Consolidated financial statements
to 31 December 2011

prepared according to the IFRS accounting standards adopted by the European Union

The consolidated financial statements of the BGL BNP Paribas Group are presented for the years 2011 and 2010, in compliance with the IFRS standards adopted by the European Union.

AUDIT REPORT

TO THE BOARD OF DIRECTORS OF BGL BNP PARIBAS S.A.

Report on the consolidated financial statements

Following our appointment by the Board of Directors, we have audited the accompanying consolidated financial statements of BGL BNP Paribas S.A., which comprise the consolidated balance sheet as at 31 December 2011, the consolidated profit and loss account, the statement of consolidated net income and changes in assets and liabilities recognised directly in consolidated equity, the statement of changes in the consolidated shareholders equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 financial statements.

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 financial statements give a true and fair view of the consolidated financial position of BGL BNP Paribas S.A. as of 31 December 2011, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by 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 financial statements.

PricewaterhouseCoopers S.à r.l.

Luxembourg, 15 March 2012

Represented by
Paul Neyens
Rima Adas

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	Note	2011	2010
Interest income	2.a	947.3	942.7
Interest expense	2.a	(323.8)	(362.8)
Commission income	2.b	253.6	277.8
Commission expense	2.b	(50.9)	(76.5)
Net gain / loss on financial instruments at fair value through profit or loss	2.c	(15.5)	8.0
Net gain / loss on available-for-sale financial assets	2.d	(16.8)	4.4
Income from other activities	2.e	5.1	6.8
Expense on other activities	2.e	(6.0)	(2.8)
Revenues		**793.0**	**797.6**
Operating expense	2.f	(391.1)	(406.3)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.m	(26.6)	(26.6)
Gross operating income		**375.3**	**364.7**
Cost of risk	2.g	(157.3)	(34.4)
Operating income		**218.0**	**330.3**
Share of earnings of associates	2.j	88.2	(2.7)
Net gain on other fixed assets	2.k	16.2	10.3
Goodwill	5.n	-	(10.0)
Pre tax income		**322.4**	**327.9**
Corporate income tax	2.h	(39.2)	(43.0)
Net income on continued operations		**283.2**	**284.9**
Net income on discontinued operations	2.i	14.6	(1.6)
Net income		**297.8**	**283.3**
Minority interests		-	6.3
of which income from continued operations		-	*6.3*
of which income from discontinued operations		-	-
Net income attributable to equity holders		**297.8**	**277.0**

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

In millions of euros	2011	2010
Net income	**297.8**	**283.3**
Changes in assets and liabilities recognised directly in equity	(55.8)	(1.6)
Items related to exchange rate movements	-	8.6
Changes in fair value of available-for-sale financial assets and of securities reclassified as loans and receivables	(14.0)	(16.4)
Changes in fair value of available-for-sale assets, reported in net income	(6.4)	(5.1)
Changes in fair value of hedging instruments	(5.2)	1.8
Items related to equity associates	(30.2)	9.5
Total	242.0	281.7
Attributable to equity shareholders	242.1	275.3
Attributable to minority interests	(0.1)	6.4

CONSOLIDATED BALANCE SHEET

In millions of euros	Note	31 December 2011	31 December 2010
ASSETS			
Cash and amounts due from central banks and post offices		783.9	345.2
Financial assets at fair value through profit or loss	5.a	1 421.1	2 654.1
Derivatives used for hedging purposes	5.b	51.7	7.1
Available-for-sale financial assets	5.c	3 429.3	5 491.2
Loans and receivables due from credit institutions	5.f	11 192.3	12 068.5
Loans and receivables due from customers	5.g	13 763.2	14 275.8
Held-to-maturity financial assets	5.i	737.2	1 662.2
Current and deferred tax assets	5.j	28.2	27.4
Accrued income and other assets	5.k	279.0	377.0
Investments in associates	5.l	835.3	932.4
Investment property	5.m	19.4	18.1
Property, plant and equipment	5.m	274.4	284.5
Intangible assets	5.m	4.0	4.0
Goodwill	5.n	-	-
Non-current assets held for sale and discontinued operations	5.o	-	347.1
Total assets		32 819.0	38 494.6
LIABILITIES			
Due to central banks and post offices		18.7	10.6
Financial liabilities at fair value through profit or loss	5.a	2 322.4	2 800.7
Derivatives used for hedging purposes	5.b	88.6	80.6
Due to credit institutions	5.f	3 402.7	6 602.1
Due to customers	5.g	19 378.6	19 932.3
Debt securities	5.h	1 577.3	2 416.3
Remeasurement adjustment on interest-rate risk hedged portfolios		35.4	0.7
Current and deferred tax liabilities	5.j	135.9	187.4
Accrued expenses and other liabilities	5.k	251.9	331.1
Provisions for contingencies and charges	5.p	98.9	135.8
Liabilities linked to non-current assets held for sale and discontinued operations	5.o	-	336.7
Total liabilities		27 310.4	32 834.3
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital	5.q	*5 343.9*	*5 412.6*
Net income for the period attributable to shareholders		*297.8*	*277.0*
Total capital, retained earnings and net income for the period attributable to shareholders		5 641.7	5 689.6
Changes in assets and liabilities recognised directly in equity		(133.1)	(77.4)
Shareholders equity		5 508.6	5 612.2
Retained earnings and net income for the period attributable to minority interests		-	48.0
Changes in assets and liabilities recognised directly in equity		-	0.1
Total minority interests		-	48.1
Total consolidated equity		5 508.6	5 660.3
Total liabilities and equity		32 819.0	38 494.6

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS EQUITY FROM 1 JANUARY 2010 TO 31 DECEMBER 2011

Attributable to shareholders

In millions of eurros	Capital and retained earnings			Change in assets and liabilities recognised directly in equity *			
	Ordinary shares, net of treasury shares and additional paid-in capital	Non-distributed reserves	Total capital and retained earnings	Exchange rates	Available-for-sale financial assets	Derivatives used for hedging purposes	Total equity
Capital and retained earnings at 31 December 2009	**3 474.9**	**2 777.8**	**6 252.7**	**(26.5)**	**(56.8)**	**7.6**	**6 177.0**
Dividends	-	(330.2)	(330.2)	-	-	-	(330.2)
Change in scope of consolidation	-	(509.2)	(509.2)	-	-	-	(509.2)
Other movements	-	(0.7)	(0.7)	-	-	-	(0.7)
Change in assets and liabilities recognised directly in equity	-	-	-	28.3	(25.0)	(5.0)	(1.7)
Net income for 2010	-	277.0	277.0				277.0
Capital and retained earnings at 31 December 2010	**3 474.9**	**2 214.7**	**5 689.6**	**1.8**	**(81.8)**	**2.6**	**5 612.2**
Increase in capital and equity issue	-	-	-	-	-	-	-
Dividends	-	(333.0)	(333.0)	-	-	-	(333.0)
Partial disposal of interests	-	(10.2)	(10.2)	-	-	-	(10.2)
Commitment to repurchase minority shareholders' interests	-	(2.7)	(2.7)	-	-	-	(2.7)
Other movements	-	0.2	0.2	-	-	-	0.2
Change in assets and liabilities recognised directly in equity	-	-	-	(9.5)	(40.7)	(5.5)	(55.7)
Net income for 2011	-	297.8	297.8	-	-	-	297.8
Capital and retained earnings at 31 December 2011	**3 474.9**	**2 166.8**	**5 641.7**	**(7.7)**	**(122.5)**	**(2.9)**	**5 508.6**

* Including elements relative to equity associates

In 2011, the item "Partial disposal of interests" (-10.2 million euros) included, in particular, a partial disposal of interests of -7.8 million euros relative to the merger of Fortis Lease S.p.A into BNP Paribas Leasing Solutions S.p.A.

In 2010, the parameter changes relate to the acquisition of BNP Paribas Luxembourg S.A. The adopted method for the acquisition of BNP Paribas Luxembourg (acquisition at book value) generated goodwill of 509.2 million euros that was then directly deducted from equity. On the acquisition date, the equity of BNP Paribas Luxembourg was 2,370 million euros.

Minority interests

In millions of euros	Retained earnings	Change in assets and liabilities recognised directly in equity *	Total equity
Retained earnings at 31 December 2009	**(11.0)**	**(0.1)**	**(11.1)**
Interim dividends out of net income for the period	(1.6)	-	(1.6)
Change in scope of consolidation	54.2	0.1	54.3
Other movements	0.1	-	0.1
Change in assets and liabilities recognised directly in equity	-	0.1	0.1
Net income for 2010	6.3	-	6.3
Retained earnings at 31 December 2010	**48.0**	**0.1**	**48.1**
Interim dividends out of net income for the period	(1.9)	-	(1.9)
Change in scope of consolidation	(46.1)	-	(46.1)
Other movements	-	-	-
Change in assets and liabilities recognised directly in equity	-	(0.1)	(0.1)
Net income for 2011	-	-	-
Retained earnings at 31 December 2011	**-**	**-**	**-**

* Including elements relative to equity associates

Minority interests of 48.1 million euros in 2010 primarily relates to the minority interests in the companies held by the parent company of the leasing activities (BNP Paribas Leasing Solutions S.A.). As of 1 January 2011, minority interests of these companies are directly deducted from the share in the net results of associates.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	2011	2010
Pre-tax income on continued operations	**322.4**	**327.9**
Net income on discontinued operations	14.6	(1.6)
Taxes related to discontinued operations	-	(35.1)
Pre-tax net income	**337.0**	**291.2**
Non-monetary items included in pre-tax net income and other adjustments	**58.8**	**881.1**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	27.9	28.7
Impairment of goodwill and other fixed assets	(0.1)	9.9
Net addition to provisions	157.3	(205.7)
Share of earnings of associates	(88.2)	0.3
Net income from investing activities	(18.5)	266.0
Changes to assets intended to be sold	-	904.7
Other movements	(19.6)	(122.8)
Net (decrease) increase in cash related to assets and liabilities generated by operating activities	777.6	2 841.2
Net (decrease) increase in cash related to transactions with credit institutions	(1 993.9)	638.8
Net decrease in cash related to transactions with customers	(1 238.6)	(760.3)
Net increase (decrease) in cash related to transactions involving financiers other financial assets and liabilities	4 065.0	3 036.4
Net decrease in cash related to transactions involving non-financial assets and liabilities	(0.3)	(2.1)
Taxes paid	(54.6)	(71.6)
Net (decrease) increase in cash and cash equivalents generated by operating activities	1 173.4	4 013.5
Increase (decrease) related to financial assets and participations [1]	133.4	(4 041.0)
Net decrease related to property, plant and equipment and intangible assets	(17.4)	(26.6)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO INVESTING ACTIVITIES	**116.0**	**(4 067.6)**
(Decrease) increase in cash and cash equivalents related to transactions with shareholders	(333.0)	(330.3)
(Decrease) increase in cash and cash equivalents generated by other financing activities	(237.8)	(462.4)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO FINANCING ACTIVITIES	**(570.8)**	**(792.7)**
Effect of movement in exchange rates	(0.0)	(0.1)
Evolution of cash and cash equivalents from operations held for sale	-	77.9
Net (decrease) increase in cash and cash equivalents	718.6	(769.0)

[1] 2010: includes the acquisition of BNP Paribas Luxembourg S.A. for an amount of 2,675 million euros.

(CONTINUATION)

In millions of euros	Note	2011	2010
Balance of cash and cash equivalent accounts at the start of the period		**(44.8)**	**724.2**
Cash and amounts due from central banks and post offices		345.2	500.0
Due to central banks and post offices		(10.6)	(16.6)
Demand deposits with credit institutions	5.f	133.0	947.3
Demand loans from credit institutions	5.f	(507.6)	(731.9)
Deduction of receivables and accrued interest on cash and cash equivalents		(4.8)	25.4
Balance of cash and cash equivalent accounts at the end of the period		**673.8**	**(44.8)**
Cash and amounts due from central banks and post offices		783.9	345.2
Due to central banks and post offices		(18.7)	(10.6)
Demand deposits with credit institutions	5.f	780.3	133.0
Demand loans from credit institutions	5.f	(871.3)	(507.6)
Deduction of receivables and accrued interest on cash and cash equivalents		(0.4)	(4.8)
Net (decrease) increase in cash and cash equivalents		**718.6**	**(769.0)**

The assets held for sale, liabilities associated with the assets held for sale and discontinued operations only involve the companies already reclassified in 2010 (Alsabail and BG2S).

On 31 December 2011, the BGL BNP Paribas Group held 755 million euros of cash on hold with the Central Bank of Luxembourg (312.9 million euros on 31 December 2010).

Notes to the financial statements

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

GENERALITIES

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

The corporate purpose of the BGL BNP Paribas Group, hereinafter the "Group", is to engage in all banking and financial operations and services, all participating interests, as well as all commercial, industrial or other operations, whether involving furnishings or real estate, on its own account or on behalf of third parties, relating directly or indirectly to its corporate purpose or being of a nature that will promote its achievement. It may perform its activities in the Grand Duchy of Luxembourg and abroad.

The BNP Paribas Group is the majority shareholder of BGL BNP Paribas. It controls – directly and indirectly through Fortis Bank - 65.96% of the capital of BGL BNP Paribas.

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

The Group is included in the consolidated financial statements of Fortis Bank S.A., its main shareholder (50% + 1 share). The consolidated financial statements of Fortis Bank S.A. are available at its head office at 3 Montagne du Parc, B - 1000 Brussels.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES APPLIED BY THE GROUP

1.a APPLICABLE ACCOUNTING STANDARDS

The consolidated financial statements have been prepared in accordance with the international accounting standards (International Financial Reporting Standards – IFRS) as adopted by the European Union. Consequently certain provisions of the IAS 39 standard regarding hedge accounting have been excluded, and certain recent texts have not yet undergone the approval process.

The consolidated financial statements are submitted to the Ordinary General Meeting on 5 April 2012.

The entry into force of other mandatory application standards as of 1 January 2011, had no impact on the consolidated financial statements as at 31 December 2011.

The Group did not choose to early-adopt the application of the new standards, amendments and interpretations adopted by the European Union and whose application in 2011 was optional.

Information regarding the nature and extent of risks relating to financial instruments required by IFRS 7 "Financial

Instruments: Disclosures", as well as information on regulatory capital required by IAS 1 "Presentation of Financial Statements" are presented in Note 4 "Risk Management and Capital Adequacy".

1.b CONSOLIDATION PRINCIPLES

1.b.1 Scope of consolidation

The Group's consolidated financial statements include all companies under the exclusive or joint control of the Group, or over which the Group exercises significant influence, with the exception of those whose consolidation is regarded as immaterial to the Group.

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

1.b.2 Consolidation methods

Companies under exclusive control are fully consolidated. The Group has exclusive control of a subsidiary when it is in position to govern an entity's financial and operational policies and thus to benefit from its activities. Exclusive control is presumed to exist when the Group directly or indirectly holds more than half of the subsidiary's voting rights; it is presumed when the Group has the power to direct the entity's financial and operational policies pursuant to an agreement, or to appoint, dismiss or gather the majority of the members of the Board of directors or of the equivalent management body.

The determination of the control percentage takes into account the potential voting rights resulting from supplementary voting rights, provided that they can be immediately exercised or converted.

The companies under joint control and significant influence are accounted for using the equity method. The Group has joint control when, pursuant to a contractual agreement, the strategic financial and operational decisions related to the business require unanimous agreement between the parties that share control of it.

Significant influence results from the ability to take part in an entity's financial and operational policies, but without having control. It is presumed if the Group directly or indirectly holds 20% or more of an entity's voting rights.

Changes in the shareholders equity of companies accounted for using the equity method are recognised on the asset side of the balance sheet under the heading "Investments in associates" and in the liabilities under the appropriate shareholders equity heading. The goodwill on a company consolidated using the equity method is also shown under the "Investments in associates".

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

Minority interests are presented separately in the consolidated earnings, as well as within the consolidated balance sheet, as part of the shareholders equity. The determination of the minority holdings takes into account, if relevant, any circulating cumulative preferred shares issued by the subsidiaries and classified as shareholders equity instruments, provided that they are held by companies outside of the Group.

Realised gains and losses on consolidated undertakings are recognised in the profit and loss statement under the heading "Net gain on non-current assets", except for the realised gains and losses on assets held for sale, and discontinued operations.

1.b.3 Consolidation procedures

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events occurring under similar circumstances.

Elimination of intragroup balances and transactions

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

Translation of financial statements expressed in foreign currencies

The Group's consolidated financial statements are prepared in euros, which is the functional and presentation currency of the BNP Paribas Group.

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

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

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

Where a percentage change in an associate does not lead to a change in the nature of the investment, the cumulative translation adjustment is recorded in the profit and loss account for the share of the amount relating to the interest sold.

1.b.4 Business combinations and measurement of goodwill

Business combinations are accounted for using the purchase method. Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the IFRS recognition criteria are measured at fair value or its equivalent on the acquisition date, except for non-current assets classified as assets held for sale, which are accounted for at the lower of the book value and the fair value less costs to sell.

The contingent liabilities of the acquired entity are only recognised in the consolidated balance sheet to the extent that they represent a current obligation at the date of the acquisition, and where their fair value can be reliably estimated.

The acquisition cost is the fair value or its equivalent, on the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued to obtain control of the acquiree. The costs directly attributable to the combination are included in the acquisition cost.

Any additional costs are included into the acquisition cost at fair value at the acquisition date. Subsequent changes in value of the additional costs, qualifying as a financial liability, are recognised in the profit and loss account.

The Group has a period of twelve months from the date of acquisition to finalise the accounting of the business combination under consideration.

Goodwill represents the difference between the acquisition cost and the acquirer's interest in the net fair value, or its equivalent, of the identifiable assets, liabilities and contingent liabilities on the acquisition date. On this date, positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss.

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

At the time of taking control of an entity, any interest previously held in the latter is re-evaluated at fair value against profit or loss. When a business combination has been achieved through several exchange transactions (step-by-step acquisition), goodwill is determined by reference to fair value at the date of acquisition.

Since the application of the revised IFRS 3 is prospective, business combinations which took place before 1 January 2010 were not restated to reflect revised IFRS 3.

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

1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

1.c.1 Loans and receivables

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

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

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

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

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

1.c.2 Securities

Categories of securities

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

Financial assets at fair value through profit or loss

The category of "Financial assets at fair value through profit or loss" includes:

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

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

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

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

Loans and receivables

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

Held-to-maturity financial assets

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

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

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

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

A very small number of exceptions to this rule are nevertheless tolerated in accordance with IAS 39 AG22:

- sale concluded at a date sufficiently close to the due date;
- sale occurring after receipt of practically the full principal amount;
- sales due to an isolated, unpredictable event, and one which is unlikely to recur, (eg a sudden and significant downgrading of the credit risk of the issuer of a bond, a regulatory change ...).

Available-for-sale financial assets

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

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

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

Repurchase agreements and securities lending / borrowing

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

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

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

Recognition date for securities transactions

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

Temporary sales of securities (whether recognised as fair value through profit or loss, loans and receivables or debt) as well as sales of borrowed securities are initially recognised on their settlement date.

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

1.c.3 Foreign currency transactions

The methods used to account for and to assess the foreign exchange risk inherent to the assets and liabilities relating to foreign currency transactions entered into by the Group depend on whether these assets and liabilities are considered to be a monetary or a non-monetary item.

Monetary assets and liabilities [(1)] expressed in foreign currencies

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

Non-monetary assets expressed in foreign currencies

Non-monetary assets can be recognised at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are, in the first case, assessed at the exchange rate on the transaction date and, in the second case, at the exchange rate prevailing on the balance sheet date.

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

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

1.c.4 Impairment of financial assets

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

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

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

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

The impairment is measured as the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, and of those components (principal, interest, collateral, etc.) considered to be recoverable. Changes to the value of now impaired assets are recognised in the profit and loss statement, under "Cost of risk". Any subsequent reappraisal that can be objectively related to a cause occurring after the impairment loss is credited to the profit and loss statement, also under "Cost of risk". From the date of the first impairment, contractual interest ceases to be recognised.

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

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

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

Impairment of available-for-sale financial assets

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

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

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

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

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

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

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

1.c.5 Reclassification of financial assets

The possible reclassification of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near term, out of "Financial assets at fair value through profit or loss" and into:
  - "Loans and receivables" if the asset meets the definition for this category on the reclassification date and the group has the intention and ability to hold the asset for the foreseeable future or until maturity;
  - Other categories only under exceptional circumstances, provided that the reclassified assets meet the conditions applicable to the host portfolio.

- out of the "Available-for-sale financial assets" category and into:
  - "Loans and receivables" with the same conditions as set out above for "Financial assets at fair value through profit or loss";
  - "Held-to-maturity financial assets" category for assets that have a maturity or "Financial assets at cost" for unlisted variable-income assets.

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

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

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

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

1.c.6 Issues of debt securities

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

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

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

Redeemable bonds or bonds convertible into equity instruments are considered to be hybrid instruments that include both a debt and an equity component, determined on initial recognition.

1.c.7 Derivative instruments and hedge accounting

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

Derivatives held for trading purposes

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

Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives

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

1.c.8 Determination of fair value

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

Method for determining fair value

Fair value is determined:

- either based on quoted prices in an active market,
- or by using valuation techniques involving:
  - valuation methods based on accepted financial theories;
  - parameters derived in some cases from the prices of instruments traded in active markets and, in others, from statistical estimates or other quantitative methods, should an active market not exist.

Whether or not a market is active is determined on the basis of a variety of indicators, such as a significant decline of the volume of trading activity in identical or similar instruments, the growing rarity of values returned by service companies, the strong dispersal of available prices amongst the market participants, or the observed transaction prices are not current.

Use of prices quoted in active markets

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

Use of models to evaluate unquoted financial instruments

Most over-the-counter derivatives, swaps, future rate agreements, caps, floors and simple options are traded on active markets. Their valuation is calculated using generally accepted models (future cash flow discounting method, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

Certain financial instruments, though not traded on active markets, are valued using methods based on observable market parameters.

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

Valuations derived from these models are adjusted for liquidity risk and credit risk. Thus, based on valuations produced on the basis of a median market price, price adjustments are used to value the net position of each financial instrument at the bid price for short positions or ask price for long positions. The bid price reflects the price at which a counterparty would buy the instrument; the ask price reflects the price at which a counterparty would sell the same instrument.

Similarly, to reflect the credit quality of derivatives, an adjustment for counterparty risk is built into the valuation derived from models.

The margin generated when these financial instruments are traded, valued using methods based on observable parameters, is immediately recognised in the profit and loss account.

Other financial instruments which are complex and illiquid are assessed using techniques developed internally by the company and based on data that are totally or partially observable in active markets.
In the absence of observable parameters, these instruments are assessed, at the time of their initial recognition, in a way that reflects the transaction price, considered to be the best indication of its fair value. A valuation derived from these models is adjusted in order to account for liquidity, credit and model risks.

The margin generated when these complex financial instruments are traded ("day one profit") is deferred and posted to the profit and loss statement over the period during which the valuation parameters are expected to remain non-observable.

When originally non-observable parameters become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the margin is then posted through profit and loss.

Finally, in the special case of unlisted equity securities, the fair value is determined in comparison with the most recent transaction or transactions involving the capital of the company in question, carried out with an independent third party on an arm's length basis. In the absence of such references, the valuation is determined, either on the basis of generally accepted practices(multiples of EBIT or EBITDA), or on the basis of the share of net assets attributable to the Group, calculated using the latest available information.

Unlisted shares held by the Group are assessed on the basis of their net asset value increased by the variation of the initial goodwill, if relevant, less a possible value adjustment.

1.c.9 Financial assets and liabilities designated at fair value through profit or loss in application of the IAS 39 option

The amendment to IAS 39 relating to the "fair value option" was adopted by the European Union on 15 November 2005, and was brought into effect starting 1 January 2005.

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

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

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

1.c.10 Income and expenses arising from financial assets and financial liabilities

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

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes into account all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.
In the profit or loss statement, the Group recognises service-related commission income and expenses on the basis of the nature of the services to which they relate. Commissions considered as an additional component of interest are included in the effective interest rate and are recognised in the profit and loss statement in the "Net interest income". Commissions payable or received on execution of a significant transaction are recognised in full in the profit and loss statement on execution of the transaction, under "Commission income and expense", as are commissions payable or received for recurring services over the term of the service. Commissions received in respect of financial guarantee commitments are considered to represent the commitment's initial fair value. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Revenues.

External costs directly attributable to an issue of new shares are deducted from the shareholders' equity, net of all related taxes.

1.c.11 Cost of risk

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

1.c.12 Derecognition of financial assets and financial liabilities

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

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

1.c.13 Offsetting financial assets and financial liabilities

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

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

1.d PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

When an asset consists of a number of components that may require replacement at regular intervals, or that have different uses for different patterns for producing economic benefits, each component is recognised separately and appreciate using a method appropriate to that component. The component-based approach has been adopted for property used in operations and for investment property.

The depreciation periods used for buildings are 50 years, 15 years for general and technical installations, 10 years for fixtures and fittings, 5 years for equipment, 3 to 5 years for IT hardware and 5 years for furnishings.

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

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

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

If there is an indication of impairment, the asset's new recoverable value is compared with the asset's carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss statement.

This loss is reversed in case of a change to the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are recognised in the profit and loss statement, under "Depreciation, amortisation and impairment of property, plant and equipment and intangible assets".

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

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

1.e LEASE CONTRACTS

The various group companies can either be the lessee or the lessor in leasing contracts.

1.e.1 Group company is the lessor in the leasing contract

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

Finance lease contracts

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

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

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

Operating lease contracts

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

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

1.e.2 The Group company is the lessee in the leasing contract

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

Finance lease contracts

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

Operating lease contracts

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

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

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

Once classified in this category, non-current assets and groups of assets and liabilities are assessed at the lower of their book value or fair value less selling costs.

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

Moreover, when a group of assets and liabilities held for sale represents a uniform set of business lines, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been sold or shut down, and subsidiaries acquired exclusively with a view of resale.

All gains and losses related to discontinued operations are shown separately in the profit and loss statement, on the line "Net income on discontinued operations"; this line includes the post-tax profits or losses from discontinued operations, the post-tax gain or loss arising reassessment that fair value less selling costs, and the post-tax gain or loss on the disposal of the operation.

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

1.g EMPLOYEE BENEFITS

Short-term benefits

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

Long-term benefits

These are benefits, other than post-employment benefits and termination benefits, which are not fully settled within 12 months after the end of the year during which the staff members rendered the corresponding services. This relates, in particular, to compensation deferred for more than twelve months, paid in cash and not linked to the BNP Paribas share price, which is accrued in the financial statements for the period in which it is earned.

The actuarial assessment method is similar to the one used for defined-benefit post-employment benefits, except that actuarial gains and losses are immediately recognised, as is the effect related to possible plan amendments.

Termination benefits

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

Post-employment benefits

In keeping with generally accepted principles, the Group makes a distinction between the defined-contribution plans and defined-benefit plans.

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

Only defined-benefit plans give rise to an obligation for the company, which must then be assessed and provisioned.

The classification of plans into either of the two categories is based on the plan's economic substance, which is reviewed to determine whether or not the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefits under defined-benefit plans are assessed using actuarial techniques that take demographic and financial assumptions into account.

The provisioned amount of the commitment is assessed on the basis of the actuarial assumptions applied by the company, while using the projected unit credit method. This assessment method takes into account various parameters, such as demographic assumptions, early retirement, wage increases, a discounting rate and the inflation rate. The value of any plan assets is then deducted from the obligation amount.

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

The amount of the obligation under a plan and the value of the plan assets can fluctuate significantly from one period to the next, due to changes in actuarial assumptions, thereby resulting in actuarial gains and losses. The Group applies the "corridor" methodology when recognising actuarial gains and losses. This method authorises the recognition, as of the following period and over the average remaining working lives of employees, of only that part of actuarial gains and losses that exceeds the greater of 10% of the present value of the gross defined-benefit obligation or 10% of the fair value of plan assets at the end of the previous period.

The effects of plan amendments relative to past service costs are recognised through profit or loss over the full vesting period of the amended benefits.

The annual expense recognised under "Salaries and employee benefits" with respect to defined benefit plans is comprised of the rights vested by each employee during the period in return for services rendered, the financial cost of discounting the obligations, the expected return on plan assets, amortisation of actuarial gains and losses and past service costs arising from possible plan amendments, and the consequences of any plan curtailments or settlements.

1.h PROVISIONS

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

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

1.i CURRENT AND DEFERRED TAXES

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

Deferred taxes are recognised when temporary differences arise between the carrying amount of assets and liabilities in the balance sheet and their tax bases.

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

- taxable temporary differences on the initial recognition of goodwill;
- taxable temporary differences on investments in companies under exclusive or joint control, insofar as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

1.j CASH FLOW STATEMENT

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

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

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

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

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

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

This applies in particular to:

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

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

2. NOTES TO THE PROFIT AND LOSS ACCOUNT STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

2.a NET INTEREST INCOME

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

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

In millions of euros	Year to 31 December 2011			Year to 31 December 2010		
	Income	Expense	Net	Income	Expense	Net
Customer items	**422.2**	**(167.1)**	**255.1**	**275.6**	**(132.6)**	**143.0**
Deposits, loans and borrowings	422.2	(167.1)	255.1	275.6	(132.6)	143.0
Interbank items	**272.0**	**(101.4)**	**170.6**	**389.3**	**(165.9)**	**223.4**
Deposits, loans and borrowings	272.0	(91.3)	180.7	389.1	(160.4)	228.7
Repurchase agreements	0.0	(10.1)	(10.1)	0.2	(5.5)	(5.3)
Debt securities issued	**-**	**(25.8)**	**(25.8)**	**-**	**(45.3)**	**(45.3)**
Cash flow hedge instruments	**6.5**	**(6.8)**	**(0.3)**	**1.5**	**(0.3)**	**1.2**
Interest rate portfolio hedge instruments	**11.9**	**(6.9)**	**5.0**	**0.9**	**(0.6)**	**0.3**
Trading book	**42.5**	**(15.8)**	**26.7**	**26.8**	**(18.1)**	**8.7**
Fixed income securities	29.7	-	29.7	16.7	-	16.7
Repurchase agreements	3.2	0.0	3.2	-	-	-
Loans / borrowings	9.6	(3.6)	6.0	10.1	(13.4)	(3.3)
Debt securities	-	(12.2)	(12.2)	-	(4.7)	(4.7)
Available-for-sale financial assets	**132.3**	**-**	**132.3**	**179.8**	**-**	**179.8**
Held-to-maturity financial assets	**59.9**	**-**	**59.9**	**68.8**	**-**	**68.8**
Total interest income (expense)	947.3	(323.8)	623.5	942.7	(362.8)	579.9

2.b COMMISSIONS

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Credit operations for customers / Credit institutions	14.6	21.7
Means of payment and account keeping	37.3	27.0
Securities and derivatives transactions	9.1	3.2
Foreign exchange and arbitrage transactions	0.7	0.6
Securtieies, investment funds and UCITS	81.4	84.9
Securities transactions for customers' account	48.1	53.7
Consulting activities	5.4	15.4
Insurance activities	16.2	13.4
Other	(10.1)	(18.6)
Total commission income and expense	202.7	201.3

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

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

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Trading portfolio	**(61.6)**	**26.9**
Debt instrument	(50.9)	(15.1)
Equity instrument	(15.9)	39.9
Other derivative financial instruments	5.5	2.1
Repurchase agreements	(0.3)	-
Portfolio assessed at fair value on option	**43.1**	**(64.5)**
Impact of hedge accounting	**(5.7)**	**0.6**
Fair value hedges	33.1	12.5
Hedged items in fair value hedge	(38.8)	(11.9)
Remeasurement of currency positions [1]	**8.7**	**45.0**
TOTAL	(15.5)	8.0

[1] This exchange result is covered by the exchange result generated on balance sheet positions that are not assessed at fair value through profit or loss.

As part of fair value hedges, the net profit for the period on financial instruments for hedging purposes included in the derivative financial instruments amounted to 33.1 million euros (12.5 million euros in 2010) and the net loss on hedged components of financial instruments that were the subject of hedges amounted to 38.8 million euros (11.9 million euros in 2010).

The line "Instruments at fair value option" includes the revaluation of own credit risk for an amount of 35.9 million euros (-2.0 million euros in 2010).

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

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

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Fixed income securities [1]	(21.8)	-
Gains and losses on disposal	(21.8)	-
Equities and other variable-income securities	5.0	4.4
Dividend income	6.0	16.6
Additions to impairments	(1.0)	(12.8)
Gains and losses on disposal	-	0.6
TOTAL	(16.8)	4.4

[1] Interest income from available-for-sale fixed-income securities is included in the “net interest income” (note 2.a) and impairment losses linked to potential issuer insolvency are included in “Cost of risk” (note 2.g).

In 2011, the Group reduced its exposure to the sovereign debt of Spain, Italy and Belgium via the sale of securities from the portfolio of available-for-sale financial assets and held-to-maturity financial assets for a nominal amount of 1.015 million euros. Realised losses on those sales were partially offset by sales of sovereign or para-sovereign securities of other States (Austria, Germany, France).

The net impact of these disposals amounted to -10.1 million euros. The Group also recorded a loss of 5.7 million euros on the strategic sale of a bond, with a view to supporting the results of future interest.

In 2010, impairment losses linked to variable-income securities primarily related to the Group’s interest in BIP Investment Partners, which were subject to an impairment loss amounting to 11.8 million euros.

2.e INCOME AND EXPENSE FROM OTHER ACTIVITIES

In millions of euros	Year to 31 December 2011			Year to 31 December 2010		
	Income	Expense	Net	Income	Expense	Net
Net income from investment property	3.1	(1.2)	1.9	3.0	(1.1)	1.9
Net income from assets held under operating leases	0.0	-	0.0	0.5	-	0.5
Other income and expense	2.0	(4.8)	(2.8)	3.3	(1.7)	1.6
Total	5.1	(6.0)	(0.9)	6.8	(2.8)	4.0

2.f OPERATING EXPENSES

The staff expenses are presented in note 7.a.

In 2011, general operating expenses include restructuring costs (35.6 million euros against 64.4 million euros in 2010) incurred in connection with the implementation of the industrial plan set out in November 2009 prior to the merger of the two banks: BGL BNP Paribas and BNP Paribas Luxembourg.

It should be noted that there was an exceptional provision for restructuring costs of 37 million euros in 2010.

2.g COST OF RISK

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

At 31 December 2011, the net additions to impairments included 113.8 million euros relating to the write-off of 75% of exposure to Greek sovereign debt included in held-to-maturity assets (see note 4.k).

Cost of risk for the period *In millions of euros*	Year to 31 December 2011	Year to 31 December 2010
Net additions to impairments	(158.0)	(50.0)
Recoveries on loans and receivables previously written off	2.8	16.0
Irrecoverable loans and receivables not covered by impairments	(2.1)	(0.4)
Total cost of risk for the period	**(157.3)**	**(34.4)**

At 31 December 2010, the recoveries on loans and receivables previously written-off primarily result from the repayment and the estimated future repayments from the AGDL (Association pour la Garantie des Dépôts, Luxembourg).

(CONTINUATION)

Cost of risk for the period by asset type

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Loans and receivables due from credit institutions	(0.9)	-
Loans and receivables due from customers	(55.3)	(26.5)
Available-for-sale financial assets	(1.9)	10.8
Financial instruments on trading activities	(0.3)	-
Held-to-maturity financial assets	(113.8)	-
Other assets	4.4	15.2
Off-balance sheet commitments and other items	10.5	(33.9)
Total cost of risk for the period	**(157.3)**	**(34.4)**

At 31 December 2010, the off-balance sheet commitments include a provision for the compensation of Royal Park Investments in the amount of 10.8 million euros, as a result of the revision of the disposal price of certain securities positions transferred to this dedicated SPV in 2009.

Impairments for credit risk

Movement in impairments

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Total impairments at start of period	**256.5**	**1 025.1**
Discontinued operations	-	(828.1)
Total impairments for continued operations at start of period	**256.5**	**197.0**
Net additions to impairments	158.0	50.0
Use of impairments	(31.5)	(21.8)
Additions to the scope of consolidation	-	22.7
Effect of movements in exchange rates and other items	3.5	8.6
Total impairment provisions at end of period	**386.5**	**256.5**

(CONTINUATION)

Impairment by asset type *In millions of euros*	Year to 31 December 2011	Year to 31 December 2010
Impairment of assets		
Loans and receivables due from credit institutions (note 5.f)	1.0	4.7
Loans and receivables due from customers (note 5.g)	249.9	202.0
Financial instruments on trading activities	0.3	-
Available-for-sale financial assets (note 5.c)	1.8	1.9
Held-to-maturity financial assets	113.8	-
Total impairments against financial assets	366.8	208.6
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments	19.7	47.9
Total provisions recognised as liabilities	19.7	47.9
Total impairment provisions	386.5	256.5

2.h CORPORATE INCOME TAX

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Income tax expense at the ordinary tax rate in Luxembourg	**-93,8**	**(94.7)**
Tax exempt interest and dividends	19.5	44.6
Income from tax exempt investments	2.9	14.0
Share of earnings of associates	25.7	(0.9)
Deductible provision on subsidiaries and affiliates	-	4.4
Previous losses not recognised in taxes and temporary differences	(1.2)	(6.1)
Differential effect in tax rates applicable to foreign entities	(0.3)	(0.3)
Other items	8.0	(4.0)
Corporate income tax expense	**(39.2)**	**(43.0)**
of which: Current tax expense for the year to 31 December	*(41.1)*	(68.1)
Deferred tax income (expense) for the year to 31 December (note 5.j)	*1.9*	25.1

On 1 January 2011, as on 1 January 2012, the ordinary law taxation rate in Luxembourg is 29.1%.

2.i NET INCOME ON DISCONTINUED OPERATIONS

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Gains on discontinued operations	14.6	39.6
Losses on discontinued operations	-	(76.3)
Pre-tax income	14.6	(36.7)
Taxes related to discontinued operations	-	35.1
Net income on discontinued operations	14.6	(1.6)

In 2011, net income from discontinued operations included 14.6 million euros of income from asset sales, of which 14.2 million euros related to a sale from the previous year.

At 31 December 2011, the reclassification of income from discontinued operations in accordance with IFRS 5 relates to the the earnings from the entity Alsabail, up to its sale in April 2011

In 2010, net earnings on discontinued operations include 44.2 million euros of disposable income.

2.j SHARE OF EARNINGS OF ASSOCIATES

In 2011, the most significant components of net income from our associates were 84.1 million euros from leasing activities and 3.4 million euros from the insurance companies in Luxembourg (Fortis Luxembourg Vie / Cardif Lux Vie).

In 2010, associates'net income was affected by a negative contribution from Loft Beck (formerly Postbank Ireland) of 5.5 million euros, and from leasing activities (-2.9 million euros), though this was partially offset by a positive contribution from Fortis Luxembourg Vie (6.1 million euros).

2.k NET GAINS ON OTHER FIXED ASSETS

In 2011, the income was generated mainly by the restructuring of Fortis Luxembourg Vie and Cardif Lux International for 6.2 million euros, the disposal of Fastnet Belgium and Fastnet Netherlands (1.1 and 2, 9 million euros respectively) and an interim liquidation dividend of 2.8 million euros from Beck Loft (formerly Postbank Ireland).

In 2010, the income was generated mainly by the sale of an investment in Plagefin (for 7.9 million euros).

3. SEGMENT INFORMATION

The Group is an international provider of financial services. It offers products and services and carries out its activities primarily in the Grand Duchy of Luxembourg and within the Greater Region.

The Group's sector information brings to light the complete economic contribution of the Group's activity domains, with the objective being to distribute all of the items in the balance sheet and profit and loss statement to the activity domains, for which the Management bears full liability.

The Group is organised into three core businesses:

- **Retail Banking**: this area covers the network of retail agencies in the Grand Duchy of Luxembourg and the activities of major Luxembourg companies, while offering its financial services to individuals and companies.

- **Corporate and Investment Banking** (CIB): this area includes activities in the capital markets intended for bankers, institutional customers in major international corporates.

- **Investment Solutions** (IS): this area includes Wealth Management and Personal Investors, that offer their estate management services to a national and an international private clientele;

Other: This domaine includes the results of the optimised Assets and Liabilities Management (ALM), linked to the management of own funds, as well as the elements related to the support functions that cannot be allocated to business sectors.

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

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

Allocation rules

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

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

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

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

Results by business segment

In millions of euros					Year to 31 December 2011
	Retail Banking	Corporate and Investment Banking	Investment Solutions	Other	Total
Revenues	325.9	74.3	204.2	188.6	793.0
Operating expense	(202.1)	(35.0)	(137.9)	(42.7)	(417.7)
Cost of risk [1]	(29.0)	(1.2)	(3.7)	(123.4)	(157.3)
Operating income	94.8	38.1	62.6	22.5	218.0
Non-operating items	84.5	-	-	19.9	104.4
Pre-tax income	179.3	38.1	62.6	42.4	322.4

[1] The amount of -123.4 million euros is mainly due to the exceptional impairment of the Greek sovereign debt (see note 4.k).

In millions of euros					Year to 31 December 2010
	Retail Banking	Corporate Investment Banking	Investment Solutions	Other	Total
Revenues	324.8	143.5	192.3	137.0	797.6
Operating expense	(190.8)	(46.6)	(125.4)	(70.1)	(432.9)
Cost of risk	(37.4)	14.3	10.7	(22.0)	(34.4)
Operating income	96.6	111.2	77.6	44.9	330.3
Non-operating items	(3.3)	(0.4)	6.8	(5.5)	(2.4)
Pre-tax income	93.3	110.8	84.4	39.4	327.9

Assets and liabilities by business segment

For most Group entities, the allocation of the assets and liabilities by business segment is based on the core business to which they report, with the exception of BGL BNP Paribas S.A., which is subject to a specific breakdown.

In millions of euros	31 December 2011					
	Retail Banking	Corporate Investment Banking	Investment Solutions	Other	Eliminations	Total
ACTIF						
Cash and amounts due from central banks and post offices	0.8	783.1	-	-	-	783.9
Financial assets at fair value through profit or loss	3.6	1 000.2	33.5	390.6	(6.9)	1 421.0
Derivatives used for hedging purposes	-	5.6	-	46.1	-	51.7
Available-for-sale financial assets	14.6	974.6	5.2	2 435.0	-	3 429.4
Loans and receivables due from credit institutions	149.1	5 626.2	10.8	6 066.2	(660.0)	11 192.3
Loans and receivables due from customers	7 687.0	1 252.0	697.9	4 144.4	(18.0)	13 763.3
Held-to-maturity financial assets	-	-	-	737.2	-	737.2
Current and deferred tax assets	2.3	0.5	-	25.4	-	28.2
Accrued income and other assets	65.2	353.3	37.1	74.3	(251.0)	278.9
Investments in associates	780.6	-	54.7	-	-	835.3
Investment property	-	-	14.7	4.7	-	19.4
Property, plant and equipment	1.0	0.1	39.9	233.4	-	274.4
Intangible assets	0.3	-	-	3.7	-	4.0
Internal investment	3 697.2	-	6 228.7	-	(9 925.9)	-
Total assets	**12 401.7**	**9 995.6**	**7 122.5**	**14 161.0**	**(10 861.8)**	**32 819.0**
LIABILITIES						
Due to central banks and post offices	-	18.7	-	-	-	18.7
Financial assets at fair value through profit or loss	1.7	942.0	26.4	1 359.2	(6.9)	2 322.4
Derivatives used for hedging purposes	-	55.7	-	32.9	-	88.6
Due to credit institutions	682.6	2 593.5	40.9	729.4	(643.7)	3 402.7
Due to customers	11 686.5	1 213.3	6 396.3	116.6	(34.1)	19 378.6
Debt securities	-	543.7	600.7	432.9	-	1 577.3
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-	-	35.4	-	35.4
Current and deferred tax liabilities	2.0	0.1	4.5	129.3	-	135.9
Accrued expenses and other liabilities	4.1	391.8	12.0	95.2	(251.2)	251.9
Provisions for contingencies and charges	24.8	-	41.7	32.4	-	98.9
Internal financing	-	4 236.8	-	5 689.1	(9 925.9)	-
Total liabilities	**12 401.7**	**9 995.6**	**7 122.5**	**8 652.4**	**(10 861.8)**	**27 310.4**

In millions of euros	31 December 2010					
	Retail Banking	Corporate Investment Banking	Investment Solutions	Other	Eliminations	Total
ASSETS						
Cash and amounts due from central banks and post offices	-	345.2	-	-	-	345.2
Financial assets at fair value through profit or loss	6.5	2 467.1	25.1	156.4	(1.0)	2 654.1
Derivatives used for hedging purposes	-	5.0	-	2.1	-	7.1
Available-for-sale financial assets	11.1	1 848.7	6.3	3 625.1	-	5 491.2
Loans and receivables due from credit institutions	168.9	7 966.6	0.7	4 818.3	(886.0)	12 068.5
Loans and receivables due from customers	7 640.1	1 501.5	919.4	4 501.8	(287.0)	14 275.8
Held-to-maturity financial assets	-	37.4	-	1 624.8	-	1 662.2
Current and deferred tax assets	1.9	25.5	-	-	-	27.4
Accrued income and other assets	27.6	505.3	54.1	32.8	(242.8)	377.0
Investments in associates	782.0	98.5	51.6	0.3	-	932.4
Investment property	-	-	14.9	3.2	-	18.1
Property, plant and equipment	0.1	-	37.0	247.4	-	284.5
Intangible assets	0.1	-	-	3.9	-	4.0
Non-current assets held for sale and discontinued operations	5.1	-	342.0	-	-	347.1
Internal investment	4 086.7	-	5 843.6	-	(9 930.3)	-
Total assets	**12 730.1**	**14 800.8**	**7 294.7**	**15 016.1**	**(11 347.1)**	**38 494.6**
LIABILITIES						
Due to central banks and post offices	-	10.6	-	-	-	10.6
Financial assets at fair value through profit or loss	2.5	2 299.5	27.0	472.7	(1.0)	2 800.7
Derivatives used for hedging purposes	-	73.5	-	7.1	-	80.6
Due to credit institutions	699.4	6 800.7	76.8	6.9	(981.7)	6 602.1
Due to customers	11 991.1	1 687.2	6 217.2	220.1	(183.3)	19 932.3
Debt securities	-	1 774.4	567.4	75.1	(0.6)	2 416.3
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-	-	0.7	-	0.7
Current and deferred tax liabilities	0.7	1.3	5.0	180.4	-	187.4
Accrued expenses and other liabilities	2.4	483.4	6.0	89.5	(250.2)	331.1
Provisions for contingencies and charges	34.0	15.4	58.6	27.8	-	135.8
Liabilities linked to non-current assets held for sale and discontinued operations	-	-	336.7	-	-	336.7
Internal financing	-	1 654.8	-	8 275.5	(9 930.3)	-
Total liabilities	**12 730.1**	**14 800.8**	**7 294.7**	**9 355.8**	**(11 347.1)**	**32 834.3**

4. RISK MANAGEMENT AND CAPITAL ADEQUACY

As a follow-up of Basel II Pillar 3 implementation, which introduced new requirements regarding risk transparency, the Group has decided to combine the information required under IFRS 7 and Pillar 3 of Basel II, in order to ensure maximum consistency and clarity.

The Group calculates the risks related to its banking activities using methods approved by the CSSF under Pillar 1. The scope covered by the methods (called the "prudential scope" is discussed in note 8.b, "Scope of consolidation".

The information presented in this note reflects all of the risks carried by the Group, which are measured and managed as consistently as possible.

4.a RISK MANAGEMENT ORGANISATION

Risk management is key in the business of banking and constitutes one of the bases of the Group's organisation. The primary responsibility for risk management is assigned to the business lines. As part of its function as a permanent, second-level control, the entire process is supervised by the Group Risk Management Department (GRM). GRM, which is independent of the divisions and business lines, and reports directly to the Management Board, has responsibility for monitoring, measuring and warning with regard to credit, counterparty, market and liquidity risks, in addition, the Permanent control coordination (2OPC) and Compliance functions monitor the operational risk and reputation risk as part of their permanent control responsibilities.

GRM is responsible for ensuring that the risks taken by the Bank are compatible with its risk policies. GRM, 2OPC and Compliance provide permanent and generally ex-ante control that is fundamentally different from the periodic ex-post examinations of the Internal Auditors. GRM reports regularly to the Internal Control and Risk Committee of the Board of Directors of the Group on the main findings, as well as on the methods used by GRM to measure these risks and consolidate them on a Group-wide basis. 2OPC and Compliance report to this same Committee on issues relevant to their remit, particularly those concerning operational risk, reputation risk and permanent controls.

GRM covers the risks resulting from the Group's business operations, and intervenes on all levels in the risk-taking and monitoring process. Its remit includes: formulating recommendations concerning risk policies, analysing the loan portfolio on a forward-looking basis, approving the most significant individual decisions taken with regard to loans, setting and monitoring trading limits with regard to counterparties and the market, guaranteeing the quality and effectiveness of monitoring procedures, defining or validating the risk management measures and producing comprehensive and reliable risk reporting data for the Management Board. It is also responsible for ensuring that all risk implications of new businesses or products have been adequately evaluated. These evaluations are performed jointly by the sponsoring business line and all of the functions concerned (Tax Department, Legal Department, Finance, Compliance), with GRM overseeing the quality of the validation process: analysis of the inventory of the risks and of the resources deployed to mitigate them, definition of the minimum criteria to be met in order to ensure sound business development. 2OPC and Compliance have identical responsibilities with regard to operational and reputation risks. 2OPC and Compliance play an important oversight and reporting role in the process of validating new products, new business activities and exceptional transactions.

4.b RISK CATEGORIES

The risk categories reported by the Group evolve in keeping with methodological developments and regulatory requirements.

All of the risk categories discussed below are managed by the Group. However, given their specific nature, no specific capital requirement is identified for reputation and strategy risks, insofar as the capital of the Group would provide no protection.

The implementation of regulatory definitions in accordance with the Basel Accord (International Convergence of Capital Measurement and Capital Standard), known as Basel II, is discussed in parts 4.d to 4.f of this section.

Credit and counterparty risk

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

Credit risk is measured on the portfolio level, taking into account correlations between the values of the loans and receivables that comprise it.

Counterparty risk is the manifestation of credit risk and market, investment and/or payment transactions that could expose the Bank to the risk of potential default by its counterparty: it is a bilateral risk with a third party with whom one or more market transactions has been concluded. Its amount varies over time with market parameters that impact the future potential value of the underlying transactions.

Market risk

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

Observable market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, prices of other goods, and other parameters that can be directly inferred from market listings, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable parameters include those based on working assumptions such as parameters contained in models or based on statistical or economic analyses that are not corroborated by market information.

The absence of liquidity is a major market risk factor. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value; this may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between supply and demand for certain assets.

Operational risk

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

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as defaults or value fluctuations do not fall within the scope of operational risk. Operational risk encompasses human resources risks, legal risks, tax risks, information system risks, production risks, risks related to published financial information and the potential financial implications resulting from reputation and compliance risks.

Compliance and reputation risk

Compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the significant financial loss that may result from the failure to comply with all provisions specific to banking and financial activities, whether of a legislative or regulatory nature, or with regard to professional and ethical standards, or instructions given by an executive body, particularly in application of guidelines issued by a supervisory body.

By definition, this risk is a sub-category of operational risk. However, certain implications of compliance risk can involve more than a purely financial loss and can actually damage the establishment's reputation. For this reason, the Group treats compliance risk separately.

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

Reputation risk is primarily contingent on all of the other risks borne by the Group.

Asset-liability management risk

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

Liquidity and refinancing risk

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

Breakeven risk

Breakeven risk is the risk of incurring an operating loss due to a change in the economic environment, leading to a decline in revenue coupled with insufficient cost elasticity.

Concentration risk

Concentration risk and its corollary, diversification effects, are embedded within each risk, especially for credit, market and operational risks using the correlation parameters taken into account by the corresponding risk models.

4.c RISK FACTORS

Risks specific to the Group and linked to the banking sector

Difficult macro-economic and market conditions could in the future have a significant unfavourable effect on the operating environment for financial institutions and hence on the Group's financial situation, earnings and the cost of risk.

Some of the Group's business lines are highly sensitive to changes in financial markets and the economic environment. The Group has been and could, in the future again, be confronted with a significant deterioration of the market and economic environment conditions. Such disruptions, which can develop suddenly and may hence not be fully hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Group's financial conditions, results of operations or cost of risk.

If economic conditions in Europe or elsewhere around the world deteriorated, particularly following a worsening of the sovereign debt crisis, the Group may be forced to set up additional reserves against its sovereign debt securities or additional losses, as a result of selling these securities. Political and financial disturbances resulting from such an event could adversely affect the following: the creditworthiness of customers and financial counterparties of the Group, market parameters such as interest rates, exchange rates and stock indices, as well as the liquidity of the Group and its ability to finance itself on acceptable terms.

Legislative and regulatory measures taken in response to the global financial crisis could significantly affect the Group as well as the financial and economic environment in which it operates.

Legislation or regulations have come into force or have been proposed recently to introduce a number of changes, some permanent, in the global financial environment. These new measures are intended to prevent a recurrence of the financial crisis but have the effect of causing a significant change of the environment in which the Group and other financial institutions operate.

Among the new measures that have been or could be adopted are the following: increasing the prudential capital adequacy ratios of solvency and liquidity, taxation of financial transactions, limiting and taxing the remuneration of certain employees above certain levels, restrictions or prohibitions on certain activities by commercial banks (especially proprietary trading activities and, potentially, investment banking activities, more generally), imposing limitations on certain types of financial products such as derivatives, strengthening the powers of the regulatory authorities and creating new authorities.

Measures which have already been adopted, and which will apply to the Group, include the following: Basel III and the Capital Requirement Directive - “CRD 4”, prudential ratios requirements announced by the European Banking Authority, and the designation of the BNP Paribas Group as a systemically important financial institution by the Financial Stability Committee. These measures will result in increased solvency and liquidity ratio requirements for the Group, which may then restrict its debt capacity.

The BNP Paribas Group has announced some measures to reduce its balance sheet to comply with these requirements. Nevertheless, to comply with the type of new regulations that may be adopted in the future, the Group may need to take certain measures to strengthen its regulatory capital, particularly by further reducing its balance sheet, and this could affect its profitability and have an adverse affect on its financial condition and results.

The Group’s access to financing, and the terms of that financing, could be significantly affected in the case of a worsening of the sovereign debt crisis, a deterioration in economic conditions, a downgrade of credit rating or other factors.

If adverse conditions in the debt markets were to persist over the long term or to get worse as a result of the crisis spreading to the whole economic sphere, or for reasons related to the financial industry in general or to the Group in particular (such as rating downgrades), the effect on the European financial sector in general and the Group in particular, could be significantly negative.

Any substantial increase in new provisions or a shortfall in the level of previously recorded provisions could adversely affect the Group’s results of operations and financial situation.

In connection with its lending activities, the Group regularly establishes provisions for loan losses, which are recorded in its profit and loss statement under “cost of risk”. Any significant increase in provisions for loan losses or a significant change in the Group’s estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, could have a material adverse effect on the Group’s results of operations and financial situation.

The Group may incur significant losses on its trading and investment activities due to market fluctuations and volatility.

For trading and investment purposes, the Group may take positions on the debt, currency, commodities and equity markets, as well as in unlisted shares, real estate and other types of assets. These positions could be adversely affected by volatility in financial and other markets, i.e. the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. There is no guarantee that the extreme volatility and market disruptions that occurred at the height of the financial crisis of 2008/2009 will not be repeated in the future, and that the Group will not suffer significant losses as a result of its capital markets activities. Volatility, if it turns out to be significantly greater or less than the Group's expectations, could also lead to losses on many other products used by the Group, such as swaps, futures, options and structured products.

Revenues derived from brokerage and from activities generating commissions are potentially vulnerable to market downturns.

The economic and financial conditions affect the number and size of capital market transactions in which the Group acts as a guarantor or financial adviser, or for which it provides other financing and investment services. The Bank's revenues from financing and investment, derived notably from transaction fees received for these services, are directly related to the number and size of the deals in which the Group participates, and are therefore likely to be significantly affected as a result of financial or economic trends that have an adverse impact on its customers and on its financing and investment activities. In addition, because the management commissions that the Group charges to its clients are generally based on the value or performance of the portfolios, a market downturn that reduces the value of these portfolios or increases the amount of withdrawals, would reduce the revenues received by the Group from its asset management, equity derivatives and Private Banking businesses. Independently of market changes, below-market performance by the Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues that it receives from its asset management business.

Protracted market decline can reduce liquidity, making it harder to sell assets. Such a situation could result in significant losses.

In certain of the Group's business lines, protracted asset price declines could reduce the level of activity in the market or reduce market liquidity.

This situation would expose the Group to significant losses if it cannot quickly close out possibly deteriorating positions.

Significant interest rate changes could adversely affect the Group's revenues or profitability.

The amount of net interest income earned by the Group during a given period affects its overall revenues and profitability for that period. Interest rates are affected by many factors beyond the Group's control. Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rate paid on debts. Any adverse change in the yield curve could cause of a decline of the net interest income from lending activities. In addition, any increase in interest rates on the short term financing of the Group and the mismatch of maturities are likely to impact negatively on profitability.

The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.

The Group's ability to engage in funding, investment and derivative transactions could be adversely affected by the financial soundness of other financial institutions or market participants. Financial institutions are closely interrelated as a result of their trading, clearing, counterparty and funding relationships. As a result, defaults, or even rumours or questions about one, regarding one or more financial services institutions, or the financial industry in general, have led to market-wide liquidity problems and could lead to further losses or defaults.

The losses resulting from the risks summarized above could significantly weigh on the Group's results of operations.

The Group's competitive position could be harmed if its reputation were damaged.

Considering the highly competitive environment in the financial services industry, a reputation for financial strength and integrity is critical to the Group's ability to attract and retain customers. The loss of business that could result from damage to the Group's reputation could have an adverse effect on its results of operations and financial situation.

An interruption in or failure of the Group's information technology systems may result in lost business and other losses.

Like most of its competitors, the Group relies heavily on its communication and information systems. Any breakdown, interruption or failure of the systems could result in errors or interruptions in the customer relationship management, general ledger, deposits, servicing and/or loan processing systems. The Group cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure or interruption could have an adverse effect on the Group's earnings and financial situation.

Unforeseen external events can interrupt the Group's operations and cause substantial losses as well as additional costs.

Unforeseen events such as political and social upheaval, severe natural disasters, terrorist attacks or other states of emergency could lead to an abrupt interruption of the Group's operations and, to the extent not covered by insurance, could cause substantial losses. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events could also lead to additional costs (such as relocation of affected employees) and increase the Group's costs (particularly for insurance premiums).

The Group is subject to extensive and evolving regulations in the countries and regions in which it operates.

The Group is exposed to compliance risk, such as the inability to comply fully with the laws, regulations, codes of conduct, professional norms or recommendations applicable to the financial services industry. Besides damage to the Group's reputation, non-compliance with these texts could lead to fines, public reprimand, enforced suspension of operations or, in extreme cases, withdrawal of operating licences. This risk is exacerbated by continuously increasing regulatory oversight. This is the case in particular with respect to money laundering, the financing of terrorist activities or transactions with countries that are subject to economic sanctions.

These changes, whose scope and implications are highly unpredictable, could substantially affect the Group, and have an adverse effect on its business activities, financial situation and results of operations.

Notwithstanding the Group's management policies, procedures and methods, it could still be exposed to unidentified or unanticipated risks, which could lead to significant losses.

The Group has devoted significant resources to developing its risk management policies, procedures and assessment methods, and intend to continue to do so in the future. Nonetheless, the employed risk management techniques and strategies provide no guarantee of effectively decreasing the risk in all market configurations.

The Group's hedging strategies do not preclude all risk of losses.

If any of the instruments or strategies used by the Group to hedge its exposure to various types of risk in its businesses is not effective, it may incur losses. Many of its

strategies are based on an observation of historical trading patterns and an analysis of historical correlations. However, the hedge may only be partial, or the employed strategies may not protect against all future risks or may not be fully effective in mitigating the risk exposure in all market environments. Unexpected market development may also reduce the effectiveness of these hedging strategies.
In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Group's reported earnings.

The Group may experience some difficulties related to the integration of companies which it has acquired, and may not achieve the gains expected from these acquisitions.

The operational integration of acquired businesses is a long and complex process. Successful integration and the achievement of synergies require, among other things, a satisfactory coordination of the efforts of the business development and marketing departments, retention of key management personnel, hiring policies and effective training and the adaptation of information and computer systems.
Although the Group generally carries out a thorough analysis of the companies that it decides to acquire, it is often not possible to conduct a comprehensive review of them in advance. The Group may have an increased exposure to bad assets and incur a higher cost of risk due to its acquisitions, especially in cases where it could not conduct a thorough due diligence exercise prior to the acquisition.

Intense competition could adversely affect the revenues and profitability of the Group.

Competition is intense in the Group's primary business areas. Competition in the banking industry could intensify as a result of the ongoing consolidation of financial services that accelerated during the recent financial crisis. If the Group is unable to maintain its competitiveness by offering a range of attractive and profitable product and service solutions, it may lose market share in certain key business lines or incur losses on some or all of its activities.

4.d SUMMARY OF RISKS

Summary of the risks allocated by Basel exposure class

The following table provides a summary view of the risks allocated by Basel exposure class. These risks serve as reference for the calculation of the solvency ratio as part of the regulatory reports provided to the CSSF (Basel II Pillar 1).

In millions of euros	31 December 2011		31 December 2010	
	Amount of risk weighted assets	Capital requirements	Amount of risk weighted assets	Capital requirements
Credit and counterparty risk	**10 697.8**	**855.9**	**12 597.2**	**1 007.9**
Credit risk - IRBA	**8 338.3**	**667.1**	**10 395.1**	**831.6**
Central governments and central banks	573.0	45.8	414.7	33.2
Corporates	4 503.3	360.3	4 714.9	377.2
Institutions [(1)]	1 587.3	127.0	3 658.3	292.7
Retail	1 476.3	118.1	1 478.4	118.2
Exposures guaranteed by real estate collateral	665.0	53.2	546.7	43.7
Other exposures	811.3	64.9	931.7	74.5
Securitised exposures	198.4	15.9	128.8	10.3
Assets other than credit obligations	-	-	-	-
Credit risk - Standardised approach	**2 359.5**	**188.8**	**2 202.1**	**176.3**
Central governments and central banks	6.4	0.5	7.1	0.6
Corporates	1 181.5	94.5	1 469.5	117.6
Institutions [(1)]	811.1	64.9	354.5	28.4
Retail	4.5	0.4	9.5	0.8
Exposures guaranteed by real estate collateral	2.5	0.2	0.1	-
Other exposures	2.0	0.2	9.4	0.8
Assets other than credit obligations	356.0	28.5	361.5	28.9
Exposure risk in the form of equities	**1 285.3**	**102.8**	**1 681.5**	**134.5**
Internal model	-	-	-	-
Simple risk weight method	1 240.4	99.2	1 612.2	129.0
Private equity in diversified portfolios	-	-	-	-
Listed equities	1.5	0.1	10.2	0.8
Other equity exposures	1 238.9	99.1	1 602.0	128.2
Standardised approach (“grandfathering”)	44.9	3.6	69.3	5.5
Market risk	**4.4**	**0.4**	**28.0**	**2.2**
Internal model	-	-	-	-
Standardised approach	4.4	0.4	28.0	2.2
Operational risk	**1 577.3**	**126.2**	**1 404.2**	**112.4**
Advanced Measurement Approach (AMA)	1 527.7	122.2	1 355.2	108.4
Standardised approach	14.4	1.2	7.0	0.6
Basic Indicator Approach (BIA)	35.2	2.8	42.0	3.4
Total risks before application of the temporary provisions	**13 564.8**	**1 085.3**	**15 710.9**	**1 257.0**
Temporary provisions (Basel 1 floor)	**676.1**	**54.1**	**3 427.9**	**274.2**
Total risks after application of the temporary provisions	**14 240.9**	**1 139.4**	**19 138.8**	**1 531.2**

[(1)] The exposure class “institutions” refers to credit institutions as well as investment firms (including those recognized in other countries) classified as credit institutions. Moreover this class includes some exposures to regional and local governments, public sector entities and multilateral development banks that are not treated as central government.

4.e CREDIT AND COUNTERPARTY RISK

The following table shows all of the financial assets and off-balance sheet items that are exposed to a credit or counterparty risk, after accounting for collateral and other security taken by the Group, and applying conversion factors.

Relative exposure to credit and counterparty risk, by Basel exposure class, excluding risk associated with securitization positions and equity risk.

In millions of euros	31 December 2011			31 December 2010		
	IRBA	Standard-ised approach	Total	IRBA	Standard-ised approach	Total
Central governments and central banks	4 285.2	32.4	4 317.6	6 169.5	115.7	6 285.2
Corporates	10 242.9	1 167.4	11 410.3	11 592.8	1 720.0	13 312.8
Institutions [(1)]	12 425.1	1 065.0	13 490.1	27 112.6	344.7	27 457.3
Retail	5 531.1	6.1	5 537.2	5 527.8	12.7	5 540.5
Other non credit-obligation assets [(2)]	-	36.3	36.3	-	361.5	361.5
Total exposure	**32 484.3**	**2 307.2**	**34 791.5**	**50 402.7**	**2 554.6**	**52 957.3**

IRBA: Internal Ratings Based Approach

The above table shows the entire prudential scope based on the categories defined in part VII, chapter 3, point 110 of the CSSF Circular 06/273, as amended, on capital requirements for credit institutions.

(1) The “Institutions” exposure class includes credit institutions and investment firms (including those recognised in other countries) which are classified as credit institutions. This class also includes certain exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

(2) Other non credit-obligation assets include tangible assets and accrued income.

The evolution of the exposures relative to credit risk by Basel exposure class, between 31 December 2010 and 31 December 2011, results primarily from the sale of sovereign debt and a reduction in interbank loans with the BNP Paribas Group.

Exposure linked to risks on securitisation positions

In millions of euros	31 December 2011		31 December 2010	
	Securitised exposures originated by BGL BNP Paribas	Securitisation positions held or acquired	Securitised exposures originated by BGL BNP Paribas	Securitisation positions held or acquired
Originator	-	-	-	-
Sponsor	-	-	-	-
Investor	-	412.7	-	587.2
Total exposure	-	412.7	-	587.2

The continuing decline of the exposure related to securitisation positions (decision made in 2009 two no longer invest in this activity), between 31 December 2010 and 31 December 2011, is not conveyed in the 'risks' view [1]. Indeed, the deterioration in several positions has resulted in an increase in risk-weighted assets.

[1] The exposure declined from 587.2 million euros on 31 December 2010 to 412.7 million euros on 31 December 2011, while the capital requirement increased from 10.3 to 15.9 million euros.

Exposure linked to equity risk [2]

In millions of euros	31 December 2011	31 December 2010
Standardised approach ("grandfathering")	**36.3**	**64.7**
Simple risk weight method	**335.4**	**436.5**
Listed equities	0.5	3.5
Other equity exposures	334.9	433.0
Total	371.7	501.2

The evolution of exposure relative to equity risk, between 31 December 2010 and 2011, is the result of the sale of an investment, and of the harmonisation of the scope of consolidation on a accounting as well as on a prudential basis between and BGL BNP Paribas and the BNP Paribas Group.

[2] The term "equities" should be understood in its broad meaning, including also investment funds and capital not yet paid on this type of instrument.

4.e.1 The credit risk

Management of credit risk on lending activities

General credit policy and control and provisioning procedures

The lending activities of the Group are governed by the general credit policies defined by the BNP Paribas Group as well as the policies and standards defined by the Board of Directors and by the BGL BNP Paribas Management Board, whose role is to define the strategy and the major risk policies. The guidelines include the Group's requirements in terms of ethics, the clear definition of responsibilities, the implementation of procedures and the thorough analysis of risks. This general approach is set out in the form of specific policies tailored to each type of business or counterparty.

Decision-making procedures

A system of discretionary lending limits has been established, for each business line, whereby the opinion of GRM is required for all lending decisions, following the criteria set out and defined in the delegation of power and the credit procedure. Each opinion Is systematically evidenced in writing, either by means of a signed request form or in the minutes of formal meetings of the Credit Committee. Lending limits are defined by business group and vary according to internal ratings and the specific nature of the business lines. Loan applications must comply with the provisions of the credit policies, as well as, in all cases, with the applicable laws and regulations.

The Central Credit Committee is the highest local credit committee, which is the final decision maker on credit and counterparty risks recorded in the books of the Group.

Monitoring procedures

A comprehensive monitoring and reporting system for credit and counterparty risk applies to the entire Group. The frequent production of monitoring reports provides early warnings of potentially deteriorating situations. Individual files that are selected for monitoring or considered impaired are reviewed quarterly in specific committees.

Impairment procedures

Assets classified as impaired are subject to a periodic contradictory review involving both business lines and GRM, to determine the potential value depreciation to be applied in accordance with applicable accounting rules. The amount of the impairment loss is based on the present value of probable net recoveries, taking into account the possible realisation of collateral held.

In addition, a collective impairment, derived from a statistical calculation, is also calculated on the basis of simulations of losses to maturity on the loan portfolios whose credit quality is considered impaired, without the clients being identified as being in default. The simulations are based on the parameters of the internal rating system.

Rating procedures

Following the formal approval of the panel of regulators in March 2008, the Group uses an advanced internal ratings-based approach (IRBA) to credit risk, to calculate its regulatory capital requirements. Thus "credit risk" parameters are allocated to each transaction and each counterparty according to the Basel II rules for internal models.
The risk parameters consist of the probability of counterparty default to one-year horizon (PD, Probability of Default), of the rate of loss in the case of a default (LGD Loss Given Default) and of the exposed value at risk (EAD, Exposure at Default).

For counterparties subject to an individual rating, there are 12 counterparty rating levels: ten levels for clients who are not in default with credit assessments ranging from "excellent" to "very concerning"; two levels for clients classified as in default, as per the definition of the banking regulations. This internal scale also includes an approximate correspondence with the scales used by major rating agencies. This correspondence is based on the one-year default probablility for each rating. Given the specificities of each of the methodologies for assessing credit risk, our internal risk assessment does not necessarily converge with that of the rating agencies.

The internal ratings must be reviewed on an annual basis and the probabilities of default are essentially based on statistical models.

Various quantitative and other methods are used to check rating consistency and the rating system's robustness. And adaptive approaches used for loans to private customers and very small businesses ("Retail" population according to Basel II), who are rated using statistical analyses of groups of risks with the same characteristics. GRM has overall responsibility for the system's general quality in assessing the probability of default, which is fulfilled by either defining the system directly, validating it or verifying its performance.

Loss given default is determined using statistical models. The loss given default reflects the loss that the Group would suffer in the event of the counterparty's default at a time of economic crisis, at the end of the recovery process. Estimations of the scope of an LGD are calibrated under the assumption of an economic downturn ("downturn LGD") in compliance with the regulatory provisions.

For each transaction, loss given default is measured while considering the collateral and other security received. Amounts recoverable against collateral and other security are estimated each year on a conservative basis, and discounts are applied for realising securities within a stressed environment.

The Group uses internal models for determining the off-balance sheet exposure risk using various Credit Conversion Factors (CCFs) when this is allowed by the regulations (i.e. excluding high risk transactions for which the conversion factor is 100%). This parameter is assigned automatically to open positions, depending on the transaction type.

Each of the three credit risk parameters is backtested and, as far as the information available allows, they are compared to external references - "benchmarked" - in order to check the system's performance for each of the Group's business segments. Backtesting consists of comparing estimated and actual results for each parameter. Benchmarking consists of comparing the parameters estimated internally with those of external organisations.

For backtesting ratings, the default rate of populations in each rating category, or each group of risks with similar characteristics for retail banking operations, is compared with the actual default rate observed on a year by year basis. An analysis by rating method is carried out to identify any areas where the model might be underperforming. The stability of the rating and its population is also verified.

Backtesting of loss given default is based mainly on analysing recovery flows on exposures in default. The recovery rate determined in this way is then compared with the initially forecasted rate.

The conversion factor is also subject to annual backtesting, by comparing observed credit utilisation with the amounts estimated by the models.

The result of these efforts is presented annually to the bodies responsible for overseeing the rating system of the Group. These results and the ensuing discussions help to set priorities in terms of developing methodology and deploying tools.

Internal estimates of risk parameters are used in the Group's day-to-day management in line with Basel II recommendations. As such, apart from calculating capital requirements, they are used notably to determine the level of authority an individual would have when taking credit decisions, to determine collective impairment and for internal and external reports to monitor risk.

Risk mitigation techniques: collateral and guarantees

Techniques to reduce credit risk are used in accordance with regulations of Basel II Advanced IRB approach. Their effectiveness is particularly evaluated under the conditions of an economic slowdown. They are divided into two broad categories: personal guarantees, on the one hand, and real guarantees, on the other.

A personal guarantee is a commitment taken by a third party to take the place of the primary debtor in the case of the latter being unable to meet his commitments. By extension, credit insurance and credit derivatives (buying protection) fall into this category.

Real guarantees set up in favour of the Group guarantee that the financial obligations of a debtor will be met on the due date.

Personal and real guarantees, subject to their eligibility, are accounted for by decreasing the scope of the "loss given default" (LGD) applicable to those transactions, for operations involving the bank intermediation portfolio.

The guarantors are subject to a risk analysis of the same nature as primary debtors and are assigned risk parameters according to similar methodologies and processes.

In order to qualify, the guarantees must meet the following conditions:

- their value must not be strongly correlated to the risk of the debtor;
- the collateral must be documented;
- the Group must be able to assess the value of assets pledged under conditions of economic slowdown;
- the Group must have obtained reasonable comfort on the possible appropriation and realisation of the asset.

A guarantee may only be eligible to improve the risk parameters of a transaction if the guarantor is rated higher than the counterparty in question, the guarantor being subject to the same analysis as the primary debtor.

In accordance with the general rating policy, personal and real guarantees are accounted for at their economic value and are only accepted as a principal source of repayment by exception: for example the repayment capacity of the borrower must be assessed on the basis his operating cash flows.

The economic value of the assets underlying the guarantee is evaluated in an objective and verifiable manner, such as: market value, value as per an expert, book value. It represents the value of assets at the valuation date and not at the date of default, as this is assessed at a later date. Finally, the Group's procedures provide for a revaluation of real guarantees at least annually.

Diversification of the exposure to credit risk

Diversification by counterparty

Diversification is a key component of the Group's policy and is assessed by taking account of all exposure to a single business group. Diversification of the portfolio by counterparty is monitored on a regular basis. The risk concentration ratio ensures that the total amount of risks incurred on a counterparty exceeds neither 10% of the Group's net consolidated shareholders'equity, nor its recurring beneficiary capacity.

At the request of the BGL BNP Paribas, the CSSF has confirmed the total exemption of the risks taken on the BNP Paribas Group as part of the calculation of the major risk limits, in compliance with part XVI, point 24 of the CSSF Circular 06/273, as amended.

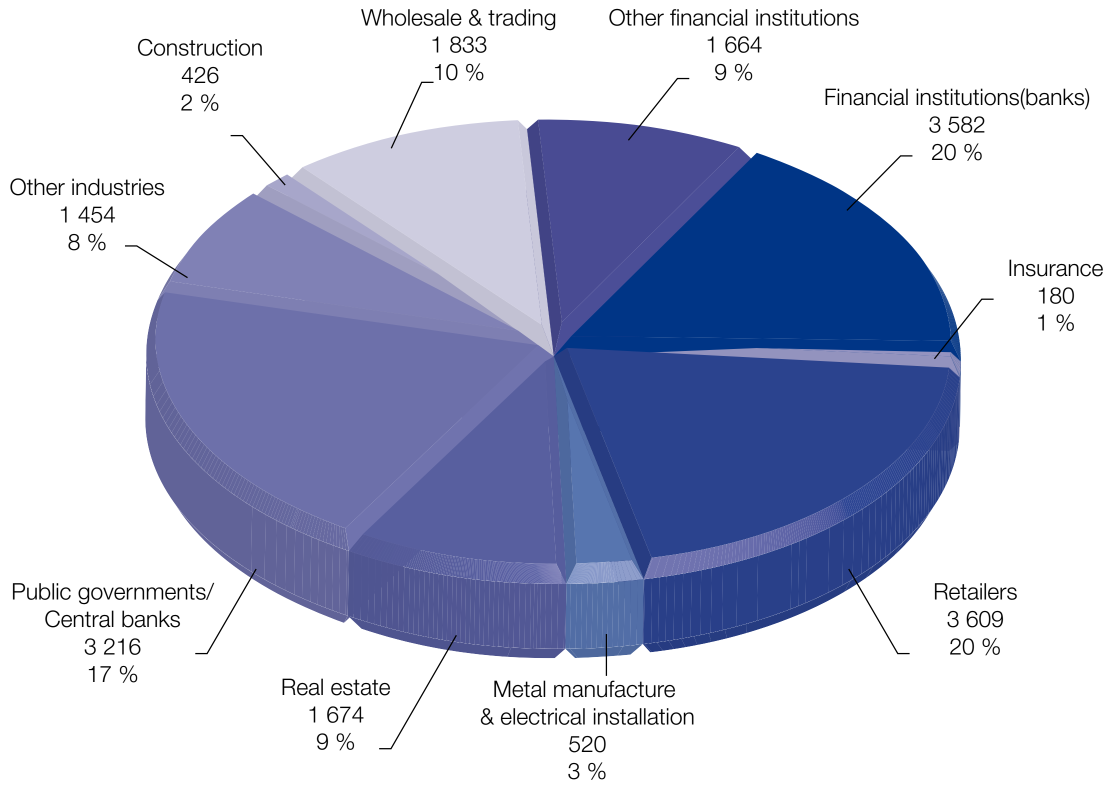
Industry diversification

The distribution of the risks by business sector is carefully and regularly monitored.

Breakdown of the credit risk by regulatory category and by the business sectors of the corporate clientele excluding relations with bnp paribas group entities

The other entities in the Group's scope of consolidation have no significant influence on this diversification

In millions of euros



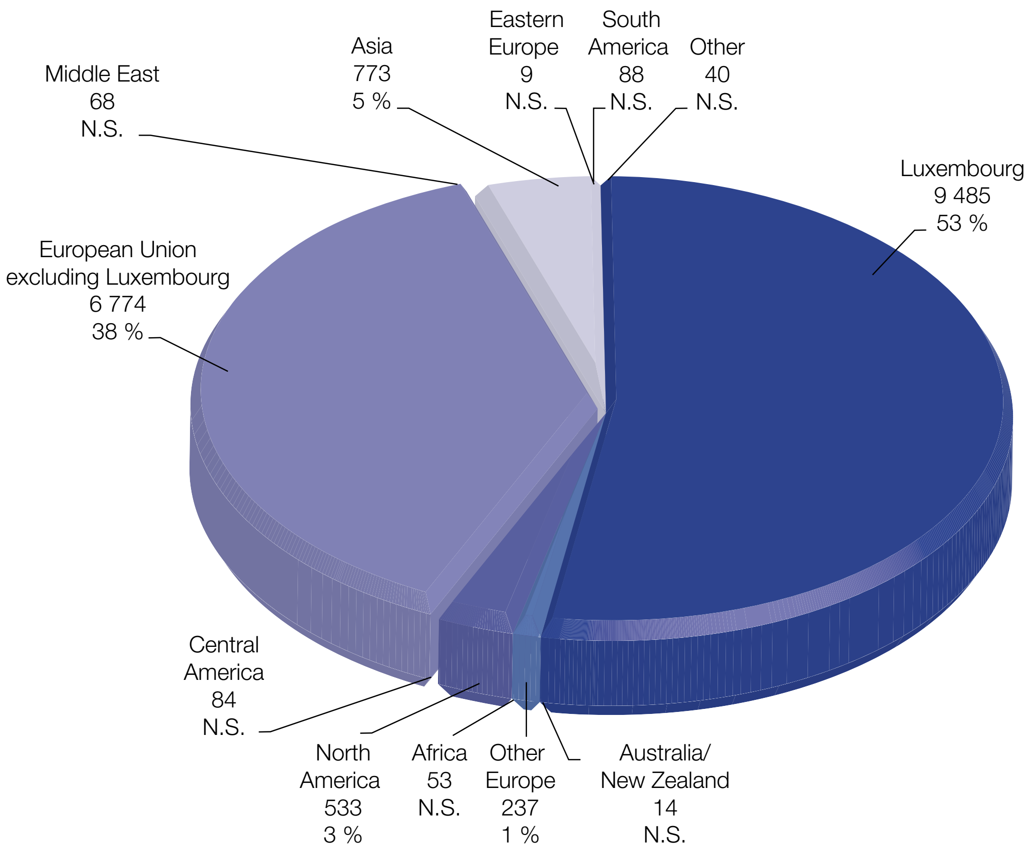
Geographical diversification

It is not the same as "sovereign" risk, which covers exposure to States, public institutions and their various offshoots; it reflects the Group's exposure to a given economic, political and judicial environment, which is taken into consideration when assessing counterparty quality.

Geographic breakdown of the credit risk on 31 December 2011 according to the registered country of the parent companies excluding relations with BNP Paribas Group entities

The other entities in the Group's scope of consolidation have no significant influence on this diversification.

In millions of euros



The Group strives to avoid excessive concentrations of risk in countries in which the political and economic infrastructures are recognised as weak.

Quality of the portfolio exposed to credit risk

Model applicable to counterparties such as Central governments and central banks, Companies and Institutions

For each of the regulated portfolios, the determination of risk parameters according to the advanced internal risk approach follows a methodology which has been approved and validated by GRM teams, which relies primarily on the analysis of the historical data of the Group. This methodology is applied by using statistical tools in the decision-making process, in order to ensure consistent application.

For determining counterparty ratings, the opinion of an expert complements the assessments derived from the statistical models, under the applicable rating policies. The counterparty ratings are validated by the competent Credit Committees.

The method for measuring risk parameters is based on a set of common principles, and particularly the “two pairs of eyes” principle, which requires at least two people, one of whom has no commercial involvement, to give their opinion on each counterparty rating in each transaction global recovery rate (GRR).

The definition of default is applied uniformly, and in compliance with the regulatory requirements.

Retail banking operations

For all activities related to the retail clientele, that is characterized by a high degree of granularity, small unit volumes and a standard risk profile the Group applies an approach by “uniform risk classes”. This approach notably adheres to the following constraints:

- the use of discriminating and understandable models;
- the quantification of risk indicators on the basis of historical observations covering a minimum of five years, and in-depth and representative sampling;
- the documentation and auditability of the models.

By using these methodologies for preparing and monitoring risk parameters on a monthly basis, retail banking customers can be assigned a rating, based on the most recent information, in terms of risk of default and in terms of loss in the event of default. The estimation of exposure to default, derived from the CCF, is a function of the type of transaction.

Loans with past-due instalments - Collateral and other securities

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

Management of credit risk in financing activities

In millions of euros	31 December 2011							
	Maturities of unimpaired past-due assets				Non-performing assets/ impaired assets and provisioned commitments	Total loans on commit-ments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of non-perfor-ming assets
	Total	< 90 days	> 90 days < 180 days	> 180 days				
Available-for-sale financial assets (excluding variable-income securities)	-	-	-	-	0.4	0.4	-	-
Held-to-maturity financial assets	-	-	-	-	37.5	37.5	-	-
Loans and receivables due from credit institutions	6.0	6.0	-	-	20.8	26.8	-	-
Loans and receivables due from customers	292.1	288.7	3.4	-	326.2	618.3	119.1	242.2
Non-performing and past-due assets, net of impairments	**298.1**	**294.7**	**3.4**	**-**	**384.9**	**683.0**	**119.1**	**242.2**
Financing commitments given	-	-	-	-	5.1	5.1	-	-
Guarantee commitments given	-	-	-	-	15.3	15.3	-	6.8
Off-balance sheet non-performing commitments, net of provisions	**-**	**-**	**-**	**-**	**20.4**	**20.4**	**-**	**6.8**
Total	**298.1**	**294.7**	**3.4**	**-**	**405.3**	**703.4**	**119.1**	**249.0**

In millions of euros								31 December 2010
	Maturities of unimpaired past-due assets				Non-performing assets/ impaired assets and provisioned commitments	Total loans on commit-ments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of non-perfor-ming assets
	Total	< 90 days	> 90 days < 180 days	> 180 days				
Available-for-sale financial assets (excluding variable-income securities)	-	-	-	-	7.6	7.6	-	-
Loans and receivables due from credit institutions	3.6	3.6	-	-	-	3.6	-	-
Loans and receivables due from customers	278.4	273.4	5.0	-	286.6	565.0	209.6	142.7
Non-performing and past-due assets, net of impairments	**282.0**	**277.0**	**5.0**	**-**	**294.2**	**576.2**	**209.6**	**142.7**
Financing commitments given					4.0	4.0	-	-
Guarantee commitments given					11.6	11.6	-	-
Off-balance sheet non-performing commitments, net of provisions					**15.6**	**15.6**	**-**	**-**
Total	**282.0**	**277.0**	**5.0**	**-**	**309.8**	**591.8**	**209.6**	**142.7**

The amounts shown for collateral and other security correspond with the lower of the value of the collateral or other security and the value of the secured assets.

4.e.2 Counterparty risk

The Group is exposed to counterparty risk on its capital market transactions. The Group manages this counterparty risk through the widespread use of standard close-out netting and collateral agreements.

Netting agreements

Netting is a technique used by the Group to mitigate counterparty risks on derivatives transactions. The Group primarily uses close-out netting, which enables it to close out all positions at current market value in the event of default by the counterparty; all amounts due to and from the counterparty are then netted, to arrive at the net amount payable to the counterparty or receivable from the latter. This net amount ("close-out netting") may be secured by collateral in the form of a pledge of cash, securities or deposits.

The Group also uses bilateral payment flow netting to mitigate counterparty risk on foreign currency payments. Bilateral payment flow netting consists of replacing payment streams in a given currency by the relative balance due to or from each party, representing a single net sum in each currency to be settled on a given day between the Group and the counterparty.

The transactions are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of national or international master agreements. The main employed bilateral agreement models are those of the International Swaps and Derivatives Association ("ISDA").

Measurement of exposure

Exposure at default (EAD) for counterparty risk related to derivatives is determined on the basis of a market price evaluation method (section 4.2.2 of part VII of CSSF Circular 06/273, as amended). The exposure at default related to repurchase agreements follows the standard approach.

4.f MARKET RISK

4.f.1 Market risk related to financial instruments

Definitions

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

- Interest rate risk is the risk that a financial instrument's value will fluctuate due to changes in market interest rates;
- Foreign exchange risk is the risk that a financial instrument's value will fluctuate due to changes in foreign exchange rates;
- "Equity" risk arises from changes in the market prices of equities. It results not only from changes affecting the prices and volatility of equity themselves, but also price changes of equity indices;
- Credit "spread" risk arises from a change to the credit quality of an issuer, and is reflected in changes in the cost of purchasing protection on that issuer.
- Options give rise to an intrinsic volatility and correlation risk, the parameters of which can be determined from the observable prices of options traded in an active market.

Governance

The Capital Markets Risk Committee (CMRC) is the main committee governing the risks related to Capital Markets. It is responsible for coherently addressing the issues related to market and counterparty risks. The CMRC sets the aggregated trading limits and outlines the risk approval procedures. It also reviews loss statements and hypothetical losses estimated on the basis of stress tests. The committee meets at least twice each year.

Limit setting and tracking

The current framework for the definition and management of the limits validated by CMRC is delegated to three levels, which are in order of delegation, the CMRC, followed by the Head of the business line and then the Head of Trading.

Limits may be changed either temporarily or permanently, authorised in accordance with the delegation level of the limit in question and the applicable procedure.

GRM's responsibility in terms of market risk management is to define, measure and analyse sensitivities and risk factors, and to measure and control Value at Risk (VaR), which is the global indicator of potential losses GRM ensures that all business activity complies with the limits approved by the various committees. In this respect, it also approves new activities and major transactions, and further reviews and approves position valuation models.

GRM presents its risk analysis work in the form of summary reports, which are given to the members of the Management committee in charge of the relevant activity, as well as to the CRO (Chief Risk Officer) of the Group.

The Group uses an integrated system called MRX (Market Risk eXplorer) to follow the trading positions on a daily basis and to manage VaR calculations. MRX not only tracks VaR, but also detailed positions and sensitivity to market parameters based on various simultaneous criteria (currency, product, counterparty, etc.) MRX is also configured to include trading limits, reserves and stress tests.

Control processes

The main involvement areas of GRM are transaction accounting and the calculation of reserves. The procedures for the controls are discussed below.

Transaction accounting controls

Operations (Middle/Back-Office) is responsible for this control. However, GRM counter-checks the process for more complex transactions. Verification of the constituent parts of these operations is carried out by GRM before they are saved in the Front-Office systems. GRM also carries out second-level value checks.

Reserve calculations

GRM defines and calculates "reserves", which correspond to fair value adjustments and are accounted for as deductions from earnings. Depending on the case, reserves can be considered either as the price for closing a position or as a premium for risk that cannot be diversified or hedged. Reserves mainly cover liquidity risk and bid / offer spreads.

Measurement of market risk

Market risk is measured using three types of indicators (sensitivities, VaR and "stress tests"), which aim to capture all risks.

The Group calculates its capital requirements for market risk under the standardised approach. In daily management, the Group's internal model is used for measuring and monitoring risk.

Analysis of sensitivities to market parameters

Market risk is first analysed by systematically measuring portfolio sensitivity to various market parameters. The information obtained in this way is used to set tolerance ranges for maturities and option strike prices. The results of these sensitivity analyses are compiled at various aggregate position levels and compared with the limits.

Measurement under normal market conditions: VaR

VaR is calculated using the Group's internal model. It estimates the potential loss on a trading portfolio under normal market conditions over one trading day, based on changes in the market over the previous 260 days, with a confidence level of 99%. The internal model has been approved by the banking supervisory authorities and it takes into account all of the usual risk factors (interest rates, credit spreads, exchange rates, equity prices, commodity prices and associated volatilities), as well as the correlation between these factors in order to include the effects of diversification. It also takes the specific credit risk into account.

The algorithms, methodologies and sets of indicators are reviewed and improved on a regular basis in order to take growing market complexity and product sophistication into account.

Measurements under extreme market conditions

In order to optimise the qualitative analysis of the risks and their predictability during periods of intense crisis, the Group has also developed stress tests. These stress tests serve to identify and estimate potential credit risk in several scenarios, as well as their potential impact on the Group's equity. The assumptions, content and conclusion of the analyses are updated each quarter and sent to the Management Board and to the Internal Control and Risk Committee.

To monitor the trading risk in case of extreme variations in the market, the program of the stress scenarios takes into account the contribution of the main risk factors to the variation of the result that occurs in each envisaged scenario, whether historical or hypothetical. If the results of the discussion area exceed the values that represent an initial alarm signal, they prompt the Management committee to undertake measures.

GRM constantly assesses the relevance of its internal calculation model by means of various techniques, including a regular comparison, over a long period, between the daily losses recorded in the market activities and the VaR (1 day). From a theoretical point of view, the choice of a 99% confidence interval means that the daily losses in excess of the VaR are expected two or three times per year.

4.f.2 Market risk related to banking activities

The market risk related to banking activities encompasses the interest and foreign exchange risks relative to banking intermediation activities, on the one hand, and the risk of loss of equity holdings on the other hand. Only the equity and foreign exchange risks give rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

The market risk is calculated using the standard method.

Type of risk *In millions of euros*	31 December 2011	31 December 2010
Equity price risk	5.9	7.8
Commodity price risk	-	0.2
Total value and risk	5.9	8.0

Interest rate and foreign exchange risks related to banking intermediation activities and investments mainly concern Retail and Corporate Banking, as well as the savings management transactions of the business line, Investment Solutions, in Luxembourg and internationally. They also result from the transactions by specialised financing subsidiaries, transactions by the CIB financing business lines and investments made by the Group. These risks are managed on the local level by ALM and Treasury, which are part of the ALM Treasury business line at the BNP Paribas Group level.

ALM Treasury Group has functional authority over the ALM and Treasury teams in each subsidiary. Strategic decisions are made during committee meetings (Asset and Liability Committee - ALCO), that oversees the activities of ALM Treasury. These committees has been set up at Group, division and operating entity levels. For BGL BNP Paribas, this function is provided by ALCO Luxembourg.

Equity risk

As part of the regulations implemented within the Basel II context, non-consolidated equity interests not deducted from equity, acquired after the end of 2007, are weighted on the basis of a simple weighting method. Exposures in non-consolidated equity interests purchased before the end of 2007 are weighted using the standard approach, on the basis of a temporary provision for exposures in the form of equities ("equity grandfathering clause").

Foreign exchange risk

Foreign exchange risk and hedging of earnings generated in foreign currencies

The Group's exposure to operational foreign exchange risks stems from the net earnings in currencies other than the euro. The policy of the Group,as with the BNP Paribas Group, is to systematically hedge the variability of its net earnings due to currency movements.

Foreign exchange risk and hedging of net investments in foreign operations

The Group's currency position on investments in foreign operations arises mainly on equity interests denominated in foreign currencies. When such a case arises, the Group's policy is to obtain financing in the investment currency in order to protect this investment against exchange risks. Such borrowings are documented as hedges of net investments in foreign operations.

Interest rate risk (Pillar 2)

Organisation of the BGL BNP Paribas interest rate risk management

The interest rate risk on commercial transactions of the Retail and Corporate Banking Group ("Banque de Détail et des Entreprises"), as well as Investment Solutions in the domestic Luxemburg markets and abroad, of the specialised financing subsidiaries and financing subsidiaries of the CIB division are managed centrally by the Group's ALM - Treasury part of the portfolio that contains the clientele intermediation activities. The interest rate risk on the equity and investments is also managed by ALM - Treasury, in the portfolio of equity activities and investments.

Transactions initiated by each of the Group's business lines are transferred to ALM or to Treasury via analytical internal allocation means or lending / borrowing transactions. ALM and Treasury are in charge of managing the interest rate risks associated with these transactions.

The main management decisions regarding rates positions arising from banking intermediation activities are taken during meetings of the Luxembourg ALCO committee.

Measurement of interest rate risk

Banking book interest rate gaps are measured, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For the Retail and Corporate Banking Group ("Banque de Détail et des Entreprises"), products as well as for Investment Solutions, behavioural models are based on historical data and econometric studies. They notably relate to current accounts in credit, as well as certain savings accounts. Theoretical maturities of equity capital are determined according to internal assumptions.

Interest rate risk indicators such as the sensitivity of clientele intermediation portfolios and then reinvestment of equity capital relative to the changes applied to the interest rate curves, are systematically presented to the ALCO Luxembourg, and are therefore used as the basis for hedging decisions according to the nature of the risks.

Sensitivity of the value of the Group's bank intermediation portfolios and shareholders' equity

The portfolios of financial instruments resulting from the Group's bank intermediation activity show a sensitivity to interest rate fluctuations of the value assigned to these portfolios, as indicated in the following table.

This table presents the sensitivity of the value of the books of inter-mediation activities consolidated by currency and by maturity band, for an instantaneous shock of one basis point across all of the yield curves. This measurement makes it possible to take into account all of the future flows generated by current transactions on the analysis date, irrespective of their maturity. This sensitivity takes into account the replicating portfolios and models used to generate the conventional schedules, in particular for shareholders' equity.

In thousands of euros						31 December 2011
	less than 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	more than 5 years	TOTAL
EUR	(21)	9	49	(328)	(750)	(1 041)
USD	(2)	7	(13)	(6)	(14)	(28)
Other currencies	(5)	-	2	10	7	14
Total	(28)	16	38	(324)	(757)	(1 055)

In thousands of euros						31 December 2010
	less than 3 months	from 3 to 12 months	from 1 to 3 years	from 3 to 5 years	more than 5 years	TOTAL
EUR	(26)	(2)	(348)	(179)	(488)	(1 043)
USD	12	12	18	(21)	(106)	(85)
Other currencies	(7)	(1)	(11)	15	52	48
Total	(21)	9	(341)	(185)	(542)	(1 080)

The sensitivity of the value of the books of intermediation activities to an instantaneous change of one basis point in interest rates results in an increase in value when there is a decline, and a reduction in value if there is an increase, of about 1.1 million euros at 31 December 2011.

Hedging of interest rate and foreign exchange risks

Hedging relationships initiated by the Group mainly consist of interest rate or currency hedges; they notably involve swaps, options and forward foreign exchange transactions.

Depending on the hedging objective, derivative financial instruments are used as fair value hedges or cash flow hedges. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument, and the nature of the hedged risk. Over and above these hedges recognised under IFRS, the Group is undertaking an economic hedge policy, notably for the exchange risk, and then for the hedging of structured issues.

Overall interest rate risk

The strategy for managing global interest rate risk is based on closely monitoring the sensitivity of the Group's earnings to changes in interest rates. In this way, it can determine how to achieve an optimum level of offset between different risks. This procedure requires an extremely accurate assessment of the risks incurred, in order to determine the most appropriate hedging strategy, after considering the effects of netting. These strategies are defined and implemented by portfolio - clientele and equity - and by currency.

In 2011, the re-investments of the clientele business benefited from the use of hedging derivatives and from the fixed rate financing of entities on the intra-group level.

The market environment in 2011 was marked by the continuation of the financial crisis in Europe. During the first six months of the year, the European Central Bank twice increased its main short term refinancing rate, to a level of 1.5%, to counter-balance the first signs of recovery and inflation. It then decided to lower it in November and again in December 2011, back to 1%, as a sign of support for the economy and the euro area, as the sovereign debt crisis in euros was increasing and economic activity was slowing. Euribor money market rates initially rose steeply, accompanied by widening yield spreads, depending on the maturity, followed by a partial retreat by the year's end. Three-month Euribor ended the year 2011 at 1.36% compared with 1.01% at the end of 2010. Swap rates also trended upward over the first six months of 2011, despite then finishing the year lower.

Structural foreign exchange risk

Currency hedges contracted by the ALM department may relate to net foreign currency investments. A hedging relationship may also be set up to hedge the foreign exchange risk on the net foreign currency assets of consolidated subsidiaries. It should be noted that the Group has no such hedging relationship (via "Net Investment Hedge" rules according to the IFRS standards) in effect at the end of 2011.

Hedging of financial instruments recognised in the balance sheet (fair value hedges)

In the area of interest rate risk, value hedges relate either to identified fixed rate assets or liabilities (Micro Fair Value Hedge), or to portfolios of fixed rate assets or liabilities (Carved-out Macro Fair Value Hedge). Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

The identified hedges of assets or liabilities primarily consist of available-for-sale securities and the Group's debt issues. For 2011, the portfolio hedges involve financial liabilities, namely customer deposits.

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands and a separate amount is designated for each band. The maturity split is determined based on historical observations of customer behaviour.

Demand deposits, which do not bear interest at contractual rights, are qualified as fixed rate medium-term financial liabilities. Consequently, the value of the liabilities is sensitive to changes in interest rates. Estimates of future cash flows are based on historical analysis.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that, for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex-post basis by ensuring that the monthly change in the fair value of its items since the start of the month does not indicate any over-hedging.

During fiscal year 2011, no hedge (established in accordance with IFRS) was disqualified. Over the year, the sale of some micro-hedged bonds led to the unwinding of their respective micro fair value hedging swaps. It is also noteworthy that, as part of the ALMs management, some kinds of hedging swaps known as "Carved-out Macro Fair Value Hedges" were unwound without their hedged element, or any euro current account deposits, disappearing.

Usage of the fair value option through profit or loss

The usage of the fair value option through profit or loss according to the IFRS standards, applied to portfolios of designated financial assets or liabilities, makes it possible to play on the economic netting (in value variation) between them and their economic hedge derivatives, at the level of the Group's consolidated income statement.

The European Medium Term Notes (EMTN) issued by BGL BNP Paribas are, to a large extent, qualified and traded at their value through profit or loss. As such, their fair value changes are recognised at the same time and in the same manner as those of their economic hedge derivatives, thereby limiting the volatility of the latter through profit or loss.

Cash flow hedge

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities, that are designated individually (Micro Cash Flow Hedge approach) or collectively (Macro Cash Flow Hedge approach). Using derivative instruments, the Group hedges all or parts of the exposure to the risks resulting from these floating-rate instruments.

The following table concerns the scope of the Group's medium- and long-term transactions and shows the amount (by forecast date of realisation) of the cash flows that are the subject of a Cash Flow Hedge.

In millions of euros	31 December 2011				31 December 2010			
	Under 1 year	From 1 to 5 years	More than 5 years	Total	Under 1 year	From 1 to 5 years	More than 5 years	Total
Cash flows hedged	50.0	770.0	325.0	1 145.0	35.0	70.0	-	105.0

In 2011, no Cash Flow Hedge relationship was disqualified.

4.g OPERATIONAL RISK AND INTERNAL CONTROL

4.g.1 Internal control

The internal control system

The Group's internal control system is based on rules, action principles and control processes, implemented by the Management and all employees.

The fundamental rules

The Group's Internal Control is based on the following rules:

- Controlling risks and attaining the stated strategic objectives are first and foremost the responsibility of the Operational staff.

Indeed, each Operational staff member, on his own level, has a duty to efficiently verify the activities placed under his responsibility. The "Operational Staff" includes, in general terms, all employees of the business lines and functions, irrespective of their responsibilities or hierarchical level. This control duty is also an essential aspect of the responsibilities carried out by the Management.

The permanent Control system must therefore be strongly integrated into the operational organisation of the business lines and functions. It includes at least a control, by the Operational staff member, of the operations, transactions and activities for which he is responsible, and a control by the hierarchy as part of its managerial responsibility.

- Internal Control is everyone's affair, irrespective of one's level or responsibilities.

As such, each employee is responsible for controlling the activities placed under his responsibility, but also have the duty to raise the alarm in the event of any malfunction or deficiency of which he may learn.

- Internal Control is exhaustive.

It applies to all kind of risks and to all Group business lines and functions, without exception and with the same degree of requirement. It extends to the outsourcing of services or other essential or important operational tasks, under the conditions allowed by the regulations, and to the companies for which the Group provides the operational management, even if they do not enter into the full or proportional integration perimeter.

- Risk control is based on a strict segregation of tasks.

This segregation applies to the various phases of a transaction, from initiation and execution, to recording, settlement and control. It also leads to the set-up of specialised control functions, as well as a clear distinction between permanent Control and periodic Control.

- The risk control is proportional with the intensity of the risks; it can require a "second look".

The risks having to be controlled may require multiple, cumulative or successive controls, the scope and number of which are proportional with their intensity. If necessary, they include one or more controls carried out by one or more independent permanent Control functions (GRM, Compliance, Coordination of permanent Control (2OPC Luxembourg) and Finance are included in this second control group).

A control performed by an independent permanent Control function, whether integrated into the operational entities or separate from them, may take the shape of a "second look" at operations, transactions and activities, meaning a joint assessment before the aforesaid activities, in terms of risk-taking of any kind. This "second look" may come at any point throughout a chain of controls carried out by the operational staff.

The business lines and Control functions must determine provisions for resolving differences of opinion that could arise between them as part of this "second look". The normally applicable principle is an "escalation" of the differences of opinion, i.e. forwarding them to a higher level in the organisation (ultimately to the Management), so that they can be resolved or arbitrated. In certain cases, the possibility of a blocking opinion from the independent permanent Control function can be used.

- Internal Control is traceable.

Internal Control relies on written procedures and audit trails. In this regard, controls, results, exploitation and information reported by business lines and functions in Luxembourg to higher governance levels within the Group (Management Board, Board of Directors and its committees) and to the BNP Paribas Group (Divisions and Central functions, General Management, Board of Directors and its committees) must be traceable.

Action principles

Risk control requires the implementation of the following action principles:

- identification of the risks;
- their assessment and measurement;
- the effective implementation of controls in proportion with the risks to be covered;
- their steering: calculated risk-taking or risk reduction;
- their reporting;
- the monitoring of risks, in the form of follow-ups and verifications, consolidations and summaries.

The contribution of the permanent Control functions to risk control is based on the independence of their judgments and actions.

The internal control organisation

Internal Control consists of Permanent Control and Periodic Control, which are separate and independent of one another, while still being complementary, and is based on several levels of controls and several actors.

Permanent Control

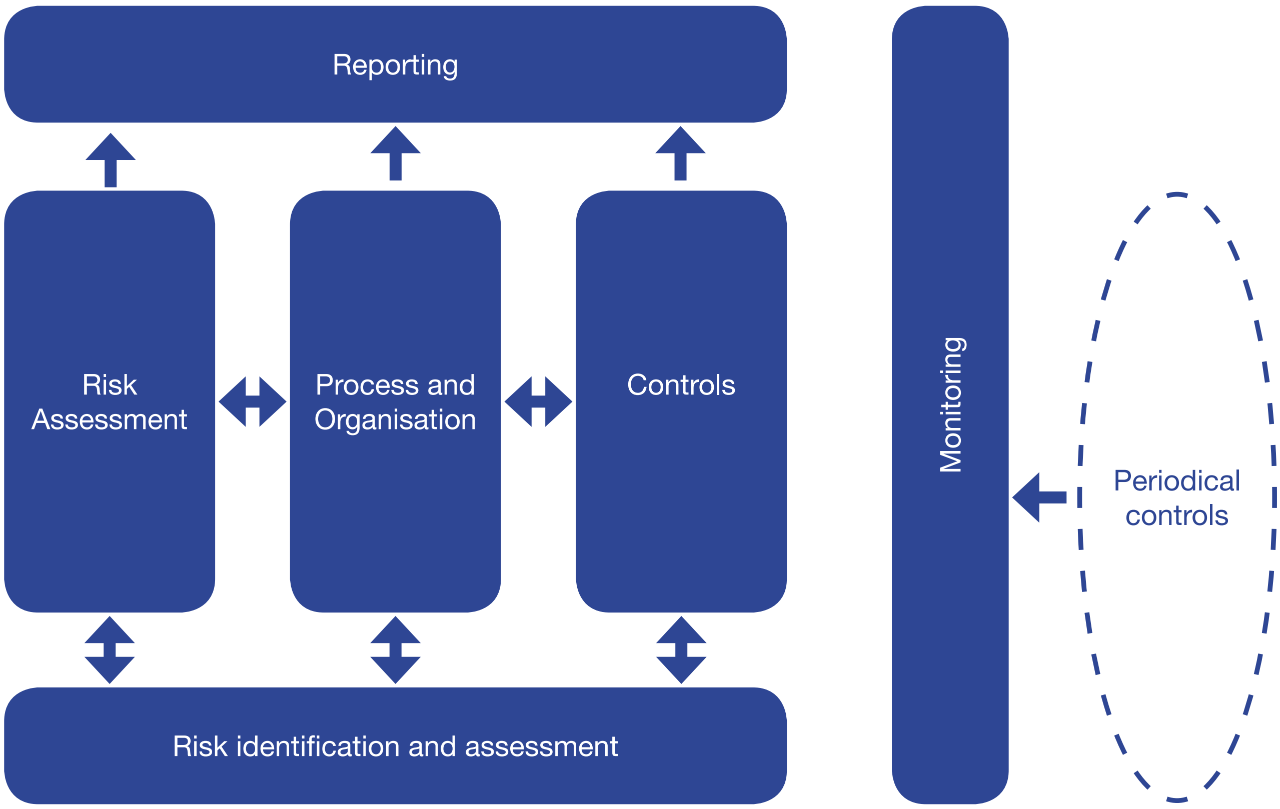
It is an overall system that makes continuous usage of risk management actions and follow-up of the realisation of strategic actions. It is based on control policies, procedures, processes and plans.

To begin with, it is provided by the Operational staff (Control level 1) and secondly by independent permanent Control functions, within the Group (Control level 2).

The consistency of the permanent control systems of the business lines and functions on the organisation's various levels, that together make up the Group permanent Control, is ensured by procedures that determine:

- the organisational level on which the controls are carried out;
- the reports to the organisation's higher levels, and then their consolidation or summary;
- the organisational levels on which the steering is provided.

The following diagram presents the linkage of the various permanent Control elements.



Control level 1

It includes the controls performed within the business lines and functions by the entire operational responsibility line, on the various Management rungs.

The Operational staff - first and foremost the operational hierarchy - have the lead responsibility for controlling their risks, and are the first Permanent Control actors to consider these risks. The controls that they perform are divided between:

- controls carried out directly by the Operational staff on the operations or transactions carried out by them and for which they are responsible on the basis of the operational procedures; these controls can be described as a self-control;
- the controls carried out by Operational staff members dealing with operations on transactions, on the operations or transactions carried out by other Operational staff members (controls provided by the Middle / Back Offices, cross-controls);
- controls carried out by the hierarchy on its various levels, as part of its managerial responsibilities.

Control level 2

The controls carried out by the independent permanent Control functions are divided between:

- the controls carried out by the independent permanent Control functions integrated into the Group;
- the controls carried out by the independent permanent Control functions within the BNP Paribas Group.

In both cases, the second level control can take the shape of a "second look" at operations, transactions and activities. This "second look" allows the function performing it to escalate, if necessary, the decisions to a higher level within the organisation.

Periodic Control

This is the overall process for "ex-post" verification of the Group's proper functioning, notably of the efficiency and quality of the Permanent Control system, by means of investigations that are carried out by the General Inspection unit (Control level 3).

The general Internal Control architecture can be summarized in the following manner:

<table>
<tr><th colspan="3">INTERNAL CONTROL</th></tr>
<tr><td rowspan="2">Permanent Control</td><td>Level 1 controls</td><td>• Controls carried out by the Operational staff on their operations / transactions
• Controls carried out by other Operational staff members (Middle Office, Back Office, cross-controls…)
• Controls carried out by the hierarchy</td></tr>
<tr><td>Level 2 controls</td><td>• Controls carried out by the independent Permanent Control Functions integrated into the Group
• Controls carried out by Independent Group Functions</td></tr>
<tr><td>Periodic Control</td><td>Level 3 controls</td><td>• Controls carried out by the Luxembourg Hub General Inspection unit and the BNP Paribas Group General Inspection unit</td></tr>
</table>

The internal control governance

The Internal Control system of the Group is based on a separation between Permanent Control and Periodic Control. Exchanges between Permanent Control and Periodic Control occur in a concerted manner within the Internal Control system, such as to optimise information circulation and to coordinate each group's actions.

The general framework of the governance bodies for the management of operational risks, compliance risk and the operational permanent control system were reviewed and validated by the BGL BNP Paribas Management Board on 7 June 2010. As such, this overall framework is monitored and managed by the specific committees presented below.

The Internal Control and Risk Committee

The Internal Control and Risk Committee ("CCIR") was created out of the Board of Directors (frequency: at least three times per year). It helps the Board of Directors with the overall assessment of the quality of the internal control system, the follow-up of the process for preparing financial information and the compliance with laws and regulations. At least once each year, the periodic Control and permanent Control managers, as well as the corporate Auditor, inform the CCIR of their efforts.

The Internal Control Coordination and Risk Prevention Committee

The Internal Control Coordination and Risk Prevention Committee ("3CIPR") was set up in the 4th quarter of 2010 (monthly frequency). Around the Chairmen of the BGL BNP Paribas Management Board, it gathers the managers of the functions that make up the second and third internal control levels. The purpose of this Committee is to ensure good risk control on a day-to-day basis.

The BGL BNP Paribas Permanent Control Committee

The Group's permanent Control Committee was set up in the 4th quarter of 2010 in order to review the status of the Permanent Control system (half-yearly frequency). It brings together the managers of the various business lines and of the main Group functions. The objective is to review the status of the permanent control system.

The Internal Control Committee of the Investment Solutions Division Focus Luxembourg

The Information Solutions (IS) Division, which is the savings collection and services division intended for private investors and institutionals of the BNP Paribas Group, steer the Business lines that are an integral part of the overall IS offer: **Wealth Management (including Fidupar)**, **Investment** Partners, Personal Investors, Securities Services, **Real estate** and **Insurance**.

Dans le cadre de gouvernance du dispositif de Contrôle interne du Groupe BNP Paribas, le Pôle IS a reçu la responsabilité de la supervision du dispositif de Contrôle Interne du Groupe. Le Comité de Contrôle interne du Pôle IS Focus Luxembourg (fréquence semestrielle) s'inscrit dans l'exercice de cette supervision.

4.g.2 Operational risk

The operational risk management

The operational risk is the risk of losses resulting either from the inadequacy or failure of an internal process, or from external events, whether deliberate, accidental or natural.

The objective of the BNP Paribas Group is to standardise its operational risk management approach through policies, processes, a methodology and systems that are common to the entire Group.

This standardisation will consequently encourage a better understanding of the overall risk profile, while allowing the Group to benefit from the diversification of its risks.

An attestation process as part of the half-yearly permanent control reporting has been set up for historical incidents, in order to:

- strengthen the quality of the data;
- ensure their exhaustiveness.

Also, for better analysis and management of incidents:

- the management tools have evolved:
  - Basel II event categories refined by the Group;
  - systematic identification of the failure(s);
- periodic reviews are performed, in particular with the various risk functions.

The monitoring and analysis of operational losses is realised by Coordination of Permanent Control (2OPC) Luxembourg via the Group's tool Forecast (Full Operational Risk & Control Analysis System).

The Group's method for calculating the economic and adulatory capital for operational risk is the BNP Paribas Fortis advanced (AMA) method, which imposes the need for data regarding internal losses, external losses, the analysis of potential event scenarios and the analysis of environment and internal control factors.

The Luxembourg Coordination of Permanent Control (2OPC) helps the business lines and functions to carry out their Risk Self-Assessment. This annual effort involves:

- Identifying potential incidents and the causes that may be behind them;
- Measuring the occurrence frequency and assessing the financial impact;
- Inventorying the existing controls and quantifying their effectiveness;
- Reduce inacceptable risks by implementing appropriate action plans.

The results of the Risk Self-Assessments are inventoried in the OPERA application by the business lines and functions. The Luxembourg Coordination of Permanent Control (2OPC) performs a qualitative review of the results.

Legal risk

The Group's Legal Department has developed an overarching Internal Control system designed to anticipate, detect, measure and manage legal risks. The system is organised around:

- specific committees, namely:

  - Legal Affairs Committees;

  - Business Line Legal Affairs Committee (CAJM);

  - Luxembourg Legal Affairs Committee (CAJL);

  - Luxembourg Legal Affairs Internal Control Committees;

  - Quarterly follow-up committees for litigation files;

  - The Luxembourg Legal Affairs Control Plan;

  - The Luxembourg Legal Affairs Control Plan;

  - The application tickets for completed controls;

- internal procedures and databases providing a framework for (i) managing legal risk, in collaboration with the Compliance Function for all matters that also fall under their responsibility, and (ii) overseeing the activities of the legal staff and operating staff involved in legal areas. A procedures database has been set up and is accessible to all employees;

- dashboards already in existence within Luxembourg Legal Affairs:

  - Litigation and pre-litigation follow-up table prepared by the business lines;

  - For the BNP Paribas Group entities in Luxembourg, tables for reporting major files (major consulting, litigation and pre-litigation files in excess of 1 million euros and files that include special risks) to the BNP Paribas Group and IS Division Legal Affairs.

Tax risk

In each country where it operates, the Group is bound by specific local tax regulations that apply to the business sectors in which the various Group entities are involved, for example the Bank, insurance or financial services.

Within the BNP Paribas Group, the Group Tax Department (AFG) is a global function, responsible for overseeing the consistency of the Group's tax affairs while also sharing responsibility for monitoring global tax risks with Group Development and Finance (FDG). The AFGs perform controls to ensure that tax risks remain on an acceptable level and are consistent with the Group's reputation objectives.

To carry out its mission, the AFG function has established:

- a network of tax correspondence in all of the countries in which the Group operates, in addition to the local tax specialists present in 15 countries;

- a qualitative data reporting system in order to contribute to controlling tax risks and to assess compliance with local tax laws;

- regular reporting to the General Management on the use made of delegations of authority and compliance with internal standards.

With FDG, it co-chairs the Tax Coordination Committee, which also includes the Compliance function and, when appropriate, the divisions. The purpose of this Committee is to analyse the elements regarding the Group's main tax issues, and to make appropriate decisions FDG is obliged to consult with AFG on any tax issues arising on processed transactions.

Lastly, the AFGs have drawn up procedures covering all of the divisions, designed to ensure that tax risks are identified, addressed and controlled. It equally involves the Group's tax risk as much as it does the tax risk of the products or transactions proposed to the clientele by the Group's companies. The resources for attaining the objectives vary greatly, since the procedures involved, amongst other things:

- the application framework of the responsibilities related to tax issues: this is notably the purpose of the Tax Risk Charter that is prepared either in the form of a mission statement sent to the local tax function managers, or in the form of a delegation letter to the division managers for entities that are not covered by tax specialists. This letter is reviewed according to the evolution of the Territory Director's Charter;

- the validation by the AFGs of any new product with a pronounced tax content, of all new activities and "specific" operations that are structured in France and abroad;

- the provisions for the recourse to an external tax adviser;

- the definition of tax-related operational incidents, and of common declaration and reporting standards;

- the definition and dissemination of rules and standards applicable within the Group and the validation of any master agreement or marketplace agreement and any circular or internal organic text that has a pronounced tax aspect;

- reporting on the tax audits;

- the provisions for controlling the delivery of tax-related opinions and advice.

With regard to Luxembourg, the Luxembourg Fiscal Affairs (AFL) function is in charge of monitoring application of these principles for the Group entities operating within that territory.

AFL reports hierarchically to the Territory Director and to the Chairman of the Management Committee looking after the AFLs, and functionally to the AFG managers.

Information systems security

Information is a key commodity for the activities of banks. With dematerialization now virtually in place, growing demand for swift online processing of ever more sophisticated transactions and the interconnection between the Group and its customers - via Internet for individuals and multiple networks for companies and institutions - are constantly increasing the need for control of the risk relative to information security.

Incidents reported in different countries involving banking and credit / payment card industries highlight the increased need for vigilance, with this topic having been reiterated by regulations and case law in the area of personal and banking data.

The rules governing information security in the Group are set out in various types of reference documents, in several categories: a general security policy, more specific policies for various issues related to information systems security, the formulation of requirements structured around the ISO 27001 standard, practical guide to security requirements, and operational procedures.

This security framework is drilled down to each individual business line, while taking account of any regulatory requirements and the risk appetite of the business line in question, and while relying on the Group's security policy. Each business line takes the same approach to managing information security (the adopted methodology is the ISO 27005 completed by the French EBIOS methodology), common objective indicators, control plans residual risk assessment and action plans. This approach is part of the Permanent Control and Periodic Control framework set up within each banking activity.

Each of the Group's business lines is exposed to some specific form of information security risk, with some risks common to all businesses. The policy for managing these risks takes into consideration the specific nature of the business as well as Luxembourg's national specificities.

The Group takes a continuous progress approach to information security. Apart from investing heavily in protecting its information system assets and information resources, implemented security level must be supervised and controlled continuously. This provides for swift adjustment of the security efforts to new threats caused by cybercrime. One of the effects of this continuous progress approach is that investments are made to develop the management of authorisations and access control to the most important applications used by the business lines and the performance of intrusion tests on the information systems.

The availability of information systems is vital in order to ensure the continuation of banking operations in a crisis or emergency. While it is impossible to guarantee 100% availability, the Group maintains, improves and regularly verifies the information backup capabilities and the system robustness, in line with its values of operational excellence, in response to tighter regulations and extreme stress scenarios (natural disasters or other catastrophes, health pandemics, etc.); its efforts in this area are consistent with the general business continuity plan.

The Group seeks to minimise information security risk and optimise resources by:

- the introduction in 2011 of the Group's security policy and governance, with the orgnisation of security committees between IT and business lines;
- setting up a procedural framework for each business line, and governing day-to-day production and management of existing software and new applications;
- raising employee awareness of information security imperatives and training key players in the appropriate procedures and behaviours related to information system resources;
- adopting, with regard to the projects of the business lines as well as the infrastructures and shared systems, a formal approach for evaluating systems and improving management of security risks through measurable key performance indicators and action plans intended to reach these objectives, that are part of the Group's permanent and periodic Control initiative, which resulted in 2011 in a tool to support risk management of IT systems;
- monitoring incidents and developing intelligence of technological vulnerability and information system attacks.

Insurance policies

Risks incurred by the Group are covered with the dual aim of protecting its balance sheet and profit and loss statement.

This involves an in-depth identification of risks, fear inventorying of the operational losses suffered by the Group. The identified risks are then mapped and their impact is quantified.

Insurance policies are purchased from leading insurers in order to remedy any possible significant damages resulting from fraud, misappropriation and theft, operational losses or civil liability of the Group or of the employees for which it may be held responsible.

In order to optimise costs and effectively manage its exposure, the Group self-insures certain risks while maintaining perfect control of its exposure. These are well identified risks whose impact in terms of frequency and cost is known or foreseeable.

As part of covering its risks, the Group pays close attention to the rating and solvency of its insurance partners.

Finally, detailed information on risks incurred as well as risk assessment visits enable insurers to assess the quality of the prevention efforts within the Group, as well as the security measures put in place and upgraded on a regular basis in light of new standards and regulations.

4.g.3 Compliance and reputation risk

Effective management of compliance risk is a core component of the Group's Internal Control system. It covers adherence to applicable laws, regulations and codes of conduct and standards of good practice, protecting the reputation of the Group , as well as of its managers, employees and customers, the precision and exhaustiveness of the disseminated information, ethical professional behaviour, the prevention of conflicts of interest, protection of the interests of customers and the integrity of the markets, anti-money laundering procedures, combating corruption and terrorist financing, and finally, respecting financial embargoes.

As required by the regulations, the Compliance function is in charge of implementing and controlling the system, and is one of the key actors in Internal Control. Reporting to the Co-Chairman of the Management Board in charge of Compliance, it has direct and independent access to the Chairman of the Board of Directors and to the Internal Control and Risk Committee.

It is an independent function for controlling the compliance of activities in view of the legislative, regulatory, normative and ethical environment, and if possible internal provisions specific to the establishment. It consequently focuses on compliance risks specific to this environment: these risks can, as relevant, have the financial, operational, legal or ethical impacts on the Group's activities.

Management of compliance and litigation risks is based on a system of permanent controls, built on four axes:

- general and specific procedures;
- dedicated controls;
- deployment of prevention and detection tools (notably for preventing money laundering, terrorist financing, corruption and Market Abuses);
- training and awareness-rating actions, both on the Group level and within the business lines / functions.

The function is built around:

- Compliance Officers dedicated to each Group Business line;
- a cross-disciplinary Financial Security Cell;
- permanent Control dedicated to the function, that monitors the implementation and proper operation of the internal Control;
- an entity specifically in charge of subjects relating to professional Ethics and the Protection of personal data.

Protecting its reputation is high on the agenda of the BNP Paribas Group. It requires permanent revisions to the risk management policy in line with developments in the external environment. The BNP Paribas Group has strengthened its control function in the fight against money laundering, terrorist financing, corruption, the disrespect of financial embargos and Market Abuse, as a result of the international context, the increasing number of fraudulent practices and the introduction of tighter regulations by many countries.

4.h LIQUIDITY AND REFINANCING RISK

Liquidity and refinancing risk is defined as the risk of being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or the Group's financial situation.

The Group's liquidity and refinancing risk is managed through a global "liquidity policy" approved by the Bank's Board of directors. This policy is based on management principles designed to apply both in normal conditions and in the event of a liquidity crisis. The Group's liquidity position is assessed on the basis of internal indicators and regulatory ratios.

The liquidity risk policy

Policy objectives

The objectives of the Group's liquidity policy are to (i) secure a balanced financing mix to support the Group's development strategy, (ii) ensure that the Group is always in a position to discharge its obligations to its customers, (iii) comply with the standards set by the local banking supervisors, and (iv) cope with any liquidity crises.

Roles and responsibilities in liquidity risk management

The Bank's Board of Directors is responsible for the targeted strategy and for the liquidity risk management policy of the Group as developed by the Executive Committee. Under the supervision of the Board of Directors, it is responsible for deciding on risk management policies and for ensuring adequate governance structures in order to adequately monitor the Group's liquidity risk.

The Luxembourg ALCO is the Group's Management committee, directed by the Management Board to decide on all

ALM and Treasury matters, within the framework of limits and rules as approved by ALM Treasury on the Group level, and by Group Risk Management.

Liquidity risk is managed centrally by ALM and Treasury across all maturities. The Treasury unit is responsible for refinancing and for short-term issues of less than one year. The ALM unit is responsible for refinancing and for senior and subordinated debt issues. ALM and Treasury are therefore in charge of financing the Group's business lines and of investing their surplus cash.

Liquidity risk management and supervision

In its daily management, the steering of the liquidity is based on a complete range of standards and internal indicators.

An overnight target is set for each BNP Paribas Group Treasury unit, limiting the amount raised by the Group on interbank overnight markets. This applies to the major currencies in which the Group operates.

Medium and long term liquidity management is mainly based on the analysis of available medium and long term liabilities in order to finance assets having in the same category. At a one-year horizon, the ratio of liabilities over assets is based on the liquidity schedules of the balance sheet and off-balance sheet items of all Group entities (contractual as well as conventional), under assumptions concerning client behaviour or under a certain number of conventions.

Moreover, stress tests of liquidity crises are carried out on a regular basis, taking into account general market factors or ones that are specific to the Group and that are likely to weaken its liquidity situation. In this context, the ability to access sufficient funding to deal with unforeseen developments in liquidity needs, is regularly estimated.

Risk mitigation techniques

Within the normal course of liquidity management or in the event of a liquidity crisis, the most liquid assets constitute a financing reserve that will allow for an adjustment of the Group's treasury position by the sale of financial instruments on the repo market or by pledging them as collateral to a Central Bank. In case of a prolonged crisis, the Group may be required to progressively reduce the size of its balance sheet through the definitive disposal of assets. Finally, the diversification of the financing sources in terms of investor structures and financing (collateralized or not) contribute to reducing the liquidity risk.

Medium / long term debt

The total amount of the Group's medium / long term outstanding bond issues stood at 1.9 billion euros at the end of 2011, compared with a stock of at 2.8 billion euros at the end of 2010. Given the Group's overall solid position in terms of liquidity, the volume of new issues via the senior and subordinated debt issuance programme has been limited relative to upcoming maturities, which explains this year's trend. Also, the Group has continued to finance itself through its ECP and USCP programmes that each have a volume limit of USD 3 billion. Their overall volume of nearly 1.1 billion euros is down by nearly 0.8 billion euros over the course of the year.

4.i EQUITY MANAGEMENT AND CAPITAL ADEQUACY

The Group is subject to compliance with the Luxembourg prudential regulations in accordance with the transposition into Luxembourg law of the European Directive on "Capital adequacy for credit institutions".

Since 1 January 2008, CSSF Circular 06/273 (as amended) defining the so-called "Basel II" calculation methods for the solvency ratio, as defined the latter as the ratio between overall regulatory capital is the sum of :

- the risk-weighted assets calculated using the standardised approach or the advanced internal ratings-based approach depending on the Group entity or activity in question;

- the regulatory capital requirements for market and operational risks, multiplied by a factor of 12.5. The capital requirement for market risk is calculated using the standard approach. The capital requirement for operational risk is calculated using the basic approach, the standard approach or the advanced measurement approach, depending on the Group entity in question.

Regulatory capital

Composition of the capital

The regulatory capital is determined in compliance with the CSSF Circular 06/273, as amended. It is divided into three components (core capital, supplementary capital and super-supplementary (or Tier 3) capital), from which a certain number of deductions are made:

- Core capital is determined on the basis of the Group's consolidated equity (excluding unrealised or deferred gains and losses). These adjustments consist, among other things, of deducting the planned dividend for the year, as well as goodwill and other intangibles, and the deduction of own credit risk and unrealized losses on variable income securities classified as available-for-sale assets.

- Supplementary capital principally comprises the subordinated debt and any positive credit and counterparty risk valuation differences between provisions for incurred losses taken under the book method and expected losses on credit exposure using the internal ratings-based approach. Where appropriate, supplementary capital includes unrealized gains on variable income securities classified as held-for-sale assets

- A discount is applied to certain types of subordinated debt with a maturity of less than five years. Dated subordinated debt is limited to 50% of the amount of the core capital. Overall, the supplementary capital is limited to 100% of the amount of the core capital.

- The Group does not hold any Tier 3 capital.

- The following items are deducted for the purpose of calculating regulatory capital, half from the core capital and half from the supplementary capital: (i) the carrying amounts of investments and credit institutions and finance companies accounted for by the equity method; (ii) the regulatory capital credit institutions and finance companies more than 10% owned by the Group; (iii) the portion of expected losses on credit exposure measured using the advanced internal ratings-based approach, which is not covered by provisions or other value adjustments; and (iv) losses expected on listed equities using the simple risk weight method.

Own funds

Own funds *In millions of euros*	31 December 2011	31 December 2010
Shareholders' equity before appropriation	**5 508.6**	**5 601.6**
Ordinary shares and share premiums	3 475.0	3 474.9
Retained earnings	1 857.3	1 926.9
Remeasurement reserves	(121.5)	(73.5)
Net profit for the current year	297.8	273.3
Total minority interests before appropriation of income	**-**	**48.1**
Consolidated equity	5 508.6	5 649.7
Regulatory deductions and other items	**(322.8)**	**(500.1)**
Intangible assets deductions	(4.0)	(4.0)
Other regulatory restatements	(318.8)	(496.1)
of which neutralisation of regulatory provisions	(13.0)	(87.3)
of which regulatory correction of merger surcharge	(71.6)	(71.6)
of which neutralisation of unrealised capital gains on buildings	(60.1)	(63.0)
of which neutralisation of the credit-specific risk	(46.6)	(20.1)
of which neutralisation of non-eligible reserves	183.7	116.9
of which neutralisation of the reserves transferred to Tier 2	(58.3)	(35.7)
of which deferred tax assets not recoverable for 2 years	(1.9)	(2.3)
of which dividend payment proposal	(251.0)	(333.0)
Tier 1 own funds before items to be deducted	5 185.8	5 149.6
Tier 2 own funds before items to be deducted	131.4	174.9
Expected losses linked to equity exposures	**(8.1)**	**(10.4)**
Investments in associates	**(872.1)**	**(886.7)**
Provision deficit (compared to Expected Loss)	**(68.5)**	**-**
Items to be deducted from tiers 1 and 2	(948.7)	(897.1)
Regulatory own funds	4 368.5	4 427.4

Capital adequacy

Under the European Union regulation transposed into national law by the CSSF Circular 06/273 (as amended), the Group is required to comply with the regulatory ratios at all times, meaning core capital at least equal to 4% and a regulatory solvency ratio at least equal to 8%. As at 31 December 2011, the Group's regulatory solvency ratio was 30.68%.

Capital management and planning

Capital adequacy ratios are managed prospectively on a prudent basis that takes profitability and growth targets into account. The Group therefore maintains an appropriate financial structure that allows it to finance business growth on the best possible terms while preserving its very high quality credit rating.

Changes in ratios are reviewed by the Management board on a quarterly basis and whenever an event occurs or decision is made that will materially affect the consolidated ratios on the Group level.

Given its level of capital and risks [(1)], the Group feels that it is sufficiently capitalised.

As part of the internal assessment process for its capital adequacy (established only on the basis of its non-consolidated situation) relative to the Basel II pillar 2, the Group uses an "increased pillar 1" method that involves completing the capital requirement relative to pillar 1 with the amount of the stress tests, determined on the basis of very conservative hypotheses. The total obtained amount is then compared to the available internal regulatory capital level, consisting of the regulatory capital used within the pillar 1 framework. This internal exercise has made it possible to demonstrate that the Group has a significant internal capital surplus.

4.j THE ICAAP (INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS)

The second pillar of the Basel II capital framework describes how supervisory authorities and the Group can effectively assess the appropriate level of regulatory capital. This assessment must cover all risks incurred by the Group, their sensitivity to crisis scenarios and how they are expected to evolve in light of development projects.

This internal assessment system is regularly integrated into the Group's decision-making and management processes and supported, where appropriate, by impact analyses of crisis scenarios on business plans and by internal models that notably reflect concentrations and diversifications in an economic manner.

4.k EXPOSURE TO SOVEREIGN RISK

As part of its liquidity management, the Group seeks to maximise the refinancing available to it so that it can meet unexpected liquidity needs. In particular, this strategy is predicated on holding securities eligible as collateral for refinancing from central banks and includes a substantial proportion of highly rated debt securities issued by governments representing a low level of risk. In the framework of its policy to strengthen its balance sheet and manage structural interest-rate risk, the Group also holds a portfolio of assets that includes sovereign debt instruments, with interest-rate characteristics that contribute to its hedging strategies.

(1) Pillar 1 capital requirement (advanced method) completed by the results of endurance tests (credit risk and interest rate risk).

Group exposure to sovereign debt securities of Euro area countries:

In millions of euros	31 December 2011
	Net exposure *
Belgium	717,5
France	394,9
Italy	241,6
Luxembourg	30,0
The Netherlands	29,9
Countries covered by a European support plan	
Portugal	399,2
Greece	37,5

* The exposures include all assets without related receivables net of value correction.

Special circumstances concerning sovereign credit risk in Greece and Portugal, which have received support under a European plan

Greece and Portugal have experienced a marked deterioration in their public finances in the context of the economic and financial crisis, which prompted the markets to progressively shun public-sector debt securities issued by these countries, leaving them unable to raise the funding they need to finance their public deficits.

The policy of European solidarity, defined in these circumstances by the euro zone member states, in conjunction with the International Monetary Fund, prompted them to put in place support arrangements, leading to the formulation and implementation of several plans to benefit first Greece, then Portugal.

In May 2010, the eurozone member states and the IMF undertook to provide Greece with a 110 billion euros support plan in exchange for a commitment to reduce its budget deficit. During the first half of 2011, the euro area authorities reaffirmed their support for Greece and discussions were held to put in place a second plan, with the participation of private investors. On 21 July 2011, representatives from the 17 euro zone member states drew up a second aid plan for Greece, worth close to 160 billion euros overall. The plan was confirmed during a meeting of the same representatives on 26 October 2011, provided that an parallel agreement was concluded between Greece and representatives of private investors, under which the latter would agree to a partial write-down of the nominal value of the Greek securities which they held. In exchange for these securities, the private investors will receive new bonds, issued by Greece, with a nominal value equivalent to 31.5% of the nominal value of the bonds previously held, part of whose repayment is linked to changes in Greece's GNP. They also receive a medium-term note from the European Financial Stability Facility, for a nominal value equivalent to 15% of the nominal value of the bonds held and a short-term note issued by the European Financial Stability Facility, to cover the interest accrued up to 24 February 2012 on the Greek bonds they held.

The support plan for Portugal, which was adopted in May 2011, provided for 78 billion euros in public support.

Each of these plans is accompanied by measures to bring hefty reductions in the public deficits.

Specific accounting treatment of debt securities issued by Greece and Portugal

1. Accounting treatment of Portuguese securities

The lack of liquidity in the markets for Portuguese public debt, in the first half of 2011, led the Group to consider that the accounting classification of these securities as available for sale could not be maintained.

The virtual disappearance of the primary market, the increasingly thin trading volumes in the secondary market, their small size and the widening in bid/offer spreads reflect investors' risk aversion to this country and the drying-up of the market. The implied yield curve on the public debt was inverted–with short-term rates significantly higher than long-term rates–confirming the dislocation of the market. The implied losses, that the very high level of short-term rates suggests, did not reflect the expected results of the support plans implemented to give Portugal the ability to get its public finances back in shape and to honour its commitments.

As permitted by paragraph 50E of IAS 39 in such circumstances and given the length of time that the Group considers that the country will need to fully restore the state of its finances, the Group has reclassified these securities from the "Available-for-sale financial assets" category to "Loans and receivables" –with effect from 30 June 2011. After taking into consideration the different aspects of European support plan, some investors felt that there was no objective evidence that the recovery of future cash flows, associated with these Portuguese sovereign debt securities, was compromised, especially as the European Council stressed the unique and non-repeatable nature of the private sector's participation in such an operation. Accordingly, the Group found that there was no need to recognise impairment in these securities.

Note 5.e shows the market value of securities issued by Portugal held by the Group and reclassified as "Loans and Receivables".

2. Accounting treatment of Greek securities

It should be noted that Greek securities are classified in the Group accounts in the category "Assets held to maturity".

Greek sovereign debt instruments due to mature prior to 31 December 2020 are covered by provisions under the second support plan for Greece, which was initiated in June 2011 and finalised on 21 July 2011, reflecting the banks' commitment to provide support. This plan has several options, including a voluntary exchange at par for 30-year debt securities with their principal collateralised by AAA-rated zero coupon bonds, with terms leading to recognition of an initial discount of 21%. The Group intends to take up this exchange option in connection with the collective undertaking given by the French financial sector. Accordingly, the debt securities held on the Group's balance sheet and due to be exchanged were measured by recognising the 21% discount. Treated as a concession by the lender owing to the difficulties encountered by the borrower, this discount led to an impairment loss being recognised through the profit and loss account in the first half of 2011.

When it was recognised during the second half of 2011 that Greece was having difficulty in meeting the economic objectives, on which the plan of 21July were founded, particularly with regard to the sustainability of its debt, a new agreement in principle, dated 26 October 2011 and based on a partial waiver from the private sector, was drawn up. At the time of preparation of these financial statements, the exact method of implementation of the agreement had not been fully agreed by all the international institutions concerned, hence the Group has determined the impairment of the all securities held on the basis of the latest proposal from the private sector, represented by the Institute of International Finance (IIF).

On the basis of (1) a 50% haircut, (2) the immediate repayment of 15% of amounts owed through securities of the European Financial Stability Facility (EFSF) with a maturity of two years and paying market interest rates, (3) the payment of accrued interest through EFSF securities with a maturity of six months and paying market interest rates, (4) a coupon of 3%, until 2020 and 3.75% subsequently, on securities maturing between 2023 and 2042, received in exchange for existing securities, and (5) a discount rate of 12% on future cash flows, the Group has estimated the likely loss on existing securities as 75%, which is almost identical to that priced in by the market through the average discount on these securities at 31 December 2011. The Greek bonds held have been written down by 75%, and the impairment loss recorded in the accounts for 2011, in cost of risk, stands at 113.8 million euros (see note 2g).

Group exposure to sovereign credit risk in Greece and Portugal

The following tables present the Group's exposure, at 31 December 2011, to the credit risk of these sovereign states, in the form of securities, after the impairment loss on Greek bonds.

Assets identified under "Loans and Receivables" are the result of the reclassification, at 30 June 2011, of securities previously recorded as "Available-for-sale financial assets".

Exposure to Greek and Portuguese sovereign debt, broken down by residual term to maturity:

In millions of euros	Year to 31 December 2011					
	1 year	2 years	3 years	4 years	5 years and more	Total
Securities under reclassified loans and receivables						
Portugal						
Risk Exposure	30.0	-	-	-	365.0	395.0
Carrying value	31.0	-	-	-	275.2	306.2
Securities under held-to-maturity financial assets						
Greece						
Carrying value after value correction	32.5	5.0	-	-	-	37.5
Portugal						
Carrying value	70.5	10.2	-	-	18.6	99.3

Disposals of securities classified as held-to-maturity financial assets in 2011

In 2011, the Group sold 550 million euros of sovereign debt securities, issued by Italy and Spain, which had until then been classified as “Held-to-maturity financial assets.”

The sale of these securities was prompted by the worsening economic situation of the issuers, as reflected by the downgrading of their rating by different rating agencies in September and October 2011, and the decline in market value of these securities (see IAS 39-AG22a).

As a result, the Group applied the requirements of paragraph AG 22(a) of IAS 39, to demonstrate that these disposals do not alter its intention to hold other assets in this category to maturity, or its ability to finance them. Other assets were therefore kept within this category.

5. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2011

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

Financial assets and liabilities at fair value or model value through profit or loss consist of held for trading transactions (including derivatives) and certain assets and liabilities dedicated by the Group as at fair value or model value at the time of the acquisition or issue.

Financial assets

The financial assets in the trading portfolio notably consist of securities transactions that the Group carried out on its own behalf, repurchase agreements as well as derivatives traded as part of activities to manage the Group's positions. Assets designated at fair value or model value through profit or loss include assets with embedded derivatives that have not been separated from the host contract.

Financial liabilities

On the liabilities side, the trading portfolio consists of securities borrowing and short-selling transactions, repurchase agreements and derivatives traded as part of activities to manage the Group's positions. Financial liabilities at fair value or model value through profit or loss consist mainly of originated and structured issues on behalf of the clientele, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changing values are set off by changes in the value of the hedging instruments.

The redemption value of liabilities at fair value or model value through profit or loss amounted to 1,450 million euros on 31 December 2011, versus 2,535 million euros on 31 December 2010. Their fair value or model value includes the credit risk specific to the Group. The impact of this risk is obtained as the difference between a valuation that accounts for the BNP Paribas Group risk parameter and a valuation based on a no-risk swap curve.

Subordinated debts at fair value through profit or loss

The Group has designated certain subordinated debt as at fair value through profit or loss in order to eliminate the potential accounting differences resulting from the embedded derivatives and associated securities.

The redeemable subordinated debt issued by the Group is in the form of medium and long-term debt securities, equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuing company, and right after the other creditors but before holders of participating loans and participating subordinated notes. After agreement from the regulator and at the issuer's initiative, these debt issues may include an early redemption clause.

Debt issued by BGL BNP Paribas via placements in the international markets may be subject to early redemption of the capital and early payment of the interest due at maturity at the issuer's discussion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the tax rules applicable at the time oblige the group issuer to compensate debtholders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.

In millions of euros	31 December 2011			31 December 2010		
	Trading book	Portfolio designated at fair value on option	TOTAL	Trading book	Portfolio designated at fair value on option	TOTAL
Financial assets at fair value through profit or loss						
Negotiable debt instruments			**-**			**485.5**
Other negotiable debt instruments	-	-	-	485.5	-	485.5
Bonds	**-**	**-**	**-**	**614.3**	**312.7**	**927.0**
Government bonds	-	-	-	509.2	-	509.2
Other bonds	-	-	-	105.1	312.7	417.8
Equities and other variable income securities	**229.0**	**4.6**	**233.6**	**59.1**	**8.4**	**67.5**
Repurchase agreements	**579.9**	**-**	**579.9**	**157.5**	**-**	**157.5**
Loans	**-**	**328.3**	**328.3**	**-**	**674.9**	**674.9**
Trading book derivatives	**279.3**	**-**	**279.3**	**341.7**	**-**	**341.7**
Currency derivatives	68.2	-	68.2	75.8	-	75.8
Interest rate derivatives	74.0	-	74.0	102.8	-	102.8
Equity derivatives	49.4	-	49.4	37.8	-	37.8
Credit derivatives	85.2	-	85.2	120.3	-	120.3
Other derivatives	2.5	-	2.5	5.0	-	5.0
Total financial assets at fair value through profit or loss	1 088.2	332.9	1 421.1	1 658.1	996.0	2 654.1
of which loans and loaned securities	*859.2*	*328.3*	*1 187.5*	*499.2*	*674.9*	*1 174.1*
Financial liabilities at fair value through profit or loss						
Securities borrowing and shortselling	**607.1**	**-**	**607.1**	**-**	**-**	**-**
Repurchase agreements	**122.9**	**-**	**122.9**	**157.5**	**-**	**157.5**
Debt securities	**-**	**1 110.2**	**1 110.2**	**-**	**1 878.0**	**1 878.0**
Subordinated debt	**-**	**82.9**	**82.9**	**-**	**178.7**	**178.7**
Trading book derivatives	399.3	-	399.3	**586.5**	**-**	**586.5**
Currency derivatives	54.8	-	54.8	92.5	-	92.5
Interest rate derivatives	111.5	-	111.5	219.7	-	219.7
Equity derivatives	132.2	-	132.2	118.2	-	118.2
Credit derivatives	98.8	-	98.8	155.0	-	155.0
Other derivatives	2.0	-	2.0	1.1	-	1.1
Total financial liabilities at fair value through profit or loss	1 129.3	1 193.1	2 322.4	744.0	2 056.7	2 800.7

Trading derivatives

The majority of derivatives held for trading are related to transactions initiated by position management transactions. They may be traded within the framework of market maker or arbitration activities. Trading portfolio derivatives also include directives contracted to hedge financial assets of financial liabilities but for which the Group has not documented a hedging relationship or which do not qualify for hedge accounting under accounting regulations.

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

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

In millions of euros	31 December 2011	31 December 2010
Trading book derivatives	**14 447.7**	**13 633.4**
Currency derivatives	7 485.4	5 822.1
Interest rate derivatives	3 892.3	4 524.8
Equity derivatives	1 664.5	1 194.8
Credit derivatives	1 242.7	1 862.0
Other derivatives	162.8	229.7

5.b DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the fair values of derivatives for hedging purposes.

In millions of euros	31 December 2011			31 December 2010		
	Notional amount	Negative fair value	Positive fair value	Notional amount	Negative fair value	Positive fair value
Derivatives used for fair value hedges of non-derivative financial instruments						
Interest rate derivatives	2 066.6	71.1	41.7	1 652.2	80.2	4.2
Fair value hedges	**2 066.6**	**71.1**	**41.7**	**1 652.2**	**80.2**	**4.2**
Derivative financial instruments used for cash flow hedges for non-derivative financial instruments						
Interest rate derivatives	1 795.0	17.5	10.0	130.0	0.4	2.9
Cash flow hedges	**1 795.0**	**17.5**	**10.0**	**130.0**	**0.4**	**2.9**
Derivatives used for hedging purposes	**3 861.6**	**88.6**	**51.7**	**1 782.2**	**80.6**	**7.1**

Derivatives used for hedging purposes are exclusively contracted on over-the-counter markets.

5.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 December 2011	31 December 2010
Negotiable debt instruments	**-**	**98.0**
Treasury Bills and other bills eligible for central bank refinancing	-	98.0
Fixed income securities	**3 043.6**	**4 981.3**
Government Bonds	1 763.7	3 283.0
Other Bonds	1 279.9	1 698.3
Equities and other variable income securities	**471.9**	**430.3**
of which listed securities	*39.5*	*41.6*
of which non-listed securities	*432.4*	*388.7*
Total available-for-sale financial assets before impairment	3 515.5	5 509.6
of which loaned securities	*157.9*	*17.7*
Impairments on available-for-sale financial assets	**(86.2)**	**(18.4)**
Fixed-income securities	(1.8)	(1.9)
Variable-income securities	(84.4)	(16.5)
Total available-for-sale financial assets net of impairment	3 429.3	5 491.2
of which net unrealised gains (losses) on negotiable debt securities and bonds	*(99.3)*	*(94.1)*
of which net unrealised gains (unrealised losses) on equities and other variable income securities	*55.4*	*16.1*

5.d MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are classified into three levels in descending order of observability of their value and of the inputs used for the valuation:

- level 1 - Financial instruments with quoted market prices:

  This level comprises financial instruments with quoted prices in an active market that can be used correctly.

  It notably includes liquid shares and bonds, borrowings and short sales of these instruments, derivatives traded on organised markets (futures and options, etc.), and units in funds with net asset value calculated on a daily basis.

- level 2 - Financial instruments measured using valuation techniques based on observable inputs:

  This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which transaction prices are readily and regularly available on the market or, lastly, instruments measured using valuation techniques based on observable parameters.

  This level notably includes shares and bonds with low liquidity, borrowings and short sales of these instruments, short-term repurchase agreements not measured based on a quoted price directly observed in the market, units in funds for which the liquidity is provided on a regular basis, derivatives traded on OTC markets measured using valuation techniques based on observable inputs and structured debt issues measured only on observable inputs.

- level 3 - Financial instruments measured using valuation techniques based on non-observable inputs:

  This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs; a non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations not based either on observable transaction prices in the identical instrument at the measurement date or observable market data available at the same date.

  An instrument is classified in level 3 if a significant portion of its valuation is based on non-observable inputs.

  This level notably comprises unlisted shares, bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active market (such as CDO, CLO or ABS units), long-term or structured repurchase agreements, units in funds undergoing liquidation or quotation which have been suspended, complex derivatives with multiple underlyings (hybrid instruments, synthetic CDOs, etc.) and the structured debt underlying these derivatives.

Breakdown by measurement method applied to financial assets recognised at fair value

In millions of euros	31 December 2011			
	Quoted market price (Level 1)	Valuation techniques using observable parameters (Level 2)	Valuation techniques using non-observable parameters (Level 3)	TOTAL
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss held for trading purposes (note 5.a)	228.7	859.5	-	**1 088.2**
Financial assets designated at fair value through profit or loss on option (note 5.a)	-	332.9	-	**332.9**
Derivatives used for hedging purposes (note 5.b)	-	51.7	-	**51.7**
Available-for-sale financial assets (note 5.c)	2 929.0	141.8	358.5	**3 429.3**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss held for trading purposes (note 5.a)	607.1	522.2	-	**1 129.3**
Financial liabilities designated at fair value through profit or loss (note 5.a)	-	1 168.1	25.0	**1 193.1**
Derivatives used for hedging purposes (note 5.b)	-	88.6	-	**88.6**

In millions of euros	31 December 2010			
	Quoted market price (Level 1)	Valuation techniques using observable parameters (Level 2)	Valuation techniques using non-observable parameters (Level 3)	TOTAL
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss held for trading purposes (note 5.a)	950.4	707.7	-	**1 658.1**
Financial assets designated at fair value through profit or loss on option (note 5.a)	-	992.2	3.8	**996.0**
Derivatives used for hedging purposes (note 5.b)	-	7.1	-	**7.1**
Available-for-sale financial assets (note 5.c)	3 613.3	1 850.3	27.6	**5 491.2**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss held for trading purposes (note 5.a)	-	744.0	-	**744.0**
Financial liabilities designated at fair value through profit or loss (note 5.a)	-	2 028.7	28.0	**2 056.7**
Derivatives used for hedging purposes (note 5.b)	-	80.6	-	**80.6**

Table of movements in level 3 financial instruments

For level 3 financial instruments, the following movements occurred between 1 January 2011 and 31 December 2011:

In millions of euros on 31 December 2011	Financial assets			Financial liabilities	
	Financial assets at fair value through profit or loss on option	Available-for-sale financial assets	TOTAL	Financial liabilities designated at fair value through profit or loss on option	TOTAL
Start of period	**3.8**	**108.9**	**112.7**	**28.0**	**28.0**
Entry in scope	-	7.2	7.2	-	-
Purchases	-	5.1	5.1	-	-
Issues	-	-	-	-	-
Sales	(3.8)	(77.9)	(81.7)	-	-
Settlements	-	3.4	3.4	-	-
Transfer to level 3	-	274.0	274.0	-	-
Gains (or losses) recognised through profit or loss	-	(0.9)	(0.9)	(3.0)	(3.0)
Changes in fair value of assets and liabilities recognised directly in equity					
Change in fair value of assets and liabilities recognised in equity	-	38.7	38.7	-	-
End of period	**-**	**358.5**	**358.5**	**25.0**	**25.0**
Total gains (or losses) for the period recognised in the income for instruments oustanding at the end of the period			-		-

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

Following a re-evaluation, based on net book value, to a value of 295 million euros, BNPP IP securities, which are classified as available-for-sale financial assets, were transferred from level 2, as at 31 December 2010, to level 3, as at 30 June 2011.

5.e RECLASSIFICATION OF FINANCIAL INSTRUMENTS INITIALLY RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING PURPOSES OR AS AVAILABLE-FOR-SALE ASSETS

The amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008 permit the reclassification of instruments initially held for trading or available-for-sale, within loans and receivables portfolios or as securities available-for-sale.

During the 2011 financial year, the Group reclassified Portuguese debt securities with a value of 395 million euros and a net worth of 299.8 million euros.

Data relating to the financial instruments as at the date of reclassification

In millions of euros		Assets reclassified as loans and receivables		
	Reclassification date	Carrying value	Espected cash flows deemed recoverable [1]	Average effective interest rate
Sovereign securities from portfolio of available-for-sale assets		**299.8**	**510.7**	**9.4%**
of which Portuguese sovereign securities	30 June 2011	299.8	510.7	9.4%
Structured transactions and other fixed-income securities		**669.7**	**787.4**	**7.2%**
from the available-for-sale portfolio	30 June 2009	669.7	787.4	7.2%

[1] The expected cash flows cover the repayment of principal and payment of all non-discounted interest until the date of maturity of the instruments.

Valuation at 31 December 2011 of reclassified assets

The tables below show the elements relating to reclassified assets shown on the balance sheet at 31 December, with their contribution to income and changes in equity for the period:

On-balance sheet *In millions of euros*	31 December 2011		31 December 2010	
	Carrying value	market or model value	Carrying value	market or model value
Sovereign securities reclassified as loans and receivables due from customers	**306.2**	**250.8**	-	-
of which Portuguese sovereign securities	306.2	250.8	-	-
Stuctured transactions and other reclassified fixed-income securities	382.7	337.5	**525.9**	**515.6**
to loans and receivables from customers	382.7	337.5	525.9	515.6

In profit and loss and as a direct change in equity *In millions of euros*	Year to 31 December 2011				Year to 31 December 2010	
	Realised					
	Before reclassification	After reclassification	Total	Pro forma amount for the periode [1]	Realised	Pro forma amount for the period [1]
in profit and loss	8.8	16.2	25.0	25.0	**6.1**	**6.1**
in revenues	**8.8**	**15.9**	**24.7**	**24.7**	**6.5**	**6.5**
of which Portuguese sovereign securities	*8.8*	*8.7*	*17.5*	*17.5*	-	-
of which structured transactions and other fixed-income securities	-	*7.2*	*7.2*	*7.2*	*6.5*	*6.5*
in cost of risk	-	**0.3**	**0.3**	**0.3**	**(0.4)**	**(0.4)**
of which structured transactions and other fixed-income securities	-	*0.3*	*0.3*	*0.3*	*(0.4)*	*(0.4)*
as direct change in equity (before tax)	(62.2)	24.4	(37.8)	(136.3)	**(29.2)**	**1.9**
of which Portuguese sovereign securities	*(62.2)*	*8.1*	*(54.1)*	*(109.5)*	-	-
of which structured transactions and other fixed-income securities	-	*16.3*	*16.3*	*(26.8)*	*(29.2)*	*1.9*
Total profit and loss impact and direct changes in equity resulting from reclassified items	(53.4)	40.6	(12.8)	(111.3)	**(23.1)**	**8.0**

[1] The “pro forma” data show what would have been the contribution to earnings for the year, if the instruments concerned had not been reclassified, and what would have been their change in value, in relation to the equity, under the same conditions, from 1 January 2011 to 31 December 2011.

5.f INTERBANK TRANSACTIONS, LOANS AND RECEIVABLES DUE FROM/TO CREDIT INSTITUTIONS

Loans and receivables due from credit institutions

In millions of euros	31 December 2011	31 December 2010
Demand accounts	780.3	133.0
Loans	10 413.0	11 940.2
Total loans and receivables due from credit institutions before impairment	**11 193.3**	**12 073.2**
Impairment of loans and receivables due from credit institutions (note 2g)	(1.0)	(4.7)
Total loans and receivables due from credit institutions net of impairments	**11 192.3**	**12 068.5**

Due to credit institutions

In millions of euros	31 Decembre 2011	31 Decembre 2010
Demand accounts	871.3	507.6
Borrowings	2 221.1	4 981.5
Repurchase agreements	310.3	1 113.0
Total due to credit institutions	**3 402.7**	**6 602.1**

The significant decline in liabilities to credit institutions is linked to a lower funding requirement, due to the significant reduction in investment portfolios, in the context of exposure to sovereign risk, and the early closing-out of transactions, or due to restructuring.

5.g LOANS AND RECEIVABLES DUE FROM/TO CUSTOMERS

Loans and receivables due from customers

In millions of euros	31 December 2011	31 December 2010
Demand accounts	1 065.4	1 082.1
Loans to customers	12 947.7	13 395.7
Total loans granted and receivables due from customers before impairment	14 013.1	14 477.8
Impairment on loans and receivables due from customers (note 2f)	(249.9)	(202.0)
Total loans and receivables due from customers net of impairments	13 763.2	14 275.8

Due to customers

In millions of euros	31 December 2011	31 December 2010
Demand deposits	12 820.3	12 916.3
Term accounts	6 289.4	6 642.9
Regulated saving accounts (short-term notes)	268.9	373.1
Total due to customers	19 378.6	19 932.3

5.h DEBT SECURITIES AND SUBORDINATED DEBTS

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

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

In millions of euros	31 December 2011	31 December 2010
Debt with a maturity of more than 1 year on issue		
Negociable debt securities	1 030.4	1 697.7
Bond issues	79.8	180.3
Debt securities	1 110.2	1 878.0
Redeemable subordinated debt	82.9	178.7
Subordinated debt	82.9	178.7

Debts measured at amortised cost

In millions of euros	31 December 2011	31 December 2010
Debt with a maturity of less than 1 year on issue		
Negociable debt securities	1 136.2	1 934.7
Debt with a maturity of more than 1 year on issue		
Negociable debt securities	441.1	481.6
Total debt securities	1 577.3	2 416.3

No subordinated debt was recognised at amortised cost in 2010 and 2011.

5.i HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 December 2011	31 December 2010
Bonds	737.2	1 662.2
Government Bonds	568.1	1 568.8
Other Bonds	169.1	93.4
Total held-to-maturity financial assets	737.2	1 662.2

During 2011, the Group disposed of sovereign securities from its portfolio of held-to-maturity assets (see note 4.k).

5.j CURRENT AND DEFERRED TAXES

In millions of euros	31 December 2011	31 December 2010
Current taxes	26.3	25.1
Deferred taxes	1.9	2.3
Current and deferred tax assets	**28.2**	**27.4**
Current taxes	33.5	47.1
Deferred taxes	102.4	140.3
Current and deferred tax liabilities	**135.9**	**187.4**

The deferred taxes applicable to temporary differences relate mainly to the following differences:

Change in deferred taxes over the period

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Net deferred taxes at start of period	(138.0)	(114.7)
Deferred tax income (expense)	1.8	25.1
Change in deferred taxes linked to remeasurement and reversal through profit or loss of available-for-sale financial assets	28.5	11.7
Change in deferred taxes linked to remeasurement and reversal through or loss on hedging derivatives	1.3	1.6
Entry in scope of consolidation	-	(62.3)
Exit of scope of consolidation	-	(44.7)
Non-current assets held for sale	-	35.1
Effect of exchange rate and other movements	5.9	10.2
Net deferred taxes at end of period	(100.5)	(138.0)

Breakdown of net deferred taxes by temporary differences *In millions of euros*	31 December 2011	31 December 2010
Available-for-sale financial assets	(4.7)	(28.6)
Receivables and debts due to customers	5.6	(39.2)
Provisions for post-employment benefits	11.2	0.1
Impairments for credit risk	(3.1)	8.2
Credit institutions and treasury	(9.2)	69.7
Financial assets at fair value through profit or loss	(29.7)	(23.1)
Earnings on capital gains to be immunized according to art.54 LIR	(41.1)	(38.9)
Property, plant, equipment and intangible assets	(18.3)	(45.4)
AGDL provisions	(34.7)	(34.7)
Other items	22.7	(21.3)
Tax loss carryforwards	0.8	15.2
Net deferred tax	(100.5)	**(138.0)**
of which		
Deferred tax assets	1.9	2.3
Deferred tax liabilities	(102.4)	(140.3)

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

In millions of euros	31 December 2011	31 December 2010
Settlement accounts related to securities transactions	0.9	43.8
Collection accounts	13.6	101.6
Accrued income and prepaid expenses	36.1	39.5
Guarantee deposits paid and bank guarantees issued	2.0	-
Other debtors and miscellaneous assets	226.4	192.1
Total accrued income and other assets	**279.0**	**377.0**
Settlement accounts related to securities transactions	9.0	14.8
Collection accounts	83.8	189.3
Accrued expenses and deferred income	3.6	3.8
Other creditors and miscellaneous liabilities	155.5	123.2
Total accrued expenses and other liabilities	**251.9**	**331.1**

5.l INVESTMENTS IN ASSOCIATES

The Group’s main investments in associates accounted for using the equity method on 31 December 2011 involve the following companies:

In millions of euros	31 December 2011	31 December 2010
BNP Paribas Leasing Solutions S.A.	781.6	782.3
Cardif Lux Vie S.A.	53.7	-
Fortis Luxembourg Vie S.A.	-	49.8
Fastnet Netherlands N.V.	-	1.8
Stradios FCP FIS	-	98.5
Investments in associates	**835.3**	**932.4**

During the second half-year 2011, the Group sold its stake in the company Fastnet Netherlands NV (previously consolidated using the equity method) to an entity outside the Group.

In addition, the Group sold its interest in Stradios, before its liquidation, to an entity outside the Group.

The merger of the Luxembourg insurance entities (Fortis Luxembourg Vie S.A. and Cardif Lux International S.A.) has been considered as a reduction in the rate of participation in Fortis Luxembourg Vie S.A. (from 50% to 33.33% participation rate) which led to a profit of 6.2 million euros in the consolidated accounts, followed by a contribution from Fortis Luxembourg Vie S.A. in the capital increase in Cardif Lux International S.A.

This then resulted in a participation rate of 33.33% in the merged Cardif Lux Vie S.A..

The financial data published by the main companies accounted for using the equity method on 31 December 2011 are the following:

In millions of euros	Balance sheet total	Revenues	Net income
Cardif Luxembourg Vie S.A.	**15 416.0**	**39.6**	**24.3**
BNP Paribas Leasing Solutions S.A.			
BNP Paribas Leasing Solutions S.A.	**6 540.6**	**124.7**	**(56.8)**
BNP Paribas Lease Group S.A.	**6 606.9**	**242.1**	**32.9**
BNP Paribas Lease Group S.P.A.	**5 965.2**	**102.6**	**30.4**
Natiocredimurs S.A.	**2 601.3**	**27.7**	**8.4**
Fortis Lease (France) S.A.	**2 409.5**	**15.5**	**3.5**
Fortis Lease (Belgium) S.A.	**2 163.6**	**15.8**	**7.0**
SREI Equipement Finance Private Ltd.	**2 361.7**	**83.3**	**36.1**
Natiocredibail S.A.	**1 899.5**	**12.8**	**3.2**
Fortis Lease UK Ltd.	**1 047.8**	**23.6**	**7.9**
BNP Paribas Lease Group UK PLC	**1 319.8**	**72.7**	**29.0**
Fortis Lease Nederland N.V.	**1 101.9**	**25.0**	**11.4**

The financial data published by the main companies accounted for using the equity method on 31 December 2010 were the following:

In millions of euros	Balance sheet total	Revenues	Net income
Fortis Luxembourg - Vie S.A.	7 932.7	35.0	12.3
Fastnet Netherlands S.A.	7.5	5.5	1.5
Fastnet Belgium S.A.	19.2	12.5	3.7
Loft Beck Ltd. (Prev. Postbank Ireland Ltd. (in liquidation)	9.3	10.2	(55.3)
Stradios FCP FIS	516.9	(1.3)	(1.4)
BNP Paribas Leasing Solutions S.A.			
Fortis Lease Group S.A.	7 292.9	13.8	6.6
BNP Paribas Lease Group S.A.	7 151.2	243.1	56.4
BNP Paribas Lease Group S.P.A.	4 981.5	98.3	(16.7)
Fortis Lease (France) S.A.	2 408.0	33.1	13.5
Fortis Lease (Belgium) S.A.	2 398.7	19.3	(7.4)
Natiocredimurs S.A.	2 154.2	28.3	12.5
SREI Equipement Finance Private Ltd.	1 773.1	62.0	14.2
Fortis Lease UK Ltd.	1 444.0	15.7	24.4
BNP Paribas Lease Group UK PLC	1 291.4	69.1	20.9
Fortis Lease Nederland N.V.	1 278.7	24.5	(4.3)
Natiocredibail S.A.	1 249.9	8.6	(7.6)

5.m PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	31 December 2011			31 December 2010		
	Gross value	Accumulated depreciation and amortisation	Carrying value	Gross value	Accumulated depreciation and amortisation	Carrying value
Investment property	**44.3**	**(24.9)**	**19.4**	**39.4**	**(21.3)**	**18.1**
Land and buildings	357.7	(141.6)	216.1	359.6	(134.2)	225.4
Equipment, furniture and fixtures	295.1	(243.5)	51.6	299.3	(246.5)	52.8
Other property, plant and equipment	48.7	(42.0)	6.7	47.3	(41.0)	6.3
Property, plant and equipment	**701.5**	**(427.1)**	**274.4**	**706.2**	**(421.7)**	**284.5**
Purchased software	29.1	(26.6)	2.5	45.9	(43.4)	2.5
Internally developped software	1.8	(1.8)	-	1.8	(1.6)	0.2
Other intangible assets	8.4	(6.9)	1.5	9.1	(7.8)	1.3
Intangible assets	**39.3**	**(35.3)**	**4.0**	**56.8**	**(52.8)**	**4.0**

Investment property

Investment property includes residential and commercial buildings, as well as mixed-usage buildings.

Intangible fixed assets

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

Depreciation, amortisation and impairment

Net depreciation and amortisation expense booked in fiscal 2011 amounts to 26.6 million euros versus 26.5 million euros in 2010.

The net increase in the impairment losses on property, plant, equipment and intangible assets taken to the profit and loss statement is virtually nil for 2011 and virtually nil for 2010.

Change in tangible assets

In millions of euros	Year to 31 December 2011			
	Lands and buildings	Equipment, furniture and fixtures	Plant and equipment leased as lessor under operating leases	Other fixed assets
Gross value at start of period	**359.6**	**299.3**	**-**	**47.3**
Acquisitions	1.1	12.3	-	1.6
Disposals	(0.9)	(14.4)	-	(0.2)
Exits from scope of consolidation	(1.9)	-	-	-
Other movements	(0.1)	(2.1)	-	-
Gross book value at period end	**357.8**	**295.1**	**-**	**48.7**
Depreciation and amortisation at period start	**(134.2)**	**(246.5)**	**-**	**(41.0)**
Depreciation charges	(9.5)	(13.5)	-	(1.3)
Depreciation reversal after divestments	0.7	14.4	-	0.2
Reprises des dépréciations	0.1	-	-	-
Exits from scope of consolidation	1.2	-	-	-
Other movements	0.1	2.1	-	-
Depreciation and amortisation at end of period	**(141.6)**	**(243.5)**	**-**	**(42.1)**
Carrying value at end of period	**216.2**	**51.6**	**-**	**6.6**

In millions of euros	Year to 31 December 2010			
	Lands and buildings	Equipment, furniture and fixtures	Plant and equipment leased as lessor under operating leases	Other fixed assets
Gross value at start of period	**391.6**	**295.1**	**25.7**	**219.2**
Acquisitions	2.7	20.0	-	2.9
Disposals	-	(5.7)	-	(2.4)
Entries in scope of consolidation	13.4	39.5	-	3.7
Exits from scope of consolidation	(52.0)	(17.2)	(25.7)	(200.5)
Other movements	3.9	(32.4)	-	24.4
Gross book value at period end	**359.6**	**299.3**	**-**	**47.3**
Depreciation and amortisation at period start	**(136.8)**	**(252.1)**	**(4.0)**	**(19.2)**
Depreciation charges	(9.1)	(14.6)	-	(1.4)
Depreciation reversal after divestments	-	5.3	-	2.3
Depreciation reversals	0.1	-	-	-
Entries in scope of consolidation	(9.6)	(16.8)	-	(2.2)
Exits from scope of consolidation	18.4	12.1	4.0	-
Other movements	2.8	19.6	-	(20.5)
Depreciation and amortisation at end of period	**(134.2)**	**(246.5)**	**-**	**(41.0)**
Carrying value at end of period	**225.4**	**52.8**	**-**	**6.3**

5.n GOODWILL

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Carrying value at period start	**-**	**146.0**
Divestments	-	(136.0)
Impairment losses recognised during the period	-	(10.0)
Carrying value at end of period	**-**	**-**
of which		
Gross value	40.2	40.2
Accumulated impairments recognised at end of period	(40.2)	(40.2)

In 2010, the goodwill on the Société Alsacienne de Développement et d'Expansion (SADE) S.A. was impaired in the total amount of 10.0 million euros. The disposals relate to the deconsolidation of the leasing operations.

5.o ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES

In millions of euros	31 December 2011	31 December 2010
Available-for-sale financial assets	-	0.3
Loans and receivables due from credit institutions	-	309.4
Loans and receivables due from customers	-	25.1
Accrued income and other assets	-	1.9
Investments in associates	-	10.4
Total assets	**-**	**347.1**

In millions of euros	31 December 2011	31 December 2010
Due to credit institutions	-	67.6
Due to customers	-	261.3
Accrued expenses and other liabilities	-	7.8
Total liabilities	**-**	**336.7**

At 31 December 2011, there are no assets held for sale. The BGL Securities Services business was fully transferred during the year.

At 31 December 2010, the assets intended to be sold and associated liabilities relate to the contribution of the activities of Fortis Lease until 30 June 2010 (cf. note 8.b), the operations of BGL Security Services, as well as the entities Alsabail and Fastnet Belgium.

5.p PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	31 December 2011	31 December 2010
Total provisions at start of period	135.8	98.3
Additions to provisions	20.5	99.7
Reversals of provisions	(34.5)	(29.0)
Provisions used	(24.6)	(10.5)
Change in scope of consolidation	-	(9.6)
Effect of movements in exchange rates and other movements	1.7	(13.1)
Total provisions at end of period	98.9	135.8

On 31 December 2011 as on 31 December 2010, provisions for contingencies and charges mainly included provisions for post-employment benefits (note 7.b), for impairment related to credit risks (note 2.g) and litigation in connection with banking transactions.

On 31 December 2011, the provisions include a provision for significant operational losses amounting to 17.2 million euros on the level of the subsidiary Fundamentum Asset Management S.A. (18.2 million euros in 2010).

5.q SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

On 31 December 2011, the share capital and additional paid-in capital amounts to 713.1 million euros, represented by 29,979,135 shares. On 31 December 2011 and 31 December 2010, BGL BNP Paribas did not hold any own equity instruments.

On 31 December 2011, the additional paid-in capital is equal to 2,761.8 million euros (2,761.8 million euros on 31 December 2010).

6. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

6.a FINANCING COMMITMENTS

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

In millions of euros	31 December 2011	31 December 2010
Financing commitments given :		
- to credit institutions	46.2	12 192.2
- to customers	2 547.8	4 542.6
Confirmed letters of credit	2 530.5	4 501.7
Other commitments given to customers	17.3	40.9
Total financing commitments given	2 594.0	16 734.8
Financing commitments received :		
- from credit institutions	293.6	10 533.5
Total financing commitments received	293.6	10 533.5

At 31 December 2010, as part of the merger with BNP Paribas Luxembourg, the Group had booked a financing line granted to the BNP Paribas S.A. branch in New York in the amount of 10,188 million euros. This line was economically linked to a credit line received from BNP Paribas S.A. in an equivalent amount and under the same conditions. During the first quarter of 2011, these two lines (the line granted to BNP Paribas S.A. in New York and that received from BNP Paribas S.A.) were cancelled, so that at the end of 2011 there was a net decrease in funding commitments, both given and received, as compared to 31 December 2010.

6.b GUARANTEE COMMITMENTS

Financial instruments given or received as collateral

The financial instruments given as collateral by the Group include the ones given as guarantee for liabilities or contingent liabilities in the amount of 361.9 million euros on 31 December 2011 (versus 244.8 million euros on 31 December 2010), the ones given as guarantees with regard to bills of exchange, securities and receivables mobilised with central banks in the amount of 2,612.9 million euros on 31 December 2011 (versus 2,888.1 million euros on 31 December 2010), and the ones given as part of repurchase agreements involving securities and securities borrowing / lending in the amount of 358.4 million euros on 31 December 2011 (versus 1,120.0 million euros) on 31 December 2010).

On 31 December 2011, the Group provided assets as collateral for its own commitments in the total amount of 2,678.8 million euros (on 31 December 2010: 2,948 million euros). These guarantees are notably intended to cover the daily operations carried out with the Luxembourg Central Bank or the refinancing obtained through the Luxembourg Central Bank. On 31 December 2011, these refinancing transactions amount to 77.1 million euros (83.3 million euros at 31 December 2010).

Guarantee commitments given by signature

In millions of euros	31 December 2011	31 December 2010
Guarantee commitments given:		
to credit institutions	320.0	243.3
to customers	1 398.3	1 464.0
Total guarantee commitments given	**1 718.3**	**1 707.3**

7. STAFF EXPENSES AND EMPLOYEE BENEFITS

7.a STAFF EXPENSES

The amount of staff expenses is equal to 236.3 million euros for 2011 versus 255.6 million euros for 2010.

The fixed and variable wages and salaries, as well as the profit-sharing, amount to 202.0 million euros (197.6 million euros in 2010), retirement bonuses, pension costs and social security taxes equal to 34.3 million euros (57.8 million euros in 2010).

7.b POST-EMPLOYMENT BENEFITS

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to paying a fixed amount, stated as a percentage of the beneficiary's annual salary, for example, to an external entity handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of contributions from employees and to bear the cost of benefits itself - or to guarantee the final amount subject to future events - it is described as a defined-benefit plan. The same applies if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and from future changes in the benefits.

Pension plans and other post-employment benefits

The Group contributes to various nationwide schemes and supplementary retirement plans, outsourced with several pension funds. By means of a company agreement, BGL BNP Paribas S.A. has set up a funded pension plan. As such, upon retirement, employees will receive an amount that is added to the pension provided by the national schemes.

As the defined-benefit plans were closed to new employees several years ago, the latter have access to defined contribution pension plans. As part of these plans, the company's commitment is primarily to pay a percentage of the beneficiary's annual salary to the pension plan.

The amounts paid to the defined-contribution schemes are in the area of 2.9 million euros for 2011 versus of 3.2 million euros for 2010.

Defined-benefit pension plans for Group entities

The remaining defined-benefit plans are valued by independent firms using actuarial techniques, applying the projected unit credit method, in order to determine the expense arising from rights vested by employees and benefits payable to retired employees. The demographic and financial assumptions used to determine the present value of these obligations and of plan assets take into account economic conditions specific to each country and group company. The fraction of actuarial gains and losses that is to be amortised after application of the conventional limit of 10% (corridor method), is calculated separately for each defined-benefit plan.

The provisions established relative to defined-benefit post-employment plans amount to 21.5 million euros on 31 December 2011 (20.6 million euros on 31 December 2010).

The booked retirement assets (recognised rights to repayment or surplus) amount to 14.5 million euros on 31 December 2011 (15.4 million euros on 31 December 2010).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros	31 December 2011	31 December 2010
Present value of the obligations	**93.4**	**89.0**
Present value of the obligations arising from wholly or partially funded plans	90.2	85.8
Present value of non-financed obligations	3.2	3.2
Fair value of plan assets	**(58.7)**	**(62.6)**
Fair value of reimbursement rights	**(12.8)**	**(12.0)**
Costs not yet recognised in accordance with IAS 19 provisions	**(14.9)**	**(9.8)**
Net actuarial losses (gains)	(14.9)	(9.8)
Net obligation for defined benefit plans	7.0	4.6
Assets recognised in the balance sheet for defined benefit plans	(14.5)	(15.4)
Obligation recognised in the balance sheet for defined benefit plans	21.5	20.0

Change in the present value of the defined benefit obligation

In millions of euros	31 December 2011	31 December 2010
Present value of obligations at start of period	89.0	109.4
Current service cost	4.9	4.1
Interest cost	3.7	3.2
Actuarial losses (gains) over the period	1.0	(9.1)
Benefits paid from assets/reimbursement rights	(0.5)	(0.4)
Benefits paid directly by the employer	(4.8)	(4.2)
Change in scope of consolidation	-	(14.0)
Other changes	0.1	-
Present value of obligations at end of period	93.4	89.0

Change in the fair value of plan assets

In millions of euros	31 December 2011	31 December 2010
Fair value of plan assets at start of period	62.6	73.9
Expected return on plan assets	2.6	3.0
Actuarial gains over the period	(4.5)	1.3
Employer contributions	1.7	1.6
Benefits paid from plan assets	(3.8)	(4.2)
Change in scope of consolidation	-	(13.0)
Other changes	0.1	-
Fair value of plan assets at end of period	58.7	62.6

Change in the fair value of reimbursement rights

In millions of euros	31 December 2011	31 December 2010
Fair value of the separate assets at period start	12.0	5.0
Expected return on reimbursement rights	0.5	0.1
Actuarial gains/losses over the period	(0.1)	(0.3)
Employer contributions	1.4	0.4
Benefits paid from reimbursement rights	(1.0)	-
Change in scope of consolidation	-	6.8
Fair value of reimbursement rights at end of period	12.8	12.0

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Current service cost	4.9	4.1
Interest cost	3.7	3.2
Expected return on plan assets	(2.6)	(3.0)
Expected return on reimbursement rights	(0.5)	(0.1)
Amortisation of actuarial gains and losses	0.6	1.0
Total expense recorded in "staff expenses"	6.1	5.2

Actuarial hypotheses

The Group discounts its commitments on the basis of rates on State bonds in the eurozone.

The following rates have been determined:

In %	31 December 2011	31 December 2010
	Eurozone	Eurozone
Discount rate	3.90% - 4.70%	4.15% - 4.50%
Rate of compensation increase [1]	4.10% - 4.30%	4.05% - 4.35%

[1] Range of rates representative of the existence of several plans within the same country or the same geographical or monetary area.

Rate of return on plan assets over the period

The expected return on plan assets is determined by weighting the expected return on each asset class by its respective contribution to the fair value of total plan assets.

In %	31 December 2011	31 December 2010
	Eurozone	Eurozone
Expected return on plan assets [1]	4.26%	4.20% - 4.21%
Actual return on plan assets [1]	(2.74)% - (3.43)%	6.46% - 7.33%

[1] Range of rates representative of the existence of several plans within the same country or the same geographical or monetary area.

Actuarial gains and losses

Actuarial gains and losses reflect increases or decreases in the present value of a defined-benefit obligation or in the fair value of the corresponding plan assets. Actuarial gains and losses resulting from the change in the present value of a defined-benefit plan obligation are the cumulative effect of experience adjustments (differences between previous actuarial assumptions and actual occurrences) and the effect of changing actuarial assumptions.

The Group applies the "corridor" approach permitted in IAS 19, which specifies that recognition of actuarial gains and losses is deferred when they do not exceed 10% of the greater of the i) obligation and ii) value of the plan assets. The "corridor" is calculated separately for each defined-benefit plan. Where this limit is breached, the exceeding portion of cumulative actuarial gains and losses is amortised in the profit and loss statement over the remaining duration of the plan.

The following table shows the actuarial gains and losses:

In millions of euros	Year to 31 December 2011	Year to 31 December 2010
Deferred net actuarial (loss) gains	**14.9**	**9.8**
Net actuarial (losses) gains generated over the period	**(5.6)**	**10.1**
of which actuarial (losses) gains on plan assets or reimbursement rights	(4.6)	1.0
of which actuarial (losses) gains from changes in actuarial assumptions on obligations	0.7	6.7
of which experience (losses) gains on obligations	(1.7)	2.4

On 31 December 2011, the amount of the unrealised actuarial losses amounted to 14.9 million euros. The actuarial losses generated in 2011 increased the value of the net commitments in the area of 5.6 million euros. The losses stem from the lower returns on assets, to the tune of 4.6 million euros, and from the updating of the values of the parameters used for the evaluation of commitments and so-called experience adjustments.

Termination benefits

The Group has implemented a number of voluntary redundancy plans for employees who meet certain eligibility criteria. The expenses related to voluntary redundancy plans are provisioned relative to the eligible working employees.

On 31 December 2011, the provisions existing within the Group relative to the voluntary redundancy and early retirement plans amount to 21.2million euros (26.9 million euros on 31 December 2010).

Other long-term benefits

The Group offers its employees various long-term benefits, mainly long-service awards and the ability to save up paid annual leave in time savings accounts.

On 31 December 2011, the provisions existing within the Group relative to other long-term benefits amount to 14.0 million euros (12.1 million euros on 31 December 2010).

8. ADDITIONAL INFORMATION

8.a CHANGES IN SHARE CAPITAL

There was no share capital transaction in 2011.

8.b SCOPE OF CONSOLIDATION

8.b.1 Year 2011

In early 2011, the BNP Paribas Group reviewed the criteria for consolidation, and the following companies, directly held by BGL BNP Paribas, were deconsolidated from the first quarter of 2011, as they were judged to be below the materiality threshold:

- Alleray S.à r.l.
- Compagnie Financière de la Porte Neuve S.A.
- Elfa-Auto S.e.n.c.
- Fund Administration Services & Technology Network Belgium (Fastnet Belgium) S.A.
- Fund Administration Services & Technology Network Netherlands (Fastnet Netherlands) N.V.
- Immoparibas Royale-Neuve S.A.
- Robin Flight Ltd.
- Swallow Flight Ltd.

At the same time as the review of the criteria for consolidation by the BNP Paribas Group, the leasing entities below, which had been within the scope of the consolidation of BGL BNP Paribas for several years, were deconsolidated from the first quarter of 2011:

- Fortis Lease (China) Co. Ltd.

- F.L. Zeebrugge N.V.
- Folea Grundstücksverwaltungs- und Vermietungs GmbH & Co., Objekt Leverkusen KG
- Folea Grundstücksverwaltungs- und Vermietungs GmbH & Co., Objekt Burtenbach KG

The company LOFT BECK. (formerly Postbank Ireland Ltd.). ceased all banking activities from late December 2010 and changed its name in early 2011. Moreover, it was put into liquidation and has not been within the scope of the consolidation under the equity method since the first quarter of 2011.

In the reorganization of leasing activities and following the attachment of the Group to BNP Paribas, July 1, 2010, a number of leasing entities were included in the consolidation by the equity for the third and fourth quarter in 2010. The following companies were consolidated by the Group at 31 December 2010, but by applying, from 2011, new consolidation criteria, they were deconsolidated as of March 2011 as below the threshold of materiality:

- BNP Paribas Lease Group GmbH & Co. KG
- CA Motor Finance Ltd.
- Euro-Scribe S.A.S.
- Fortis Lease UK (2) Ltd.
- Fortis Lease UK (3) Ltd.
- Fortis Lease UK (4) Ltd.
- Fortis Lease UK (5) Ltd.
- Friedland Participation et Gestion S.A.
- Kota Jaya Ltd.
- Kota Juta Ltd.
- Natiobail 2 S.A.
- Otis Vehicle Rentals Ltd.
- SCI Champvernier
- SCI FLIF Azur
- SCI FLIF Château Landon
- SCI FLIF Evry 2
- SCI FLIF Le Gallo

During the second quarter of 2011, the company Fortis Lease S.p.A. (Italy) merged with the Italian entity BNP Paribas Leasing Solutions S.p.A.

The company Alsabail S.A., consolidated by the equity method, was sold in the first half of 2011, to an entity outside the BNP Paribas Group.

During the third quarter of 2011, various changes occurred in the following leasing entities:

- BNP Paribas Lease Group (NL) B.V. came out of the scope of consolidation, following a merger with BNP Paribas Leasing Solutions (NL) N.V. (formerly Fortis Lease Netherlands NV)
- EB Finansal Kiralama AS is no longer consolidated by the equity method, following a merger with BNP Paribas Finansal Kiralama AS (formerly Fortis Finansal Kiralama AS)
- BNP Paribas Lease Group IFN S.A. (Romania) has been consolidated by the equity method, because it exceeds the materiality threshold set by the BNP Paribas Group
- Fortis Lease Czech LLC, is now beyond the scope of consolidation, following the sale of shares to a company outside the BNP Paribas Group

- Fortis Lease Polska Sp.z.o.o. has been sold and is thus outside the scope of consolidation

At the end of September 2011, the Fund Administration Services & Technology Network Company Belgium (Fastnet Belgium) S.A., which was deconsolidated in Q1 2011, was sold to the second largest shareholder CACEIS

Beginning in December 2011, following the early closure of structured operations, the participation of 36.67% in Stradios Bond Fund FCP FIS, a company consolidated under the equity, was sold.
At the end of December 2011, the Group sold its 47.84% share in the last company of the FASTNET Group, namely Fastnet Netherlands N.V., which was deconsolidated in Q1 2011, to the second shareholder CACEIS.

At 31 December 2011, BGL BNP Paribas exchanged its 50% stake in Fortis Luxembourg Vie S.A. against 33.33% of the shares of Cardif Lux Vie S.A.. The latter was formed by the merger of the insurance companies Cardif Lux International S.A. and Fortis Luxembourg Vie S.A. Cardif Lux Vie S.A. will also be consolidated by the equity method by the Group.

8.b.2 Year 2010

In February 2010, the Group acquired 100% of BNP Paribas Luxembourg S.A., a company fully consolidated as of 25 February 2010 and up to and including 30 September 2010. The adopted method for the acquisition of BNP Paribas Luxembourg is that of acquisition at book value. The use of this method generated a goodwill of 509.2 million euros which was then directly deducted from equity.

On 1 October 2010, BNP Paribas Luxembourg S.A. merged with BGL BNP Paribas through a merger-absorption transaction and consequently, the company is no longer included in the Group's scope of consolidation on 31 December 2010.

When acquiring BNP Paribas Luxembourg S.A., the Group also acquired 9 companies entirely held, directly or indirectly, by the latter and that have been integrated into the scope of consolidation using the full consolidation method, namely:

- Paribas Trust Luxembourg S.A.
- Royale Neuve Investments S.à r.l.
- ImmoParibas Royal Neuve S.A.
- Compagnie Financière de la Porte Neuve S.A.
- Royale Neuve Finance S.à r.l.
- Black Kite Investments Ltd.
- Robin Flight Ltd.
- Swallow Flight Ltd.
- Plagefin S.A. (Placement, Gestion, Finance Holding S.A.)

In April 2010, the Group sold its remaining 25% equity interest in Internaxx Bank S.A. to the 2nd shareholder, Toronto Dominion Bank (Canada).

On 1 April 2010, BGL BNP Paribas S.A. sold its 15.33% equity interest in Fortis Investment Management (FIM) S.A., a company consolidated until the 1st quarter using the equity method. In exchange, the Group subscribed for the capital increase of BNP Paribas Investment Partners (BNPP IP) S.A., to the tune of 5.11%. This company is not included in the scope of consolidation.

In March 2010, the leasing entities Fortis Lease Norge AS and Fortis Lease Sweden AB were sold outside of the BNP Paribas Group.

The leasing company Dreieck One Ltd (Cayman Islands) was liquidated on 31 March 2010.

In April 2010, the Swiss banking subsidiary Fortis Bank Switzerland S.A. was sold to a Swiss banking entity of the BNP Paribas Group.

The subsidiary FAM Fund Advisory S.A. was liquidated in May 2010.

Subsequent to the reorganisation of the leasing operations, after the Group's attachment to the BNP Paribas Group and in order to comply with the accounting standards of the BNP Paribas Group, the BGL BNP Paribas scope of consolidation underwent various changes during the 1st half of 2010, namely:

- Change of consolidation method, from full consolidation to the equity method for the following leasing entities:

  - Folea Grundstücksverwaltungs- und Vermietungs GmbH & Co. Objekt Leverkusen KG

  - Fortis Lease Hungaria Equipement Financial Leasing Co.

  - Fortis Lease Hungaria Vehicle Financial Leasing Co.

- Exit from the scope of consolidation, since below the materiality threshold as per the BNP Paribas Group criteria, for the following fully consolidated companies:

  - Fortis Lease Holdings UK Ltd.

  - Global Management Services S.A.

  - Fortis Lease Holding Norge AS

  - Fortis Lease Danmark AS

  - Captive Finance Ltd. (Hong-Kong)

  - Captive Finance Taiwan Co. Ltd.

  - Fortis Lease Hong-Kong Ltd.

  - Folea Verwaltungs GmbH

  - Folea II Verwaltungs GmbH

  - Folea III Verwaltungs GmbH

  - Folea Grundstücksverwaltungs- und Vermietungs GmbH & Co. Objekt Thalfingen KG

  - Fortis Lease Hungaria Real Estate Co.

  - Argance S.à r.l.

  - Dalgarno S.A.

  - Delvino S.A.

  - Eris Investments S.à r.l.

  - Pattison S.à r.l.

  - Quainton Funding S.à r.l.

  - Tabor Funding S.à r.l.

- Exit from the scope of consolidation, since below the materiality threshold as per the BNP Paribas Group criteria, for the company integrated using the equity method:

  - Marie-Lease S.à r.l.

On 1 July 2010, the shareholding structure of Fortis Lease Group S.A. changed after a capital increase, and the Group, that hold 100% of the issued shares, saw its equity interest reduced to 33.33% in all of the BNP Paribas Group leasing companies.

Both other shareholders are BNP Paribas Group companies. After this reduction of the equity interest rate, all leasing entities are consolidated as of July 2010 using the equity method instead of using the full consolidation method.

In August 2010, the leasing entities Fortis Lease Singapore Pte. Ltd and Fortis Lease Malaysia Sdn. Bhd. were sold to a shareholder outside of the group.

In November 2010, the Group established two companies Aura Capital Invest S.A. and Delphinus Titri 2010 S.A. as part of a structured transaction and included these two companies into its scope of consolidation by full consolidation. As part of the same operation, in December 2010, the Group acquired an equity interest of 36.67% in Stradios Bond Fund FCP FIS, a company consolidated by equity method.

On 31 December 2010, the Group sold, to the 2nd shareholder CACEIS, its 47.79% equity interest in the company Fastnet Luxembourg S.A., consolidated using the equity method for the first three quarters of 2010.

				2011		2010
Name	Registered office	Activity	Consolidation method	Group ownership interest	Consolidation method	Group ownership interest
Consolidating company						
BGL BNP Paribas S.A.	Luxembourg	Bank				
Retail Banking						
Société Alsacienne de développement et d'expansion (SADE) S.A.	Strasbourg (France)	Bank	IG	100,00%	IG	100,00%
Alsabail S.A.	Strasbourg (France)	Leasing	Disposal	--	ME	40,68%
Ace Equipment Leasing N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33,33%	ME	33,33%
Ace Leasing N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33,33%	ME	33,33%
All In One Vermietungs GmbH	Vienna (Austria)	Leasing	ME	33,33%	ME	33,33%
All In One Vermietungs-gesellschaft Telekomm. GmbH	Cologne (Germany)	Leasing	ME	33,33%	ME	33,33%
Aprolis Finance S.A.	Puteaux (France)	Leasing	ME	16,99%	ME	16,99%
Arius S.A.	Nanterre (France)	Leasing	ME	33,33%	ME	33,33%
Artegy S.A.	Puteaux (France)	Leasing	ME	33,33%	ME	33,33%
Artegy Ltd.	Manchester (United Kingdom)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Finansal Kiralama AS (Prev. Fortis Finansal Kiralama AS)	Istanbul (Turkey)	Leasing	ME	31,82%	ME	33,33%

IG: fully consolidated
ME: equity associate

			2011		2010	
Name	Registered office	Activity	Consolidation method	Group ownership interest	Consolidation method	Group ownership interest
BNP Paribas Lease Group Luxembourg S.A. (ex- Fortis Lease Luxembourg)	Luxembourg	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Lease Group S.A.	Puteaux (France)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Lease Group (Belgium) S.A.	Brussels (Belgium)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Lease Group (NL) B.V.	Amsterdam (Netherlands)	Leasing	merger	--	ME	33,33%
BNP Paribas Lease Group Lizing RT	Budapest (Hungary)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Lease Group GmbH & Co. K.G.	Vienna (Austria)	Leasing	NC	--	ME	33,33%
BNP Paribas Lease Group Sp.z.o.o.	Warsaw (Poland)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Lease Group UK PLC	Basingstoke (United Kingdom)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Lease Group IFN S.A.	Bucharest (Romania)	Leasing	ME	33,31%	-	-
BNP Paribas Leasing Solutions (NL) N.V. (Prev. Fortis Lease Nederland N.V.)	Hertogenbosch (Netherlands)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Leasing Solutions Immobilier Suisse S.A. (Prev. Fortis Lease Immobilier Suisse S.A.)	Lausanne (Switzerland)	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Leasing Solutions S.p.A. (Prev. BNP Paribas Lease Group S.p.A.)	Milan (Italy)	Leasing	ME	8,72%	ME	8,72%
BNP Paribas Leasing Solutions S.A. (Prev. Fortis Lease Group S.A.)	Luxembourg	Leasing	ME	33,33%	ME	33,33%
BNP Paribas Leasing Solutions Suisse S.A. (Prev. Fortis Lease Suisse S.A.)	Lausanne (Switzerland)	Leasing	ME	33,33%	ME	33,33%
CA Motor Finance Ltd.	London (United Kingdom)	Leasing	NC	--	ME	33,33%
Class Financial Services S.A.	Puteaux (France)	Leasing	ME	20,03%	ME	20,03%
Class Financial Services Inc.	San Francisco (United States)	Leasing	ME	20,03%	ME	20,03%
Class Financial Services Ltd.	Basingstoke (United Kingdom)	Leasing	ME	17,00%	ME	17,00%
CNH Capital Europe S.A.	Puteaux (France)	Leasing	ME	16,70%	ME	16,70%
CNH Capital Europe BV	Amsterdam (Netherlands)	Leasing	ME	16,70%	ME	16,70%
CNH Capital Europe GmbH	Vienna (Austria)	Leasing	ME	16,70%	ME	16,70%
CNH Capital Europe Ltd.	Basildon (United Kingdom)	Leasing	ME	16,70%	ME	16,70%
Elfa Auto Senc	Luxembourg	Leasing	NC	--	ME	34,00%

NC: non significant company for the Group's scope of consolidation and thus not consolidated
ME: equity associate

Name	Registered office	Activity	2011 Consolidation method	2011 Group ownership interest	2010 Consolidation method	2010 Group ownership interest
ES-Finance N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33,33%	ME	33,33%
Euro-Scribe S.A.S.	Paris (France)	Leasing	NC	--	ME	16,67%
F.L. Zeebrugge N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	NC	--	ME	25,00%
Folea Grundstucksverwaltungs und Vermietungs GmbH & Co. Objekt Burtenbach K.G.	Düsseldorf (Germany)	Leasing	NC	--	ME	28,33%
Folea Grundstucksverwaltungs und Vermietungs GmbH & Co. Objekt Leverkusen K.G.	Düsseldorf (Germany)	Leasing	NC	--	ME	28,33%
Fortis Lease (B) S.A.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease (China) Co Ltd.	Beijing (China)	Leasing	NC	--	ME	33,33%
Fortis Lease (France) S.A.	Paris (France)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Car & Truck S.A.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Czech LLC	Prague (Czech Republic)	Leasing	Disposal	--	ME	33,33%
Fortis Lease Deutschland AG	Düsseldorf (Germany)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Group Services S.A.	Brussels (Belgium)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Hungaria Equipment Financing Leasing Co.	Budapest (Hungary)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Hungaria Vehicle Financing Leasing Company	Budapest (Hungary)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Iberia EFC S.A.	Barcelona (Spain)	Leasing	ME	26,20%	ME	26,20%
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Budapest (Hungary)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Polska Sp.z.o.o.	Warsaw (Poland)	Leasing	Disposal	--	ME	33,33%
Fortis Lease Portugal S.A.	Lisbon (Portugal)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease Romania IFN S.A.	Bucharest (Romania)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease S.p.A.	Treviso (Italy)	Leasing	Merger	--	ME	33,33%
Fortis Lease UK Ltd.	London (United Kingdom)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease UK (1) Ltd.	Glasgow (United Kingdom)	Leasing	ME	33,33%	ME	33,33%
Fortis Lease UK (2) Ltd.	Glasgow (United Kingdom)	Leasing	NC	--	ME	33,33%

NC: non significant company for the Group's scope of consolidation and thus not consolidated
ME: equity associate

Name	Registered office	Activity	2011 Consolidation method	2011 Group ownership interest	2010 Consolidation method	2010 Group ownership interest
Fortis Lease UK (3) Ltd.	Glasgow (United Kingdom)	Leasing	NC	--	ME	33,33%
Fortis Lease UK (4) Ltd.	Glasgow (United Kingdom)	Leasing	NC	--	ME	33,33%
Fortis Lease UK (5) Ltd.	Glasgow (United Kingdom)	Leasing	NC	--	ME	30,00%
Fortis Lease UK Retail Ltd.	Glasgow (United Kingdom)	Leasing	ME	33,33%	ME	33,33%
Friedland Participation et Gestion S.A.	Puteaux (France)	Leasing	NC	--	ME	33,33%
JCB Finance Holdings Ltd.	Rocester-Uttoxeter (United Kingdom)	Leasing	ME	16,70%	ME	16,70%
JCB Finance S.A.	Puteaux (France)	Leasing	ME	16,70%	ME	16,70%
Kota Jaya Ltd.	Wanchai (Hong-Kong)	Leasing	NC	--	ME	33,33%
Kota Juta Ltd.	Wanchai (Hong-Kong)	Leasing	NC	--	ME	33,33%
Locatrice Italiana SPA	Milan (Italy)	Leasing	ME	8,72%	ME	8,72%
Manitou Finance Ltd.	Verwood (United Kingdom)	Leasing	ME	17,00%	ME	17,00%
MFF S.A.	Puteaux (France)	Leasing	ME	17,00%	ME	17,00%
Natiobail 2 S.A.	Puteaux (France)	Leasing	NC	--	ME	33,33%
Natiocreditbail S.A.	Puteaux (France)	Leasing	ME	33,33%	ME	33,33%
Natiocredimurs S.A.	Puteaux (France)	Leasing	ME	33,33%	ME	33,33%
NatioEnergie (Sofergie) S.A.	Puteaux (France)	Leasing	ME	33,33%	ME	33,33%
Nissan Finance Belgium N.V.	Brussels (Belgium)	Leasing	ME	8,33%	ME	8,33%
Otis Vehicle Rentals Ltd.	West Midlands (United Kingdom)	Leasing	NC	--	ME	13,33%
Same Deutz Fahr Finance S.A.	Puteaux (France)	Leasing	ME	33,33%	ME	33,33%
SCI Champvernier	Puteaux (France)	Leasing	NC	--	ME	33,33%
SCI FLIF Azur	Puteaux (France)	Leasing	NC	--	ME	33,33%
SCI FLIF Château Landon	Puteaux (France)	Leasing	NC	--	ME	33,33%
SCI FLIF Evry 2	Puteaux (France)	Leasing	NC	--	ME	33,33%
SCI FLIF Le Gallo	Puteaux (France)	Leasing	NC	--	ME	33,33%

NC: non significant company for the Group's scope of consolidation and thus not consolidated
ME: equity associate

Name	Registered office	Activity	2011 Consolidation method	2011 Group ownership interest	2010 Consolidation method	2010 Group ownership interest
SREI Equipement Finance Private Ltd.	Calcutta (India)	Leasing	ME	16,67%	ME	16,67%
TEB Finansal Kiralama AS	Istanbul (Turkey)	Leasing	Merger	--	ME	30,00%
Vela Lease SRL	Conegliano (Italy)	Leasing	ME	8,72%	ME	8,72%
Investment Solutions						
Cardif Lux Vie S.A.	Luxembourg	Insurance	ME	33,33%	--	--
Cofhylux S.A.	Luxembourg	Real Estate	IG	100,00%	IG	100,00%
Immoparibas Royale-Neuve S.A.	Luxembourg	Real Estate	NC	--	Acquisition IG	100,00%
Fortis Luxembourg - Vie S.A.	Luxembourg	Insurance	Merger	--	ME	50,00%
Fastnet Netherlands N.V.	Amsterdam (Netherlands)	Administration of UCIT's	Disposal	--	ME	47,84%
Fund Administration Services & Technology Network Belgium (Fastnet Belgium) S.A.	Brussels (Belgium)	Administration of UCIT's	Disposal	--	ME	47,80%
Fundamentum Asset Management (FAM) S.A. (in liquidation)	Luxembourg	Wealth Management	IG	100,00%	IG	100,00%
Structures Ad Hoc						
Alleray S.à r.l.	Luxembourg	Financing Vehicle	NC	--	IG	100,00%
Aura Capital Invest S.A.	Luxembourg	Financing Vehicle	IG	100,00%	Incorporation IG	100,00%
Black Kite Investment Ltd.	Dublin (Ireland)	Financing Vehicle	IG	100,00%	Acquisition IG	100,00%
Compagnie Financière de la Porte Neuve S.A.	Luxembourg	Financing Vehicle	NC	--	Acquisition IG	100,00%
Delphinus Titri 2010 S.A.	Luxembourg	Financing Vehicle	IG	100,00%	Incorporation IG	100,00%
Paribas Trust Luxembourg S.A.	Luxembourg	Equity Management	IG	100,00%	Acquisition IG	100,00%
Robin Flight Ltd.	Dublin (Ireland)	Financing Vehicle	NC	--	Acquisition IG	100,00%
Royale Neuve Finance S.à r.l.	Luxembourg	Financing Vehicle	IG	100,00%	Acquisition IG	100,00%
Royale Neuve Investments S.à r.l.	Luxembourg	Financing Vehicle	IG	100,00%	Acquisition IG	100,00%
Stradios FCP FIS	Luxembourg	Investissement Fund	Disposal	--	Incorporation ME	36,67%
Swallow Flight Ltd.	Dublin (Ireland)	Financing Vehicle	NC	--	Acquisition IG	100,00%
Other Activities						
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg	Equity Management	IG	100,00%	Acquisition IG	100,00%
Loft Beck Ltd. (Anc. Postbank Ireland Ltd.) (in liquidation)	Dublin (Ireland)	In liquidation	NC	--	ME	50,00%

NC: non significant company for the Group's scope of consolidation and thus not consolidated
ME: equity associate
IG: fully consolidated

8.c COMPENSATION AND BENEFITS AWARDED TO MEMBERS OF THE BOARD OF DIRECTORS AND KEY CORPORATE OFFICERS

In 2011, the remuneration, including pension expenses, paid to the Group's key officers amounted to 6.6 million euros (2010: 6.8 million euros).

The remuneration, paid in 2011 relative to 2010 to the members of the BGL BNP Paribas Board of Directors amounted to 1.8 million euros (2010: 1.7 million euros).

During the year 2011 following the decision of the Board of Directors of BNP Paribas and for the charge of the BNP Paribas Group, the key officers were allocated 5,745 BNP Paribas shares and 23,140 options on BNP Paribas shares, for which the exercise price is 56.45 euros, being the average of the 20 market opening prices preceding 4 March 2011.

On 31 December 2011, the loans granted to members of the Board of Directors were equal to 1.9 million euros (on 31 December 2010: 2.4 million euros); the loans granted to key officers were equal to 7.2 million euros (on 31 December 2010: 7.7 million euros).

On 31 December 2011, the credit lines granted to members of the Board of Directors were equal to 2.2 million euros (on 31 December 2010: 3.3 million euros); the credit lines granted to key officers were equal to 7.4 million euros (on 31 December 2010: 8.3 million euros).

8.d RELATED PARTIES

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

As part of its operational activities, the Group is often required to carry out transactions with related parties. These transactions primarily involve loans and deposits and are carried out on an arm's length basis.
The table below summarises the financial scope of the activities carried out with the following related parties:

- Associated companies;

- Other BNP Paribas Group companies not held by the Group.

The relations with members of the Board of Directors and the Group's key officers are covered in part 8.c.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas S.A. As such, it received a dividend of 113.2 million euros from BGL BNP Paribas S.A. in 2011. The other transactions with the State of Luxembourg or any other entity controlled by the State of Luxembourg are carried out on an arm's length basis.

Related-party balance sheet items

In millions of euros	31 December 2011		31 December 2010	
	Entities consolidated using the equity method	Other BNP Paribas entities	Entities consolidated using the equity method	Other BNP Paribas entities
ASSETS				
Financial assets at fair value through profit or loss	-	1 057.8	-	1 546.1
Derivatives used for hedging purposes	-	51.6	-	7.0
Available-for-sale financial assets	-	359.9	-	274.0
Loans and receivables due from credit institutions	2 074.2	8 901.5	1 662.0	9 739.9
Loans and receivables due from customers	3 300.7	460.1	3 937.9	139.5
Accrued income and other assets	2.5	90.7	-	75.1
Total	**5 377.4**	**10 921.6**	**5 599.9**	**11 781.6**
LIABILITIES				
Financial liabilities at fair value through profit or loss	-	177.8	20.4	697.8
Derivatives used for hedging purposes	-	86.4	-	78.1
Due to credit institutions	0.4	2 155.6	1.5	6 416.7
Due to customers	209.9	1 487.6	386.8	850.6
Debt securities	-	-	-	0.3
Accrued expenses and other liabilities	-	3.6	-	5.4
Total	**210.3**	**3 911.0**	**408.7**	**8 048.9**

Moreover, as part of its finance and investment bank business, the Group also carries out, with these related parties, trading transactions on an arm's length basis involving derivatives (swaps, options, futures contracts…) and financial instruments (equities, debt securities…) issued by them.

In millions of euros	31 December 2011		31 December 2010	
	Entities consolidated using the equity method	Other BNP Paribas entities	Entities consolidated using the equity method	Other BNP Paribas entities
FINANCING AND GUARANTEE COMMITMENTS				
Financing commitments given	8,0	69,5	1 194,4	11 960,5
Financing commitments received	-	282,6	-	10 532,4
Guarantee commitments given	191,2	3 585,5	98,0	4 186,6
Guarantee commitments received	50,8	3 872,2	185,5	4 191,8
Purchase of derivatives held for trading purposes	0,8	7 040,2	-	7 726,9
Sale of derivatives held for trading purposes	-	1 259,8	-	1 677,5
Purchase of derivatives for hedge accounting purposes	-	3 841,6	-	1 754,8
Sale of derivatives for hedge accounting purposes	-	3 835,7	-	1 748,4

As at 31 December 2011, guarantees given include 125.0 million euros of guarantees given to Cardif Lux Vie S.A., following the merger of Fortis Luxembourg Vie S.A. and Cardif Lux International S.A..

In 2011, the Bank had netting agreements with the entities Fortis Bank S.A. and BNP Paribas S.A. (and their respective branches established in the territory of the European Union) thereby reducing its exposure to such entities, for both on-balance sheet and off-balance sheet exposures.

Related-party profit and loss items

In millions of euros	31 December 2011		31 December 2010	
	Entities consolidated using the equity method	Other BNP Paribas entities	Entities consolidated using the equity method	Other BNP Paribas entities
Interest income	**143,4**	**274,0**	**139,9**	**194,8**
Interest expense	(1,6)	(132,7)	(1,0)	(113,6)
Commission income	**17,4**	**87,2**	**13,1**	**74,2**
Commissions (expense)	(6,4)	(4,8)	(6,3)	(15,5)
Gains (losses) on financial instruments at fair value through profit or loss	**-**	**111,2**	**-**	**17,5**
Income (expenses) from other activities	**0,8**	**28,8**	**0,4**	**23,5**
Profit (loss) from discontinued activities		**14,2**		
Total	**153,6**	**377,9**	**146,1**	**180,9**

8.e BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity. The maturity of financial assets and liabilities at fair value through profit or loss within the trading portfolio is deemed to be "undetermined" insofar as these instruments are intended to be sold or redeemed before their contractual maturity dates. The maturities of variable-income financial assets classified as available-for-sale, hedging derivatives, remeasurement adjustments on interest-rate risk hedged portfolios and undated subordinated debt are also deemed to be "undetermined".

The majority of the financing and guarantee commitments given may be drawn at sight.

31 December 2011 *In millions of euros*	Un-determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post offices	-	783.9	-	-	-	-	-	783.9
Financial assets at fair value through profit or loss	327.4	-	609.3	43.2	186.7	229.9	24.6	1 421.1
Derivatives used for hedging purposes	51.7	-	-	-	-	-	-	51.7
Available-for-sale financial assets	387.6	-	61.4	189.9	267.1	1 210.5	1 312.8	3 429.3
Loans and receivables due from credit institutions	-	865.7	1 131.9	1 067.5	2 902.2	3 711.9	1 513.1	11 192.3
Loans and receivables due from customers	-	893.9	539.4	505.7	932.1	3 318.0	7 574.1	13 763.2
Held to maturity financial assets	-	-	10.0	58.4	161.3	217.2	290.3	737.2
Financial assets by maturity	**766.7**	**2 543.5**	**2 352.0**	**1 864.7**	**4 449.4**	**8 687.5**	**10 714.9**	**31 378.7**
Due to central banks and post offices	-	18.7	-	-	-	-	-	18.7
Financial liabilities through profit or loss	60.4	607.1	190.9	211.2	300.9	775.9	176.0	2 322.4
Derivatives used for hedging purposes	88.6	-	-	-	-	-	-	88.6
Due to credit institutions	-	871.3	1 296.2	208.5	109.2	764.8	152.7	3 402.7
Due to customers	-	12 854.6	2 956.6	1 463.7	1 620.2	202.7	280.8	19 378.6
Debt securities	-	-	691.9	344.9	394.5	146.0	-	1 577.3
Remeasurement adjustment on the interest-rate-risk hedged portfolios	35.4	-	-	-	-	-	-	35.4
Financial liabilities by maturity	**184.4**	**14 351.7**	**5 135.6**	**2 228.3**	**2 424.8**	**1 889.4**	**609.5**	**26 823.7**

31 December 2010 *In millions of euros*	Un-determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash and amounts due from central banks and post office banks	-	345.2	-	-	-	-	-	345.2
Financial assets at fair value through profit or loss	434.8	-	486.5	11.6	121.7	377.8	1 221.7	2 654.1
Derivatives used for hedging purposes	7.1	-	-	-	-	-	-	7.1
Available-for-sale financial assets	413.7	-	84.8	237.0	716.1	1 798.4	2 241.2	5 491.2
Loans and receivables due from credit institutions	-	128.3	3 131.2	1 910.6	1 944.7	3 169.7	1 784.0	12 068.5
Loans and receivables due from customers	-	997.9	194.3	849.4	729.0	3 876.9	7 628.3	14 275.8
Held to maturity financial assets	-	-	-	37.4	236.5	975.8	412.5	1 662.2
Financial assets by maturity	**855.6**	**1 471.4**	**3 896.8**	**3 046.0**	**3 748.0**	**10 198.6**	**13 287.7**	**36 504.1**
Due to central banks and post office banks	-	10.6	-	-	-	-	-	10.6
Financial liabilities through profit or loss	274.0	-	35.9	154.4	530.4	1 230.1	575.9	2 800.7
Derivatives used for hedging purposes	80.6	-	-	-	-	-	-	80.6
Due to credit institutions	-	532.2	3 044.5	1 414.0	469.6	704.4	437.4	6 602.1
Due to customers	-	12 946.4	3 183.7	1 477.3	1 744.6	327.0	253.3	19 932.3
Debt securities	-	-	1 193.6	774.2	60.5	388.0	-	2 416.3
Subordinated debt	-	-	-	-	-	-	-	-
Remeasurement adjustment on the interest-rate-risk hedged portfolios	0.7	-	-	-	-	-	-	0.7
Financial liabilities by maturity	**355.3**	**13 489.2**	**7 457.7**	**3 819.9**	**2 805.1**	**2 649.5**	**1 266.6**	**31 843.3**

8.f FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

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

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2011. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amount actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instruments to the Group as a going concern.

- Most of these fair values are not meaningful, and hence are not taken into account in the management of commercial banking activities that use these instruments.

- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.

- Finally, the fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or to the clientele in relation with the Group in its various activities. Consequently, these fair values should not be regarded as the actual contribution of the instrument concerned to the overall valuation of the BGL BNP Paribas Group.

In millions of euros	31 December 2011		31 December 2010	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	11 192.3	11 167.8	12 068.5	12 068.7
Loans and receivables due from customers	13 763.2	13 874.2	14 275.8	14 310.6
Held-to-maturity financial assets	737.2	740.2	1 662.2	1 679.6
FINANCIAL LIABILITIES				
Due to credit institutions	3 402.7	3 402.7	6 602.1	6 603.1
Due to customers	19 378.6	19 383.1	19 932.3	19 935.7
Debt securities	1 577.3	1 594.2	2 416.3	2 441.2

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The used valuation techniques and assumptions ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in note 1 relative to the accounting principles applied by the Group. In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) are granted on floating-rate terms, fair value equates to carrying amount; this also applies to most regulated savings products.

8.g CONTINGENT LIABILITIES: LEGAL PROCEEDING AND ARBITRATION

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 the Group, and when the amount can be reasonably estimated (see note 5.p "Provisions for contingencies and charges.").

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.

8.h FEES PAID TO THE STATUTORY AUDITORS

In thousands of euros relative to 2011 (excluding VAT)	Deloitte		PricewaterhouseCoopers		Mazars		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- Issuer	-	0%	711	90%	-	0%	711	21%
- Consolidated subsidiaries	4	0%	54	7%	24	100%	82	2%
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- Issuer	-	0%	23	3%	-	0%	23	1%
- Consolidated subsidiaries	-	0%	-	0%	-	0%	-	0%
Audit total	4	0%	788	100%	24	100%	816	24%
Other services provided by the networks								
Legal, tax, social	-	0%	1	0%	-	0%	-	0%
Other	2 645	100%	-	0%	-	0%	2 645	76%
Other services total	2 645	100%	1.0	0%	-	0%	2 645	76%
Total fees	2 649	100%	789	100%	24	100%	3 461	100%

In thousands of euros relative to 2010 (excluding VAT)	Deloitte		PricewaterhouseCoopers		Mazars		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- Issuer	-	0%	771.0	77%	-	0%	771.0	17%
- Consolidated subsidiaries	13.3	0%	204.4	21%	24.0	92%	241.7	5%
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- Issuer	-	0%	22.0	2%	-	0%	22.0	1%
- Consolidated subsidiaries	-	0%	-	0%	2.0	8%	2.0	0%
Audit total	13.3	0%	997.4	100%	26.0	100%	1 036.7	23%
Other services provided by the networks								
Legal, tax, social	-	0%	1.0	0%	-	0%	1.0	0%
Other	3 503.0	100%	-	0%	-	0%	3 503.0	77%
Other services total	3 503.0	100%	1.0	0%	-	0%	3 504.0	77%
Total fees	3 516.3	100%	998.4	100%	26.0	100%	4 540.7	100%

8.i POST-BALANCE-SHEET EVENTS

At the beginning of 2012, business activities have continued to develop normally. The Group remains alert to developments in the geopolitical context and particularly to the evolution of the sovereign debt crises.

The Group has decided to participate in the Greek debt restructuring plan, by exchanging its Greek bonds in March 2012. This operation has no material impact on the income statement for the 2012 financial year.

As part of the diversification of its activities, the Group is considering the possibility of increasing its participation in the leasing business of the BNP Paribas Group, and raising the level of funding for these activities.

Unconsolidated Financial Statements

for the Year Ended 31 December 2011

The unconsolidated annual accounts of BGL BNP Paribas S.A. 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 approved annual accounts of credit institutions, 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 S.A. as at 31 December 2011.

UNCONSOLIDATED BALANCE SHEET

In millions of euros	31.12.2011	31.12.2010
Assets		
Cash, credit notes with central banks and post offices	783.6	344.9
Receivables from credit institutions	11 293.9	12 885.4
a) demand	864.3	2 813.7
b) other receivables	10 429.6	10 071.7
Receivables due from customers	13 069.5	13 346.6
Bonds and other fixed income securities	5 735.2	9 518.5
a) from public issuers	2 808.2	5 071.5
b) other issuers	2 927.0	4 447.0
Equities and other variable income securities	308.2	210.4
Investments in subsidiaries	47.1	44.1
Affiliates	1 205.9	1 407.5
Intagible fixed assets	604.1	764.9
Tangible fixed assets	171.8	174.7
Other assets	157.1	209.7
Accrued income	399.3	440.3
Total assets	33 775.7	39 347.0

UNCONSOLIDATED BALANCE SHEET (CONTINUATION)

In millions of euros	31.12.2011	31.12.2010
Liabilities		
Due to credit institutions	**3 229.4**	**7 195.9**
a) demand	858.8	757.6
b) forward or with notice	2 370.6	6 438.3
Due to customers	**18 932.1**	**18 991.7**
a) savings deposits	4 231.2	4 800.0
b) other debts	14 700.9	14 191.7
- demand	8 996.9	8 778.1
- forward or with notice	5 704.0	5 413.6
Debt securities	**3 168.9**	**4 806.9**
a) bills and outstanding bonds	2 632.4	3 438.6
b) other	536.5	1 368.3
Other liabilities	**1 987.9**	**1 347.2**
Accrued income	**155.6**	**253.4**
Provisions	**281.6**	**364.8**
a) provisions for taxes	33.5	47.3
b) other provisions	248.1	317.5
Subordinated liabilities	**110.0**	**184.7**
Special items with a share of the reserves	**141.1**	**141.3**
Fund for general banking risks	**92.4**	**302.4**
Share capital	**713.1**	**713.1**
Additional paid-in capital	**2 770.4**	**2 770.4**
Retained earnings	**1 940.5**	**1 927.4**
Profit or loss brought forward	**0.3**	**0.1**
Profit or loss for the fiscal year	**252.4**	**347.7**
Total liabilities	**33 775.7**	**39 347.0**

Off-balance sheet (In millions of euros)		
Contingent liabilities	**1 978.6**	**2 031.3**
including:		
- surety bonds and assets given in guarantee	1 224.9	1 504.3
Commitments	**2 507.5**	**14 855.7**
Fiduciary operations	**3 599.2**	**4 388.1**

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	Year to 31 Dec. 2011	Year to 31 Dec. 2010
Interest income	**1 086.5**	**966.0**
including on fixed revenue marketable securities	283.5	280.5
Interest expense	**(535.4)**	**(481.7)**
Income on equities and other variable instruments	**17.1**	**27.2**
a) earnings from equities, shares and other variable instruments	8.2	13.4
b) earnings from holdings	2.1	3.4
c) earnings from affiliates	6.8	10.4
Commissions earned	**240.9**	**241.3**
Commissions paid	**(63.1)**	**(78.7)**
Earnings on financial operations	**(0.1)**	**94.8**
Other operating income	**84.0**	**110.7**
Administrative overhead costs	**(418.2)**	**(339.3)**
a) personnel costs	(241.9)	(200.7)
including:		
- wages and salaries	(203.0)	(171.3)
- social charges	(33.0)	(23.8)
including social charges applying to pensions	(24.1)	(17.7)
b) other administrative costs	(176.3)	(138.6)
Value corrections on intangible fixed assets and on tangible fixed assets	**(182.2)**	**(59.6)**
Other operating expenses	**(13.8)**	**(46.8)**
Additions/reversals for value creations on receivables and provisions for possible debts and commitments	**38.4**	**(27.6)**
Additions/reversals for value creations on marketable securities described as financial fixed assets, on investments in subsidiaries and shares in subsidiaries and affiliates	**(185.0)**	**(70.2)**
Additions to "special items with a share of the reserves"	**(0.4)**	**-**
Proceeds resulting from the dissolution of the "special items with a share of the reserves"	**0.5**	**20.5**
Proceeds resulting from the dissolution of the amounts listed in the fund for general banking risks	**210.0**	**50.0**
Income tax applicable to ordinary activities	**(26.2)**	**(58.2)**
Proceeds resulting from ordinary activities, after tax	253.0	348.4
Other taxes not included in the above items	**(0.6)**	**(0.7)**
Profit or loss for the fiscal year	252.4	347.7

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