation book", Risk Management calculates and ensures the daily monitoring of exposures.

The market value corresponds to the value of a position expressed in terms of the mark-to-market principle.

The value-at-risk market (VaR) or market/price exposure is the potential maximal loss over a certain holding period. Historical market factors are used in order to estimate possible evolutions of these factors. The VaR is calculated based on a confidence interval of 99% and a holding period of one day.

Limits based on the Value-at-Risk are completed by other limits in order to avoid excessive positions in case of low volatility.

The Bank also uses stress testing to monitor the potential impact of extreme market evolutions on the trading portfolio. The stress testing programme reports the contribution of the main risk factors to the potential profit variation for historical and hypothetical scenarios and is detailed for the different levels of the Merchant Banking structure. When the stress testing results exceed the early warning signals, they are considered to be management action triggers.

The effectiveness of Value-at-Risk calculations is tested using "back-testing", which compares the Value-at-Risk forecast with the calculated "Mark-to-Market" change using observed daily market data variation.

The back-testing measures, on a one-year rolling window, the number of losses exceeding the VaR prediction. Intuitively, for a 99% confidence level, such losses should happen once per 100 days.

Back-testing analysis revealed that the Bank achieved this target.

#### 6.5 LIQUIDITY RISK

Liquidity risk is the risk of not meeting actual (and potential) payments or collateral posting obligations when they are due. It has two components:

Funding liquidity risk is the risk that expected and unexpected cash demands of deposit and other contract holders cannot be met without suffering unacceptable losses or without endangering the business franchise.

Market liquidity risk concerns the inability to realise assets due to inadequate market depth, or market disruption. As such it is related to market risk to a certain extent. Market liquidity risk is the sensitivity of the liquidity value of a portfolio due to changes in the applicable haircuts and the change of market value. It also concerns the uncertainty of the timescale necessary to realise the liquidity value of the assets.

#### Management of liquidity risk

The basic principles of the liquidity risk management are defined in a liquidity policy. The primary goal of the policy is to ensure that the Bank maintains sufficient cash and liquid assets to meet its current and future financial obligations at all times, in both normal and stressed circumstances, for every currency in which it has an exposure. Considering the financial crisis of the second half year 2008, significant emphasis is put on the bank's management of liquidity risk. The increase of share capital subscribed by the Luxembourg state has even reinforced the Bank's liquidity situation by adding long term funds. To consider also that BGL BNP Paribas shares the funding of the leasing activities with its main shareholder, Fortis Bank SA/NV. The other commercial activities of BGL BNP Paribas continue to show, despite the crisis lived, deposits exceeding globally the loans to customers. BGL BNP Paribas's cash management aims to optimise the management of financial flows in the Group, through transactions with Fortis Bank SA/NV, whilst maintaining flexibility to generate liquidity at local level through the use of pledges. This liquidity risk management will be reviewed in accordance with the rules issued by the Group and the regulators.

#### 6.6 OPERATIONAL RISK

All companies including financial institutions are subject to operational risk because of the uncertainty inherent in all business undertakings and decisions. This risk can be broken down into business risk and event risk.

Business risk is the risk of "being in business", which affects any enterprise, financial or non-financial. It is the risk of loss due to changes in the competitive environment that damages the business's franchise or operating economics. Typically, the fluctuation originates with variations in volume, pricing or margins against a fixed cost base. Business risk is thus mostly externally driven (by regulatory, fiscal, market and or competition changes, as well as strategic, reputation risks and other related risks), but it can be mitigated by effective management practices.

Event risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and com-



pliance risk, but excludes strategic and reputation risk. Event risk is often internally driven (internal and external fraud involving employees, clients, products and business practices, as well as technological and infrastructure failures and other related malfunctions) and can be limited through management processes and controls

#### 6.6.1 Integrated Management Control

#### A unique framework compliant with Basel II requirements

The Bank implemented an all-embracing, single operational risk management framework that complies with the Basel II criteria laid down in the Advanced Measurement Approach ("AMA"). It supports the organisation in achieving an increased operational risk awareness, in monitoring operational risk effectively and in measuring the operational risk profile and its associated own funds requirement.

This framework is an integrated part of the overall Management Control Framework through which the management, from the various management teams to the Management Board, measures the risks in order to identify those that could jeopardize the Bank's business objectives.

# A framework supported by a strong operational risk governance

This framework includes the policy of operational risk governance, the identification, evaluation, measurement and registration of these risks and their potential mitigation.

The risk governance is set up around a three level of defense model. The primary responsibility for identification, management and mitigation of operational risks is part of the businesses. The second level of control is assumed by the central risk management functions, independent from the businesses, which ensure that the internal risk management control framework is properly rolled out within the businesses and that the risk profiles assessed and the resulting level of own funds are adequate. The third level of defense is assumed by Internal Audit that provides an independent evaluation of the conception and efficiency of the existing controls at the first and second level of defense.

#### A framework encompassing the 4 required elements for an advanced measurement approach

The different instruments and techniques used in the advanced approach are

- The *loss data collection*: operational losses that occur throughout the organisation are systematically collected including informations on their origin in a central database. The internal loss data collection is completed by external loss data sources. Firstly by loss data collected through via ORX (*Operational Risk eXchange Association*), of which the Bank is a founding member. The members of this association exchange their loss data in an anonymous and standardised form. Secondly the Bank subscribed to the *Fitch FIRST* database and to the *SAS Global* database, which are public loss databases that contain material losses.
- Periodical *forward-looking* assessments on operational risk are realised by the different business lines and support functions. These consist in *bottom-up* risk self-assessments and result in the identification, assessment and measurement of the operational risks within the organisation. *Top-down* scenario analysis completes the operational risk profile for the more systemic or low frequency high impact operational risks. A centralized management of the operational risk allows for a larger objectivity and a better understanding of the risk assessments through a deep analysis of the internal and external loss data.

- The *key risk indicators* are analysed and followed up in order to identify apparent changes in the risk profile or any other change in the business environment. These trigger a revaluation of the operational risk profile and ensure for a better reactivity to a constantly changing environment and for a level of own funds appropriate to the operational risk profile.
- The central calculation of the own funds requirements makes use of a model compliant to the Advanced Measurement Approaches – AMA criteria, defined by Basel II. The results of the risk assessments are used as key data to ensure for a level of own funds in accordance with the organisational environment and the sector. The centrally calculated own funds requirements are then allocated to the legal entities of the Group and to the different business lines by using a risk sensitive model based on the individual risk profiles.

This framework, presented in the schematic format below, is fully implemented within all business lines of the Bank.



### POLICY ON OPERATIONAL (EVENT) RISK



#### 6.6.2 Operational Control and Mitigation

The 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 are business continuity management, information security measures, insurance and management control statements.

#### 6.6.2.1 Business continuity management

Business continuity management ("BCM") is a management process that identifies potential threats to an organization and the impacts on the business operations that those threats, if realised, might have, and that provides a framework for building organizational resilience with the ability to make an effective response that safeguards the interests of its stakeholders, reputation, brand and value creating activities.

As a financial services organisation, the Bank acknowledges the importance of BCM. It describes its approach in the Bank's BCM Policy that is based on international regulations and best practice guidelines.

The BCM approach must be imbedded in the organisational culture of the Bank and be implemented and maintained by BCM programme management, appropriate to the nature, size and complexity of the Bank's businesses.

Information about the organisation's critical services as well as the activities and resources that are required to deliver these services are subjected to business analysis and risk analysis in order to understand the organisation.

#### 6.6.2.2 Information security

As a financial services organisation, information is key for the Bank. Financial services require a high level of information and reliable information is crucial for the survive of the organisation. Consequently, it has to be protected constantly and adequately against a series of threats. The Bank reaches this target by ensuring confidentiality, integrity and availability of the information through a structured approach for information security.

The Bank's policy for information security defines the organisational framework, the responsibilities of the management and the employees as well as the mandatory security rules applicable to the entire Bank and third parties with which the organisation exchanges informations. Besides, the Bank also makes use of concrete applications of various best international practice guidelines relating to information security such as, for example, the standards ISO/IEC 27001 and ISO/IEC 17799 – 2005.

The Information Security Policy has to be applied mandatorily or, otherwise, it is to be justified why it has not been applied, be it at the level of the business lines or the support functions. The responsibility to elaborate and to implement the information security is delegated to the Operational Risk Policy Committee ("OPC"). This implementation is based primarily on good practices already used within the Bank.

The Operational Risk Policy Committee has created a committee for the implementation of the information security and for the business continuity – Information Security and Business Continuity Steering Committee – composed of top representatives of the different business lines and support functions of the Bank in order to guide the strategic implementation of this policy. The Bank reaches this target by the implementation of key projects relating to the information security (such as for example the management of access through identification, the operational continuity and awareness of the importance of security).



#### 6.6.2.3 Risk transfer through insurance

The Bank recognises insurance as a valid tool to mitigate the effects of operational risk. The subscription to insurance policies is managed centrally by the Risk Management function by ensuring that the Bank is covered against certain specific event risks such as financial losses due to fraud, computer crime, professional and personal liability.

In line with industry practices, the Bank has subscribed for the following insurance policies from third-party insurers:

- A Combined Bankers Blanket Bond, Computer Crime and Professional Liability Insurance;
- A professional liability insurance for executive management.

In addition to this external insurance cover, the Bank uses a reinsurance captive to finance the operational risk.

#### 6.6.2.4 Management control statements

While operational risk management focuses mainly on operational event risks, *control by the management* is mostly concerned with business risk (including strategic and reputation issues), even if both method of risk assessment, control assessment and remediation of weaknesses are similar. Moreover, operational risk management and management control are interrelated. Results of the operational (event) risk self-assessments are integrated in the risk assessment process. This process is part of the annual control statement of the management, a procedure coordinated by the central function Risk Management. Management teams sign their *management control statements* and formulate, if necessary, an action plan to improve steering and control. The central function Risk Management coordinates reporting on the follow-up of those action plans.

#### 6.7 Additional table on risk management

The table below provides additional information on liquidity sensitivity gaps based on data collected within the IFRS accounting framework and facilitating reconciliation with the reported accounting figures.

This table shows the Bank's assets and liabilities classified into relevant maturity groupings based on the remaining period to the contractual maturity date. Demand deposits, savings accounts and other assets and liabilities without stated maturity are reported in the column "no maturity" and are considered by the Bank as a relatively stable core source of funding for its operations.

At 31 December 2009	No maturity	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents		970.8	376.8	-	-	- ,	1,347.6
Held for trading financial assets	92.4	29.6	2.2	21.8	148.4	72.0	366.4
Hedging derivatives	-			-	0.5	-	0.5
Loans and receivables to credit institutions	439.2	1,379.8	221.1	457.7	1,021.6	252.6	3,772.0
Loans and receivables to customers	-	2,717.2	840.2	3,688.3	6,479.0	8,089.5	21,814.1
Financial assets	287.2	184.3	216.1	773.3	3,482.2	2,603.2	7,546.3
Investments in associates accounted for under the equity method	-	-	-	-	-	63.0	63.0
Investment property	347.2	14.7	-35.9	136.0	131.9	41.7	635.6
Tangible assets	66.7	-1.2	0.1	0.6	22.8	228.0	317.0
Goodwill and other intangible assets	0.3	-	-	146.0	0.7	1.8	148.8
Current and deferred tax assets	13.7	15.1	-	24.0	34.7	8.9	96.4
Other assets	453.1	81.5	16.7	65.8	71.4	5.3	693.8
Prepayments and accrued income	136.8	30.2	15.5	35.8	115.3	61.5	395.1
Non-current assets held for sale and discontinued operations	27.3	1,641.6	3,289.3	722.4	196.4	164.9	6,041.9
Total assets	1,863.9	7,063.6	4,942.1	6,071.6	11,704.9	11,592.4	43,238.5
Held for trading financial liabilities	332.5	6.2	15.7	20.3	135.2	10.6	520.5
Hedging derivatives	13.1	4.0	0.3	12.5	10.3	6.8	47.0
Deposits from credit institutions	-	2,768.8	518.8	1,186.7	3,058.3	1,746.3	9,278.9
Deposits from customers	10,048.8	1,397.3	715.2	1,193.8	273.2	34.9	13,663.2
Debt certificates	2,335 .9	73.0	1,023.4	1,568.1	1,131.3	218.7	6,350.4
Subordinated liabilities	0.1	-	-	105.2	86.7	412.8	604.8
Current and deferred tax liabilities	150.8	0.2	-	55.8	7.0	7.4	221.2
Provisions	-	-	80.4	-	-	-	80.4
Other liabilities	454.6	2.8	79.9	62.1	7.6	18.9	625.9
Accruals and deferred income	50.8	32.6	8.1	39.3	58.1	21.9	210.8
Liabilities linked to non-current assets held for sale and discontinued operations	17.6	1,340.9	436.6	309.1	170.0	3,190.5	5,464.7
Total liabilities	13,404.2	5,625.8	2,878.4	4,552.9	4,937.7	5,668.8	37,067.8
Net liquidity sensitivity gap	-11,540.3	1,437.8	2,063.7	1,518.7	6,767.2	5,923.6	6,170.7
At 31 December 2008							
Total assets	12,560.0	5,793.8	2,442.1	6,034.1	14,432.1	11,267.8	52,529.9
Total liabilities	20,574.8	9,559.3	3,054.9	3,862.7	7,421.5	2,247.9	46,721.1
Net liquidity sensitivity gap	-8,014.8	-3,765.5	-612.8	2,171.4	7,010.6	9,019.9	5,808.8



# 7 - SUPERVISION AND SOLVENCY

As a credit institution, the Bank is subject to the prudential supervision of the "*Commission de Surveillance du Secteur Financier*" (CSSF), both at the Bank's individual and consolidated level. Since 1 January 2008, the Bank applies the Basel II framework.

### 7.1 SUPERVISION

The prudential supervision includes the half year control that the Bank ensures the availability of own funds at least equal to the sum of the solvency requirements. The Bank met all requirements in 2009 and 2008.

#### 7.2 SOLVENCY

The prudential solvency regulations require the credit institutions to maintain a minimum level of qualifying capital relative to the on- and off-balance sheet credit commitments and the Bank's trading positions. The position and credit commitments are weighted according to the level of risk involved. The total solvency ratio must be maintained at a minimum of 8% of risk-weighted commitments.

Minimun	n 2009	2008
Regulatory own funds	5,735.3	5,826.2
Credit risk	19,001.2	19,949.2
Market risk (*)	420.2	3.7
Operational risk	1,660.9	1,776.6
Risk weighted commitments following Basel II	21,082.3	21,729.5
"Tier 1" solvency ratio (Basel II)	25.7%	25.4%
Total solvency ratio (Base II) 8.09	<b>27.2</b> %	26.8%
Risk weighted commitments weighted following Basel I after transitory measures (Minimum floor Basel I (90% in 2008; 80% in 2009))	21,012.2	26,272.6
"Tier 1" solvency ratio (Minimum floor Basel I)	25.8%	21.0%
Total solvency ratio 8.09 (Minimum floor Basel I)	27.3%	22.2%

(\*) Risk linked to a foreign exchange position which is hedged since 2 January 2010.

### 7.3 REGULATORY OWN FUNDS

The composition of own funds is as follows:

	2009	2008
Share capital	713.1	698.6
Share premium reserve and reserves	5,375.5	5,203.5
Net profit attributable to shareholders after appropriation of profit	-354.6	82.6
Minority interest	-11.0	8.4
Goodwill and other intangible assets	-150.5	-221.7
Revaluation of equity securities, net of tax	-0.6	-20.6
Other	-26.2	-22.0
Original own funds (Tier 1)	5,545.7	5,728.8
Excess of provision compared to the expected loss	65.0	
Subordinated liabilities	443.1	572.8
Additional own funds (Tier 2)	508.1	572.8
Additional own funds before deduction	6,053.8	6,301.6
Elements to deduct from own funds	318.5	475.4
Total regulatory own funds	5,735.3	5,826.2



Reconciliation of total equity and regulatory own funds

	2009	2008
Total equity	6,170.7	5,808.8
Elements of regulatory own funds		
Goodwill and other intangible assets	-150.5	-221.7
Subordinated liabilities	443.1	572.8
Elements to deduct from own funds	-318.5	-475.4
Revaluation of investment property (*)	-65.9	-68.4
Excess of provisions compared to the expected loss	65.0	-
Other adjustments		
Neutralisation of revaluation of available for sale debt securities, net of tax	56.1	309.7
Prudential provisions (**)	-267.4	-267.4
Gap in the result between IFRS reporting and prudential reporting	180.0	189.8
Neutralisation of the gap linked to the credit quality of the Bank	-20.9	-
Dividend	-330.2	-
Other	-26.2	-22.0
Total regulatory own funds	5,735.3	5,826.2

(\*) Revaluation at the first time adoption of IFRS (\*\*) Prudential provisions: AGDL provision

The Bank decided to apply the advanced approaches as much as possible. The credit risk is thus calculated using the approach based on internal ratings in respect of 85% of the relevant exposures. The remnant is calculated applying the standard approach and concerns mainly non material entities or other entities of limited impact (Fortis Banque (Suisse), *Société Alsacienne de Développement*  *et d'Expansion*, certain leasing entities, etc...). The operational risk uses the AMA (Advanced Measurement Approach) for 88% of the revenues, the remnant uses the BIA (Basic Indicator Approach). In case of the market risk being marginal, the Bank applies the standard Basel I methodology.

# 8 - POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable after the completion of employment. Other long-term employee benefits are employee benefits which do not fall due fully within twelve months of the period in which the employees rendered the related service, including jubilee premiums and long-term disability benefits.

#### **8.1 POST-EMPLOYMENT BENEFITS**

#### 8.1.1 Defined benefit pension plans

The Bank operates several defined benefit pension plans covering the majority of its employees. Many of these plans are closed to new employees. Some plans are funded partly by means of employee contributions. Under these plans, benefits are calculated based on years of service and level of salary. Pension obligations are determined on the basis of mortality, employee turnover, wage drift and economic assumptions such as inflation and discount rate. Discount rates by country or region are set on the basis of the yield (at closing date) of debt securities of similar duration, issued by blue-chip companies or by the government in the absence of a representative corporate market.



The following table provides details of the amounts shown in the balance sheet regarding pension plans. Assets are indicated by a positive sign and liabilities by a negative sign:

	2009	2008
Present value of funded obligations	-108.7	-74.0
Present value of unfunded obligations	-0.7	-6.9
Defined benefit obligation	-109.4	-80.9
Fair value of plan assets	73.9	69.7
Fair value of reimbursement rights	5.0	-
Sub-total	-30.5	-11.2
Unrecognised actuarial losses (gains)	29.5	11.0
Unrecognised past service cost	0.3	0.5
Net defined benefit assets (liabilities)	-0.7	0.2
Amounts in the balance sheet:		
Defined benefit liabilities	-7.2	-6.4
Defined benefit assets	6.5	6.6
Net defined benefit assets (liabilities)	-0.7	0.2

Defined benefit liabilities are recorded in "Other liabilities" (see note 35) and defined benefit assets are recognised in "Other assets" (see note 26).

The following table reflects the changes in the net pension asset (liability) as recognised in the balance sheet:

	2009	2008
Net defined benefit asset (liability) at 1 January	0.2	-5.8
Total defined benefit expense	-4.7	-2.3
Contributions received	4.0	8.2
Benefits paid directly by the employer	0.1	0.3
Transfer	-0.3	-0.1
Other	-	-0.1
Net defined benefit asset (liability) at 31 December	-0.7	0.2



The table below shows the changes in the defined benefit obligation recorded in the balance sheet:

	2009	2008
Defined benefit obligation at 1 January	-80.9	-78.2
Current service cost	-2.8	-2.7
Participants' contributions	-0.1	-0.2
Interest cost	-4.3	-4.2
Actuarial gains (losses) on defined benefit obligation	-24.4	0.8
Benefits paid during the year	3.8	4.4
Benefits paid directly by the employer	0.1	0.3
Past service costs	-0.3	-2.3
Transfers	-0.1	0.4
Foreign exchange differences	-0.4	1.8
Other	-	-1.0
Defined benefit obligations at 31 December	-109.4	-80.9

The following table shows the changes in the fair value of plan assets:

	2009	2008
Fair value of plan assets at 1 January	69.7	73.8
Expected return on plan assets	2.9	4.2
Actuarial gains (losses) on plan assets	5.5	-14.9
Employers' contributions	3.3	7.9
Participants' contributions	-	0.1
Benefits paid during the year	-3.5	-3.9
Transfers	-4.4	4.3
Assets distributed on settlement	-	-
Foreign exchange differences	0.4	-1.8
Fair value of plan assets at 31 December	73.9	69.7

Actuarial gains (losses) are mainly the difference between the actual and the expected return.



The following table shows the changes in fair value of reimbursement rights:

	2009	2008
Fair value of reimbursement rights at 1 January	-	4.4
Expected return on reimbursement rights	0.2	0.2
Actuarial gains (losses) on reimbursement rights	-0.1	-0.1
Employers' contributions	0.7	0.3
Participants' contributions	0.1	0.1
Benefits paid during the year	-0.3	-0.6
Transfers	4.4	-4.3
Fair value of reimbursement rights at 31 December	5.0	-

The following table shows the actual return on plan assets:

	2009	2008
Actual return on plan assets	+12.1%	-20.7%

The following table shows the changes in the total of unrecognised actuarial gain (losses) on liabilities and assets:

	2009	2008
Unrecognised actuarial gains (losses) at 1 January	-10.8	5.8
Actuarial gains (losses) on defined benefit obligation	-24.4	0.8
Actuarial gains (losses) on plan assets	5.5	-14.9
Actuarial gains (losses) on reimbursement rights	-0.1	-0.1
Amortisation of unrecognised actuarial gains (losses)	0.3	-2.6
Transfers	-	0.2
Unrecognised actuarial gains (losses) at 31 December	-29.5	-10.8



The table below shows changes in the cost of past services not recognized under assets and liabilities.

	2009	2008
Unrecognised past service cost at 1 January	-0.5	-
Amortisation of unrecognised past service cost	-	0.1
Transfers	0.2	-0.7
Other	-	0.1
Unrecognised past service cost at 31 December	-0.3	-0.5

Experience adjustments are actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the year and actual experience during the year.

The following table shows experience adjustments to plan assets and plan liabilities:

	2009	2008
Experience adjustments on plan assets	0.2	-2.8
As % of plan assets at 1 January	0.3%	-4.0%
Experience adjustments on defined benefit obligation	-2.4	-3.7
As % of defined benefit obligation at 1 January	2.2%	4.6%

The following table shows the components of expenses related to the defined benefit pension plans:

	2009	2008
Current service cost	-2.8	-2.7
Interest cost	-4.3	-4.2
Expected return on plan assets	2.9	4.2
Expected return on reimbursement rights	0.2	0.2
Past service cost	-0.3	-2.3
Amortisation of past service cost	-	-0.1
Amortisation of unrecognised actuarial gains (losses)	-0.1	2.6
Amortisation of unrecognised actuarial gains (losses) on defined benefit obligations	-0.2	-
Total defined benefit expense	-4.7	-2.3



The current service cost, past service cost, amortisation of unrecognised gains (losses) from the defined benefit obligation and gains (losses) on curtailments and settlements impacting liabilities are included in Staff expenses (see note 46). All other defined benefit expense items are included in Interest expenses.

Total defined benefit expense contains all interest costs related to the defined benefit pension plans.

The following table shows the assumptions used for the euro zone countries:

	2009		2008	
	Low	High	Low	High
Discount rate	3.6%	4.4%	5.2%	5.2%
Expected return on plan assets at 31 December	4.0%	4.9%	4.5%	6.0%
Expected return on reimbursement rights at 31 December	4.5%	4.5%	-	-
Future salary increases (price inflation included)	2.8%	4.1%	3.5%	4.1%
Future pension increases (price inflation included)	2.1%	2.2%	2.2%	2.2%

The following table shows the assumptions used for other countries:

	2009		2008	
	Low	High	Low	High
Discount rate	4.6%	4.6%	6.3%	6.3%
Expected return on plan assets at 31 December	6.4%	6.4%	6.1%	6.1%
Future salary increases (price inflation included)	5.1%	5.1%	4.9%	<b>4.9</b> %
Future pension increases (price inflation included)	2.5%	2.5%	3.4%	3.4%

The euro zone represents 92.5% of the Banks' total benefit obligations. Other countries include primarily obligations in the United Kingdom.

Fortis uses the government bonds as reference for the expected return on bonds and adds a risk premium to that return for corporate bonds, equity securities and real estate.



The plan assets comprise predominantly fixed-income securities and investment contracts with insurance companies. Fortis group's internal investment policy stipulates that investment in derivatives and emerging markets for the purpose of funding pension plans is to be avoided. The asset mix of the plan assets is as follows:

Type of assets	2009	2008
Equity securities	24%	22%
Debt securities	67%	63%
Insurance contracts	-	6%
Real estate	4%	5%
Convertible debt securities	4%	-
Cash	1%	4%

Pension plan assets are invested in international markets for equity and debt securities.

To administer pension plan assets, Fortis applies general guidelines about tactical asset allocation based on criteria such as geographical distribution and rating. Asset Liability Management studies are carried out periodically in order to keep the investment strategy in balance with the structure of the pension benefit obligation. According to these guidelines and the results of the studies, the asset allocation is decided for each scheme at company level.

The employer's contributions expected to be paid during the next year is estimated at EUR 2.6 million.

#### 8.1.2 Defined contribution pension plans

The Group BGL BNP Paribas operates a number of defined contribution plans worldwide. The employer's commitment in a defined contribution plan is limited to the payment of contributions calculated in accordance with the plan regulations. Employer contributions for defined contribution plans amounted to EUR 3.5 million in 2009 (2008: EUR 11.5 million) and are included in Staff expenses (Note 46).



### 8.2 OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits include jubilee premiums and long-term disability benefit.

The table below shows liabilities related to other long-term employee benefits included in the balance sheet under "Other liabilities" (Note 36):

	2009	2008
Present value of the obligation	-10.2	-9.8
Fair value of plan assets	-	2.8
Net recognized obligations	-10.2	-7.0

The table below provides the range of actuarial assumptions applied in calculating the liabilities for other long-term employee benefits:

	2009		2008	
Actuarial assumptions	Low	High	Low	High
Discount rate	3.4%	4.3%	5.2%	5.3%
Expected future salary increases	3.0%	4.3%	3.5%	4.1%

# 9 - REMUNERATION PLANS IN SHARES AND OPTIONS

The Bank uses shares or share related instruments as part of the remuneration package for its employees within the Group and its directors and, in particular, by granting employee share options.

These remuneration plans are recorded at the level of the entity issuing the securities and are therefore not recognised in the Bank's consolidated financial statements. The Bank refunds the issuing entity of the securities for the costs relating to the issue of these securities.

#### Employee share options

Until 31 december 2008, Fortis SA/NV decided each year whether or not to grant options to its employees. In recent years Fortis offered options on Fortis shares to senior managers in order to strengthen their commitment to Fortis

and to align their interests. The features of the option plans may vary from country to country depending on local tax regulations.

There is a difference between conditional and unconditional options. Unconditional options are granted to employees who work in countries where options are subject to taxation directly upon being granted. Conditional options are granted to employees in countries where the options are taxed upon exercise. Conditional options become vested if the employee is still employed after a period of five years. In general, options may not be exercised until five years after they are granted, regardless of whether they are conditional or unconditional.

During the year 2009, no options were granted to staff.

As at 31 December 2009 and at 31 December 2008, the following option plans, including options granted to directors and key management, were outstanding:

	2009	2008
Outstanding options	1,618,168	1,879,307
Weighted average exercise price (in EUR)	20.37	21.46



The highest exercise price of these options amounts to EUR 29.05. The lowest exercise price of these options amounts to EUR 12.17.

	2009		20	08
	Outstanding options	Weighted average exercise price (in EUR)	Outstanding options	Weighted average exercise price (in EUR)
Outstanding options at the beginning of the year	1,879,307	21.46	1,614,805	22.18
Options granted	-	-	298,100	16.02
Exercised options	-	-	-	-
Expired options	-163,737	22.12	-33,598	-
Options for discontinued activities	-97,402	23.51	-	-
Outstanding options at the end of the year	1,618,168	20.37	1,879,307	21.46
On Fortis shares to issue	1,618,168	-	1,879,307	-
Conditional options	1,528,234	-	1,746,018	-
Unconditional options	89,934	-	133,289	-
Exercisable options in the money	-	-	-	-
Exercisable options out of the money	288,472	15.18	454,957	21.17

# **10 - REMUNERATION OF BOARD OF DIRECTORS AND KEY MANAGEMENT**

In 2009, the remuneration, including pension costs, of the Bank's key management amounts to EUR 4.3 million (2008: EUR 4.7 million). The Board of Directors and the Management board had agreed not to pay a variable remuneration for the year 2008 to the members of the Management board.

The remuneration paid in 2009 for the year 2008 to the members of the Bank's Board of Directors amounts to EUR 0.1 million (2008: EUR 1.9 million). The Board of Directors has proposed to the General Meeting of Shareholders on 1 April 2010 to grant director's fees for the year for an amount of EUR 1.5 million.

The Bank's key management has not received options in 2009 as regard to its responsibilities in the Bank and its subsidiaries (16,000 Fortis options in 2008).



# 11 - AUDIT FEES

Fees paid to the Bank's auditors for 2009 and 2008 may be broken down as follows:

- Audit fees: fees billed for the audit of the consolidated accounts and the statutory annual accounts of the entities, quarterly reviews and other reports
- Audit-related fees: fees billed for assurance and related services, such as other attestation engagements,

agreed-upon procedures engagements and comfort and censert letters in connection with regulatory filings and financing transactions, and which are not reported under "Audit fees";

• Tax consultancy services.

The statutory auditors of the Bank are Pricewaterhouse-Coopers S.à r.l. since 28 August 2009.

The fees relating to services invoiced to the Bank during the year by KPMG Audit S.à r.l. Luxembourg or member firms of KPMG are shown in the table below:

	2009	2008
Audit fees	1.6	1.3
Audit-related fees	0.1	0.1
Tax consultancy fees	0.2	-
Total audit fees	1.9	1.4

The fees relating to services invoiced to the Bank during the year by PricewaterhouseCoopers S.à r.l. or member firms of PricewaterhouseCoopers S.à r.l. are shown in the table below:

	2009	2008
Audit fees	1.7	1.2
Audit-related fees	0.2	0.2
Tax consultancy fees	0.0	0.1
Total audit fees	1.9	1.5

Fees paid to other auditors amount to EUR 0.8 million (2008: EUR 0.3 million).

# 12 - RELATED PARTIES

Related parties to the Bank include affiliated companies, pension funds, members of the Bank's Board of Directors and key management, close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities.

The Bank, as part of its business operations, frequently enters into transactions with related parties. Such transactions mainly relate to loans and deposits and are entered into on the basis of the same commercial and market terms that apply to non-related parties. The table below provides an overview of the transactions entered into with these parties.

The remuneration and the number of Fortis options to the members of the Bank's Board of directors and key management are described in note 10.

As at 31 December 2009, credits granted to members of the Board of directors amount to EUR 2.0 million (at 31 December 2008: EUR 3.0 million) and the credits granted to key management amount to EUR 8.2 million (at 31 December 2008: EUR 6.7 million).

The table below provides an overview of the transactions entered into with the following related parties for the year ended 31 December:

- associates;
- other related parties such as BNP Paribas group companies, which are not owned by the Bank.

	2009	2008
Income statement - related parties		
Interest and similar income	282.5	1,083.9
Interest expense and similar charges	-489.7	-1,180.9
Dividends and other investment income	3.1	0.9
Fee and commission income	103.2	103.2
Fee and commission expense	-21.0	-23.8
Other realised and unrealised gains (losses)	44.8	-11.1
Other income	13.0	23.7
Other administrative expenses	-22.1	-24.9



Balance sheet - related parties	2009	2008
Assets		
Cash and cash equivalents	1,364.9	7,873.9
Held for trading financial assets	108.7	363.6
Hedging derivatives	0.5	1.6
Loans and receivables to credit institutions	2,786.2	2,896.2
Loans and receivables to customers	27.6	573.4
Other assets	23.0	18.2
Prepayments and accrued income	100.8	161.0
Non-current assets held for sale and discontinued operations	2,928.6	-
Liabilities		
Held for trading financial liabilities	276.2	434.2
Hedging derivatives	45.9	94.0
Deposits from credit institutions	9,241.5	13,793.2
Deposits from customers	279.6	142.2
Debt certificates	347.2	196.2
Other liabilities	47.7	16.3
Accruals and deferred income	88.2	122.5

With respect to related parties, the Bank granted the following guarantees and irrevocable and conditional commitments:

- EUR 35.3 million with respect to guarantees given to related parties (2008: EUR 11.3 million);
- EUR 1,350.6 million with respect to guarantees received from related parties (2008: EUR 1,251.7 million).

# **13 - INFORMATION ON SEGMENTS**

The Bank is an international financial service provider. It offers products and services, and operates in geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and growth.

The Bank is organised into three businesses which are further subdivided in business segments, which are themselves divided in segments:

- Retail Banking;
- Private Banking;
- Asset Management;
- Merchant Banking.

The Bank's segment reporting reflects the full economic contribution of the segments within the Bank. The aim is direct allocation to the segments of all balance sheet and income statement items for which the segments have full management responsibility.

Segment information is prepared based on the same accounting principles as those used in preparing and presenting the Bank's consolidated financial statements (note 2) and by applying appropriate allocation rules.

Transactions between the different segments are executed under standard commercial terms and conditions.

#### **RETAIL BANKING**

Retail Banking Network offers financial services to retail customers including individuals, self-employed people, members of the independent professions and small businesses. Retail Banking has implemented a clearly segmented approach towards customers, in order to optimise its offer of services and advice on every aspect of daily banking, saving, investment, credit and insurance. This approach is based on a robust segmentation via multiple distribution channels, by clearly targeting to increase its capacities of deposit collection and the development of bankinsurance. This segment also comprises the results of Postbank Ireland Ltd and Internaxx Bank SA.

#### **PRIVATE BANKING**

Private Banking offers integrated international asset and liability management solutions to high net worth individuals, their businesses and their advisers. In order to best serve these high potential customers, the offer comprises a comprehensive portfolio of tailored banking services including the management of structures, investments, trust and corporate services, financing, real estate management and insurance.

#### **ASSET MANAGEMENT**

In its Asset Management business, the Bank carries out asset management activities, mainly through Fortis Investments, acting as a multi-centre, multiproduct asset management firm. Based in Europe, Fortis Investments has a global presence with both sales offices and some key investment centres in Europe, the US and Asia. Activities range from institutional portfolio management to the development and management of mutual funds.

#### **MERCHANT BANKING**

Merchant Banking encompasses a wide range of banking products and skill-oriented financial services for large international companies and institutional clients, medium-sized enterprises and entrepreneurs. Merchant is organised in four main business segments.



#### **Corporate & Public Banking**

Corporate & Public Banking is responsible for the relationship mainly with multinational companies of the german speaking market. It also includes ECT ("Energy, Commodities & Transportation").

#### **Commercial & Investment Banking**

**Commercial Banking** aims to be the privileged partner for medium-sized enterprises, with a focus on international companies with needs for complex financing. Efforts are especially driven to companies looking for high added value banking services (such as leasing, trade finance, credit facilities, cash management, private equity...) through an integrated European network of Business Centres.

**Investment Banking** offers a comprehensive portfolio of financial services, including mainly structured finance services and private equity.

#### Markets

Markets comprise two competence centres offering high added value products:

Global Markets & Institutional Banking
Global Markets is active in the management of forex

positions, on monetary markets, on equity markets, in fixed income activities, credit spread and trading (cash as well as derivatives). Global Markets also offers specialised services in order to supply customers with the best asset protection solutions.

#### • Clearing, Funds & Custody

**BGL Securities Services** offers financial services in custody, clearing and fund administration that support the trading and investment activities of financial professionals.

This segment has been reclassified as non-current assets held for sale and discontinued operations as at 31 December 2009.

#### **Specialised Finance**

**Specialised Financial Services** is a segment active mainly in leasing, cash management and corporate services.

#### **OTHER AND ELIMINATIONS**

This segment includes the balance sheet items of ALM (optimised long term management of the Bank's assets and liabilities). It also includes the balance sheet items as well as revenues and costs for support functions, operations and overhead.

#### **ALLOCATION RULES**

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

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

Under the business model, segments do not act as their own treasurer in bearing the interest rate risk and the foreign exchange risk by funding their own assets with their own liabilities, or by having direct access to the financial markets. The interest and currency risks are removed by transferring them from the segments to the central bankers. This is reflected in the fund transfer pricing system. A key role in this system is attributed to Asset and Liability Management (ALM). The results of ALM are allocated to the segments based on the economic capital used and the interest margin generated within the segment.

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



### 13.1 CONSOLIDATED BALANCE SHEET BY SEGMENTS

31 December 2009	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Assets							
Cash and cash equivalents	-	-	1.4	1,350.2	56.0	-60.0	1,347.6
Held for trading financial assets	-	-	10.8	356.0	0.3	-0.7	366.4
Hedging derivatives	-	-	-	0.5	-	-	0.5
Loans and receivables to credit institutions	-	-	-	5,037.4	-	-1,265.4	3,772.0
Loans and receivables to customers	5,038.2	-	648.1	20,184.2	665.3	-4,721.7	21,814.1
Available for sale financial assets	-	-	11.1	2,657.2	3,166.5	-	5,834.8
Held to maturity financial assets	-	-	-	-	1,701.4	-	1,701.4
Financial assets designated at fair value through profit or loss	-	-	-	10.1	-	-	10.1
Investments in associates accounted for under the equity method	6.0	-	-	4.6	-191.9	244.3	63.0
Investment property	-	-	-	618.8	16.8	-	635.6
Tangible assets	-	-	-	60.7	256.3	-	317.0
Goodwill and other intangible assets	-	-	-	0.9	147.9	-	148.8
Current and deferred tax assets	-	-	-	96.4	-	-	96.4
Other assets	-	-	0.4	680.6	13.5	-0.7	693.8
Prepayments and accrued income	-	-	-	394.7	3.2	-2.8	395.1
Non-current assets held for sale and discontinued operations	-	243.7	2,647.5	3,150.7	-	-	6,041.9
Internal investments	3,371.2	-	2,274.4	-	810.7	-6,456.3	-
Total assets	8,415.4	243.7	5,593.7	34,603.0	6,646.0	-12,263.3	43,238.5

### (CONTINUATION)

31 December 2009	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Liabilities							
Held for trading financial liabilities	-	-	10.8	509.9	-	-0.2	520.5
Hedging derivatives	-	-	-	44.6	2.4	-	47.0
Deposits from credit institutions	50.2	-	60.7	11,471.5	-	-2,303.5	9,278.9
Deposits from customers	7,921.0	-	3,160.8	2,590.8	-32.9	23.5	13,663.2
Debt certificates	429.3	-	31.5	5,737.3	152.3	-	6,350.4
Subordinated liabilities	-	-	-	605.5	-0.7	-	604.8
Current and deferred tax liabilities	-	-	-	30.9	190.3	-	221.2
Provisions	12.1	-	20.7	25.6	22.0	-	80.4
Other liabilities	1.9	-	-31.2	4,309.2	141.1	-3,795.1	625.9
Accruals and deferred income	0.9	-	-	209.4	0.8	-0.3	210.8
Liabilities linked to non-current assets held for sale and discontinued operations	-	-	2,340.4	3,124.3	-	-	5,464.7
Internal financing	-	243.7	-	5,944.0	-	-6,187.7	-
Total liabilities	8,415.4	243.7	5,593.7	34,603.0	475.3	-12,263.3	37,067.8
Equity attributable to the equity holders of the parent	-	-	-	-	6,181.7	-	6,181.7
Minority interest	-	-	-	-	-11.0	-	-11.0
Total equity	-	-	-	-	6,170.7	-	6,170.7
Total liabilities and equity	8,415.4	243.7	5,593.7	34,603.0	6,646.0	-12,263.3	43,238.5



31 December 2008	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Assets							
Cash and cash equivalents	207.5	-	529.0	7,877.4	-	-195.3	8,418.6
Held for trading financial assets	-	-	96.5	600.9	12.4	-0.5	709.3
Hedging derivatives	-	-	0.9	3.7	-	-	4.6
Loans and receivables to credit institutions	4.6	-	10.3	4,842.3	-0.2	-443.4	4,413.6
Loans and receivables to customers	4,887.5	-	2,328.2	19,929.5	-	-1,492.4	25,652.8
Available for sale financial assets	-	-	2.9	4,794.7	3,364.1	-	8,161.7
Held to maturity financial assets	-	-	-	-	1,788.8	-	1,788.8
Financial assets designated at fair value through profit or loss	-	-	-	14.8	-	-	14.8
Investments in associates accounted for under the equity method	34.7	282.0	-	83.5	-108.5	161.2	452.9
Investment property	-	-	-	600.3	16.7	-	617.0
Tangible assets	0.3	-	23.6	57.4	269.0	-	350.3
Goodwill and other intangible assets	0.2	-	0.1	40.5	180.9	-	221.7
Current and deferred tax assets	-	-	0.1	80.1	49.9	-	130.1
Other assets	0.3	-	13.4	1,008.1	9.0	-36.7	994.1
Prepayments and accrued income	0.1	-	9.7	606.4	3.1	-19.7	599.6
Internal investments	3,260.2	-	2,640.7	-	663.1	-6,564.0	-
Total assets	8,395.4	282.0	5,655.4	40,539.6	6,248.3	-8,590.8	52,529.9

### (CONTINUATION)

31 December 2008	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Liabilities							
Held for trading financial liabilities	-	-	95.1	1,048.4	57.4	-	1,200.9
Hedging derivatives	-	-	1.1	53.8	-	-	54.9
Deposits from credit institutions	60.4	-	1,428.3	19,276.6	-	-1,871.5	18,893.8
Deposits from customers	8,125.4	-	4,049.0	6,876.5	-32.9	31.7	19,049.7
Debt certificates	200.1	-	8.9	4,925.9	-	-	5,134.9
Subordinated liabilities	-	-	-	653.8	148.8	-	802.6
Current and deferred tax liabilities	-	-	13.1	71.0	70.8	-	154.9
Provisions	4.3	-	79.0	6.9	46.2	-	136.4
Other liabilities	4.3	-	-47.2	1,155.3	148.9	-370.1	891.2
Accruals and deferred income	0.9	-	28.1	374.0	0.3	-1.5	401.8
Internal financing	-	282.0	-	6,097.4	-	-6,379.4	-
Total liabilities	8,395.4	282.0	5,655.4	40,539.6	439.5	-8,590.8	46,721.1
Equity attributable to the equity holders of the parent	-	-	-	-	5,800.4	-	5,800.4
Minority interest		_	_		84		8.4

Minority interest	-	-	-	-	8.4	-	8.4
Total equity	-	-	-	-	5,808.8	-	5,808.8
Total liabilities and equity	8,395.4	282.0	5,655.4	40,539.6	6,248.3	-8,590.8	52,529.9



### **13.2 CONSOLIDATED INCOME STATEMENT BY SEGMENTS**

2009	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Interest and similar income	353.8	-	79.8	1,686.5	420.0	-860.3	1,679.8
Interest expense and similar charges	-211.9	-	-44.9	-1,355.0	-180.5	860.3	-932.0
Dividends and other investment income	1.1	-	0.2	54.0	15.9	-0.3	70.9
Share of the profit or loss of associates accounted for under the equity method	-8.3	-	-	2.8	8.0	-	2.5
Fee and commission income	75.5	-	82.2	171.8	5.4	-5.7	329.2
Fee and commission expense	-5.7	-	-16.0	-66.3	-5.6	5.7	-87.9
Net realised capital gains on investments	-	-	-	-5.4	27.4	-	22.0
Other net realised and unrealised gains (losses)	2.5	-	0.9	79.2	2.7	-	85.3
Other income	14.2	-	5.5	14.1	12.1	-	45.9
Net operating income before change in impairments	221.2	-	107.7	581.7	305.4	-0.3	1,215.7
Change in impairments	-57.5	-	-9.9	-476.6	-40.3	-	-584.3
Total net operating income	163.7	-	97.8	105.1	265.1	-0.3	631.4
Staff expenses	-47.8	-	-21.6	-100.7	-93.4	-2.4	-265.9
Other administrative expenses	-9.8	-	-5.5	-84.5	-91.1	-0.9	-191.8
Amortisation of tangible and intangible assets	-	-	0.2	-34.1	-24.3	-0.2	-58.4
Allocation expense	-104.8	-	-41.7	-51.5	194.2	3.8	-
Total operating expenses	-162.4	-	-68.6	-270.8	-14.6	0.3	-516.1
Profit before tax	1.3	-	29.2	-165.7	250.5	-	115.3
Tax expense	-9.8	-	-5.3	-24.6	-34.0	-	-73.7
Net profit for the year – continued operations	-8.5	-	23.9	-190.3	216.5	-	41.6
#### (CONTINUATION)

2009	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Net profit of discontinued operations	-	-38.5	-7.9	-13.2	7.0	-	-52.6
Net profit for the year	-8.5	-38.5	16.0	-203.5	223.5	-	-11.0
Net profit attributable:							
To minority interests	-	-	-	-	-17.2	-	-17.2
Of which: Net profit of continued operations	-	-	-	-	-17.2	-	-17.2
To equity holders of the parent	-8.5	-38.5	16.0	-203.5	240.7	-	6.2
Of which: Net profit of continued operations	-8.5	-	23.9	-190.3	233.7	-	58.8
Of which: Net profit of discontinued operations	-	-38.5	-7.9	-13.2	7.0	-	-52.6
External net operating income	13.9	-86.1	85.7	625.3	175.0	-	813.8
Internal net operating income	149.8	86.1	12.1	-520.2	90.1	-0.3	-182.4
Total net operating income	163.7	-	97.8	105.1	265.1	-0.3	631.4



2008	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Interest and similar income	706.8	-	195.0	2,924.0	361.1	-764.0	3,422.9
Interest expense and similar charges	-526.6	-	-163.1	-2,542.2	-303.8	764.0	-2,771.7
Dividends and other investment income	1.2	-	0.3	54.6	16.9	-0.3	72.7
Share of the profit or loss of associates accounted for under the equity method	-10.6	-	-	1.9	20.4	-	11.7
Fee and commission income	104.7	-	99.5	193.1	9.2	-7.6	398.9
Fee and commission expense	-6.5	-	-18.1	-90.7	-8.9	7.6	-116.6
Net realised capital gains on investments	-	-	0.2	23.2	39.8	-	63.2
Other net realised and unrealised gains (losses)	5.5	-	2.0	-51.2	-59.6	-	-103.3
Other income	-7.7	-	-3.4	2.3	45.1	-0.2	36.1
Net operating income before change in impairments	266.8	-	112.4	515.0	120.2	-0.5	1,013.9
Change in impairments	-27.9	-	-3.3	-371.5	-76.0	-	-478.7
Total net operating income	238.9	-	109.1	143.5	44.2	-0.5	535.2
Staff expenses	-47.8	-	-17.4	-105.9	-92.6	-	-263.7
Other administrative expenses	-12.4	-	-86.3	-72.0	-158.3	0.5	-328.5
Amortisation of tangible and intangible assets	-0.5	-	-2.0	-32.8	-26.5	-	-61.8
Allocation expense	-144.8	-	-58.2	-43.9	246.9	-	-
Total operating expenses	-205.5	-	-163.9	-254.6	-30.5	0.5	-654.0
Profit before tax	33.4	-	-54.8	-111.1	13.7	-	-118.8
Tax expense	2.4	-	22.2	58.8	-2.0	-	81.4
Net profit of discontinued operations	-	-86.1	25.8	2.3	-13.7	-	-71.7
Net profit for the year	35.8	-86.1	-6.8	-50.0	-2.0	-	-109.1

#### (CONTINUATION)

2008	Retail Banking	Asset Manage- ment	Private Banking	Merchant Banking	Other	Eliminations	Total
Net profit attributable:							
To minority interests	-	-	-	-	1.9	-	1.9
Of which: Net profit of continued operations	-	-	-	-	1.9	-	1.9
To equity holders of the parent	35.8	-86.1	-6.8	-50.0	-2.0	-	-109.1
Of which: Net profit of continued operations	35.8	-	-32.6	-52.3	11.7	-	-37.4
Of which: Net profit of discontinued operations	-	-86.1	25.8	2.3	-13.7	-	-71.7
External net operating income	13.9	-	-21.1	391.5	137.0	-	521.3
Internal net operating income	225.0	-	130.2	-248.0	-92.8	-0.5	13.9
Total net operating income	238.9	-	109.1	143.5	44.2	-0.5	535.2



## NOTES TO THE CONSOLIDATED BALANCE SHEET



## 14 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, available balances with central banks and other financial instruments with a term of less than three months from the date on which they were acquired. At 31 December the composition of cash and cash equivalents was as follows:

	2009	2008
Cash on hand	30.7	40.6
Balances with central banks readily convertible in cash other than mandatory reserve deposits	30.1	43.7
Loans to credit institutions	1,285.5	8,332.1
Other	1.3	2.9
Total	1,347.6	8,419.3
Collective impairments	-	-0.7
Total	1,347.6	8,418.6

The reclassification of BGL Securities Services as "Non-current assets held for sale and discontinued operations" leads to a decrease of EUR 2.9 billion. At the other side, the net decrease of refinancing needs with the Luxembourg Central Bank and less favourable conditions for the repurchase activity of securities at term have limited the volume of the excess of cash replaced within the Group.



### 15 - HELD FOR TRADING FINANCIAL ASSETS AND LIABILITIES

#### HELD FOR TRADING FINANCIAL ASSETS

The following table provides a specification of held for trading financial assets and liabilities at 31 December:

2009	2008
50.5	-
82.1	136.8
132.6	136.8
233.8	550.1
-	22.4
233.8	572.5
366.4	709.3
	50.5 82.1 132.6 233.8 - 233.8

#### HELD FOR TRADING FINANCIAL LIABILITIES

The table below shows the composition of held for trading financial liabilities at 31 December:

	2009	2008
Short security sales	3.7	-
Derivatives	516.8	1,200.9
Total held for trading financial liabilities	520.5	1,200.9

Details of the derivatives are shown in note 38 "Derivatives". For details on the calculation of the fair values, see note 39 "Fair value of financial assets and financial liabilities".

#### **VALUATION TECHNIQUES**

The following table provides a specification of the methods used in determining the fair values of trading securities as at 31 December:

	2009	2008
Total trading securities (assets):		
Fair values of trading securities supported by observable market data	132.6	136.8
Total	132.6	136.8

For details on the calculation of fair values, see note 39 "Fair value of financial assets and financial liabilities".

Valuation techniques are described in note 19.



## **16** - HEDGING DERIVATIVES

Hedging derivatives at 31 December are recognised as follows:

	2009	2008
Assets		
Fair value hedge	0.5	4.6
Total hedging derivatives (in assets)	0.5	4.6
Liabilities		
Fair value hedge	47.0	54.9
Total hedging derivatives (in liabilities)	47.0	54.9

In assets, "Hedging derivatives" corresponds to the positive fair value of all derivatives qualifying as hedging instruments for fair value hedges.

In liabilities, "Hedging derivatives" corresponds to the negative fair value of all derivatives qualifying as hedging instruments for fair value hedges.

Hedging strategies are described in more detail in note 6, "Risk management" and the types of hedging derivatives are described in note 38.2, "Hedging derivatives".

### 17 - LOANS AND RECEIVABLES TO CREDIT INSTITUTIONS

Loans and receivables to credit institutions consist of the following items at 31 December:

	2009	2008
Interest-bearing deposits	25.9	207.3
Loans and advances	2,418.8	2,510.4
Mandatory reserve deposits with central banks	439.2	441.1
Loans held at fair value through profit or loss	772.4	939.8
Other	115.8	316.5
Sub-total	3,772.1	4,415.1
Less impairments:		
specific credit risk	-0.1	-0.1
collective impairments	-	-1.4
Loans and receivables to credit institutions	3,772.0	4,413.6

In accordance with monetary policy, the various banking entities are required to place amounts on deposit with the central banks in the countries where the Bank operates. The total balance held with central banks (including the amount reported under "Cash and cash equivalents") at 31 December 2009 amounts to EUR 469.4 million (2008: EUR 484.8 million). The average outstanding balance with central banks ("Cash and cash equivalents" plus "Loans and receivables to credit institutions") amounts to EUR 467.9 million (2008: EUR 679.3 million).

The Bank has designated some financial assets as "loans held at fair value through profit or loss", thus eliminating a mismatch to the debt certificates, designated at fair value. The fair values of these financial assets take into account the counterparty risk. The impact of this risk is obtained by difference between a valuation considering the parameter of credit risk of such a counterpart and a valuation based on the non risk swap curve.

In 2008, this impact was not included in the measurement of these assets recognised at fair value. It was indeed considered that the calculation would not have been sufficiently reliable in regard to the illiquidity of the markets at that time.

In 2009, following to the stabilisation of the market parameters, the credit risk has been integrated in the measurement and recognised as a charge for EUR -3.5 million.



#### IMPAIRMENTS ON LOANS TO CREDIT INSTITUTIONS

Changes in impairments on loans to credit institutions are as follows:

	2009		200	)8
	Specific credit risk	Collective impairment	Specific credit risk	Collective impairment
Balance at 1 January	0.1	1.4	0.1	0.2
Increase in impairments	-	-	-	1.2
Reversal of impairments	-	-1.4	-	-
Balance at 31 December	0.1	-	0.1	1.4

Collective impairments are described in more detail in note 6 "Risk management".

### 18 - LOANS AND RECEIVABLES TO CUSTOMERS

Loans and receivables to customers consist of the following at 31 December:

	2009	2008
Government and official institutions	437.1	510.6
Residential mortgage	2,610.3	3,428.3
Consumer loans	1,051.7	1,044.1
Commercial loans	6,778.3	8,180.6
Finance lease receivables	10,774.6	12,018.4
Other loans	736.4	698.0
Loans at fair value through profit or loss	-	32.4
Fair value adjustments from hedge accounting	-	0.4
Sub-total	22,388.4	25,912.8
Less impairments:		
specific credit risk	-373.8	-221.9
collective impairments	-200.5	-38.1
Total net loans and receivables to customers	21,814.1	25,652.8

The decrease of this item is linked on one side to the reclassification of part of the loans and receivables to customers, mainly linked to Fortis Banque (Suisse) SA, as non-current assets held for sale and discontinued operations for an amount of EUR 1,603.6 million. On the other side, the volume of international leasing activities has decreased for EUR 1,494.5 million in a few favourable economical context. Finally, the remaining decrease is explained by partial reimbursements of loans granted to big international companies.

At 31 December 2008, the Bank has designated financial assets as "loans at fair value through profit or loss" eliminating an accounting mismatch between the measurement of the interest rate swap and the credits previously recorded at amortised cost. At 31 December 2009, no financial asset was recognised as "loans at fair value through profit or loss".

As a result of the hedge, the economic impact of changes in the hedged item's net present value (NPV), due to changes in the appropriate benchmark interest rate curve, will be reduced by offsetting changes in the fair value of the hedging derivative.



#### FINANCE LEASE RECEIVABLES

Finance lease receivables consist of:

	Minin	num lease proceeds	Present value of the minimum leas proceeds receivable		
	2009	2008	2009	2008	
Gross investment in finance leases:					
Not later than 3 months	886.5	1,342.3	773.5	1,138.8	
From 3 months to 1 year	2,461.1	2,497.9	2,163.2	2,149.7	
From 1 year to 5 years	5,652.6	7,146.5	4,966.0	6,099.0	
Over 5 years	3,405.5	3,281.7	2,871.8	2,630.9	
Total	12,405.7	14,268.4	10,774.5	12,018.4	
Unearned finance income	1,631.2	2,250.0	-	-	
Net present value of the minimum lease proceeds receivables	10,774.5	12,018.4	-	-	

Proceeds from finance lease agreements recorded in the income statement in 2009 amount to EUR 547.4 million (2008: EUR 731.0 million).

#### IMPAIRMENTS ON LOANS TO CUSTOMERS

Changes in impairments on loans to customers are as follows:

	2009		2008		
	Specific credit risk	Collective impairment	Specific credit risk	Collective impairment	
Balance at 1 January	221.9	38.1	166.3	21.0	
Acquisitions/divestments of subsidiaries	-	-	-	-	
Increase in impairments	261.6	163.8	153.7	18.3	
Release of impairments	-53.8	-1.9	-44.2	-0.7	
Write-offs	-32.0	-	-52.3	-	
Foreign exchange differences and other adjustments	2.0	1.2	-1.6	-0.5	
Transfer to non-current assets held for sale and discontinued operations	-25.9	-0.7	-	-	
Balance at 31 December	373.8	200.5	221.9	38.1	

Collective impairments are described in more detail in note 6 "Risk management".

At year-end 2009, the fair value of real estate owned by the Bank as collateral for default mortgages was EUR 11.2 million (2008: EUR 39.9 million).

The impairment on financial lease receivables included in the amounts above is EUR 240.5 million at 31 December 2009 (2008: EUR 99.4 million).

#### **SECURITISATION**

The Bank securitised various commercial and consumer loans. These securitizations may take the form of a sale of related assets or the transfer of the credit risk by use of financed credit derivatives to ad hoc entities. These ad hoc entities then issue various classes of securities to investors. The securitized financial assets are fully or partly derecognised as soon as and only when the Bank transfers almost all the risks and advantages inherent to the assets or part of the assets or if the Bank does not transfer nor keeps all the risks and advantages and does not have anymore the control on the transferred financial assets. The Bank launched a partial securitization transaction of its leasing activities in June 2008 through the ad hoc entity Park Mountain Lease 2008-1, fully consolidated by the Bank. It consisted in externalising part of the risk on the Bank's leasing portfolio without derecognition of the securitised assets (synthetic securitisation). This transaction allowed the Bank to decrease its requirements of own funds mainly under the Basel 1 regulation (that served as floor to the Basel 2 regulation during the transitory period ending 2009).

As at 31 December 2008, the securitised portfolio amounted to EUR 1,947.4 million and the part issued to the market through "Credit Linked Notes" (CLN) amounted to EUR 130.7 million, generating a saving of risk weighted commitments of EUR 1,386.4 millions under the Basel 1 framework.

As at 31 December 2009, the entity Park Mountain Lease 2008-1 is not consolidated anymore, following to cessation of the transaction in June 2009.



## 19 - AVAILABLE FOR SALE FINANCIAL ASSETS

The fair value and amortised cost of the Bank's available for sale financial assets including gross unrealised (losses) at 31 December are as follows:

31 December 2009	Historical/ amortised cost	Unrealised gains	Unrealised Iosses	Fair value adjustments from hedge accounting	Impairments	Fair values
Government bonds	2,776.3	91.7	-40.4	11.2	-	2,838.8
Corporate debt securities	2,766.9	8.1	-70.1	37.7	-23.7	2,718.9
Mortgage-backed securities	-	-	-	-	-	-
Other asset-backed securities	-	-	-	-	-	-
Private equities and venture capital	5.5	0.8	-	-	-2.9	3.4
Other equity securities	235.7	9.9	-16.7	0.2	-	229.1
Other investments	44.9	0.4	-	-	-0.7	44.6
Total	5,829.3	110.9	-127.2	49.1	-27.3	5,834.8
31 December 2008						

Government bonds	2,953.9	69.3	-51.7	12.9	-	2,984.4
Corporate debt securities	3,814.5	3.2	-210.0	36.7	-19.1	3,625.3
Mortgage-backed securities	1,077.4	-	-181.0	-	-49.2	847.2
Other asset-backed securities	635.0	-	-64.1	0.1	-192.9	378.1
Private equities and venture capital	6.0	1.0	-	-	-2.0	5.0
Other equity securities	357.4	7.1	-35.6	1.5	-55.2	275.2
Other investments	48.6	1.0	-2.4	-	-0.7	46.5
Total	8,892.8	81.6	-544.8	51.2	-319.1	8,161.7

#### **GOVERNMENT BONDS DETAILED BY COUNTRY OF ORIGIN**

The government bonds detailed by country of origin are as follows at 31 December:

31 December 2009	Historical/ amortised cost	Gross unrealised gains (losses)	Fair value adjustments from hedge accounting	Fair value
Belgian government	392.9	18.0	-	410.9
German government	645.6	12.2	1.0	658.8
Italian government	270.6	-18.3	-	252.3
French government	233.2	12.1	-	245.3
Spanish government	348.5	-1.2	3.2	350.5
Portuguese government	393.8	15.0	0.1	408.9
Canadian government	231.9	8.3	4.0	244.2
Austrian government	61.4	1.8	-	63.2
Other national governments	198.4	3.4	2.9	204.7
Total	2,776.3	51.3	11.2	2,838.8

#### 31 December 2008

Belgian government	327.0	10.5	-	337.5
Dutch government	2.0	-	-	2.0
German government	724.1	8.2	-	732.3
Italian government	270.8	-20.6	-	250.2
French government	212.4	6.9	-	219.3
Spanish government	365.6	-6.3	3.8	363.1
Portuguese government	394.0	13.7	-	407.7
Canadian government	408.4	13.4	6.3	428.1
Other national governments	249.6	-8.2	2.8	244.2
Total	2,953.9	17.6	12.9	2,984.4



#### **VALUATION TECHNIQUES**

The following table provides a specification of the methods used in determining the fair values of available for sale financial assets at 31 December:

	2009	2008
Fair values of available for sale financial assets supported by observable market data	5,834.8	6,935.0
Total	5,834.8	6,935.0
Fair values of available for sale financial assets obtained by using valuation techniques referring to:		
mathematical calculation methods based on recognised financial theories	-	19.4
techniques developed by the Bank and based on parameters partly non observable on active markets	-	-
prices obtained from external suppliers	-	1,207.3
Total	-	1,226.7
Total financial assets available for sale	5,834.8	8,161.7

For details on the calculation of fair values, see 39 "Fair value of financial assets and financial liabilities".

#### Prices obtained from external suppliers

The fair value of certain positions has been determined based on prices obtained from external suppliers if, and only if, the Bank was able to find a quotation communicated by one of the three external suppliers and by priority Markit, FTID and Bloomberg.

# Valuation techniques referring to mathematical calculation methods based on recognised financial theories

Certain financial instruments, although not quoted on active markets, are priced by using methods based on parameters observable in the markets. These models use market parameters calibrated from observable data such as yield curves, implicit volatility spreads of options, default rates and loss assumptions obtained from consensual data or from active markets over the counter. The valuation obtained by these models is adjusted in order to take into account liquidity and credit risks.

#### Valuation techniques referring to techniques developed by the Bank and based on parameters partly non observable on active markets

Certain complex financial instruments, generally customised, low liquid or with long maturities are priced by using techniques developed by the Bank and based on parameters partly non observable on active markets. In the absence of observable parameters, these instruments are priced, at initial recognition, in a way to reflect the transaction price which is considered to be the best

indication of the market value. The valuation obtained by these models is adjusted in order to take into account liquidity and credit risks.

#### Impairments on available for sale financial assets

The following table shows the changes in impairments on available for sale financial assets:

	2009	2008
Balance at 1 January	319,1	32,2
Increase in impairments	76,6	297,1
Release of impairments	-359,3	-3,8
Foreign currency translation effects and other adjustments	-8,4	-6,4
Transfer to non-current assets held for sale and discontinued operations	-0,7	-
Balance at 31 December	27,3	319,1

As at 31 December 2009, release of impairments (EUR 130.3 million) relate to the transfer of "Asset Backed Securities" and "Collateralised Debt Obligations" to a "Special Purpose Vehicle" (SPV), created for this purpose by the Belgian State, Fortis SA/NV and BNP Paribas. The increase in impairments includes EUR 70 million relating to "Asset Backed Securities" portfolios (ABS) not transferred to the SPV.

As at 31 December 2008, the increase in impairments includes EUR 225.4 million relating to the Bank's "Collateralised Debt Obligations" (CDO) and "Residential Mortgage Backed Securities" (RMBS), mainly on European markets.

In the Merchant Banking segment, the Bank has deployed investment strategies on which fair value hedge accoun-

#### ting 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 the interest rate risk, and the only remaining risk is credit risk.

Changes in the fair value of the investments attributable to the hedged interest rate risk are presented under "Fair value adjustments from hedge accounting" in order to adjust the carrying amount of the investments.



Furthermore, the Bank hedges interest rate risk of fixed rate debt securities using primarily interest rate swaps.

The hedged debt securities have the following features:

- denominated in local currency (EUR);
- fixed term to maturity;
- fixed principal amounts;
- fixed interest payment dates;
- no interest rate options or embedded derivatives;
- recognised at amortised cost.

The hedging instruments are plain vanilla interest rate swaps entered into with external counterparties at market rates prevailing at the time of the transaction.

Changes in the fair value of the bonds which are attributable to the hedged interest rate risk are presented in the column "fair value adjustments from hedge accounting" in order to adjust the carrying amount of the bonds. 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 and is reported in "fair value adjustments from hedge accounting". The Bank hedges the foreign currency risk on certain participations denominated in foreign currencies.

From an economic point of view, the foreign currency risk relating to these shares may be hedged by using a subordinated loan, a deposit or a current account (as funding) denominated in the same currency as the shares.

If the subordinated loan, deposit or current account qualifies as a hedging instrument, the foreign exchange difference on the hedging instrument and the foreign exchange component on the fair value change of the hedged instrument are reported directly in equity. Available for sale financial assets includes the fair value adjustment on the hedged equity securities, reported in "fair value adjustments from hedge accounting".



## 20 - HELD TO MATURITY FINANCIAL ASSETS

The amortised cost and estimated fair value of the Bank's held to maturity financial assets at 31 December are as follows:

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Government bonds	1,679.5	1,744.8	1,788.8	1,822.5
Corporate debt securities	21.9	22.4	-	-
Total	1,701.4	1,767.2	1,788.8	1,822.5

There were no impairments on held to maturity investments at 31 December 2009 and 2008.

The process to determine the fair value is described in note 39 "Fair value of financial assets and financial liabilities".



## 21 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets recorded at fair value through profit or loss at 31 December are as follows:

	2009	2008
Equity securities	10.1	14.8
Total	10.1	14.8

In the Merchant Banking segment, some investments of the Bank are designated at fair value through profit or loss, reflecting the business of investing in financial assets with a view to benefit from their total return in the form of interest or dividend and changes in fair value.

### 22 - INVESTMENTS IN ASSOCIATES ACCOUNTED FOR UNDER THE EQUITY METHOD

The main investments in associates accounted for under the equity method at 31 December are as follows:

	2009	2008
Associates and joint ventures		
Fortis Investment Management SA	-	282.0
Fortis Luxembourg Vie SA	43.6	37.4
Intertrust Group Holding SA	-	72.9
Postbank Ireland Ltd	-	40.3
Other	19.4	20.3
Total	63.0	452.9

During the year 2009, the entity Intertrust Group Holding SA was sold to an external company to the Group.

The entity Fortis Investment Management SA has been, in order to be sold during the year 2010 and in accordance with standard IFRS 5 *Assets and liabilities held for sale*, reclassified to "Non-current assets held for sale and discontinued operations" and "Liabilities linked to non-current assets held for sale and discontinued operations".

The equity value of Postbank Ireland Ltd has been brought back to 0, as the Bank estimates that the negative operational results of this entity may not improve in the near future.

The share of the profit or loss of associates accounted for under the equity method as at 31 December 2009 amounts to EUR 2.5 million (2008: EUR 11.7 million) as follows:

	2009	2008
Share of the profit or loss of associates accounted for under the equity method		
BIP Investment Partners SA (BIP)	-	1.4
Fortis Luxembourg Vie SA	5.2	5.2
Intertrust Group Holding SA	2.7	13.7
Postbank Ireland Ltd	-8.8	-10.7
Other	3.4	2.1
Total	2.5	11.7



#### ASSOCIATES

Of the investments above, only shares of BIP Investment Partners are quoted. As at 31 December 2008, the market value of the investment in BIP Investment Partners amounts to EUR 24.8 millions. As a consequence of a significant sale of shares in BIP, the Bank has decided to stop equity accounting of this company as from August 2008 and to reclassify the remaining shares as available for sale financial assets. The market value of these shares amounts to EUR 22.0 million as at 31 December 2009.

2009	Total assets	Total liabilities	Total income	Total expenses
Alsabail SA	457.8	436.8	77.6	-75.4
Internaxx Bank SA	281.0	259.9	14.1	-12.2
2008				
Alsabail SA	456.6	436.7	86.0	-84.2
Intertrust Group Holding SA	2,813.3	2,522.9	354.1	-306.7

#### **JOINT VENTURES**

Investments that the Bank owns and controls jointly with other companies (joint ventures) are measured are accounted for using the equity method. The most significant joint ventures owned by the Bank are Postbank Ireland Ltd and Fortis Luxembourg Vie SA, of which more detailed information is supplied below:

2009	Total assets	Total liabilities	Total income	Total expenses
Fortis Luxembourg Vie SA	6,802.2	6,708.7	453.7	443.2
Postbank Ireland Ltd	557.2	505.8	30.6	-48.2
2008				
Fortis Luxembourg Vie SA	5,751.5	5,676.8	99.7	-89.2
Postbank Ireland Ltd	428.8	361.8	28.3	-49.6

### 23 - INVESTMENT PROPERTY

Investment property mainly comprises residential, commercial real estate and mixed use real estate. The following table shows the changes in investment property for the year ended 31 December:

	2009	2008
Acquisition cost at 1 January	720.2	642.3
Acquisitions	38.1	68.5
Divestments	-10.0	-36.1
Transfers to (from) buildings under construction	2.1	43.7
Foreign currency translation effects	0.1	1.7
Other	17.6	0.1
Acquisition cost at 31 December	768.1	720.2
Accumulated depreciation at 1 January	-96.8	-89.3
Depreciation expense	-20.2	-20.3
Reversal of depreciations due to divestments	1.3	11.8
Foreign currency translation effects	-	0.1
Other	-0.4	0.9
Accumulated depreciation at 31 December	-116.1	-96.8
Impairments at 1 January	-6.4	-0.7
Increase in impairments	-10.0	-5.8
Reversal of impairments	-	0.1
Reversal of impairments due to divestments	-	-
Impairments at 31 December	-16.4	-6.4
Investment property	635.6	617.0
Fair value supported by market evidence	26.2	239.8
Fair value subject to an independent valuation	649.5	462.1
Total fair value of investment property	675.7	701.9

The depreciation of buildings is calculated using the straight line method to write down the cost of such assets to their residual values over their estimated useful lives. The investment property is split into the following components: structure, doors and windows, technical installations and equipment and finishing.

The maximum useful life of the components is as follows:

Structure	50 years for offices and commercial real estate; 70 years for residential real estate
Doors and windows	20 years for offices and commercial real estate; 40 years for residential real estate
Technical installations and equipment	20 years for offices, commercial and residential real estate
Finishing	10 years for offices, commercial and residential real estate

Land has an unlimited useful life and is therefore not depreciated.



## 24 - TANGIBLE ASSETS

Tangible assets at 31 December are as follows:

	2009	2008
Land and buildings held for own use	273.4	287.1
Leasehold improvements	4.6	6.9
Equipment and motor-vehicles	39.0	34.3
Buildings under construction	-	22.0
Total tangible assets	317.0	350.3

#### **CHANGES IN TANGIBLE ASSETS**

Changes in tangible assets for the years 2009 and 2008 are as follows:

2009	Land and buildings held for own use	Leasehold improvements	Equipment and motor- vehicles	Buildings under construction	Total
Acquisition cost at 1 January	544.8	43.4	174.6	22.0	784.8
Disinvestments of subsidiaries	-	-1.1	-0.5	-	-1.6
Acquisitions / increases	28.9	0.9	24.4	-	54.2
Reversal of costs due to disposals	-2.1	-	-19.3	-	-21.4
Foreign currency translation effects	-	0.1	0.7	-	0.8
Other	-18.1	-14.5	-35.1	-22.0	-89.7
Of which transfer to non-current assets held for sale and discontinued operations	-17.8	-15.7	-29.6	-	-63.1
Acquisition cost at 31 December	553.5	28.8	144.8	-	727.1
Accumulated depreciation at 1 January	-256.6	-36.5	-140.3	-	-433.4
Disinvestments of subsidiaries	-	0.2	0.1	-	0.3
Depreciation expense	-13.7	-1.8	-11.0	-	-26.5
Reversal of depreciations due to disposals	1.7	-	18.8	-	20.5
Foreign currency translation effects	-	-	-0.4	-	-0.4
Other	2.5	13.9	27.0	-	43.4
Of which transfer to non-current assets held for sale and discontinued operations	2.5	14.5	26.3	-	43.3
Accumulated depreciation at 31 December	-266.1	-24.2	-105.8	-	-396.1
Accumulated impairment at 1 January	-1.2	-	-	-	-1.2
Increase in impairments	-13.0	-	-	-	-13.0
Reversal of impairments	0.2	-	-	-	0.2
Accumulated impairment at 31 December	-14.0	-	-	-	-14.0
Tangible assets (net)	273.4	4.6	39.0	-	317.0



2008	Land and buildings held for own use	Leasehold improvements	Equipment and motor- vehicles	Buildings under construction	Total
Acquisition cost at 1 January		40.1	156.0	55.3	786.0
Acquisitions / increases		1.9	13.9	9.7	34.4
Reversal of costs due to disposals	-0.3	-	-5.2	-	-5.5
Foreign currency translation effects	1.6	1.4	0.7	0.7	4.4
Transfer to investment property	-	-	-	-43.7	-43.7
Other	-	-	9.2	-	9.2
Acquisition cost at 31 December	544.8	43.4	174.6	22.0	784.8
Accumulated depreciation at 1 January	-242.3	-32.7	-127.5	-	-402.5
Depreciation expense	-14.4	-2.4	-14.2	-	-31.0
Reversal of depreciations due to disposals	0.1	-	2.3	-	2.4
Foreign currency translation effects	-	-1.3	-1.2	-	-2.5
Other	-	-0.1	0.3	-	0.2
Accumulated depreciation at 31 December	-256.6	-36.5	-140.3	-	-433.4
Accumulated impairment at 1 January	-1.2	_	-	_	-1.2
Reversal of impairments	0.1				0.1
•		-	-	-	
Accumulated impairment at 31 December	-1.1	-	-	-	-1.1
Tangible assets (net)	287.1	6.9	34.3	22.0	350.3

The depreciation of buildings is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The real estate is split in the following components: structure, doors and windows, technical installations and equipment, heavy and light finishing.

Structure	50 years for offices and commercial real estate; 70 years for residential real estate
Doors and windows	50 years for offices and commercial real estate; 40 years for residential real estate
Technical installations and equipment	20 years for offices, commercial and residential real estate
IT equipment	3 to 5 years
Office equipment	10 years
Motor-vehicles	4 years
Finishing	10 years for offices, commercial and residential real estate

Land has an unlimited useful life and is therefore not depreciated.

IT, office equipment and motor-vehicles are depreciated over their respective useful lives, which have been determined individually.

As a general rule, residual values are considered to be zero.



## 25 - GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets at 31 December are as follows:

	2009	2008
Goodwill	146.0	188.7
Software and other intangible assets	2.8	33.0
Total goodwill and other intangible assets	148.8	221.7

#### CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill and other intangible assets for the years 2009 and 2008 are as follows:

2009	Goodwill	Software and other intangible assets	Total
Acquisition cost at 1 January	216.6	132.4	349.0
Acquisitions/Sales of subsidiaries	-6.1	-	-6.1
Acquisitions	-	1.0	1.0
Reversal of costs due to disposals	-0.2	-1.6	-1.8
Foreign currency translation effects	-	-0.1	-0.1
Other	-	-1.4	-1.4
Transfer to non-current assets held for sale and discontinued operations	-	-1.8	-1.8
Acquisition cost at 31 December	210.3	128.5	338.8
Accumulated depreciation at 1 January	-	-78.6	-78.6
Acquisitions/Sales of subsidiaries	-	-	-
Depreciation expense	-	-11.6	-11.6
Reversal of depreciations due to disposals	-	1.7	1.7
Foreign currency translation effects	-	-0.1	-0.1
Other	-	2.3	2.3
Transfer to non-current assets held for sale and discontinued operations	-	-0.3	-0.3
Accumulated depreciation at 31 December	-	-86.7	-86.7
Accumulated impairment at 1 January	-27.9	-20.8	-48.7
Increase of impairments	-36.4	-18.0	-54.4
Foreign currency translation effects	-	-0.2	-0.2
Accumulated impairment at 31 December	-64.3	-39.0	-103.3
Goodwill and other intangible assets (net)	146.0	2.8	148.8

2008	Goodwill	Software and other intangible assets	Total
Acquisition cost at 1 January	216.7	129.0	345.7
Acquisitions	-	3.0	3.0
Reversal of costs due to disposals	-	-0.2	-0.2
Foreign currency translation effects	-0.1	2.8	2.7
Other	-	-2.2	-2.2
Acquisition cost at 31 December	216.6	132.4	349.0
Accumulated depreciation at 1 January	-	-63.7	-63.7
Depreciation expense	-	-14.1	-14.1
Foreign currency translation effects	-	-1.2	-1.2
Other	-	0.4	0.4
Accumulated depreciation at 31 December	-	-78.6	-78.6
Accumulated impairment at 1 January	-	-	-
Increase of impairments	-27.9	-20.8	-48.7
Accumulated impairment at 31 December	-27.9	-20.8	-48.7
Goodwill and other intangible assets (net)	188.7	33.0	221.7

Intangible assets, except goodwill, are amortised in accordance with the expected useful lives of the assets. Under IFRS, goodwill is tested for impairment at least annually by comparing the recoverable amount to the carrying value. The recoverable amount is assessed by means of a discounted cash-flow model of future anticipated benefits of the entity under review. The key assumptions of the discounted cash-flow model depend on various financial and economic variables, including the risk-free rate in a given country and a premium to cover the inherent risk of the entity to be assessed. These variables are assessed on the basis of a management's judgment. If the entity is listed on the stock market, its market price is also considered in the assessment.

In 2009, the goodwills relating to the leasing entities have been impaired for a total amount of EUR 34.1 million. The goodwill on the entity SADE SA has been partially impaired for an amount of EUR 2.3 million. In 2008, the goodwill on Fundamentum Asset Management SA has been completely impaired for an amount of EUR 27.9 million following to significant operational losses at this entity.

In general, software and other intangible assets have an expected maximum useful life of 10 years.

In 2009 and 2008, no Goodwill was recorded following to the acquisition of entities under common control.

Acquisitions and divestments of subsidiaries are described in note 3 "Consolidation scope".

Assessment of goodwill is further explained in note 2.21 "Goodwill and other intangible assets".



## 26 - OTHER ASSETS

Other assets at 31 December are as follows:

	2009	2008
Buildings held for sale	15.1	31.4
Pension assets	6.5	6.6
Commissions receivable	-	1.8
Receivables on operating lease agreements	3.7	2.0
Receivables linked to transactions with credit institutions	32.9	29.0
Receivables linked to transactions with customers	15.2	17.8
VAT and other taxes	46.5	60.7
Other	727.7	878.0
Total gross	847.6	1,027.3
Impairments	-153.8	-33.2
Net total	693.8	994.1

For more details on pension plans and related pension assets, see note 8 "Post employment benefits and other long-term employee benefits".

All purchases and sales of financial liabilities requiring delivery within a timeframe established by market regulations or conventions are recognised on the trade date, meaning the date when the Bank becomes a party to the contractual provisions of the instrument.

The line "Other" includes transitory accounts balancing the amounts between trade date and settlement date.

## 27 - PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income at 31 December are as follows:

	2009	2008
Accrued income	362,4	488,2
Prepayments	32,7	111,4
Total prepayments and accrued income	395,1	599,6

Accrued income consists mainly of accrued investment and interest income.



## 28 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The recognition relates to assets held for sale for which the conditions of IFRS 5 have been fulfilled as at 31 December 2009 at the latest.

Non-current assets held for sale and discontinued operations include mainly cash and cash equivalents as well as loans and receivables to customers. The operations of BGL Securities Services, Fortis Banque (Suisse) SA and Fortis Investment Management SA contribute for almost the total amount.

In accordance with the balance sheet items, the synthesis shows the following components:

	2009	2008
Cash and cash equivalents	4,253.1	-
Held for trading financial assets	32.7	-
Loans and receivables to credit institutions	25.4	-
Loans and receivables to customers	1,434.4	-
Available for sale financial assets	2.4	-
Investments in associates accounted for under the equity method	243.7	-
Tangible assets	19.9	-
Goodwill and other intangible assets	1.8	-
Current and deferred tax assets	7.0	-
Other assets	14.8	-
Prepayments and accrued income	6.7	-
Total assets held for sale	6,041.9	-

### 29 - DEPOSITS FROM CREDIT INSTITUTIONS

Deposits from credit institutions at 31 December are as follows:

	2009	2008
Deposits from credit institutions		
On demand deposits	249.2	366.7
Term deposits	3,632.1	4,806.8
Other deposits	17.9	1.7
Total deposits	3,899.2	5,175.2
Repurchase agreements	14.3	3,060.3
Advances against collateral	99.5	4,053.2
Financial liabilities designated at fair value through profit or loss	-	32.4
Other	5,265.9	6,572.7
Total deposits from credit institutions	9,278.9	18,893.8

The important decrease noted for this item is mainly due to lower refinancing needs with the Luxembourg Central Bank at year-end 2009 compared to the previous yearend and to less favourable conditions linked to the repurchase of securities at term. The combined impact of these two factors reduces this item by EUR 7,001.0 million.

The line "Other" includes the long term refinancing of the leasing entities with other group entities which decreases for EUR 1,306.8 million.

In 2008, The Bank has designated financial liabilities as "financial liabilities held at fair value through profit or loss"

eliminating an accounting mismatch between the measurement of the interest rate swap and the debts previously recorded at amortised cost. At 31 December 2009, the Bank does not own anymore deposits from credit institutions designated at fair value through profit or loss (nominal value of these deposits as at 31 December 2008: EUR 32.4 million).

As a result of the hedge, the economic impact of changes in the hedged item's net present value due to changes in the appropriate benchmark interest rate curve will be reduced by the changes in the fair value of the hedging derivative instrument.

#### CONTRACTUAL TERMS OF DEPOSITS FROM CREDIT INSTITUTIONS

The contractual terms of the deposits from credit institutions at 31 December are as follows:

	2009	2008
1 year	4,474.2	14,561.0
2 years	1,100.7	1,182.8
3 years	734.4	814.5
4 years	707.2	673.2
5 years	516.1	482.8
More than 5 years	1,746.3	1,179.5
Total deposits from credit institutions	9,278.9	18,893.8



## **30** - DEPOSITS FROM CUSTOMERS

The deposits from customers at 31 December are as follows:

	2009	2008
Demand deposits	5,270.8	9,665.2
Saving deposits	4,774.3	1,805.1
Time deposits	3,559.2	7,567.4
Other deposits	56.8	7.5
Other borrowings	2.1	4.5
Total deposits from customers	13,663.2	19,049.7

In accordance with IFRS 5, the deposits from customers relating to Fortis Banque (Suisse) SA have been reclassified as Non-current assets held for sale and discontinued operations for an amount of EUR 1,155 million and the deposits from customers relating to the operations of BGL Securities Services have been reclassified to the same item for an amount of EUR 4,828 million.

#### **CONTRACTUAL TERMS OF DEPOSITS FROM CUSTOMERS**

The contractual terms of deposits from customers at 31 December are as follows:

	2009	2008
1 year	13,355.1	18,997.5
2 years	145.5	27.3
3 years	54.6	5.6
4 years	66.9	3.3
5 years	6.2	4.8
More than 5 years	34.9	11.2
Total deposits from customers	13,663.2	19,049.7

### **31** - DEBT CERTIFICATES

Debt certificates are composed of debt securities and other fixed interest rate securities. At 31 December, the Bank has issued the following types of debt certificates:

	2009	2008
Bons de caisse	460.8	209.0
Commercial paper	3,220.5	1,185.9
Other	4.3	3.7
Total at amortised cost	3,685.6	1,398.6
Debt certificates held at fair value through profit or loss	2,664.8	3,736.3
Total debt certificates	6,350.4	5,134.9

The Bank has designated selected debt certificates with embedded derivatives at fair value through profit or loss, avoiding the separate recognition of the embedded derivative. The Bank applies the "fair value option" as published by the IASB on 16 June 2005 and adopted by the European Union on 15 November 2005. The nominal value of the debt certificates held at fair value through profit or loss at 31 December 2009 was EUR 2,935.3 million (2008: EUR 4,289.2 million).

The fair values of financial liabilities which the Bank has irrevocably classified as financial liabilities at fair value through profit or loss (Euro Medium Term Notes in particular) include the bank's own credit risk. The impact of this risk is obtained by the difference between a valuation including the credit risk of BNP Paribas group and a valuation base on the non-risk swap curve.

In 2008, the impact of the credit risk relating to BGL BNP Paribas was not included in the calculation of the valuation of the debt certificates recognised at fair value. It was indeed estimated that this calculation would not have been sufficiently reliable in regard to the illiquidity of the markets at that time.

In 2009, following to the stabilisation of the market parameters, the own credit risk has been integrated in the valuation and recognised in the income statement for EUR 12.0 million.

The contractual terms of debt certificates at 31 December are as follows:

	2009	2008
1 year	2,664.5	1,166.1
2 years	449.0	1,094.6
3 years	300.3	806.2
4 years	159.1	653.5
5 years	222.8	435.8
More than 5 years	2,554.7	978.7
Total debt certificates	6,350.4	5,134.9



### 32 - SUBORDINATED LIABILITIES

The subordinated liabilities at 31 December are as follows:

	2009	2008
Subordinated liabilities held at fair value through profit or loss	442.8	538.9
Other subordinated liabilities	162.0	263.7
Total subordinated liabilities	604.8	802.6

# SUBORDINATED LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The Bank has designated selected subordinated liabilities with embedded derivatives at fair value through profit or loss, avoiding the separate recognition of the embedded derivative. The Bank applies the "fair value option" as published by the IASB on 16 June 2005 and adopted by the European Union on 15 November 2005.

The nominal value of the subordinated liabilities held at fair value through profit or loss at 31 December 2009 was EUR 454.4 million (2008: EUR 531.8 millions).

In 2008, the impact of the credit risk relating to BGL BNP Paribas was not included in the calculation of the valuation of the subordinated liabilities recognised at fair value. It was indeed estimated that this calculation would not have been sufficiently reliable in regard to the illiquidity of the markets at that time.

In 2009, following to the stabilisation of the market parameters, the own credit risk has been integrated in the valuation and recognised in the income statement for EUR 17.2 million.

The contractual terms of subordinated liabilities at 31 December are as follows:

	2009	2008
1 year	105.2	76.4
2 years	75.3	107.1
3 years	3.1	79.5
4 years	3.8	-
5 years	4.6	100.0
More than 5 years	412.8	439.6
Total subordinated liabilities	604.8	802.6

## 33 - CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

The tax position at year end is summarised as follows:

	2009			2008		
	Current	Deferred	Total	Current	Deferred	Total
Tax assets	37.2	59.2	96.4	35.2	94.9	130.1
Tax liabilities	47.3	173.9	221.2	85.1	69.8	154.9

Deferred tax assets and liabilities at 31 December are as follows:

	Balance sheet   2009 2008		Income s	Income statement	
			2009	2008	
Deferred tax assets comprise:					
Held for trading financial assets (securities held for trading/derivatives)	3.0	2.9	0.1	0.3	
Held for trading financial liabilities (short security sales/derivatives)	122.3	287.2	164.9	157.9	
Investments	0.1	229.7	199.7	199.8	
Investment property	2.3	1.4	0.9	0.3	
Tangible assets	2.0	1.5	0.5	0.1	
Intangible assets (excluding goodwill)	7.2	3.5	3.7	1.2	
Loans and receivables to customers	31.2	-4.5	-15.0	-6.9	
Impairments	55.2	10.7	-44.5	3.3	
Debt certificates and subordinated loans	-	2.7	2.7	-31.6	
Provisions for pensions and post-retirement benefits	4.2	5.1	0.9	-0.5	
Other provisions	7.8	2.9	-4.9	2.0	
Accrued expenses and deferred income	9.6	1.3	15.2	1.3	
Tax losses	20.4	72.2	51.3	51.2	
Other	37.7	73.9	3.9	50.2	
Deferred tax assets (net)	303.0	690.5	379.4	428.6	

	Balance sheet   2009 2008		Income s	Income statement	
			2009	2008	
Deferred tax liabilities comprise:					
Held for trading financial assets (securities held for trading/derivatives)	56.8	124.3	67.5	-59.6	
Held for trading financial liabilities (short security sales/derivatives)	1.2	1.1	0.1	-0.1	
Financial assets available for sale/held to maturity/at fair value through profit or loss	104.7	10.9	45.9	57.7	
Investment property	5.4	5.4	-	3.0	
Tangible assets	28.0	30.7	2.7	-1.9	
Intangible assets (excluding goodwill)	7.1	10.3	3.2	1.7	
Loans to customers	7.9	9.3	1.4	1.7	
Impairments	0.2	0.4	-0.2	-2.2	
Debt certificates and subordinated loans	80.7	158.1	77.4	156.3	
Other provisions	6.2	9.7	3.5	-46.3	
Deferred expense and accrued income	1.6	2.5	1.0	1.1	
Other	117.9	302.7	173.4	156.5	
Total deferred tax liabilities	417.7	665.4	375.9	267.9	
Deferred tax expense	-		3.5	-160.7	
Net deferred tax	-114.7	25.1	-	-	

Since deferred tax assets and liabilities may be netted in certain situations, the amounts are recognised in the balance sheet as follows:

	2009	2008
Deferred tax asset	59.2	94.9
Deferred tax liability	173.9	69.8
Net deferred tax	-114.7	25.1
#### 34 - PROVISIONS

Changes in provisions were as follows:

	Credit commitments	Other	Total
Balance at 1 January 2008	6.9	12.9	19.8
Increase of provisions	5.3	123.8	129.1
Reversal of unused provisions	-3.4	-2.6	-6.0
Use of provisions during the year	-	-6.1	-6.1
Foreign currency translation effects	-	0.3	0.3
Other	-	-0.7	-0.7
Balance at 31 December 2008	8.8	127.6	136.4
Increase of provisions	16.9	30.0	46.9
Reversal of unused provisions	-0.9	-0.4	-1.3
Use of provisions during the year	-	-98.8	-98.8
Foreign currency translation effects	-	-	-
Other	-0.1	-1.3	-1.4
Transfer to liabilities linked to non-current assets held for sale and discontinued operations	-	-1.4	-1.4
Balance at 31 December 2009	24.7	55.7	80.4

Provisions for credit commitments are allowances covering credit risk on the Bank's credit commitments recorded offbalance sheet that have been individually or on a portfolio basis identified as impaired. The amount of the impairment is the present value of the cash flows, which the Bank expects to be required to settle its commitment. Other provisions consist of:

- legal and tax litigation;
- AGDL;
- Operational risks at Fundamentum Asset Management SA.



The provision for legal and tax litigation is based on best estimates available at year end supported by the opinion of legal and tax advisors. The timing of the outflow of cash related to this provision is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations.

As at 31 December 2008, the Bank and its subsidiaries had recognised a provision "AGDL" for an amount of EUR 36.9 million relating to the remaining risk to be supported by the Bank in the context of the unavailability of deposits of Luxembourgish subsidiaries from Icelandic banks. "AGDL" means the "Association pour la Garantie des Dépôts, Luxembourg", association of which the Bank is a member. The sole object of the AGDL is to establish a mutual system to guarantee cash deposits and claims resulting from investment operations of private customers of AGDL member banks, irrespective of their nationality or place of residence, of companies subject to Luxembourg law or to the law of another member state of the European Union, which, because of their size, are authorized to draw up abbreviated accounts in accordance with relevant legislation, as well as of companies of comparable size which are subject to the law of another member state of the European Union. During the years 2008 and 2009, the Bank made payments to the AGDL for a total amount of EUR 58.4 million. It has been partially reimbursed for its advances for an amount of EUR 18.6 million recognised as "other income".

A provision for significant operational risks had been recognised end of 2008 for an amount of EUR 78.9 million at the level of the subsidiary Fundamentum Asset Management SA.

### **35** - OTHER LIABILITIES

The other liabilities at 31 December are as follows:

	2009	2008
Pension liabilities	7.3	6.4
Other employee benefit liabilities	47.5	45.8
Accounts payable	354.1	414.7
VAT and other taxes payable	84.2	93.8
Other liabilities	132.8	330.5
Total other liabilities	625.9	891.2

Further details on "pension liabilities" and "other employee benefit liabilities" are described in note 8 "Post-employment benefits and other long-term employee benefits". "Other employee benefit liabilities" relates to other postemployment benefits, social security charges, termination benefits and accrued vacation days. All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, meaning the date when the Bank becomes a party to the contractual provisions of the instrument. The line "Other liabilities" contains transitory accounts balancing the amounts between trade date and settlement date.



# 36 - ACCRUALS AND DEFERRED INCOME

Accruals and deferred income at 31 December are as follows:

	2009	2008
Deferred income	27.6	115.7
Accrued expenses	183.2	286.1
Total accruals and deferred income	210.8	401.8

Accrued expenses consist mainly of accrued financial charges.



# **37** - LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Liabilities linked to non-current assets held for sale and discontinued operations include mainly deposits from customers as well as deposits from credit institutions. The operations of BGL Securities Services and Fortis Banque (Suisse) contribute for almost the total amount.

In accordance with the balance sheet items, the synthesis shows the following components:

	2009	2008
Held for trading financial liabilities	32.1	-
Hedging derivatives	1.2	-
Deposits from credit institutions	1,121.6	-
Deposits from customers	4,194.4	-
Debt certificates	0.9	-
Current and deferred tax liabilities	5.0	-
Provisions	1.4	-
Other liabilities	94.7	-
Accruals and deferred income	13.4	-
Total financial liabilities held for sale	5,464.7	-



## 38 - DERIVATIVES

Derivatives include swaps, futures, forwards and option contracts, all of which derive their value from underlying interest rates, foreign exchange rates, equity instruments or indices.

A derivative may be traded either on an exchange market or "over-the-counter" ("OTC"). Exchange-traded derivatives, which include futures and option contracts, are standardised and generally do not involve significant counterparty risk due to the margin requirements of the individual exchange authorities. OTC derivative contracts are individually negotiated between contracting parties. Within the other derivatives, there exist embedded derivatives, which are part of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary, similar to a stand-alone derivative.

The notional amounts of derivative contracts are not recorded in the balance sheet as assets or liabilities and do not represent the potential for gain or loss associated with such transactions. The exposure to the credit risk associated with counterparty non-performance is limited to the net substitution value of the derivatives.

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating interest rate payments. The Bank uses interest rate swaps to change the interest rate characteristics of certain assets and liabilities. For example, in the context of long-term debt, an interest rate swap may be concluded to convert a fixed interest rate instrument into a floating interest rate instrument, in order to reduce the interest rate mismatch. The Bank also uses interest rate swaps to hedge the risk of price fluctuations of the trading securities.

Interest rate futures are exchange-traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price.

Interest rate forward agreements are OTC derivative instruments in which two parties agree on an interest rate and period which serve as a reference point in determining a net payment to be made by one party to the other, depending on the prevailing market rate at a future point in time.

Interest rate options are interest rate protection instruments that involve the obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current exchange and an agreed-upon rate applied to a notional amount. Exposure to losses on

# all interest rate contracts depends on the fluctuations of interest rates.

Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final payments in different currencies. The value of swap contracts depends upon their maturity dates, interest and foreign exchange rates, and the timing of payments.

Foreign exchange contracts represent agreements to exchange payments in different foreign currencies at an agreed exchange rate, on an agreed settlement date. These contracts are used to hedge net capital and foreign exchange exposure.

Foreign exchange option contracts are similar to interest rate option contracts, but are based on currency exchange rates rather than interest rates. The value of these contracts depends on the fluctuations of currency exchange and interest rates.

In exchange-traded future contracts, exposure to offbalance sheet credit risk is limited, as these transactions are executed on organised exchange markets that assume the obligations of counterparties and generally require security deposits and daily settlement of margins.

Credit derivatives allow credit risk to be isolated from all other risks as well as from the instrument with which it is associated, so that the credit risk can be passed from one party to another. In a "credit default swap", the buyer/ beneficiary pays a premium and acquires the right to sell back a reference bond to the seller/guarantor if a credit event occurs.

A "total return swap" is a contract in which the beneficiary agrees to pay the guarantor the total return on the reference asset, which consists of all contractual payments as well as any appreciation in the market value of the reference asset. In the context of this contract, the guarantor accepts to pay a floating rate plus a spread and any depreciation to the beneficiary.

Equity derivatives include equity swaps, options, futures and forward contracts. An equity swap is a swap in which the cash flows that are exchanged are based on the total return on a stock market index and an interest rate (either a fixed rate or a floating rate). Equity (or stock) options give the right to buy (in the case of a call option) or to sell (in the case of a put option) a fixed number of shares of a company, at a given price, before or on a specified date.

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#### **38.1 DERIVATIVES HELD FOR TRADING**

Derivatives held for trading at 31 December are as follows:

2009		Assets		Liabilities
	Fair value	Notional amount	Fair value	Notional amount
Foreign exchange contracts				
Forwards	88.5	8,393.7	94.5	8,422.1
Interest and currency swaps	13.0	332.3	39.9	293.6
Options	4.4	187.2	9.3	169.1
Total	105.9	8,913.2	143.7	8,884.8
Interest rate contracts				
Swaps	67.0	4,007.4	150.8	4,006.5
Options	6.5	107.0	6.5	223.7
Total	73.4	4,114.4	157.3	4,230.2
Commodity contracts				
Forwards	-	-	-	0.6
Swaps	1.2	7.1	-	7.1
Total	1.2	7.1	-	7.7
Equity and index contracts				
Swaps	28.1	1,554.0	183.3	1,554.0
Options and warrants	25.2	107.3	19.1	157.6
Total	53.3	1,661.3	202.4	1,711.6
Credit derivatives				
Swaps	-	-	11.0	324.4
Total	-	-	11.0	324.4
Other	-	-	2.4	79.3
Balance at 31 December 2009	222.0	14 000 0	E10.0	15 220 0
Balance at 31 December 2009	233.8	14,696.0	516.8	15,238.0
Fair value supported by observable market data	2.8		3.2	
Fair value obtained using a valuation model	231.0		513.6	
Total	233.8		516.8	
Over-the-counter (OTC)	233.8	14,696.0	516.8	15,238.0
Total	233.8	14,696.0	516.8	15,238.0

2008		Assets		Liabilities
	Fair value	Notional amount	Fair value	Notional amount
Foreign exchange contracts				
Forwards	351.7	11,850.6	349.6	11,879.4
Interest and currency swaps	25.9	401.4	67.7	345.6
Options	11.8	194.4	19.1	172.7
Total	389.4	12,446.4	436.4	12,397.7
Interest rate contracts				
Swaps	123.6	9,461.5	687.0	9,460.4
Options	4.9	158.3	4.9	164.4
Total	128.5	9,619.8	691.9	9,624.8
Commodity contracts				
Swaps	2.7	10.3	2.7	10.3
Total	2.7	10.3	2.7	10.3
Equity and index contracts				
Options and warrants	51.9	143.7	45.1	148.5
Total	51.9	143.7	45.1	148.5
Credit derivatives				
Swaps	-	-	20.7	388.4
Total	-	-	20.7	388.4
Other	-	-	4.1	134.7
Balance at 31 December 2008	572.5	22,220.2	1,200.9	22,704.4
Fair value supported by observable market data	98.6		96.9	
Fair value obtained using a valuation model	473.9		1.104.0	
Total	572.5		1,200.9	
			4 470 0	00.007.0
Over-the-counter (OTC)	550.1	22,177.9	1,178.6	22,697.0
Over-the-counter (OTC) Exchange traded	550.1 22.4	22,177.9 42.3	1,178.6	7.4



#### **38.2 HEDGING DERIVATIVES**

Hedging derivatives at 31 December are as follows:

2009		Assets		Liabilities
	Fair value	Notional amount	Fair value	Notional amount
Foreign exchange contracts				
Forwards	-	-	0.3	0.3
Interest and currency swaps	0.3	72.2	2.6	68.0
Total	0.3	72.2	2.9	68.3
Interest rate contracts				
Swaps	0.2	1,292.6	44.1	1,292.6
Total	0.2	1,292.6	44.1	1,292.6
Balance at 31 December 2009	0.5	1,364.8	47.0	1,360.9
Fair value supported by observable market data	0.3		0.3	
Fair value obtained using a valuation model	0.2		46.7	
Total	0.5		47.0	
Over-the-counter (OTC)	0.5	1,364.8	47.0	1,360.6
Total	0.5	1,364.8	47.0	1,360.6

2008		Assets		Liabilities
	Fair value	Notional amount	Fair value	Notional amount
Foreign exchange contracts				
Forwards	2.4	1.6	2.4	1.6
Interest and currency swaps	-	78.2	-	73.5
Total	2.4	79.8	2.4	75.1
Interest rate contracts				
Forwards and futures	0.7	36.4	0.5	11.2
Swaps	1.5	1,052.4	52.0	1,052.4
Total	2.2	1,088.8	52.5	1,063.6
Balance at 31 December 2008	4.6	1,168.6	54.9	1,138.7
Fair value supported by observable market data	3.3		3.4	
Fair value obtained using a valuation model	1.3		51.5	
Total	4.6		54.9	
Over-the-counter (OTC)	4.6	1,168.6	54.9	1,138.7
Total	4.6	1,168.6	54.9	1,138.7



# 39 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the carrying amount and fair values of financial assets and liabilities which are not reported at their fair value in the Bank's consolidated balance sheet. It is completed by a description of the methods used to determine the fair value of financial instruments.

	2009		200	)8
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	1,347.6	1,348.2	8,418.6	8,427.8
Loans and receivables to credit institutions	3,772.0	3,812.0	4,413.6	4,447.0
Loans and receivables to customers	21,814.1	21,203.0	25,652.8	25,793.9
Held to maturity financial assets	1,701.4	1,767.0	1,788.8	1,822.5
Total financial assets	28,635.1	28,130.2	40,273.8	40,491.2
Financial liabilities				
Deposits from credit institutions	9,278.9	9,245.0	18,893.8	19,487.9
Deposits from customers, balances from subscriber accounts and other funds in deposit	13,663.2	13,637.0	19,049.7	18,071.5
Debt certificates	6,350.4	6,393.0	5,134.9	5,138.6
Subordinated liabilities	604.8	604.8	802.6	802.6
Total financial liabilities	29,897.3	29,879.8	43,881.0	43,500.6

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Bank uses the following methods, in the order listed, in determining the fair value of financial instruments:

- quoted price on an active market;
- valuation techniques;
- cost.

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of fair value. No adjustment is made to the fair value of large portfolios of shares, unless there is a binding agreement to sell the shares at a price other than the market price. The appropriate quoted market price for an asset held or a liability to be issued is the current bid price, and for an asset to be acquired or a liability held, the ask price. Mid-market prices are used as a basis for establishing fair values of assets and liabilities with offsetting market risks.

If no active market price is available, fair values are estimated using present value or other valuation techniques based on market conditions existing at the reporting date. The Bank uses common valuation techniques practiced by market participants to fix the price of an instrument once these techniques have demonstrated to provide reliable estimates.

Valuation techniques that are well established in financial markets include recent market transactions, discounted cash flows and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

The basic principles in estimating fair value are:

- maximise market inputs and minimise internal estimates and assumptions;
- change estimation techniques only if an improvement can be demonstrated or if a change is necessary because of changes in the availability of information.

The fair value presented does not include interest accruals. Interest accruals are reported separately.

Methods and assumptions used in determining fair value are largely dependent on whether the instrument is traded on financial markets and what information is available to be incorporated into the valuation models. A summary of different financial instrument types along with the fair value treatment is included below.

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Quoted market prices are used for financial instruments traded on a financial market with quotation of prices.

Non exchange-traded financial instruments are often traded in over-the-counter (OTC) markets by dealers or other intermediaries from whom market prices are obtainable. Quotations are available from various sources for many financial instruments traded regularly in the OTC market. Those sources include the financial press, various quotation publications and financial reporting services, and individual market makers.

Quoted market prices provide the most reliable fair value for derivative traded on a recognised exchange market. Fair value for derivative instruments not traded on a recognised exchange market is considered to be the value that could be realised through termination or assignment of the derivative instruments.

Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment-grade.

Factors that influence the valuation of an individual derivative include the counterparty's credit standing and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price is considered.



The fair value calculation of financial instruments not actively negotiated on financial markets can be summarised as follows:

Instrument type	Products	Fair value calculation
Instruments without maturity	Current accounts, saving accounts, etc.	Nominal value
Instruments without optional features	Straight loans, deposits, etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average new production during the last 3 months.
Instruments with optional features	Mortgage loans and other instruments with option features	The product is split in a linear (non optional) component which is valued using a discounted cash flow methodology and an option component valued based on an option pricing model.
Subordinated loans	Subordinated loans	Discounted cash flow methodology in which the spread is based on the price paid by the Bank to the market for the issue of a subordinated loan.
Private equity	Private equity and non-quoted participations	In general based on the "European Venture Capital Association" guidelines, using amongst others ratios such as Enterprise Value/ EBITDA, Price/Earnings and Price/ Cash flow.
Preference shares (non-quoted)	Preference shares	If the share is considered as a debt instrument, a discounted cash flow model is used.

The Bank has a policy in place aimed at quantifying and monitoring pricing uncertainties related to the calculation of fair values using valuation techniques and internal models. Related uncertainties are a feature of the "model risk" concept.

Model risk arises when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market, leading to assumptions on the input data themselves.

The development of new, sophisticated products in the market has resulted in the development of mathematical models to price them. These models in turn depend on assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms and other possible approximations needed to replicate the complexity of the financial instruments. Furthermore, the underlying assumptions of a model depend on the general market conditions (specific interest rates, volatilities, etc.) prevailing at the time it is developed. There is no guarantee that the model will continue to yield adequate results should market conditions change drastically.

The framework of rules adopted by the Bank for adjusting the fair value goes beyond existing procedures which tend to measure the quality of regular processes of fair value measurement.

Any related model uncertainty is quantified as accurately as possible and is the basis in adjusting the fair value calculated by the valuation techniques and internal models.



# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 40 - INTEREST

#### 40.1 INTEREST AND SIMILAR INCOME

The breakdown of interest received and similar income is as follows:

	2009	2008
Interest on cash and cash equivalents	81.8	396.0
Interest on loans and receivables to credit institutions	126.7	230.5
Interest on financial assets held to maturity	68.2	75.8
Interest on financial assets available for sale	251.0	428.1
Interest on financial assets reclassified as receivables	7.7	-
Interest on loans and receivables to customers	969.7	1,448.9
Interest on financial assets held for trading and derivatives	153.7	779.4
Other interest	21.0	64.2
Total interest and similar income	1,679.8	3,422.9

The interest on impaired financial assets amounts to EUR 58.2 million at 31 December 2009 (2008: EUR 35.5 million).

#### 40.2 INTEREST EXPENSE AND SIMILAR CHARGES

The breakdown of interest expense and similar charges is as follows:

	2009	2008
Interest on deposits from credit institutions	329.5	773.6
Interest on deposits from customers	195.0	770.4
Interest on debt certificates	117.1	264.9
Interest on subordinated liabilities	33.7	40.2
Interest on financial liabilities held for trading and derivatives	187.2	829.3
Interest on other liabilities	69.5	93.3
Total interest expense and similar charges	932.0	2,771.7



For 2009 and 2008, the breakdown of interest on debt certificates is as follows:

	2009	2008
Interest on debt certificates measured at amortised cost	61.9	110.4
Interest on debt certificates recognised at fair value through profit or loss	55.2	154.5
Total interest on debt certificates	117.1	264.9

For 2008 and 2007, the breakdown of interest on subordinated liabilities is as follows:

	2009	2008
Interest on subordinated liabilities measured at amortised cost	11.8	8.8
Interest on subordinated liabilities recognised at fair value through profit or loss	21.9	31.4
Total interest on subordinated liabilities	33.7	40.2



# 41 - DIVIDENDS AND OTHER INVESTMENT INCOME

The breakdown of dividends and other investment income is as follows:

	2009	2008
Dividend income from equity securities available for sale	14.1	15.6
Dividend income from equity securities held for trading	1.1	2.0
Rental income from investment property	55.0	54.4
Other investment income	0.7	0.7
Total dividends and other investment income	70.9	72.7



# 42 - FEES AND COMMISSIONS

#### 42.1 FEE AND COMMISSION INCOME

The breakdown of fees and commission income is as follows:

	2009	2008
Securities	52.2	71.0
Insurance, including reinsurance commissions	-	0.1
Asset management	156.2	195.3
Payment services	18.4	22.0
Guarantees and commitments	20.6	12.9
Other	81.8	97.6
Total fees and commission income	329.2	398.9

#### 42.2 FEE AND COMMISSION EXPENSE

The breakdown of fees and commission expense is as follows:

	2009	2008
Securities	45.5	65.1
Intermediaries	-	0.1
Payment services	9.0	10.1
Custodian fees	9.0	7.5
Other	24.4	33.8
Total fees and commission expense	87.9	116.6

# 43 - NET REALISED CAPITAL GAINS ON INVESTMENTS

The breakdown of net realised capital gains on investments is as follows:

	2009	2008
Debt securities (financial assets available for sale)	1,0	-4,9
Equity securities (financial assets available for sale)	-20,6	58,9
Real estate	0,3	12,0
Subsidiaries, investments in associates accounted for under the equity method	41,3	-2,6
Total net realised capital gains on investments	-	-0,2
Debt securities (financial assets available for sale)	22,0	63,2

At 31 December 2008, the realised capital gains on financial assets available for sale are explained mainly by the sale of the Bank's participations in SES SA and Luxair SA.

In 2009, the Bank has realised a capital gain of EUR 34.5 million by the sale of its participation Intertrust Group Holding SA, previously accounted for under the equity method.



# 44 - OTHER NET REALISED AND UNREALISED GAINS (LOSSES)

The breakdown of other net realised and unrealised gains (losses) recorded in the income statement is as follows:

	2009	2008
Gains (losses) resulting from the use of the fair value option	-236.9	706.5
Other gains (losses) on held for trading financial assets and liabilities	315.5	-823.5
Gains (losses) on fair value hedge	0.9	1.4
Other	5.8	12.3
Total other net realised and unrealised gains (losses)	85.3	-103.3

All changes in fair value recorded here are changes in clean fair value excluding interest accruals recorded under "interest income" and "interest expense".

Assets and liabilities held for trading are acquired principally for the purpose of generating a profit from shortterm fluctuations in the price or the dealer's margin. Initial recognition is at acquisition cost, including any transaction costs to acquire the financial instrument. Subsequent measurement is at fair value as determined by reference to market prices and includes changes in fair value, realised and unrealised, which are recorded in profit or loss. Derivatives held for trading are all derivatives not qualifying for hedge accounting. All changes in the fair value of derivatives held for trading are reported here.

All changes in fair value of the assets and liabilities held at fair value through profit or loss are reported above. This includes unrealised gains and losses from revaluations and realised gains and losses upon derecognition of the assets or liabilities.

Hedging results contain the changes in fair value attributable to the hedged risk – mainly interest rate risk – of hedged assets and liabilities and the changes in fair value of the hedging derivatives.

#### 45 - CHANGE IN IMPAIRMENTS

The breakdown of change in impairments is as follows:

	2009	2008
Cash and cash equivalents	0.5	-0.4
Loans and receivables to credit institutions	1.3	-1.2
Loans and receivables to customers	-362.7	-99.9
Credit commitments	-16.1	-1.9
Available for sale financial assets	55.2	-294.5
Equity securities and other	-1.5	-
Receivables previously classified as available for sale financial assets	-7.3	-
Investments in associates accounted for under the equity method	-41.0	-
Investment property	-10.0	-5.7
Tangible assets	-13.0	0.1
Goodwill and other intangible assets	-54.5	-48.7
Other assets	-135.2	-26.5
Total change in impairments	-584.3	-478.7

As at 31 December 2009, the line loans and receivables to customers and other assets include specific and collective impairments relating to different leasing entities for a total amount of EUR 455 million.

As at 31 December 2009, the line investments in associates accounted for under the equity method includes mainly an impairment on the equity accounting of the entity Postbank Ireland Ltd for a total amount of EUR 32.9 million. As at 31 December 2009, the line goodwill and other intangible assets includes an impairment on the goodwills on the leasing subsidiaries for a total amount of EUR 34.1 million as well as on the goodwill on the subsidiary SADE SA for a total amount of EUR 2.3 million.

As at 31 December 2008, the line "Goodwill and other intangible assets" includes an impairment relating to the goodwill on the subsidiary Fundamentum Asset Management SA for an amount of EUR 27.8 million.



# 46 - STAFF EXPENSES

The breakdown of staff expenses is as follows:

	2009	2008
Salaries and wages	213.8	218.6
Social security charges	29.6	28.2
Pension costs	3.1	2.5
Pension costs relating to defined benefit plans	3.5	2.6
Other	15.9	11.8
Total staff costs	265.9	263.7

The pension costs relate to the defined benefit plans (see note 8). The line "Other" includes termination benefit costs and early-retirement costs.

## 47 - OTHER ADMINISTRATIVE EXPENSES

The breakdown of other administrative expenses is as follows:

	2009	2008
Operating lease rental expenses and related expenses	7.3	7.3
Rental and other direct expenses relating to investment property	2.4	1.8
Professional fees	26.7	22.5
Marketing and public relations	8.7	8.4
Information technology costs	38.0	40.3
Maintenance and repair expenses	10.2	9.4
Other	98.5	238.7
Total other administrative expenses	191.8	328.4

The line "Other" includes travel expenses, post and telephone costs, temporary staff costs, training costs for employees and the increase of provisions for risks.

The decrease compared to 31 December 2008 is mainly due to the following recognitions which occurred in 2008:

- the two first advance payments to the AGDL, defined in note 34, for an amount of EUR 25.7 million in order to reimburse customers of Icelandic banks;
- an increase of the AGDL provision for an amount of EUR 36.9 million relating to the remaining risk to be supported by the Bank in the context of the unavailability of deposits of Luxembourgish subsidiaries from Icelandic banks;
- a provision for significant operational losses at the level of the subsidiary Fundamentum Asset Management SA for an amount of EUR 78.9 million.



# 48 - AMORTISATION OF TANGIBLE AND INTANGIBLE ASSETS

The breakdown of amortisation of tangible and intangible assets is as follows:

	2009	2008
Amortisation of tangible assets		
Buildings held for own use	13.7	14.1
Leasehold improvements	1.8	1.8
Investment property	20.2	20.3
Equipment and motor-vehicles	11.0	11.5
Amortisation of intangible assets		
Software	2.1	2.5
Other intangible assets	9.6	11.6
Total amortisation of tangible and intangible assets	58.4	61.8

## 49 - TAX EXPENSE

Details of tax expenses are presented below:

	2009	2008
Current tax expense for the current year	-71.6	-62.9
Adjustments for current tax of prior year	-0.9	0.5
Previously unrecognised tax losses, tax credits and temporary differences reducing current tax expenses	-	2.6
Total current tax expense	-72.5	-59.8
Deferred taxes arising from the current year	46.2	158.5
Impact of changes in tax rates on deferred taxes	-0.4	-3.3
Deferred taxes arising from the amortisation of deferred tax assets	-66.5	-
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	14.9	-14.0
Total deferred income tax revenue/expenses	-5.8	141.2
Tax revenue of financial assets held for sale	4.6	-
Total income tax revenue/expenses	-73.7	81.4
·		

The following table provides a reconciliation of the expected income tax expense and the actual tax expense. The expected income tax expense has been determined by relating the profit before tax to the weighted average standard rate in Luxembourg. For 2009, this rate is 28.59% (29.63% in 2008).

	2009	2008
Profit before tax	115.3	-118.8
Applicable tax rate	28.59%	29.63%
Expected income tax expense	-33.0	35.2
Increase (decrease) in taxes resulting from:		
Tax exempt interests and dividends	34.8	69.0
Tax exempt capital gains on investments	14.2	30.1
Share in profit or loss of associates accounted for under the equity method	-0.8	0.6
Tax exempt profits of holding 1929 subsidiaries	-	0.1
Unrecognised tax losses	-3.4	-3.6
Previously unrecognised tax losses	2.9	-10.1
Foreign tax rate differential	-22.1	-9.9
Unrecognised tax assets	28.3	-
Tax expense for financial assets held for sale	2.1	8.8
Adjustments for current tax of prior years	-1.0	-11.0
Impact of changes in tax rates on temporary differences	-0.4	-3.3
Non-tax deductible impairments on participations	-89.4	-48.6
Other	-5.9	24.1
Actual income tax revenue/expense	-73.7	81.4



# 50 - NET PROFIT OF DISCONTINUED OPERATIONS

The reclassification of the net profit of discontinued operations in accordance with IFRS 5 mainly relates to the subsidiaries Fortis Banque (Suisse) SA as well as Fortis Investment Management SA. The year 2008 has been adjusted in consequence.

	2009	2008
Gains on non-current assets held for sale and discontinued operations	117.9	190.3
Losses on non-current assets held for sale and discontinued operations	-165.9	-257.4
Profit before tax on non-current assets held for sale and discontinued operations	-48.0	-67.1
Tax revenue linked to non-current assets held for sale and discontinued operations	-4.6	-4.6
Net profit of discontinued operations	-52.6	-71.7



# NOTES TO THE CONSOLIDATED OFF-BALANCE SHEET



# 51 - CREDIT-RELATED FINANCIAL INSTRUMENTS

Credit-related financial instruments include acceptances, credit commitments, letters of credit and financial guarantees. The Bank's exposure to credit loss in the event of non-performance by the counterparty is represented by the contractual notional amounts of those instruments. Fees received from these credit-related instruments are recorded in the income statement when the service is delivered.

Acceptances are used by customers to execute payments for merchandise sold in import-export transactions.

Credit commitments are agreements to extend a loan to a customer as long as there are no violations of any conditions laid down in the agreement. Commitments generally have fixed expiration dates or other termination clauses. The geographic and counterparty distribution of loan commitments approximates the distribution of outstanding loans. The Bank's experience has been that the majority of loan commitments are actually drawn up by customers. Letters of credits either ensure payment by the Bank to a third party for a customer's foreign or domestic trade or are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. In such event, letters of credit represent a conditional commitment for the Bank. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of (eventual) collateral obtained is based on credit evaluation of the counterparty. Collateral could consist of the goods financed as well as of cash deposits. Most documentary credits are granted, though in many cases this is followed by immediate payment.

Sureties and financial guarantees are used to guarantee performance of a customer. The credit risk involved in issuing these guarantees is essentially the same as that involved in extending loan facilities to customers. These sureties and guarantees may be unsecured.

The following table is a summary of the notional amounts (principal sums) of the Bank's commitments and guarantees with off-balance credit risk at 31 December:

	2009	2008
Guarantees and "standby" letters of credit	1,478.4	1,628.3
Commercial letters of credit	66.8	87.3
Documentary credits	45.0	66.8
Commitments to extend credit	4,351.4	5,641.0
Total	5,941.6	7,423.4



The breakdown of commitments to extend credit is as follows:

	2009	2008
Credit lines		
Customers – Loans – Government and official institutions	58.1	125.6
Customers – Loans – Mortgage Ioans	72.0	75.2
Customers – Loans – Consumer Ioans	556.2	530.8
Customers – Loans – Commercial loans	3,422.9	4,421.5
Customers – Loans – Other	242.2	487.9
Total	4,351.4	5,641.0

Of these commitments, EUR 3,422.9 million have a maturity of more than one year (2008: EUR 3,902.1 million).



# 52 - INSTRUMENTS OF GUARANTEE

#### 52.1 FINANCIAL ASSETS GIVEN AS GUARANTEE FOR LIABILITIES OR CONTINGENT LIABILITIES

The carrying value of financial assets given as guarantee for liabilities or contingent liabilities is as follows:

2009	Carrying value	Deposits from credit institutions	Deposits from customers	Other liabilities
Investments	2,136.0	2,136.0	-	-
Loans and receivables to credit institutions	96.3	-	96.3	-
Loans and receivables to customers	609.9	609.9	-	-
Cash and cash equivalents	248.9	248.9	-	-
Total	3,091.1	2,994.8	96.3	-
2008	Carrying value	Deposits from credit institutions	Deposits from customers	Other liabilities
Investments	3,020.5	3,020.5	-	-
Loans and receivables to credit institutions	286.3	-	286.3	-
Loans and receivables to customers	10.3	-	-	10.3
Cash and cash equivalents	248.9	248.9	-	-
Total	3,566.0	3,269.4	286.3	10.3

#### 52.2 FINANCIAL ASSETS RECEIVED AS GUARANTEE

The financial assets received as guarantee by the Bank which it is authorised to sell or to pass on as guarantee are as follows:

	Fair value of the guarantee hold	
	2009	2008
Investments	3,630.3	3,626.2
Loans and receivables to customers	10,500.7	21,589.2
Cash and cash equivalents	119.2	845.8
Tangible assets	21.0	1.123.9
Other	0.4	771.4
Total	14,271.6	27,956.5

## 53 - CONTINGENT LIABILITIES

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

The Bank makes provisions for such matters when, in the opinion of management and upon consultation with its legal advisors, it is probable that a payment will have to be made by Fortis Bank, and when the amount can be reasonably estimated (see note 34 Provisions).

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



# 54 - LEASE AGREEMENTS

The following table reflects future commitments for non-cancellable operating leases at 31 December:

	2009	2008
Not later than 3 months	1.2	1.3
From 3 months to 1 year	3.5	3.5
From 1 year to 5 years	14.8	13.3
Total	19.5	18.1
Lease payments	2.3	5.5
Sub-lease payments	-	0.1
Total	2.3	5.6



# 55 - ASSETS UNDER MANAGEMENT

The assets under management include investments for own account as well as assets managed on behalf of clients that are not recognised in the Bank's balance sheet and on which the Bank earns a management or advice fee. Assets held in custody are not included here.

The line "Eliminations" in the tables relates to the assets under management of customers invested in funds managed by the Bank that otherwise would be double counted.

The following table provides a breakdown of assets under management by investment type and origin:

	2009	2008
Investments for own account:		
Debt securities	7,259.2	9,143.8
Equity securities	287.1	341.4
Real estate	635.6	617.0
Other	62.9	452.9
	8,244.8	10,555.1
Funds under management:		
Debt securities	10,372.5	12,394.2
Equity securities	8,308.4	7,372.1
Eliminations	-1,693.3	-1,859.5
	16,987.6	17,906.8
Total assets under management	25,232.4	28,461.9

The decrease of assets under management is mainly due to a deliberate strategy to reduce risks on investments for own account.



# 56 - POST-BALANCE SHEET EVENTS

Since the close of the financial year, recurrent performances of the Bank have remained on a favourable track amid uncertain conditions.

In the context of the implementation of the global industrial plan of BNP Paribas, the Bank will sell during the first half-year 2010 its participations in Fortis Banque (Suisse) SA and Fortis Investment Management SA to other entities of BNP Paribas group and will take a participation in BNP Paribas Investment Partners SA. Besides, the Bank has acquired the total shares of bank BNP Paribas Luxembourg SA. Then the Bank will sell its operation BGL Securities Services to another entity of BNP Paribas group in Luxembourg. Finally, the Bank will see its share of interest in Fortis Lease Group Holding be diluted following to the contribution in kind of the BNP Paribas leasing entities against the issue of new shares by Fortis Lease Group.

At last, the Bank has decided, in accordance with its partner An Post, to stop the operations of Postbank Ireland Ltd at year-end 2010 as well as to sell the remaining participation in Internaxx Bank SA, namely 25%, to the second shareholder, the Bank's industrial partner TD Waterhouse.




## UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The unconsolidated annual accounts of BGL BNP Paribas SA have been prepared in accordance with the legislation and regulations applicable in Luxembourg, and in particular with the modified Law of 17 June 1992 on the accounts of credit institutions.

The annual accounts are provided hereafter in an abridged form. The unconsolidated annual accounts, comprising the balance sheet, income statement and notes to the annual accounts as well as the Board of directors' report and the auditor's report are published in accordance with legal requirements. Pursuant to article 71 of the modified Law of 17 June 1992 on the accounts of credit institutions, the certified annual accounts, the Board of directors' report, as well as the auditor's report must be filed with the register of commerce and companies in the month they are approved by the General Meeting of Shareholders, and no later than 7 months after the closing of the period. The accounts are published by mention in the "Mémorial" of the filing with the register of commerce and companies where these documents are available.

The auditor delivered an unqualified certification of the unconsolidated annual accounts of BGL BNP Paribas SA as at 31 December 2009.



## UNCONSOLIDATED BALANCE SHEET

In million of euros

	31/12/2009	31/12/2008
Assets		
Cash, balances with central banks and post offices	500.0	475.9
Loans and advances to credit institutions	8,773.4	13,344.7
a) repayable on demand	3,571.2	7,604.3
b) other loans and advances	5,202.2	5,740.4
Loans and advances to customers	14,206.8	15,723.3
Debt securities and other fixed-income securities	7,905.3	9,643.0
a) issued by public bodies	4,352.7	4,608.9
b) issued by other borrowers	3,552.6	5,034.1
Shares and other variable yield securities	293.7	409.2
Participating interests	51.7	115.8
Shares in affiliated undertakings	1,135.8	1,764.8
Intangible assets	1.9	2.7
Tangible assets	143.8	152.9
Other assets	124.0	124.9
Prepayments and accrued income	428.8	614.7
Total assets	33,565.2	42,371.9



#### (CONTINUATION)

In million of euros

LiabilitiesImage: statutions3,037.911,409.6Amounts owed to credit institutions3,037.911,409.6a) repayable on demand993.51,777.8b) with agreed maturity dates or periods of notice2,044.49,611.8c) a saving deposits4,774.41,805.1b) other debts11,851.316,161.9repayable on demand8,968.59,554.4with agreed maturity dates or periods of notice2,882.86,607.5Debts evidenced by certificates6,627.95,569.7a) debt securities in issue4,200.65,230.4b) other2,472.3339.3Other liabilities316.5396.1Accruals and deferred income266.9342.4Provisions214.3279.9Subcordinated liabilities351.160.9b) other provisions214.3279.9Subcordinated liabilities102.4362.9Subcordinated liabilities102.4362.9Subscribed capital713.1698.6Share premium account2,770.42,684.9Reserves1,826.81,796.1Porti trought forward0.10.1Portific the financial year4432.430.6Total liabilities33,565.242,371.9Off-balance sheet items1,998.12,143.1Off-balance sheet items1,998.12,143.1Off-balance sheet items1,601.36,497.8Conntiments1,443.65,497.8Fiduciary operations </th <th></th> <th>31/12/2009</th> <th>31/12/2008</th>		31/12/2009	31/12/2008
a) repayable on demand  993.5  1,797.8    b) with agreed maturity dates or periods of notice  2,044.4  9,611.8    Amounts owed to customers  16,625.7  17,967.0    a) saving deposits  4,774.4  1,805.1    b) other debts  11,851.3  16,161.9    repayable on demand  8,968.5  9,554.4    with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and defered income  266.9  342.4    Provisions  214.3  279.9    Subordinated liabilities  345.1  60.9    b) other general banking risks  102.4  682.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  682.8    Subscribed capital  713.1  698.6    Share premium account	Liabilities		
b) with agreed maturity dates or periods of notice  2,044.4  9,611.8    Amounts owed to customers  16,625.7  17,967.0    a) saving deposits  4,774.4  1,805.1    b) other debts  11,851.3  16,619.9    repayable on demand  8,968.5  9,554.4    with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  682.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit forund  0.1	Amounts owed to credit institutions	3,037.9	11,409.6
Amounts owed to customers  16,625.7  17,967.0    a) saving deposits  4,774.4  1,805.1    b) other debts  11,851.3  16,161.9    repayable on demand  8,968.5  9,554.4    with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions for tax  35.1  60.9    b) other provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  455.4  631.8    Special Items with a reserve quota portion  1141.3  1141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Profit brought forward  0.1 <td< td=""><td>a) repayable on demand</td><td>993.5</td><td>1,797.8</td></td<>	a) repayable on demand	993.5	1,797.8
a) saving deposits  4,774.4  1,805.1    b) other debts  11,851.3  16,161.9    repayable on demand  8,968.5  9,554.4    with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special Items with a reserve quota portion  1141.3  1141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit for the financial year  432.4  30.6	b) with agreed maturity dates or periods of notice	2,044.4	9,611.8
b) other debts  11,851.3  16,161.9    repayable on demand  8,968.5  9,554.4    with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  333.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  244.9  340.8    a) provisions for tax  35.1  60.09    b) other provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  1002.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit brought forward  0.1  0.1	Amounts owed to customers	16,625.7	17,967.0
repayable on demand  8,968.5  9,554.4    with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  316.5  316.5    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  1002.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  33,656.2  42,37.9    Off-balance sheet items  1,998.1  2,143.1	a) saving deposits	4,774.4	1,805.1
with agreed maturity dates or periods of notice  2,882.8  6,607.5    Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  0.019  35.1    b) other provisions  214.3  279.9    Subcritinet liabilities  345.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  33,565.2  42,30.6    Off-balance sheet items  1,998.1  2,143.1    Off-balance sheet items  1,998.1  3,161.3	b) other debts	11,851.3	16,161.9
Debts evidenced by certificates  6,627.9  5,569.7    a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Profit brought forward  0.1  0.1    Profit brought forward  0.1  0.1    Off-balance sheet items  432.4  30.6    Contingent liabilities  1,998.1  2,143.1    Off which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8	repayable on demand	8,968.5	9,554.4
a) debt securities in issue  4,200.6  5,230.4    b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  4454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Profit brought forward  0.1  0.1    Profit for the financial year  33,555.2  42,371.9    Off-balance sheet items  7  33,555.2  42,371.9    Off-balance sheet items  7  33,555.2  42,371.9    Off-balance sheet items  7  33,555.2  42,371.9    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3	with agreed maturity dates or periods of notice	2,882.8	6,607.5
b) other  2,427.3  339.3    Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit brought forward  0.1  0.1    Off-balance sheet items  33,565.2  42,371.9    Off-balance sheet items  1,998.1  2,143.1    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8	Debts evidenced by certificates	6,627.9	5,569.7
Other liabilities  316.5  396.1    Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  4454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit brought forward  0.1  0.1    Off-balance sheet items  33,565.2  42,371.9    Off-balance sheet items  1,998.1  2,143.1    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8	a) debt securities in issue	4,200.6	5,230.4
Accruals and deferred income  266.9  342.4    Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  33,565.2  42,371.9    Off-balance sheet items  7  1,538.0  1,601.3    Contingent liabilities  1,998.1  2,143.1  1,601.3    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8  1,549.8	b) other	2,427.3	339.3
Provisions  249.4  340.8    a) provisions for tax  35.1  60.9    b) other provisions  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  33,565.2  42,371.9    Off-balance sheet items    Contingent liabilities  1,998.1  2,143.1    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8	Other liabilities	316.5	396.1
a) provisions for tax35.160.9b) other provisions214.3279.9Subordinated liabilities214.3279.9Subordinated liabilities414.3631.8Special items with a reserve quota portion141.3141.3Fund for general banking risks102.4362.9Subscribed capital713.1698.6Share premium account2,770.42,684.9Reserves1,826.81,796.1Profit brought forward0.10.1Profit for the financial year33,565.242,371.9Off-balance sheet itemsOff-balance sheet items1,998.1Contingent liabilities1,998.12,143.1Of which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	Accruals and deferred income	266.9	342.4
b) other provisions  214.3  279.9    Subordinated liabilities  214.3  279.9    Subordinated liabilities  454.4  631.8    Special items with a reserve quota portion  141.3  141.3    Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  33,565.2  42,371.9    Off-balance sheet items  1,998.1  2,143.1    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8	Provisions	249.4	340.8
Subordinated liabilities454.4631.8Special items with a reserve quota portion141.3141.3Fund for general banking risks102.4362.9Subscribed capital713.1698.6Share premium account2,770.42,684.9Reserves1,826.81,796.1Profit brought forward0.10.1Profit for the financial year432.430.6Total liabilities33,565.242,371.9Off-balance sheet items1,998.12,143.1Of which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	a) provisions for tax	35.1	60.9
Special items with a reserve quota portion141.3Fund for general banking risks102.4362.9Subscribed capital713.1698.6Share premium account2,770.42,684.9Reserves1,826.81,796.1Profit brought forward0.10.1Profit for the financial year432.430.6Total liabilities33,565.242,371.9Off-balance sheet items1,998.12,143.1Off which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	b) other provisions	214.3	279.9
Fund for general banking risks  102.4  362.9    Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  432.4  30.6    Total liabilities  33,565.2  42,371.9    Off-balance sheet items	Subordinated liabilities	454.4	631.8
Subscribed capital  713.1  698.6    Share premium account  2,770.4  2,684.9    Reserves  1,826.8  1,796.1    Profit brought forward  0.1  0.1    Profit for the financial year  432.4  30.6    Total liabilities  33,565.2  42,371.9    Off-balance sheet items	Special items with a reserve quota portion	141.3	141.3
Share premium account2,770.42,684.9Reserves1,826.81,796.1Profit brought forward0.10.1Profit for the financial year432.430.6Total liabilities33,565.242,371.9Off-balance sheet itemsContingent liabilities1,998.1Qf which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	Fund for general banking risks	102.4	362.9
Reserves1,826.81,796.1Profit brought forward0.10.1Profit brought forward0.10.1Profit for the financial year432.430.6Total liabilities33,565.242,371.9Off-balance sheet itemsContingent liabilities1,998.1Qf which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	Subscribed capital	713.1	698.6
Profit brought forward0.10.1Profit for the financial year432.430.6Total liabilities33,565.242,371.9Off-balance sheet itemsContingent liabilities1,998.12,143.11,998.12,143.1Of which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	Share premium account	2,770.4	2,684.9
Profit for the financial year432.430.6Total liabilities33,565.242,371.9Off-balance sheet items	Reserves	1,826.8	1,796.1
Total liabilities33,565.242,371.9Off-balance sheet items	Profit brought forward	0.1	0.1
Off-balance sheet itemsImage: Contingent liabilitiesImage: Contingent liab	Profit for the financial year	432.4	30.6
Contingent liabilities  1,998.1  2,143.1    Of which: guarantees and assets pledged as collateral security  1,538.0  1,601.3    Commitments  4,443.6  5,497.8	Total liabilities	33,565.2	42,371.9
Of which: guarantees and assets pledged as collateral security1,538.01,601.3Commitments4,443.65,497.8	Off-balance sheet items		
Commitments 4,443.6 5,497.8	Contingent liabilities	1,998.1	2,143.1
Commitments 4,443.6 5,497.8	Of which: guarantees and assets pledged as collateral security	1,538.0	1,601.3
Fiduciary operations 1,776.9 1,622.5			
	Fiduciary operations	1,776.9	1,622.5

## UNCONSOLIDATED FINANCIAL STATEMENTS PAGE 217

## UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

In million of euros

	31/12/2009	31/12/2008
Interest received and similar income	1,315.4	2,739.1
Of which: arising from fixed-income securities	337.3	570.9
Interest paid and similar charges	-759.7	-2,353.5
Income from securities	55.6	92.7
a) income from shares and other variable-yield securities	12.4	19.6
b) income from participating interests	9.3	9.2
c) income from shares in affiliated undertakings	33.9	63.9
Commissions receivable	317.2	377.5
Commissions payable	-97.4	-115.8
Net profit on financial operations	267.3	-592.2
Other operating income	57.2	110.8
General administrative expenses	-310.3	-320.5
a) staff costs, of which:	-207.1	-204.0
- wages and salaries	-176.8	-168.7
- social security costs	-24.3	-29.3
Of which: relating to pensions	-18.5	-23.8
b) other administrative expenses	-103.2	-116.5
Value adjustments in respect of tangible and intangible assets	-18.5	-20.6
Other operating charges	-33.0	-94.4
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	-39.9	176.8
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	-560.0	-181.3
Transfers to "special items with a reserve quota portion"	-0.1	-
Income from the writing back of "special items with a reserve quota portion"	0.2	12.7
Income from the writing back of amounts included in the fund for general banking risks	260.5	229.9
Tax on results on ordinary activities	-21.5	-19.5
Results on ordinary activities, after tax	433.0	41.7
Extraordinary income	0.1	-
Extraordinary results	0.1	-
Other taxes not shown under the preceding items	-0.7	-11.1
Profit for the financial year	432.4	30.6
	102.11	00.0



# CONTACT CENTRE AND BRANCH NETWORK

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**DIEKIRCH** 5, rue de Stavelot L-9280 Diekirch

#### DIFFERDANGE

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**DUDELANGE** 59, avenue Gr.-D. Charlotte L-3441 Dudelange

**ECHTERNACH** 25, place du Marché L-6460 Echternach

#### ESCH/BENELUX

Place Benelux L-4027 Esch/Alzette

**ESCH/CENTRE** 30, rue de l'Alzette L-4010 Esch/Alzette

#### ETTELBRUCK

77-79, Grand'Rue L-9051 Ettelbruck

#### GREVENMACHER

2, route de Trèves L-6793 Grevenmacher

HOWALD 201, route de Thionville L-5885 Howald

JUNGLINSTER 2, route de Luxembourg L-6130 Junglinster

#### LAROCHETTE

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#### NIEDERANVEN

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#### **REDANGE-SUR-ATTERT**

35, Grand'Rue L-8510 Redange-sur-Attert

#### REMICH

24, route de l'Europe L-5531 Remich

#### SCHIFFLANGE

36-38, avenue de la Libération L-3850 Schifflange

#### **STEINFORT**

5-7, square du Général Patton L-8443 Steinfort

#### STRASSEN

255, route d'Arlon L-8011 Strassen

#### TÉTANGE/KÄLDALL

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#### **TROISVIERGES**

33-35, Grand'Rue L-9905 Troisvierges

#### VIANDEN

4, Grand'Rue L-9410 Vianden

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