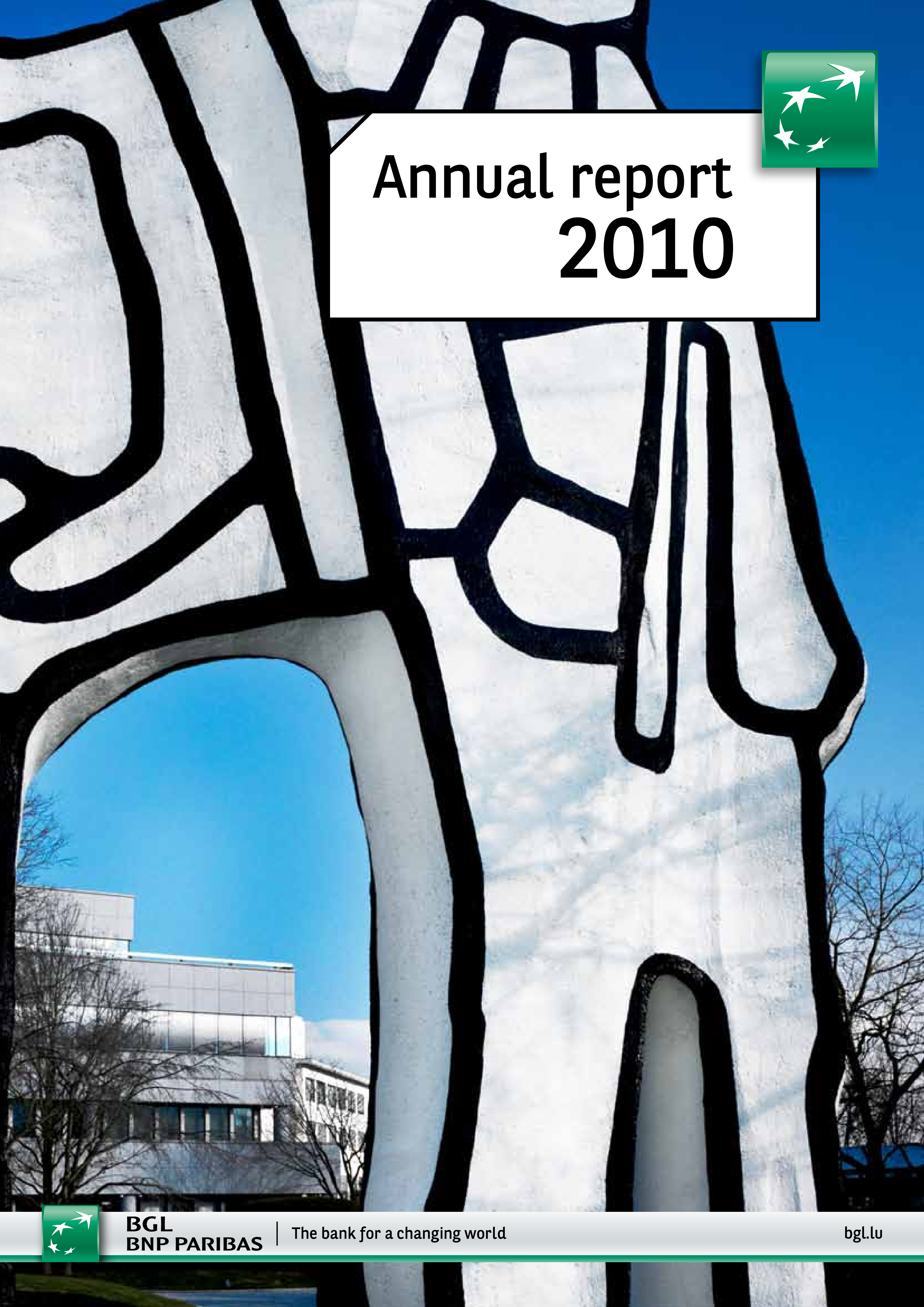

Annual report 2010

BGL BNP PARIBAS | The bank for a changing world

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JEAN DUBUFFET (1901-1985)

ÉLÉMENT D'ARCHITECTURE CONTORSIONNISTE IV

The French artist's monumental "Élément d'architecture contorsionniste IV", part of his Hourloupe cycle, is a defining feature of BGL BNP Paribas headquarters. Rising 7 metres from the ground, it is also a recognised landmark for the Kirchberg area as a whole.

Epoxy sculpture painted with polyurethane
700 cm X 480 cm X 240 cm
BGL BNP Paribas collection

Annual report 2010

Contents

The English language version of this report is a free translation from the original, which was prepared in French. In all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

Consolidated key figures

CONSOLIDATED KEY FIGURES

In million of euros (IFRS)	2010	2009	%
Profit and loss account			
Net operating income before change in impairments	797.6	811.4	(2)%
of which: Net interest margin	579.9	545.3	6%
Net commissions and fees	201.3	207.9	(3)%
Total operating expenses	(432.9)	(323.3)	34%
of which : Integration expenses	*(64.4)*		
Cost of risk	(34.4)	16.9	n/a
Net result of discontinued operations	(1.6)	(417.0)	n/a
Net profit attributable to equity holders of the parent	277.0	6.2	n/a
Cost Income ratio	54%	40%	
Excluding integration expenses	*46%*		

Regulatory own funds and solvency ratio		
Total regulatory own funds	4 427.4	5 735.3
Total solvency ratio	23.1%	27.2%

Ratings (April 2011)	Moody's	Standard & Poor's	Fitch IBCA
Short term	P-1	A-1+	F1+
Long term	A1	AA	A+

Directors and Officers

BOARD OF DIRECTORS

Gaston Reinesch, Chairman of the Board of Directors

GASTON REINESCH
Economist,
Luxembourg
Chairman

ALAIN PAPIASSE
Member of the Executive Committee of BNP Paribas,
Paris
Vice-Chairman
(until 11 March 2010)

JACQUES D'ESTAIS
Member of the Executive Committee of BNP Paribas,
Paris
Vice-Chairman
(as from 11 March 2010)
Director (until 11 March 2010)

HRH PRINCE GUILLAUME OF LUXEMBOURG
Luxembourg
Director

MARC ASSA
Economist,
Steinsel
Director

JEAN CLAMON
Head of Group Compliance,
Paris
Director
(as from 11 March 2010)

FRANÇOIS DEBIESSE
Senior Advisor of BNP Paribas Wealth Management,
Paris
Director

GABRIEL DI LETIZIA
Staff Representative,
Bergem
Director

CAMILLE FOHL
Member of the Executive Committee of Fortis Bank,
Brussels
Director

FERNAND GALES
Staff Representative,
Dudelange
Director
(until 1 July 2010)

JEAN-CLAUDE GILBERTZ
Staff Representative,
Olm
Director

PIERRE GRAMEGNA
Lawyer and Economist,
Esch/Alzette
Director

Directors and Officers

BOARD OF DIRECTORS

CLAUDE HEIREND
Staff Representative,
Junglinster
Director

NICO KIRSCH
Staff Representative,
Bivange
Director
(† 7 March 2011)

VIVIEN LEVY-GARBOUA
Senior advisor BNP Paribas,
Paris
Director

CORINNE LUDES
Staff Representative,
Dudelange
Director

JEAN MAJERUS
Staff Representative,
Enscherange
Director

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Chairman of the Management Board,
Luxembourg
Director

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Doctor of Law, Attorney,
Oberanven
Director

JEAN-PAUL PRUVOT
Managing Director of l'Ardenne Prévoyante,
Esneux
Director

NORBERT ROOS
Staff Representative,
Rodange
Director

JEAN-LOUIS SIWECK
Master of Arts,
Luxembourg
Director

DENISE STEINHAUSER
Staff representative,
Junglinster
Director (as from 1 July 2010)

TOM THEVES
Chemical Engineer
Luxembourg
Director

CARLO THILL
Chairman of the Management Board,
Leudelange
Director

FRANÇOIS VILLEROY DE GALHAU
Member of the Executive Committee of BNP Paribas,
Paris
Director

MICHEL WURTH
Economist,
Sandweiler
Director

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GEORGES ARENDT
Doctor of Law,
Luxembourg

MARCEL MART
Former President of the Court of Auditors
of the European Communities,
Luxembourg

HONORARY VICE-CHAIRMAN

XAVIER MALOU
Honorary Director
of Generale Bank,
Brussels

BUREAU OF THE BOARD OF DIRECTORS

GASTON REINESCH
Chairman of the Board of Directors,
Chairman

JACQUES D'ESTAIS
Vice-Chairman of the Board of Directors,
Member

ERIC MARTIN
Chairman of the Board,
Member

CARLO THILL
Chairman of the Board,
Member

INTERNAL CONTROL AND RISK COMMITTEE

VIVIEN LEVY-GARBOUA
Director,
Chairman

JEAN CLAMON
Director,
Member (as from 11 March 2010)

JACQUES D'ESTAIS
Vice-Chairman of the Board of
Directors,
Member (as from 11 March 2010)

CAMILLE FOHL
Director,
Member

JEAN MEYER
Director,
Member

ALAIN PAPIASSE
Director,
Member (until 11 March 2010)

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Chairman of the Board of Directors,
Member

MICHEL WURTH
Director,
Member (until 2 July 2010)

REMUNERATION COMMITTEE

GASTON REINESCH
Chairman of the Board,
Chairman (until 7 October 2010)

JACQUES D'ESTAIS
Vice-Chairman of the Board,
Chairman
(as from 7 October 2010)

MARC ASSA
Director
Member

JEAN CLAMON
Director
Member

EXTERNAL AUDITOR

PRICEWATERHOUSECOOPERS S.À R.L.
Réviseurs d'entreprises

MANAGEMENT BOARD

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Chairman

CARLO THILL
Chairman

PATRICE CROCHET
Wealth Management
Member (as from 1 March 2010)

DOMINIQUE GOULEM
Treasury
Member (as from 1 March 2010)

LUC HENRARD
Risk
Member (as from 1 March 2010)

ANNE KAYSER
Compliance
Member (as from 1 March 2010)

MARC LENERT
ITP & Operations
Member

CARLO LESSEL
Finance
Member (as from 1 March 2010)

ROBERT SCHARFE
Corporate and Investment Banking
Member

CHRISTIAN SCHAACK
Member (until 25 February 2010)

KIK SCHNEIDER
Banque de Détail et des Entreprises
Member (as from 1 March 2010)

THIERRY SCHUMAN
Human Resources
Member

From left to right (standing): Marc Lenert, Luc Henrard, Kik Schneider, Carlo Lessel, Dominique Goulem, Thierry Schuman.
From left to right (seated): Patrice Crochet, Eric Martin, Anne Kayser, Carlo Thill, Robert Scharfe.

JEAN-LOUIS MARGUE
Secrétaire général

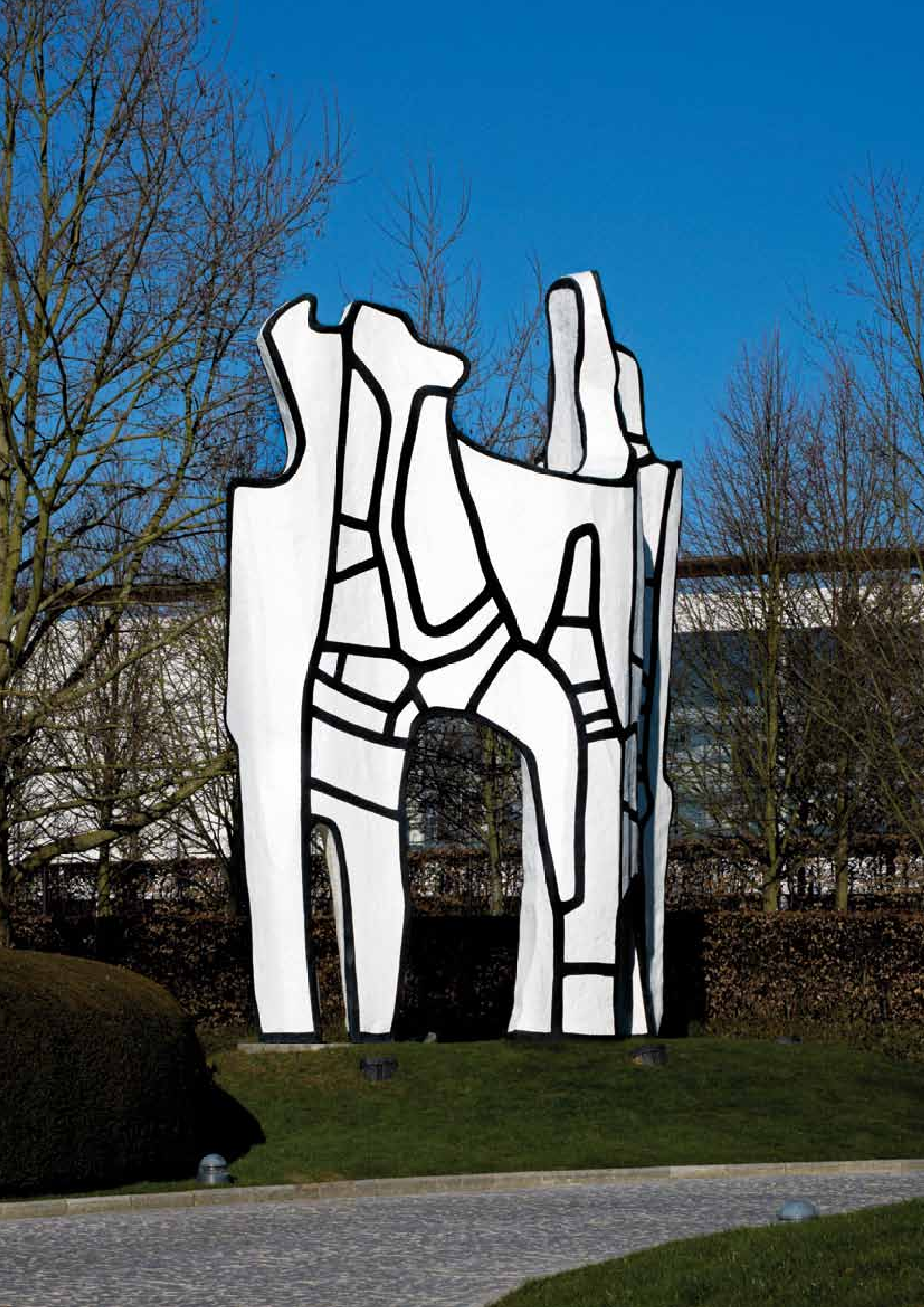
INTERNAL AUDIT

EMMA PERTAT
(as from 15 March 2010)

MARC OLINGER
(until 15 March 2010)

MANAGEMENT OF THE SUBSIDIARY SADE (Société Alsacienne de Développement et d'Expansion)

ANTOINE GILLIOT
Director



Statement of the Board of Directors

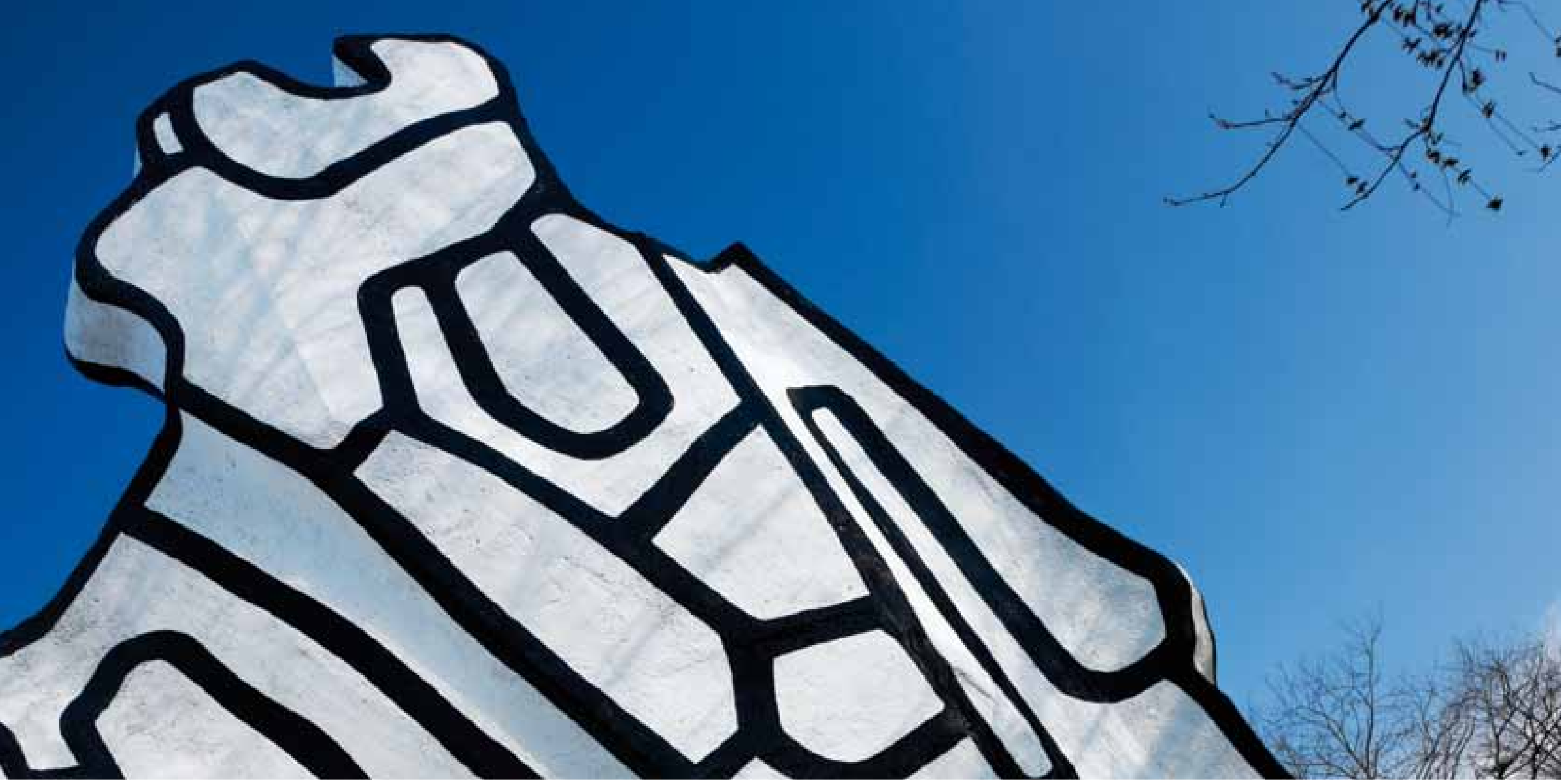
(as regard to the Transparency law of 11 January 2011)

The Board of Directors of BGL BNP Paribas S.A. (the Bank) is responsible for preparing the consolidated accounts of the Bank in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union and with the EU Transparency Directive (2004/109/EC).

The Board of Directors revised these consolidated accounts on 17 March 2011 and authorised their publication.

The Board declares that, to the best of its knowledge, the consolidated accounts give a true and fair view of BGL BNP Paribas S.A. at 31 December 2010, and of the consolidated financial performance of its operations as well as the consolidated cash flows, and that there is no factor that might significantly impact its financial situation.

Luxembourg, 17 March 2011



Management Report of the Board of Directors

PREAMBLE

Main developments for the Bank in 2010 concerned continuing work on the tie-up with the BNP Paribas Group, implementing yet a large part of the industrial plan adopted by the Board of Directors on 25 November 2009. These efforts took place within the framework of the comprehensive plan for the BNP Paribas Group as a whole.

This plan calls for BGL BNP Paribas and other Group entities in Luxembourg to position themselves as dynamic businesses in the service of the Luxembourg economy, developing efficient platforms for international customer services, while at the same time strengthening the bank's corporate responsibility.

In this context, the Bank transferred interests in Fortis Banque Suisse S.A. and Fortis Investment Management S.A. to other group entities in the first half of 2010, at the same time acquiring an interest in BNP Paribas Investment Partners S.A.. The Bank's interest in BNP Paribas Leasing Solutions S.A. (formerly Fortis Lease Group S.A.) was diluted as a result of the contribution of BNP Paribas leasing operations in consideration for newly issued shares in BNP Paribas Leasing Solutions S.A.. Finally, the Bank sold its operation BGL Securities Services to another BNP Paribas entity operating in Luxembourg.

Deployment of the industrial plan also involved the Bank's purchase of all shares of the bank BNP Paribas Luxembourg S.A. on 25 February 2010. The two banks were legally merged on 1 October, and the high point of the year came on the weekend of 30 October, which saw the full transfer of BNP Paribas Luxembourg's operations to the technical and operational platforms of BGL BNP Paribas.

The success of this merger augurs well for the Bank's capacity to deal with the challenges that lie ahead in 2011, amid still uncertain economic trends and increasingly stiff competition.

CONSOLIDATED MANAGEMENT REPORT

Balance Sheet

The year-end balance sheet total reflects how changes in the scope of consolidation have affected operations. First of all, the acquisition of BNP Paribas Luxembourg S.A. and its subsidiaries on 25 February 2010 led to the recognition of BNP Paribas Luxembourg S.A. assets and liabilities at book value on the BGL BNP Paribas consolidated balance sheet. The difference between the acquisition price of EUR 2.9 billion and the net value of the assets concerned was charged directly to equity in an amount of EUR 509 million. The surrender of control over leasing businesses led the Bank to derecognise related assets and liabilities, replaced by the recognition of the Bank's interest in the head holding company valued on an equity basis (EUR 782 million) and the continued financing for an amount of EUR 5.2 billion which BGL BNP Paribas provides to BNP Paribas Leasing Solutions S.A., formerly Fortis Lease Group S.A. (previously eliminated as intercompany transaction). Finally, operations that had been reclassified as non-current assets and liabilities held for sale at 31 December 2009 have for the most part been taken off the balance sheet through transactions including the sale by stages over the year of most of the operations of BGL Securities Services to BNP Paribas Securities Services, the sale of Fortis Investment Management S.A. on 1 April 2010 and the sale of Fortis Banque Suisse S.A. on 23 April 2010.

The balance sheet total at 31 December stood at EUR 38.5 billion, showing a decline of EUR 4.8 billion or 11% from EUR 43.3 billion at 31 December 2009, principally as a result of the change in the scope of consolidation just described.

The effects of these changes on main balance-sheet items are summarised in the table below.

Key balance sheet elements	2010			2009		
In million of euros	BGL BNP Paribas Balance sheet to 31 December 2010	Contribution from entry in scope of BNP Paribas Luxembourg on 25 February 2010	BGL BNP Paribas balance sheet to 31 December 2010 excluding contribution of BNP Paribas Luxembourg	BGL BNP Paribas Balance sheet to 31 December 2009	Exit from scope of leasing activities	BGL BNP Paribas balance sheet to 31 December 2009 excluding leasing activities
Assets						
Loans and receivables due from lending institutions	12 068.5	7 390.7	4 677.8	3 863.1	(1 229.0)	5 092.1
Loans and receivables due from customers	14 275.8	1 040.2	13 235.6	21 889.2	6 758.7	15 130.5
Liabilities						
Due to credit institutions	6 602.1	3 254.8	3 347.3	9 295.1	6 317.3	2 977.8
Debts to customers	19 932.3	6 545.9	13 386.4	13 672.7	56.8	13 615.9
Balance sheet total	**38 494.6**			**43 271.4**		

On the **assets** side, **loans and receivables due from credit institutions** amounted to EUR 12.1 billion, showing a rise of EUR 8.2 billion or 210% from EUR 3.9 billion at 31 December 2009. This is essentially due to the consolidation of BNP Paribas Luxembourg S.A. and its subsidiaries, accounting for EUR 7.4 billion. Financing provided by the Bank for leasing entities with bank status, which was previously eliminated under intercompany transactions, was recognised in an amount of EUR 1.2 billion. Following surrender of control, this treatment is no longer appropriate and the amount thus appears as receivable from credit institutions.

Loans and receivables due from customers amount to EUR 14.3 billion compared with EUR 21.9 billion at the end of the previous year. The decline was principally due to deconsolidation of leasing businesses, which had a net impact of EUR -6.8 billion. This led to deconsolidation of leasing entities' claims on customers amounting to EUR 11.5 billion. At the same time, financing provided to the same leasing entities, representing an amount of EUR 4.7 billion at 31 December 2009, had been eliminated under intercompany transactions within the BGL BNP Paribas Group until the Bank surrendered control of the entities, but was recognised under assets at 31 December 2010, with the entities concerned now accounted for by the equity method. The decline in assets was partly offset by consolidation of BNP Paribas Luxembourg S.A., which had a positive impact of EUR 1.0 billion. Implementation of the industrial plan involved scaling back financing for large corporates in German-speaking countries, which reduced outstanding loans and receivables by EUR 0.9 billion. Without these strategic changes, customer loans and receivables would thus have been at much the same level as at the end of the previous year. Property and personal loans were up EUR 213 million or 8% overall, and loans to professionals rose 3.9%.

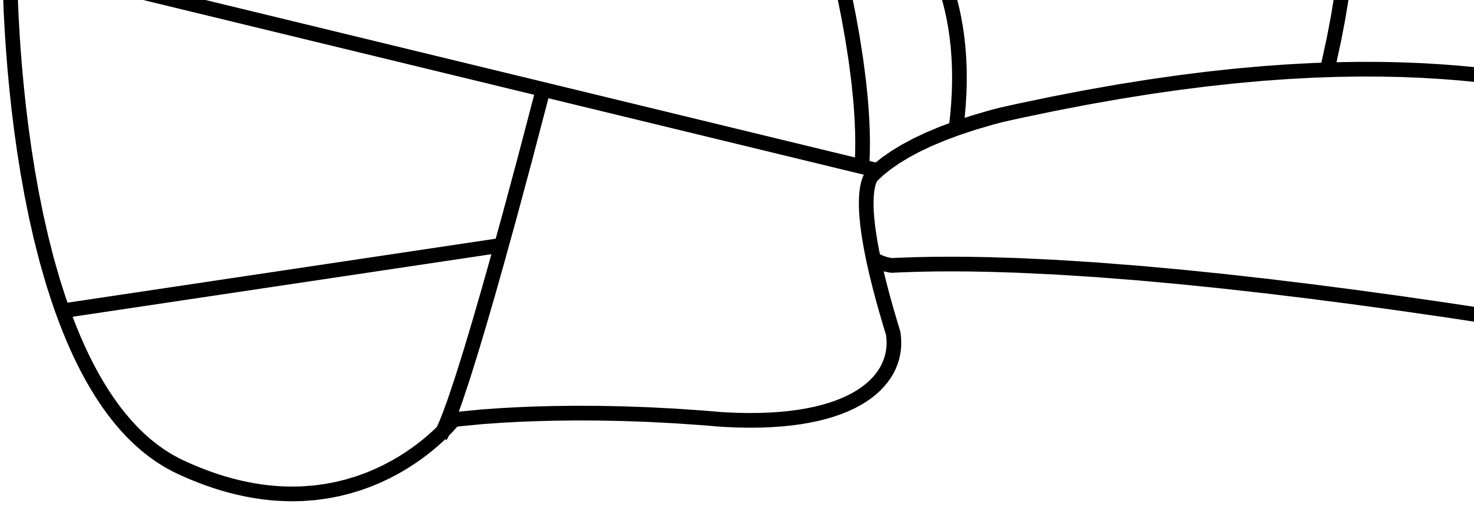
Available-for-sale financial assets showed a decline of EUR 0.4 billion to EUR 5.5 billion, mainly due to the non-replacement at maturity of assets in investment portfolios. This was partly offset by the positive impact of the consolidation of BNP Paribas Luxembourg S.A. and its subsidiaries, which amounted to EUR 2.9 billion.

Non-current assets held for sale were down from EUR 6.0 billion at 31 December 2009 to EUR 337 million at 31 December 2010: the bulk of BGL Securities Services operations was sold to BNP Paribas Securities Services by stages over the year, and Fortis Investment Management S.A. and Fortis Banque Suisse S.A. were sold on 1 April and 23 April, respectively.

On the **liabilities** side, **due to credit institutions** declined from EUR 9.3 billion to EUR 6.6 billion as a result of changes in the scope of consolidation. With leasing entities now accounted for by the equity method, the financing they had obtained from other group entities, representing an amount of EUR 6.3 billion, is no longer recognised on consolidated accounts. The decline was partly offset by consolidation of BNP Paribas Luxembourg S.A. and its subsidiaries, which added EUR 3.3 billion to accounts.

Customer deposits rose by EUR 6.3 billion or 46% from EUR 13.7 billion to EUR 19.9 billion, essentially due to consolidation of deposits with BNP Paribas Luxembourg S.A. and its subsidiaries, representing a total of EUR 6.5 billion.

Liabilities relating to non-current assets held for sale fell EUR 5.1 billion from EUR 5.5 billion to EUR 337 million. This reflected the transfer by stages over the year of nearly all deposits with BGL Securities Services to BNP Paribas Securities Services, and the sale of Fortis Banque Suisse S.A. on 23 April 2010.



Own Funds

First consolidation of BNP Paribas Luxembourg S.A. and its subsidiaries was at book value, which entailed a negative impact on own funds since the difference between the acquisition price and book value was charged directly to reserves in an amount of EUR 509 million. The bank also distributed a dividend in respect of the 2009 financial year amounting to EUR 330.2 million in 2010.

At 31 December 2010, **fully subscribed and paid-up capital** amounted to EUR 713.1 million represented by 27,979,135 shares.

Assuming the proposed appropriation of earnings is approved at the General Meeting on 7 April 2011, **consolidated regulatory own funds** as recognised for the calculation of solvability ratios will amount to EUR 4,427.4 million at 1 January 2011 compared with EUR 5,735.3 million at the same date of the previous year, the decline being attributable to changes in the scope of consolidation. First consolidation of BNP Paribas Luxembourg was at book value and the difference between book value and the acquisition price being charged directly to own funds, while previously consolidated leasing entities are now accounted for by the equity method following surrender of control, entailing deduction of the related amount from regulatory own funds.

The **solvency ratio** at 31 December 2010 was 23.1% compared with 27.2% at the end of the previous financial year.

Profit and Loss Account

In accordance with IFRS 5, the Bank reclassified revenues and charges of certain subsidiaries under business held for sale. The results of Fortis Investment Management S.A., Fortis Banque Suisse S.A., leasing operations up to 1 July 2010, and the operations of BGL Securities Services were thus recognised under **Net profit of discontinued operations**. This item includes not only operating results of the operations concerned up to the date of sale or loss of control, but also the results of disposals. For the sake of comparability, 2009 results have been adjusted accordingly.

As a result of the acquisition of BNP Paribas and its subsidiaries, these operations contributed to the consolidated results of BGL BNP Paribas since 25 February 2010. Their total contribution to net profit for the year was EUR 85.6 million.

Finally, the profit and loss account for 2010 was affected by costs relating to business integration and the development and modernisation of the Bank in order to implement the industrial plan adopted in 2009.

In million of euros			2010	2009
	BGL BNP Paribas net profit to 31 December 2010	Contribution from the entry in scope of BNP Paribas Luxembourg as of 25 February 2010	BGL BNP Paribas net profit to 31 December 2010 excluding contribution of BNP Paribas Luxembourg	BGL BNP Paribas net profit to 31 December 2009
Net Banking Income	797.6	141.2	656.4	811.4
Operating expenses	(432.9)	(63.0)	(369.9)	(323.3)
Gross Operating Income	**364.7**	**78.2**	**286.5**	**488.1**
Cost of risk	(34.4)	1.0	(35.4)	16.9
Operating income	**330.3**	**79.2**	**251.1**	**505.0**
Non-operating income	(2.4)	8.2	(10.6)	5.6
Pre-tax operating result	**327.9**	**87.4**	**240.5**	**510.6**
Corporate income tax	(43.0)	(1.8)	(41.2)	(104.6)
Net earnings on discontinued operations	(1.6)	-	(1.6)	(417.0)
Net profit	**283.3**	**85.6**	**197.7**	**(11.0)**
Net profit attributable to equity holders of the parent	**277.0**	**85.6**	**191.4**	**6.2**

Net banking income showed a modest decline of less than 2% from EUR 811.4 million in 2009 to EUR 797.6 million in 2010.

Net interest income was up a moderate 6% or EUR 34.7 million from EUR 545.2 million to EUR 579.9 million. This item was heavily affected by a EUR 50.6 million drop in income from treasury management, with short-term interest rate trends ruling out a repetition of the exceptional performance in the previous year. Consolidation of BNP Paribas Luxembourg S.A. and its subsidiaries made a positive contribution of EUR 89.8 million to net interest income. Net interest income generated by Retail and Corporate Banking and Wealth Management was very steady, with rises in volumes offsetting narrower margins.

Net fees and commissions declined by EUR 6.6 million or 3%, from EUR 207.9 million in 2009 to EUR 201.3 million. There was a return to moderate growth in fees and commissions relating to assets under management and stock-market transactions. This also benefited from the consolidation of BNP Paribas Luxembourg S.A. and its subsidiaries, representing a contribution of EUR 24.7 million. This was not, however, enough to fully offset repositioning of intermediation business on financial markets following integration in the BNP Paribas Group, which had a negative impact of EUR 37.4 million.

Net interest income and net fees and commissions together made up 98% of **net banking income**.

Other operating income declined EUR 41.9 million from EUR 58.3 million in 2009 to EUR 16.4 million in 2010, mainly because of a decline in **net income on financial instruments at fair value by profit or loss**, down from EUR 67.4 million to EUR 8.0 million in 2010. The amount showed an exceptional rise in 2009 due to non-recurring items relating to changes in standards, early repayment of debts represented by a certificate evaluated at fair value, the impact of hedging for equity holdings denominated in foreign currencies and valuations of certain derivatives.

Operating expenses for the year to 31 December 2010 came to EUR 432.8 million compared with EUR 323.3 million in the previous year. This 34% increase partly results from changes in the scope of consolidation, with expense relating to BNP Paribas Luxembourg and its subsidiaries amounting to EUR 63.0 million, and partly from the Bank's integration in the BNP Paribas Group, representing an amount of EUR 64.4 million. Excluding these exceptional items, expenses were well under control, declining 6%, and the operating ratio was 46%.

As a result, **gross operating income** came in at EUR 364.8 million in 2010, showing a decline of EUR 123.3 million or 25% from EUR 488.1 million in the previous year.

The cost of risk represented a charge of EUR 34.4 million in 2010, compared with a positive contribution of EUR 16.9 million in the previous year. In 2009, the figure reflected reversal of excess value adjustments in an amount of EUR 69.9 million relating to the sale of a portion of the structured credit portfolio. Excluding this exceptional item, the cost of risk declined 35%, reflecting an improvement in the quality of the loan portfolio.

Net profit on discontinued operations represented a charge of EUR 1.6 million, compared with EUR 417 million in the previous year. This concerns subsidiaries and operations sold or partly transferred in the course of 2010 after reclassification as **non-current assets held for sale**. In both 2009 and 2010, these were mainly made up of leasing operations, Fortis Banque Suisse S.A., Fortis Investment Management S.A. and BGL Securities Services.

Finally, **consolidated net profit attributable to equity holders of the parent** came to EUR 277.0 million compared with EUR 6.2 million for the year to 31 December 2009.

Outlook in 2011

The main focus at present remains the deployment of the industrial plan, with significant investments to reinforce and expand the Bank to better serve its customers.

As the new year gets under way, an unstable geopolitical situation calls for continued vigilance, but the Bank's operational activities remain on a favourable course.

Risk management

The Bank's risk-management policies are described in detail in note 4 to the consolidated financial statements at 31 December 2010.

This policy is designed to ensure proper deployment of all the measures needed to fully comply with required standards of governance. In addition to the central management bodies that coordinate risk monitoring, each of the Bank's business lines has its own risk management department dedicated to its activities.

At central management level, the different types of risk are monitored and managed by dedicated committees meeting on a regular basis. These include the Central Credit Committee, which meets once a week and controls credit risk, and the Asset & Liability Committee, which meets once a month and is responsible for monitoring and managing market risk. Operational risk is overseen by the Committee for the Coordination of Internal Control and Risk Prevention, meeting monthly, and the Permanent Control Committee, meeting every six months.

The Bank has set up permanent structures and adopted strict risk management procedures meeting the requirements of Basel II and regulatory authorities.

In connection with integration processes in Luxembourg in 2010, financial services supervisor CSSF exempted all risk taken on BNP Paribas Group entities from the calculation of limits on major risk, pursuant to part XVI, point 24 of the amended CSSF circular 06/273.

The Bank's activities

Continuing work on the tie-up with the BNP Paribas Group was the main focus in 2010, leading up to the legal merger of BNP Paris Luxembourg S.A. with BGL BNP Paribas on 1 October 2010.

Retail and Commercial Banking (BDEL)

BGL BNP Paribas is Luxembourg's number-two bank for individual customers and the leader for services to corporate clients.

The 37 BGL BNP Paribas branches across the country offer a comprehensive range of products and services to meet the needs of households, professional and corporate clients. Strategy emphasises customer differentiation to build closer relationships and optimise services and advice, aligned to customer needs.

In 2010, efforts to promote offerings and consolidate customer confidence gained added pace. Retail and Commercial Banking counts 220,000 individual customers, representing a 16% market-share, and 38,000 business customers, setting market shares at 38%. Net banking income came to EUR 318 million in 2010.

There were significant organisational changes during the year, among them the merger of the previously distinct Retail Banking (BDL) and Commercial Banking (BEL).

Services for individual customers were the focus of a major initiative to enhance expertise within the branch network. This was structured around three priorities: more effective promotion of offerings, better knowledge of customers, and new approaches to customer communications. Other important developments included the transfer of wealthier customers to specialised entities better able to provide services matching their needs. Membership to the BNP Paribas Group also enabled the Bank to expand its offering for business customers with new products and services including access to the 150 business centres the group operates in 23 countries across Europe.

These developments were backed by new marketing approaches centred on customer knowledge to enhance sales performances. In this area, the development of specialised competence centres made an important contribution, enabling the branch network to achieve a closer match with customer needs.

Structural moves to make the network more effective also included the creation of four regional financial centres and the adoption of new procedures for promotion management, as well as the appointment of quality control officers for each region. Credit analysis teams were integrated into the business line, as were commercial entities serving business customers. In all cases, the overriding priority was to enhance the quality of service and customer satisfaction.

Throughout the year, marketing and communications teams were very active, contacting a total of 250,000 customers.

Launched in October 2010, a programme to deepen customer relationships started with training sessions to familiarise all branch staff with its methods and aims. A total of 550 staff members attended the 55 sessions.

The business line now has the organisation, the expertise and the tools it needs for continuing progress. In 2010, business with individuals was on a favourable track, as illustrated by a 5.6% rise in assets under management for individual residents, consolidating the Bank's number-two place in the segment. Figures to September confirmed its uncontested leadership with business customers. Finally, outstanding loans showed respective rises of 6.5% and 3.9% for individual and business customers.

Customers thus demonstrated their continued trust and confidence, at the same time welcoming the effects of recent investments.

Wealth Management

Following the merger with BNP Paribas Luxembourg S.A. on 1 October 2010, BGL BNP Paribas has become the leading private bank in Luxembourg. In 2010, assets under management rose 6%.

Relationship staff dedicated to the non-resident clientele and operational teams formerly charged with wealth management business at BNP Paribas Luxembourg S.A. have now been brought together at the Bank's headquarters.

A new reception area has been opened to welcome private banking clients in an appropriate setting.

The merger was also the occasion for a redefinition of strategy on the domestic market, involving in particular closer cooperation with Retail and Corporate Banking. As part of this, the former headquarters of BNP Paribas Luxembourg at 10A boulevard Royal is revamped to become the flagship site for private banking services to residents, and specialised private banking units are being deployed by stages within the branch network.

Organisation has been reinforced to more accurately target different markets and ensure that these demanding customers get the best service, attuned to the legal and tax environments in their countries of residence. As a result, the Bank is ideally placed to pursue its development goals, in particular as these regard the freedom to offer services across the European Union.

An important result of the merger is that specialised teams in Luxembourg have been designated Competence Centres serving all international sites of BNP Paribas Wealth Management, and have thus now been strengthened, with the addition of new resources committed to wealth structuring and estate planning.

The operational constraints of the merger did not stand in the way of continuing innovation in asset management services. The discretionary investment range was expanded to include a new Individual mandate based on the concept of participative management. The financial offering was also enlarged with the Responsible Invest mandate, specialising in socially responsible investment, and the Flexible mandate, which combines systematic management with a search for opportunities across all markets. These innovations, together with efforts to grow the bancassurance business, generated a rise of more than 10% in assets under discretionary management in 2010.

BGL BNP Paribas Wealth Management also offers a unique service to third-party asset managers, strengthening the bank's growth strategy in this segment by drawing on two major strengths: the highest rating for a depositary bank, and its capacity to provide tools with a recognised technical lead.

Personal Investors

BNP Personal Investors continued to expand in Luxembourg with a variety of initiatives in 2010.

Building on 15 years' experience of providing investment services to an international clientele in Luxembourg, it launched a new offering under the name The Bank for Expats at the beginning of the year. This is backed up with a dedicated website (www.thebankforexpats.com) and customised rates well suited to the needs of expatriates. Promotional campaigns used websites serving expatriates as a key vector for reaching potential clients.

During the year, much work was put into the successful integration of BNP Personal Investors within BGL BNP Paribas, which now offers customers access to the expertise of one of the leading specialists on the Luxembourg stock exchange. This expertise is actually in large part available to Retail Banking clients - and the only offering of its kind in Luxembourg.

These initiatives were rewarded with continued growth at BNP Paribas Personal Investors, which saw a rise of 6% in revenues and 10% in assets under management.

Corporate and Investment Banking/Treasury

The changes in organisational structure provided for in the industrial plan took effect in 2010, which saw all the Bank's financial-market businesses turn in sound performances.

Changes included the merger of Treasury Management teams to form a unified entity and refocus operations on non-liquidity consuming products. Management of customer flows on the balance sheet was overhauled in accordance with the standards applied by the BNP Paribas Group, resulting in transfers of scope to Asset & Liability Management. A main aim was to make the most of the degree of stability in terms of liquidity of different products, so to achieve the right match with specific customer needs. Significant effort was also put into developing and integrating BNP Paribas Group operational systems in Luxembourg.

During the year Fixed Income Trading market activities gradually migrated to BNP Paribas central systems, providing optimum risk management while maintaining expertise in forex spot and credit markets at local level. Sales teams also specialized by client segment.

Another highlight of the year was the creation of a multi-entity platform alongside BNP Paribas Arbitrage in association with the launch of the Equity Forward Trading business for own account.

Institutional Banking, a prime partner for institutional customers, provided effective support for the promotion of BNP Paribas Group's financial products and services in Luxembourg. At the same time, increased capacity in structured capital market and optimised structured leasing business was a basis for large transactions in these areas for institutional customers and major corporations with operations in Luxembourg.

Implementation of the industrial plan also led to the transfer of responsibility for corporate lending in German-speaking corporates - Germany, Austria and Switzerland - to other BNP Paribas Group entities. Despite this, management of the pre-merger loan portfolio yielded positive results for the business line.

Finally, cuts in the investment portfolio continued and high-risk exposures were discontinued, leading to the reversal of provisions for credit risks. Widening credit spreads associated with the Greek and Irish crises resulted in negative revaluations of the portfolio of credit default swaps.

Operations

For Securities handling, 2010 was first of all marked by the successful integration of the Bank's operations with those of BNP Paribas in Luxembourg, generating synergies in line with expectations. The institutional side of business was merged into BP2S Luxembourg, while another part continues operating the common platform alongside BNP Paribas Fortis, and a third is dedicated to domestic securities business.

The Payments department had a busy year in terms of volumes processed. Electronic payments now account for over 90% of the total. Operations were overhauled to keep step with regulatory changes affecting the market, in particular as a result of the EU's Payment Services Directive and new VAT regulations.

With SEPA* Direct Debit fully deployed in the course of the year, the Bank is one of the first in Luxembourg to offer this service Europe-wide on both the payment and collection side.

Documentary credit business was up 20%, benefiting from the economic rebound, particularly in the steel market.

Finally, in the new business environment, Accounts and Customer Administration saw some acceleration, in particular for new relationships.

Information Technology

Master and operational data of BNP Paribas Luxembourg S.A. were transferred to BGL BNP Paribas systems on the weekend of 30 October, and functionalities of the existing systems were extended to fit the requirements of the merged business.

In this particular context, the Bank continued to enhance its systems to better meet customer needs. Developments

* SEPA = Single Euro Payments Area

included a new savings product, ongoing improvements to Web Banking, the launch of Mobile Banking, improved notification of corporate actions, and the adoption of Wealth Management functionalities for Professional Banking.

Upgrading of technical infrastructure continued, offering increased data processing and storage capacities, accelerated communications with the branch network and a new facility to print customer documentation.

The Bank's data and applications have been classified in order to reach maximum protection and IT risks are now supervised by a special committee. Web Banking is monitored 24 hours a day, 7 days a week. Overall system security and reliability have been further upgraded with measures including continuous control over vulnerabilities. The Bank's capacity to resist intrusion has been certified by experts for a number of years and disaster recovery plans have been thoroughly tested, offering a guarantee for business continuity in case of disaster.

Turning to regulatory issues, the Bank has ensured that applications comply with requirements for VAT collection (VAT Directive), reporting to the Luxembourg tax authority Administration de l'Enregistrement et des Domaines and SEPA creditor procedures.

Human Resources

Staff numbers at the Bank at 31 December were lower than in 2009. At the end of 2009, the total within the former scope of consolidation of BGL BNP Paribas was 3,602, and a year later the figure was down to 2,769, including 2,742 in Luxembourg and 27 at Strasbourg-based subsidiary SADE. The decline results from the sale of BGL Securities Services and the Bank's interest in Fortis Banque Suisse S.A. as well as deconsolidation of its interest in Fortis Lease Group.

Human Resources at BGL BNP Paribas

The 2,742 people making up the Bank's Luxembourg workforce at 31 December 2010, of whom 1,467 or 53.50% are men and 1,275 or 46.50% are women, are among the total of 4,114 working for the BNP Paribas Group in Luxembourg. This makes the group the country's largest employer in the financial sector. Part-time employees accounted for 21.98% of the workforce at BGL BNP Paribas and 18.35% of the workforce at BNP Paribas Luxembourg S.A. in 2009, a proportion that rose to 22.55% or a total of 618 employees for the merged entities at the end of 2010. People from 29 different nationalities are represented in the workforce with origins breaking down as follows:

Luxembourg	41.28%
France	28.76%
Belgium	18.69%
Other EU	10.77%
Non-EU	0.51%

Despite difficult economic circumstances, BGL BNP Paribas maintained an active presence on the labour market, participating in national job forums, recruiting 62 new employees and offering 25 internships in 2010. Staff members were also encouraged to take up new positions within the Bank to meet requirements in different areas of business and in different functions as part of the merger process and reorganisation.

Training and staff development programmes to ensure the availability of necessary skills and preserve long-term employability remained a priority in 2010, with a total of over 11,500 man-days' training booked in the course of the year. A main focus was the Team Contact programmes to smooth merger processes and the integration of staff in different functions and business lines. All told, nearly 1,300 staff members attended 40 contact-day sessions.

In the course of the merger process, implementation of a unified staff status for employees as well as for management rapidly won acceptance. As a first step, a detailed study of the current situation was carried out, taking into account social and demographic considerations as well as legal constraints and the need to modernise employee status. The main areas earmarked for change concerned workplace relations, organisation (working hours, periods used for calculation of entitlements, time saving accounts, management of holidays), banking benefits (property and consumer loans, accounts and banking packages), pension entitlements, insurance, and extra-legal advantages but contributing to the well-being of staff members and a healthy balance between work and family life.

New procedures were also adopted for annual performance reviews.

The new framework for the organisation of work will enable staff members to benefit, on a harmonised basis, from time saving accounts, new periods of reference for the calculation of leave entitlements and the: right to "purchase" additional days off as well as unpaid leave.

Complementary pensions and insurance provisions for disability and death have been completely overhauled. All employees can now make voluntary contributions to top up their personal pension plans.

The Bank also offered staff members access to additional health cover, giving them the choice between a policy with benefits equivalent to the existing complementary plan with Caisse de Mutualité and a Protect policy with broader provisions.

The Board of Directors is more aware than ever of the critical importance of human capital and staff contribution in these times of rapid change, and wishes to express its profound gratitude for the efforts and dedication of employees throughout the period under review.

In this connection, special mention must be made of the responsible and constructive attitude of all staff representatives, who deserve our thanks for their daily cooperation.

Facility Management

The past year was exceptionally eventful in facility management, with integration of BNP Paribas entities in Luxembourg leading to the relocation of some 4,000 staff members and over 3,000 workstations in the short space of just ten months.

A variety of other challenges were also successfully overcome during the year:

- increased cooling capacities at headquarters. This involved the installation of two high-performance refrigeration compressors and hybrid cooling towers plants producing ice-cold water directly from the outside air in cool seasons. As a result, energy consumption at headquarters was cut by 27.5%, a saving equivalent to 900,000 litres of heating oil, and its carbon footprint by 47.5%. Water consumption fell by 9.9%, saving 3.5 million litres.

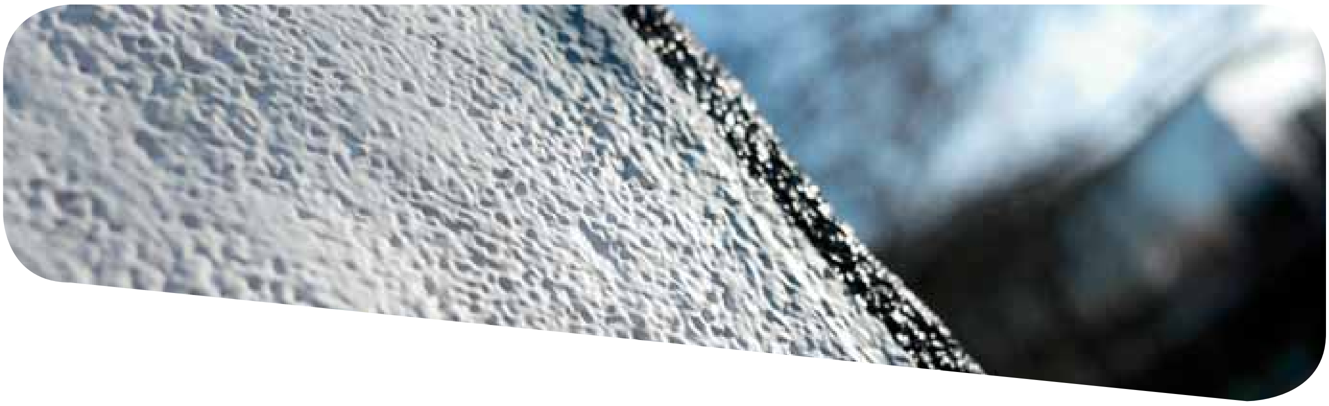
- renegotiation and extension through to the end of 2011 of contracts with Enovos for the supply of natural gas and electricity from environment-friendly hydro-electric origins and natural gas for all BNP Paribas entities in Luxembourg.

- installation of the CBK dynamic parking management system, increasing availability of attributable spaces by at least 15%.

Corporate Social Responsibility and External Relations

The bank has a long history of support for cultural and sporting life and for organisations helping people in need. Examples include:

- sponsorship of Luxembourg's Grand Theatre and Philharmonia orchestra, and contributions to selected initiatives at local and regional levels;



- contributions to the Luxembourg Red Cross, Caritas SOS, Children's Village Luxembourg, Lutte contre le Cancer and many other NGOs;

- lead sponsorship of the Luxembourg Olympic and Sports Committee, the Luxembourg Football Federation and the Luxembourg Tennis Federation, as well as lead and title sponsor of the BGL BNP Paribas Open tennis tournament.

Following a period of steady growth halted by the financial crisis and the ensuing economic downturn, public perceptions are now more sharply focused on sustainability and, by the same token, on social responsibility over the long term.

These new attitudes are at work at all levels of society and political life, and across all economic sectors, not least the banking industry.

Fully aware of the issue's importance for society as a whole, in April 2010 BGL BNP Paribas moved to give its commitment structured form with a new Corporate Responsibility and External Relations department.

The new department's first initiative was the relaunch of the BGL BNP Paribas Foundation to promote employee involvement in societal programmes ("Opérations Coup de Pouce"). It did so by inviting proposals for support. A good 26 projects were presented and 14 of these, supported by 17 staff members, were chosen to receive financial backing for a total of EUR 39,720.

The year was also marked by the tragedy of the Haiti earthquake, and Bank employees joined in the immense wave of sympathy it inspired with a campaign dubbed "100 abris pour les sans abris" to provide shelter for some of those left homeless. This was a great success, and the Bank topped up generous donations with its own contribution. The funds were donated to the Red Cross to finance in particular the purchase of emergency shelter kits.

Each kit costs around EUR 50, and the EUR 50,000 collected was enough to buy 1,000 – ten times the target of 100 announced in its title call and confirmation of staff members' sense of solidarity.

An important turning point for the Bank was a move into microfinance with its subscription on March 11 to the Luxembourg Microfinance and Development Fund (LMDF). In addition to its role as an investor, the Bank distributed the fund's units through its branch network. The investment adviser for the fund is Appui au Développement Autonome (ADA), an organisation with 15 years of experience in microfinance. The fund, which has received subscriptions totalling EUR 20 million, is not itself directly involved in micro-lending. Instead it works alongside microfinance institutions, in particular those based in developing countries, with limited access to international financing.

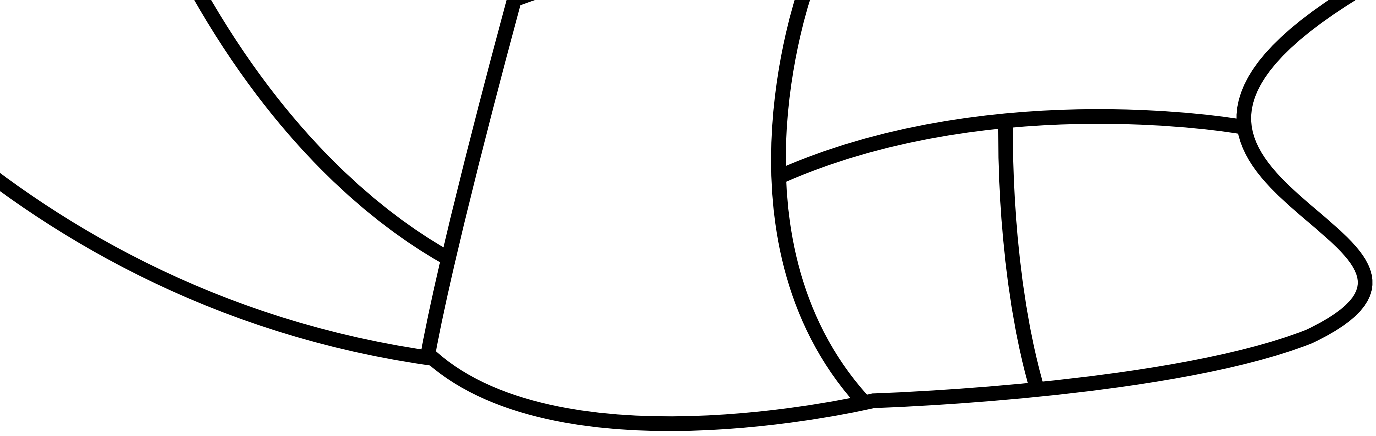
Turning to environmental issues, an agreement with the City of Luxembourg for a new Vel'oh rent-a-bike pickup point serving BGL BNP Paribas Kirchberg was signed on 16 December 2010, with the Bank committing to cover the full cost of installation. This is the first time anywhere that a self-service bike rental point has been specially set up for account of a company. The facility was officially inaugurated on 11 May.

Sustainability was also a focus of concern in the renovation of our Bettembourg and Schifflange branches, and determined both the selection of materials and the operational features:

- Materials selected on the basis of their carbon footprint and recyclability, with criteria including European origin, Eco Institut certification and the absence of solvents;

- effective isolation;

- use of natural light as far as possible, with all necessary artificial lighting using LED technology for lower energy consumption and a longer useful life;



- access for people with reduced mobility.

Among the many other initiatives in this area during the year were:

- the eXchange 2 Innovate programme helping entrepreneurs benefit from the experience of others as regards good practices in strategy, business processes and technology;

- Doers & Thinkers seminars, organised twice a year for what will soon be five years, calling on a business leader (Doer) or leading figure in research and learning (Thinker) to lead debate that consolidates the values of entrepreneurship and innovation.

In June, the Alphonse Weicker Foundation joined up with the Luxembourg Income Study to organise a seminar-debate with 2008 Nobel-prize winner Paul Krugman, professor of economics at Princeton, on the theme "Inequality and Crisis: Coincidence or Causality?"

Separately, the Alphonse Weicker Foundation presented its 2010 Prize for Sustainable Economic Progress to the Luxembourg political and cultural review Forum für Politik, Gesellschaft und Kultur at a ceremony held at the Bank's headquarters in October. Carrying prize money of EUR 25,000, this annual award offers recognition for one or more projects that have made a lasting and significant contribution to economic progress in Luxembourg.

To sum up, the Group, as Luxembourg's largest employer in the financial sector and the second largest in the private sector as a whole, is firmly committed to the principles of corporate social responsibility, and continues to provide support for societal initiatives, for cultural and sporting life, and for sustainable development.

UNCONSOLIDATED MANAGEMENT REPORT

This report comments on unconsolidated financial information prepared in accordance with legal and regulatory requirements in Luxembourg, in particular the legislation dated 17 June 1992, as amended, governing the accounts of credit institutions.

Balance Sheet

The balance sheet total at 31 December 2010 reflects the impact of the acquisition of BNP Paribas Luxembourg S.A. and its subsidiaries on 25 February 2010 and its subsequent merger into the Bank on 1 October 2010. This led to the incorporation of BNP Paribas Luxembourg S.A. assets and liabilities on the Bank's balance sheet at book value. The difference between the net book value of the assets and the acquisition price of EUR 2.9 billion was recognised under assets in an amount of EUR 802 million.

The **balance sheet total** at 31 December 2010 thus stood at EUR 39.3 billion, showing an increase of EUR 5.7 billion or 17% from the end of the previous year. There were two main reasons for this: first, integration of the operations of BNP Paribas Luxembourg S.A. as result of its merger into the Bank and, second, the transfer of customers relating to the operations of BGL Securities Services to BNP Paribas Securities Services. These changes affected the balance sheet in particular as a result of their impact on **Loans and advances to customers** and Amounts owed to customers

The table below summarises the main impacts of the merger of BGL BNP Paris with BNP Paribas Luxembourg S.A.

Key balance sheet elements *In million of euros*	2010			2009
	BGL BNP Paribas S.A. balance sheet to 31 December 2010	Contribution of BNP Paribas Luxembourg S.A. to 1 October 2010	BGL BNP Paribas S.A. balance sheet to 31 December 2010 excluding contribution of BNP Paribas Luxembourg	BGL BNP Paribas S.A. balance sheet to 31 December 2009
Assets				
Loans and advances to credit institutions	12 885.4	7 688.8	5 196.6	8 773.4
Loans and advances to customers	13 346.6	1 027.2	12 319.4	14 206.8
Liabilities				
Amounts owed to credit institutions	7 195.9	3 445.0	3 750.9	3 037.9
Amounts owed to customers	18 991.7	4 737.5	14 254.2	16 625.7
Balance sheet total	**39 347.0**			**33 565.2**

On the **assets** side, the increase in interbank and customer transactions resulting from the acquisition of BNP Paribas Luxembourg S.A. is mainly reflected in **loans and advances to credit institutions**, which were up EUR 4.1 billion or 47% from EUR 8.8 billion at the end of 2009 to EUR 12.9 billion at the end of 2010. These treasury management transactions are mainly operated with BNP Paribas Group entities.

Loans and advances to customers declined by EUR 0.9 billion or 6% from EUR 14.2 billion to EUR 13.3 billion. The item was affected by changes in the scope of consolidation that resulted in the integration of approximately EUR 1.0 billion in former BNP Paribas Luxembourg loans and advances, and the transfer of accounts due from investment funds in an amount of EUR 351 million to BNP Paribas Securities Services. Without these strategic adjustments, loans and advances to customers would have declined by approximately EUR 1.5 billion, mainly as a result of cuts in lending to large corporations in German-speaking countries and the group's leasing companies, as provided in the industrial plan. Property and personal loans showed a cumulative rise of EUR 213 million or 8%, while loans to independent professionals and business operators were up 3.9%.

Bonds and other fixed income securities were up 20% from EUR 7.9 billion at the end of 2009 to EUR 9.5 billion at the end of 2010, mainly as a result of the integration of securities previously held by BNP Paribas Luxembourg S.A., representing an amount of EUR 3.4 billion. Excluding this change in the scope of consolidation, the item would have declined as a result of the sale of securities and maturing of some bond positions.

Shares and other variable yield securities declined 28% from EUR 294 million to EUR 210 million. The contribution of BNP Paribas Luxembourg holdings in an amount of EUR 68 million was outweighed by the sale of a large portion of the Bank's equity investments.

The **intangible assets** item mainly consists of the goodwill resulting from the merger of BNP Paribas Luxembourg S.A. on 1 October 2010, representing an initial amount of EUR 802 million, which is to be amortised over five years. This amortisation is not tax deductible.

On the **liabilities** side, **amounts owed to credit institutions** showed a steep EUR 4.2 billion rise from EUR 3.0 billion to EUR 7.2 billion, mainly resulting from the integration of the interbank operations of BNP Paribas Luxembourg S.A. in an amount of EUR 3.4 billion.

Amounts owed to customers rose by EUR 2.4 billion or 14% from EUR 16.6 billion to EUR 19.0 billion. The contribution of EUR 4.7 billion in customer deposits with BNP Paribas Luxembourg S.A. was partly offset by the transfer to BNP Paribas Securities Services of investment fund deposits amounting to approximately EUR 2.8 billion. Excluding these effects of changes in the scope of consolidation, amounts owed to customers would be little changed, showing a modest rise of 3%.

Debts evidenced by certificates showed a steep decline of EUR 1.8 billion or 28% from EUR 6.6 billion to EUR 4.8 billion, mainly due to maturing of the Bank's issues of short, medium and long-term commercial paper.

The **Other liabilities** item rose EUR 1 billion from EUR 0.3 billion to EUR 1.3 billion due to the short sale of securities received under bare legal title in connection with restructuring transactions.

Own Funds

At 31 December 2010, **fully subscribed and paid-up capital** amounted to EUR 713.1 million, represented by 27,979,135 shares. Assuming the proposed appropriation of earnings is approved at the General Meeting of shareholders on 7 April 2011, unconsolidated regulatory own funds as recognised for the calculation of solvability ratios will amount to EUR 4.4 billion as at 1 January 2011 compared with EUR 5.7 billion at 31 December 2009. This decline is mainly due to recognition of the negative goodwill on the acquisition and the relinquishment of control over leasing businesses, which are now accounted for by the equity method - with the result that the value of interests in these businesses has been deducted in the calculation of regulatory own funds.

Treasury Stock

In 2010, the Bank did not purchase any of its own shares pursuant to the provisions of article 49-3c) of the Law on Commercial Companies. At 31 December 2010, the Bank held none of its own shares.

Profits and Allocation of Profits

As a result of its merger into BGL BNP Paribas on 1 October 2010, BNP Paribas Luxembourg S.A. has contributed to earnings since that date. In the final quarter of 2010, its contribution to net profit was EUR 15.6 million.

Changes in main profit and loss account items from 2009 to 2010 are summarised in the table below.

In million of euros	2010			2009
	BGL BNP Paribas S.A. balance sheet to 31 December 2010	Contribution of BNP Paribas Luxembourg S.A. as of 1 October 2010	BGL BNP Paribas S.A. balance sheet to 31 December 2010 excluding contribution of BNP Paribas Luxembourg	BGL BNP Paribas S.A. balance sheet to 31 December 2009
Net Banking Income	768.9	35.8	733.1	1 098.4
General administrative expenses	(339.3)	(20.9)	(318.4)	(310.3)
Other operating income	110.7	5.6	105.1	57.2
Value adjustments in respect of tangible and intangible assets	(106.4)	(1.4)	(105.0)	(51.5)
Gross Operating Income	**433.9**	**19.1**	**414.8**	**793.8**
Additions and reversals of value ajustements and provisions	(97.8)		(97.8)	(599.9)
Income from the writing back of amounts included in the fund for general banking risks	50.0	-	50.0	260.5
Miscellaneous	19.8	-	19.8	(0.5)
Pre-tax earnings	**405.9**	**19.1**	**386.8**	**453.9**
Tax on results on ordinary activites	(58.2)	(3.5)	(54.7)	(21.5)
Net earnings	**347.7**	**15.6**	**332.1**	**432.4**

The sum of **net interest income, income from securities, net commission income and net profit on financial operations** came to EUR 768.9 million in 2010, including a contribution estimated at EUR 35.8 million from BNP Paribas Luxembourg S.A. in the period following its merger into the Bank on 1 October 2010.

Net interest income fell 13% or EUR 71.4 million from EUR 555.7 million in 2009 to EUR 484.3 million in 2010. Trends in short-term interest rates prevented the recurrence of the strong results recorded for cash management in the previous year. BNP Paribas Luxembourg S.A. contributed EUR 13.8 million. Net interest income from Retail and Commercial Banking and from Wealth Management was very steady, with rises in volumes offsetting declines in margins.

Net commissions fell 26% from EUR 219.8 million in 2009 to EUR 162.6 million in 2010, due in particular to transfers of business from BGL Securities Services to BNP Paribas Securities Services with effect from 1 January 2010. This led to a EUR 38 million shortfall and reorientation of final market intermediation business following integration with the BNP Paribas Group, resulting in a further EUR 37.4 million reduction.

Income from securities fell EUR 28.4 million due to a decline in dividends received from subsidiaries, resulting essentially from the sale of Fortis Banque Suisse S.A.. Finally, **net income on investment transactions** returned to normal, easing to EUR 94.8 million after reaching EUR 267.3 million in 2009, mainly as result of the reversal of value adjustments applied to the bond portfolio in 2009. These reversals in 2009 reflected the rebound in financial markets and the release of surplus provisions after the sale of some structured loans.

Other operating income rose from EUR 57.2 million in 2009 to EUR 110.7 million in 2010, reflecting in particular the sale of BGL Securities Services business to BNP Paribas Securities Services and the payment received from BNP Paribas Germany in connection with the signature of a referral agreement.

On the expenses side, **general administrative expense** rose 9% from EUR 310.3 million in 2009 to EUR 339.3 million in 2010. This increase reflected EUR 20.9 million in charges relating to BNP Paribas Luxembourg S.A. and EUR 28.2 million for various charges relating to the Bank's integration within the BNP Paribas Group. Excluding these exceptional charges, general administrative expense remained well under control, declining 6% on a year.

Staff costs were steady, with a decline in staff numbers, due in particular to transfers to BNP Paribas Securities Services offsetting the impact of the integration of BNP Paribas Luxembourg S.A..

A steep rise in **other administrative expenses** from EUR 103.2 million to EUR 138.7 reflects the changes in the scope of consolidation and the integration expenses already referred to. Excluding these items, the figure was little changed from the previous year, rewarding continued efforts to contain costs.

Value adjustments to intangible and tangible assets mainly concerned amortisation of goodwill in connection with the merger of BNP Paribas Luxembourg S.A. on 1 October, the charge for 2010 being EUR 40.5 million.

Other operating charges were up from EUR 33.0 million in 2009 to EUR 46.8 million in 2010. This resulted, first, from the establishment of a provision amounting to EUR 32.2 million for liabilities arising from the launch of an early retirement plan and, secondly, from a EUR 10.8 million provision relating to adjustments to the price applied to the sale of certain structured assets in 2009.

The **value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments** represented a net appropriation of EUR 27.6 million in 2010 compared with a net appropriation of EUR 39.9 million in 2009.

Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings represented a charge of EUR 70.2 million in 2010 compared with a EUR 560 million appropriation in 2009. In 2010, the item was affected by lower market prices for some bond positions. In 2009, the Bank had recognised significant value adjustments for subsidiaries BNP Paribas Leasing Solutions S.A. (formerly Fortis Lease Group S.A.), Fortis Banque Suisse S.A., Postbank Ireland Ltd. and Fortis Investment Management S.A.. These totalled EUR 557.9 million.

In 2010, the Bank reduced its **fund for general banking risk** by EUR 50 million to partly offset the exceptional investments involved in implementing the integration plan for the Bank within the BNP Paribas Group and in Luxembourg.

Tax on results of ordinary business amounted to EUR 58.2 million.

All told, the Bank's unconsolidated **net profit** came to EUR 347.7 million in 2009, showing a decline of EUR 84.7 million from EUR 432.4 million in 2009.

Appropriation of earnings

The proposed appropriations to be submitted to the General Meeting of shareholders are as follows:

Appropriation to legal reserve	EUR	13 012 791.00
Dividend of EUR 11.90 per share on 27,979,135 shares	EUR	332 951 706.50
Appropriation to statutory reserves	EUR	1 469 685.01
Retained earnings	EUR	271 303.62
Total	EUR	**347 705 486.13**

Assuming these appropriations are approved, a gross dividend of EUR 11.90 per share will be payable to shareholders in respect of the 2010 financial year on presentation of coupon no. 31.

Shareholders are asked to approve the transfer of EUR 154.5 million from free reserves to an unavailable reserve for wealth tax with a view to reducing the wealth tax charge in respect of the 2010 financial year. The amount to be transferred includes EUR 37.0 million corresponding to the reduction in the wealth tax charge to BNP Paribas Luxembourg S.A. in its last financial year, which closed on 30 September 2010. Under current tax law, the reserve must be held over the five tax years following the reduction.

Outlook for 2011

The main focus of the Bank's efforts remains implementation of the industrial plan through significant investments to expand and enhance its operations in the service of its clients.

In the opening months of the year, unstable geopolitical conditions have called for continuing vigilance, but the Bank's operational activities have remained on a favourable course.

Internal Control and Risk Management Committee

The Internal Control and Risk Management Committee results from the merger in June 2005 of the Audit Committee, which had existed since 1999, and a new Compliance Committee set up pursuant to circular CSSF 04/155 on compliance. Made up of Directors who are not members of the Bank's management or staff, the Committee is charged with assisting the Board of Directors in its supervisory role. Its members are appointed by the Board of Directors and currently include the Chairman and Vice-Chairman of the Board of Directors and four other Directors, one of whom is the Committee Chairman.

In 2010, the Internal Control and Risk Management Committee met five times.

Terms of Reference detail the Committee's tasks and responsibilities for audits, and the Bank has also adopted an Audit Charter establishing the internal control environment and defining the status and mission of internal auditors. It also has a Compliance Charter setting out procedures for both the Bank and its subsidiaries. By implementing these references and charters, the Bank not only complies with the recommendations of its supervisory authority and generally accepted international standards, but has also consolidated an internal audit environment that enhances the security of its operations and reflects best practices in this area.

Remuneration Committee

Established by the Board of Directors in July 2010, the Remuneration Committee assists the Board with the definition and consistent implementation of remuneration policies in keeping with the principles set out in the CSSF circular no. 10/437.

The Remuneration Committee has the power to take decisions on the remuneration of Management Board members, in particular as this concerns remuneration structure and remuneration for individuals.

It is made up of three Board members who are not involved in day-to-day management and do not represent staff.

Bureau of the Board of Directors

Pursuant to article 16 of the Bank's articles of association, the Board of Directors has set up a Bureau charged with preparations for its meetings. It is made up of the Chairman and the Vice-Chairman of the Board, and the Chairmen of the Management Board.

Board of Directors

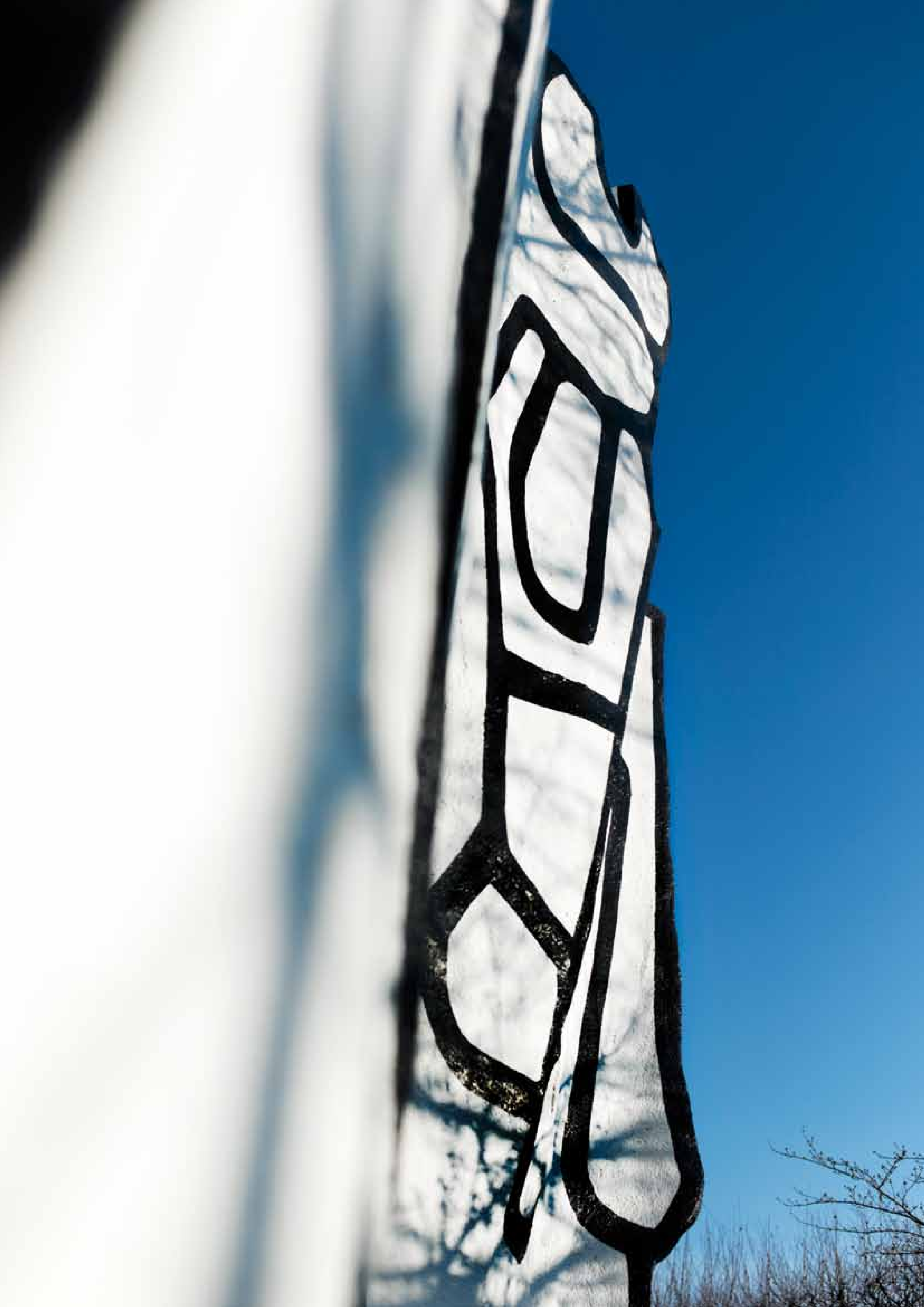
The Ordinary General Meeting of Shareholders on 1 April 2010 was apprised of the resignation of Mr Alain Papiasse from the Board of Directors with effect from 11 March 2010. The Board of Directors expressed its gratitude to Mr Alain Papiasse for the support he provided to the Bank from the beginning of negotiations and during the initial stages of the tie-up with BNP Paribas.

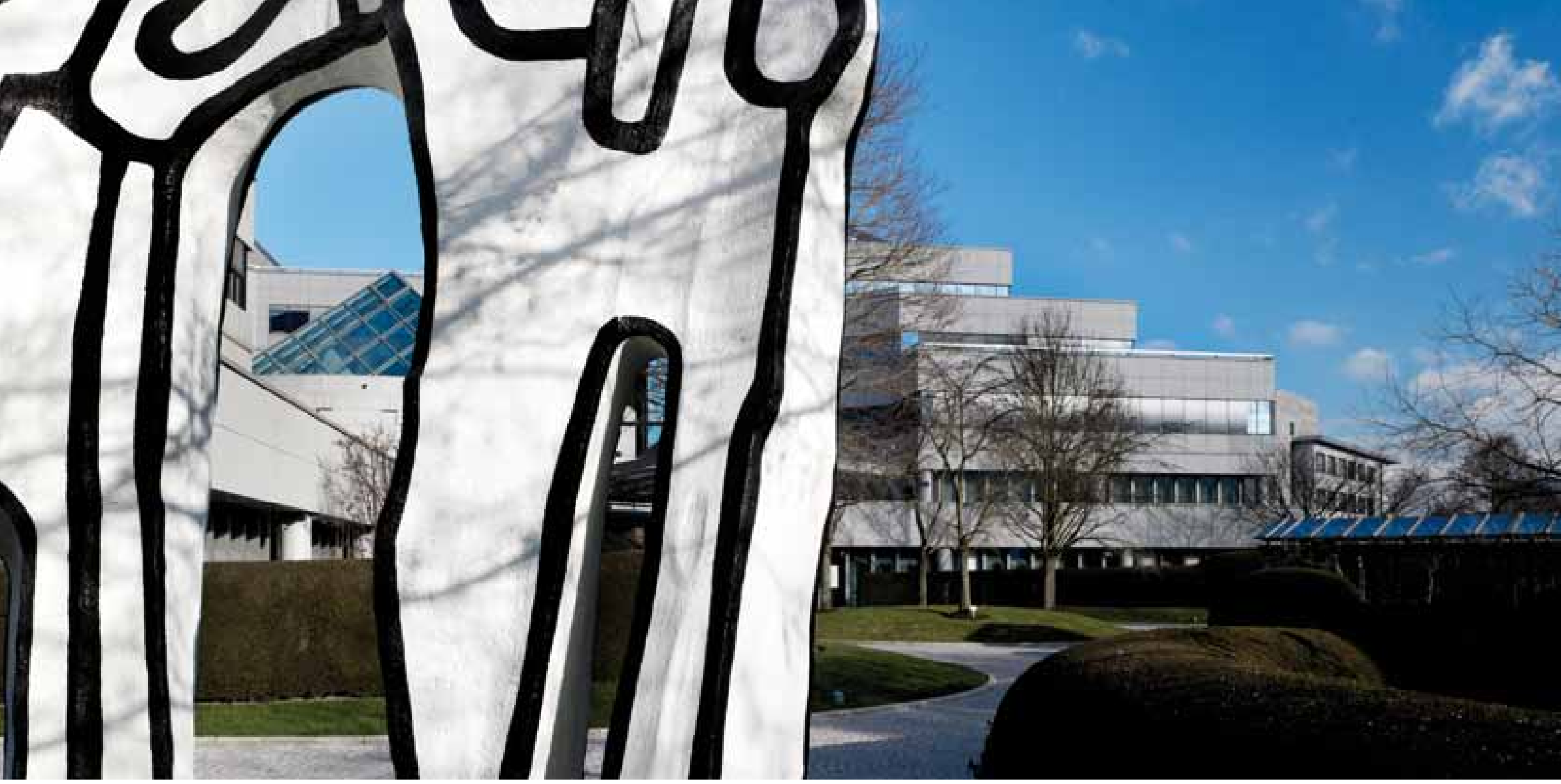
In accordance with article 15 of the Bank's articles of association and article 51 of the legislation dated 10 August 1915 pertaining to commercial companies, as amended, the Board of Directors co-opted Mr Jean Clamon to replace Mr Papiasse for the reminder of the latter's term of office. At their Ordinary General Meeting on 1 April 2010, shareholders confirmed the appointment of Mr Clamon to the Board in accordance with article 14 of the Bank's articles of association.

At the beginning of March 2011, the Board of Directors was saddened to learn of the death of Mr Nico Kirsch, a director representing staff members. His active contributions to the work of the staff delegation, the Bank's mixed staff-management Committee and the Board of Directors won the respect of all, and he was much appreciated for his friendliness and unflagging commitment to the Bank and the people working for its success.

Luxembourg, 17 March 2011

The Board of Directors





Consolidated financial statements
to 31 December 2010

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 2010 and 2009, in compliance with the IFRS standards adopted by the European Union.

The comparative figures for 2009 have been adapted to the presentation format used by the BNP Paribas Group.

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 2010, 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 2010, 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, 17 March 2011

Represented by
Paul Neyens
Rima Adas

Consolidated financial statements

The consolidated financial statements of the BGL BNP Paribas Group are presented for the years 2010 and 2009, in compliance with the IFRS standards adopted by the European Union.
The comparative figures for 2009 have been adapted to the presentation format used by the BNP Paribas Group.

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2010

In million of euros	Notes	2010	2009 *
Interest income	2.a	942.7	1 054.8
Interest expense	2.a	(362.8)	(509.6)
Commission income	2.b	277.8	287.7
Commission expense	2.b	(76.5)	(79.8)
Net gain / loss on financial instruments at fair value through profit or loss	2.c	8.0	67.4
Net gain / loss on financial assets available for sale	2.d	4.4	(7.7)
Income from other activities	2.e	6.8	3.5
Expense on other activities	2.e	(2.8)	(4.9)
Revenues		**797.6**	**811.4**
Operating expense	2.f	(406.3)	(300.2)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.m	(26.6)	(23.1)
Gross operating income		**364.7**	**488.1**
Cost of risk	2.g	(34.4)	16.9
Résultat d'exploitation		**330.3**	**505.0**
Share of earnings of associates		(2.7)	(35.0)
Net gain on non-current assets		10.3	42.9
Goodwill	5.n	(10.0)	(2.3)
Pre-tax income		**327.9**	**510.6**
Corporate income tax	2.h	(43.0)	(104.6)
Net income on continued operations		**284.9**	**406.0**
Net income on discontinued operations	2.i	(1.6)	(417.0)
Net income		**283.3**	**(11.0)**
Minority interests		6.3	(17.2)
of which income from continued operations		*6.3*	*-*
of which income from discontinued operations		*-*	*(17.2)*
Net income attributable to equity holders		**277.0**	**6.2**

* The 2009 figures have been adjusted in order to group the income from discontinued operations on the single line Net income on discontinued operations pursuant to IFRS 5.

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

In million of euros	2010	2009 *
Net income	**283.3**	**(11.0)**
Changes in assets and liabilities recognised directly in equity	(1.6)	275.5
Items related to exchange rate movements	8.6	14.8
Changes in fair value of available-for-sale financial assets	(16.4)	168.6
Changes in fair value of available-for-sale assets reported in net income	(5.1)	101.4
Changes in fair value of hedging instruments	1.8	(9.8)
Items related to equity-accounted companies	9.5	0.5
Total	**281.7**	**264.5**
Attributable to equity shareholders	275.3	281.7
Attributable to minority interests	6.4	(17.2)

* The 2009 figures have been adjusted in order to group the income from discontinued operations on the single line Net income on discontinued operations pursuant to IFRS 5.

CONSOLIDATED BALANCE SHEET

In million of euros	Notes	31 December 2010	31 December 2009 *
ASSETS			
Cash and amounts due from central banks and post office banks		345.2	500.0
Financial assets at fair value through profit or loss	5.a	2 654.1	1 161.5
Derivatives used for hedging purposes	5.b	7.1	0.5
Available-for-sale financial assets	5.c	5 491.2	5 940.4
Loans and receivables due from credit institutions	5.f	12 068.5	3 863.1
Loans and receivables due from customers	5.g	14 275.8	21 889.2
Held-to-maturity financial assets	5.i	1 662.2	1 739.5
Current and deferred tax assets	5.j	27.4	101.1
Accrued income and other assets	5.k	377.0	693.2
Investments in associates	5.l	932.4	62.9
Investment property	5.m	18.1	608.2
Property, plant and equipment	5.m	284.5	519.5
Intangible assets	5.m	4.0	2.8
Goodwill	5.n	-	146.0
Non-current assets held for sale and discontinued operations	5.o	347.1	6 043.5
Total assets		38 494.6	43 271.4
LIABILITIES			
Due to central banks and post office banks		10.6	16.6
Financial liabilities at fair value through profit or loss	5.a	2 800.7	3 656.1
Derivatives used for hedging purposes	5.b	80.6	86.3
Due to credit institutions	5.f	6 602.1	9 295.1
Due to customers	5.g	19 932.3	13 672.7
Debt securities	5.h	2 416.3	3 704.4
Remeasurement adjustment on interest-rate risk hedged portfolios		0.7	-
Current and deferred tax liabilities	5.j	187.4	225.9
Accrued expenses and other liabilities	5.k	331.1	719.4
Provisions for contingencies and charges	5.p	135.8	98.3
Subordinated debt	5.h	-	164.4
Liabilities linked to non-current assets held for sale and discontinued operations	5.o	336.7	5 466.3
Total liabilities		32 834.3	37 105.5
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital	5.q	*5 324.4*	*5 223.7*
Retained earnings		*88.2*	*1 022.8*
Net income for the period attributable to shareholders		*277.0*	*6.2*
Total capital, retained earnings and net income for the period attributable to shareholders		**5 689.6**	**6 252.7**
Change in assets and liabilities recognised directly in equity		(77.4)	(75.7)
Shareholders equity		**5 612.2**	**6 177.0**
Retained earnings and net income for the period attributable to minority interests		48.0	(11.0)
Changes in assets and liabilities recognised directly in equity		0.1	(0.1)
Total minority interests		**48.1**	**(11.1)**
Total consolidated equity		5 660.3	6 165.9
Total liabilities and equity		38 494.6	43 271.4

* The figures for 2009 have been adapted to the new presentation format used by the BNP Paribas Group; Cf. note 8.i for details of the format change.

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS EQUITY FROM 1 JANUARY 2009 TO 31 DECEMBER 2010

Attributable to shareholders

In million of euros	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 2008	**3 374.9**	**2 773.2**	**6 148.1**	**(37.8)**	**(330.4)**	**20.5**	**5 800.4**
Increase in share capital and issues	100.0	-	100.0	-	-	-	100.0
Other movements	-	(0.4)	(0.4)	-	-	-	(0.4)
Change in assets and liabilities recognised directly in equity	-	-	-	14.8	273.6	(12.9)	275.5
Net income for 2009	-	6.2	6.2	-	-	-	6.2
Capital and retained earnings at 31 December 2009	**3 474.9**	**2 779.0**	**6 253.9**	**(23.0)**	**(56.8)**	**7.6**	**6 181.7**
Transfer and adjustment of the opening	-	(1.2)	(1.2)	(3.5)	-	-	(4.7)
Capital and retained earnings at 1 January 2010	**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**

* Including elements relative to companies accounted for using the equity method

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 a 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.

In 2009, the capital increase relates to the conversion into BGL BNP Paribas shares of 100 million euros of subordinated loan by the Luxembourg government (see note 8.a).

Minority interests

In million of euros	Retained earnings	Change in assets and liabilities recognised directly in equity *	Total equity
Retained earnings at 31 December 2008	**8.4**	**-**	**8.4**
Other movements	(2.2)	(0.1)	(2.3)
Net income for 2009	(17.2)	-	(17.2)
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**

* Including elements relative to companies accounted for using the equity method

The change in scope 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.).

CONSOLIDATED CASH FLOW STATEMENT

In million of euros	Year to 31 Dec. 2010	Year to 31 Dec. 2009 *
Pre-tax income on continued operations	**327.9**	**510.6**
Net income on discontinued operations	(1.6)	(417.0)
Taxes related to discontinued operations	(35.1)	(25.2)
Pre-tax net income	**291.2**	**68.4**
Non-monetary items included in pre-tax net income and other adjustments	**881.1**	**899.4**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	28.7	115.2
Depreciation of the goodwill and other fixed assets	9.9	-
Net addition to provisions	(205.7)	602.9
Share of earnings of associates	0.3	2.5
Net income from investing activities	266.0	(22.8)
Changes to assets intended to be sold	904.7	-
Other movements	(122.8)	201.6
Net (decrease) increase in cash related to assets and liabilities generated by operating activities	2 841.2	11 170.7
Net (decrease) increase in cash related to transactions with credit institutions	638.8	(8 198.0)
Net decrease in cash related to transactions with customers	(760.3)	(1 120.0)
Net increase (decrease) in cash related to transactions involving other financial assets and liabilities	3 036.4	(341.9)
Net decrease in cash related to transactions involving non-financial assets and liabilities	(2.1)	(1 415.1)
Taxes paid	(71.6)	(95.7)
Net (decrease) increase in cash and equivalents generated by operating activities	4 013.5	(9 760.7)
Net decrease related to acquisitions of subsidiaries [(1)]	(3 449.5)	(1 010.5)
Net increase (decrease) related to disposals of subsidiaries	(591.6)	3 213.1
Net decrease related to property, plant and equipment and intangible assets	(26.6)	(66.7)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES	**(4 067.7)**	**2 135.9**
(Decrease) increase in cash and equivalents related to transactions with shareholders	(330.2)	-
(Decrease) increase in cash and equivalents generated by other financing activities	(462.4)	944.2
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES	**(792.6)**	**944.2**
Effect of movement in exchange rates	(0.1)	20.4
Evolution of cash and cash equivalents from operations held for sale	77.9	(15.5)
Net decrease in cash and equivalents	(769.0)	(6 675.7)

*The 2009 figures have been adjusted in order to group the income from discontinued operations on the single line Net income on discontinued operations pursuant to IFRS 5.

[(1)] Includes the acquisition of BNP Paribas Luxembourg for an amount of 2,675 million euros.

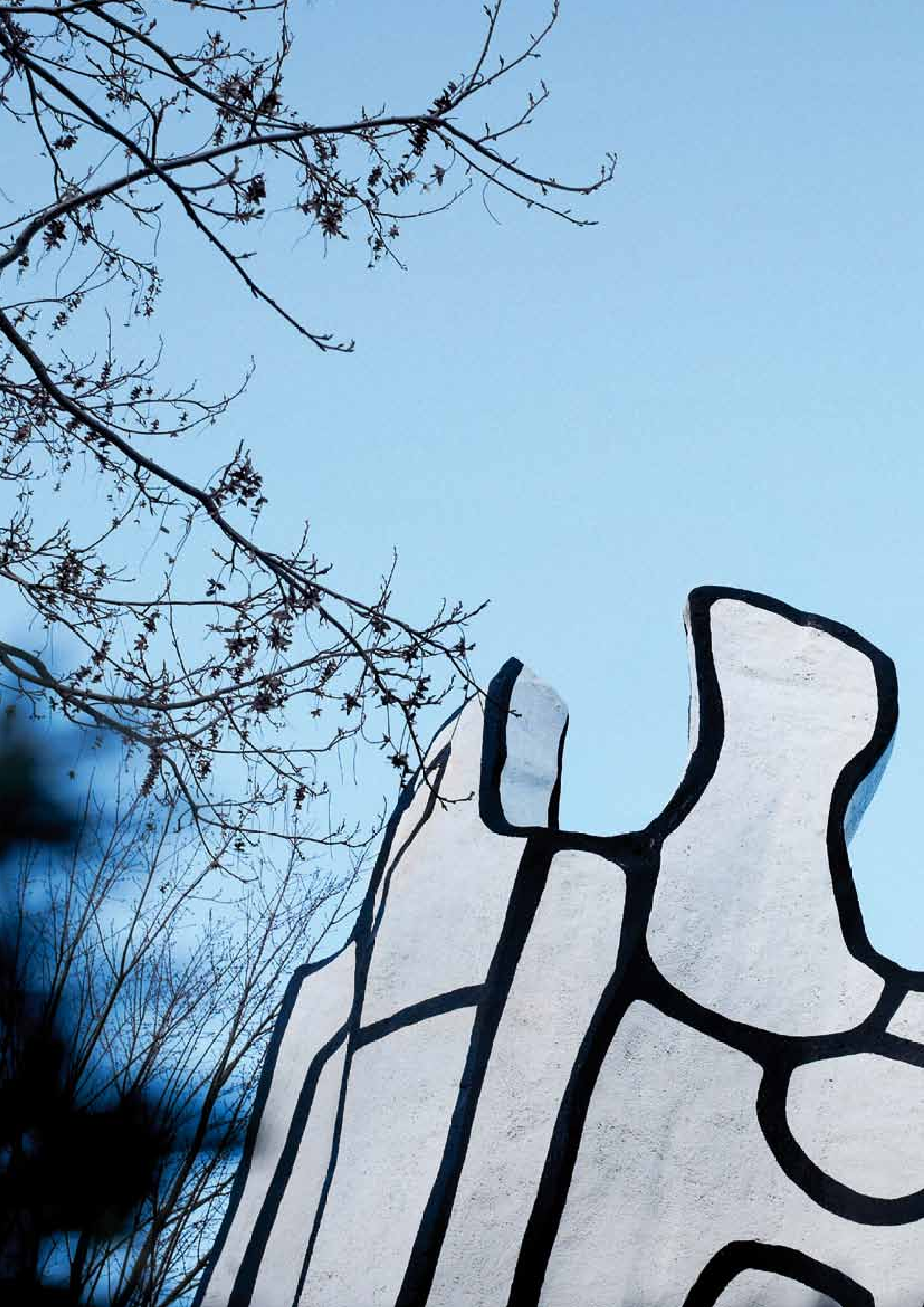
(CONTINUATION)

In million of euros	Notes	Year to 31 Dec. 2010	Year to 31 Dec. 2009 *
Balance of cash and equivalent accounts at the start of the period		**724.2**	**7 399.9**
Cash and amounts due from central banks and post office banks		500.0	
Due to central banks and post office banks		(16.6)	
Demand deposits with credit institutions	5.f	947.3	
Demand loans from credit institutions	5.f	(731.9)	
Deduction of receivables and accrued interest on cash and equivalents		25.4	
Balance of cash and equivalents accounts at the end of the period		**(44.8)**	**724.2**
Cash and amounts due from central banks and post office banks		345.2	500.0
Due to central banks and post office banks		(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 equivalents		(4.8)	25.4
Net decrease in cash and equivalents		(769.0)	(6 675.7)

* The 2009 figures have been adjusted in order to group the income from discontinued operations on the single line Net income on discontinued operations pursuant to IFRS 5.

The assets held for sale, liabilities associated with the assets held for sale and discontinued operations involve only companies consolidated within the Group using the equity method on 31 December 2010 or already reclassified in 2009.

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



Appendix notes to the financial statements

prepared according to the IFRS accounting standards 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, dated 21 June 1935. The Bank's statutory name was modified 3 times, to "Fortis Banque Luxembourg" by the extraordinary general meeting on 17 November 2005, to "BGL" by the Extraordinary General Meeting on 15 December 2008 and to "BGL BNP Paribas" by the Extraordinary General Meeting 11 June 2009, effective 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 equity participations, 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.

As part of the set-up of the industrial plan approved by the Board of directors on 25 November 2009, the Group became the 100% owner of the shares of BNP Paribas Luxembourg on 25 February 2010, and carried out the merger by absorption of BNP Paribas Luxembourg, with effect on 1st October 2010. The earnings of the BNP Paribas Luxembourg S.A. have been allocated to the Group since 25 February 2010.

Within the same context, in 2010 the Group carried out the sale of Fortis Bank (Switzerland) S.A., the sale of Fortis Investment Management S.A. followed by an equity interest in the capital increase of BNP Paribas Investment Partners, and the transfer of the Securities Service activity to another entity within the BNP Paribas Group in Luxembourg. As part of the restructuring of the leasing activity, the Group took part in a capital increase which means that it now holds 33.33% of the BNP Paribas Group leasing activities (via BNP Paribas Leasing Solutions S.A. (formerly Fortis Lease Group S.A.))

The BNP Paribas Group is the majority shareholder of BGL BNP Paribas. It controls – directly and indirectly through Fortis Bank - 65.96% of the Bank's capital.
The State of Luxembourg is a significant Group shareholder, with 34.00% of the capital.

The Group is included in the consolidated financial statements of Fortis Bank S.A., its main shareholder (50.00% + 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 included as a 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 THE MAIN ACCOUNTING PRINCIPLES APPLIED BY THE GROUP

1.a APPLICABLE ACCOUNTING STANDARDS

The international accounting standards (International Financial Reporting Standards – IFRS) have been applied to the consolidated financial statements as of 1 January 2005 (date of first adoption) in compliance with the requirements contained in the IFRS 1 standard, "First-time Adoption of International Financial Reporting Standards", and by the other standards in the IFRS reference base while taking into account the version and interpretations of the standards as they have been adopted within the European Union, thereby excluding certain provisions of the IAS 39 standard regarding hedge accounting.

The consolidated financial statements are submitted to the ordinary general meeting on 7 April 2011.

The entry into force of the mandatory application standards as of 1 January 2010 had no effect on the consolidated financial statements to 31 December 2010.

The Group did not choose to early-adopt the application of the new standards, amendments and interpretations adopted by the European Union when such application in 2010 is only optional. However, the Group has decided on the early partial application indicated in articles 25 to 27 of the revised IAS 24 "Information relative to related parties" for the aspects relative to the Luxembourg Government.

1.b CONSOLIDATION PRINCIPLES

1.b.1 Scope of consolidation

The BGL BNP Paribas consolidated financial statements include all companies under exclusive control, joint control or significant influence.

A subsidiary is consolidated as of the date when the Group obtains effective control of it. Temporarily controlled entities are included in the consolidated financial statements until the date of their sale.

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.

Translation of financial statements expressed in foreign currencies

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

The financial statements of companies with functional currencies other than 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 expenses 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, for the portion attributable to the Group, in shareholders equity under “Exchange rates”, 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 cumulative translation adjustment recorded in equity is recognised in the profit and loss account for the share of its amount relating to the sold interest.

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 Group may recognise any adjustment to the provisional accounting within 12 months of the acquisition date.

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.

The 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.

At the time of the acquisition of companies already under joint control (already previously controlled by another company in the BGL BNP Paribas Group), the surplus of the purchase price relative to the historical book value of the acquired assets and liabilities is directly deducted from the shareholders equity.

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

On a regular basis, the BNP Paribas Group carries out goodwill impairment tests.

In application of the exception provided 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 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 (syndication commission, commitment fees and handling charges), that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at 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.

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 (operations known as trading),
- financial assets that the Group has designated, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set down in Section 1.c.9.

Securities in this category are initially recognised 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 recognised as described in paragraph 1.c.1.

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.

Available-for-sale financial assets

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

Assets included in this category are initially recognised 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 ("Unrealised or deferred gains or losses"). 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 online "Net gain / loss on available-for-sale financial assets".

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 "Debts" heading, 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 at fair value through profit or loss or that are classified 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 method 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 depends on whether these assets and liabilities are considered to be monetary or non-monetary.

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

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. 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 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.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 arrearages of 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 arrearage has occurred;
- concessions with regard to the credit terms, that would not have been granted in the absence of the borrower's financial difficulties.

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

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". As of the asset's impairment, the "Interest income" heading is used to recognise the theoretical compensation of the asset's net book value, calculated at the original effective interest rate used in order to update the cash flows considered to be recoverable.

The impairment of a loan or receivable is recorded as a deduction from the receivable's original value that was recorded on the asset side. The provisions relating to an off-balance sheet financial instrument, financing and guarantee commitments or disputes are recognised as 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 Bank 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 account for 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".

The experienced judgment of the business lines or of the Risk department can prompt the Group to 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

"Available-for-sale financial assets", primarily consisting of securities, are impaired 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 defined two impairment indications, one based on the significant decline of the share price defined as a decline of the share price in excess of 50% of the acquisition value, and the being an observation of unrealised capital gains over five consecutive years. This duration 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.

In 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.

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 as these securities are sold. Moreover, any subsequent decline of the fair value constitutes an additional impairment loss that is recognised through profit or loss.

An impairment against a fixed-income security is recognised under "Cost of risk" and may be reversed to earnings when the security's affair value increases as the result of an objective reason that occurs after the last impairment.

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 non-listed variable-income assets.

Reclassifications are carried out at the financial instrument's 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, or to deliver a variable number of its own equity instruments.

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

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.

On inception and at least quarterly, in keeping with this documentation, the Group assesses the actual (retrospective) and expected (prospective) effectiveness of the hedging relationships. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instruments and of the hedged instruments are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivatives over the residual life of the hedge adequately offset those of the hedged instruments. With regard to highly probable transactions, effectiveness is largely assessed on the basis of the historical data for similar transactions.

Under IAS 39 as adopted by the European Union, which excludes certain provisions on portfolio hedging, hedging relationships on the fair value interest rate risk based on portfolios of assets or liabilities are used. Within this framework:

- the risk designated as being hedged is the interest rate risk associated with the interbank rate component included in the rate for commercial transactions (loans to customers, savings accounts and demand deposits),

- the hedging instruments used consist exclusively of "plain vanilla" swaps,

- prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing the interest rate risk of the portfolio of hedged underlyings. Retrospectively, these hedges must be disqualified once the underlyings that are specifically associated with them within each maturity band become insufficient (due to early repayment of loans or withdrawals of deposits).

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

In a fair value hedging relationship, derivatives are reassessed 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 reassessment of the hedged instruments to reflect the hedged risk. In the balance sheet, the reassessment of the hedged component is recognised either in keeping with the classification of the hedged instrument 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 reassessment amount recognised in the balance sheet for these instruments is amortised at the effective interest rate over their remaining life. In the case of initially 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 case of a cash flow hedging relationship, derivatives are reassessed at fair value in the balance sheet, with changes in fair value posted to a specific line of the shareholders equity, "Unrealised or deferred gains or losses". The amount posted to shareholders equity 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 recognised in keeping with the specific rules applicable to their accounting category.

If the hedging relationship ceased or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders equity as a result of the reassessment of the hedging instrument remain in the shareholders'equity until the hedged transaction itself impacts the 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 the shareholder'equity are immediately posted to the profit and loss statement.

Whatever hedging strategy is used, any ineffective portion of the hedges 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. The gains or losses recognised in the shareholder'equity are transferred to profit and loss at the time of the sale or liquidation of all or part of the net investment.

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 using valuation techniques involving:
  - valuation methods based on accepted financial theories, and
  - parameters derived in some cases from the prices of instruments traded in active markets and, in others, from statistical estimates or other quantitative methods.

The distinction between the two valuation methods is made according to whether the market in which the instrument is traded is active or not.

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.

Instruments traded on active markets

If quoted prices in an active market are available, they are used to determine fair value. This therefore provides a valuation for listed securities and derivatives on organised markets, such as futures and options.

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 and Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

The valuation resulting from the models is adjusted in order to account for liquidity and credit risks.

Similarly, in order to reflect the credit quality of the derivative instruments, a counterparty risk adjustment is included into the valuation resulting from the models.

Instruments traded on active markets

Products traded on an inactive market, assessed using an internal model based on directly observable parameters or deduced from observable data

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

The models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates and loss assumptions obtained on the basis of data from the consensus are proactive over-the-counter markets. The valuation resulting from these models is adjusted in order to account for liquidity and credit risks.

The margin generated when these financial instruments are treated is immediately recognised through profit or loss.

Products traded on an inactive market for which the assessment is based on internal models, the parameters of which are not or only partially observable

Certain illiquid complex financial instruments are assessed using techniques developed internally by the company and based partly on parameters that are not 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.

Special case of unlisted shares

The fair value of unlisted shares is determined in comparison with recent transactions involving the capital of the company in question, carried out with an independent third party on an arm's length basis.

Non-listed 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, in 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 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 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 financial asset's cash flows 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 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.

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 benefits 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 TAX

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 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 USAGE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the 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 Financial Statements when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates, mainly according to market conditions, which may have a material effect on the Financial Statements.

This applies in particular to :

- 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 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 losses on goodwill;
- 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;
- the recognition of deferred tax assets;
- assumptions and parameters used in the valuation of defined service pension plans;
- the measurement of provisions for contingencies and charges.

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

2. NOTES TO THE PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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 directives 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 million of euros	Year to 31 Dec. 2010			Year to 31 Dec. 2009		
	Produits	Charges	Net	Produits	Charges	Net
Customer items	**275.6**	**(132.6)**	**143.0**	**342.3**	**(190.5)**	**151.8**
Deposits, loans and borrowings	275.6	(132.6)	143.0	342.3	(190.3)	152.0
Repurchase agreements	-	-	-	-	(0.2)	(0.2)
Interbank items	**389.3**	**(165.9)**	**223.4**	**376.7**	**(176.5)**	**200.2**
Deposits, loans and borrowings	389.1	(160.4)	228.7	366.5	(128.9)	237.6
Repurchase agreements	0.2	(5.5)	(5.3)	10.2	(47.6)	(37.4)
Debt securities issued	**-**	**(45.3)**	**(45.3)**	**-**	**(84.8)**	**(84.8)**
Cash flow hedge instrument	**1.5**	**(0.3)**	**1.2**	**-**	**-**	**-**
Interest rate portfolio hedge instrument	0.9	(0.6)	0.3	-	-	-
Trading book	**26.8**	**(18.1)**	**8.7**	**18.1**	**(57.8)**	**(39.7)**
Fixed income securities	16.7	-	16.7	-	-	-
Loans / borrowings	10.1	(13.4)	(3.3)	18.1	(2.6)	15.5
Debt securities	-	(4.7)	(4.7)	-	(55.2)	(55.2)
Available-for-sale financial assets	**179.8**	**-**	**179.8**	**249.5**	**-**	**249.5**
Held-to-maturity financial assets	**68.8**	**-**	**68.8**	**68.2**	**-**	**68.2**
Total interest income / (expense)	942.7	(362.8)	579.9	1 054.8	(509.6)	545.2

2.b COMMISSIONS

Commissions amount to 201.3 million euros, versus 207.9 million euros in 2009, i.e. a decrease of 3%.

The net proceeds of commissions pertaining to activities intended to invest assets on behalf of clients as well as distribution commissions amounted to 84.9 million euros for the year 2010 versus 90.6 million euros for the year 2009.

Also, the net proceeds from commissions related to customer loans amounted to 21.7 million euros in 2010, versus net proceeds of 20.1 million euros for 2009.

Finally, other commissions represent net proceeds of 94.7 million euros in 2010, versus 97.2 million euros in 2009. They firstly include the net commissions collected on clientele transactions, on management consulting provided to customers and on the holding of accounts, and secondly commissions for intermediation on the financial markets, that have posted a net decline of -37.4 million euros after the reorientation of these activities as part of the Group's integration into the BNP Paribas Group.

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 million of euros	Year to 31 Dec. 2010			Year to 31 Dec. 2009		
	Trading portfolio	Portfolio assessed at fair value on option	Total	Trading portfolio	Portfolio assessed at fair value on option	Total
Fixed income securities	(1.7)	(67.8)	(69.5)	12.2	(225.9)	(213.7)
Variable income securities	(29.0)	2.7	(26.3)	23.5	(1.6)	21.9
Derivative financial instruments	56.6	-	56.6	231.1	-	231.1
Loans	2.3	0.6	2.9	-	(9.4)	(9.4)
Remeasurement adjustments on interest-rate risk hedged portfolios	(0.7)	-	(0.7)	-	-	-
Remeasurement of currency positions [1]	45.0	-	45.0	37.5	-	37.5
Total	**72.5**	**(64.5)**	**8.0**	**304.3**	**(236.9)**	**67.4**

[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 the derivative financial instruments amounts to 12.5 million euros (3.0 million euros in 2009), and the net loss on the hedge components of financial instruments that were the subject of hedges amounts to 11.9 million euros (2.1 million euros in 2009).

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

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

In million of euros	Year to 31 Dec. 2010	Year to 31 Dec. 2009
Fixed income securities [(1)]	-	0.8
Disposal gains and losses	-	0.8
Equities and other variable-income securities	4.4	(8.5)
Dividend income	16.6	14.0
Additions to impairment provisions	(12.8)	(1.5)
Disposal gains and losses	0.6	(21.0)
Total	4.4	(7.7)

[(1)] Interest income from fixed-income securities available-for-sale 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).

Impairment losses linked to variable-income securities primarily relate to the Group's interest in BIP Investment Partners, which are subject of an impairment in the amount of 11.8 million euros.

2.e INCOME AND EXPENSE FROM OTHER ACTIVITIES

	Year to 31 Dec. 2010			Year to 31 Dec. 2009		
In million of euros	Income	Expense	Net	Income	Expense	Net
Net income from investment property	3.0	(1.1)	1.9	3.4	(1.1)	2.3
Net income from assets held under operating leases	0.5	-	0.5	0.1	-	0.1
Other income and expense	3.3	(1.7)	1.6	-	(3.8)	(3.8)
Total	6.8	(2.8)	4.0	3.5	(4.9)	(1.4)

2.f OPERATING EXPENSES

The operating expenses include costs related to the integration of the BGL group into the BNP Paribas Group (the costs for the early retirement plan and the costs for the integration of information systems), as well as the expenses related to the merger with regard to Luxembourg, in the total amount of 64.4 million euros.

The staff expenses are presented in note 7.a.

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.

Cost of risk for the period

Cost of risk for the period *In million of euros*	Year to 31 Dec. 2010	Year to 31 Dec. 2009
Net additions to impairment provisions	(50.0)	(2.3)
Recoveries on loans and receivables previously written-off	16.0	19.2
Irrecoverable loans and receivables not covered by impairment provisions	(0.4)	-
Total cost of risk for the period	**(34.4)**	**16.9**

On 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). As part of the unavailability of the deposits of a Luxembourg subsidiary of an Icelandic bank, in 2008 and 2009, the Group was required to participate in the 57.1 million euros of compensation paid to depositors. After having obtained repayments in 2009 in the total amount of 18.6 million euros, the Group recorded in 2010 a debt of 14.5 million euros from the AGDL.

(CONTINUATION)

Cost of risk for the period by asset type *In million of euros*	Year to 31 Dec. 2010	Year to 31 Dec. 2009
Loans and receivables due from credit institutions	-	1.9
Loans and receivables due from customers	(26.5)	(41.9)
Available-for-sale financial assets	10.8	55.2
Other assets	15.2	18.3
Off-balance sheet commitments and other items	(33.9)	(16.6)
Total cost of risk for the period	**(34.4)**	**16.9**

On 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.

In 2009, the cost of risk on available-for-sale financial assets was positively impacted by write-backs of surplus value adjustments on the portfolio of assigned structured loans (in the amount of 69.9 million euros).

Impairment provision by asset type

Movement in impairment provisions *In million of euros*	Year to 31 Dec. 2010	Year to 31 Dec. 2009
Total impairment provisions at start of period	**1 025.1**	**322.5**
Discontinued operations	(828.1)	268.0
Total impairment provisions for continued operations at start of period	**197.0**	**590.5**
Net additions to impairment provisions	50.0	594.6
Usage of impairment provisions	(21.8)	(137.6)
Additions to the scope of consolidation	22.7	-
Effect of movements in exchange rates and other items	8.6	(22.4)
Total impairment provisions at end of period	**256.5**	**1 025.1**

The bulk of the movements to the impairment occurring in 2010 and 2009 involves loans and receivables granted to the clientele.

(CONTINUATION)

Impairment provision by asset type *In million of euros*	Year to 31 Dec. 2010	Year to 31 Dec. 2009
Impairment of assets		
Loans and receivables due from credit institutions (note 5.f)	4.7	0.1
Loans and receivables due from customers (note 5.g)	202.0	574.3
Available-for-sale financial assets (note 5.c)	1.9	23.7
Assets held for sale	-	268.0
Other assets	-	153.8
Total impairment provisions against financial assets	208.6	1 019.9
Provisions recognised as liabilities		
Provisions for off-balance sheet commitments		
to credit institutions	-	(19.5)
to customers	47.9	24.7
Total provisions recognised as liabilities	47.9	5.2
Total impairment provisions	256.5	1 025.1

2.h CORPORATE INCOME TAX

	Year to 31 Dec. 2010		Year to 31 Dec. 2009	
	In million of euros	In %	In million of euros	In %
Income tax expense at the ordinary lot rate in Luxembourg	**(94.7)**	**28.9 %**	**(146.0)**	**28.6%**
Tax exempt interest and dividends	44.6	(13.6%)	15.3	(3.0%)
Income from tax exempt investments	14.0	(4.3%)	2.9	(0.6%)
Share of earnings of associates	(0.9)	0.3%	(10.0)	2.0%
Deductible provision on subsidiaries and affiliates	4.4	(1.3%)	36.3	(7.1%)
Previous losses not recognised in taxes and temporary differences	(6.1)	1.9%	-	-
Differential effect in tax rates applicable to foreign entities	(0.3)	0.1%	(0.1)	0.0%
Other items	(4.0)	1.2%	(3.0)	0.6%
Corporate income tax expense	**(43.0)**	**13.1%**	**(104.6)**	**20.5%**
of which*:* Current taxe expense for the year to 31 December	*(68.1)*		*(61.8)*	
Deferred tax income (expense) for the year to 31 December (note 5.j)	*25.1*		*(42.8)*	

On 1 January 2009, the ordinary law taxation rate in Luxembourg is 29.1%

2.i NET INCOME ON DISCONTINUED OPERATIONS

In million of euros	Year to 31 Dec. 2010	Year to 31 Dec. 2009
Gains on discontinued operations	39.6	1 062.7
Losses on discontinued operations	(76.3)	(1 504.9)
Pre-tax income	**(36.7)**	**(442.2)**
Taxes related to discontinued operations	35.1	25.2
Net income on discontinued operations	**(1.6)**	**(417.0)**

On 31 December 2010, the reclassification of income from discontinued operations in accordance with IFRS 5 relates to the contribution of the Fortis Lease operations until 30 June 2010 (cf. note 8.b), the BGL Securities Services operations of BGL BNP Paribas, Fortis Banque Suisse, Fortis Investment Management, the referencing contract for major German-speaking companies with BNP Paribas Cologne, as well as the earnings from the entities Alsabail, Fastnet Belgique and Fastnet Luxembourg. The period 2009 was adjusted accordingly.

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

In 2009, all of the earnings correspond to the operational income of the discontinued operations.

3. SEGMENT INFORMATION

The BGL BNP Paribas 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 foreign corporates.

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

- **Other:** The segment includes the results of the optimised Assets and Liabilities management (ALM), 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.

In 2010, the Group adopted the BNP Paribas segment-based allocation methodology.

In 2009, the Group was organised into four business sectors:

- **Retail Banking**: this sector offers financial services to retail customers, including individuals, the self-employed, the independant professions and small businesses. This segment also includes the results of Postbank Ireland Ltd and Internaxx Bank S.A..

- **Private Banking**: this sector offers integrated asset and liability management solutions to high net worth individuals, as well as their businesses and advisers, around the world. The offer includes a comprehensive portfolio of tailored banking services, including the management of structures, investments, trust and corporate services, financing, real estate management and insurance.

- **Asset Management**: In its Asset Management business, the Group is active in asset management. Its activities range from the management of institutional investment portfolios to the development and management of mutual funds.

- **Merchant Banking**: this sector offers a broad range of financial products and services tailored to the needs of large multinational companies and institutional clients, mid-sized companies and entrepreneurs.

- **Other and eliminations:** this segment includes the ALM lines in the balance sheet (long term global optimised management of the Bank's assets and liabilities). It also includes the balance sheet items as well as the proceeds and expenses from the support functions, operations and overhead.

Allocation rules

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

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

Under the business model, segments do not act as their own treasurer in bearing the interest rate risk and the foreign exchange risk by funding their own assets with their own liabilities, or by having direct access to the financial markets. The interest and currency risks are removed by transferring them from the segments to the central bankers. This is reflected in the fund transfer pricing system.

A key role in this system is attributed to Asset and Liability Management (ALM). The results of ALM are allocated to the segments based on the economic capital used and the interest margin generated within the segment.

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

Segment-PL

In million of euros					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**

After the preparation of a profit and loss statement for 2009 restated for the discontinued operations to allow for comparison within the financial statements, and change within the Group's segmentation between 2009 and 2010, the information relative to the 2009 profit and loss statement by business segment is not available.

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 million of euros	31 December 2010					
	Retail Banking	Corporate Investment Banking	Investment Solutions	Other	Éliminations	Total
ASSETS						
Cash and amounts due from central banks and post office banks	-	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	655.2	98.5	51.6	127.1	-	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	4 213.5	-	5 843.6	-	(10 057.1)	-
Total assets	**12 730.1**	**14 800.8**	**7 294.7**	**15 142.9**	**(11 473.9)**	**38 494.6**
LIABILITIES						
Due to central banks and post office banks	-	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	-	8 402.3	(10 057.1)	-
Total liabilities	**12 730.1**	**14 800.8**	**7 294.7**	**9 482.6**	**(11 473.9)**	**32 834.3**

In million of euros

	31 December 2009						
	Retail Banking	Asset Management	Private Banking	Merchant Banking	Other	Éliminations	Total
ASSETS							
Cash and amounts due from central banks and post office banks	-	-	-	500.0	-	-	500.0
Financial assets at fair value through profit or loss	-	-	10.9	1 151.0	0.3	(0.7)	1 161.5
Derivatives used for hedging purposes	-	-	-	0.5	-	-	0.5
Available-for-sale financial assets	-	-	11.3	2 705.3	3 223.8	-	5 940.4
Loans and receivables due from credit institutions	-	-	1.4	5 136.3	56.3	(1 330.9)	3 863.1
Loans and receivables due from customers	5 055.5	-	650.3	20 253.8	667.6	(4 738.0)	21 889.2
Held-to-maturity financial assets	-	-	-	-	1 739.5	-	1 739.5
Current and deferred tax assets	-	-	-	96.4	4.7	-	101.1
Accrued income and other assets	-	-	0.3	682.9	12.7	(2.7)	693.2
Investments in associates	6.0	-	-	4.5	(191.9)	244.3	62.9
Investment property	-	-	-	593.4	14.8	-	608.2
Property, plant and equipment	-	-	-	261.2	258.3	-	519.5
Intangible assets	-	-	-	0.9	1.9	-	2.8
Goodwill	-	-	-	-	146.0	-	146.0
Non-current assets held for sale and discontinued operations	-	243.7	2 647.5	3 152.3	-	-	6 043.5
Internal investment	3 361.4	-	2 278.6	-	702.3	(6 342.3)	-
Total assets	**8 422.9**	**243.7**	**5 600.3**	**34 538.5**	**6 636.3**	**(12 170.3)**	**43 271.4**
LIABILITIES							
Due to central banks and post office banks	-	-	-	16.6	-	-	16.6
Financial assets at fair value through profit or loss	-	-	10.9	3 568.2	77.2	(0.2)	3 656.1
Derivatives used for hedging purposes	-	-	-	81.9	4.4	-	86.3
Due to credit institutions	50.4	-	60.9	11 495.5	-	(2 311.7)	9 295.1
Due to customers	7 926.5	-	3 163.0	2 592.6	(32.9)	23.5	13 672.7
Debt securities	431.5	-	31.7	3 165.9	75.3	-	3 704.4
Current and deferred tax liabilities	-	-	-	30.9	195.0	-	225.9
Accrued expenses and other liabilities	2.4	-	(27.3)	3 939.3	120.8	(3 315.8)	719.4
Provisions for contingencies and charges	12.1	-	20.7	35.1	30.4	-	98.3
Subordinated debt	-	-	-	164.3	0.1	-	164.4
Liabilities linked to non-current assets held for sale and discontinued operations	-	-	2 340.4	3 125.9	-	-	5 466.3
Internal financing	-	243.7	-	6 322.3	-	(6 566.0)	-
Total liabilities	**8 422.9**	**243.7**	**5 600.3**	**34 538.5**	**470.3**	**(12 170.2)**	**37 105.5**

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".

2010 was marked by the review of the consolidation structure of BGL BNP Paribas and of its subsidiaries, within the BNP Paribas Group. 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 entire process is supervised primarily by the Group Risk Management Department (GRM), which is independent of the divisions and business lines and that reports directly to the Management Board. The Permanent control coordination (2OPC) and Compliance functions monitor the operational risk and reputation risk as part of their permanent control responsibilities.

While front-line responsibility for managing risks lies with the Divisions and Business lines that propose the underlying transactions, GRM is responsible for ensuring that the risks taken by the Bank are compatible with its risk policies and its profitability and rating objectives. 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 BGL BNP Paribas 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 corporate loans and trading limits, 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 BGL BNP Paribas 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 potentially expose the Bank to the risk of 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.

Concentration risk is assessed on the Group level.

4.c FACTEURS DE RISQUE

Risks specific to BGL BNP Paribas and linked to the banking industry

Difficult macro-economic and market conditions could in the future have a significant 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 could be confronted with a significant deterioration of the market and economic environment conditions resulting, amongst other things, from crises affecting capital, credit or liquidity markets, regional or global recessions, sharp fluctuations in exchange rates and interest rates, inflation or deflation, events affecting the sovereign debt (downgrades, restructurings or defaults), or adverse geopolitical events.

Such disruptions, which can develop quickly 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.

European markets have recently experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro zone to refinance their debt obligations and of the financial assistance provided to certain European Union Member States. These disruptions have contributed to increased volatility in the exchange rate of the euro against other major currencies, have affected the levels of stock market indices and created uncertainty regarding the near-term economic prospects of certain countries in the European Union as well as the quality of bank loans to sovereign debtors within the European Union. There has also been an indirect impact on financial markets worldwide. If economic conditions in the relevant European countries or more broadly in the European Union were to deteriorate or if further disruptions were to impair the capacity of the European or global markets to recover from the recent worldwide financial crisis, then the impact on the Group could be significantly adverse.

The recent financial crisis has resulted and is likely to continue to result in more restrictive regulation of the financial sector. Legislators, governments, regulators, advisory groups, trade and professional associations and various committees and the national, European and international levels have adopted or proposed an array of measures in response to the recent financial crisis, including the "Basel III" rules proposed by the Basel Committee in December 2009.

The implementation of and compliance with these measures could result in cost increases, higher requirements in terms of capital and liquidity, while limiting the ability to conduct certain types of activities. These measures could also substantially affect the Group's competitiveness, its ability to attract and retain talent and its profitability, particularly with respect to its investment banking and financing businesses, which would in turn have an adverse effect on its business, financial conditions and results of operations.

Finally, it is difficult to predict what impact these measures will have on financial market conditions and on the Group in particular, and it is uncertain whether they would prevent or limit possible future financial crises.

A certain number of the exceptional measures taken by governments, central banks and regulators in order to remedy the financial crisis, stabilise financial markets and bolster financial institutions have recently been or will soon be suspended or interrupted, which, given the relatively fragile economic recovery, could adversely affect the operating conditions of financial institutions.

In response to the financial crisis, governments and regulators implemented measures intended to support financial institutions and thereby to stabilise financial markets. Central banks took measures to facilitate the access of financial institutions to credit and liquidity, and particularly by lowering interest rates to historic lows for a prolonged period.

Certain central banks have decided to substantially increase the amount and duration of the liquidity provided to banks and, in some cases, implemented "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of treasury bonds, corporate commercial paper and mortgage-backed securities. Some of these measures remain in place and interest rates remain at historically low levels.

These central banks may decide, with or without prior consultation, to modify their monetary policies (and in particular increase interest rates) and tighten their policies regarding access to liquidity in order to take into account the relative stabilisation of monetary and financial markets, which could substantially and abruptly decrease the flow of liquidity in the markets and in the overall economy. Given that the recovery remains relatively fragile, such changes could have an adverse effect on the environment in which financial institutions operate, and hence on the Group's financial condition and results of operations.

A 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". The overall level of provisions is based on prior loss experience, the volume and type of loans granted, industry standards, past due loans, economic conditions and other factors related to the recovery rate of various loans. The Group uses its best effort to establish an appropriate level of provisions.

However, it could be required in the future to substantially increase its provisions for loan losses as a result of deteriorating economic conditions or other causes. 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.

The Group maintains trading and investment positions in the debt, currency and equity markets. 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.

To the extent that the Group owns assets, or has net long positions, in any of these markets, a market downturn could result in realised or unrealised losses from a decline in the value of its positions. From time to time, the Group may have a trading strategy of holding a long position in one asset and a short position in another, from which it expects to earn revenues based on changes in the relative values of the two assets. If, however, the relative value of the two assets were to change any direction or manner not anticipated or hedged by the Group, the Group might incur a loss as a result of this strategy.

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

During the market downturn in 2009, the Group experienced a decline in the volume of transactions that it executed for clients, and therefore a decline in its revenues from this activity. There can be no assurance that the Group will not experience a similar trend in future market downturns, which may occur periodically and unexpectedly. 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 businesses, 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. This is particularly true for assets that are intrinsically illiquid. Certain assets that are not traded on stock exchanges or on a regulated market, such as derivative contracts between banks, are generally valued using models rather than publicly quoted prices. Given the difficulty monitoring the prices of such assets, the Group could experience losses that it did not anticipate.

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.

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 Group has exposure to many financial counterparties such as brokers and dealers, commercial banks, investment banks, mutual funds and hedge funds, and other institutional clients with which it regularly executes transactions. Many of these transactions expose the Group to a risk of default if a set of the Group's counterparties or clients were to fail to meet its commitments. This risk would be exacerbated if the collateral held by the Group cannot be realised or is liquidated at prices not sufficient to recover the full amount of the Group's exposure to defaulting loans or derivative exposures.

In addition, fraud or misconduct by financial market participants may have a material adverse effect on financial institutions notably as a result of the interrelated nature of the institutions active in financial markets. 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 Group's reputation could be harmed if it fails to adequately promote and market its products and services. The Group's reputation could also be damaged if, as it increases its client base and the scale of its businesses, the Group's comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to properly address conflicts of interest. At the same time, the Group's reputation could be damaged by employee misconduct, fraud or misconduct by participants in the financial sector to which the Group is exposed, a decline in, a restatement of or corrections to its financial results, as well as any potentially adverse legal or regulatory action. 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 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 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. In addition to the measures described above, which were taken or proposed specifically in response to the financial crisis, the Group is exposed to the risk of legislative or regulatory changes in all of the countries in which it operates, including but not limited to the following:

- monetary, interest rate and other policies of central banks and regulatory authorities,
- general changes in governmental regulatory policy that may significantly influence the decisions made by investors, particularly in the markets in which the Group operates,
- general changes in regulatory requirements applicable to the financial sector, such as prudential rules relating to applicable capital adequacy and liquidity frameworks;
- changes in tax legislation or the application thereof;
- changes in the competitive environment and prices,
- changes in accounting standards,
- changes in financial reporting requirements, and
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

These changes, the scope and implications of which 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 techniques and strategies could also prove to be ineffective when faced with certain risks, particularly ones that the Group may have failed to identify or anticipate.

The Group's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if, as a result of market turmoil such as that experienced during the recent financial crisis, the models and approaches that it uses become less predictive of future behaviour, valuations, assumptions or estimates. Some of the Group's qualitative tools and metrics for managing risk are based on its use of observed historical market behaviour. The Group applies statistical and other tools to these observations in order to arrive at quantifications of its risk exposures. The procedures used by the Group to estimate losses inherent in its credit risk exposure or to estimate the value of certain assets require complex and subjective judgments, notably based on forecasts of economic conditions and how these conditions might impair the ability of its borrowers to repay their loans or impact the value of assets. During periods of market disruption, such analyses could be incapable of accurate estimation and, in turn, impact the reliability of these assessment procedures.

These tools and metrics may produce incorrect conclusions with regard to future risk exposures, notably if the Group has not correctly anticipated or assessed certain factors in its statistical models, or upon the occurrence of an event deemed extremely unlikely by the tools and metrics. This would limit the Group's ability to manage its risks. The losses could consequently be significantly greater than the historical average. In addition, the Group's quantified models do not take all risks into account. Indeed, certain risks are the subject of a more qualitative approach that could prove to be insufficient, thereby exposing the Group to significant unexpected losses.

The Group's hedging strategies do not prevent all risks 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. For example, if the Group holds a long position in an asset, it may hedge that position by taking a short position in another asset where the short position has historically moved in a direction that would offset a value change of the long position. 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.

Intense competition could adversely affect the revenues and profitability.

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 million of euros	31 December 2010		31 December 2009	
	Amount of risk weighted assets	Capital requirements	Amount of risk weighted assets	Capital requirements
Credit and counterparty risk	12 597.2	1 007.9	18 663.8	1 493.2
Credit risk - IRBA	**10 395.1**	**831.6**	**11 163.2**	**893.1**
Central governments and central banks	414.7	33.2	165.0	13.2
Corporates	4 714.9	377.2	7 237.2	579.0
Institutions	3 658.3	292.7	1 896.1	151.7
Retail	1 478.4	118.2	1 529.9	122.4
Exposures guaranteed by real estate collateral	546.7	43.7	416.3	33.3
Other exposures	931.7	74.5	1 113.6	89.1
Securitised exposures	128.8	10.3	73.7	5.9
Assets other than credit obligations	-	-	261.3	20.9
Credit risk - Standardised approach	**2 202.1**	**176.3**	**7 500.6**	**600.1**
Central governments and central banks	7.1	0.6	66.5	5.3
Corporates	1 469.5	117.6	4 853.9	388.3
Institutions	354.5	28.4	840.1	67.2
Retail	9.5	0.8	781.7	62.6
Exposures guaranteed by real estate collateral	0.1	-	251.9	20.2
Other exposures	9.4	0.8	529.8	42.4
Assets other than credit obligations	361.5	28.9	958.4	76.7
Exposure risk in the form of equities	1 681.5	134.5	337.3	27.1
Internal model	-	-	-	-
Simple risk weight method	1 612.2	129.0	149.1	12.0
Private equity in diversified portfolios	-	-	23.7	1.9
Listed equities	10.2	0.8	57.1	4.6
Other equity exposures	1 602.0	128.2	68.3	5.5
Standardised approach («grandfathering»)	69.3	5.5	188.2	15.1
Market risk	28.0	2.2	420.2	33.6
Internal model	-	-	-	-
Standardised approach	28.0	2.2	420.2	33.6
Operational risk	1 404.2	112.4	1 661.0	132.9
Advanced Measurement Approach (AMA)	1 355.2	108.4	1 462.5	117.0
Standardised approach	7.0	0.6	-	-
Basic Indicator Approach (BIA)	42.0	3.4	198.5	15.9
Total risks before application of the temporary provisions	15 710.9	1 257.0	21 082.3	1 686.8
Temporary provisions (Basel 1 floor)	**3 427.9**	**274.2**	-	-
Total risks after application of the temporary provisions	19 138.8	1 531.2	21 082.3	1 686.8

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, but does not include collateral and other security taken by the Group.

Exposure to credit risk by Basel asset class

Exposure to credit risk by Basel asset class *In million of euros*	31 December 2010			31 December 2009		
	IRBA	Standardised approach	Total	IRBA	Standardised approach	Total
Central governments and central banks	6 237.9	115.7	6 353.6	5 404.8	204.4	5 609.2
Corporates	13 563.1	4 687.9	18 251.0	15 672.1	7 853.2	23 525.3
Institutions [(1)]	27 759.8	359.8	28 119.6	9 916.0	2 295.0	12 211.0
Retail	4 414.7	13.3	4 428.0	5 299.4	1 340.0	6 639.4
Other non credit-obligation assets [(2)]	-	28.9	28.9	-	76.7	76.7
Total exposure	**51 975.5**	**5 205.6**	**57 181.1**	**36 292.3**	**11 769.3**	**48 061.6**

IRBA: internal rating-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 on capital requirements for credit institutions.

[(1)] The Basel II “Institutions” exposure class includes credit institutions and investment firms, including those recognised in other countries. 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 2009 and 2010, results primarily from the change to the scope of consolidation of the BGL BNP Paribas Group (for acquisitions and disposals of subsidiaries, see note 8.b).

Exposure linked to risks on securitisation positions

In million of euros	31 December 2010		31 December 2009	
	Securitised exposures originated by BGL BNP Paribas [1]	Securitisation positions held or acquired [2]	Securitised exposures originated by BGL BNP Paribas [1]	Securitisation positions held or acquired [2]
Originator	-	-	-	-
Sponsor	-	-	-	-
Investor	-	587.2	-	751.6
Total exposure	**-**	**587.2**	**-**	**751.6**

[1] Securitised exposures originated by the Group correspond to the underlying exposures recognised on the Group's balance sheet which have been securitised.

[2] Securisation positions correspond to tranches retained in securisation transactions originated or arranged by the Group, tranches acquired by the Group in securisation transactions arranged by other parties, and facilites granted to securitisation transactions originated by other parties.

The continuing decline of the exposure related to securitisation positions (decision made in 2009 two no longer invest in this activity), between 31 December 2009 and 2010, is not conveyed in the 'risks' view [3]. Indeed, on its own, a downgraded position in December 2010 explains the increase of 5.5 million euros for the capital requirement.

[3] The exposure declined from 752 million euros on 31 December 2009 to 587 million euros on 31 December 2010, while the capital requirement increased from 6 to 10 million euros.

Exposure linked to equity risk [1]

In million of euros	31 December 2010	31 December 2009
Standardised approach («grandfathering»)	**64.7**	**177.0**
Simple risk weight method	**436.5**	**50.7**
Listed equities	3.5	19.7
Other equity exposures	433.0	18.5
Private equity in diversified portfolios	-	12.5
Total	**501.2**	**227.7**

The change of the exposure relative to equity risk between 31 December 2009 and 2010 is a result of changes to the Group's scope of consolidation (for purchases and the disposals of subsidiaries, see note 8.b) and the total disinvestment of the portfolio of equity investments.

4.e.1 The credit risk

Management of credit risk on lending activities

General credit policy and control and provisioning procedures

The lending activities are governed by the general credit policy 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, the objective of which is to define the strategy and the major risk policies. The aforesaid guidelines include the Group's requirements in terms of ethics, the clear definition of responsibilities, the existence and implementation of procedures and the thorough analysis of risks. This general policy is rolled down in the form of specific policies tailored to each type of business or counterparty.

Decision-making procedures

The decision-making system for loans is based on a series of discretionary lending limits, requiring a compliant opinion from GRM. Approvals are always evidenced in writing, either by means of a signed approval form or in the minutes of formal meetings of the Credit committee. The discretionary lending limits correspond with risk amounts by business group that vary according to internal ratings and the specific nature of the business lines. Loan applications must comply with the credit policy's provisions, as well as, in all cases, with the applicable laws and regulations.

Delegated by the Management Board, the Central Credit Committee has ultimate decision-making authority for all credit and counterparty risks.

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

Monitoring procedures

A comprehensive monitoring and reporting system applies to the entire Group, and is organised around "Control & Reporting (or Exposure Management)" teams, that are responsible for ensuring, at all times, second level compliance with the decisions, the reliability of the reporting data in the quality of the risk monitoring. The frequent production of exception reports facilitates the early identification of deteriorating situations. Monitoring is carried out on different levels, generally reflecting the organisation of discretionary lending limits, under control of GRM and up to the Central Credit Committee. Meeting on a quarterly basis, this Committee examines all loans in excess of a given threshold, as well as sensitive or non-performing loans. For the latter, relying on a proposal from the business lines and with the approval of GRM, it decides on the amount of impairment losses to be recognised or reversed.

Impairment procedures

The principles described below correspond with the practices in place within the BGL BNP Paribas perimeter at the end of 2010.

After the formal approval of the panel of regulators in March 2008, BGL BNP Paribas uses internal ratings-based approach to the Basel II credit risk for the calculation of the regulatory capital requirements. As such, each transaction and each third party is allocated the "credit risk" parameters according to the BNP Paribas Fortis group methods on the basis of a complete rating system, in keeping with the requirements of the banking supervisors relative to capital adequacy.

The credit risk parameters consist of three fundamental parameters: the counterparty's probability of default as expressed for the "Corporate" population by means of a rating, the loss given default (LGD) that depends on the transaction's structure and the exposure at default (EAD).

There are 12 counterparty rating levels: ten levels for performing customers with credit quality levels ranging from "excellent" to "very concerning"; two levels for customers classified as in default, as per the definition provided by the banking supervisor. This scale also includes an approximate correspondence with the scales used by rating agencies. This correspondence is based on the probabilities of default at one year of each of the ratings. The internal risk assessment does not necessarily converge with those of rating agencies, and there is no strict correspondence between an "investment grade"[(1)] rating of a transaction by the external agencies and an internal rating equal to or higher than 5.

These ratings must be reviewed on an annual basis and are primarily based on statistical models.

Various methods, some of which are purely quantitative, 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, which is fulfilled by either defining the system directly, validating it for verifying its performance.

Loss given default is determined using statistical models. The loss given default reflects the loss that the Group would suffer in case of the counterparty's default at a time of economic crisis, in compliance with the regulatory provisions.

[(1)] This term refers to counterparties with an external rating of between AAA to BBB-.

For each transaction, it is measured while considering the risk mitigation techniques (collateral and other security). 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 exposure at default 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 depending on the transaction type, and is not determined by the Credit Committee.

Each of the three credit risk parameters is backtested and, insofar as possible, benchmarked annually 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 ratings within the framework of backtesting, the default rate of populations in each rating category, or each group of risks with similar characteristics for retail banking operations, as compared with the actual default rate observed on a year to 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 global recovery rates 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 the actual amounts with the amounts estimated by the models.

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

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

After the acquisition by BNP Paribas of the BNP Paribas Fortis group, the rating policies and systems of BNP Paribas Fortis and BGL BNP Paribas are due to converge with those of BNP Paribas, leading to a consistent methodology being used by the BNP Paribas Group. The efforts undertaken for this purpose have not yet been completed.

Risk mitigation techniques: collateral and guarantees

The Group's credit policy determines how transactions must be structured in order to reduce risk. Collateral and securities are taken into account for their economic value and are only accepted as the principal source of repayment by exception; for example, in the context of commodities financing, the repayment capacity of the obligor must be assessed on the basis of its operating cash flows. Guarantors are subject to the same prior credit analysis requirements as the primary debtor.

The Group policy defines a precise framework for the assessment of collateral and guarantees.

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 bank, 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 amended circular 06/273.

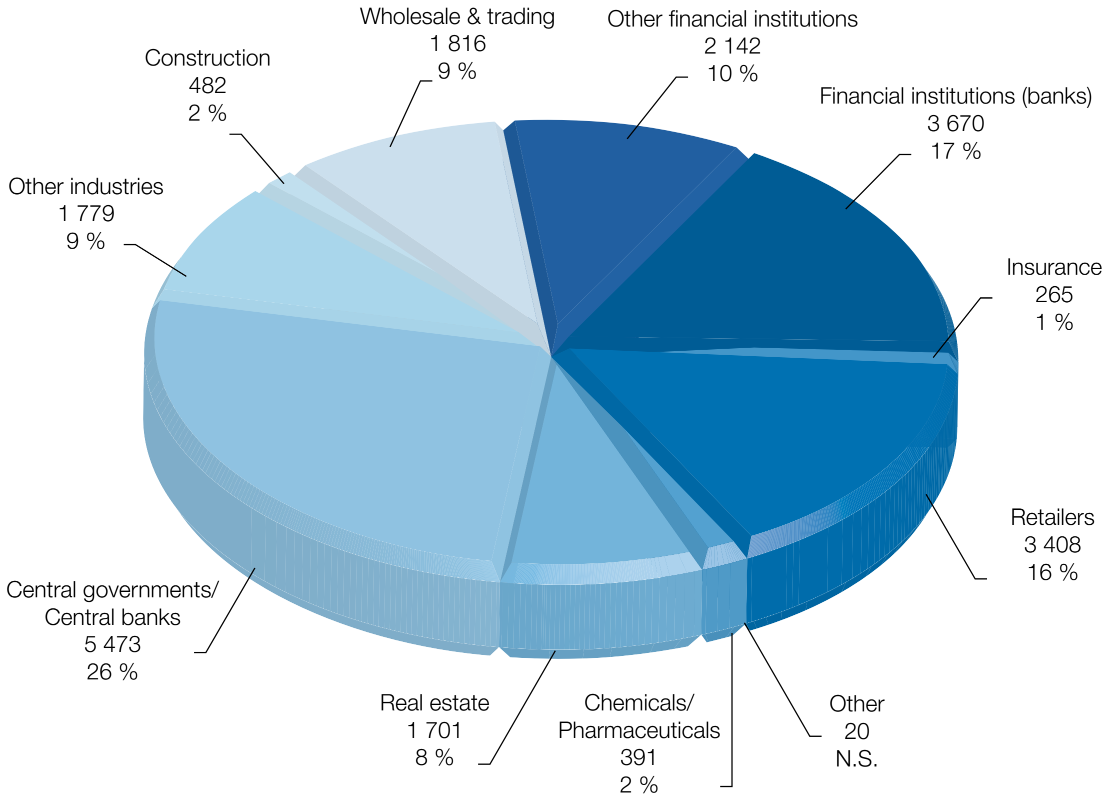
Industry diversification

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

Breakdown of the credit risk by Basel II asset class and by business sector of the Corporate clientele on the level of the parent company and 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 million of euros



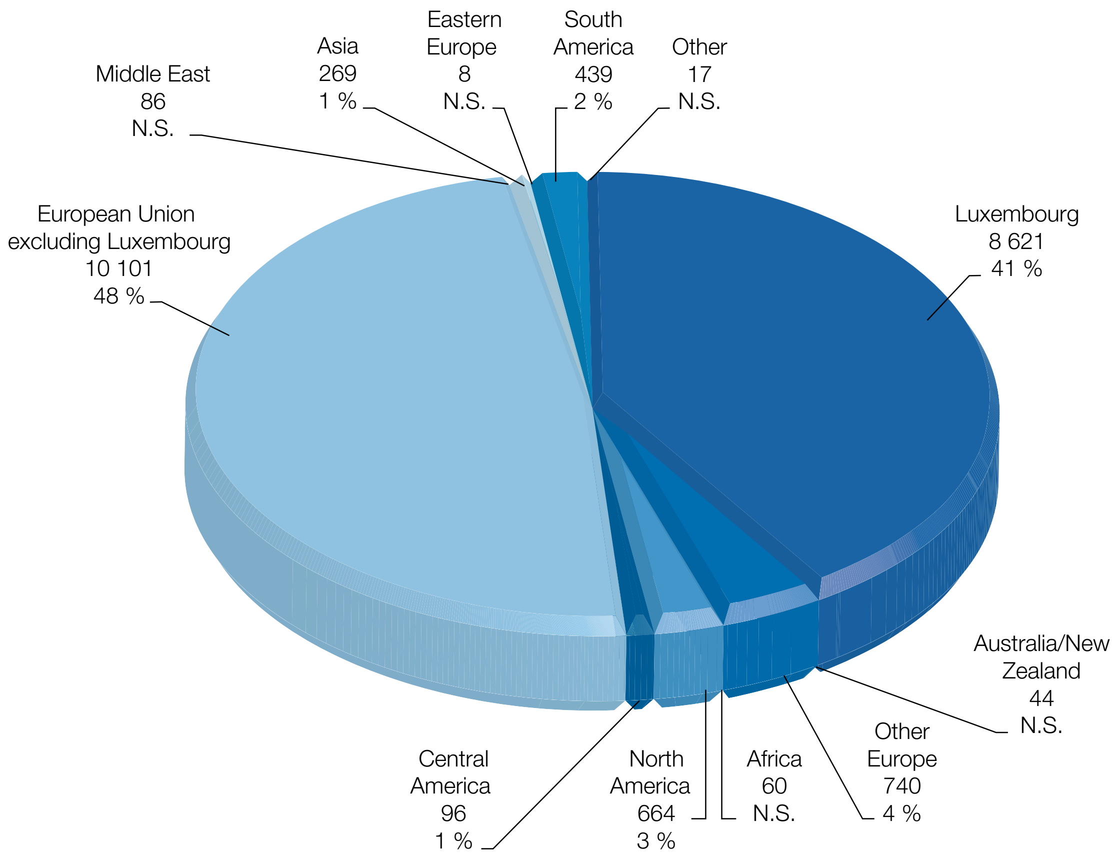
Geographical diversification

Country risk is defined as the sum of all exposures to obligors in the country in question. It is not the same as sovereign risk, which is the sum of all exposures to the central government and its various offshoots; it reflects the Group's exposure to a given economic and political environment, which is taken into consideration when assessing counterparty quality.

Geographical breakdown of the credit risk on 31 December 2010 according to the country of business of the counterparties on the level of the parent company and 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 million 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

"Corporate" model

The IRBA perimeter covered by the "Corporate" rating system applies to banks, corporates, specialised financing and sovereigns.

For each of the sub-portfolios comprising the "Corporate" population, the risk parameters are measured using a model certified and validated by the GRM teams, based mainly on an analysis of the Group's historical data. This model is based on statistical models in order to ensure consistent use.

Unlike the loss given default and the value exposed to risk, with regard to the assignment of ratings to counterparties, subject to justification and while complying with the existing policies, the expert opinion can diverge from the strict application of the models. The counterparty rating is validated by the Credit Committees.

The method for measuring risk parameters is based on a set of common principles, and particularly the "two pairs of eyes" principle there 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 ("Retail" according to Basel II), BGL BNP Paribas and approach by "uniform risk classes". This approach notably adheres to the following aspects:

- the need to develop discriminating and understandable models,
- to rely on the modelling or ex post observations of risk indicators in order to calibrate exposures.
- Risk indicators must be quantified on the basis of historical data covering a minimum of five years, and in-depth and representative sampling.
- Finally, the models must be documented in detail.

The methodologies for preparing and monitoring these parameters allow for the monthly assignment, based on the most recent information, of individual customers to uniform classes in terms of risk of default and in terms of "Loss given default or LGD". The "exposure at default or EAD" is a function of the transaction.

Loans with past-due instalments, whether impaired or not, and related collateral or other security

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

In million of euros	31 December 2010							
	Maturities of unimpaired past-due loans				Impaired assets and commitments covered by provisions	Total loans on commitments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of impaired 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
Past-due assets, net of individual impairment provisions	**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

BGL BNP Paribas is exposed to counterparty risk on its capital market transactions. BGL BNP Paribas 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 bank to mitigate counterparty risks on derivatives transactions. The bank 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 bank 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 bank 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 is measured using an internal exposure assessment procedure which is subsequently integrated into the credit risk assessment system. This measure relies on "Monte Carlo" type simulations which allow assessment of likely movements in exposure values. The stochastic processes used are sensitive to parameters including volatility and correlation, that are calibrated on historical market data. Potential future exposures to counterparty risk are captured using the "ValRisk" tool that simulates several thousand possible market trend scenarios and re-values transactions carried out with the counterparty at several hundred future points in time (from 1 day to more than 30 years for the longest transactions). Changes in exposure amounts are calculated up to the maturity of the transactions.

To aggregate the exposures, the system takes into account the legal environment of each transaction and counterparty, as well as any possible netting or margin call agreements.

Counterparty risk exposures fluctuate significantly over time due to constant changes in the market parameters affecting the value of the underlying transactions. Accordingly, any assessment of counterparty risk must consider possible future changes in the value of the transactions, as well as their present value.

Monitoring and control of counterparty risk

Every day, potential future exposures calculated by ValRisk are checked against the approved limits per counterparty. ValRisk also allows the simulation of new transactions and the measurement of their impact on the counterparty portfolio, making it an essential tool in the risk approval process.

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 reports to the Senior Management on its risk analysis work by means of producing summary reports.

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 Office) is responsible for this control. However, GRM checks the process for more complex transactions requiring special attention. A formal verification of all market parameters is performed monthly. The information is obtained from brokers and suppliers of consensus market prices.

Once the parameters have been verified, the conclusions of the analyses are documented. Adjustments are made in the books by the "Middle Office".

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 spread.

Measurement of market risk

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

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

This indicator is the result of the BGL BNP Paribas 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.

This market risk tracking methodology is exclusively used for internal measurement purposes. For the regulatory communications, the standard method is applied.

Measurements under extreme market conditions

In order to optimise the qualitative analysis of the risks and their predictability during periods of intense crisis, BGL BNP Paribas 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 BGL BNP Paribas'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 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 and asset / liability management risk

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 million of euros*	31 December 2010	31 December 2009
Interest rate risk	-	50.6
Foreign exchange risk	-	399.7
Equity price risk	7.8	7.7
Commodity price risk	0.2	10.0
Total value and risk	**8.0**	**468.0**

Interest rate and foreign exchange risks related to banking intermediation activities and investments mainly concern retail banking activities and Corporates, as well as the savings management transactions of the Investment Solutions division in Luxembourg (that is included amongst the domestic countries of the BNP Paribas Group) and the international operations. It also results from the transactions by specialised financing subsidiaries, transactions by the CIB financing business lines and investments made by the Group. These risks are managed by ALM and Treasury on the local level, which are part of the ALM Treasury business line on the Group level.
At Group level, ALM Treasury reports directly to one of the Chief Operating Officers. 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 Group's policy 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 "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 BGL BNP Paribas business line 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 “Banque de Détail et des Entreprises”, products and 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.

Sensitivity of revenues to interest rate risk on banking intermediary portfolios and equity

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)**

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; it also describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge. 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 2010, the Group was able to add, to the equity portfolio, the existing fixed rate re-investments of BNP Paribas Luxembourg, as part of its integration into BGL BNP Paribas. The re-investments of the clientele business benefited from the usage of hedging derivatives, and from the start-up of the fixed rate financing of new entities on the intra-group level.

In 2010, the market context was marked by the upward orientation of the EUR short-term money market rates, while the banking sector sought reduced short-term funding from the European Central Bank in the second half of 2010, and while expectations of possible future monetary tightening efforts were integrated by monetary markets. However, the EUR long term swap rates finished the year below their level at the end of 2009, while still being higher than the lowest rates seen at the end of August 2010.

In 2010, no hedge relationship (established according to IFRS standards) was disqualified.

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. In view of the 2010 sale of Fortis Bank (Switzerland), the Group has no such hedging relationship (via "Net Investment Hedge" rules according to the IFRS standards) in effect at the end of 2010.

The Group also strives to hedge the variability of the components of its earnings. In particular, the flows of future highly probable earnings (notably interest and external commissions) in currencies other than the euro, generated by the Group's main activities or subsidiaries, may be hedged.

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 2010, 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.

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, on the level of the Group's profits and losses.

The EMTNs issued by the Group 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). 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 BGL BNP Paribas' medium- and long-term transactions and shows the amount (by forecast date of realisation) of the cash flows that are the subject of a Micro Cash Flow Hedge.

In million of euros	31 December 2010			
	Under 1 year	From 1 to 5 years	More than 5 years	Total
Cash flows hedged	35.0	70.0	-	105.0

In 2010, no Micro Cash Flow Hedge relationship was disqualified.

4.g OPERATIONAL RISK AND INTERNAL CONTROL

4.g.1 Internal control

The internal control system

The BGL BNP Paribas 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

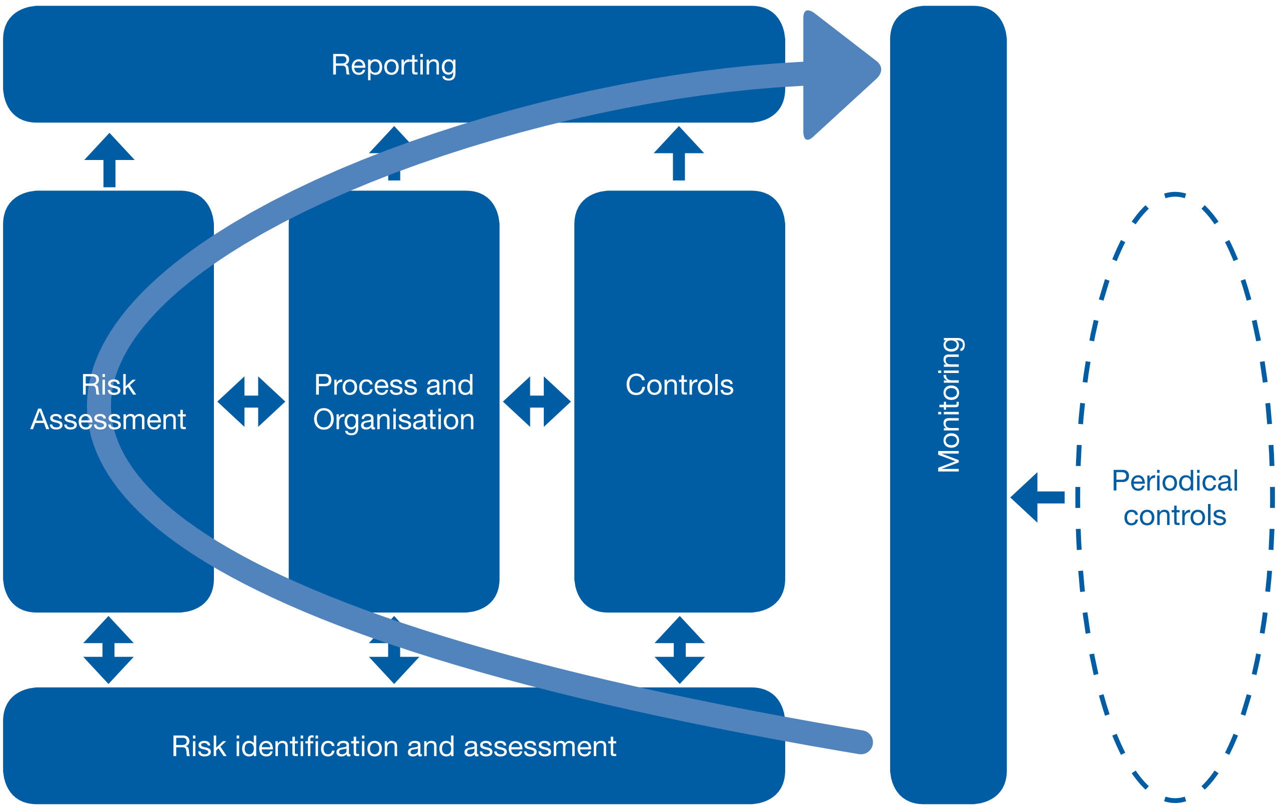
It is an overall system that makes continuous usage of risk management actions and follow-up of the realisation of strategic actions. It is based on control policies, procedures, processes and plans.

To begin with, it is provided by the Operational staff (Control level 1) and secondly by independent Permanent Control Functions, within BGL BNP Paribas (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 control 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 BGL BNP Paribas,

- 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). Periodic Control is provided by the BNP Paribas Group’s General Inspection unit.

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

INTERNAL CONTROL		
Permanent Control	Level 1 controls	• 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
Permanent Control	Level 2 controls	• Controls carried out by the independent Permanent Control Functions integrated into BGL BNP Paribas • Controls carried out by Independent BNP Paribas Group Functions
Periodic Control	Level 3 controls	• Controls carried out by the Luxembourg Hub General Inspection unit and the BNP Paribas Group General Inspection unit

The internal control governance

The Internal Control system at BGL BNP Paribas 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 BGL BNP Paribas 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**.

As part of the governance framework for the BNP Paribas Group Internal Control system, the IS Division is responsible for supervising the BGL BNP Paribas Internal Control system. The Internal Control Committee of the IS Division Focus Luxembourg (half-yearly frequency) is part of this 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 BGL BNP Paribas 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

BGL BNP Paribas 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.

The adoption of the procedures and the preparation of the control plan as part of the Group legal risk control system was one of the major concerns in 2010.

Tax risk

In each country where it operates, BGL BNP Paribas is bound by specific local tax regulations that apply to the business sectors in which the various Group entities are involved, for example in banking, 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 BGL BNP Paribas 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 Bank and its customers - via Internet for individuals and multiple networks for companies and institutionals - are continuously strengthening 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 at BGL BNP Paribas 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 BGL BNP Paribas 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.

BGL BNP Paribas 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 BGL BNP Paribas 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.

BGL BNP Paribas seeks to minimise information security risk and optimise resources by:

- 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;

- monitoring incidents and developing intelligence of technological vulnerability and information system attacks.

Insurance policies

Risks incurred by the BGL BNP Paribas 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 BGL BNP Paribas, 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 BGL BNP Paribas Internal Control system. It covers adherence to applicable laws, regulations and codes of conduct and standards of good practice, protecting the reputation of the Bank and of the Group in Luxembourg, 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 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 Group and of the BNP Paribas Group. It requires ongoing revisions to the risk management policy in line with developments in the external environment. The BNP Paribas Group has strengthened its anti-money laundering, terrorist financing and corruption techniques due to the international context, the increasing number of fraudulent practices and 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 BGL BNP Paribas 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 BGL BNP Paribas 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 BGL BNP Paribas Board of Directors is responsible for the targeted strategy and for the liquidity risk management policy of BGL BNP Paribas, 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 BGL BNP Paribas Management committee, directed by the Management Board to decide on all ALM and Treasury matters for the Group, 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 (Commercial Paper). The ALM unit is responsible for refinancing and for senior and subordinated debt issues (EMTN). 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.

Monitoring the diversification of the resources allows the Group to ensure that its financing does not rely on an excessively limited number of capital providers.

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 the same maturity. 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, simulations 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.

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 and Commercial Paper

The total amount of the Group's medium / long term outstanding bond issues stood at 2.8 billion euros at the end of 2010, compared with a stock of 4.2 billion euros at the end of 2009. Given the Group's overall solid position in terms of liquidity, volume of new issues via the EMTN programme has been limited relative to upcoming maturities, which explains this year's trend. Also, the Group has continued to finance itself through its Commercial Paper programmes, notably the ECP and USCP that each have a volume limit of USD 3 billion. Their overall volume of nearly 1.9 billion euros is down by nearly 0.5 billion euros over the course of the year, based on the non-consolidated view. On a consolidated basis, the total decline is close to 1 billion euros.

4.i EQUITY MANAGEMENT AND CAPITAL ADEQUACY

BGL BNP Paribas 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 (amended several times) 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 aforesaid circular 06/273. 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), adjusted for certain elements known as "prudential filters". The main adjustments consist of deducting the planned dividend for the year, as well as goodwill and other intangibles, and restatements linked to the difference between the prudential consolidation perimeter and the accounting perimeter.

- Supplementary capital 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 advanced internal ratings-based approach.

- A discount is applied to 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.

- BGL BNP Paribas 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.

Capital amount

In million of euros	31 December 2010	31 December 2009
Shareholders' equity before allocation	**5 601.6**	**6 181.6**
Ordinary shares and share premiums	3 474.9	3 474.9
Retained earnings	1 926.9	2 749.7
Remeasurement reserves	(73.5)	(49.2)
Net profit for the current year	273.3	6.2
Total minority interests before appropriation of income	**48.1**	**(11.0)**
Consolidated equity	5 649.7	6 170.6
Regulatory deductions and other items	**(500.1)**	**(624.9)**
Intangible assets deductions	(4.0)	(150.5)
Other regulatory restatements	(496.1)	(474.4)
of which neutralisation of regulatory provisions	(87.3)	(87.3)
of which regulatory correction of merger surcharge	(71.6)	-
of which neutralisation of unrealised capital gains on buildings	(63.0)	(65.9)
of which neutralisation of the credit-specific risk	(20.1)	(20.9)
of which neutralisation of non-eligible reserves	116.9	56.1
of which neutralisation of the reserves transferred to Tier 2	(35.7)	-
of which deferred tax assets not recoverable for 2 years	(2.3)	(26.2)
of which dividend payment proposal	(333.0)	(330.2)
Tier 1 own funds before items to be deducted	5 149.6	5 545.7
Tier 2 own funds before items to be deducted	174.9	508.1
Expected losses linked to equity exposures	**(10.4)**	**(0.7)**
Investments in associates	**(851.8)**	**(313.3)**
Other participations to be deducted	**(34.9)**	**(4.5)**
Items to be deducted from tiers 1 and 2	(897.1)	(318.5)
Regulatory own funds	4 427.4	5 735.3

(1) Prudential scope of consolidation: Different from the Group scope of consolidation (the companies Black Kite Investment Ltd, Compagnie Financière de la Porte Neuve S.A., Robin Flight Ltd, Swallow Flight Ltd, Royale Neuve Finance Sàrl and Plagefin - Placement, Gestion, Finance Holding S.A. are not part of the prudential perimeter.)

(2) The subordinated debt of 174.5 million euros gives an equivalent parts of 93.9 million euros after application of a declining assimilation coefficient over the course of the last 5 outstanding years.

Capital adequacy

Under the European Union regulation transposed into national law by circular 06/273, the bank 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%. On 31 December 2010, the Group's regulatory solvency ratio was 23.13%.

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 bank 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 endurance tests, determined on the basis of very conservative hypotheses. The total obtained amount is then compared to the available internal capital level, consisting of the regulatory capital used within the pillar 1 framework and the inclusive provision for risky assets. 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 banks 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 manageme nt 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.

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

5. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2010

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 2.535 million euros on 31 December 2010, versus 3.390 million euros on 31 December 2009. 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.

Financial assets and liabilities at fair value through profit or loss

In million of euros	31 December 2010			31 December 2009		
	Trading book	Portfolio designated at fair value through profit or loss	TOTAL	Trading book	Portfolio designated at fair value through profit or loss	TOTAL
Financial assets at fair value through profit or loss						
Negotiable debt instruments	**485.5**	**-**	**485.5**	**-**	**-**	**-**
Other negotiable debt instruments	485.5	-	485.5	-	-	-
Bonds	**614.3**	**312.7**	**927.0**	**50.5**	**-**	**50.5**
Government bonds	509.2	-	509.2	-	-	-
Other bonds	105.1	312.7	417.8	50.5	-	50.5
Equities and other variable income securities	**59.1**	**8.4**	**67.5**	**82.1**	**10.1**	**92.2**
Repurchase agreements	**157.5**	**-**	**157.5**	**-**	**-**	**-**
Loans	**-**	**674.9**	**674.9**	**-**	**773.8**	**773.8**
Trading book derivatives	**341.7**	**-**	**341.7**	**245.0**	**-**	**245.0**
Currency derivatives	75.8	-	75.8	89.8	-	89.8
Interest rate derivatives	102.8	-	102.8	93.2	-	93.2
Equity derivatives	37.8	-	37.8	55.7	-	55.7
Credit derivatives	120.3	-	120.3	-	-	-
Other derivatives	5.0	-	5.0	6.3	-	6.3
Total financial assets at fair value through profit or loss	**1 658.1**	**996.0**	**2 654.1**	**377.6**	**783.9**	**1 161.5**
of which loans and loaned securities	*499.2*	*674.9*	*1 174.1*	*245.0*	*773.8*	*1 018.8*
Financial liabilities at fair value through profit or loss						
Securities borrowing and shortselling	**-**	**-**	**-**	**3.7**	**-**	**3.7**
Repurchase agreements	**157.5**	**-**	**157.5**	**-**	**-**	**-**
Debt securities	**-**	**1 878.0**	**1 878.0**	**-**	**2 679.7**	**2 679.7**
Subordinated debt	**-**	**178.7**	**178.7**	**-**	**450.0**	**450.0**
Trading book derivatives	586.5	-	586.5	522.7	-	522.7
Currency derivatives	92.5	-	92.5	101.3	-	101.3
Interest rate derivatives	219.7	-	219.7	210.0	-	210.0
Equity derivatives	118.2	-	118.2	200.2	-	200.2
Credit derivatives	155.0	-	155.0	10.9	-	10.9
Other derivatives	1.1	-	1.1	0.3	-	0.3
Total financial liabilities at fair value through profit or loss	**744.0**	**2 056.7**	**2 800.7**	**526.4**	**3 129.7**	**3 656.1**

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 million of euros	31 December 2010	31 December 2009
Trading book derivatives	**13 633.4**	**15 238.0**
Currency derivatives	5 822.1	8 884.8
Interest rate derivatives	4 524.8	4 230.2
Equity derivatives	1 194.8	1 711.6
Credit derivatives	1 862.0	324.4
Other derivatives	229.7	87.0

Derivatives traded on organised markets represent 88% of the Group's derivatives transactions at 31 December 2010 (92% at 31 December 2009).

5.b DERIVATIVES USED FOR HEDGING PURPOSES

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

In million of euros	31 December 2010			31 December 2009		
	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						
Currency derivatives	-	-	-	68.3	4.9	0.3
Interest rate derivatives	1 652.2	80.2	4.2	1 292.6	81.4	0.2
Fair value hedges	**1 652.2**	**80.2**	**4.2**	**1 360.9**	**86.3**	**0.5**
Derivative financial instruments used for cash flow hedge for non-derivative financial instruments						
Interest rate derivatives	130.0	0.4	2.9	-	-	-
Cash flow hedges	**130.0**	**0.4**	**2.9**	**-**	**-**	**-**
Derivatices used for hedging purposes	**1 782.2**	**80.6**	**7.1**	**1 360.9**	**86.3**	**0.5**

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

5.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

In million of euros	31 December 2010	31 December 2009
Negotiable debt instruments	**98.0**	**-**
Treasury Bills and other bills eligible for central bank refinancing	98.0	-
Fixed income securities	**4 981.3**	**5 687.1**
Government Bonds	3 283.0	2 838.8
Other Bonds	1 698.3	2 848.3
Equities and other variable income securities	**430.3**	**280.6**
of which listed securities	*41.6*	*229.3*
of which non-listed securities	*388.7*	*51.3*
Total assets available-for-sale financial assets before impairments	5 509.6	5 967.7
of which loaned securities	*17.7*	*2.5*
Impairments on available-for-sale financial assets	**(18.4)**	**(27.3)**
Fixed-income securities	(1.9)	(23.7)
Variable-income securities	(16.5)	(3.6)
Total assets available-for-sale financial assets net of impairments	5 491.2	5 940.4
of which net unrealised gains (losses) on negotiable debt securities and fixed-income securities	*(94.1)*	*(10.7)*
of which net unrealised gains (unrealised losses) on equities and other variable income securities	*16.1*	*(5.6)*

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 instruments recognised at fair value

In million 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 liabilitie 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**

In million of euros	31 December 2009			
	Quoted market price (Level 1)	Valuation technique using observable parameters (Level 2)	Valuation technique 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)	-	377.6	-	**377.6**
Financial assets designated at fair value through profit or loss on option (note 5.a)	-	778.9	5.0	**783.9**
Derivatives used for hedging purposes (note 5.b)	-	0.5	-	**0.5**
Available-for-sale financial assets (note 5.c)	2 495.5	3 424.9	20.0	**5 940.4**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss held for trading purposes (note 5.a)	-	526.4	-	**526.4**
Financial liabilitie designated at fair value through profit or loss (note 5.a)	-	3 104.7	25.0	**3 129.7**
Derivatives used for hedging purposes (note 5.b)	-	86.3	-	**86.3**

Table of movements in level 3 financial instruments

For level 3 financial instruments, the following movements occurred between 1 January 2010 and 31 December 2010:

In million of euros on 31 December 2010	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	TOTAL
Start of period	**5.0**	**20.0**	**25.0**	**25.0**	**25.0**
Purchases	-	8.3	8.3	-	-
Issues	0.1	-	0.1	-	-
Sales	-	(2.0)	(2.0)	-	-
Settlements	(2.6)	-	(2.6)	0.4	0.4
Gains (or losses) recognised through profit or loss	-	1.3	1.3	2.6	2.6
Change of in fair value assets and liabilities recognised directly in in fair value equity					
Change of in fair value assets and liabilities recognised in equity	1.3	-	1.3	-	-
End of period	**3.8**	**27.6**	**31.4**	**28.0**	**28.0**
Total gains (or losses) for the period recognised in the income for instruments oustanding at the end of the period	**0.7**	**-**	**0.7**	**-**	**-**

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

5.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 permitted the reclassification of instruments initially held for trading or available-for-sale within the customer loan portfolios or as securities available- for-sale.

These reclassifications were made in the second quarter of 2009 and are summarized in the following table.

In million of euros	Carrying value on reclassification date	31 December 2010		31 December 2009	
	2nd quarter 2009	Carrying value	Market or model value	Carrying value	Market value or model value
Financial assets removed from the available-for-sale financial portfolio and reclassified	**669.7**	525.9	515.6	**665.3**	**656.0**
As loans and receivables due from customers	669.7	525.9	515.6	665.3	656.0

On 31 December 2010, the Group still had a balance of revaluation reserves linked to securities that had been the subject of reclassification in the amount of 43.0 million euros, versus 71.9 billion euros on 31 December 2009.

In million of euros	Year to 31 December 2010	Year to 31 December 2009
Earnings and shareholders equity items (before tax) relative to reclassified assets	(36.3)	(64.2)
through profit or loss	**6.7**	**7.7**
as interest income	6.7	7.7
as shareholders equity	**(43.0)**	**(71.9)**
Earnings and shareholders equity (before taxes) that would have related to instruments reclassified in 2009 and 2010 if the reclassification had not occurred	(62.0)	(88.2)
as shareholders equity	**(62.0)**	**(88.2)**

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

Loans and receivables due from credit institutions

In million of euros	31 December 2010	31 December 2009
Demand accounts	133.0	947.3
Loans	11 940.2	2 915.9
Total loans and receivables due from credit institutions before impairment	12 073.2	3 863.2
Impairments or loans and receivables due from credit institutions (note 2g)	(4.7)	(0.1)
Total loans and receivables due from credit institutions net of impairments	12 068.5	3 863.1

The strong increase of loans between 2009 and 2010 is linked to entry into the scope of BNP Paribas Luxembourg S.A..

Due to credit institutions-

In million of euros	31 December 2010	31 December 2009
Demand accounts	507.6	731.9
Borrowings	4 981.5	8 449.4
Repurchase agreements	1 113.0	113.8
Total due to credit institutions	6 602.1	9 295.1

5.g LOANS AND RECEIVABLES DUE FROM/TO CUSTOMERS

Loans and receivables due from customers

In million of euros	31 December 2010	31 December 2009
Demand accounts	1 082.1	616.8
Loans to customers	13 395.7	11 038.7
Repurchase agreements	-	29.3
Finance leases	-	10 778.7
Total loans granted and receivables due from customers before impairment	**14 477.8**	**22 463.5**
Impairments on loans and receivables due from customers (note 2f)	(202.0)	(574.3)
Total loans and receivables due from customers net of impairments	**14 275.8**	**21 889.2**

The decrease of loans and receivables due from customers is primarily linked to the deconsolidation of the leasing operations after the loss of control on 1 July 2010; this decline is partially offset by the contribution of the loans granted to the clientele of BNP Paribas Luxembourg S.A..

Due to customers

In million of euros	31 December 2010	31 December 2009
Demand deposits	12 916.3	10 054.2
Term accounts and short-term notes	6 642.9	3 152.9
Regulated savings accounts	373.1	465.6
Total due to customers	**19 932.3**	**13 672.7**

The increase of due to customers primarily results from the entry into the scope of deposits of BNP Paribas Luxembourg and of its subsidiaries, in the amount of 6.5 billion euros.

5.h DEBT SECURITIES AND SUBORDINATED DEBTS

This note covers all debt securities and subordinated debts measured at an amortised cost. Debt securities and subordinated debt measured at fair value through profit or loss are presented in note 5.a.

Debt securities measured at amortised cost

In million of euros	31 December 2010	31 December 2009
Negotiable certificates of deposit	2 416.3	3 703.9
Bond issues	-	0.5
Total debt securities at amortised cost	**2 416.3**	**3 704.4**

Subordinate debts measured at amortised cost

The subordinate debts amount to 164.4 million euros in 2009 and are primarily linked to leasing. No subordinated debt was recognised at amortised cost in 2010.

5.i HELD-TO-MATURITY FINANCIAL ASSETS

In million of euros	31 December 2010	31 December 2009
Bonds	1 662.2	1 739.5
Government Bonds	1 568.8	1 679.5
Other Bonds	93.4	60.0
Total held-to-maturity financial assets	**1 662.2**	**1 739.5**

5.j CURRENT AND DEFERRED TAXES

In million of euros	31 December 2010	31 December 2009
Current taxes	25.1	37.1
Deferred taxes	2.3	64.0
Current and deferred tax assets	**27.4**	**101.1**
Current taxes	47.1	47.2
Deferred taxes	140.3	178.7
Current and deferred tax liabilities	**187.4**	**225.9**

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

Change in deferred taxes over the period

In million of euros	Year to December 2010
Net deferred taxes at start of period	**(114.7)**
Deferred tax income (expense)	25.1
Change in deferred taxes linked to remeasurement and reversal through profit or loss of available-for-sale financial assets	11.7
Change in deferred taxes linked to remeasurement and reversal through profit or loss on hedging derivatives	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	10.2
Net deferred taxes at end of period	**(138.0)**

Breakdown of net deferred taxes by temporary differences

In million of euros

	31 December 2010	31 December 2009
Available-for-sale financial assets	(28.6)	(73.9)
Receivables and debts due to customers	(39.2)	(23.6)
Provisions for post-employment benefits	0.1	0.8
Impairments for credit risk	8.2	66.3
Credit institutions and treasury	69.7	(2.7)
Financial assets at fair value through profit or loss	(23.1)	(67.2)
Earnings on capital gains to be immunized according to art.54 LIR	(38.9)	(22.0)
Property, plant, equipment and intangible assets	(45.4)	(23.0)
AGDL provisions	(34.7)	(29.0)
Other items	(21.3)	47.0
Tax loss carryforwards	15.2	12.6
Net deferred tax	**(138.0)**	**(114.7)**
of which : Deferred tax assets	2.3	64.0
Deferred tax liabilities	(140.3)	(178.7)

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

In million of euros	31 December 2010	31 December 2009
Settlement accounts related to securities transactions	43.8	24.8
Collection accounts	101.6	57.9
Accrued income and prepaid expenses	39.5	157.2
Other debtors and miscellaneous assets	192.1	453.3
Total accrued income and other assets	**377.0**	**693.2**
Settlement accounts related to securities transactions	14.8	52.5
Collection accounts	189.3	201.2
Accrued expenses and deferred income	3.8	73.1
Other creditors and miscellaneous liabilities	123.2	392.6
Total accrued expenses and other liabilities	**331.1**	**719.4**

5.l INVESTMENTS IN ASSOCIATES

The Group's main investments in associates accounted for using the equity method on 31 December 2010 involve the following companies:

In million of euros	31 December 2010	31 December 2009
BNP Paribas Leasing Solutions S.A.	782.3	-
Fortis Luxembourg - Vie S.A.	49.8	43.6
Fastnet Nederland	1.8	1.1
Fastnet Belgique (1)	-	3.6
Postbank Ireland Ltd (in liquidation) (2)	-	-
Stradios FCP FIS	98.5	-
Other associates	-	14.6
Investments in associates	**932.4**	**62.9**

(1) The equity interest in Fastnet Belgium was reclassified as Assets held for sale in 2010.

(2) The equity interest in Postbank Ireland Ltd (being liquidated) is subject to a 100% value adjustment since 31 December 2008.

On 1st July 2010, the Group lost control on the leasing operations of BNP Paribas Fortis, previously held at 100%. The Group now holds 33.33% of BNP Paribas Leasing Solutions S.A.

On 1st July 2010, the Group took part in a capital increase of BNP Paribas Leasing Solutions S.A. in the amount of 398 million euros.

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

In million of euros	Balance sheet total	Revenues	Net income
Fortis Luxembourg - Vie S.A.	7 932.7	35.0	12.3
Fastnet Nederland N.V.	7.5	5.5	1.5
Fastnet Belgique S.A.	19.2	12.5	3.7
Postbank Ireland Ltd. (en liquidation) (1)	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 SPA (ex Locafit)	4 981.5	98.3	(16.7)
Fortis Lease (France) S.A.	2 408.0	33.1	13.5
Fortis Lease (Belgique) 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)

(1) Data relative to 20 December 2010.

5.m PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

In million of euros	31 December 2010			31 December 2009		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying value	Gross value	Accumulated depreciation, amortisation and impairment	Carrying value
Investment property	**39.4**	**(21.3)**	**18.1**	**738.8**	**(130.6)**	**608.2**
Land and buildings	359.6	(134.2)	225.4	391.6	(136.8)	254.8
Equipment, furniture and fixtures	299.3	(246.5)	52.8	295.1	(252.1)	43.0
Plant and equipment leased as lessor under operating leases	-	-	-	25.7	(4.0)	21.7
Other property, plant and equipment	47.3	(41.0)	6.3	219.2	(19.2)	200.0
Property, plant and equipment	**706.2**	**(421.7)**	**284.5**	**931.6**	**(412.1)**	**519.5**
Purchased software	45.9	(43.4)	2.5	37.5	(35.0)	2.5
Internally developped software	1.8	(1.6)	0.2	20.8	(20.8)	-
Other intangible assets	9.1	(7.8)	1.3	70.3	(70.0)	0.3
Intangible assets	**56.8**	**(52.8)**	**4.0**	**128.6**	**(125.8)**	**2.8**

The decrease of the property, plant, equipment and intangible assets used in operations is due to the deconsolidation of the leasing operations in 2010.

Investment property

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

The estimated fair value of investment property accounted for at amortised cost amounts to 18.5 million euros on 31 December 2010, versus 648.3 million euros on 31 December 2009.

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 book in fiscal 2010 amounts to 26.5 million euros versus 35.8 million euros in 2009 (23.3 million euros after adjustment of the 2009 earnings in order to transfer the results to discontinued operations 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 2010 and amounts to 30.9 million euros for 2009. (0.2 million euros after adjustment of the 2009 earnings to transfer the earnings to discontinued operations in 2010).

Change in tangible assets

In million of euros	Year to 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**

In million of euros	Year to December 2009			
	Lands and constructions	Equipment, furniture and fixtures	Plant and equipment leased as lessor under operating leases	Other fixed assets
Gross book value at period start	**382.8**	**354.6**	**10.6**	**571.5**
Acquisitions	29.0	8.5	16.8	4.0
Disposals	(2.1)	(18.4)	(0.9)	-
Withdrawals from the scope of consolidation	-	(1.6)	-	-
Exchange rate movements	-	0.4	0.4	(0.8)
Other movements	(18.1)	(48.4)	(1.2)	(355.5)
Gross book value at period end	**391.6**	**295.1**	**25.7**	**219.2**
Depreciation and amortisation at period start	**(114.3)**	**(300.6)**	**(2.3)**	**(19.2)**
Depreciation expenses	(27.2)	(13.1)	(2.8)	-
Depreciation reversal after disposals	1.7	18.1	0.8	-
Depreciation reversals	0.2	-	-	-
Withdrawals from the scope	-	0.3	-	-
Exchange rate movements	-	(0.4)	-	-
Other movements	2.8	43.6	0.3	-
Depreciation and amortisation at period end	**(136.8)**	**(252.1)**	**(4.0)**	**(19.2)**
Net book value at period end	**254.8**	**43.0**	**21.7**	**200.0**

5.n GOODWILL

In million of euros	Year to December 2010	Year to December 2009
Carrying value at period start	**146.0**	**188.7**
Divestments	(136.0)	(6.3)
Impairment losses recognised during the period	(10.0)	(36.4)
Carrying value at end of period	**-**	**146.0**
of which : Gross value	40.2	210.2
Accumulated impairments recognised at end of period	(40.2)	(64.2)

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.

In 2009, the goodwill on leasing entities was impaired in the total amount of 34.1 million euros. The goodwill on the SADE S.A. company was partially impaired in the amount of 2.3 million euros.

5.o ASSETS HELD FOR SALE AND LIABILITIES LINKED TO

In million of euros	31 December 2010	31 December 2009
Cash and amounts due from central banks and post office banks	280.0	2 830.2
Financial assets at fair value through profit or loss	-	30.8
Available-for-sale financial assets	0.3	3.0
Loans and receivables due from credit institutions	29.4	1 450.2
Loans and receivables due from customers	25.1	1 438.4
Current and deferred tax assets	-	7.0
Accrued income and other assets	1.9	16.4
Investments in associates	10.4	243.7
Property, plant and equipment	-	22.0
Intangible assets	-	1.8
Total assets	347.1	6 043.5

In million of euros	31 December 2010	31 December 2009
Financial assets at fair value through profit or loss	-	30.1
Derivatives used for hedging purposes	-	1.6
Due to credit institutions	67.6	1 165.6
Due to customers	261.3	4 207.8
Current and deferred tax liabilities	-	5.0
Accrued expenses and other liabilities	7.8	36.5
Provisions for contingencies and charges	-	19.7
Total liabilities	336.7	5 466.3

And 31 December 2010, the assets intended to be sold and liabilities linked to in application of IFRS 5 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 Belgique.

On 31 December 2009, the assets intended to be sold and liabilities linked to primarily concerned the entities Fortis Bank (Switzerland) S.A. and Fortis Investment Management S.A., as well as the BGL Securities Services operations of BGL BNP Paribas.

5.p PROVISIONS FOR CONTINGENCIES AND CHARGES

In million of euros	31 December 2010	31 December 2009
Total provisions at start of period	98.3	153.1
Additions to provisions	99.7	46.9
Reversals of provisions	(29.0)	(1.3)
Provisions used	(10.5)	(98.8)
Change in scope of consolidation	(9.6)	-
Effect of movements in exchange rates and other movements	(13.1)	(1.6)
Total provisions at end of period	135.8	98.3

On 31 December 2010 as on 31 December 2009, 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 2010, the provisions include a provision for significant operational losses amounting to 18.2 million euros on the level of the subsidiary Fundamentum Asset Management S.A. (20.1 million euros in 2009).

5.q SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

On 31 December 2010, the share capital and additional paid-in capital amounts to 713.1 million euros, represented by 29,979,135 shares. On 31 December 2010 and 31 December 2009, BGL BNP Paribas did not hold any own equity instruments.

On 31 December 2010, the additional paid-in capital is equal to 2,761.8 million euros (2,761.8 million euros on 31 December 2009).

6. FINANCING AND GUARANTEE COMMITMENTS

6.a FINANCING COMMITMENTS

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

In million of euros	31 December 2010	31 December 2009
Financing commitments given :		
- to credit institutions	12 192.2	-
- to the clientele :	4 542.6	5 891.0
Confirmed letters of credit	4 501.7	5 561.0
Other commitments given to customers	40.9	330.0
Total financing commitments given	16 734.8	5 891.0
Financing commitments received :		
- from credit institutions	10 533.5	3 722.0
Total financing commitments received	10 533.5	3 722.0

On 31 December 2010, as part of the merger with BNP Paribas Luxembourg, the Group 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 is economically linked to a credit line received from BNP Paribas S.A. in an equivalent amount and under the same conditions.

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 244.8 million euros on 31 December 2010 (versus 96.3 million euros on 31 December 2009), the ones given as guarantees with regard to bills of exchange, securities and receivables mobilised with central banks in the amount of 2,888.1 million euros on 31 December 2010 (versus 2,686.1 million euros on 31 December 2009), and the ones given as part of repurchase agreements involving securities and securities borrowing / lending in the amount of 1,120.0 million euros on 31 December 2010 (versus 14.1 million euros) on 31 December 2009).

On 31 December 2010, the Group provided assets as collateral for its own commitments in the total amount of 2,948 million euros (on 31 December 2009: 2,721 million euros). This 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 2010, these refinancing transactions amount to 83.3 million euros.

Guarantee commitments given by signature

In million of euros	31 December 2010	31 December 2009
Guarantee commitments given:		
to credit institutions	243.3	112.0
to customers	1 464.0	1 526.0
Total guarantee commitments given	**1 707.3**	**1 638.0**

7. SALARY AND EMPLOYEE BENEFITS

7.a SALARY AND EMPLOYEE BENEFITS EXPENSES

The amount of staff expenses is equal to 255.6 million euros for 2010 versus 192.7 million euros for 2009.

The fixed and variable wages and salaries, as well as the profit-sharing, amount to 197.6 million euros (165 million euros in 2009), retirement bonuses, pension costs and social security taxes equal to 57.8 million euros (27.7 million euros in 2009).

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 BGL BNP Paribas 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 3.2 million euros for 2010 versus 3.5 million euros for 2009.

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 20.6 million euros on 31 December 2010 (7.2 million euros on 31 December 2009).

The booked retirement assets (recognised rights to repayment or surplus) amount to 15.4 million euros on 31 December 2010 (6.5 million euros on 31 December 2009).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In million of euros	31 December 2010	31 December 2009
Present value of the obligations	**89.0**	**109.4**
Present value of the obligations arising from wholly or partially funded plans	85.8	108.7
Present value of non-financed obligations	3.2	0.7
Fair value of plan assets	**(62.6)**	**(73.9)**
Fair value of reimbursement rights [1]	**(12.0)**	**(5.0)**
Costs not yet recognised in accordance of IAS 19 provisions	**(9.8)**	**(29.8)**
Prior service cost	-	(0.3)
Net actuarial losses (gains)	(9.8)	(29.5)
Net obligation for defined benefit plans	4.6	0.7
Assets recognised in the balance sheet for defined benefit plans	(15.4)	(6.5)
Obligation recognised in the balance sheet for defined benefit plans	20.0	7.2

Change in the present value of the defined benefit obligation

In million of euros	31 December 2010	31 December 2009
Present value of obligations at start of period	109.4	80.9
Current service cost	4.1	2.8
Interest cost	3.2	4.3
Plan amendments	-	0.3
Actuarial losses (gains) over the period	(9.1)	24.4
Actual employee contributions	-	0.1
Benefits paid from assets/reimbursement rights	(0.4)	(0.1)
Benefits paid directly by the employer	(4.2)	(3.8)
Exchange rate movements	-	0.4
Change in scope of consolidation	(14.0)	0.1
Present value of obligations at end of period	89.0	109.4

Change in the fair value of plan assets

In million of euros	Year to December 2010	Year to December 2009
Fair value of plan assets at start of period	**73.9**	**69.7**
Expected return on plan assets	3.0	2.9
Actuarial gains over the period	1.3	5.5
Employer contributions	1.6	3.3
Benefits paid from plan assets	(4.2)	(3.5)
Exchange rate movements	-	0.4
Change in scope of consolidation	(13.0)	(4.4)
Fair value of plan assets at end of period	**62.6**	**73.9**

Change in the fair value of reimbursement rights

In million of euros	31 December 2010	31 December 2009
Fair value of the separate assets at period start	**5.0**	**-**
Expected return on reimbursement rights	0.1	0.2
Actuarial gains over the period	(0.3)	(0.1)
Actual employee contributions	-	0.1
Employer contributions	0.4	0.7
Benefits paid from reimbursement rights	-	(0.3)
Change in scope of consolidation	6.8	4.4
Fair value of reimbursement rights at end of period	**12.0**	**5.0**

Components of the cost of defined benefit plans

In million of euros	Year to December 2010	Year to December 2009
Current service cost	4,1	2,8
Interest cost	3,2	4,3
Expected return on plan assets	(3,0)	(2,9)
Expected return on reimbursement rights	(0,1)	(0,2)
Amortisation of actuarial gains and losses	1,0	0,3
Amortisation of prior service costs	-	0,3
Total expense recorded in « salary and employee benefit expenses »	5,2	4,6

Actuarial hypotheses

The Group discounts its commitments on the basis of State bonds in the euro zone.

The following rates have been determined:

In %	31 December 2010	31 December 2009	
	Euro zone	Euro zone	Other countries
Discount rate	4.15 % - 4.50 %	3.6 % - 4.4 %	4.6 %
Rate of compensation increase [1]	4.05 % - 4.35 %	2.8 % - 4.1 %	5.1 %

[1] Including price increases (inflation)

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 2010	31 December 2009	
	Euro zone	Euro zone	Other countries
Expected return on plan assets [(1)]	4.20 % - 4.21 %	4.0 % - 4.9 %	6.4 %
Actual return on plan assets [(1)]	6.46 % - 7.33 %	12.1 %	12.1 %

[(1)] Range of values reflecting the existence of several plans within a single zone.

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.

BGL BNP Paribas 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 million of euros	31 December 2010	31 December 2009
Deferred net actuarial gains	**9.8**	**29.5**
Net actuarial gains (losses) generated over the period	**10.1**	**(19.0)**
of which Actuarial gains on plan assets or reimbursement rights	1.0	5.4
of which Actuarial gains from changes in actuarial assumptions on obligations	6.7	(26.8)
of which Experience losses on obligations	2.4	2.4

On 31 December 2010, the amount of the unrealised actuarial gains amounted to 9.8 million euros. The actuarial gains generated in 2010 decreased the value of the commitments in the area of 9.1 million euros. They pertain primarily to adjustments due to the updating of the parameters used for assessing post-unemployment benefits for 6.7 million euros and, to a lesser degree, so-called experience adjustments for 2.4 million euros.

Termination benefits

BGL BNP Paribas 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 2010, the provisions existing within the Group relative to the voluntary redundancy and early retirement plans amount to 26.9 million euros (no provisions on 31 December 2009).

Other long-term benefits

BGL BNP Paribas 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 2010, the provisions existing within the Group relative to other long-term benefits amount to 12.1 million euros (10.2 million euros on 31 December 2009).

8. ADDITIONAL INFORMATION

8.a CHANGES IN SHARE CAPITAL

There was no share capital transaction in 2010.

On 13 May 2009, the Board of Directors of the Bank, based on the resolution taken by the Extraordinary General Meeting on 30 April 2009, carried out an increase of the Bank's share capital by conversion into BGL BNP Paribas shares of the 100 million euros of subordinated loan remaining from the 2.5 billion euro subordinated loan granted on 30 September 2008 by the State of Luxembourg to the Bank, and of which 2.4 billion euros had already been converted into share capital in December 2008

8.b SCOPE OF CONSOLIDATION

8.b.1 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 5.33%. 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 K.G.
- 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 following companies 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.

8.b.2 Year 2009

In January 2009, the Group increased its 96.54% equity interest to 100% in Fundamentum Asset Management (FAM) S.A., by acquiring the remaining shares held by certain company managers. In April 2009, Fundamentum Asset Management (FAM) S.A. entered in liquidation.

In February 2009, BGL BNP Paribas S.A. sold 50% of its Internaxx Bank S.A. shares to the 2nd shareholder, lowering its equity interest from 75% to 25%. After this operation, Internaxx Bank S.A. is no longer fully consolidated, but the equity method is applied.

The company Park Mountain Lease 2008-I N.V., established in mid-2008 as part of a financing and securitisation transaction, is no longer part of the Group's scope of consolidation, after the stop of the transaction in June 2009.

In November 2009 the liquidation of Fortis Lease Finland O.Y., held via Fortis Lease Group S.A., was completed.

In mid-December 2009, the subsidiary Fortis Bank Monaco S.A.M. was entirely sold to a Monaco company in the BNP Paribas Group, as part of the transactions for integration into the BNP Paribas Group.

The Group sold its 25.04% equity interest in the Swiss associated company Intertrust Group Holding S.A. that was accounted under the equity method. Consequently, it was removed from the scope of consolidation in December 2009.

The companies comprising the BGL BNP Paribas Group are the following:

				2010		2009
Name	Registered office	Activity	Consolidation method	Group ownership interest	Consolidation method	Group ownership interest
Consolidating compagny						
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	ME	40.68%	ME	40.68%
Ace Equipment Leasing N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33.33%	IG	100.00%
Ace Leasing N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33.33%	IG	100.00%
All In One Vermietungs GmbH	Vienna (Austria)	Leasing	ME	33.33%	-	-
All In One Vermietungs-gesellschaft Telekomm. GmbH	Cologne (Germany)	Leasing	ME	33.33%	-	-
Aprolis Finance S.A.	Puteaux (France)	Leasing	ME	16.99%	-	-
Arius S.A.	Nanterre (France)	Leasing	ME	33.33%	-	-
Artegy S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
Artegy Ltd.	Manchester (United Kingdom)	Leasing	ME	33.33%	-	-
BNP Paribas Lease Group Luxembourg S.A. (ex- Fortis Lease Luxembourg)	Luxembourg	Leasing	ME	33.33%	IG	100.00%
BNP Paribas Lease Group S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
BNP Paribas Lease Group (Belgique) S.A.	Brussels (Belgium)	Leasing	ME	33.33%	-	-
BNP Paribas Lease Group B.V.	Amsterdam (Netherlands)	Leasing	ME	33.33%	-	-
BNP Paribas Lease Group Lizing RT	Budapest (Hungary)	Leasing	ME	33.33%	-	-

Name	Registered office	Activity	2010 Consolidation method	2010 Group ownership interest	2009 Consolidation method	2009 Group ownership interest
BNP Paribas Lease Group GmbH & Co. K.G.	Vienna (Austria)	Leasing	ME	33.33%	-	-
BNP Paribas Lease Group Sp.z.o.o.	Warsaw (Poland)	Leasing	ME	33.33%	-	-
BNP Paribas Lease Group SPA	Milan (Italy)	Leasing	ME	8.72%	-	-
BNP Paribas Lease Group UK PLC	Basingstoke (United Kingdom)	Leasing	ME	33.33%	-	-
CA Motor Finance Ltd.	London (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Captive Finance Ltd.	Wanchai (Hong Kong)	Leasing	NC *	-	IG	100.00%
Captive Finance Taiwan Ltd.	Taipei (Taiwan)	Leasing	NC *	-	IG	100.00%
Class Financial Services S.A.	Puteaux (France)	Leasing	ME	20.03%	-	-
Class Financial Services Inc.	San Francisco (United States)	Leasing	ME	20.03%	-	-
Class Financial Services Ltd.	Basingstoke (United Kingdom)	Leasing	ME	17.00%	-	-
CNH Capital Europe S.A.	Puteaux (France)	Leasing	ME	16.70%	-	-
CNH Capital Europe BV	Amsterdam (Netherlands)	Leasing	ME	16.70%	-	-
CNH Capital Europe GmbH	Vienna (Austria)	Leasing	ME	16.70%	-	-
CNH Capital Europe Ltd.	Basildon (United Kingdom)	Leasing	ME	16.70%	-	-
Dreieck One Ltd.	George Town (Cayman Islands)	Leasing	Dissolution	-	IG	100.00%
Elfa Auto Senc [(1)]	Luxembourg	Leasing	ME	34.00%	IG	100.00%
ES-Finance N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33.33%	IG	100.00%
Euro-Scribe S.A.S. [(2)]	Paris (France)	Leasing	ME	16.67%	P	50.00%
F.L. Zeebrugge N.V.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	25.00%	IG	75.00%
Folea Grundstucksverwaltungs und Vermietungs GmbH & Co. Objekt Burtenbach K.G.	Düsseldorf (Germany)	Leasing	ME	28.33%	IG	90.00%
Folea Grundstucksverwaltungs und Vermietungs GmbH & Co. Objekt Leverkusen K.G.	Düsseldorf (Germany)	Leasing	ME	28.33%	IG	90.00%

Name	Registered office	Activity	2010 Consolidation method	2010 Group ownership interest	2009 Consolidation method	2009 Group ownership interest
Folea Grundstucksverwaltungs und Vermietungs GmbH & Co. Objekt Thalfingen K.G.	Düsseldorf (Germany)	Leasing	NC *	-	IG	100.00%
Folea Verwaltungs GmbH	Düsseldorf (Germany)	Leasing	NC *	-	IG	100.00%
Folea II Verwaltungs GmbH	Düsseldorf (Germany)	Leasing	NC *	-	IG	100.00%
Folea III Verwaltungs GmbH	Düsseldorf (Germany)	Leasing	NC *	-	IG	100.00%
Fortis Finansal Kiralama AS	Istanbul (Turkey)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease (B) S.A.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease (China) Co Ltd.	Beijing (China)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease (France) S.A.	Paris (France)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease (Malaysia) Sdn. Bhd	Kuala Lumpur (Malaysia)	Leasing	Cession	-	IG	100.00%
Fortis Lease Car & Truck S.A.	Berchem-Saint-Agathe (Belgium)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Czech LLC	Prague (Czech Republic)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Danmark AS	Ballerup (Denmark)	Leasing	NC *	-	IG	100.00%
Fortis Lease Deutschland AG	Düsseldorf (Germany)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Group S.A. (Groupe)	Luxembourg	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Group Services S.A.	Brussels (Belgium)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Holding Norge AS	Oslo (Norway)	Leasing	NC *	-	IG	100.00%
Fortis Lease Holdings UK Ltd.	London (United Kingdom)	Leasing	NC *	-	IG	100.00%
Fortis Lease Hong Kong Ltd.	Wanchai (Hong Kong)	Leasing	NC *	-	IG	100.00%
Fortis Lease Hungaria Equipment Financing Leasing Co.	Budapest (Hungary)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Hungaria Real Estate Co.	Budapest (Hungary)	Leasing	NC *	-	IG	100.00%
Fortis Lease Hungaria Vehicle Financing Leasing Company	Budapest (Hungary)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Iberia EFC S.A.	Barcelona (Spain)	Leasing	ME	26.20%	IG	78.61%
Fortis Lease Immobilier Suisse S.A.	Lausanne (Switzerland)	Leasing	ME	33.33%	IG	100.00%

Name	Registered office	Activity	2010 Consolidation method	2010 Group ownership interest	2009 Consolidation method	2009 Group ownership interest
Fortis Lease Nederland N.V.	Hertogenbosch (Netherlands)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Norge AS	Oslo (Norway)	Leasing	Disposal	-	IG	100.00%
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Budapest (Hungary)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Polska Sp.z.o.o.	Warsaw (Poland)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Portugal S.A.	Lisbon (Portugal)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Romania IFN S.A.	Bucarest (Romania)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease S.p.A.	Trevise (Italy)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Singapore Pte Ltd.	Singapore	Leasing	Disposal	-	IG	100.00%
Fortis Lease Suisse S.A.	Lausanne (Switzerland)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease Sweden AB	Linköping (Sweden)	Leasing	Disposal	-	IG	100.00%
Fortis Lease UK Ltd.	London (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease UK (1) Ltd.	Glasgow (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease UK (2) Ltd.	Glasgow (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease UK (3) Ltd.	Glasgow (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease UK (4) Ltd.	Glasgow (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Fortis Lease UK (5) Ltd.	Glasgow (United Kingdom)	Leasing	ME	30.00%	IG	90.00%
Fortis Lease UK Retail Ltd.	Glasgow (United Kingdom)	Leasing	ME	33.33%	IG	100.00%
Friedland Participation et Gestion S.A.	Puteaux (France)	Leasing	ME	33.33%	IG	100.00%
Global Management Services LLC	Bucarest (Romania)	Leasing	NC *	-	IG	100.00%
JCB Finance Holdings Ltd.	Rocester-Uttoxeter (United Kingdom)	Leasing	ME	16.70%	-	-
JCB Finance S.A.	Puteaux (France)	Leasing	ME	16.70%	-	-
Kota Jaya Ltd. (3)	Wanchai (Hong Kong)	Leasing	ME	33.33%	IG	100.00%
Kota Juta Ltd. (3)	Wanchai (Hong Kong)	Leasing	ME	33.33%	IG	100.00%
Locatrice Italiana SPA	Milan (Italy)	Leasing	ME	8.72%	-	-
Manitou Finance Ltd.	Verwood (United Kingdom)	Leasing	ME	17.00%	-	-

				2010		2009
Name	Registered office	Activity	Consolidation method	Group ownership interest	Consolidation method	Group ownership interest
Marie Lease S.à r.l.	Luxembourg	Leasing	NC *	-	ME	50,00%
MFF S.A.	Puteaux (France)	Leasing	ME	17.00%	-	-
Natiobail 2 S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
Natiocreditbail S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
Natiocredimurs S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
NatioEnergie (Sofergie) S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
Nissan Finance Belgium N.V.	Brussels (Belgium)	Leasing	ME	8.33%	ME	25.00%
Otis Vehicle Rentals Ltd.	West Midlands (United Kingdom)	Leasing	ME	13.33%	ME	40.00%
Same Deutz Fahr Finance S.A.	Puteaux (France)	Leasing	ME	33.33%	-	-
SCI Champvernier	Puteaux (France)	Leasing	ME	33.33%	IG	100.00%
SCI FLIF Azur	Puteaux (France)	Leasing	ME	33.33%	IG	100.00%
SCI FLIF Château Landon	Puteaux (France)	Leasing	ME	33.33%	IG	100.00%
SCI FLIF Evry 2	Puteaux (France)	Leasing	ME	33.33%	IG	100.00%
SCI FLIF Le Gallo	Puteaux (France)	Leasing	ME	33.33%	IG	100.00%
SREI Equipement Finance Private Ltd.	Calcuta (India)	Leasing	ME	16.67%	-	-
TEB Finansal Kiralama AS	Istanbul (Turkey)	Leasing	ME	30.00%	-	-
Vela Lease SRL	Conegliano (Italy)	Leasing	ME	8.72%	-	-
Investment Solutions						
BNP Paribas Investment Partners BE Holding (ex- Fortis Investment Management S.A.)	Brussels (Belgium)	Asset Management	Disposal	-	ME	15.33%
BNP Paribas Luxembourg S.A.	Luxembourg	Bank	Acquisition / Merger		-	-
Cofhylux S.A.	Luxembourg	Real estate	IG	100.00%	IG	100.00%
Immoparibas Royale-Neuve S.A.	Luxembourg	Real estate	Acquisition IG	100.00%	-	-
F.A.M. Fund Advisory S.A.	Luxembourg	Advisory	Dissolution	-	IG	100.00%
Fortis Luxembourg - Vie S.A.	Luxembourg	Insurrance	ME	50.00%	ME	50.00%
Fortis Banque Suisse S.A.	Geneva (Switzerland)	Bank	Disposal	-	IG	100.00%
Fastnet Nederland N.V.	Amsterdam (Netherlands)	Administration of UCIT's	ME	47.84%	ME	47.84%
Fund Administration Services & Technology Network Belgium (Fastnet Belgium) S.A.	Brussels (Belgium)	Administration of UCIT's	ME	47.80%	ME	47.80%
Fund Administration Services & Technology Network Luxembourg (Fastnet Luxembourg) S.A.	Luxembourg	Administration of UCIT's	Disposal	-	ME	47.79%
Fundamentum Asset Management (FAM) S.A. (en liquidation)	Luxembourg	Wealth Management	IG	100.00%	IG	100.00%

Name	Registered office	Activity	2010 Consolidation method	2010 Group ownership interest	2009 Consolidation method	2009 Group ownership interest
Structures Ad Hoc						
Alleray S.à r.l.	Luxembourg	Financing vehicle	IG	100.00%	IG	100.00%
Argance S.à r.l.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Dalgarno S.A.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Delvino S.A.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Eris Investissements S.à r.l.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Paribas Trust Luxembourg S.A.	Luxembourg	Equity Management	Acquisition IG	100.00%	-	-
Pattison S.à r.l.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Quainton Funding S.à r.l.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Tabor Funding S.à r.l.	Luxembourg	Financing vehicle	NC *	-	IG	100.00%
Aura Capital Invest S.A.	Luxembourg	Financing vehicle	Incorporation IG	100.00%	-	-
Black Kite Investment Ltd.	Dublin (Ireland)	Financing vehicle	Acquisition IG	100.00%	-	-
Compagnie Financière de la Porte Neuve S.A.	Luxembourg	Financing vehicle	Acquisition IG	100.00%	-	-
Delphinus Titri 2010 S.A.	Luxembourg	Financing vehicle	Incorporation IG	100.00%	-	-
Robin Flight Ltd.	Dublin (Ireland)	Financing vehicle	Acquisition IG	100.00%	-	-
Royale Neuve Finance S.à r.l.	Luxembourg	Financing vehicle	Acquisition IG	100.00%	-	-
Royale Neuve Investments S.à r.l.	Luxembourg	Financing vehicle	Acquisition IG	100.00%	-	-
Stradios FCP FIS	Luxembourg	Investment Fund	Incorporation ME	36.67%	-	-
Swallow Flight Ltd.	Dublin (Ireland)	Financing vehicle	Acquisition IG	100.00%	-	-
Autres Activités						
Internaxx Bank S.A.	Luxembourg	Bank	Disposal	-	ME	25.00%
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg	Equity Management	Acquisition IG	100.00%	-	-
Postbank Ireland Ltd.	Dublin (Ireland)	In liquidation	ME	50.00%	ME	50.00%

IG: Full
ME: Equity
NC: Non significant company for the Group's scope of consolidation and thus not consolidated
(1) Sub-consolidated company by Fortis Lease Luxembourg S.A. in 2009
(2) Sub-consolidated company by Fortis Lease (France) S.A. in 2009
(3) Sub-consolidated company by Fortis Lease UK Ltd in 2009

8.c COMPENSATION AND BENEFITS AWARDED TO THE CORPORATE OFFICERS

In 2010, the compensation, including pension expenses, of the Group's key officers amounts to 6.8 million euros (2009: 4.3 million euros). It should be noted that after the integration of BNP Paribas Luxembourg, the scope of key officers increased.

The compensation paid in 2010 relative to 2009 to the members of the BGL BNP Paribas Board of directors amounts to 1.7 million euros (2009: 0.1 million euros).

During the year 2010, the key officers were allocated 3,285 BNP Paribas shares and 21,700 options on BNP Paribas shares, for which the exercise price is the average of the 20 market opening prices preceding 4 March 2010.

On 31 December 2010, the loans granted to members of the Board of Directors are equal to 2.4 million euros (on 31 December 2009: 2.0 million euros); the loans granted to key officers are equal to 7.7 million euros (on 31 December 2009: 8.2 million euros).

On 31 December 2010, the credit lines granted to members of the Board of Directors are equal to 3.3 million euros (on 31 December 2009: 2.4 million euros); the credit lines granted to key officers are equal to 8.3 million euros (on 31 December 2009: 9.6 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 following table summarizes 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 112.3 million euros from BGL BNP Paribas S.A. in 2010. 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 million of euros	31 December 2010		31 December 2009
	Entities consolidated using the equity method	Other BNP Paribas entities	Related parties
ASSETS			
Financial assets at fair value through profit or loss	-	1 546.1	108.7
Derivatives used for hedging purposes	-	7.0	0.5
Available-for-sale financial assets	-	274.0	-
Loans and receivables due from credit institutions	1 662.0	9 739.9	4 151.1
Loans and receivables due from customers	3 937.9	139.5	27.6
Accrued income and other assets	-	75.1	123.8
Non-current assets held for sale	-	-	2 928.6
Total	**5 599.9**	**11 781.6**	**7 340.3**
LIABILITIES			
Financial liabilities at fair value through profit or loss	20.4	697.8	276.2
Derivatives used for hedging purposes	-	78.1	45.9
Due to credit institutions	1.5	6 416.7	9 241.5
Due to customers	386.8	850.6	279.6
Debt securities	-	0.3	347.2
Accrued expenses and other liabilities	-	5.4	135.9
Total	**408.7**	**8 048.9**	**10 326.3**
FINANCING AND GUARANTEE COMMITMENTS			
Financing commitments given	1 194.4	11 960.5	
Financing commitments received	-	10 532.4	
Guarantee commitments given	98.0	364.1	
Guarantee commitments received	185.5	1 284.3	
Purchase of derivatives held for trading purposes	-	7 726.9	
Sale of derivatives held for trading purposes	-	1 677.5	
Purchase of derivatives for hedge accounting purposes	-	1 754.8	
Sale of derivatives for hedge accounting purposes	-	1 748.4	
Total	**1 477.9**	**37 048.9**	

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 issued by them (equities, debt securities…).

The increase of loans and receivables undertaken with related parties can partly be explained by the fact that the Leasing operations changed to the equity method, after having previously been fully consolidated. Similarly, the decrease of the debts to credit institutions can be explained by the leasing relationships with other BNP Paribas Group companies that are no longer amongst the related parties in 2010 due to the loss of control over the leasing operations.

Related party profit and loss items

In million of euros	Year to December 2010		Year to December 2009
	Entities consolidated using the equity method	Other BNP Paribas entities	Related parties
Interest income	**139.9**	**194.8**	**438.2**
Interest expense	(1.0)	(113.6)	(238.2)
Commission income	**13.1**	**74.2**	**109.0**
Commission expenses	(6.3)	(15.5)	(20.0)
Gains (losses) on financial instruments at fair value through profit or loss	**-**	**17.5**	**31.4**
Income (expenses) from other activities	**0.4**	**23.5**	**(4.4)**
Total	**146.1**	**180.9**	**316.0**

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 2010 *In million of euros*	Undetermined	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	TOTAL
Cash and amounts due from entral 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
Derivativesused 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**

After the change of the balance sheet's format in 2010, the 2009 information by maturity is not available.

8.f FAIR VALUE OF THE FINANCIAL INSTRUMENT 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 2010. 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 million of euros	31 December 2010		31 December 2009	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	12 068.5	12 068.7	3 863.1	3 904.1
Loans and receivables due from customers	14 275.8	14 310.6	21 889.2	21 276.0
Held-to-maturity financial assets	1 662.2	1 679.6	1 739.5	1 806.6
FINANCIAL LIABILITIES				
Due to credit institutions	6 602.1	6 603.1	9 295.1	9 261.1
Due to customers	19 932.3	19 935.7	13 672.7	13 646.5
Debt securities	2 416.3	2 441.2	3 704.4	3 747.2
Subordinated debt	-	-	164.4	164.4

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 Fortis Bank, and when the amount can be reasonably estimated (see note 5.p Provisions).

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

8.h FEES PAID TO THE STATUTORY

In thousands of euros relative to 2010	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%	3503.0	77%
Other services total	3 503.0	100%	1.0	0%	-	0%	3504.0	77%
Total fees	3 516.3	100%	998.4	100%	26.0	100%	4540.7	100%

In thousands of euros relative to 2009	KPMG		PricewaterhouseCoopers		Autres		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit. certification. examination of the individual and consolidated accounts, of which:								
- Issuer	1 111.0	59%	660.0	35%	-	0%	1 771.0	39%
- Consolidated subsidiaries	96.0	5%	940.0	50%	228.0	30%	1 264.0	28%
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- Issuer	327.0	17%	60.0	3%	-	0%	387.0	9%
- Consolidated subsidiaries	7.0	0%	130.0	7%	96.0	12%	233.0	5%
Audit total	1 541.0	82%	1 790.0	95%	324.0	42%	3 655.0	81%
Other services provided by the networks								
Legal, tax, social	217.0	12%	6.0	0%	25.0	3%	248.0	5%
Other	117.0	6%	91.0	5%	423.0	55%	631.0	14%
Other services total	334.0	18%	97.0	5%	448.0	58%	879.0	19%
TOTAL FEES	1 875.0	100%	1 887.0	100%	772.0	100%	4 534.0	100%

Until 2009, it was the Group's policy to book as expenses the fees for the audit of the financial statements at the time of the actual services. In an effort to align with the methods of the BNP Paribas Group, the Group has, since 2009, booked the audit expenses during the period to which they relate. The costs for the 2009 audit of the financial statements are therefore affected by this methodology change.

8.i INCIDENCE OF THE CHANGE OF THE CONSOLIDATED BALANCE SHEET'S PRESENTATION

In 2009, the BGL BNP Paribas Group presented its published consolidated financial statements using the format determined by BNP Paribas Fortis.

As of 2010, the BGL BNP Paribas Group has applied the presentation of common summary reports to all BNP Paribas Group entities.

The presentation of the consolidated financial reports published on 31 December 2009 was therefore adapted in order to comply with the new principles of the BGL BNP Paribas Group.

Insofar as the 2009 profit and loss statement is presented after restating the earnings on discontinued operations in compliance with IFRS 5, a correspondence table between the 2009 and 2010 format has not been prepared.

Consolidated financial statements

31 December 2009 *In million of euros*	Format BNP Paribas Fortis		Format BNP Paribas	Transfers total
Assets		**ASSETS**		
Cash and cash equivalents	1 347.6	Cash and amounts due from central banks and post office banks	500.0	(847.6)
Financial assets at fair value through profit or loss Held for trading financial assets	376.5	Financial assets at fair value through profit or loss	1 161.5	785.0
Hedging derivatives	0.5	Derivatives used for hedging purposes	0.5	-
Available for sale financial assets	5 834.8	Available-for-sale financial assets	5 940.4	105.6
Loans and receivables to credit institutions	3 772.0	Loans and receivables due from credit institutions	3 863.1	91.1
Loans and receivables to customers	21 814.1	Loans and receivables due from customers	21 889.2	75.1
Held to maturity financial assets	1 701.4	Held-to-maturity financial assets	1 739.5	38.1
Current and deferred tax assets	96.4	Current and deferred tax assets	101.1	4.7
Other assets, prepayments and accrued income	1 088.9	Accrued income and other assets	693.2	(395.7)
Investments in associates accounted for using the equity method	63.0	Investments in associates	62.9	(0.1)
Investment property	635.6	Investment property	608.2	(27.4)
Tangible assets	317.0	Property,plant and equipment	519.5	202.5
Intangible assets	2.8	Intangible assets	2.8	-
Goodwill	146.0	Goodwill	146.0	-
Non-current assets held for sale and discontinued activities	6 041.9	Non-current assets held for sale and discontinued operations	6 043.5	1.6
Total assets	43 238.5	Total assets	43 271.4	32.9
Liabilities		**Liabilities**		
		Due to central banks and post office banks	16.6	16.6
Held for trading financial liabilities	520.5	Financial liabilities at fair value through profit or loss	3 656.1	3 135.6
Hedging derivatives	47.0	Derivatives used for hedging purposes	86.3	39.3
Deposits from credit institutions	9 278.9	Due to credit institutions	9 295.1	16.2
Deposits from customers	13 663.2	Due to customers	13 672.7	9.5
Debt certificates	6 350.4	Debt securities	3 704.4	(2 646.0)
Current and deferred tax liabilities	221.2	Current and deferred tax liabilities	225.9	4.7
Other liabilities Accruals and deferred income	836.7	Accrued expenses and other liabilities	719.4	(117.3)
Provisions	80.4	Provisions for contingencies and charges	98.3	17.9
Subordinated liabilities	604.8	Subordinated debts	164.4	(440.4)
Liabilities linked to non-current assets held for sale and discontinued operations	5 464.7	Liabilities linked to non-current assets held for sale and discontinued operations	5 466.3	1.6
Total liabilities	37 067.8	Total liabilities	37 105.5	37.7
		CONSOLIDATED EQUITY		
Equity attributable to the equity holders of the parent	6 181.7	Shareholders equity	6 177.0	(4.7)
Minority interest	(11.0)	Total minority interests	(11.1)	(0.1)
Total equity	6 170.7	Total consolidated equity	6 165.9	(4.8)
Total liabilities and equity	43 238.5	Total liabilities and equity	43 271.4	32.9

The item transfers are presented in detail in the following correspondence table:

31 December 2010 *In million of euros*	Transfers total	Treasury	Financial instruments	Fixed assets Provisions	Accrued interest	Other transfers
ASSETS						
Cash and amounts due from central banks and post office banks	(847.6)	(847.6)	-	-	-	-
Financial assets at fair value through profit or loss	785.0	-	772.4	-	12.6	-
Derivatives used for hedging purposes	-	-	-	-	-	-
Available-for-sale financial assets	105.6	-	-	-	105.6	-
Loans and receivables due from credit institutions	91.1	847.6	(772.4)	-	15.9	-
Loans and receivables due from customers	75.1	-	-	-	75.1	-
Held-to-maturity financial assets	38.1	-	-	-	38.1	-
Current and deferred tax assets	4.7	-	-	-	-	4.7
Accrued income and other assets	(395.7)	-	-	(175.1)	(220.6)	-
Investments in associates	(0.1)	-	-	-	-	(0.1)
Investment property	(27.4)	-	-	(27.4)	-	-
Property,plant and equipment	202.5	-	-	202.5	-	-
Intangible assets	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Non-current assets held for sale and discontinued operations	1.6	-	-	-	-	1.6
Total assets	**32.9**	**-**	**-**	**-**	**26.7**	**6.2**
Liabilities						
Due to central banks and post office banks	16.6	16.6	-	-	-	-
Financial liabilities at fair value through profit or loss	3 135.6	-	3 107.6	-	28.0	-
Derivatives used for hedging purposes	39.3	-	-	-	39.3	-
Due to credit institutions	16.2	(16.6)	-	-	32.8	-
Due to customers	9.5	-	-	-	9.5	-
Debt securities	(2 646.0)	-	(2 664.8)	-	18.8	-
Current and deferred tax liabilities	4.7	-	-	-	-	4.7
Accrued expenses and other liabilities	(117.3)	-	-	(17.9)	(104.1)	4.7
Provisions for contingencies and charges	17.9	-	-	17.9	-	-
Subordinated debts	(440.4)	-	(442.8)	-	2.4	-
Liabilities linked to non-current assets held for sale and discontinued operations	1.6	-	-	-	-	1.6
Total liabilities	**37.7**	**-**	**-**	**-**	**26.7**	**11.0**
CONSOLIDATED EQUITY	-	-	-	-	-	-
Shareholders equity	(4.7)	-	-	-	-	(4.7)
Total minority interests	(0.1)	-	-	-	-	(0.1)
Total consolidated equity	**(4.8)**	**-**	**-**	**-**	**-**	**(4.8)**
Total liabilities and equity	**32.9**	**-**	**-**	**-**	**26.7**	**6.2**

The main changes are the following:

On the asset side:

- **Cash**: While the Fortis group had a heading entitled "Cash and cash equivalents", the BNP Paribas Group has a heading "Cash and amounts due from central banks and post office banks".

  Unlike the Fortis heading that included all of the demand deposits and investments of less than three months, the BNP Paribas Group heading "Cash and amounts due from central banks and post office banks" excludes demand deposits and investments of less than three months with other credit institutions. The latter are now placed under the heading of "Loans and receivables due from credit institutions".

  Moreover, the central bank's mandatory reserve that the Fortis group placed under "Loans and receivables to credit institutions" has been, in the BNP Paribas model, transferred to the item "Cash and amounts due from central banks and post office banks".

- **Financial instruments:** In the Fortis presentation of the financial statements, the heading "Financial assets at fair value through profit or loss" only included assets carried at fair value for which the counterparties were not banks. Instruments recognised at fair value through profit or loss with banking counterparties, for their part, were included under "Loans and receivables to credit institutions".

  In accordance with IAS 39, the BNP Paribas Group in this regard applies an approach by category of financial instruments, rather than counterparty type. As such, the heading "Financial assets at fair value through profit or loss" henceforth includes all financial assets valued using this method.

- **Investment property:** In the Fortis presentation of the financial statements, the heading "Other assets prepayments and accrued income" included amounts disbursed for a fixed asset undergoing construction and intended to be the subject of a leasing contract. For its part, the BNP Paribas Group presents these amounts in the balance sheet assets in compliance with to IAS 16§20, while precisely identifying them in the "Fixed assets in progress" (for the net amount of the recoverable taxes until the moment that the leasing begins, at which point the receivable is then reclassified as "Loans and receivables").

  According to Fortis, the "Investment property" heading included investment buildings undergoing construction and investment buildings being used by the group. The BNP Paribas Group reporting principles are closer to the interpretation of IAS 16§20, by classifying these two types of assets under "Property, plant and equipment".

- **Accrued in interest:** The Fortis group placed all accrued interest net "accrued income and expenses". For its part, the BNP Paribas Group has chosen to allocate accrued interest to each category of assets, thereby reflecting the balances with accrued interest. As such, this gives an exhaustive view of the balances (nominal + accrued interest + fair value), associated with each asset class. This comment also applies to the items "Available-for-sale financial assets", "Loans and receivables due from credit institutions", "Loans and receivables due from customers" and "Held-to-maturity financial assets".

On the liabilities side:

- **Financial instruments:** In agreement with the IAS 39, the approach used by BNP Paribas in its reporting is the approach by category of financial instruments, rather than counterparty type. This means that the heading "Liabilities held for trading purposes" (valued at fair value through profit or loss) now includes issues from the EMTN (European Medium Term Notes) programme and subordinated debts booked as Fair Value Option (identified at fair value through profit or loss), previously included under “Debt certificates” and “Subordinate liabilites”.

According to BNP Paribas, the heading “Debt securities” only include issued securities valued at the amortised cost.

- **Cash:** The BNP Paribas Group reporting brings to light assets and liabilities with Central banks and Post office banks under a dedicated heading. These amounts are therefore deducted from the previously used heading “Deposits from credit institutions”.

- **Accrued interest:** The Fortis group placed all accrued interest in the “Other liabilities - Accruals and deferred income”. For its part, the BNP Paribas Group has chosen to allocate accrued interest to each category of liabilities, thereby reflecting the balance of liabilities with accrued interest. As such, this gives an exhaustive view of the balances (nominal + accrued interest + fair value), associated with each liability class.

- **Provisions:** In the “Other liabilities - Accruals and deferred income”, the Fortis group included the provisions relative to job-related benefits and the defined benefit plans. In the BNP Paribas reporting, these provisions are in the category “Provisions for contingencies and charges”. This classification relates better to the nature of the recognised amounts.

Other transfers:

- **Deferred tax:** The deferred tax accounts are classified in the assets or liabilities according to each company’s deferred tax balance at the end of 2009, in the new presentation format.

- **Replenishment of the conversion reserves:** Certain translation gains or losses linked to eliminations of internal dividends were grouped under “Accruals” in the Fortis presentation; they are now found in the equity in the new presentation format.

8.j POST-BALANCE SHEET EVENTS

In 2011, the Group was still extensively focused on the implementation of the industrial plan, through significant investments targeting the Group's development and its modernization in the service of the clientele.

The Group remains vigilant to the evolution of the unstable geopolitical context at the start of this year. For their part, the Group's operational activities have continued to develop favourably.

Unconsolidated Financial Statements
for the Year Ended 31 December 2010

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 accounts of credit institutions, the certified annual accounts, the Board of directors' report, as well as the auditor's report must be filed with the register of commerce and companies in the month they are approved by the General Meeting of Shareholders, and no later than 7 months after the closing of the period. The accounts are published by mention in the "Mémorial" of the filing with the register of commerce and companies where these documents are available.

The auditor delivered an unqualified certification of the unconsolidated annual accounts of BGL BNP Paribas S.A. as at 31 December 2010.

UNCONSOLIDATED BALANCE SHEET

In million of euros	31.12.2010	31.12.2009
Assets		
Cash, credit notes with central banks and post office banks	**344.9**	**500.0**
Receivables from credit institutions	**12 885.4**	**8 773.4**
a) demand	2 813.7	3 571.2
b) other receivables	10 071.7	5 202.2
Receivables due from customers	**13 346.6**	**14 206.8**
Bonds and other fixed income securities	**9 518.5**	**7 905.3**
a) from public issuers	5 071.5	4 352.7
b) other issuers	4 447.0	3 552.6
Equities and other variable income securities	**210.4**	**293.7**
Investments in subsidiaries	**44.1**	**51.7**
Affiliates	**1 407.5**	**1 135.8**
Intangible fixed assets	**764.9**	**1.9**
Tangible fixed assets	**174.7**	**143.8**
Other assets	**209.7**	**124.0**
Accrued income	**440.3**	**428.8**
Total assets	**39 347.0**	**33 565.2**

UNCONSOLIDATED BALANCE SHEET (CONTINUATION)

In million of euros	31.12.2010	31.12.2009
Liabilities		
Due to credit institutions	**7 195.9**	**3 037.9**
a) demand	757.6	993.5
b) forward or with notice	6 438.3	2 044.4
Amounts due to customers	**18 991.7**	**16 625.7**
a) savings deposits	4 800.0	4 774.4
b) other debts	14 191.7	11 851.3
- demand	8 778.1	8 968.5
- forward or with notice	5 413.6	2 882.8
Debt securities	**4 806.9**	**6 627.9**
a) bills and outstanding bonds	3 438.6	4 200.6
b) other	1 368.3	2 427.3
Other liabilities	**1 347.2**	**316.5**
Accrued income	**253.4**	**266.9**
Provisions	**364.8**	**249.4**
a) provisions for taxes	47.3	35.1
b) other provisions	317.5	214.3
Subordinated liabilities	**184.7**	**454.4**
Special items with a share of the reserves	**141.3**	**141.3**
Fund for general banking risks	**302.4**	**102.4**
Share capital	**713.1**	**713.1**
Additional paid-in capital	**2 770.4**	**2 770.4**
Retained earnings	**1 927.4**	**1 826.8**
Profit or loss brought forward	**0.1**	**0.1**
Profit or loss for the fiscal year	**347.7**	**432.4**
Total liabilities	**39 347.0**	**33 565.2**

Off-balance sheet		
Contingent liabilities	**2 031.3**	**1 998.1**
including	1 504.3	1 538.0
- surety bonds and assets given in guarantee		
Commitments	**14 855.7**	**4 443.6**
Fiduciary operations	**4 388.1**	**1 776.9**

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

In million of euros	2010	2009
Interest income	**966.0**	**1 315.4**
including on fixed revenue marketable securities	280.5	337.3
Interest expense	**(481.7)**	**(759.7)**
Income on equities and other variable instruments	**27.2**	**55.6**
a) earnings from equities, shares and other variable instruments	13.4	12.4
b) earnings from holdings	3.4	9.3
c) earnings from affiliates	10.4	33.9
Commissions earned	**241.3**	**317.2**
Commissions paid	**(78.7)**	**(97.4)**
Earnings on financial operations	**94.8**	**267.3**
Other operating income	**110.7**	**57.2**
Administrative overhead costs	**(339.3)**	**(310.3)**
a) personnel costs including	(200.7)	(207.1)
- wages and salaries	(171.3)	(176.8)
- social charges	(23.8)	(24.3)
including social charges applying to pensions	(17.7)	(18.5)
b) other administrative costs	(138.6)	(103.2)
Value corrections on intangible fixed assets and on tangible fixed assets	**(59.6)**	**(18.5)**
Other operating expenses	**(46.8)**	**(33.0)**
Additions / reversals for value creations on receivables and provisions for possible debts and commitments	**(27.6)**	**(39.9)**
Additions / reversals for value creations on marketable securities described as financial fixed assets, on investments in subsidiaries and shares in subsidiaries and affiliates	**(70.2)**	**(560.0)**
Additions to «special items with a share of the reserves:	**-**	**(0.1)**
Proceeds resulting from the dissolution of the «special items with a share of the reserves»	**20.5**	**0.2**
Proceeds resulting from the dissolution of the amounts listed in the fund for general banking risks	**50.0**	**260.5**
Income tax applicable to ordinary activities	**(58.2)**	**(21.5)**
Proceeds resulting from ordinary activities, after taxes	348.4	433.0
Extraordinary income	**-**	**0.1**
Extraordinary profit or loss	-	0.1
Other taxes not included in the above items	**(0.7)**	**(0.7)**
Profit or loss for the fiscal year	347.7	432.4

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