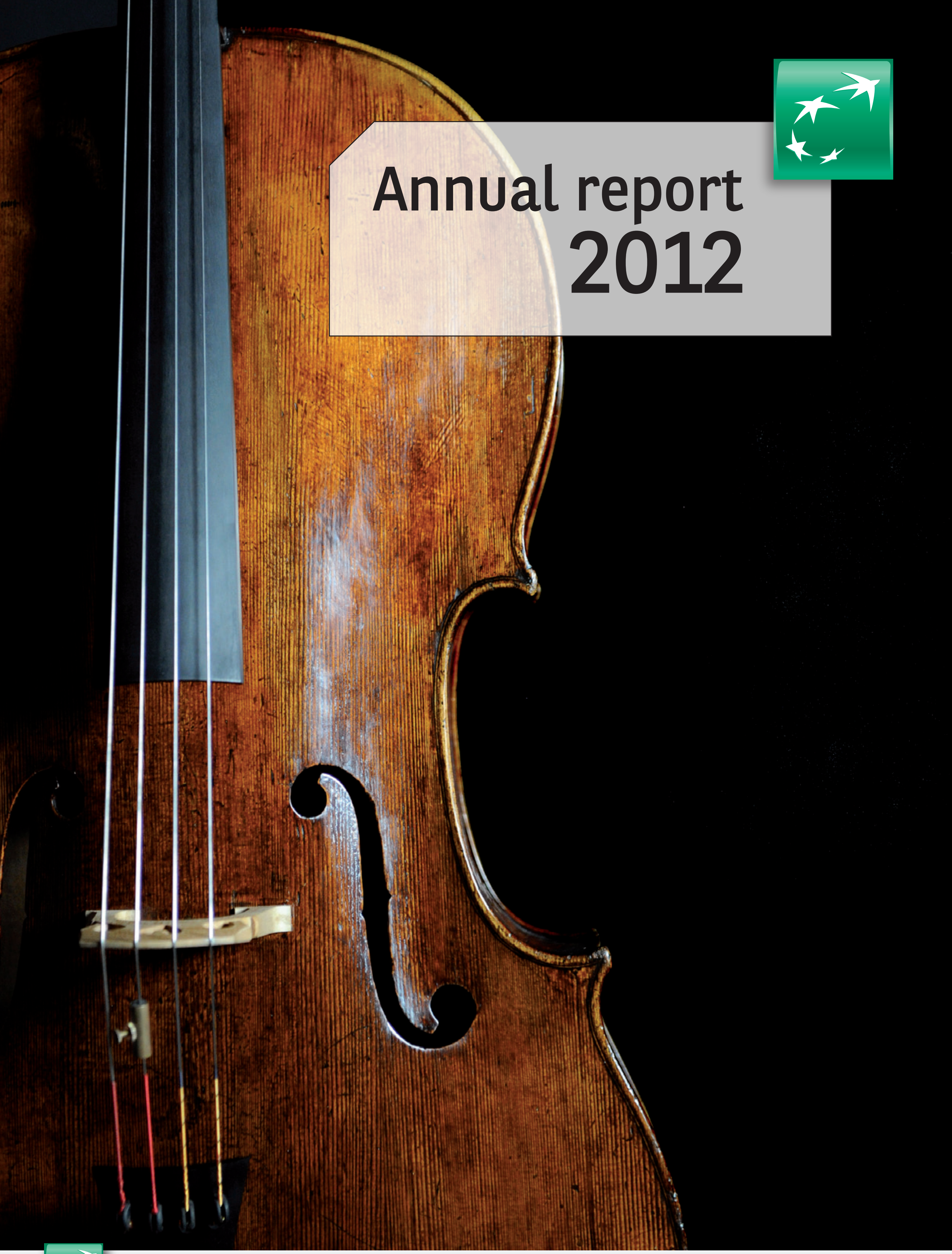
Annual report 2012



BGL BNP PARIBAS | The bank for a changing world

“The Luxembourger” – a Matteo Goffriller cello

Born in 1659 in Bressanone (Brixen) in the South Tyrol, Matteo Goffriller settled in Venice in 1685. That he should choose Venice is not surprising, since the Serenissima had been a popular destination for string-instrument makers of Germanic origin since the Renaissance.

The rise of Matteo Goffriller within the guild of musical-instrument makers was rapid.

From 1690, he ranked among the most important instrument makers of the city, thanks to his specialisation in string instruments. His studio retained its dominant position until 1715. Matteo Goffriller retired for health reasons about 1735 and died a few years later, in 1742.

Today, cellos made by Goffriller, together with those made by his fellow Venetian, Domenico Montagnana, are considered to be the ideal instrument by most cellists. Raya Garbousova, Mischa Schneider, Leonard Rose, Janos Starker, Anner Bylsma, Valentin Erben of the Alban Berg Quartet, and Daniel Müller-Schott, Gautier Capuçon or Alban Gerhardt, among others, have in the past played, or currently play, cellos made by Goffriller.

BGL BNP Paribas’ cello is one of the instruments made by Goffriller which had its entire outer shape changed in the nineteenth century. Prior to its arrival in Luxembourg, the history of the cello is unfortunately poorly documented, and the absence of an original label makes it difficult to date. The instrument was sold by Hill & Sons in 1925 to a Miss B. Storey and remained in British possession until its acquisition in 1993 by BGL BNP Paribas. The instrument was then made available to the Luxembourg cellist Françoise Groben (1965-2011).

Due to her great talent, her perseverance and her extraordinary personality Françoise Groben was able to give a heart and soul to Matteo Goffriller’s cello.

From 1993 to 2011, BGL BNP Paribas was honoured to be her patron and to make available for her use an instrument which matched her talent, which had been confirmed during the International Tchaikovsky Competition in Moscow in 1990. She performed throughout the world both as a soloist and with Chamber music ensembles (including the Zehetrmair Quartett after 1998) until her premature death. With her sudden death in 2011, the country lost one of its most prestigious musicians.

A cello does not easily reveal the secrets that its creator bequeaths to it, but shares them only with a person who understands it, who can make it sing and who can coax from it all its subtleties.

BGL BNP Paribas could not allow this story to end here. Since 2012, the cello has been made available for use by the Luxembourg Philharmonic Orchestra. The soloists of the LPO, Ilia Laporev and Aleksandr Kramouchin, will certainly rise to the challenge of giving back a heart and soul to the Matteo Goffriller cello.

In memory of the exceptional Luxembourg musician, Françoise Groben, and in order to mark this new chapter, BGL BNP Paribas decided to give a name to this cello, which is so well-known for its unique sound. It is now called “The Luxembourger.”

By allowing the Luxembourg Philharmonic Orchestra to use “The Luxembourger”, BGL BNP Paribas is renewing its links to cultural patronage, and is reaffirming its commitment as a corporate citizen.

THE PHOTOGRAPHS IN THIS ANNUAL REPORT ARE OF THE CELLO “THE LUXEMBOURGER”

ANNUAL REPORT 2012

BGL
BNP PARIBAS

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 the French takes precedence over the translation.

Consolidated key figures

In millions of euros	2012	2011	%
Profit and loss account			
Revenues	1 123.4	793.0	42 %
Revenues excluding leasing and exceptional elements	**783.5**	**767.2**	**2 %**
Total operating expenses	(631.0)	(417.7)	51 %
Total operating expenses excluding leasing and exceptional elements	**(374.0)**	**(382.1)**	**-2 %**
Cost of risk	(60.6)	(157.3)	-61 %
Cost of risk excluding leasing and exceptional elements	**(4.3)**	**(43.5)**	**-90 %**
Net profit attributable to equity holders of the parent	266.8	297.8	-10 %
Net profit attributable to equity holders of the parent excluding leasing and exceptional elements	**309.3**	**300.4**	**3 %**
Cost Income Ratio	56%	53 %	
Cost Income Ratio excluding leasing and exceptional elements	**48%**	**50 %**	
Total solvency ratio	22,8 %	30,7 %	

Ratings (March 2013)	Moody's	Standard & Poor's	Fitch
Short term	**P-1**	**A-1**	**F1**
Long term	**A2**	**A+**	**A+**

The 2012 results were impacted by the acquisition of the leasing entities of the Group (which led to a change in the consolidation method from 31/03/2012) and by other exceptional items. Please refer to the Consolidated financial statements after page 38.

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Vice-Chairman
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Vice-Chairman
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(as from 11 January 2013)

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(until 13 December 2012)

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Société coopérative
Réviseurs d'entreprise

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Member

MANAGEMENT BOARD From left to right: Marc Lenert, Carlo Lessel, Carlo Thill, Hubert Musseau, Luc Henrard, Anne Kayser, Thierry Schuman, Kik Schneider, Eric Martin, Dominique Goulem.

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Secrétaire Général

INTERNAL AUDIT

EMMA PERTAT

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BGL BNP PARIBAS FACTOR SA
MARCEL HOH
General Manager

FRANCE

SADE (SOCIÉTÉ ALSACIENNE DE DÉVELOPPEMENT ET D'EXPANSION)
ANTOINE GILLIOT
Chief Executive Officer

Statement of the Board of Directors

(as required by the Transparency Law of 11 January 2008)

The Board of Directors of BGL BNP Paribas SA ("The Bank") is responsible for the preparation and fair presentation of the consolidated accounts of BGL BNP Paribas SA in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the EU Transparency Directive (2004/109/EC).

On 15 March 2013 the Board reviewed the consolidated financial statements, as submitted by the Management Board, and authorised their publication.

In accordance with Article 3 of the Law of 11 January 2008, the Board of Directors declares that, to its best knowledge, the consolidated accounts give a true and fair view of BGL BNP Paribas SA as at 31 December 2012, and of the consolidated financial performance of its operations as well as the consolidated cash flows, and that there is no factor which might have a substantial impact on its financial position.

Luxembourg, 15 March 2013

Management Report of the Board of Directors

PREAMBLE

The announcement in late July by the President of the European Central Bank (ECB), Mario Draghi, that he was ready to do "whatever it takes" to save the euro, followed in early September by the announcement of the programme of Outright Monetary Transactions, were undoubtedly among the key events of the past year. By broadly ruling out the possibility of a break-up of the eurozone, in the short or medium term, these announcements played a decisive role in stabilising financial markets and reducing interest rates for the peripheral countries of the eurozone. In addition, they almost certainly contributed significantly to the recent rally in different asset classes at risk. Consequently there was a marked rise in equity markets in Europe during 2012, and a very strong performance for corporate bonds. On the other hand, gold, traditionally viewed as a safe haven, posted a far more modest gain in 2012, having had two years of robust growth in 2010 and 2011.

Even though the ECB alone cannot solve the fundamental problems of the eurozone economies, it has given governments more time to pursue the necessary structural reforms and to return to growth. It remains to be seen whether governments will manage to continue to pursue these reforms in the face of a record unemployment rate (11.8% for the eurozone at the end of 2012), a lack of sustained growth (there was a 0.6% contraction in the eurozone in 2012) and increasing signs of social unrest.

In the United States, 2013 can be expected to bring more debate and uncertainty about spending cuts, tax increases and the adjustment of the debt ceiling. There is however some good news: there are signs of a return to growth and a stabilisation in the labour market. Moreover, we have seen the beginnings of an encouraging recovery in property prices.

Our baseline forecast is for global growth in 2013 to be slightly higher than the rate of 3.0% recorded in 2012. In China, there are increasing signs of a slight recovery after two years of relative slowdown. The outlook for growth also remains positive in some other emerging economies.

Despite the highly expansionary monetary policies of the major central banks, we continue to forecast modest levels of inflation in 2013 due to substantial excess capacity and moderate wage pressure, in the face of high unemployment rates. For the eurozone, after inflation of 2.5% in 2012, our baseline forecast is for an inflation rate below 2% for the year to come. In the United States, our baseline forecast is for a stable inflation rate in 2013.

In Luxembourg, even though the country continues to weather the crisis relatively well, 2012 nevertheless brought a slowdown in growth. Figures from the government statistics service (Statec) suggest there was almost no growth between the third quarter of 2011 and the third quarter of 2012. The unemployment rate rose to 6.4% in December 2012. At the same time, net job creation remained positive. The number of corporate bankruptcies rose more than 4% over the year in 2012. Finally, the inflation rate for 2012 was 2.7%, which represents a marked decline compared to 2011, but it is still higher than the average of other countries in the eurozone.

As regards Luxembourg's financial sector, the employment situation there remained relatively stable. Global banking income increased by more than 10% over the year according to figures released by the CSSF, Luxembourg's financial regulatory authority. However, it should be noted that interest margins, as well as commissions income, were down (-5.5% and -2.9% respectively) and the increase in banking income resulted from other net income of an exceptional nature. Banks continue to prepare for the implementation of the Basel III rules and the new liquidity ratios. The recent revisions in this context have been welcomed, and they should have a positive impact on the overall supply of credit. An important issue in 2013 will be to see what decision Europe reaches in terms of its progress towards a banking union. After the important agreement to give a central supervisory role to the ECB, attention should be focused on two other aspects: resolution mechanisms and deposit-guarantee schemes.

As concerns the scope of activities of BGL BNP Paribas, the highlight of 2012 was the increase in the equity holding of BGL BNP Paribas SA in BNP Paribas Leasing Solutions SA, which is responsible for the main leasing activities of the BNP Paribas Group. In order to diversify its activities, BGL BNP Paribas SA increased its shareholding from 33.33% to 50% plus 1 share. As part of this transaction, the leasing entities linked to banks in the domestic markets of the BNP Paribas Group were sold to corresponding entities in France and Belgium; other leasing entities were grouped into a holding company attached to BGL BNP Paribas SA.

In a similar vein, in order to expand its services to companies, BGL BNP Paribas SA acquired BGL BNP Paribas Factor SA (formerly Fortis Commercial Finance SA), which is the only operational factoring entity based in Luxembourg.

CONSOLIDATED MANAGEMENT REPORT

The year 2012 was dominated by the difficult economic situation, which resulted in a slowdown in economic activity within a eurozone already in recession (GDP : -0.6%) and by a new crisis in the markets, in particular in the sovereign debt markets, mainly in the first half of the year. These circumstances had an adverse affect on the Bank's earnings.

However, the results for 2011 and for 2012 were impacted by different exceptional items.

First, the Bank reduced its sovereign debt exposure during the last quarter of 2011 and first half of 2012. This translated into a reduction of earnings in 2012 of 56.0 million euros at the level of net banking income and of 2.6 million euros in the cost of risk; while in 2011 the negative impact on net banking income had amounted to 10.1 million euros and the Bank had had to post adjustments to the cost of risk to the value of 113.8 million euros, due to its Greek debt exposure.

The Bank was also impacted by the revaluation of its own debt, which was substantially affected by the positive tightening of credit spreads for BNP Paribas. This reduced income in 2012 by 37.6 million euros, while in 2011 the Bank had recorded a gain of 35.9 million euros.

Finally, following the slowdown in its asset management activities, the Bank recorded a negative adjustment of 50.0 million euros on its 5.1% holding in BNP Paribas Investment Partners (BNPP IP).

At the perimeter of the Group's activities, the highlight of 2012 was the increase in BGL BNP Paribas SA's equity interest in BNP Paribas Leasing Solutions SA, which is responsible for the bulk of the leasing activities of the BNP Paribas Group. In order to diversify its activities, BGL BNP Paribas SA increased its equity interest from 33.33% to 50% + 1 share. As part of this transaction, the leasing entities linked to banks in the domestic markets of the BNP Paribas Group were sold to domestic banks in France and Belgium.

Income Statement

Due to this transaction, there is a change in the consolidation method regarding the recognition of income from leasing activities in the consolidated accounts in 2012.

- From 1 January to 30 March 2012, as throughout 2011, income from these activities is accounted for as income from associate companies, reflecting an equity interest of 33%.
- From 31 March 2012, the results of the leasing activity are fully consolidated in the accounts of BGL BNP Paribas SA. Minority interests are calculated in the consolidated accounts of the leasing entities, based on an equity holding for BGL BNP Paribas of 50% + 1 share.

To facilitate an analysis of the change in the income statement, the table below shows the contribution from leasing to the results of the year 2012 in separate columns.

In millions of euros	Year to 31 December 2012		Pro forma 2012		Year to 31 December 2011
	Total	of which: Leasing	with the contribution of Leasing presented as a share of associate companies	with the contribution of Leasing excluding the restructuring	Total
Revenues	**1 123.4**	**483.4**	**640.0**	**640.0**	**793.0**
Operating expenses	(631.0)	(237.1)	(393.9)	(393.9)	(417.7)
Gross operating income	**492.4**	**246.3**	**246.1**	**246.1**	**375.3**
Cost of risk	(60.6)	(53.8)	(6.8)	(6.8)	(157.3)
Operating income	**431.8**	**192.5**	**239.3**	**239.3**	**218.0**
Share of earnings of associates	25.3	20.9	79.6	67.7	88.2
of which: Leasing	*20.9*	*20.9*	*75.2*	*63.3*	*84.1*
Other non-operating items	3.3	7.0	(3.7)	(3.7)	16.2
Pre-tax operating income	**460.4**	**220.4**	**315.2**	**303.3**	**322.4**
Operating income tax	(116.5)	(68.1)	(48.4)	(48.4)	(39.2)
Net on discontinued operations	-	-	-	-	14.6
Net income	343.9	152.3	266.8	254.9	297.8
Net income attributable to equity holders	266.8	75.2	266.8	254.9	297.8

The two columns "Pro forma 2012" aim to present an income statement in a similar format to 2011.

In the first column "Pro forma 2012 - with the contribution from leasing presented as a share of associate companies" the line showing the share of associate companies separates out income from leasing activities of 75.2 million euros from the consolidated income. This contribution reflects the new scope and the impact of the restructuring (33% in the first quarter and 50% + 1 share from 31 March 2012).

The next column "Pro forma 2012 - with the contribution from leasing excluding the restructuring" highlights the estimated share of leasing activities under the conditions existing prior to the takeover and restructuring (that is, 33% for the entire year). This estimate notably includes the contribution for the last 3 quarters of 2012 of units sold during the restructuring (for 2.6 million euros) and excludes the associated loss on disposal of 8.2 million euros. In this pro forma view, the net contribution of leasing activities would have been 63.3 million euros.

Revenues reached **1,123.4 million euros** for the year to 31 December 2012 compared to EUR 793.0 million the previous year, an increase of 330.4 million euros or 42% due to the inclusion of income from leasing activities. Excluding the aforementioned exceptional items and the contribution from the leasing activity, revenues would have shown an increase of 2%.

Net interest income amounted to 1,030.2 million euros for the year to 31 December 2012 compared to 623.5 million euros at 31 December 2011, an increase of 406.7 million euros, or 65%. Excluding the contribution of leasing activities, this accounting heading would have shown a decrease of 38.8 million euros (-6%).

This decline is primarily the result of the sale, during the second half of 2011 and the first half of 2012, of high-yielding sovereign debt, since the funds could not be re-invested at such high yields (there was a negative impact of 24.7 million euros compared to the previous year). Additionally, this decline can also be explained by the negative contribution from structuring transactions (a negative impact of 20.8 million euros compared to the previous year), which is offset by an increase in the line *Net Gain/loss on financial instruments at fair value through profit or loss.*

Net interest income from Retail and Corporate Banking and Private Banking improved respectively by 11.7 million euros, or an increase of 6%, and 1.5 million euros, up 2%, due to a rise in outstandings, mainly in the deposits of the BEL (*Corporate Bank)* in the large company sector. Interest income from cash and equivalents was stable.

Net fees and commissions slipped from 202.7 million euros in 2011 to 199.0 million euros in 2012, down 2%. The contribution from leasing activities was 13.9 million. Local redeployment of trading, especially of forex products, reduced the brokerage fees received by 8.7 million euros. Loan commissions were down sharply by 6.1 million (-42%), due to large volumes of early closure of credit agreements in 2011, mainly in the area of financing of leasing activities and, as foreseen in the industrial plan of 2009, the progressive phasing-out of activity related to large corporations with headquarters in German-speaking countries.

The **Net Gain/loss on financial instruments at fair value through profit or loss** showed a loss of 35.4 million euros compared to a loss of 15.5 million euros in 2011, a difference of 19.9 million euros. This item was very significantly impacted by the tightening of credit spreads in 2012 which had a negative impact on the value of the Bank's own issues (a loss of 37.6 million euros in 2012 against a profit of 35.9 million euros in 2011).

By contrast, the termination of some structuring operations in the second half of 2011 improved this accounting item (up 20.8 million euros). The compensating accounting item can be found under *interest income and associated expenses*.

The increase in ordinary income comes mainly from the revaluation of the portfolio of Credit Default Swaps, which is being run down, and which benefited in 2012 from the tightening of the credit spreads of counterparties, generating a profit of 12.0 million euros compared to a loss of 5.7 million euros in 2011.

There was a loss of 103.3 million euros in the **Net gain/loss on available-for-sale financial assets** in 2012 compared to a loss of 16.8 million euros in 2011. The loss incurred in the asset management activities of the BNPP IP Group led the Bank to record a reduction in the value of its share holding of 50.0 million euros.

On the other hand, during the first half of 2012, the Bank sold part of its bond portfolio of Portuguese sovereign debt. These sales reduced its exposure by 160 million euros, with outstanding assets now amounting to 235 million euros. Realized losses on these sales totalled 54.3 million euros.

Meanwhile, in March 2012, the Bank participated in the exchange of its Greek sovereign debt bonds.

The Greek bonds obtained during this operation were then sold, generating an additional loss of 1.4 million euros. As at 31 December 2012, the Bank is no longer exposed to Greek debt.

In 2011, the Bank had reduced its exposure to Spanish, Italian and Belgian sovereign debt through the disposal of securities. The net impact of these disposals amounted to a loss of 10.1 million euros.

The net of **Income and Expenses from other Activities** was a positive 32.7 million euros against a negative 0.9 million euros in 2011. This improvement was generated by net rental income, received by leasing companies, of 38.5 million euros.

In the year to 31 December 2012, **Operating Expenses** amounted to **631.0 million euros** compared to 417.7 million euros at the end of the previous year. Excluding the contribution from leasing activities, this item was down 23.8 million euros (-6%).

Salary and Employee Expenses were stable, up 0.6 million while other General Operating Expenses were down by 20.3 million euros (-13%), mainly due to lower costs associated with the integration of BGL BNP Paribas in the BNP Paribas Group (19.9 million euros in 2012 compared to 35.6 million euros in 2011).

Excluding integration costs and the contribution from the leasing activity, Operating Expenses were down 2%.

The **Cost of Risk** amounted to -**60.6 million euros** by comparison with - 157.3 million euros in 2011. Depreciation charges for value adjustments mainly concerned leasing activities (-53.8 million euros). At the level of banking activities, there were value adjustments of only -3.7 million euros.

In the securities portfolios, the cost of risk in 2012 is limited to 0.7 million euros, while in 2011 there were provisions for Greek sovereign debt amounting to 113.8 million euros.

Non-operating Income amounted to **28.6 million euros** compared with 104.4 million euros for 2011. During the course of 2011 leasing activities contributed 84.1 million euros, as a 33% share holding under the heading share of earnings of associates. In 2012, the contribution of leasing to this heading of 20.9 million euros is primarily due to the inclusion of the *share of earnings of associates* up to the date of the takeover of these activities on 30 March 2012.

As presented in the pro forma table above, **the net contribution from leasing activities** in 2012 amounted to 75.2 million euros (3rd column in the table "Year 2012 - including leasing") a decrease of 8.9 million euros compared to 2011. This decline is due to value adjustments on investment properties in the leasing business in France and the losses stemming from the disposal of leasing entities linked to banks in domestic markets, which were sold to domestic banks in France and Belgium.

The contribution of leasing activities on a like-for-like basis (33% in both 2012 and 2011 excluding the restructuring operation) would have resulted in a contribution of 63.3 million euros (fourth column), a negative variation of 20.8 million euros. This decrease is partly due to the recognition of value adjustments while running down investment properties in the leasing activities in France, combined with a higher cost of risk over the year.

The decline in income from certain companies, deemed non-strategic and being run down, is compensated for by improved margins overall.

Corporate Income Tax totalled **116.5 million** euros compared to 39.2 million euros in 2011, an increase of 77.3 million euros over the previous year. This is mainly due to the inclusion of leasing activities in the consolidated figures.

Finally, after deducting income belonging to minority interests with shareholdings of 50% - 1 share from leasing activities, the **Group share of net income** for 2012 showed a net profit of **266.8 million euros** compared to a net profit of 297.8 million euros for 2011, down by 31.0 million euros.

Excluding the exceptional items mentioned in the introduction and integration costs, Group share of net income would have increased by 8.9 million euros or 3%.

Balance Sheet

The consolidated balance sheet was strongly affected by the integration of the leasing activity at 31 March 2012. The acquisition of BNP Paribas Leasing Solutions SA and its subsidiaries is presented in the consolidated balance sheet by including the assets and liabilities of those entities by using the method of business combination under common control. Therefore, the book values that are shown are those of the assets and liabilities as they appear in the consolidated accounts of BNP Paribas, the controlling entity of BGL BNP Paribas SA as well as of BNP Paribas Leasing Solutions SA and its subsidiaries, before and after the transaction.
Goodwill of 109 million euros, representing the difference between the acquisition price of 383 million euros, (16.67% of 2.3 billion euros) and the net value of assets and liabilities entered in the consolidated accounts, was directly deducted from equity.

At 31 December 2012, total assets amounted to 44.4 billion euros, compared to 32.8 billion euros as at 31 December 2011. This sharp increase was mainly due to the inclusion of the leasing activity, which contributed 20.1 billion euros to total assets as at 31 December 2012.
At 31 December 2011, the contribution of the leasing activity to the BGL BNP Paribas Group of 782 million euros was shown under the heading *Investments in Associates*. The financing of the leasing business by BGL BNP Paribas SA, which increased from 5.0 billion euros at 31 December 2011 to 6.2 billion euros at 31 December 2012, is completely eliminated in 2012 as an intra-group transaction.

The impact of the integration of leasing at 31 March 2012 is visible primarily in loans and receivables due from customers, and debts to credit institutions, as detailed opposite.

In billions of euros	31 December 2012		31 December 2011
	Total	of which: integration of leasing at 31 March 2012	Total
ASSETS			
Cash and amounts due to from central banks and post offices	1.3	-	0.8
Loans and receivables due from credit institutions	9.0	1.6	11.2
Loans and receivables due from customers	27.3	18.3	13.8*
Investments in associates	0.2	-	0.8
Portfolios	3.9	0.3	4.2
Other assets	2.7	1.6	2.0
TOTAL ASSETS	44.4		32.8
LIABILITIES			
Due to credit institutions	12.1	13.2	3.4
Due to customers	19.7	0.2	19.4
Debt securities	2.6	0.1	1.6
Other liabilities	3.2	1.5	2.9
Total capital attributable to shareholders	**5.6**	**0.8**	**5.5**
Minority interests	1.2	1.0	-
TOTAL LIABILITIES	44.4		32.8
Financing of leasing activities by BGL BNP Paribas at the moment of the integration		5.0	

** At 31 December 2011, the loans and receivables due from customers include investments in leasing activities for an amount of 3.0 billion euros.*

On the **assets** side, **Financial instruments at fair value through profit or loss** decreased from 1.4 billion euros at 31 December 2011 to 0.6 billion euros at 31 December 2012. This reduction was principally due to the maturity of reverse repos and securities primarily related to short term financial structuring transactions introduced in December 2011.

Available-for-sale financial assets slipped from 3.4 billion euros at 31 December 2011 to 3.2 billion euros at 31 December 2012. The decrease in the bond portfolio, as some maturing bonds were not replaced, is offset by an increase in the equity portfolio, after taking into account investments in leasing companies, which were not consolidated due to their low level of materiality.

Loans and receivables due from credit institutions were down 2.2 billion euros (-19%) to 9 billion euros at 31 December 2012.

The inclusion of leasing activities using the global integration method meant that in the consolidated accounts, the Bank eliminated the funding provided by BGL BNP Paribas SA to leasing entities with banking status. At 31 December 2011, the accounting heading which included this type of financing stood at 2.0 billion euros, while it was 3.1 billion euros at 31 December 2012, and the full amount is eliminated in consolidation. Meanwhile, the same change in scope lead to the inclusion of interbank placements by the leasing entities outside the BGL BNP Paribas Group, amounting to 1.2 billion euros at 31 December 2012.

Loans and receivables due from customers increased very significantly, rising from 13.8 billion euros at 31 December 2011 to 27.3 billion euros at 31 December 2012, an increase of 13.5 billion euros. This increase is mainly due to the integration of leasing contracts entered into by BNP Paribas Leasing Solutions SA and its subsidiaries, amounting to 17.0 billion euros at 31 December 2012 (compared to 18.3 billion euros at the time of entry in the scope of consolidation). This is partially offset by the elimination, through the consolidation process, of the funding provided by BGL BNP Paribas SA to leasing entities that do not have bank status. This funding amounted to 3.0 billion euros at 31 December 2011 compared to 3.1 billion euros at 31 December 2012 and the full amount is eliminated in consolidation. In terms of banking activities, loans and customer receivables fell slightly by 0.3 billion euros, mainly due to the maturity or sale of Portuguese sovereign debt, which had been reclassified in 2011 due to its lack of liquidity, and the gradual decline in funding for large German corporations.
For Retail and Corporate Banking, credit volumes were up 2.4%, principally due to the growth in real estate loans.

Held-to-maturity financial assets decreased by 228.0 million euros (-31%) slipping from 737.2 million euros at 31 December 2011 to 509.2 million euros at 31 December 2012. Again, because of the instability of the financial markets, the Group has not fully reinvested in bonds the cash acquired from repayments of maturing positions, mainly Portuguese debt, or from swaps of Greek sovereign debt.

On the **liabilities** side, **Financial instruments at fair value through profit or loss** decreased by 1.1 billion euros (-48%), from 2.3 billion euros at 31 December 2011 to 1.2 billion euros at 31 December 2012. This decline is mainly due to the closing out of short positions in securities taken during short-term financial structuring transactions, which were put in place in December 2011.

Due to credit institutions increased very significantly from 3.4 billion euros at 31 December 2011 to 12.1 billion euros at 31 December 2012, up 8.7 billion euros. This increase is mainly due to the inclusion of leasing entities, for which funding totalling 9.1 billion euros was obtained from other entities of the BNP Paribas Group at 31 December 2012.

Due to customers remained stable, rising slightly from 19.4 billion euros at 31 December 2011 to 19.7 billion euros at 31 December 2012. For Retail and Corporate Banking in Luxembourg, growth in deposits was significant, increasing by 11%, mainly due to corporate and institutional clients. Private Banking saw its balance sheet deposits decrease by 8%, primarily since many clients chose to invest in securities. As a result, assets under management in Private Banking remained stable, with a slight increase of 1%.

Debt securities totalled 2.6 billion euros at 31 December 2012 compared to 1.6 billion euros at 31 December 2011, a rise of 1.0 billion euros. This increase is primarily due to the issuance of short-term paper (European Commercial Paper).

Own Funds

The integration of leasing activities using the full consolidation method contributed to the increase in total book equity, due to the recognition of minority interests in the equity of BNP Paribas Leasing Solutions SA and its subsidiaries for an amount of 1.2 billion euros. Total book equity amounted to 6.9 billion euros at 31 December 2012, the Group's share being 5.6 billion euros .

Following the integration of leasing activities in consolidated assets, risk-weighted assets falling within the scope of consolidation grew very significantly from 13.6 billion euros at 31 December 2011 to 25.3 billion euros at 31 December 2012, while regulatory capital, excluding profit for the current year, increased by 4.3 billion euros to 5.8 billion euros.

As a result, the **solvency ratio** was 22.8% at 31 December 2012 compared with 30.1% at 31 December 2011 (excluding profit for the current year).

Outlook for 2013

The activities of strategic business lines continue to develop positively, even though the economic environment in the eurozone remains challenging.
In 2013 the Group will continue its strong commitment to its clients and its investments in innovation. At the same time, the Group will maintain its efforts to optimise operations by subscribing to the "*Simple & Efficient*" programme, launched globally by the BNP Paribas Group. This programme applies to all business lines and geographic sites where the Group is present: it aims to simplify the Group's way of functioning and to improve operational efficiency. The Group is planning to invest in this during 2013 and 2014, in order to achieve economies by 2015 and to prepare the Bank to meet future challenges.

Risk management

The Bank's risk management policies are described in detail in note 4 to the consolidated financial statements at 31 December 2012.

This policy is designed to ensure proper deployment of all necessary measures to comply fully with the required standards of governance. In addition to the central management bodies that coordinate risk monitoring, each of the Bank's business lines has a permanent Control function dedicated to that particular activity.

At central management level, the different types of risk are monitored and managed by special committees, which meet on a regular basis. The Central Credit Committee (which meets once a week) monitors credit risk; the Asset & Liability Committee (which meets once a month) monitors market risk and the Committee for the Coordination of Internal Control and Risk Prevention (which meets once a month) and the Permanent Control Committee (which meets every six months) monitor operational risk.

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

The Commission de Surveillance du Secteur Financier (CSSF), the Luxembourg financial services supervisor, in its calculation of limits on major risks, granted total exemption for all risks taken by the Bank toward BNP Paribas Group entities, pursuant to Part XVI, Paragraph 24 of the amended CSSF Circular 06 / 273.

The Bank's activities

Retail and Corporate Banking Luxembourg (BDEL)

BGL BNP Paribas is the second largest bank for resident individuals in the Grand Duchy of Luxembourg, with 204,000 customers (16% [1] of declared market share). It is the foremost bank for corporations, with 36,000 clients (35% [2] of declared market share).

Through its network of 38 branches and its services and departments dedicated to companies, the Bank offers its individual and professional customers, and companies, a range of products and financial services that is exceptionally broad. In the same vein, in 2012 BGL BNP Paribas finalised the process whereby the Private Bank will operate in partnership with its branch network. The Private Bank now boasts six sites, spread across the country, the most important being "d'Villa" on the Boulevard Royal in the heart of Luxembourg; hence the Bank is able to provide wealthy resident clients with global management of their current and future financial interests. This approach, based on listening attentively, proximity and expertise, has been established to reflect the changing needs of resident customers. It allows clients to benefit both from the expertise of the Wealth Management department, regarding this customer segment, and the proximity through the branch network.

[1] *ILRES survey Octobre 2012*
[2] *ILRES survey Octobre 2012*

At the level of Retail Banking, the implementation of new customer solicitation and relationship tools has been completed.

Among the flagship offerings for 2012, the "à la carte current account" allows for greater transparency and flexibility in setting bank charges: a direct response to the needs expressed by customers in satisfaction surveys. Since July 2012, the Bank has also provided payment advices and bank statements in A4 or electronic format, underlining its commitment to being environmentally responsible. It is of note that at the end of 2012, 25% of customers who actively use Web Banking had already opted to to receive electronic payment advices and bank statements.

Given its international scope and its desire to improve the services available to its clients, the Bank has launched several programmes including "BNP Paribas Priority" a new global service aimed at the Bank's wealthy resident clients. The Bank has also improved its "Cross-border Offering" in collaboration with the BNP Paribas network in France and now offers its cross-border commuters a comprehensive and fully-integrated range of services. Finally, through the network of BNP Paribas and its partners, the "BNP Paribas Global Network and Global Alliance" allows Bank customers to make free withdrawals at over 50,000 ATMs worldwide.

It should be noted that at the end of 2012, the modernisation of the branch network continued with the branch at the Railway Station being refurbished, in line with the concept of "Customer orientation and counselling."

The Corporate Bank (BEL) also benefited from the BNP Paribas Group's "One Bank for Corporates" European development strategy to increase the numbers of cross-border commuters using its services, as well as extending its range of products and solutions for local businesses.
In the corporate segment, a detailed review of client portfolios has been methodically undertaken in order to detect potential customer needs, in terms of cash management, global trade services, factoring and leasing. This approach enabled the Bank to increase cross-selling between business lines.
The Bank has also been able to benefit from the skills and specific expertise of other entities in the BNP Paribas Group, including structured financing and hedging products for raw materials, in order to develop the range of products and solutions it offers its Corporate clients.
Also of note is the significant increase in deposits in the Corporate Bank and the growing success of our Cash Management offering in 2012.
In the public sector, the offering dedicated to non-governmental organizations and associations (NGOs) was a great success.

The activity of Global Trade Services has also developed very positively over the year (especially in documentary credits).
In the Greater Region, cross-border cooperation has allowed the Bank to offer an efficient service to companies, that are simultaneously active in several geographic regions. The leasing activity experienced strong growth in volumes in 2012, especially with local businesses.

Constantly striving to provide a wide range of funding formulae, the Bank acquired 100% of the share capital of BNP Paribas Factor SA in April 2012. Factoring allows companies to have additional cash to grow their business and still meet their daily expenses. BGL BNP Paribas is currently the only bank in the financial market to provide this service.

At a structural level, there was increased collaboration with other business lines of the Bank, including Wealth Management and BNP Paribas Personal Investors, as well as other BNP Paribas Group entities such as Cardif Lux Vie SA, BNP Investment Partners SA and Arval Luxembourg SA.

Wealth Management

In a context of high market volatility, the results of the Bank with respect to the Wealth Management business line grew 4% in 2012. Wealth Management provides tailored wealth and financial management solutions, as well as a set of high quality services to private banking clients, resident in Luxembourg and abroad.

Moreover, the performance of the portfolios under management in 2012 was significantly better than the inflation rate in Europe, reflecting the appropriate, early decisions made by the Bank with regard to asset allocation and to market developments. It should also be noted that assets under discretionary and advisory management mandates increased significantly during 2012.

In addition, the trust shown in the Bank by its customers allowed it to increase the number of business relationships and to raise the amount of assets on deposit. The development of a new form of business relationship, based on a global approach to managing client assets, which was initiated several years ago, has enabled the Bank to provide customers with a broader expertise, while respecting the legal requirements based on the client's residence.

With this in mind, throughout 2012, the Bank continued to develop and strengthen those measures already in place to provide a bespoke service to *Ultra High Net Worth Individuals* (clients whose assets exceed 25 million euros). In parallel, employees specialised in the field of *Corporate Finance Solutions* can provide entrepreneurs with all the expertise required for the management, structuring and sale or transfer of these specific assets.

To achieve these targets, and to maintain the sales teams of the Wealth Management business line at the highest level of professional know-how, the Bank implemented and delivered a training programme adapted to the new requirements.

It should also be noted that, in the field of expertise, the Bank further strengthened its teams of financial wealth engineers, with the help of FIDUPAR, the company in the BNP Paribas Group which specialises in providing financial wealth structuring, thus bringing a quality support to the overall relationship that the Bank wishes to develop with its customers.

These different approaches allowed the Bank to improve the level of expertise relative to each place of residence of the customer, while also providing other smaller professionals in the Financial Centres with full access to this knowledge.

At the same time, the Bank has made all of its expertise in the area of Wealth Management available to a newly created entity, destined to serve wealthy resident customers.

BNP Paribas Personal Investors

BNP Paribas Personal Investors, a business line of BGL BNP Paribas, specialises in online savings and brokerage. It caters to both an international and resident clientele, who are looking for high quality service, while still retaining flexibility of management via Internet, the phone or face to face. Its activities in Luxembourg continued to grow successfully in its three strategic areas:

- The strengthening of its position as a specialist in the Luxembourg Stock Exchange, notably by extending the availability of its capabilities with respect to execution and advice in financial markets to individual customers of the branch network of the Bank. *The Global Invest Action* and the *Global Invest Action Start* aimed at investors are now an integral part of the Retail Banking offer.

- The acceleration in the development of expatriate clients through The Bank For Expats ® and the use of the label received in 2011 from the Magellan Network, helped to establish a number of partnerships with key expatriation players in 2012. Several campaigns targeting expatriates were also launched, supported by the re-designed web-site www.thebankforexpats.com. The Bank For Expats ® has thus consolidated its position as a specialist bank for individual expatriates or those considering expatriation, by offering the customer personalised guidance, thanks to a specific training plan for employees on expatriation issues.

- The continued increase in its activity in the business line Professional Partners, aimed at financial advisors and third party investment managers, with the signing of 10 new partnerships.

2012 was also marked by the launch during the year of the new version of the website www.bnpparibas-personalinvestors.lu, which is based on the combined expertise of the teams in BGL BNP Paribas and Cortal Consors, the European specialist in savings and online brokerage for individuals. The site's features include new advanced functions to assist investors as well as the potential to open an account online. The new site was a significant aide to the development of this activity.

These actions resulted in a further improvement in the activity of BNP Paribas Personal Investors in 2012, both in terms of acquiring new customers and in net inflows.

Corporate and Investment Banking/Treasury

Corporate and Investment Banking provides services related to the equity and money markets, brokerage, investment banking, structured finance, hedging transactions for companies and active or passive portfolio management services.

In a market environment which remained tense, the year 2012 closed with positive returns for all market activities. After a start to the year which was characterised by a certain amount of tension in the sovereign debt market, the relevant decisions of the European Central Bank (ECB) and the steady progress undertaken by the political authorities improved the perceived risk vis-à-vis peripheral countries and their financial institutions.

As the economic environment became more favourable again, the Bank was able to finance its activities through customer deposits and a successful Euro Commercial Paper issue programme. In terms of interest rates, the general movement towards lower yields, driven by Central Banks, enabled the **Treasury** business to improve its margins.

In the field of regulatory developments, the Bank established a catalogue of measures to be taken in order to optimise a stable Liquidity Coverage Ratio (LCR). The effectiveness and cost of implementing each action were evaluated to establish the priorities for implementation. Similarly, the Bank conducted a study of the Dodd-Frank and European Market Infrastructure Regulation (EMIR) regulations and incorporated the consequences of this study in its adaptation plans.
A training plan in these complex matters has been set in place for all Bank employees working in the markets.

In the currency area, the strong convergence between the monetary policies of the G10 countries led to a steady decline in volatility, which is on its way to reaching the historically low levels last achieved in 2007, despite the many macroeconomic and financial shocks felt in 2012.

The direct consequence of this reduced volatility was lower volumes, as many companies felt a diminished need to buy cover, and hedge funds identified fewer profitable investment opportunities.

The continuing decline in the EUR / USD exchange rate, which started in May 2011 when it was close to 1.50, was arrested in July 2012 at just above 1.20. The decisions taken by the ECB to reduce market perception of tail risk in the countries at the southern periphery of Europe largely contributed to this situation.
Under these conditions, the flow trading teams dealing with foreign exchange and bond products enabled the Bank to achieve a solid performance in this area.

In the **Fixed Income area**, the Bank also achieved satisfactory results due to its specialisation by customer segment and its access to the full range of products and services of the BNP Paribas Group. Among the most notable achievements in 2012, was a sharp rise in revenue from institutional clients, mainly due to sustained growth in new bond issues and "Private Placement" activity. The structured products in the branch network, including *Step Up* and *Range Accruals*, also enjoyed success with the placement of more than 200 million euros worth of issues.

In the **Structured Capital Markets** department, funding for corporate clients and financial institutions was provided whilst paying particular attention to the use of liquidity, the balance sheet and regulatory capital, in order to comply with the new regulations being implemented in the banking sector. The *Optimisation & Structured Leasing* department continued to provide optimal structured financing solutions for Luxembourg and international companies, whilst working closely with teams in the Corporate Bank and with other banks in the market place.

For the **Global Equities and Commodity Derivatives** department, the *Equity Forward Trading* activity expanded its access to market liquidity in 2012. As refinancing was largely optimised, this platform displayed an interesting flexibility, by being able to seize opportunities as they occurred.

In 2012 the **Financial Institutions Group** (FIG), which is the partner for many institutional clients in Luxembourg, recorded a significant increase in goodwill, manifested by both an increase in account relationships and a dynamic cross-selling of the products and services of the BNP Paribas Group. The role of contact facilitator or intermediary for the FIG department is now well established, and in 2012, this resulted in the Bank successfully obtaining several mandates.

On the commercial side, the FIG relied on the traditional activities and skills of its people working in a trading room environment and other related functions of the Corporate & Investment Banking business line, particularly those related to structured finance and investment.

Finally, the Bank has sought to develop a strategy to cross-sell the product range of other specialised entities within the BNP Paribas Group, operating in Luxembourg and France, in particular, BNP Paribas Real Estate, BNP Paribas Securities Services and BNP Paribas Investment Solutions.

Operations

Volumes processed in the **Payments** department continued to increase steadily, especially in regard to electronic payments. The number of payments by physical means, representing about 10% of transactions, remained stable compared to 2011.
2012 was marked by efforts to improve productivity and harmonisation, which have their origin in local projects and projects coming from the BNP Paribas Group. Also of note is the importance of the regulatory project SEPA (Single Euro Payments Area) End Date, for which the department is providing not only the technical means for implementation but to which it is also contributing significantly, by helping develop the ensuing business opportunities .

In 2012, the **Account and Client Administration** department was able to further its objective of continuous improvement in the processing and flow of documents, despite the increasingly demanding internal and external regulatory requirements.

Regarding the **Securities** activities, the results for 2012 are more nuanced. Indeed, although the dematerialisation of securities in Belgium resulted in an acceleration in the decline in trading volume in the area of coupon payments (down 60% compared to 2011), it also resulted in a parallel, substantial increase in transfers of securities held on deposit (up 330%).

There was a noticeable movement from investments towards products with a guaranteed repayment or return (down 14% in equities, up 34% in bonds and up 23% in structured products).

The tensions in the financial markets, however, continued to weigh on overall volumes of securities transactions initiated by customers. They have trended down to a lower level than in 2011.

Human Resources

The BNP Paribas Group in Luxembourg is rallying its efforts, two years after the merger between BGL and BNP Paribas, to build a joint future. To achieve this, it has come up with an original concept, namely the "ID WeDo" programme, which was designed so that all employees may have the opportunity to make their voice heard. To give them the opportunity to express their vision of the BNP Paribas Group in Luxembourg, to inform the Management of their ideas, their opinions, their expectations and their questions, a warm and friendly place has been put at their disposal. A trailer was made available to employees, and it circulated round the different sites of the Group in Luxembourg from 1 October 2012 until February 2013.

A concrete action plan, to advance the integration of the two business cultures, will be developed based on the opinions expressed.

With a view to promoting diversity in all its forms, in 2012 the Bank introduced the "Luxembourg Diversity Plan, 2012 to 2015", with five goals and two priorities: diversity of gender and age.

In March 2012, the signing by the "Comité Mixte" (Management and staff representatives) of the industry charter to promote diversity and equal career opportunities marked a significant step forward for the Bank and its employees.

Similarly, in July 2012, the Bank obtained the approval of the Equal Opportunities Minister for the Action Plan, which includes 34 actions to promote equality of treatment between men and women, their equality in the decision-making process and their equality in reconciling work and private life.

In addition, in October 2012 the female network project *Mix'City* Luxembourg was launched and a Diversity Committee was set up.

It should also be noted that in order to ensure the development of skills and long-term employability of its employees, the Bank maintained its wide range of training and development opportunities.

The new procedure of annual performance evaluation and goal setting has been extended to all employees. It combines and embodies the best practices that the BNP Paribas Group wishes to promote. It also reflects the expectations expressed through the *Global People Survey* in terms of transparency and fairness, career management and proximity management.

Staffing situation in BGL BNP Paribas

At 31 December 2012, the total number of staff in the Bank in Luxembourg was 2,651, including 1,402 men (52.89%) and 1,249 women (47.11%). In 2012, the Bank hired 145 new employees (30 fixed-term contracts and 115 contracts of indefinite duration).

The percentage of employees working part-time increased from 21.67% (or 578 people) in 2011 to 22.44% (or 595 people) at the end of 2012.

25 nationalities are represented within the Bank, with the following breakdown of origins:

Luxembourg	40.06 %
France	30.48 %
Belgium	18.52 %
Other EU countries	10.68 %
Non-EU countries	0.26 %

The Bank remained present and visible in the job market both by participating in national job fairs, and also by welcoming 145 new employees and 38 interns in 2012. Moreover, we took note of the wishes of some employees to transfer internally, thereby not only meeting the needs and demands of the changing business lines and functions at the Bank, but also facilitating the personal development of employees.

In this context, we can report a very low net turnover of staff, only 1.65% of whom left to join other employers.

Finally, it is important to mention the signing of the Social Charter of the BNP Paribas Group in July 2012. This agreement, which is the first European agreement on the management of employment, sets out the rules and common approaches of the businesses within the BNP Paribas Group, in the 20 countries that comprise the European Committee. It takes into account the new European dimension of the Group and bears witness to the priority given to social dialogue in a difficult environment.

The Board of Directors is more aware and appreciative than ever of the critical importance of our human capital, comprising all employees of the Bank, especially in these times of change, and wishes to express its gratitude for the continuing efforts and commitment shown by employees throughout the period under review.

It also recognizes the quality of collaboration with all its various social partners. The Board thanks them for their responsible and constructive cooperation and for their important contribution to the wellbeing of employees of the Bank on a daily basis.

Social Responsibility & External Relations

The Bank has been an important force and contributor to the real economy for over 90 years in Luxembourg and the Greater Region, and it intends to develop this role in a responsible and sustainable manner.

In this area, the year 2012 was above all marked by increased communication with internal and external stakeholders, as well as the launch of a highly innovative pilot project: the *Lux Future Lab*.

Launched in mid-2012 as a pilot project, the Lux Future Lab is undoubtedly one of the most avant-garde projects that Luxembourg has witnessed. It consists of two platforms: one entrepreneurial, the other dedicated to training / education –the *Lux Future Lab* aims to have a positive impact on the social and economic dynamics of the country by encouraging individuals who have reached a crossroads in their personal development to re-train, develop business ideas and interact.

Thus, the entrepreneurial platform, which is an incubator for start-ups, already hosts around ten companies (including two social enterprises) and about fifty employees.

The platform dedicated to training / education also had its first major success by putting in place in August 2012, a Summer School for young students. Through this programme, 22 students had the opportunity over two weeks to meet young innovative entrepreneurs, top athletes, passionate artisans, researchers and professionals, distinguished by their innovative approach. They were also faced with new technologies, team exercises, sporting activities, useful skills and some social awareness. The idea of the Summer School is clearly to open up new opportunities for young people and motivate them to become active participants in their own future by building two qualities: entrepreneurship and the pursuit of excellence.

In the same vein, the cycle of conferences entitled Doers & Thinkers, which are organised twice a year, puts forward unusual speakers from the world of entrepreneurs and academia who can offer a view on tomorrow's world. In 2012 the polar explorer Robert Swan showed the image of a social Doer, who is committed to environmental issues, while the Thinker, Thomas Sanderson, outlined the major challenges and threats to security on an international scale.

Another innovation in the field of social responsibility was the establishment of "Click NGO." Recognising the special needs of associations, the Bank has made this a customer segment in its own right. To meet the needs of some 6,000 associations and Luxembourg NGOs, and also for those of the Greater Region, the Bank now devotes a portal on its home page to them. Seamlessly, with just one click, they can access all of the financial and non-financial offerings that are dedicated to them.

One of the flagship programmes "Click NGO" is the programme "Lending Skills." Launched in mid 2012, it allows the Bank to identify, structure and support the existing pool of skills among employees of the Group in Luxembourg and to link these with the needs of NGOs and associations. More than 40 employees took part in education and support projects. This programme complements the "Opération Coup de Pouce" campaign, which was launched several years ago to support the commitment of the employees of the BNP Paribas Group in Luxembourg, and which in 2012 supported 27 projects for a total amount of 81,552 euros.

Besides all these new initiatives, the Bank continues to invest in philanthropic sponsorship with Luxembourg institutions such as the Luxembourg Red Cross, Caritas, SOS Kannerduerf, the fight against Cancer and many other NGOs.

As a corporate citizen, BGL BNP Paribas is a major partner of sports, arts and culture in Luxembourg. Thus, in 2012, the Bank renewed its contract with the Luxembourg Olympic and Sport Committee until 2016, the year of the Olympic Games in Rio de Janeiro, and is one of the main sponsors of the Games of the Small States of Europe held at the end of May 2013 in Luxembourg.
In the area of the arts, in 2012 BGL BNP Paribas organised an exhibition of the works of contemporary French artist Djamel Tatah. It also hosted on its premises exhibitions of the Luxembourg Artistic Circle, "Urban Survivors" by Médecins sans Frontières and sports photographers on the Olympic Games in London.

As a longstanding partner of the Philharmonia and the Philharmonic Orchestra of Luxembourg, the Bank continues to support these key institutions of the Luxembourg cultural scene after their merger in 2012.
From 1993 to 2011, BGL BNP Paribas was the patron of Françoise Groben and placed at her disposal the Matteo Goffriller cello. After the sudden death of this exceptional musician in 2011, BGL BNP Paribas put the cello at the disposal of the Philharmonic Orchestra of Luxembourg. In memory of Françoise Groben and to mark this new beginning, the cello has been baptised "The Luxembourger".

Thanks to the programme "400 PCs for NGOs and Associations" 400 computers were distributed to organisations thereby promoting environmental protection through the extension of the life of the IT hardware.

The commitment of the Bank and of its employees in the field of Corporate Social Responsibility and Public Relations has been recognised both internally and externally with numerous awards:

- "**Award for the Ecomobile Company**" rewarding an ecological approach to the management and choice of its fleet of cars;

- "**Green Workplace Award**" rewarding the company which presents the most effective and innovative initiatives and managerial projects, to make the work environment eco-responsible;

- the BNP Paribas Group was awarded several prizes for innovation: Luxembourg Prize for Innovation 2012 (1st Special Prize), Group Innovation Award 2012 for "Click NGO" and the second Jury's Prize for the Luxembourg Innovation Award 2012 for the programme "Lending Skills".

Information Technology

During the course of 2012 many changes were made to the computer systems of the Bank.

The innovative project of a multi-channel bank (Multichannel Customer Relationship Management) was finalised for the Retail and Corporate Banking department. It equips the sales professionals with modern, highly-integrated tools. This project will be extended to the Wealth Management business line in 2013.

A new offering called the "A la Carte Account", which is an equally innovative approach to replace the package-based approach, was launched. The credit platform was updated with new products such as Roll-overs and Long Term Receivables.

In addition, new Internet platforms for the business lines Personal Investors and Wealth Management were set up and they incorporate specific features which are appreciated by their clients (active trading, and portfolio management, respectively). The IT tools were also adapted to support the deployment of the Private Bank.

As part of the move to improve the overall efficiency of the Bank in the coming years, the Fit for the Future programme has continued, including the roll-out of open source solutions and renegotiation of telecommunication contracts.

Risk management has been strengthened by simplifying the management of access and classifying computer applications through the systematic integration of security in the methodology project.

Additionally, two tests of the Disaster Recovery Plan fully demonstrated the ability of the Bank to ensure business continuity in case of disaster.

Facility Management

2012 was an eventful year, filled with various projects in the different areas covered by Facility Management. It was marked in particular by the actions taken following the investigation carried out on the social climate among employees of the Bank in 2011, namely the Global People Survey; the relocation of more than 2,000 employees; the fitting and the re-fitting of several branches; as well as the continuing efforts to improve the energy consumption of the Bank in an environmentally conscious manner.

UNCONSOLIDATED MANAGEMENT REPORT

The report comments on the 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 Luxembourg credit institutions.

Profits and Allocation of Profits

For 2012, the sum of ***net interest income, income from securities, net commission income and net profit from financial transactions*** amounted to 862.1 million euros, up 116.1 million euros or 16% compared to the previous year.
Net interest income showed a slight decrease of 3% compared to last year, especially following the sale, during the second half of 2011 and the first half of 2012 of high-yielding sovereign debt, and the absence of similarly favourable re-investment conditions. There was positive growth in interest income from Retail and Corporate Banking Luxembourg (BDEL) and from Private Banking, thanks to a growth in outstanding loans, mainly due to good fundraising from business customers. The interest income generated by Treasury transactions was stable.
Net commissions fell by 5% compared to the previous year, from 177.8 million euros in 2011 to 168.3 million euros in 2012. This negative trend is mainly due to the decline in commissions related to the management of assets on behalf of customers and reduced banking intermediation activities in financial markets, following the redeployment of trading, especially of foreign exchange products, to local sites.
Income from securities rose by 35.9 million euros from 17.1 million euros in 2011 to 53.0 million euros in 2012, due to the increased dividends received from subsidiaries, primarily as a result of an interim dividend received from BNP Paribas Leasing Solutions SA of 32.4 million euros.

The improvement in *Net profit on financial transactions* (from a loss of 0.1 million in 2011 to a profit of 108.8 million euros in 2012) is largely due to the reversal of value adjustments on the bond investment portfolio following the rise in financial markets and the write-back of excess value adjustments, following the repayments of part of the structured credits.

Other operating income, which amounted to 61.9 million euros in 2012 compared with 84.0 million euros in 2011, includes the costs recharged to other Group entities. In 2011, in addition to these recharged costs, this accounting heading also included capital gains resulting from the restructuring of the life insurance business in Luxembourg, as well as the sale of interests in Fastnet Belgium SA and Fastnet Netherlands NV.

At 31 December 2012, ***General administrative expenses*** totalled 396.3 million euros compared to 418.2 million euros at the end of the previous year. The decrease of 21.9 million euros was mainly due to a reduction in project costs, generated by the integration of the Bank in the BNP Paribas Group, which amounted to 19.9 million euros in 2012 compared with 35.6 million euros in 2011. Excluding this exceptional item, costs are down 2%.

Other operating expenses increased in relation to the previous year: they amounted to 22.0 million euros in 2012 compared with 13.8 million euros at the end of 2011. They were impacted by a provision related to a guarantee given to Cardif Lux Vie SA at the time of the merger of the life insurance entities at the end of 2011; and due to pre-existing disputes in the former Fortis Luxembourg Vie SA.

The caption ***Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments*** shows a net charge to provisions for value adjustments of 38.7 million euros in 2012 compared to a net reversal of 38.4 million euros in 2011. This variation is mainly due to additions to the fixed provision for assets at risk amounting to 16.0 million euros in 2012. In 2011, the Bank had recorded a reversal of the total amount of the fixed provision for assets at risk of 82.8 million euros under the CSSF Circular 11/256. Excluding this impact, value adjustments on loans and advances and provisions for contingent liabilities and for commitments would amount to 22.7 million euros, a decrease of 21.7 million euros compared to the previous year, due to smaller specific provisions in 2012.

The caption ***Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings*** showed a net increase in provisions of 85.5 million euros compared to a net charge of 185.0 million euros in 2011. Following the deterioration in the business plan of BNP Paribas Investment Partners SA, the Bank recorded a value adjustment of 50.0 million euros in 2012. In addition, during 2012 the Bank sold a portion of the Portuguese sovereign debt portfolio, thereby losing 18.0 million euros on these sales. In addition, the Bank made a further loss of 3.8 million euros as a result of its participation in the exchange of its Greek sovereign debt bonds, and the immediate sale of the securities received in exchange. 2011 was particularly marked by the significant value adjustments on the sovereign debt securities of some countries in the eurozone, notably Greece, for 113.0 million euros, and Portugal and Italy for a total of 78.6 million euros.

In 2012, the Bank reduced its **F*und for general banking risks*** by 35.0 million euros to partially offset the exceptional increase in impairments of investments and the losses incurred on disposals of sovereign debt. This countercyclical reserve had been set up pre-emptively during favourable economic periods, so that it would be available in less favourable times.

The tax on ordinary income amounted to 45.8 million euros. The increase in the income tax expense was mainly due to the increase in profit before tax.

Finally, the Bank posted an unconsolidated ***net profit*** of 191.3 million euros (252.4 million euros in 2011), a decrease of 61.1 million euros compared to the previous year.

Balance Sheet

At 31 December 2012, the total balance sheet amounted to 32.9 billion euros compared with 33.8 billion euros at the end of 2011. The decrease of 0.9 billion euros, or 3%, was mainly due to a reduction of exposure to fixed income securities, following sales of sovereign debt securities and maturing securities.

On the **assets** side of the balance sheet, ***Cash and amounts due from central banks and post office banks*** increased by 550 million euros to 1,334 million euros due to an increase in outstanding funds on deposit with the Central Bank of Luxembourg.

Receivables due from credit institutions remained stable and essentially represent interbank placements within the BNP Paribas Group.

Receivables due from customers decreased by 0.6 billion euros, going from 13.1 euros to 12.5 billion euros, a drop of 4%. This decrease can be explained by the gradual reduction of lending to large German companies equivalent to 0.2 billion euros, and the repayment of a financial structuring transaction with a value of 0.6 billion euros. Retail and Corporate Banking in Luxembourg saw its loan portfolio expand by 2%, mainly due to the growth in mortgage loans.

Bonds and other fixed income securities fell sharply compared to the previous year, down from 5.7 billion euros to 4.7 billion euros. This decrease can be explained by the reduction in the Bank's exposure to the sovereign debt of certain countries in the eurozone, as a result of disposals and repayments. Moreover, this decline is also due to the maturitiy of a number of corporate bonds.

Equities and other variable income securities decreased by 68 million euros to 240 million euros due to lower trading activity in "Global Equity Commodities and Derivatives (GECD)" and the early closing out of a structured financial transaction.

Investments in Associates increased by 1.2 billion euros in 2011 to 1.5 billion euros in 2012, an increase of 0.3 billion euros. This increase can be mainly explained as follows: the increase in the shareholding from 33.33% to 50% + 1 share in BNP Paribas Leasing Solutions SA, which holds the bulk of the leasing activities of the BNP Paribas Group; the acquisition of 100% of the shares in BNP Paribas Lease Group Luxembourg SA; and finally, the acquisition of 100% of the shares in BGL BNP Paribas Factor SA (formerly Fortis Commercial Finance SA), an entity carrying out a factoring business in Luxembourg
The caption ***Intangible assets*** essentially reflects the book value of Goodwill, for an initial amount of 802 million euros, following the merger with BNP Paribas Luxembourg SA on 1 October 2010. Goodwill is amortised over a five-year period, and was written down by 160.5 million euros in 2012.

On the ***Liabilities*** side, the amount ***Due to credit institutions*** decreased by 3.2 billion euros in 2011 to 2.7 billion euros in 2012, primarily due to the reduced funding needs of the Bank, following the fall in outstanding bonds and other fixed income securities, in the framework of a reduction of exposure to sovereign risk and the maturity of securities.

Due to customers was stable at 19.0 billion euros at 31 December 2012 compared with 18.9 billion euros at 31 December 2011. In Retail and Corporate Banking Luxembourg, there was substantial growth in deposits, which increased by 11%, mainly due to the fact that we attracted a significant amount of funds from business and institutional customers. Deposits in Private Banking decreased by 8%, primarily due to reinvestment of these funds in securities. As a result, assets under management in Private Banking remain stable with a slight increase of 1%.

Debts securities increased by 3.2 billion euros from 2011 to 3.5 billion euros in 2012, an increase of 0.3 billion euros. This increase is linked to the issuance of short-term paper.

Other liabilities decreased by 0.6 billion euros, falling from 2.0 billion euros to 1.4 billion euros, primarily due to the maturity of short sales of securities in the course of financial restructuring operations.

Appropriation of Earnings

Profit available for distribution is as follows:

Net Profit for the period	**EUR**	**191 338 051.00**
Profit brought forward	**EUR**	**179 888.75**
Profit to appropriate	**EUR**	**191 517 939.75**

During the Annual General Meeting the following distribution of profit was proposed:

Statutory allocations	**EUR**	**1 504 536.96**
Dividend of EUR 6.78 per share on 27,979,135 shares	**EUR**	**189 698 535.30**
Profit to carry forward	**EUR**	**314 867.49**
Total	**EUR**	**191 517 939.75**

If these proposals are accepted, a gross dividend of 6.78 euros per share will be payable to shareholders in respect of the financial year 2012, on presentation of coupon n ° 33.

Shareholders are asked to approve the transfer of 92.5 million euros of free reserves to unavailable reserve for wealth tax, in order to reduce the wealth tax charge relative to the financial year 2012. Under current tax law, this reserve must be maintained for five tax years following the year of the reduction. An amount of 65.4 million euros, which was transferred to the unavailable reserve in 2007, was returned to the free reserves.

Own Funds

At 31 December 2012, **Fully subscribed and paid-up capital** amounted to 713.1 million euros, represented by 27,979,135 shares.

At 31 December 2012, **Unconsolidated regulatory own funds**, excluding net income for the current year for the Bank, as recognised for the calculation of the solvency ratio, stood at 5.1 billion euros compared with 4.3 billion euros at 31 December 2011.

Acquisition and holding of treasury stock

Pursuant to the provisions of Article 49-3 c) of the Law on Commercial Companies, the Bank declares that it did not purchase any of its own shares in 2012. As at 31 December 2012, the Bank held none of its own shares.

Outlook for 2013

The activities of the strategic business lines continue to develop positively, given the challenging economic environment in the eurozone.

In 2013 the Bank will pursue its policy of strong commitment to customers and investment in innovation. At the same time, the Bank will maintain its efforts to optimise operations by participating in the "Simple & Efficient" programme, launched globally by the BNP Paribas Group. This programme, which covers all business lines and geographic areas, in which the Group is present, aims to simplify working practices, and thereby to improve operational efficiency. Accordingly, money will be invested throughout 2013 and 2014 to achieve economies by 2015 and to prepare the Bank to meet future challenges.

Internal Control and Risk Management Committee

In 2012, the Internal Control and Risk Management Committee met five times. Its mission is to assist the Board of Directors in the areas covered by the CSSF Circular 12/552, regarding the Audit Committee, the Risk Committee and the Compliance Committee. It is composed of directors who are neither part of the management nor of the staff of the Bank. Its function is to assist the Board of Directors in the execution of its supervisory role. The Board of Directors appoints the members of the Internal Control and Risk Management Committee . It is currently composed of the Chairman of the Board of Directors, as well as four other directors, one of whom chairs the Committee.

The Committee adopted an "Audit Charter" which both defines the internal control environment and clarifies the status and mission of the internal auditors, and a "Compliance Charter" which sets out the various documents regulating compliance procedures for the Bank and its subsidiaries.
By implementing these procedures, 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

A special committee, called the Remuneration Committee, whose mission is to define, implement and maintain a remuneration policy in accordance with the guidelines outlined in the CSSF Circular 10/496, assists the Board of Directors.

The Remuneration Committee has the power to take decisions regarding the remuneration of the members of the Management Board, particularly with regard to the structure of remuneration and individual remuneration.

It is composed of four Board members who are not involved in the day-to-day management of the company and who do not represent its employees.

Bureau of the Board of Directors

In accordance with Article 16 of the Articles of Association of the Bank, many years ago the Board of Directors established a bureau charged with the preparation of the meetings of the Board of Directors. It is composed of the Chairman and Vice-Chairman of the Board of Directors and the chairmen of the Management Board.

Board of Directors

Mister Jean-Paul Pruvot resigned from the Board of Directors with effect from 31 March 2012. The mandates of all the directors terminated on 5 April 2012.

During the Annual General Meeting of 5 April 2012 the appointments of the following directors were announced: HRH Prince Guillaume of Luxembourg, Misters Marc Assa, Jean Clamon, Jacques d'Estais, Camille Fohl, Gil Gerard, Pierre Gramegna, Maxime Jadot, Vincent Lecomte, Eric Martin, Jean Meyer, Gaston Reinesch, Jean-Louis Siweck, Tom Theves, Carlo Thill, François Villeroy de Galhau and Michel Wurth.
The mandates of all the Directors will terminate during the Annual General Meeting to be held in April 2015.

The Board of Directors, which met on the same day in its new composition, renewed the appointment of Mister Gaston Reinesch as Chairman of the Board of Directors and elected Mister François Villeroy de Galhau as Vice-Chairman of the Board of Directors.

In accordance with the applicable Luxembourg law on co-management, eight employees were appointed with effect from 17 April 2012 as staff representatives on the Board of Directors of the Bank for a term equal to the mandates of the other directors. These representatives are Mrs Corinne Ludes and Denise Steinhäuser and Misters Gilbert Beffort, Gabriel Di Letizia, Jean-Claude Gilbertz, Claude Heirend, Carlo Krier and Norbert Roos.

Mister Gaston Reinesch, resigned as a director of BGL BNP Paribas, and hence as Chairman of the Board of Directors, with effect from 13 December 2012. The Board thanked Mister Reinesch for his role in three crucial steps for the Bank, namely the stabilisation of the Bank at the end of the crisis of 2008, the merger and the industrial plan with the BNP Paribas Group, and the merger of BGL and BNP Paribas Luxembourg.

Pursuant to Article 15 of the Articles of Association of the Bank and Article 51 of the Law of 10 August 1915, as amended, on commercial companies, on 11 January 2013, the Board co-opted as Director, Mr Georges Heinrich to complete the term of Gaston Reinesch. At the same time, the Board elected Mr George Heinrich to be Chairman of the Board of Directors.

Luxembourg, 15 March 2013
The Board of Directors

Consolidated financial statements to 31 December 2012

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

The consolidated financial statements of the BGL BNP Paribas Group are presented for the years 2011 and 2012, in compliance with the IFRS standards adopted by the European Union.

AUDIT REPORT

TO THE BOARD OF DIRECTORS OF BGL BNP PARIBAS SA

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 SA, which comprise the consolidated balance sheet as at 31 December 2012, 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 SA as of 31 December 2012, 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 the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers
Société coopérative

Luxembourg, 15 March 2013

Represented by
Paul Neyens
Rima Adas

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2012

In millions of euros	*Note*	2012	2011
Interest income	*2.a*	1 717.6	947.3
Interest expense	*2.a*	(687.3)	(323.8)
Commission (income)	*2.b*	330.1	253.6
Commission (expense)	*2.b*	(131.1)	(50.9)
Net gain / loss on financial instruments at fair value through profit or loss	*2.c*	(35.4)	(15.5)
Net gain / loss on financial assets available for sale	*2.d*	(103.3)	(16.8)
Income from other activities	*2.e*	410.9	5.1
Expense on other activities	*2.e*	(378.1)	(6.0)
Revenues		**1 123.4**	**793.0**
Operating expense	*2.f*	(599.7)	(391.1)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*5.n*	(31.3)	(26.6)
Gross operating income		**492.4**	**375.3**
Cost of risk	*2.g*	(60.6)	(157.3)
Operating income		**431.8**	**218.0**
Share of earnings of associates	*2.i*	25.3	88.2
Net gain on other fixed assets		3.3	16.2
Pre tax income		**460.4**	**322.4**
Corporate income tax	*2.h*	(116.5)	(39.2)
Net income on continued operations		**343.9**	**283.2**
Net income on discontinued operations	*2.j*	-	14.6
Net income		**343.9**	**297.8**
Minority interests		77.1	-
Net income attributable to equity holders		**266.8**	**297.8**

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

In millions of euros	2012	2011
Net income	**343.9**	**297.8**
Changes in assets and liabilities recognised directly in equity	133.8	(55.8)
Items related to exchange rate movements	(67.9)	-
Changes in fair value of available-for-sale financial assets and of securities reclassified as loans and receivables	175.3	(14.0)
Changes in fair value of available-for-sale assets, reported to net income for the period	(5.1)	(6.4)
Changes in fair value of hedging instruments	13.3	(5.2)
Changes in fair value of hedging instruments, reported to net income for the period	0.1	-
Items related to equity associates	18.1	(30.2)
Total	477.7	242.0
Attributable to equity shareholders	438.9	242.1
Attributable to minority interests	38.8	(0.1)

CONSOLIDATED BALANCE SHEET 2012

In millions of euros	*Note*	31 December 2012	31 December 2011
ASSETS			
Cash and amounts due from central banks and post office banks		1 335.1	783.9
Financial instruments at fair value through profit or loss		-	-
Trading securities	*5.a*	191.7	229.0
Loans and repurchase agreements	*5.a*	10.0	579.9
Instruments designated at fair value through profit or loss on option	*5.a*	213.0	332.9
Derivatives	*5.a*	138.8	279.3
Derivatives used for hedging purposes	*5.b*	129.5	51.7
Available-for-sale financial assets	*5.c*	3 224.8	3 429.3
Loans and receivables due from credit institutions	*5.f*	9 018.6	11 192.3
Loans and receivables due from customers	*5.g*	27 292.9	13 763.2
Held-to-maturity financial assets	*5.j*	509.2	737.2
Current and deferred tax assets	*5.k*	184.4	28.2
Accrued income and other assets	*5.l*	637.7	279.0
Investments in associates	*5.m*	227.0	835.3
Investment property	5.n	468.7	19.4
Property, plant and equipment	5.n	701.3	274.4
Intangible assets	5.n	13.1	4.0
Goodwill	5.o	145.3	-
Total assets		44 441.1	32 819.0
LIABILITIES			
Due to central banks and post office banks		-	18.7
Financial instruments at fair value through profit or loss			
Trading securities	*5.a*	7.0	607.1
Borrowings and repurchase agreements	*5.a*	156.5	122.9
Instruments designated at fair value through profit or loss on option	*5.a*	877.3	1 193.1
Derivatives	*5.a*	174.6	399.3
Derivatives used for hedging purposes	*5.b*	60.2	88.6
Due to credit institutions	*5.f*	12 149.5	3 402.7
Due to customers	*5.g*	19 721.1	19 378.6
Debt securities	5.i	2 643.9	1 577.3
Remeasurement adjustment on interest-rate risk hedged portfolios		80.6	35.4
Current and deferred tax liabilities	5.k	589.3	135.9
Accrued expenses and other liabilities	5.l	962.3	251.9
Provisions for contingencies and charges	*5.p*	186.4	98.9
Subordinated debt	*5.i*	2.6	-
Total liabilities		37 611.3	27 310.4
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital	*5.r*	*5 287.1*	*5 343.9*
Net income for the period attributable to shareholders		*266.8*	*297.8*
Total capital, retained earnings and net income for the period attributable to shareholders		**5 553.9**	**5 641.7**
Changes in assets and liabilities recognised directly in equity		39.0	(133.1)
Total consolidated equity		**5 592.9**	**5 508.6**
Retained earnings and net income for the period attributable to minority interests		1 275.2	-
Changes in assets and liabilities recognised directly in equity		(38.3)	-
Total minority interests		**1 236.9**	**-**
Total consolidated equity		6 829.8	5 508.6
Total liabilities and equity		44 441.1	32 819.0

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS EQUITY FROM 1 JANUARY 2011 TO 31 DECEMBER 2012

Attributable to shareholders

In millions of euros	Capital and retained earnings			Change in assets and liabilities recognised directly in equity *			Total 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	
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**
Dividends	-	(333.0)	**(333.0)**	-	-	-	**(333.0)**
Partial sales of interests	-	(10.2)	**(10.2)**	-	-	-	**(10.2)**
Commitment to repurchase minority shareholders' interests	-	(2.7)	**(2.7)**	-	-	-	**(2.7)**
Other movements	-	0.2	**0.2**	-	-	-	**0.2**
Change in assets and liabilities recognised directly in equity	-	-	-	(9.5)	(40.7)	(5.5)	**(55.7)**
Net income for 2011	-	297.8	**297.8**	-	-	-	**297.8**
Capital and retained earnings at 31 December 2011	**3 474.9**	**2 166.8**	**5 641.7**	**(7.7)**	**(122.5)**	**(2.9)**	**5 508.6**
Dividends	-	(251.0)	**(251.0)**	-	-	-	**(251.0)**
Change in consolidation method	-	(109.7)	**(109.7)**	-	-	-	**(109.7)**
Commitment to repurchase minority shareholders' interests	-	3.6	**3.6**	-	-	-	**3.6**
Other movements	-	2.5	**2.5**	-	-	-	**2.5**
Change in assets and liabilities recognised directly in equity	-	-	**-**	(27.9)	186.5	13.5	**172.1**
Net income for 2012	-	266.8	**266.8**	-	-	-	**266.8**
Capital and retained earnings at 31 December 2012	**3 474.9**	**2 079.0**	**5 553.9**	**(35.6)**	**64.0**	**10.6**	**5 592.9**

*** Including elements relative to equity associates**

In 2012, changes in the consolidation method relate to the acquisition of shares of the leasing activities taking the total holding to 50% + 1 share, whereas this was previously only 33% and thus accounted for as a share in associates applying the common control method of accounting for business combinations. (see note 1.b.4).

In 2011, a partial liquidation was shown in the accounts for -7.8 million euros, following the merger of Fortis Lease SpA into BNP Paribas Leasing Solutions SpA.

Minority interests

In millions of euros	Retained earnings	Change in assets and liabilities recognised directly in equity *	Total equity
Retained earnings at 31 December 2010	**48.0**	**0.1**	**48.1**
Interim dividends out of net income for the period	(1.9)	-	(1.9)
Change in scope of consolidation	(46.1)	-	(46.1)
Other movements	-	-	-
Change in assets and liabilities recognised directly in equity	-	(0.1)	(0.1)
Net income for 2011	-	-	-
Retained earnings at 31 December 2011	**-**	**-**	**-**
Interim dividends out of net income for the period	(8.7)	-	(8.7)
Change in consolidation method	1 244.4	-	1 244.4
Commitment to repurchase minority shareholders' interests	(8.2)	-	(8.2)
Interim dividend payments	(32.4)	-	(32.4)
Other movements	3.0	-	3.0
Change in assets and liabilities recognised directly in equity	-	(38.3)	(38.3)
Net income for 2012	77.1	-	77.1
Retained earnings at 31 December 2012	**1 275.2**	**(38.3)**	**1 236.9**

* Including elements relative to equity associates

In 2012, changes in the consolidation method relate to the inclusion of minority interests in leasing activities following the acquisition of 50% + 1 share at 30 March 2012.

CONSOLIDATED CASH FLOW STATEMENT 2012

In millions of euros	2012	2011
Pre-tax income on continued operations	**460.4**	**322.4**
Net income on discontinued operations	-	14.6
Pre-tax net income	**460.4**	**337.0**
Non-monetary items included in pre-tax net income and other adjustments	**50.5**	**58.8**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	138.2	27.9
Impairment of goodwill and other fixed assets	12.3	(0.1)
Net addition to provisions	(30.0)	157.3
Share of earnings of associates	(25.3)	(88.2)
Net income from investing activities	3.7	(18.5)
Other movements	(48.4)	(19.6)
Net increase in cash related to assets and liabilities generated by operating activities	240.7	777.6
Net decrease in cash related to transactions with credit institutions	(3 103.1)	(1 993.9)
Net increaese (decrease) in cash related to transactions with customers	2 368.8	(1 238.6)
Net increase in cash related to transactions involving fnanciers other financial assets and liabilities	1 144.1	4 065.0
Net decrease in cash related to transactions involving non-financial assets and liabilities	(4.5)	(0.3)
Taxes paid	(164.6)	(54.6)
Net increase in cash and cash equivalents generated by operating activities	751.6	1 173.4
Net increase related to financial assets and participations	214.0	133.4
Net decrease related to property, plant and equipment and intangible assets	(25.7)	(17.4)
NET INCREASE IN CASH AND CASH EQUIVALENTS RELATED TO INVESTING ACTIVITIES	**188.3**	**116.0**
Decrease in cash and cash equivalents related to transactions with shareholders	(176.7)	(333.0)
Decrease in cash and cash equivalents generated by other financing activities	(4.4)	(237.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS RELATED TO FINANCING ACTIVITIES	**(181.1)**	**(570.8)**
Effect of movement in exchange rates	8.3	(0.0)
Net increase in cash and cash equivalents	767.1	718.6

(CONTINUATION)

In millions of euros	*Note*	2012	2011
Balance of cash and cash equivalent accounts at the start of the period		**673.8**	**(44.8)**
Cash and amounts due from central banks and post office banks		783.9	345.2
Due to central banks and post office banks		(18.7)	(10.6)
Demand deposits with credit institutions	*5.f*	780.3	133.0
Demand loans from credit institutions	*5.f*	(871.3)	(507.6)
Deduction of receivables and accrued interest on cash and cash equivalents		(0.4)	(4.8)
Balance of cash and cash equivalent accounts at the end of the period		**1 440.9**	**673.8**
Cash and amounts due from central banks and post office banks		1 335.1	783.9
Due to central banks and post office banks		-	(18.7)
Demand deposits with credit institutions	*5.f*	979.1	780.3
Demand loans from credit institutions	*5.f*	(872.1)	(871.3)
Deduction of receivables and accrued interest on cash and cash equivalents		(1.2)	(0.4)
Net increase in cash and cash equivalents		767.1	718.6

As at 31 December 2012, the BGL BNP Paribas Group had mandatory reserves of 406 million euros on deposit with the Central Bank of Luxembourg (755 million euros at 31 December 2011).

Notes to the financial statements

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

GENERALITIES

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

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

The BNP Paribas Group is the majority shareholder of BGL BNP Paribas. It controls 65.96% of the capital of BGL BNP Paribas, both directly and indirectly through BNP Paribas Fortis SA

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES APPLIED BY THE GROUP

1.a APPLICABLE ACCOUNTING STANDARDS

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

The consolidated financial statements were submitted to the ordinary general meeting on 4 April 2013.

In the consolidated financial statements as of 31 December 2012, the Group adopted the amendment to IFRS 7 "Financial Instruments: Disclosures - transfers of financial assets" adopted by the European Union on 23 November 2011 (note 5. q). This amendment has no impact on the measurement and recognition of transactions.

The introduction of other standards, which are mandatory as of 1 January 2012, had no effect on the consolidated financial statements as at 31 December 2012.

The Group did not choose to early-adopt new standards, amendments and interpretations adopted by the European Union when such application in 2012 is given as an option.

As of 1 January 2013, and in accordance with the amendment to IAS 19 "Employee Benefits", adopted in June 2012 by the European Union, the retirement benefit liability will be recognised in the Group's balance sheet, taking into account actuarial gains or losses, which would not have been recognised or amortised at this date. This liability will thus be increased by 14.9 million euros and 36.1 million euros as at 1 January 2012 and 31 December 2012 respectively when the 2012 accounts are presented in the 2013 financial statements; the 2012 pre-tax profit will accordingly be increased by 2.1 million euros.

On 29 December 2012 the European Union adopted the amendment to IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities", IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and the amended IAS 28 "Investments in Associates and Joint Ventures", which are all mandatory for financial periods starting on or after 1 January 2014; and IFRS 13 "Fair Value Measurement" which is prospectively applicable starting from 1 January 2013. The Group is in the process of analysing the potential impacts of these new standards on its consolidated financial statements

1.b CONSOLIDATION

1.b.1 Scope of consolidation

The consolidated financial statements of BGL BNP Paribas include all entities under the exclusive or joint control of the Group, or over which the Group exercises significant influence, with the exception of those whose consolidation is regarded as immaterial in drawing up the financial statements of the Group. The consolidation of an entity is regarded as immaterial if its contribution to the consolidated financial statements is below the following three thresholds: 15 million euros of revenues; 1 million euros of gross operating income or pre-tax income; and 500 million euros of total assets. Companies that hold shares in consolidated companies are also consolidated. Finally, entities consolidated exclusively or jointly whose net pre-tax profit is between 1 million euros and 10 million euros, are consolidated by the equity method, when they do not exceed the thresholds of revenues and total assets, listed above.

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

1.b.2 Consolidation methods

Companies under the exclusive control of the Group 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 obtain benefits 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 attested when the Group has the power to govern the entity's financial and operating policies pursuant to an agreement, or to appoint, dismiss or assemble the majority of the members of the Board of Directors or of the equivalent management body.

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

Jointly-controlled companies are consolidated using the proportional method. The Group exercises joint control when, under a contractual arrangement, the strategic financial and operating decisions related to the business require the unanimous consent of the parties that share control of it.

Enterprises over which the Group exercises significant influence are accounted for by the equity method. Significant influence is the power to participate in an entity's financial and operating policy decisions, without exercising control. Significant influence is presumed to exist if the Group directly or indirectly holds 20% or more of an entity's voting rights.

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

If the Group's share of losses in an associate equals or exceeds the carrying amount of its investment in the associate, the Group discontinues including its share of further losses. The investment is then reported at nil value. 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.

This treatment of losses does not apply to associates considered to be minor, on the basis of the predefined criteria of the Group. In this case, the Group accounts for the whole of its share in the losses of these entities.
Minority interests are presented separately in the consolidated profit and loss account and consolidated balance sheet, within consolidated equity. The calculation of minority interests takes into account, if relevant, any outstanding cumulative preferred shares classified as equity instruments issued by the subsidiaries, when such shares are held by companies outside of the Group.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss statement under the heading "Net gain on other fixed assets", except for the realised gains and losses on assets held for resale, and discontinued operations.

1.b.3 Consolidation procedures

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

Elimination of intragroup balances and transactions

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

Translation of financial statements expressed in foreign currencies

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

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

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

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

Should the percentage interest held change without any modification of the nature of the investment, the translation adjustment is recorded in the profit and loss account for the share of the amount relating to the interest sold.

1.b.4 Business combinations and measurement of goodwill

Business Combinations

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

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

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

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

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

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

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

At the time of 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.

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

Since the revised IFRS 3 is only prospective, business combinations completed prior to 1 January 2010 were not restated to reflect the changes to IFRS 3.

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

When acquiring companies already previously held by another company in the BNP Paribas Group, the Group applies the common control method of accounting for business combinations. Therefore, the excess of the acquisition cost, over the historical carrying values of the assets and liabilities acquired is deducted directly from equity.

Measurement of goodwill

The Group tests goodwill for impairment on a regular basis.

Cash-generating units

The Group has split all its activities into cash-generating units,. This split is consistent with the Group's organisational structure and business management , and reflects the independence of each unit in terms of results generated and management approach. This distribution is reviewed on a regular basis to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations etc..

Testing cash-generating units for impairment

Impairment tests to ensure that the goodwill allocated to each cash-generating unit has not been significantly affected, are carried out whenever there is an indication that a unit may be impaired, and in any event once a year. The carrying amount of the cash-generating unit is compared to its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

Recoverable amount of a cash-generating unit

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

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

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

1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

1.c.1 Loans and receivables

"Loans and receivables" include loans granted 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.

Loans which include a derivative are recognised at fair value through the profit and loss account, as per the option in IAS 39 (paragraph1.c.9).

1.c.2 Securities

Categories of securities

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

Financial assets at fair value through profit or loss

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

- financial assets held for trading purposes

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

Securities in this category are initially measured at their fair value, with transaction costs being directly posted to the profit and loss account. 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 account.

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

Loans and receivables

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

Held-to-maturity financial assets

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

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

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

If such a situation should arise, the entire portfolio "Held-to-maturity financial assets" of the Group should be reclassified as "Available-for-sale financial assets." It would then not be possible for the Group to use the category "Held-to-maturity financial assets" during the two annual periods following the declassification
A very small number of exceptions to this rule are nevertheless tolerated:

- sale concluded at a date sufficiently close to the due date;
- sale occurring after receipt of practically the full principal amount;
- sales due to an isolated, unpredictable event, and one which is unlikely to recur, (e.g. a sudden and significant downgrading of the credit risk of the issuer of a bond, a regulatory change ...)
- when the impact of the sale is determined by the Group to be immaterial compared to the whole portfolio of "Held-to-maturity financial assets".

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 on the line "Net gain / loss on available-for-sale financial assets". The same applies in the case of depreciation.

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".

Date of recognition for securities transactions

Securities classified 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.

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

Securities transactions are carried on 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 ownership of the securities.

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 may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are, in the first case, translated using the exchange rate on the transaction date and, in the second case, at the exchange rate prevailing on the balance sheet date.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit or loss account 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 exchange risk as part of a foreign currency hedging relationship, in which case the translation difference is recognised in the profit and loss account.

1.c.4 Impairment and restructuring 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

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

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 accounts more than three months past due;

- 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.

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

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

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

Impairment of available-for-sale financial assets

Impairment of "Available-for-sale financial assets", primarily consisting of securities, is recognised on an individual basis when there is an objective indication of lasting impairment resulting from one or more events that occurred since acquisition.
In case of variable-income securities listed on an active market, the control system identifies securities that may be impaired on a long term basis, using the two following criteria: a significant decline in quoted price below the acquisition cost or the duration over which an unrealised

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

capital loss is noted, in order to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

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

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

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

Impairment losses on variable-income securities are recognised within the net banking income under the "Net gains or losses on available-for-sale financial assets" and may not be reversed to earnings, if relevant, until such time 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.

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

Restructuring of assets classified in " loans and receivables"

The restructuring of an asset classified in "loans and receivables" is considered to be troubled debt restructuring, when the Group, for economic or legal reasons related to the financial difficulties of the borrower, agrees to a modification in the terms and conditions of the original transaction, that it would not otherwise consider, with the result that the borrower's contractual obligation to the Group, measured at present value, is reduced compared to the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate.

The decrease in the value of the asset is recognised in profit and loss under "Cost of risk".

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt (see note 1.c.12) and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in profit and loss under "Cost of risk".

1.c.5 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

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

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

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

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

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

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

1.c.6 Issues of debt securities

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

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

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 hedged, the hedging strategy and type of hedged risk, the hedging instrument and the method used to assess the effectiveness of the hedging relationship.

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

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

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

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

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

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

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

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

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

Embedded derivatives

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

1.c.8 Determination of fair value

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

Method for determining fair value

Fair value is determined:

- either based on quoted prices in an active market,
- or by using valuation techniques involving:
  - valuation methods based on accepted financial theories, 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, should an active market not exist.

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.

Use of prices quoted in active markets

If quoted prices in an active market are available, they are used to determine fair value. Where directly-quoted prices for an identical instrument exist, these are used.

Use of models to evaluate unquoted financial instruments

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

The valuation derived from models is adjusted for liquidity and credit risk.

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.

Financial instruments traded on illiquid markets are valued using an internally-developed model that is based entirely on data, or on partially observable active markets.

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.

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

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

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

Other financial instruments which are complex and illiquid are assessed using techniques developed internally by the company and based on data that are totally or partially observable in active markets.

In the absence of observable parameters, these instruments are assessed, at the time of their initial recognition, in a way that reflects the transaction price, considered to be the best indication of its fair value. A valuation derived from these models is adjusted in order to account for liquidity, credit and model risks.

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

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

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

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

Financial assets and liabilities may be designated at fair value through profit or loss in the following cases:

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

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

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

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

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

In the profit or loss statement, the Group recognises service-related commission income and expenses on the basis of the nature of the services to which they relate. Commissions considered as an additional component of interest are included in the effective interest rate and are recognised in the profit and loss statement in the "Net interest income". Commissions payable or received on execution of a significant transaction are recognised in full in the profit and loss statement on execution of the transaction, under "Commission income and expense", as are commissions payable or received for recurring services over the term of the service.

Commissions received in respect of financial guarantee commitments are considered to represent the commitment's initial fair value. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Revenues.

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

1.c.11 Cost of risk

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

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

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

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

1.c.13 Offsetting financial assets and financial liabilities

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

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

1.d PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet include both tangible and intangible fixed assets for operations as well as investment property.
Assets used in operations are those used in the provision of services or for administrative purposes. They include non-property assets leased by the Group as lessor under operating leases.

Investment property includes property assets held to generate rental income and capital gains.
Property, plant and equipment and intangible assets are

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

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

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

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

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

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

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

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

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

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

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

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

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

1.e LEASE CONTRACTS

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

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

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

Finance lease contracts

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

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

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

Operating lease contracts

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

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

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

Leases contracted by the Group as lessee 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

Short-term employee benefits (other than termination benefits and equity compensation benefits) are those which fall wholly due within the 12 months following the end of the year in which the staff members rendered the corresponding services.

The 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 wholly due within the 12 months following 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 type post-employment benefits, except that actuarial gains and losses are immediately recognised, as is the effect related to possible plan amendments.

Termination benefits

Severance benefits are employee benefits payable as a result of a termination of an employment contract under an early-retirement plan based on voluntary departures, when the employee concerned meets the relevant criteria.

Post-employment benefits

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

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

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

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

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

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

When the value of the plan assets exceeds the amount of the obligation, and asset is recognised if it represents a future economic benefit for the Group in the form of a reduction of future contributions or an expected partial refund of amounts paid into the plan.
The amount of the obligation under a plan and the value of the plan assets can fluctuate significantly from one period to the next, due to changes in actuarial assumptions, thereby resulting in actuarial gains and losses. The Group applies the "corridor" methodology when recognising actuarial gains and losses. This method authorises the recognition, as of the following period and over the average remaining working lives of employees, of only that part of actuarial gains and losses that exceeds the greater of 10% of the present value of the gross defined-benefit obligation or 10% of the fair value of plan assets at the end of the previous period.

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

The annual expense recognised under "Salaries and employee benefits" with respect to defined benefit plans is comprised of the rights vested by each employee during the period corresponding to the cost of services rendered during the period, the financial cost of the year at current value discounting the obligations, the expected yield 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

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

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

1.i CURRENT AND DEFERRED TAXES

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

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

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

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

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

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.
Deferred tax assets and liabilities are offset when they arise within a group tax election under the jurisdiction of a single tax authority, and when there is a legal right to offset.

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

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

1.j CASH FLOW STATEMENT

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

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

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

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

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

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

This applies in particular to the following:

- impairment losses recognised to cover credit risks inherent in making intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted on organised markets;
- calculations of the fair value of unquoted financial instruments classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement within the Consolidated Financial Statements;
- whether a market is active or inactive for the purposes of using a valuation technique;

- impairment losses on variable income financial assets classified as "available for sale";
- impairment 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;
- assumptions and parameters used in the valuation of defined service pension plans;
- the measurement of provisions for contingencies and charges;
- the recognition of deferred tax assets.

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

2. NOTES TO THE PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

2.a NET INTEREST INCOME

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

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

In millions of euros	Year to 31 December 2012			Year to 31 December 2011		
	Income	Expense	Net	Income	Expense	Net
Customer items	**1 262.4**	**(127.6)**	**1 134.8**	**422.2**	**(167.1)**	**255.1**
Deposits, loans and borrowings	690.9	(126.6)	564.3	422.2	(167.1)	255.1
Repurchase agreements	8.1	-	8.1	-	-	-
Finance leases	563.4	(1.0)	562.4	-	-	-
Interbank items	**306.1**	**(490.6)**	**(184.5)**	**272.0**	**(101.4)**	**170.6**
Deposits, loans and borrowings	306.1	(490.1)	(184.0)	272.0	(91.3)	180.7
Repurchase agreements	-	(0.5)	(0.5)	0.0	(10.1)	(10.1)
Debt securities issued	**-**	**(38.4)**	**(38.4)**	**-**	**(25.8)**	**(25.8)**
Cash flow hedge instruments	**13.0**	**(15.5)**	**(2.5)**	**6.5**	**(6.8)**	**(0.3)**
Interest rate portfolio hedge instruments	**17.1**	**(4.9)**	**12.2**	**11.9**	**(6.9)**	**5.0**
Trading book	**6.4**	**(10.3)**	**(3.9)**	**42.5**	**(15.8)**	**26.7**
Fixed income securities	-	-	-	29.7	-	29.7
Repurchase agreements	2.5	(1.1)	1.4	3.2	-	3.2
Loans / borrowings	3.9	(4.3)	(0.4)	9.6	(3.6)	6.0
Debt securities	-	(4.9)	(4.9)	-	(12.2)	(12.2)
Available-for-sale financial assets	**87.1**	**-**	**87.1**	**132.3**	**-**	**132.3**
Held-to-maturity financial assets	**25.5**	**-**	**25.5**	**59.9**	**-**	**59.9**
Total interest income (expense)	1 717.6	(687.3)	1 030.3	947.3	(323.8)	623.5

The increase in net interest income is essentially due to the inclusion of leasing activities within the scope of the consolidation from 31 March 2012.

2.b COMMISSIONS

In millions of euros	Year to 31 December 2012	Year to 31 December 2011
Credit operations for customers / Credit institutions	11.2	14.6
Means of payment and account keeping	32.5	37.3
Securities and derivatives transactions	5.3	9.1
Foreign Exchange and arbitrage transactions	0.7	0.7
Securtieies, investment funds and UCITS	77.3	81.4
Securities transactions for customers account	42.9	48.1
Consulting activities	5.9	5.4
Insurance activities	26.2	16.2
Others	(3.0)	(10.1)
Total commissions	199.0	202.7

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

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

In millions of euros	Year to 31 December 2012	Year to 31 December 2011
Trading portfolio	**78.5**	**(61.6)**
Debt instrument	33.2	(50.9)
Equity instrument	40.0	(15.9)
Other derivatives	5.3	5.5
Repurchase agreements	-	(0.3)
Portfolio assessed at fair value on option	**(118.7)**	**43.1**
Impact of hedge accounting	**1.2**	**(5.7)**
Fair value hedges	55.0	33.1
Hedged items in fair value hedge	(53.8)	(38.8)
Remeasurement of currency positions [1)]	**3.6**	**8.7**
Total	(35.4)	(15.5)

[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.*

The line "Portfolio assessed at fair value on option" includes the revaluation of own credit risk for an amount of - 37.6 million euros (35.9 million euros in 2011).

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 millions of euros	Year to 31 December 2012	Year to 31 December 2011
Loans and receivalbles, fixed-income securities [1]	**(54.0)**	**(21.8)**
Gains and losses on disposal	(54.0)	(21.8)
Equities and other variable-income securities	**(49.3)**	**5.0**
Dividend income	5.9	6.0
Additions to impairments	(55.7)	(1.0)
Gains and losses on disposal	0.5	-
Total	(103.3)	(16.8)

[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).*

In 2012, the Group reduced its exposure to Portuguese sovereign debt through the sale of securities from its portfolio of available-for-sale and held-to-maturity financial assets. The net impact of these disposals was a loss of 54.3 million euros. Moreover, the Group recorded a loss of 1.4 million euros from the sale of Greek government bonds received during the exchange process in March 2012 (see note 4.e for more details of this exchange). Furthermore, following the slowdown in its asset management activities, the Group posted an adjustment of - 50.0 million euros on its 5.1% stake in BNP Paribas Investment Partners (BNPP IP).

In 2011, the Group reduced its exposure to Spanish, Italian and Belgian sovereign debt through the sale of securities in its portfolio of available-for-sale financial assets as well as its held-to-maturity financial assets for a nominal amount of 1,015 million euros. Realised losses on those sales were partially offset by sales of sovereign or para-sovereign securities of other States (Austria, Germany, France). The net impact of these disposals amounted to a loss of 10.1 million euros. The Group also recorded a loss of 5.7 million euros on the strategic sale of a bond, with a view to maintaining interest income in the future.

2.e INCOME AND EXPENSE FROM OTHER ACTIVITIES

In millions of euros	Year to 31 December 2012			Year to 31 December 2011		
	Income	Expense	Net	Income	Expense	Net
Income and expense from investment property	49.9	(61.0)	(11.1)	3.1	(1.2)	1.9
Income and expense from assets held under operating leases	139.0	(100.5)	38.5	-	-	-
Other income and expense	222.0	(216.6)	5.4	2.0	(4.8)	(2.8)
Total	410.9	(378.1)	32.8	5.1	(6.0)	(0.9)

In 2012, expenses related to investment properties include an appropriation to reserves of 39.8 million euros due to the revaluation of investment properties of Fortis Lease France. Other income and expenses mainly comprise sales and purchases of goods related to operating and financing leases.

2.f OPERATING EXPENSES

The staff expenses are presented in note 7.a.

In 2012 and 2011, general operating expenses included restructuring costs (19.9 million euros in 2012, compared to 35.6 million euros in 2011) incurred in connection with the implementation of the industrial plan set out in November 2009 prior to the merger of the two banks: BGL BNP Paribas and BNP Paribas Luxembourg.

2.g COST OF RISK

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

The integration of the leasing activity within the scope of consolidation led to a rise in impairment provisions on loans and receivables due from customers.

Cost of risk for the period *In millions of euros*	Year to 31 December 2012	Year to 31 December 2011
Net additions to impairments	(41.1)	(158.0)
Recoveries on loans and receivables previously written off	4.7	2.8
Irrecoverable loans and receivables not covered by impairments	(24.2)	(2.1)
Total cost of risk for the period	(60.6)	(157.3)

In 2012, the Group posted an additional value adjustment of 2.6 million euros in the framework of the exchange of Greek debt made in March 2012.

In 2011, the net additions to impairments included an amount of 113.8 million euros relating to the write-off of 75% of exposure to Greek sovereign debt included in held-to-maturity assets (see note 4.e Sovereign Risk).

Cost of risk for the period by asset type *In millions of euros*	Year to 31 December 2012	Year to 31 December 2011
Loans and receivables due from credit institutions	0.7	(0.9)
Loans and receivables due from customers	(74.5)	(55.3)
Available-for-sale financial assets	1.9	(1.9)
Financial instruments on trading activities	0.2	(0.3)
Held-to maturity financial assets	(2.6)	(113.8)
Other assets	(0.6)	4.4
Off-balance sheet commitments and other items	14.3	10.5
Total cost of risk for the period	(60.6)	(157.3)

Impairments for credit risk

Movement in impairments during the period *In millions of euros*	Year to 31 December 2012	Year to 31 December 2011
Total impairments at start of period	386.5	256.5
Net additions to impairments	41.1	158.0
Use of impairments	(189.3)	(31.5)
Entry to the scope of consolidation	605.3	-
Effect of movements in exchange rates and other items	(14.2)	3.5
Total impairments at end of period	829.4	386.5

Impairment by asset type *In millions of euros*	Year to 31 December 2012	Year to 31 December 2011
Impairment of assets		
Loans and receivables due from credit institutions (note 5.f)	0.7	1.0
Loans and receivables due from customers (note 5.g)	818.0	249.9
Financial instruments on trading activities	0.1	0.3
Available-for-sale financial assets (note 5.c)	-	1.8
Held-to-maturity financial assets	-	113.8
Other assets	0.2	-
Total impairments against financial assets	819.0	366.8
Provisions recognised as liabilities		
Provisions on commitments	-	-
to credit institutions	2.3	-
to customers	8.1	19.7
Total provisions recognised as liabilities	10.4	19.7
Total impairments and provisions	829.4	386.5

2.h CORPORATE INCOME TAX

	Year to 31 December 2012		Year to 31 December 2011	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Income tax expense at the ordinary tax rate in Luxembourg	**(134,0)**	**29,1%**	**(93,8)**	**29,1%**
Tax exempt interest and dividends	15,3	-3,3%	19,5	-6,0%
Income from tax exempt investments	0,6	-0,1%	2,9	-0,9%
Share of earnings of associates	7,4	-1,6%	25,7	-8,0%
Deductible provision on subsidiaries and affiliates	2,9	-0,6%	-	-
Previous losses not recognised in taxes and temporary differences	(11,0)	2,4%	(1,2)	0,4%
Differential effect in tax rates applicable to foreign entities	(3,3)	0,7%	(0,3)	0,1%
Other items	5,6	-1,2%	8,0	-2,5%
Corporate income tax expense	**(116.5)**	**25,3%**	**(39,2)**	**12,2%**
of which: Current tax expense for the year to 31 December	*(174.7)*	-	*(41.1)*	-
Deferred tax income (expense) for the year to 31 December (note 5.k)	*58.2*	-	*1.9*	-

The increase in the tax burden is mainly due to the integration of leasing activity in the scope of consolidation.

2.i SHARE OF EARNINGS OF ASSOCIATES

The net profit is mainly composed of the contribution from leasing of 20.9 million euros (84.1 million euros in 2011) and Cardif Lux Vie of 5.0 million euros (3.4 million euros in 2011 for Fortis Luxembourg Vie / Cardif Lux Vie).

2.j NET INCOME ON DISCONTINUED OPERATIONS

In millions of euros	Year to 31 December 2012	Year to 31 December 2011
Gains on discontinued operations	-	14.6
Losses on discontinued operations	-	-
Pre-tax income	-	**14.6**
Taxes related to discontinued operations	-	-
Net income on discontinued operations	-	14.6

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

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

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.

BGL BNP Paribas holds a majority stake in the leasing activities of the BNP Paribas Group. These international activities are designed to provide customer support, mainly in countries where BNP Paribas has a significant presence.

The Group's segment information reveals the overall economic contribution from each of the Group's areas of activity, with the objective being to attribute all of the items in the balance sheet and profit and loss statement, to each area for which its Management is wholly responsible.

The Group is composed of four core businesses

- **Retail and Corporate Banking Luxembourg** (BDEL): this area covers the network of retail branches in the Grand Duchy of Luxembourg and the activities of major Luxembourg companies, while offering its financial services to individuals and companies. The related financing activities are also included in this scope (BNP Paribas Lease Group Luxembourg SA, Société Alsacienne de Développement et d'Expansion (SADE) SA, Cofhylux SA, BGL BNP Paribas Factor SA);

- **International Leasing**: This area includes the leasing activities of the BNP Paribas Group held by the Luxembourg holding company BNP Paribas Leasing Solutions SA. It is mainly involved in financial leasing services internationally, focusing on corporate and SME customers;

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

- **Investment Solutions** (IS): this business area includes Private Banking (WM), which provides wealth management services for international private clients and Cardif Lux Vie SA, which offers life insurance products in Luxembourg and internationally;

- **Other**: This segment includes the activities of Assets and Liabilities Management (ALM), the Personal Investors activity, as well as items related to support functions that cannot be allocated to a specific business segment.

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

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

Allocation rules

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

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

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

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

The allocation of revenue among the different centres of activity has been revised as of January 1, 2012.

From that date, the revenues of Cofhylux and BNP Paribas Lease Group Luxembourg SA are presented within the sphere of responsibility of the Retail and Corporate Banking in Luxembourg.

In addition, the Retail and Corporate Banking in Luxembourg and Private Banking created a domestic Private Banking business. This activity was created with input from customers of both Retail and Corporate Banking in Luxembourg and Wealth Management. From 1 January 2012 it is included within the activity of Retail and Corporate Banking in Luxembourg.

To allow a comparison of revenue by business segment between the years 2012 and 2011, the 2011 results have been re-stated based on the distribution applicable in 2012:

- The contribution of international leasing was separated from Retail and Corporate Banking in Luxembourg
- The contribution of IS to domestic Private Banking was reclassified to Retail and Corporate Banking in Luxembourg for the full year 2011.
- The revenue of Cofhylux for 2011 has been reclassified from the Other segment to Retail and Corporate Banking in Luxembourg

Income by business segment

In millions of euros	Year to 31 December 2012					
	BDEL	Leasing international	Corporate Investment Banking	Investment Solutions	Others	Total
Revenues	365.7	480.1	103.7	175.4	(1.5)	1 123.4
Operating expense	(218.8)	(234.6)	(30.3)	(119.1)	(28.2)	(631.0)
Cost of risk	0.5	(54.3)	3.1	(1.2)	(8.7)	(60.6)
Operating income	147.4	191.2	76.5	55.1	(38.4)	431.8
Non-operating items [1]	0.1	27.8	-	9.0	(8.3)	28.6
Pre-tax income	147.5	219.0	76.5	64.1	(46.7)	460.4

In millions of euros	Year to 31 December 2011					
	BDEL	Leasing international	Corporate Investment Banking	Investment Solutions	Others	Total
Revenues	357.2	-	74.5	171.5	189.8	793.0
Operating expense	(217.3)	-	(35.2)	(118.9)	(46.3)	(417.7)
Cost of risk [2]	(29.0)	-	(1.2)	(3.7)	(123.4)	(157.3)
Operating income	110.9	-	38.1	48.9	20.1	218.0
Non-operating items [1]	2.5	84.0	0.7	(4.7)	21.9	104.4
Pre-tax income	113.4	84.0	38.8	44.2	42.0	322.4

[1] Including the revenue from investments in associates
[2] The amount of -123.4 million euros is mainly due to the exceptional write-off of Greek sovereign debt (see note 4.e).

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 SA, which is subject to a specific breakdown.

In millions of euros	31 December 2012						
	BDEL	Leasing international	Corporate Investment Banking	Investment Solutions	Other	Eliminations	Total
ASSETS							
Cash and amounts due from central banks and post office banks	0.2	1.5	1 333.4	-	-	-	1 335.1
Financial assets at fair value through profit or loss	5.3	7.5	262.2	24.0	255.6	(1.1)	553.5
Derivatives used for hedging purposes	-	11.2	0.6	-	117.7	-	129.5
Available-for-sale financial assets	39.7	182.6	514.4	5.7	2 482.4	-	3 224.8
Loans and receivables due from credit institutions	143.3	2 625.6	4 481.0	-	7 026.5	(5 257.8)	9 018.6
Loans and receivables due from customers	8 283.9	19 729.5	993.7	618.8	3 857.5	(6 190.5)	27 292.9
Held-to-maturity financial assets	-	-	-	-	509.2	-	509.2
Current and deferred tax assets	2.8	164.4	0.4	-	16.8	-	184.4
Accrued income and other assets	108.1	482.2	91.8	12.2	25.2	(81.8)	637.7
Investments in associates	-	151.9	-	75.1	-	-	227.0
Investment property	22.8	442.9	-	-	3.0	-	468.7
Property, plant and equipment	40.9	432.3	0.1	0.3	227.7	-	701.3
Intangible assets	0.5	8.5	-	-	4.1	-	13.1
Goodwill	-	145.3	-	-	-	-	145.3
Internal investment	4 486.4	-	-	5 171.0	-	(9 657.4)	-
Total assets	13 133.9	24 385.4	7 677.6	5 907.1	14 525.7	(21 188.6)	44 441.1
LIABILITIES							
Due to central banks and post office banks	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	2.7	2.2	240.6	24.0	947.0	(1.1)	1 215.4
Derivatives used for hedging purposes	-	0.4	25.4	-	34.4	-	60.2
Due to credit institutions	1 031.9	17 438.4	1 783.7	7.9	214.1	(8 326.5)	12 149.5
Due to customers	12 070.1	3 010.5	937.7	5 576.8	1 089.2	(2 963.2)	19 721.1
Debt securities	-	148.2	1 564.5	262.4	668.8	-	2 643.9
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-	-	-	80.6	-	80.6
Current and deferred tax liabilities	5.8	376.4	-	-	207.1	-	589.3
Accrued expenses and other liabilities	15.2	918.5	105.8	14.0	89.7	(180.9)	962.3
Provisions for contingencies and charges	8.2	105.4	23.8	22.0	27.0	-	186.4
Subordinated debt	-	62.1	-	-	-	(59.5)	2.6
Internal financing	-	2 323.3	2 996.1	-	4 338.0	(9 657.4)	-
Total liabilities	13 133.9	24 385.4	7 677.6	5 907.1	7 695.9	(21 188.6)	37 611.3

In millions of euros

	31 December 2011						
	BDEL	Leasing international	Corporate Investment Banking	Investment Solutions	Other	Eliminations	Total
ASSETS							
Cash and amounts due from central banks and post office banks	0.8	-	783.1	-	-	-	783.9
Financial assets at fair value through profit or loss	3.6	-	1 000.2	33.5	390.7	(6.9)	1 421.1
Derivatives used for hedging purposes	-	-	5.6	-	46.1	-	51.7
Available-for-sale financial assets	14.6	-	974.6	5.2	2 434.9	-	3 429.3
Loans and receivables due from credit institutions	150.3	-	5 626.2	9.6	6 066.2	(660.0)	11 192.3
Loans and receivables due from customers	7 687.0	-	1 252.0	697.9	4 144.3	(18.0)	13 763.2
Held-to-maturity financial assets	-	-	-	-	737.2	-	737.2
Current and deferred tax assets	2.3	-	0.5	-	25.4	-	28.2
Accrued income and other assets	66.0	-	353.3	36.3	74.4	(251.0)	279.0
Investments in associates	142.6	638.0	-	54.7	-	-	835.3
Investment property	14.7	-	-	-	4.7	-	19.4
Property, plant and equipment	37.3	-	0.1	3.6	233.4	-	274.4
Intangible assets	0.3	-	-	-	3.7	-	4.0
Internal investment	4 305.8	-	-	6 258.1	-	(10 563.9)	-
Total assets	**12 425.3**	**638.0**	**9 995.6**	**7 098.9**	**14 161.0**	**(11 499.8)**	**32 819.0**
LIABILITIES							
Due to central banks and post office banks	-	-	18.7	-	-	-	18.7
Financial assets at fair value through profit or loss	1.7	-	942.0	26.4	1 359.2	(6.9)	2 322.4
Derivatives used for hedging purposes	-	-	55.7	-	32.9	-	88.6
Due to credit institutions	700.6	-	2 593.5	22.9	729.4	(643.7)	3 402.7
Due to customers	11 686.5	-	1 213.3	6 396.3	116.6	(34.1)	19 378.6
Debt securities	-	-	543.7	600.7	432.9	-	1 577.3
Remeasurement adjustment on interest-rate risk hedged portfolios	-	-	-	-	35.4	-	35.4
Current and deferred tax liabilities	6.5	-	0.1	-	129.3	-	135.9
Accrued expenses and other liabilities	5.2	-	391.8	10.9	95.2	(251.2)	251.9
Provisions for contingencies and charges	24.8	-	-	41.7	32.4	-	98.9
Internal financing	-	638.0	4 236.8	-	5 689.1	(10 563.9)	-
Total liabilities	**12 425.3**	**638.0**	**9 995.6**	**7 098.9**	**8 652.4**	**(11 499.8)**	**27 310.4**

4. RISK MANAGEMENT AND CAPITAL ADEQUACY

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

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

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

4.a RISK FACTORS

Risks related to the Group and its industry.

Difficult macroeconomic and market conditions could have a significant adverse effect on the operating environment for financial institutions and hence on the financial condition , results of operations and cost of risk of the Group.

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

If economic conditions in Europe and other parts of the world were to deteriorate, in particular in the context of an exacerbation of the sovereign debt crisis, the Group could be required to record additional impairment charges on its sovereign debt holdings or record losses on sales thereof. The resulting political and financial turbulence could have a significant adverse impact on the creditworthiness of customers and financial institution counterparties, on market parameters such as interest rates, currency exchange rates and stock market indices, as well as on the Group's liquidity and ability to raise financing on acceptable terms.

Legislative action and regulatory measures taken in response to the global financial crisis may materially impact the Group and the financial and economic environment in which it operates.

Legislation and regulatory measures have been enacted or proposed recently with a view to introducing a number of changes, some permanent, in the global financial environment. While these new measures are intended to prevent a recurrence of the recent financial crisis, they could have the effect of causing a significant change in the environment in which the Group and other financial institutions operate.

The new measures that have been or could be taken include the following: increased prudential solvency and liquidity ratios; taxes on financial transactions; restrictions and taxes on employee compensation, above certain levels; restrictions or prohibitions on certain types of activities that commercial banks can undertake (particularly proprietary trading activities and, potentially, investment banking activities, more generally); restrictions on certain types of financial products such as derivatives; strengthening the powers of the regulatory authorities and the creation of new authorities.

Some measures have already been adopted and will apply to the Group such as Basel III and the Capital Requirements Directive "CRD 4" prudential frameworks, as well as the requirements in relation to prudential ratios announced by the European Banking Authority, will increase the Group's regulatory capital adequacy ratios and liquidity requirements and may limit its permissible leverage.

The Group's access to funding and the terms of such funding may be adversely affected by a resurgence of the sovereign debt crisis, deteriorating economic conditions, further rating downgrades or other factors.

Were such adverse credit market conditions to persist over the long term or to worsen as a result of the spread of the crisis to the whole economic sphere or for reasons related to the financial industry in general or to the Group in particular (such as credit rating downgrades), the impact on the European financial sector in general and on the Group in particular, could be significantly unfavourable.

Any substantial increase in new provisions or shortfall in the level of previously recorded provisions, could adversely affect the Group's results of operations and financial condition.

In connection with its lending activities, the Group regularly establishes impairments for loan losses, which are recorded in the profit and loss account under "cost of risk". Any significant increase in impairments for doubtful loans or a significant change in its estimate of 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 condition.

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

For the purpose of trading or investment, the Group may take positions in the debt, currency, commodity and equity markets, as well as in unlisted securities, real estate and other asset classes. Volatility, that is to say, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels, could have an adverse impact on these positions. There can be no assurance that the extreme volatility and market disruptions experienced at the height of the financial crisis of 2008/2009 will not recur in the future and that the Group will not suffer as a result substantial losses on its capital markets activities. Moreover, volatility trends that proved substantially different to the Group's expectations could also lead to losses relating to a broad range of other products used by the Group, such as swaps, forward and future contracts, options and structured products.

Revenue from brokerage and other commission-generating activities is potentially vulnerable to a market downturn.

Economic and financial conditions affect the number and size of capital market transactions for which the Group provides securities underwriting, financial advisory or other investment banking services. The Group's corporate and investment banking revenues, which comprise mainly fees from these services, are directly related to the number and size of the transactions in which it participates and can therefore decrease as a result of market changes that are unfavourable to its investment banking business and clients. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, any market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues stemming from its asset management, equity derivatives and Private Banking businesses. Independently of market changes, any below-market performance by the Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues received from its asset management business.

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

In some of the Group's businesses, a protracted decline in asset prices could adversely affect the level of activity in the market or reduce market liquidity. Such developments would expose the Group to significant losses if it were not able to close out deteriorating positions in a timely manner.

Any significant change in interest rates is likely to adversely affect the revenues or profitability of the Group.

The amount of net interest income earned by the Group during any given period has a significant impact on the revenues and profitability of that period. Interest rates are affected by many factors beyond the Group's control. Changes in market interest rates could affect the interest rates on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. Any adverse change in the yield curve could cause a decline in net interest incomes from lending activities. In addition, maturity mismatches and increases in interest rates on the Group's short-term financing, may adversely affect profitability.

The financial soundness and conduct of other financial institutions and market participants could have an adverse affect on the Group.

The Group's ability to engage in funding, investment or derivative transactions could be adversely affected by the financial soundness of other financial institutions and market participants. Financial services institutions are interrelated, particularly because of their trading, clearing, counterparty and funding or other relationships. The failure of a player in the sector, or even rumours or questions about one or more financial institutions or the financial industry more generally, have led to a general decline in liquidity in the market and could in the future lead to additional losses or defaults.

There can be no assurance that any losses resulting from the risks summarised above will not materially affect the Group's results of operations.

Any damage to the Group's reputation could harm its competitiveness.

Given the highly competitive nature of the financial services industry, a reputation for financial strength and integrity is critical to the Group's ability to attract and retain customers. Any damage to the reputation of the Group could be accompanied by a loss of activity, which could adversely affect its results and financial position.

Any interruption or breach of the Group's computer systems may result in loss of business and engender other losses.

Like most of its competitors, the Group relies heavily on communication and information systems to conduct its business. Any failure or interruption or breach in security in these systems could result in failures or interruptions in the customer relationship management, general ledger, deposit, servicing and / or loan processing systems. The Group cannot guarantee that such failures or interruptions will not occur or, if they do, that they will be adequately addressed. Any failure or interruption of this nature could have an adverse affect on the results of the operations and financial position of the Group.

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

Unforeseen events such as political and social unrest, severe natural disasters, terrorist attacks or other states of emergency, could lead to an abrupt interruption of the Group's operations and cause substantial losses, to the extent they are not covered by an insurance policy. 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 employees affected) and increase the expenses of the Group (in particular insurance premiums).

The Group is subject to extensive and evolving regulatory regimes in the countries and regions where it operates.

The Group is exposed to the risk of non-compliance, that is to say, in particular the inability to comply fully with the laws, regulations, codes of conduct, professional standards or guidelines applicable to the financial services industry. Besides the damage to its reputation, the failure to comply with these texts could expose the Group to fines, public reprimand, enforced suspension of operations, or, in extreme cases, withdrawal of operating licences. This risk is further exacerbated by the ever-increasing level of oversight by the competent authorities. This is especially the case in respect to money laundering, financing of terrorist activities or transactions with States subject to economic sanctions. This is the case in particular for the application of U.S. FATCA law, which comes into force on 1 January 2014 and for which Luxembourg has not yet decided how it will cooperate.

These changes, the scale and scope of which are highly unpredictable, could have significant consequences for the Group and have an adverse effect on its business, financial condition and results of operations
Notwithstanding its risk management policies, procedures and methods, the Group could still be exposed to unidentified or unanticipated risks, which could lead to material losses.

The Group has invested considerable resources to developing its risk management policies, procedures and assessment methods, and it will continue its efforts in this area. Nonetheless, the techniques and strategies used cannot guarantee effective risk reduction in all market circumstances.

Hedging strategies implemented by the Group do not rule out all risk of loss.

The Group may incur losses if one of the instruments or strategies it uses to hedge its exposure to different types of risk to which it is exposed is not effective. Many of these strategies are based on the observation of the past market behaviour and an analysis of historical correlations. The hedge may, however, be only partial, or the strategies used may not protect against all future risks, or allow for effective risk reduction in all market situations. Unexpected market developments may also diminish the effectiveness of these hedging strategies.

In addition, the manner in which gains and losses resulting from certain ineffective hedging strategies are recorded may increase the volatility of results published by the Group.

The Group may experience difficulties integrating acquired companies and may not be able to realise the benefits anticipated from its acquisitions.

The operational integration of acquired businesses is a long and complex process. Successful integration and the realisation of synergies require, among other things, proper coordination of business development and marketing efforts, retention of key members of management, policies for effective recruitment and training, as well as the ability to adapt information and computer systems.

Although the Group undertakes an in-depth analysis of the companies it plans to acquire, it is often not possible for these reviews to be exhaustive. As a result, the Group may have an increased exposure to doubtful or troubled assets and incur greater risks due to its acquisitions, especially in cases where it could not conduct comprehensive due diligence prior to the acquisition.

Intensifying competition could affect the revenues and profitability of the Group.

Competition is intense in all of the Group's core business areas. Indeed, competition in the banking industry could intensify as a result of the ongoing of consolidation of financial services, which accelerated during the recent financial crisis. If the Group is unable to maintain its competitiveness by offering a range of products and services that are attractive and profitable, it may lose market share in important business lines or incur losses in some or all of its activities.

4.b RISK MANAGEMENT

4.b.1 Organisation of the Risk Management Function

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

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

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

4.b.2 Risk categories

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

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

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

Credit and counterparty risk

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

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

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

Market risk

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

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

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

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

Operational risk

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

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

Compliance and reputation risk

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

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

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

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

Asset-liability management risk

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

Liquidity and refinancing risk

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

Breakeven risk

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

Strategic risk

Strategic risk is the risk of loss as a result of a bad strategic decision.

Concentration risk

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

4.c CREDIT AND COUNTERPARTY RISK

4.c.1 Exposure to credit risk

The table below shows the exposure relative to all financial assets and off balance sheet items with a potential credit or counterparty risk, after taking into account the guarantees and collateral obtained and application of conversion factors.

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

In millions of euros	31 December 2012			31 December 2011		
	IRBA	Standardised approach	Total	IRBA	Standardised approach	Total
Central governments and central banks	4 589.1	123.6	4 712.7	4 285.2	32.4	4 317.6
Corporates	7 332.4	7 021.3	14 353.7	10 242.9	1 167.4	11 410.3
Institutions [1)]	9 296.6	2 612.2	11 908.8	12 425.1	1 065.0	13 490.1
Retail	5 828.3	8 370.0	14 198.3	5 531.1	6.1	5 537.2
Other non credit-obligation assets [2)]	-	2 157.0	2 157.0	-	356.0	356.0
Total exposure	**27 046.4**	**20 284.1**	**47 330.5**	**32 484.3**	**2 626.9**	**35 111.2**

IRBA : advanced internal ratings based approach
The above table shows the entire prudential scope based on the categories defined in part VII, chapter 3, point 110 of the CSSF Circular 06/273, as modified, 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) which are classified as credit institutions. This class also includes certain exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.
2) Other non credit-obligation assets include tangible assets and accrued income.

The evolution of the exposures relative to credit risk by Basel exposure class, between 31 December 2011 and 31 December 2012, results primarily from the integration of leasing activities.

Exposure linked to risks on securitisation positions

In millions of euros	31 December 2012		31 December 2011	
	Securitised exposures originated by BGL BNP Paribas	Securitisation positions held or acquired	Securitised exposures originated by BGL BNP Paribas	Securitisation positions held or acquired
Originator			-	-
Sponsor	-	-	-	-
Investor	-	389.4	-	412.7
Total exposure	-	389.4	-	412.7

The securitisation position is being managed to discontinuance, following a decision taken in 2009 to cease investing in this activity.

Exposure linked to equity risk [1)]

In millions of euros	31 December 2012	31 December 2011
Standardised approach («grandfathering»)	**33.9**	**36.3**
Simple risk weight method	**336.1**	**335.4**
Listed equities	0.2	0.5
Other equity exposures	335.9	334.9
Investment in diversified portfolios	-	-
Total	370.0	371.7

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

4.c.2 Credit risk management policy

General credit policy and control and provisioning procedures

The lending activities of the Group are governed by the general credit policies defined by the BNP Paribas Group as well as the policies and standards defined by the Board of Directors and by the BGL BNP Paribas Management Board, whose role is to define the strategy and the major risk policies. The 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 approach is set out in the form of specific policies tailored to each type of business or counterparty.

Decision-making procedures

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

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

Monitoring procedures

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

Impairment procedures

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

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

Internal Rating procedures

Following the formal approval of the panel of regulators in March 2008, for materially important entities the Group uses an advanced internal ratings-based approach (IRBA) to credit risk, to calculate its regulatory capital requirements. Thus each transaction and each counterparty is allocated their "credit risk" parameters according to the Basel II rules for internal models.

The risk parameters consist of the probability of counterparty default to one-year horizon (PD, Probability of Default), of the rate of loss in the case of a default (LGD Loss Given Default) and of the exposed value at risk (EAD, Exposure at Default).

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

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

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

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

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

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

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

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

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

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

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

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

4.c.3 Diversification of the exposure to credit risk

Diversification by counterparty

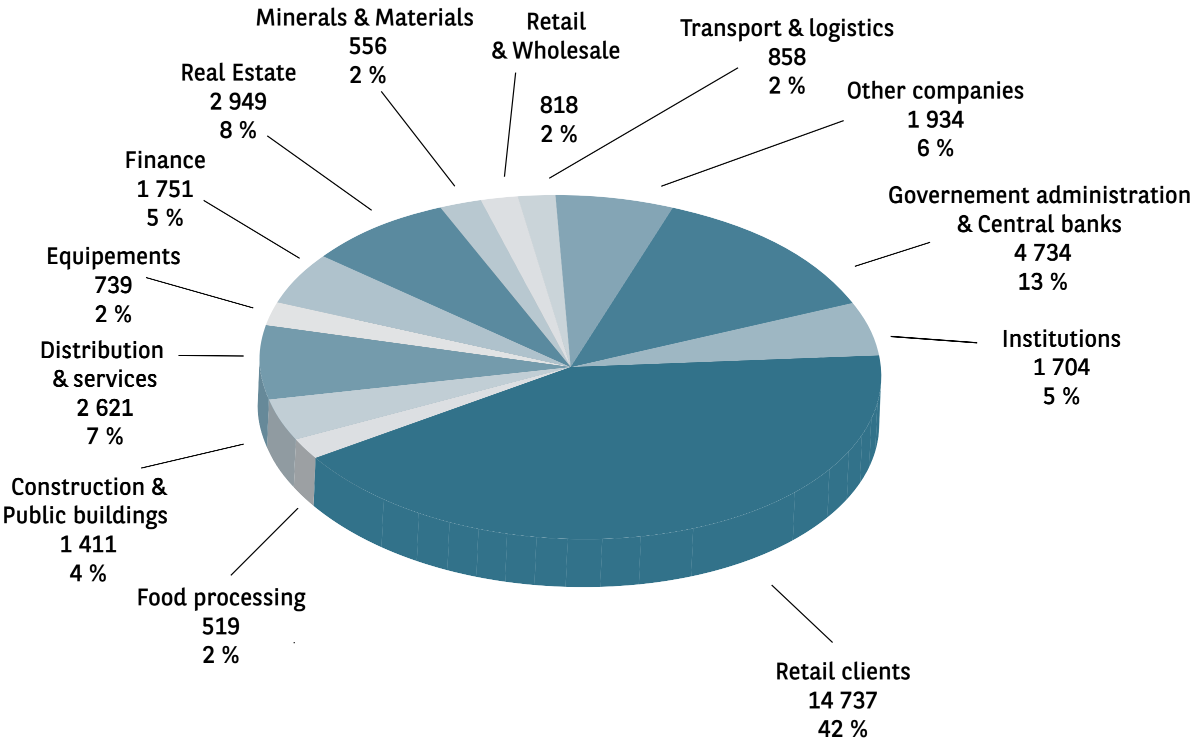
Diversification is a key component of the Group's policy and is assessed by taking account of all exposure to a single business group. Diversification of the portfolio by counterparty is monitored on a regular basis. The risk concentration ratio ensures that the total amount of risks incurred on a counterparty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

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

Industry diversification

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

Breakdown of the credit risk, excluding securitisation in terms of value at risk, by regulatory category and by the business sectors of the corporate clientele excluding relations with BNP Paribas Group entities

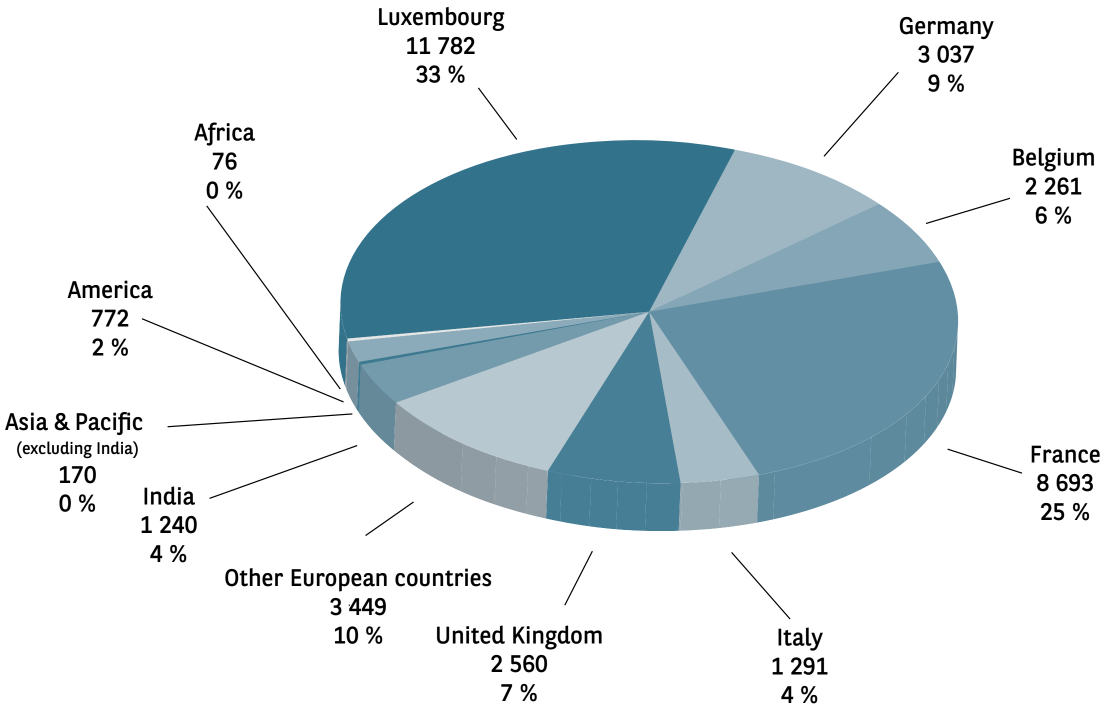


Geographical diversification

"Country" risk is defined as the sum of all exposures to debtors registered or operating in the country in question. It is not the same as "sovereign" risk, which covers exposure to States, public institutions and their various offshoots; it reflects the Group's exposure to a given economic, political and judicial environment, which is taken into consideration when assessing counterparty quality.

Geographical breakdown of the credit risk, excluding securitisation in terms of value at risk, on 31 December 2012 according to the registered country of the parent company of the counterparties, excluding relations with BNP Paribas Group entities

In millions of euros



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

4.c.4 Measure of the quality of the portfolio exposed to credit risk

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

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

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

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

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

Retail banking operations

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

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

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

4.c.5 Risk mitigation techniques

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

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

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

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

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

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

- their value must not be strongly correlated to the risk of the debtor;
- the collateral must be documented;

- the Group must be able to assess the value of assets pledged under conditions of economic slowdown;
- the Group must have obtained reasonable comfort on the possible appropriation and realisation of the asset.

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

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

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

4.c.6 Counterparty risk

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

Netting agreements

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

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

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

Measurement of exposure

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

Credit adjustments on financial instruments traded over-the-counter (OTC)

The valuation of financial instruments traded over-the-counter by BGL BNP Paribas in the framework of its market activities (Fixed Income, Global Equity & Commodity Derivatives) includes credit adjustments. A Credit Value Adjustment (or CVA) is an adjustment to the value of the portfolio of transactions to take account of counterparty risk. It reflects the expected loss in fair value of the existing exposure to a counterparty due to the probability of default of the counterparty, of the downgrading of credit quality and of estimated recovery rate.

4.d MARKET RISK

4.d.1 Market risk related to financial instruments

Definitions

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

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

Governance

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

Limit setting and tracking

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

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

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

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

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

Control processes

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

Transaction accounting controls

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

Reserve calculations

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

Measurement of market risk

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

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

Analysis of sensitivities to market parameters

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

Measurement under normal market conditions: VaR

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

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

Measurements under extreme market conditions

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

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

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

4.d.2 Market risk related to banking activities

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

The market risk is calculated using the standard method.

Type of risk *In millions of euros*	31 December 2012	31 December 2011
Interest rate risk	0.1	-
Equity price risk	6.3	5.9
Commodity price risk	0.1	-
Total value and risk	**6.5**	**5.9**

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

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

Equity risk

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

Foreign exchange risk

Foreign exchange risk and hedging of earnings generated in foreign currencies

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

Foreign exchange risk and hedging of net investments in foreign operations

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

Interest rate risk (Pillar 2)

Organisation of the BGL BNP Paribas interest rate risk management

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

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

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

Measurement of interest rate risk

Banking book interest rate gaps are measured, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual characteristics of the transactions and historical customer behaviour. For the Retail and Commercial Banking Group ("Banque de Détail et des Entreprises"), products as well as for Wealth Management Luxembourg, 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 bank intermediation activities consolidated by currency and by maturity band, for an instantaneous shock of one basis point across all of the yield curves. This measurement makes it possible to take into account all of the future flows generated by current transactions on the analysis date, irrespective of their maturity. This sensitivity takes into account the replicating portfolios and models used to generate the conventional schedules, in particular for shareholders' equity.

In thousands of euros						31 December 2012
	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	(18)	(20)	(151)	(230)	(825)	(1 244)
USD	(4)	6	3	(35)	(37)	(67)
Other currencies	3	13	1	(3)	(5)	9
Total	(19)	(1)	(147)	(268)	(867)	(1 302)

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

The sensitivity of the value of the books of intermediation activities to an instantaneous change of one basis point in interest rates results in an increase in value when there is a decline, and a reduction in value if there is an increase, of 1.3 million euros at 31 December 2012.

Hedging of interest rate and foreign exchange risks

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

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

Overall interest rate risk

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

2012 was an eventful year: in response to the financial crisis in Europe, in late February the European Central Bank put in place a second three-year refinancing operation for European banks; it then lowered the base rate to 0.75% in July 2012. In a speech on 26 July, Mario Draghi went on to advise the markets that, within its mandate, the ECB was ready to do whatever it takes to preserve the euro. This statement, which was followed by a demonstration of the willingness of the ECB to intervene (through bond purchases) on behalf of eurozone Member states who sought help while accepting the accompanying conditions, helped to greatly reduce market tensions in the euro area over the last half of the year. During 2012, Euribor rates, as well as the euro swap rates, fell sharply, reflecting the fact that markets were anticipating low interest rates, in a context of lower growth or even recession in some parts of the euro area.

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. Hedging is utilised by BNP Paribas Leasing Solutions to hedge its equity position in subsidiaries using a foreign currency.

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 2012, the portfolio hedges involve financial liabilities, namely customer deposits.

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

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

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

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

During fiscal 2011 and 2012, no hedge (established in accordance with IFRS) was disqualified. In 2011, the sale of some micro-hedged bonds led to the unwinding of their respective micro fair value hedging swaps.

It is also noteworthy that in 2012, as in 2011, as part of the ALM's management, some kinds of hedging swaps known as "Carved-out Macro Fair Value Hedges" were unwound without their hedged element, or any euro current account deposits, disappearing.

Usage of the fair value option through profit or loss

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

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

exchange for existing securities, and (5) a discount rate on future cash flows of 12%, the Group estimated at the end of 2011 that the likely loss on securities to be 75%, which is almost identical to that priced in by the market through the average discount on these securities at 31 December 2011. The Greek bonds held were written down by 75% and the loss taken in the year 2011 reached 113.8 million euros in cost of risk.

Accounting treatment at 31 December 2012 following the exchange offer of Greek securities

On 21 February 2012 the agreement was refined and completed between the Greek government, private-sector investors and representatives of the Eurogroup. This agreement is designed to enable Greece to achieve a debt ratio of 120.5% in 2020 as opposed to 160% in 2011, and to achieve the financial stability sought through the plan. The offer involves private-sector investors waiving 53.5% of the nominal value of Greek bonds in their possession, representing a reduction of Greece's debt by about 107 billion euros in return for a public sector contribution of 30 billion euros.

On 12 March 2012, the exchange of Greek sovereign debt securities took place with the following main characteristics:

- 53.5% of the principal of previous securities was waived.
- 31.5% of the principal amount of previous securities was exchanged for 20 bonds issued by Greece with maturities of between 11 and 30 years. The coupon on these bonds is 2% from 2012 to 2015, rising to 3% from 2015 to 2020, 3.6% in 2012 and 4.6% until 2042. These securities are accounted for as "Available-for-sale financial assets".
- 15% of the principal of previous securities has been redeemed immediately in the form of short-term securities issued by the EFSF, repayment of which is guaranteed by the 30 billion euros from the public sector. These securities are accounted for as "Available-for-sale financial assets".

In addition to the exchange,

- Accrued interest on the exchanged Greek debt at 24 February 2012 was settled through the issuance of short-term EFSF securities accounted for as "Loans and Receivables".
- Each new bond issued by Greece will be accompanied by a security linked to movements of Greece's gross domestic product over and above those expected in the plan. This instrument is accounted for as a derivative.

The exchange of the securities has been accounted for as the extinguishment of the previously held assets and the recognition of the securities received at their fair value.

The fair value of the instruments received in exchange for the previous securities was valued on 12 March 2012 at 23.3% of the nominal value of the previous securities. The difference with the net value of the previous securities, as well as the adjustment of accrued interest on the previous securities, led to the recognition of a loss in cost of risk of a 2.6 million euro loss for the banking book securities

On 22 March 2012, following the exchange, the Group sold 20 debt securities issued by Greece as well as associated indexed securities. Following these sales, the Group recognised:

- on 20 securities issued by Greece, a loss on the sale of "Available-for-sale financial assets" of 1.4 million euros included in net banking income;
- on indexed securities related to securities issued by Greece, a loss on derivatives of 0.2 million euros included in net banking income.

Group exposure to sovereign credit risk on Portugal

Assets recorded in "Loans and Receivables" result from the reclassification made on 30 June 2011 of securities previously categorised as "Available-for-sale financial assets".

Specific accounting treatment Greek and Portuguese public debt instruments

1. Accounting treatment of the Portuguese Securities

The lack of liquidity in the first half of 2011 in the markets for Portuguese government debt, led the Group to consider that these securities could no longer be classified as available-for-sale financial assets.

The extinction of the primary market, the scarcity of transactions in the secondary market, their small size, and the widening of the bid-ask spreads, reflect the risk aversion of investors for this country and the drying-up of the market. The interest rate curve for public debt was inverted – short-term rates were significantly higher than long-term rates - thus confirming the dislocation in this market. The implicit losses caused by the very high level of short-term rates did not reflect the expected results of the support plan, which was intended to give Portugal the means to restore its public finances and to meet its commitments.

As permitted in paragraph 50E of IAS 39 in such exceptional circumstances, and given the period of time that the Group considers to be necessary for that country to fully restore the state of its finances, the Group reclassified - with effect from June 30, 2011 – these public debt securities from the "Available-for-sale financial assets" category to "Loans and Receivables".

In regards to Portuguese sovereign debt instruments, after due consideration of the various aspects of the European support plan, some investors took the view that there was no objective evidence that the recovery of the future cash flows associated with these securities was compromised, especially since the European Council had stressed the unique and non-replicable nature of the private sector's participation in such an operation. Accordingly, the Group took the view that there was no need to impair these securities.

The note 5.e indicates the market value of the Group's holding of securities issued by Portugal and reclassified as "Loans and Receivables".

2. Accounting treatment of Greek securities

It should be noted that the Greek securities were classified in the Group accounts in the "Held to Maturity" category.

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

In the second half of 2011 it was recognised that Greece was having trouble meeting the economic objectives on which the 21 July plan was based, in particular with regard to the sustainability of its debts. This led to a new agreement in principle, dated 26 October 2011, based on the private sector waiving 50% of amounts owed to them. Since the arrangements for implementing this agreement has not been definitively settled by all the international institutions concerned, the Bank determined the impairment loss on all the securities it held on the basis of the most recent proposal by private-sector creditors, represented by the Institute of International Finance (IIF).

On the basis of (1) a 50% haircut, (2) the immediate repayment of 15% of amounts owed though securities of the European Financial Stability Facility - EFSF – with a maturity of two years and paying market rates (3) payment of accrued interest through EFSF securities with a maturity of 6 months and paying market rates, (4) a coupon of 3% until 2020 and 3.75% thereafter on redeemable securities maturing between 2023 and 2042, received in exchange for existing securities, and (5) a discount rate on future cash flows of 12%, the Group estimated at the end of 2011 that the likely loss on securities to be 75%, which is almost identical to that priced in by the market through the average discount on these securities at 31 December 2011. The Greek bonds held were written down by 75% and the loss taken in the year 2011 reached 113.8 million euros in cost of risk.

Accounting treatment at 31 December 2012 following the exchange offer of Greek securities

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- on indexed securities related to securities issued by Greece, a loss on derivatives of 0.2 million euros included in net banking income.

Group exposure to sovereign credit risk on Portugal

Assets recorded in "Loans and Receivables" result from the reclassification made on 30 June 2011 of securities previously categorised as "Available-for-sale financial assets".

Exposure to Portuguese sovereign debt, broken down by maturity

In millions of euros					31 December 2012
	1 year	2 years	3 years	10 years	Total
Securities reclassified to loans and receivables					
Risk Exposure	-	-	-	215.0	215.0
Carrying value (excluding related receivables)	-	-	-	166.8	166.8
Securities reclassified to held-to-maturity financial assets					
Risk Exposure	-	-	-	20.0	20.0
Carrying value (excluding related receivables)	-	-	-	18.7	18.7

Disposals of held-to-maturity securities in 2012

In 2012, the Group sold 10.0 million euros worth of sovereign debt issued by Portugal, classified up to the date of sale as "Held-to-maturity financial assets".

The Group considers that the impact of this transaction was not material in relation to the entire securities portfolio of "Held-to-maturity financial assets". This supports the fact that such transfers do not call into doubt its intention to hold to maturity other assets in this category, nor its ability to fund them. Other assets held have been maintained in this category.

4.f 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 daily transactions or the Group's financial situation.

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

4.f.1 The liquidity risk policy

Policy objectives

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

Roles and responsibilities in liquidity risk management

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

The Luxembourg ALCO is the Group's Management committee, directed by the Management Board to decide on all ALM and Treasury matters within the framework of limits and rules as approved by ALM Treasury on the Group level, and by Group Risk Management.

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

4.f.2 Liquidity risk management and supervision

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

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

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

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

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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 (collateralised or not) contribute to reducing the liquidity risk.

Medium / long term debt and Commercial Paper

The total amount of the Group's medium and long term outstanding bonds stood at 1.75 billion euros at the end of 2012 (including 148 million euros related to the integration of leasing), compared to a stock of 1.89 billion euros at the end of 2011. The Group also continued to fund itself through its Commercial Paper programmes. The total volume of this paper was 1.82 billion euros, up 0.69 billion euros on the year.

Netting and intra-group limits

In 2011, the Bank entered into global compensation agreements with BNP Paribas Fortis SA and BNP Paribas SA (and their respective branches within the European Union) in order to reduce its exposure to these entities both with regard to balance sheet exposures as well as off-balance sheet exposures.

In addition, under these netting agreements, the Bank ended its exposure limits to the BNP Paribas Group.

4.g OPERATIONAL RISK AND INTERNAL CONTROL

4.g.1 Internal control

The internal control system

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

The fundamental rules

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

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

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

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

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

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

- Internal Control is exhaustive.

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

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

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

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

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

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

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

- Internal Control is traceable.

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

Action principles

Risk control requires the implementation of the following action principles:

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

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

The internal Control organisation

Internal Control consists of Permanent Control and Periodic Control, which are separate and independent of one another, while still being complementary, and is based on policies, procedures, processes and control plans

Permanent Control

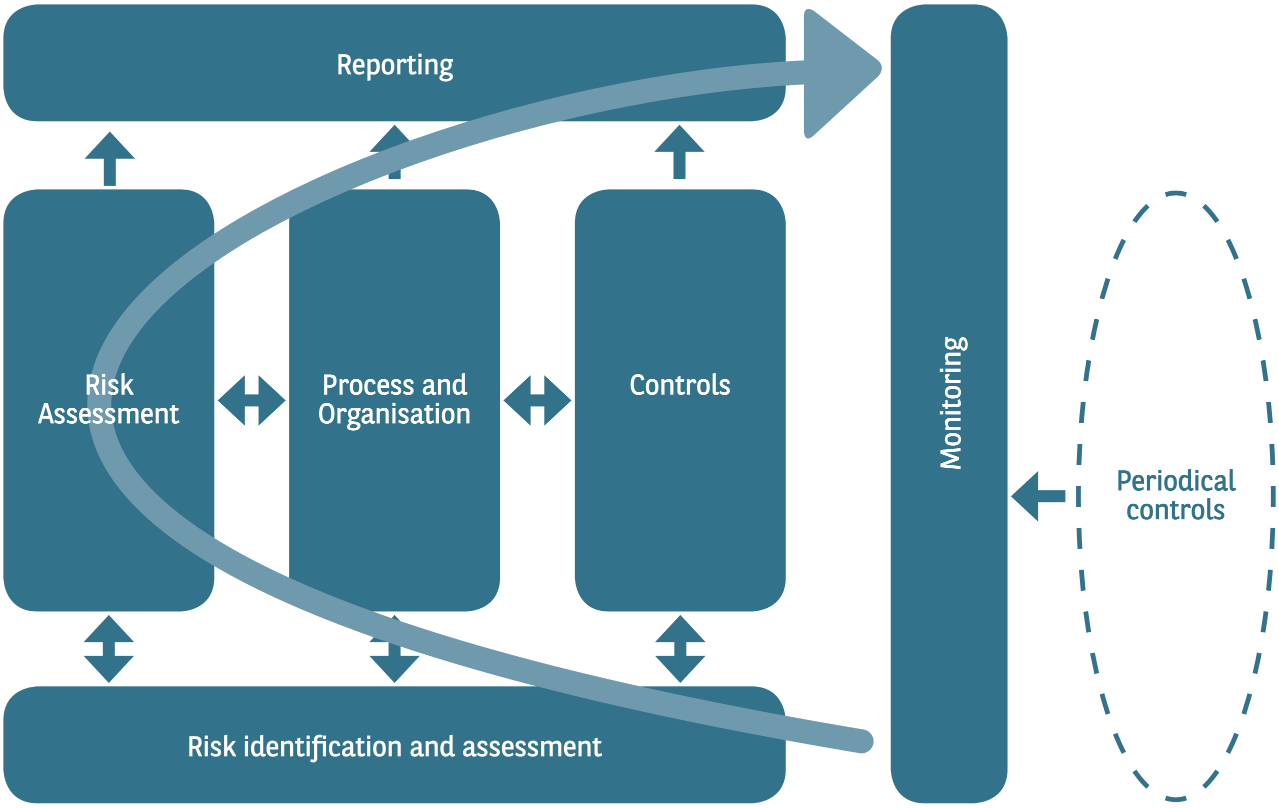
It is an overall system that makes continuous usage of risk management actions and follow-up of the realisation of strategic actions. It is based on control policies, procedures, processes and plans.

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

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

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

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



Control level 1

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

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

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

Control level 2

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

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

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

Periodic Control

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

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

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

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

The Internal Control and Risk Committee

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

The Internal Control Coordination and Risk Prevention Committee

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

The BGL BNP Paribas Permanent Control Committee

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

4.g.2 Operational risk management

Operational risk is the risk of losses resulting either from the inadequacy, or failure, of internal processes or from external events, whether deliberate, accidental or natural.

Operational risk management is the responsibility of the head of the Oversight of Operational Permanent Control (2OPC) team in Luxembourg. He organises the semi-annual permanent Control Committee meetings. The head of the Oversight of Operational Permanent Control team in Luxembourg also participates in the Coordinating Committee for Internal Control and Prevention of Risk (3CIPR) which meets every month. The operational risk status is presented in these two Committees.

The objectives of the operational risk management policy are:

- mobilisation of all stakeholders in the firm with regard to risk management;
- reducing the probability of occurrence of events involving operational risk which would endanger:
  - the reputation of the Group or of BNP Paribas;
  - the trust shown by our customers, shareholders and employees;
  - the quality of services and products that are marketed;
  - the profitability of our activities;
  - the efficiency of the processes it manages.
- the establishment of a uniform system across the Group, with an adequate level of formalisation and traceability that can give a reasonable assurance of

risk management to management, to the legislative body and regulators;

- a balance between the risks taken and the cost of the management of operational risks.

Standardising its approach to operational risk management promotes a better understanding of the risk profile in its entirety and allows the Group to take advantage of the benefits of risk diversification.

The process of certification, which was put in place through half-yearly reporting of historical incidents to the permanent Control team is intended to:

- enhance the quality of data;
- ensure its completeness by relying on cross-checks from other sources.

Since 1 January 2008, the method used for calculating the economic and regulatory capital for the operational risk of the Bank has been the Advanced Measurement Approach (AMA), which requires data on internal and external losses, an analysis of various scenarios of potential events and an analysis of environmental factors and internal control. The Group has used the Advanced Measurement Approach (AMA) of BNP Paribas since 1 January 2012.

In this context, the monitoring and analysis of operational losses is carried out under the auspices of the Oversight of Operational Permanent Control (2OPC) team in Luxembourg, applying the Group Forecast system (Full Operational Risk & Control Analysis System).

The Oversight of Operational Permanent Control (2OPC) team in Luxembourg assists the permanent controllers in the exercise of operational risk mapping. The objectives of operational risk mapping are to:

- have a first macro view of the major areas of risk of an entity, process, large functional area or type of risk;
- evaluate these risks against the wider control system and assess its effectiveness in terms of the risk tolerance of the entities;
- provide a tool for dynamic monitoring of the risk profile of the entities;
- define actions for the prevention and correction of risks and monitor their implementation.

The validation and review of the risk mapping process by executive management is a key part of the exercise: it gives it power and purpose, as they participate in the definition of risk tolerance and induce action to manage the risk.

The analysis of operational risks resulting from this mapping is done by describing and quantifying potential incidents. Potential incidents represent specific operational risks, characterized by causes, an event and effects that could affect a given process, and thus be related to specific business lines and countries.

The main objective of the methodology relating to potential problems is to identify the most significant potential problems that might arise in the context of the activity under consideration, then to analyse and quantify them, in order to determine the exposure to operational risks of the activity; knowledge of this exposure is crucial both for the measurement of the risks, especially through the calculation of capital, as well as for their management.

Legal risk

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

- specific committees, namely:
  - **Legal Affairs Committees;**
  - Business Line Legal Affairs Committee (CAJM);
  - Luxembourg Legal Affairs Committee (CAJL);

- **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;

  - 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 Legal Affairs.

Tax risk

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

Within the BNP Paribas Group, the Group Tax Department (AFG) is a global function, responsible for overseeing the consistency of the Group's tax affairs while also sharing responsibility for monitoring global tax risks with the Finance Group (FG). The Group Tax Department performs 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 Group Tax Department has established:

- a network of tax correspondents 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 manage 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 FG, the Group Tax Department co-chairs the Tax Coordination Committee, which also includes the Compliance function and, when appropriate, the core business lines. 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 Group Tax Department has 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 involve, 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 the application of these principles for Group entities.

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

Information systems security

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

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

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

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

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

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

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

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

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

4.g.3 Approach and scope

The principles of measurement and management of operational risk are defined by the Group Compliance department, by delegation from the Risk Management department. The operational risk system implemented by the BNP Paribas Group is scaled to be proportionate to the risks being incurred and to ensure that the vast majority of operational risks are covered.

The corresponding capital requirement is calculated for each legal entity in the BNP Paribas prudential scope. The amount of risk-weighted assets is calculated by multiplying the capital requirement by 12.5.

The Group has adopted a hybrid approach combining the Advanced Measurement Approach (AMA), the standard approach and the basic approach indicator. For the Group the AMA methodology has been deployed in the most significant entities.

Advanced Measurement Approach (AMA)

The Advanced Measurement Approach (AMA) for calculating capital requires the development of an internal operational risk model, based on internal loss data (potential and historical), external loss data, the analysis of various scenarios, and environmental and internal control factors.

The internal model meets the AMA criteria and includes the following principles:

- The model is based on the annual aggregate loss distribution, meaning that the frequency and severity of operational risk losses are modelled using an actuarial approach and according to distributions calibrated on available data;
- Historical and prospective data are used in the calculation of capital requirements, with a predominance for prospective data, since they can be shaped to reflect extreme risks;
- The model is faithful to its input data, so that the results can be used easily by the different business lines:

thus, most of the assumptions are included in the data themselves;

- The capital calculations are made prudently: in this context, there is a thorough review of the input data, and any supplemental data are added if they are needed to cover all relevant risks within the Group

The AMA uses VaR (Value at Risk), or the maximum potential loss over one year, at a 99.9% confidence level to calculate regulatory capital requirements. Capital requirements are calculated on an aggregate level using data from all Group entities that have adopted the AMA, then allocated to individual legal entities.

Fixed-Parameter Approaches

The Group has chosen to use fixed-parameter approaches (standard or basic) to calculate the capital requirements for entities in the scope of consolidation that are not integrated in the internal model.

Basic indicator approach: the capital requirement is calculated by multiplying the entity's average net banking income (the exposure indicator) over the past three years by a unique alpha parameter set by the regulator (15% risk weight).

Standardised approach: the capital requirement is calculated by multiplying the entity's average net banking income over the past three years by a beta factor (set by the regulator) according to the entity's business category. Therefore in order to use the banking supervisor's beta parameters, the Group has divided all its business lines into the eight business categories, with each business line assigned to these categories, without exception or overlap.

4.g.4 Risk reduction through insurance policies

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

This involves an in-depth identification of risks, detailed analyses of 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.

In selecting insurers, the Group pays close attention to the credit rating and solvency of its insurance partners.

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

4.h COMPLIANCE AND REPUTATION RISK

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

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

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

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

- general and specific procedures;
- dedicated controls;
- deployment of prevention and detection tools (notably for preventing money laundering, terrorist financing, corruption and Market Abuses);

The function is built around:

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

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

4.i CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

4.i.1 Regulatory capital

The Group is required to comply with the Luxembourg prudential regulations that transpose the European Directive on "Capital adequacy for credit institutions" into national law.

Since 1 January 2008, CSSF Circular 06/273 (as amended) defining the so-called "Basel II" calculation methods for the solvency ratio, as defined by 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 entity or Group business concerned;
- the regulatory capital requirements for market and operational risks, multiplied by 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 concerned.

Breakdown of regulatory capital

Regulatory capital is determined in compliance with the CSSF Circulaire 06/273, as modified. It is divided into three components (core capital (Tier 1), supplementary capital (Tier 2) and super-supplementary capital (Tier 3), from which a certain number of deductions are made:

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

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

- A discount is applied to certain types of subordinated debt with a residual 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 capped at the equivalent of 100% of the core capital. The Group does not hold any Tier 3 capital.

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

Regulatory Capital, excluding income for the current year

In millions of euros	31 December 2012	31 December 2011
Shareholders' equity before appropriation	**5 592.9**	**5 508.6**
Ordinary shares and share premiums	3 475.0	3 475.0
Retained earnings	1 781.3	1 857.3
Remeasurement reserves	69.8	(121.5)
Net profit for the current year	266.8	297.8
Total minority interests before appropriation of income	**1 236.9**	**-**
Consolidated equity	6 829.8	5 508.6
Regulatory deductions and other items	**(810.5)**	**(400.0)**
Intangible assets deductions	(158.4)	(4.0)
Other regulatory restatements	(652.1)	(396.0)
of which: neutralisation of regulatory provisions	*(95.4)*	*(84.7)*
of which: neutralisation of unrealised capital gains on buildings	*(57.2)*	*(60.1)*
of which: neutralisation of own credit risk	*(16.3)*	*(46.6)*
of which: neutralisation of non-eligible reevaluation reserves	*(58.0)*	*183.7*
of which: neutralisation of the reevaluation reserves transferred to Tier 2	*(16.2)*	*(58.3)*
of which: deferred tax assets not recoverable for 2 years	*(45.8)*	*(1.9)*
of which: neutralisation of the restated income before appropriation [1]	*(363.2)*	*(328.1)*
Tier 1 own funds before items to be deducted	6 019.3	5 108.6
Tier 2 own funds before items to be deducted	107.5	131.4
Expected losses linked to equity exposures	**(9.3)**	**(8.1)**
Investments in associates	**(282.4)**	**(872.1)**
Provision deficit (compared to Expected Loss)	**(62.3)**	**(68.5)**
Items to be deducted from tier 1 and 2	(354.0)	(948.7)
Regulatory capital	5 772.8	4 291.3

[1] *Corresponds to Group share of income and share of minority interests, after prudential filters (prudential provisions and own credit risk).*

4.i.2 Capital requirements and risk-weighted assets

Capital requirements and risk-weighted assets under Pillar 1

The table opposite summarises the risks broken down by Basel regulatory class. These risks serve as a reference for calculating the solvency ratio of the Group within the framework of regulatory reports filed with the CSSF (Basel II Pillar 1).

In millions of euros	31 December 2012		31 December 2011	
	Amount of risk weighted assets	Capital requirements	Amount of risk weighted assets	Capital requirements
CREDIT AND COUNTERPARTY RISK	22 686.8	1 814.9	10 697.8	855.9
Credit risk - IRBA	**6 718.8**	**537.5**	**8 338.3**	**667.1**
Central governments and central banks	491.3	39.3	573.0	45.8
Corporates	3 769.4	301.6	4 503.3	360.3
Institutions [1]	1 051.6	84.1	1 587.3	127.0
Retail	1 303.6	104.3	1 476.3	118.1
Exposures guaranteed by real estate collateral	594.9	47.6	665.0	53.2
Other exposures	708.7	56.7	811.3	64.9
Securitised exposures	102.9	8.2	198.4	15.9
Credit risk - Standardised approach	**15 968.0**	**1 277.4**	**2 359.5**	**188.8**
Central governments and central banks	11.6	0.9	6.4	0.5
Corporates	6 716.4	537.3	1 181.5	94.5
Institutions [1]	890.7	71.3	811.1	64.9
Retail	6 370.4	509.6	4.5	0.4
Exposures guaranteed by real estate collateral	1.4	0.1	2.5	0.2
Other exposures	6 369.0	509.5	2.0	0.2
Securitised exposures	55.3	4.4	-	-
Other non credit-obligation assets	1 923.6	153.9	356.0	28.5
Exposure risk in the form of equities	1 289.5	103.2	1 285.3	102.8
Internal model	-	-	-	-
Simple risk weight method	1 243.4	99.5	1 240.4	99.2
Listed equities	0.5	0.1	1.5	0.1
Other equity exposures	1 242.9	99.4	1 238.9	99.1
Standardised approach (*grandfathering*)	46.1	3.7	44.9	3.6
Market risk	7.3	0.6	4.4	0.4
Internal model	-	-	-	-
Standardised approach	7.3	0.6	4.4	0.4
Operational risk	1 292.5	103.4	1 577.3	126.2
Basic Indicator Approach (BIA)	982.1	78.6	1 527.7	122.2
Standardised approach	146.2	11.7	14.4	1.2
Basic Indicator Approach (BIA)	164.2	13.1	35.2	2.8
Total risks before application of the temporary provisions	25 276.1	2 022.1	13 564.8	1 085.3
Temporary provisions (Basel 1 floor)	**-**	**-**	**676.1**	**54.1**
Total risks after application of the temporary provisions	25 276.1	2 022.1	14 240.9	1 139.4

[1] *The class "Institutions" corresponds to credit institutions as well as investment firms (including those recognised in other countries) linked to credit institutions. In addition, this class includes some regional and local governments, public sector entities and multilateral development banks which are not treated as central government.*

4.i.3 Capital adequacy

Under the European Union regulation transposed into national law by the CSSF Circular 06/273 (as modified), the Group is required to comply with the regulatory ratios at all times, meaning core capital at least equal to 4% and a regulatory solvency ratio at least equal to 8%. As at 31 December 2012, the Group's regulatory solvency ratio was 22.8%, excluding income for the current year.

4.i.4 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.

As part of the internal assessment process for its capital adequacy (relative to Basel II pillar 2) the Group considers that the Pillar 1 risks (credit, market and operational risks) are sufficiently covered by the regulatory capital under pillar 1 at 31 December 2012 and going forward (1 year). Indeed, having undergone stress tests, the additional capital requirements may be absorbed by the Group's net income. In addition, the evaluation exercise carried out by the Group relating to Pillar 2 risks (interest rate risk excluding the trading portfolio and liquidity risks) again do not demonstrate any additional capital requirement.

This internal exercise has made it possible to demonstrate that the Group is adequately capitalised and has a significant internal capital surplus.

4.j The ICAAP (internal capital adequacy assessment process)

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

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

5. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2012

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.

In millions of euros	31 December 2012		31 December 2011	
	Trading book	Portfolio designated at fair value on option	Trading book	Portfolio designated at fair value on option
Financial assets at fair value through profit or loss				
Securities portfolio	**191.7**	**4.5**	**229.0**	**4.6**
Equities and other variable-income securities	191.7	4.5	229.0	4.6
Loans and repurchase agreements	**10.0**	**208.5**	**579.9**	**328.3**
Loans	-	208.5	-	328.3
Repurchase agreements	10.0	-	579.9	-
Total financial assets at fair value through profit or loss	201.7	213.0	808.9	332.9
Financial liabilities at fair value through profit or loss				
Short selling of borrowed securities	**7.0**	**-**	**607.1**	**-**
Borrowing and repurchase agreements	**156.5**	**-**	**122.9**	**-**
Repurchase agreements	156.5	-	122.9	-
Debt securities (note 5.i)	**-**	**767.3**	**-**	**1 110.2**
Subordinated debt (note 5.i)	**-**	**110.0**	**-**	**82.9**
Total financial liabilities at fair value through profit or loss	163.5	877.3	730.0	1 193.1

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 evaluated under the fair value option

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 changes in value are offset 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 931 million euros on 31 December 2012 compared to 1,450 million euros on 31 December 2011.

The fair or model value takes into account any change in value attributable to issuer risk relating to the Group. For most amounts concerned, it is found by calculating the replacement value of each instrument, obtained by discounting the cash flows of the instrument using a discount rate corresponding to that of a similar debt instrument that might be issued by the Group at the closing date.

As such, the carrying value of liabilities measured at market or model value is reduced by 23.1 million euros at 31 December 2012, compared with -65.7 million euros at December 31 2011. In addition, the book value of associated loans measured at fair value increased by 1.0 million euros at 31 December 2012, compared with 6.1 million euros at December 31, 2011. The net reduction of 37.6 million euros during 2012 is recorded in the line losses on financial assets and liabilities measured at fair value through profit or loss (note 2.c). This decrease in value represents an unrealised gain that would only be realised if these financial instruments issued by the Bank are bought back in the market. If this does not happen, income relating to this unrealised gain will be written back over the remaining term of the liabilities at a pace determined by movements in the Bank's issuer risk.

Derivative financial instruments held for trading

The majority of derivative financial instruments held for trading are related to transactions initiated for trading purposes. 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 book represents the replacement value of these instruments. This value may fluctuate significantly in response to changes in market parameters (such as interest rates or exchange rates).

In millions of euros	31 December 2012		31 December 2011	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Currency derivaties	39.3	31.8	68.2	54.8
Interest rates derivaties	64.3	46.2	74.0	111.5
Equity derivatives	33.7	92.6	49.4	132.2
Credit derivatives	0.1	2.2	85.2	98.8
Other derivatives	1.4	1.8	2.5	2.0
Derivative financial Instruments	**138.8**	**174.6**	**279.3**	**399.3**

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

In millions of euros	31 December 2012	31 December 2011
Trading derivatives	**11 539.4**	**14 447.7**
Currency derivaties	7 758.1	7 485.4
Interest rate derivaties	2 480.8	3 892.3
Equity derivatives	1 068.5	1 664.5
Credit derivatives	187.6	1 242.7
Other derivatives	44.4	162.8

5.b DERIVATIVES USED FOR HEDGING PURPOSES

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

In millions of euros	31 December 2012			31 December 2011		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Derivatives used for fair value hedges of non-derivative financial instruments						
Interest rate derivatives	2 235.4	86.0	34.5	2 066.6	41.7	71.1
Fair value hedges	2 235.4	86.0	34.5	2 066.6	41.7	71.1
Derivatives used for cash flow hedges of non-derivative financial instruments						
Currency derivatives	107.2	11.2	0.4	-	-	-
Interest rate derivatives	1 925.0	32.3	25.3	1 795.0	10.0	17.5
Cash flow hedges	2 032.2	43.5	25.7	1 795.0	10.0	17.5
Derivatives used for hedging purposes	4 267.6	129.5	60.2	3 861.6	51.7	88.6

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

5.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 December 2012			31 December 2011		
	Net	of which impairments	of which changes in value recognised directly to equity	Net	of which impairments	of which changes in value recognised directly to equity
Fixed-income securities	**2 831.1**	**-**	**114.5**	**3 041.8**	**(1.8)**	**(99.3)**
Government Bonds	1 434.4	-	92.0	1 763.7	-	(33.1)
Other Bonds	1 396.7	-	22.5	1 278.1	(1.8)	(66.2)
Equities and other variable-income securities	**393.7**	**(256.4)**	**18.8**	**387.5**	**(84.4)**	**57.8**
Listed securities	27.4	(13.2)	3.5	26.6	(12.8)	2.4
Non-listed securities	366.3	(243.2)	15.3	360.9	(71.6)	55.4
Total available-for-sale financial assets	3 224.8	(256.4)	133.3	3 429.3	(86.2)	(41.5)
of which: loaned securities	-	-	-	*157.9*	-	*4.5*

The increase in impairment of unlisted securities is primarily due to the integration of leasing activities in the scope of consolidation.

Changes in value taken directly to equity are included in equity as follows:

In millions of euros	31 December 2012			31 December 2011		
	Fixed-income securities	Equities and other variable-income securities	Total	Fixed-income securities	Equities and other variable-income securities	Total
Changes in value of non-hedged securities recognised in "available-for-sale financial assets	**114.5**	**18.8**	**133.3**	**(99.3)**	**57.8**	**(41.5)**
Deferred tax linked to these changes in value	(15.5)	(2.3)	(17.8)	63.8	(2.0)	61.8
Group share of changes in value of available-for-sale securities owned by associates, after deferred tax	10.6	(0.4)	10.2	(24.8)	2.5	(22.3)
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(62.1)		(62.1)	(119.9)		(119.9)
Other variations	-	0.1	0.1	(0.6)	-	(0.6)
Changes in value of assets recognised directly to equity under the heading "Available-for-sale financial assets"	47.5	(16.2)	63.7	(180.8)	(58.3)	(122.5)
Attributable to equity shareholders	47.7	16.3	64.0	(180.8)	58.3	(122.5)
Attributable to minority interests	(0.2)	(0.1)	(0.3)	-	-	-

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 presented in line with the IFRS 7 requirements

In millions of euros	31 December 2012				31 December 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS								
Financial assets at fair value through profit or loss held for trading purposes (note 5.a)	191.7	148.8	-	**340.5**	228.7	859.5	-	**1 088.2**
of which: financial assets at fair value through profit or loss	*191.7*	*10.0*	-	*201.7*	*228.7*	*580.2*	-	*808.9*
of which: derivatives	-	*138.8*	-	*138.8*	-	*279.3*	-	*279.3*
Financial instruments designated as at fair value through profit or loss on option (note 5.a)	-	211.7	1.3	**213.0**	-	331.2	1.7	**332.9**
Derivatives used for hedging purposes (note 5.b)	-	129.5	-	**129.5**	-	51.7	-	**51.7**
Available-for-sale financial assets (note 5.c)	2 497.3	363.7	363.8	**3 224.8**	2 929.0	141.8	358.5	**3 429.3**
FINANCIAL LIABILITIES								
Financial liabilities at fair value through profit or loss held for trading purposes (note 5.a)	7.0	331.1	-	**338.1**	607.1	522.2	-	**1 129.3**
of which: financial liabilities at fair value through profit or loss	*7.0*	*156.5*	-	*163.5*	*607.1*	*122.9*	-	*730.0*
of which: derivatives		*174.6*	-	*174.6*	-	*399.3*	-	*399.3*
Financial liabilities designated at fair value through profit or loss on option (note 5.a)	-	859.5	17.8	**877.3**	-	1 168.1	25.0	**1 193.1**
Derivatives used for hedging purposes (note 5.b)	-	60.2	-	**60.2**	-	88.6	-	**88.6**

Table of movements in level 3 financial instruments

For level 3 financial instruments, the following movements occurred between 1 January and 31 December 2012:

In millions of euros on 31 December 2012	Financial assets			Financial liabilities	
	Financial instruments at fair value through profit or loss on option	Actifs financiers disponibles à la vente	Total	Financial instruments at fair value through profit or loss on option	Total
Start of period	**1.7**	**358.5**	**360.2**	**25.0**	**25.0**
Entry in scope	-	174.1	174.1	-	-
Purchases	-	39.2	39.2	-	-
Sales	-	(68.0)	(68.0)	-	-
Settlements	-	(11.0)	(11.0)	(7.7)	(7.7)
Exit of scope	-	(7.5)	(7.5)	-	-
Gains (or losses) recognised in profit or loss	(0.4)	(79.8)	(80.2)	0.5	0.5
Changes of assets and liabilities recocognized directly into equity	-	(41.7)	(41.7)	-	-
End of period	**1.3**	**363.8**	**365.1**	**17.8**	**17.8**

The entries in scope mainly concern leasing activities. 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 permit the reclassification of instruments initially held for trading or available-for-sale, within the customer loan portfolios or as securities available- for-sale.

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

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

In millions of euros		**Assets reclassified as loans and receivables**		
	Reclassification date	Carrying value	Espected cash flows deemed recoverable [1]	Average effective interest ratef
Sovereign securities from portfolio of available-for-sale assets		**299,8**	**510,7**	**9,4 %**
of which: Portuguese sovereign securities	*30 June 2011*	*299,8*	*510,7*	*9,4 %*
Stuctured transactions, and other fixed-income securities		**669,7**	**787,4**	**7,2 %**
From the available-for-sale assets portfolio	30 June 2009	669,7	787,4	7,2 %

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

Valuation at 31 December 2012 of reclassified assets

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

On the balance sheet

In millions of euros	31 December 2012		31 December 2011	
	Carrying value	Market or model value	Carrying value	Market or model value
Sovereign securities reclassified as loans and receivables due from customers	170.7	204.9	306.2	250.8
of which: Portuguese sovereign securities	*170.7*	*204.9*	*306.2*	*250.8*
Stuctured transactions and other reclassified fixed-income securities	278.5	266.2	382.7	337.5
To loans and receivables from customers	278.5	266.2	382.7	337.5

In profit and loss and as a direct change in equity

In millions of euros	Year to 31 December 2012		Year to 31 December 2011			
	Realised	Pro forma amount for the period [1]	Realised			Pro forma amount for the period [1]
			Befor reclassification	After reclassification	Total	
In profit or loss	(41.1)	(41.1)	8.8	16.2	25.0	25.0
In revenues	**(34.8)**	**(34.8)**	**8.8**	**15.9**	**24.7**	**24.7**
of which: Portuguese sovereign securities	*(40.3)*	*(40.3)*	*8.8*	*8.7*	*17.5*	*17.5*
of which structured transactions and other fixed-income securities	*5.5*	*5.5*	*-*	*7.2*	*7.2*	*7.2*
In cost of risk	**(6.3)**	**(6.3)**	**-**	**0.3**	**0.3**	**0.3**
of which: structured transactions and other fixed-income securities	*(6.3)*	*(6.3)*	*-*	*0.3*	*0.3*	*0.3*
As direct change in equity (before tax)	57.8	173.9	(62.2)	24.4	(37.8)	(136.3)
of which: Portuguese sovereign securities	*47.3*	*136.8*	*(62.2)*	*8.1*	*(54.1)*	*(109.5)*
of which: structured transactions and other fixed-income securities	*10.5*	*37.1*	*-*	*16.3*	*16.3*	*(26.8)*
Total profit and loss impact and direct changes in equity resulting from reclassified items	16.6	132.8	(53.4)	40.6	(12.8)	(111.3)

[1] The "pro forma" data show what would have been the contribution to profit for the year, if the instruments concerned had not been reclassified, and what would have been their change in value, in relation to the equity, under the same conditions, from 1 January 2012 to 31 December 2012.

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

Loans and receivables due from credit institutions

In millions of euros	31 December 2012	31 December 2011
On demand accounts	979.1	780.3
Loans	8 040.2	10 413.0
Total loans and receivables due from credit institutions before impairment	**9 019.3**	**11 193.3**
of which: doubtful loans	*21.2*	*21.0*
Impairment of loans and receivables due from credit institutions (note 2g)	(0.7)	(1.0)
Total loans and receivables due from credit institutions, net of impairments	**9 018.6**	**11 192.3**

Due to credit institutions

In millions of euros	31 December 2012	31 December 2011
On demand accounts	872.1	871.3
Borrowings	11 277.4	2 221.1
Repurchase agreements	-	310.3
Total due to credit institutions	**12 149.5**	**3 402.7**

The significant increase in liabilities to credit institutions is linked to the integration of leasing activities in the scope of consolidation. These companies are financed primarily with companies of the BNP Paribas Group.

5.g LOANS AND RECEIVABLES DUE FROM/TO CUSTOMERS

Loans and receivables due from customers

In millions of euros	31 December 2012	31 December 2011
Ordinary debitory accounts	1 173.3	1 065.4
Loans to customers	15 727.9	12 947.7
Repurchase agreements	2.1	-
Finance leases	11 207.6	-
Total loans granted and receivables due from customers before impairment	28 110.9	14 013.1
of which: doubtful loans	*1 737.9*	*505.4*
Impairment of loans and receivables due from customers (note 2.g.)	(818.0)	(249.9)
Total loans and receivables due from customers, net of impairments	27 292.9	13 763.2

The growth in loans and advances to customers is primarily related to the integration of leasing activities in the scope.

Breakdown of finance leases

In millions of euros	31 December 2012	31 December 2011
Gross investment	12 966.2	-
Receivable within 1 year	*4 740.7*	-
Receivable after 1 year but within 5 years	*6 810.6*	-
Receivable beyond 5 years	*1 414.9*	-
Unearned interest income	(1 758.6)	-
Net investment before impairment	11 207.6	-
Receivable within 1 year	*4 112.7*	-
Receivable after 1 year but within 5 years	*5 927.3*	-
Receivable beyond 5 years	*1 167.6*	-
Impairment	(444.7)	-
Net investment after impairment	10 762.9	-

Due to customers

In millions of euros	31 December 2012	31 December 2011
Demand deposits	15 578.6	12 820.3
Term accounts	3 962.3	6 289.4
Regulated saving accounts	180.2	268.9
Total due to customers	19 721.1	19 378.6

5.h PAST-DUE LOANS, WHETHER IMPAIRED OR NOT, AND RELATED COLLATERAL OR OTHER GUARANTEES

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

In millions of euros	31 December 2012							
	Maturities of unimpaired past-due assets							
	Total	< 90 days	> 90 days < 180 days	> 180 days	Non-performing assets/ impaired assets and provisioned commitments	Total loans on commitments	Collateral received in respect of unimpaired pastdue loans	Collateral received in respect of non-performing assets
Loans and receivables due from credit institutions	9.7	9.6	0.1	-	22.8	32,5	4.9	**2.2**
Loans and receivables due from customers	2 852.6	2 758.5	93.2	0.9	1 108.6	3961.2	2 180.7	938.1
Non-performing and past-due assets, net of impairments	**2 862.3**	**2 768.1**	**93.3**	**0.9**	**1 131.4**	**3993.7**	**2 185.6**	**940.3**
Financing commitments given	-	-	-	-	2.5	2.5	-	0.2
Guarantee commitments given	-	-	-	-	17.8	17.8	-	10.1
Off-balance sheet non-performing commitments, net of provisions	**-**	**-**	**-**	**-**	**20.3**	**20.3**	**-**	**10.3**
Total	2 862.3	2 768.1	93.3	0.9	1 151.7	4 014.0	2 185.6	950.6

In millions of euros

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

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

The sharp rise in assets is due to the integration of leasing in the scope of consolidation.

5.i DEBT SECURITIES AND SUBORDINATED DEBTS

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

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

In millions of euros	31 December 2012	31 December 2011
Debt with a maturity of more than 1 year on issue		
Negociable debt securities	694.8	1.030.4
Bond issues	72.5	79.8
Debt securities	767.3	1.110.2
Redeemable subordinated debt	110.0	82.9
Subordinated debt	110.0	82.9

Debts measured at amortised cost

In millions of euros	31 December 2012	31 December 2011
Debt with a maturity of less than 1 year on issue		
Negociable debt securities	1 823.4	1 136.2
Debt with a maturity of more than 1 year on issue		
Negociable debt securities	672.3	441.1
Bond issues	148.2	-
Total debt securities	2 643.9	1 577.3
Perpetual subordinated debt	2.6	-
Total subordinated debt	2.6	-

Bonds and subordinated perpetual debt represents borrowings by SREI Equipment Finance Private Ltd..

5.j HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 December 2012	31 December 2011
Bonds	**509.2**	**737.2**
Government bonds	204.8	354.8
Other bonds	304.4	382.4
Total held-to-maturity financial assets	509.2	737.2

5.k CURRENT AND DEFERRED TAXES

In millions of euros	31 December 2012	31 December 2011
Current taxes	64.0	26.3
Deferred taxes	120.4	1.9
Current and deferred tax assets	**184.4**	**28.2**
Current taxes	112.4	33.5
Deferred taxes	476.9	102.4
Current and deferred tax liabilities	**589.3**	**135.9**

The increase in deferred tax assets and liabilities is mainly due to the full consolidation of leasing activities from 31 March 2012.

Changes in deferred taxes over the period

In millions of euros	Year to 31 December 2012	Year to 31 December 2011
Net deferred taxes at start of period	(100.5)	(138.0)
Deferred tax income (expense)	58.2	1.8
Changes in deferred taxes linked to remeasurement and reversal through profit or loss of available-for-sale financial assets including those reclassified as loans and receivables	(103.3)	28.5
Changes in deferred taxes linked to remeasurement and reversal through or loss on hedging derivatives	(5.9)	1.3
Entry in scope of consolidation	(220.7)	-
Effect of exchange rate and other movements	15.7	5.9
Net deferred taxes at end of period	(356.5)	(100.5)

Breakdown of deferred tax assets and liabilities by origin

In millions of euros	31 December 2012	31 December 2011
Available-for-sale financial assets	(53.7)	(4.7)
Finance leases	(270.7)	-
Provisions for employee benefit obligations	5.4	11.2
Provisions for credit risk	6.7	(3.1)
Earnings on capital gains to be immunized according to art.54 LIR	(41.6)	(41.1)
Property, plant, equipment and intangible assets	(39.7)	(18.3)
AGDL provisions	(35.3)	(34.7)
Receivables and debts due to customers	7.5	5.6
Credit institutions and treasury	0.7	(9.2)
Financial assets at fair value through profit or loss	6.0	(29.7)
Other items	31.9	22.7
Tax loss carryforwards	26.3	0.8
Net deferred taxes	(356.5)	(100.5)
of which: deferred tax assets	*120.4*	*1.9*
deferred tax liabilities	*(476.9)*	*(102.4)*

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

In millions of euros	31 December 2012	31 December 2011
Settlement accounts related to securities transactions	12.9	0.9
Collection accounts	41.7	13.6
Accrued income and prepaid expenses	87.2	36.1
Guarantee deposits paid and bank guarantees issued	14.7	2.0
Other debtors and miscellaneous assets	481.2	226.4
Total accrued income and other assets	637.7	279.0
Guarantee deposits received	23.1	-
Settlement accounts related to securities transactions	5.5	9.0
Collection accounts	51.6	83.8
Accrued expenses and deferred income	253.6	3.6
Other creditors and miscellaneous liabilities	628.5	155.5
Total accrued expenses and other liabilities	962.3	251.9

The increase in accrued expenses and other liabilities is primarily due to the integration of leasing activities in the scope of consolidation.

5.m INVESTMENTS IN ASSOCIATES

The Group's main investments in associates, accounted for using the equity method, on 31 December 2012 involve the following companies:

In millions of euros	31 December 2012	31 December 2011
Cardif Lux Vie	75.1	53.7
BNP Paribas Leasing Solutions		781.6
All In One Vermietung GmbH	6.0	-
All In One Vermietungsgesellschaft Telekomm. GmbH	0.3	-
Barloworld Heftruck BV	2.0	-
BNP Paribas Lease Group IFN SA	6.0	-
BNP Paribas Lease Group Lizing RT	2.8	-
BNP Paribas Lease Group Sp.z.o.o.	7.2	-
BNP Paribas Leasing Solutions Immobilier Suisse	7.4	-
BNP Paribas Leasing Solutions SpA	70.9	-
BNP Paribas Leasing Solutions Suisse	35.7	-
Fortis Lease Deutschland AG	22.4	-
Fortis Lease Iberia	(11.4)	-
Fortis Lease Operat Lizing Zartkoruen	0.3	-
Fortis Lease Portugal	7.4	-
Fortis Lease Romania IFN SA	(6.8)	-
Locatrice Italiana SpA	0.7	-
Nissan Finance Belgium NV	1.0	-
Vela Lease Srl	-	-
Investments in associates	227.0	835.3

The following table gives financial data as at 31 December 2012 for the Group's associates:

In millions of euros	Balance Sheet Total	Revenues	Net income
Cardif Luxembourg Vie SA	14 814.2	77.4	28.0
BNP Paribas Leasing Solutions SA			
All In One Vermietung GmbH	34.2	1.0	0.2
All In One Vermietungsgesellschaft Telekomm. GmbH	20.2	1.7	1.4
BNP Paribas Lease Group IFN SA	88.5	5.4	2.8
BNP Paribas Lease Group Lizing RT	71.9	4.4	1.0
BNP Paribas Lease Group Sp.z.o.o.	142.2	6.7	2.9
BNP Paribas Leasing Solutions Immobilier Suisse	41.3	1.1	0.3
BNP Paribas Leasing Solutions SpA	5 356.3	94.4	(16.0)
BNP Paribas Leasing Solutions Suisse	245.5	8.4	10.7
Fortis Lease Deutschland AG	76.9	2.9	8.5
Fortis Lease Iberia	158.0	(0.2)	(8.9)
Fortis Lease Operat Lizing Zartkoruen	0.5	-	(7.2)
Fortis Lease Portugal	92.8	1.2	(7.9)
Fortis Lease Romania IFN SA	23.8	0.3	1.1
Locatrice Italiana SpA	82.3	2.2	(0.1)
Nissan Finance Belgium NV	109.1	1.9	0.7
Vela Lease Srl	195.0	0.1	-

The following table gives financial data as at 31 December 2011 for the Group's associates:

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

5.n PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	31 December 2012			31 December 2011		
	Gross value	Accumulated depreciation and amortisation	Carrying value	Gross value	Accumulated depreciation and amortisation	Carrying value
Investment property	**595.9**	**(127.2)**	**468.7**	**44.3**	**(24.9)**	**19.4**
Land and buildings	396.7	(168.9)	227.8	357.7	(141.6)	216.1
Equipment, furniture and fixtures	345.0	(292.0)	53.0	295.1	(243.5)	51.6
Plant and equipment leased as lessor under operating leases	728.0	(325.4)	402.6	-	-	-
Other property, plant and equipment	73.1	(55.2)	17.9	48.7	(42.0)	6.7
Property, plant and equipment	**1 542.8**	**(841.5)**	**701.3**	**701.5**	**(427.1)**	**274.4**
Purchased software	134.9	(124.6)	10.3	29.1	(26.6)	2.5
Internally developped software	1.8	(1.8)	-	1.8	(1.8)	-
Other intangible assets	5.6	(2.8)	2.8	8.4	(6.9)	1.5
Intangible assets	**142.3**	**(129.2)**	**13.1**	**39.3**	**(35.3)**	**4.0**

Investment property

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

The estimated fair value of investment properties carried at amortised cost amounted to 471.3 million euros at 31 December 2012 compared with 25.3 million euros at 31 December 2011.

Intangible fixed assets

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

Depreciation, amortisation and impairment

Net depreciation and amortisation expense booked in fiscal 2012 amounts to 31.3 million euros versus 26.6 million euros in 2011.

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 2012 and virtually nil for 2011

Change in tangible assets

In millions of euros	Year to 31 December 2012			
	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	**357.7**	**295.1**	**-**	**48.7**
Acquisitions	2.7	7.9	88.5	12.0
Disposals	-	(13.9)	(58.9)	(3.1)
Entry in scope of consolidation	34.3	56.2	702.7	13.1
Translation adjustments	-	(0.1)	(4.3)	-
Other movements	2.0	(0.2)	-	2.4
Gross book value at period end	**396.7**	**345.0**	**728.0**	**73.1**
Depreciation and amortisation at period start	**(141.6)**	**(243.5)**	**-**	**(42.0)**
Depreciation charges	(9.6)	(14.3)	(64.2)	(2.3)
Depreciation reversal after divestments	-	13.7	51.5	0.6
Depreciation reversals	0.1	-	0.2	-
Entry in scope of consolidation	(17.4)	(46.7)	(314.1)	(10.5)
Translation adjustments	-	-	1.2	-
Other movements	(0.4)	(1.2)	-	(1.0)
Depreciation and amortisation at end of period	**(168.9)**	**(292.0)**	**(325.4)**	**(55.2)**
Carrying value at end of period	**227.8**	**53.0**	**402.6**	**17.9**

In millions of euros	Year to 31 December 2011			
	Lands and buildings	Equipment, furniture and fixtures	Plant and equipment leased as lessor under operating leases	Other fixed assets
Gross value at start of period	**359.6**	**299.3**	**-**	**47.3**
Acquisitions	1.1	12.3	-	1.6
Disposals	(0.9)	(14.4)	-	(0.2)
Exits from scope of consolidation	(1.9)	-	-	-
Other movements	(0.1)	(2.1)	-	-
Gross book value at period end	**357.8**	**295.1**	**-**	**48.7**
Depreciation and amortisation at period start	**(134.2)**	**(246.5)**	**-**	**(41.0)**
Depreciation charges	(9.5)	(13.5)	-	(1.3)
Depreciation reversal after divestments	0.7	14.4	-	0.3
Depreciation reversals	0.1	-	-	-
Exits from scope of consolidation	1.2	-	-	-
Other movements	0.1	2.1	-	-
Depreciation and amortisation at end of period	**(141.6)**	**(243.5)**	**-**	**(42.0)**
Carrying value at end of period	**216.2**	**51.6**	**-**	**6.7**

5.o GOODWILL

In millions of euros	Year to 31 December 2012	Year to 31 December 2011
Carrying value at period start	-	-
Currency translation adjustments	(3.7)	-
Subsidiaries previously recognised as associates	149.0	-
Carrying value at end of period	145.3	-
of which: Gross value	*158.2*	*40.2*
Accumulated impairment recognised at the end of period	*(12.9)*	*(40.2)*

Goodwill is related to the integration of leasing activities under the business combination method of common control. It is therefore equivalent to the goodwill previously recognised by the BNP Paribas Group in these companies.

5.p PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions by type

In millions of euros	31 December 2012	31 December 2011
Provisions for employee benefits	62.8	43.9
provisions for defined-benefit pension plan (note 7.b	24.1	8.8
provisions for unindexed deferred bonus cash (note 7.c)	0.5	0.3
provision for other long-term benefits (note 7.c)	23.6	13.6
provision for early retirement plans and headcount adaptation plan (note 7.d)	14.6	21.2
Provisions for off-balance sheet commitments (note 2.g)	10.4	19.7
Provisions for tax litigations and staff-related litigations	5.7	0.1
Provisions for commercial litigations	24.8	17.2
Provisions for restructuring	2.7	-
Provisions on investment securities	27.3	2.2
Provisions for operational risk on buildings under operating lease	27.7	-
Other provisions for contingencies and charges	25.0	15.8
Total provisions for contingencies and charges	186.4	98.9

Changes in provisions

In millions of euros	31 December 2012	31 December 2011
Total provisions at start of period	98.9	135.8
Net additions to provisions	6.5	(14.0)
Provisions used	(51.2)	(24.6)
Change in scope of consolidation	128.8	-
Effect of movements in exchange rates and other movements	3.4	1.7
Total provisions at end of period	186.4	98.9

5.q TRANSFER OF FINANCIAL ASSETS

In 2012, the financial assets that the Group transferred but continues to account for fully consist exclusively of securities at fair value through profit and loss, temporarily sold under a repurchase agreement for an amount of 159.1 million euros. The related liabilities consist of debts recognised as repurchase agreements and amount to 156.5 million euros.

The Group made no significant transfers leading to the partial or full derecognition of financial assets where it has a continuing involvement in those assets.

5.r SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

On 31 December 2012, the share capital and additional paid-in capital amounts to 713.1 million euros, represented by 29,979,135 shares. On 31 December 2012 and 31 December 2011, BGL BNP Paribas did not hold any own equity instruments.

On 31 December 2012, the additional paid-in capital is equal to 2,761.8 million euros (2,761.8 million euros on 31 December 2011).

6. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

6.a FINANCING COMMITMENTS GIVEN OR RECEIVED

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

In millions of euros	31 December 2012	31 December 2011
Financing commitments given :		
to credit institutions	**31.2**	**46.2**
to customers	**3 323.4**	**2 547.8**
Confirmed letters of credit	**3 276.6**	**2 530.5**
Other commitments given to customers	46.8	17.3
Total financing commitments given	3 354.6	2 594.0
Financing commitments received :		
from the "Banque Centrale de Luxembourg"	2 186.7	2 071.2
from credit institutions	379.3	293.6
Total financing commitments received	2 566.0	2 364.8

The increase in financing commitments is primarily related to the integration of leasing activities in the scope of consolidation.

6.b GUARANTEE COMMITMENTS GIVEN BY SIGNATURE

In millions of euros	31 December 2012	31 December 2011
Guarantee commitments given:		
to credit institutions	311.7	320.0
to customers	1 077.1	1 398.3
Total guarantee commitments given	1 388.8	1 718.3

6.c OTHER GUARANTEE COMMITMENTS

Financial instruments given as collateral

In millions of euros	31 December 2012	31 December 2011
Financial instruments (negotiable securities and private receivables) lodged with central banks and eligible for use at any time as collateral for refinancing transactions after haircut	**2 430.0**	**2 612.9**
used as collateral with central banks	-	77.1
available for refinancing transactions	2 430.0	2 535.8
Securities sold under repurchase agreements	**160.1**	**358.4**
Other financial assets pledged as collateral for transactions with credit institutions et financial customers	**301.7**	**65.9**

Financial instruments given as collateral by the Group that the beneficiary is authorised to sell or reuse as collateral amounted to 179.2 million euros at 31 December 2012 (561.3 million euros at 31 December 2011).

Financial instruments received as collateral

In millions of euros	31 December 2012	31 December 2011
Financial instruments received as collateral (excluding repurchase agreements)	**8 755.9**	**8 343.2**
of which: real estate collateral	*7 738.3*	*7 430.3*
of which: instruments that the Group is authorised to sell and reuse as collateral	-	*26.4*
Securities received under repurchase agreements	**9.4**	**574.7**

7. SALARIES AND EMPLOYEE BENEFITS

7.a SALARY AND EMPLOYEE BENEFIT EXPENSES

In millions of euros	31 December 2012	31 December 2011
Fixed and variable remuneration, incentive bonuses and profit-sharing	(323.3)	(202.0)
Retirement bonuses, pension costs and social security taxes	(59.5)	(34.1)
Payroll taxes	(3.1)	(0.2)
Total salary and employee benefit expenses	(385.9)	(236.3)

The increase of 150.2 million euros in personnel costs is due to the integration of leasing activities.

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/or the employer and to bear the cost of benefits itself - or to guarantee the final amount subject to future events - it is described as a defined-benefit plan. The same applies if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and from future changes in the benefits.

Pension plans and other post-employment benefits

The Group contributes to various nationwide schemes and supplementary retirement plans, outsourced with several pension funds. By means of a company agreement, BGL BNP Paribas SA 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 4.2 million euros for 2012 versus 2.9 million euros for 2011.

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 40.7 million euros on 31 December 2012 (21.5 million euros on 31 December 2011).

The booked retirement assets (recognised rights to repayment or surplus) amount to 31.7 million euros on 31 December 2012 (14.5 million euros on 31 December 2011).

Obligations under defined-benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros	31 December 2012	31 December 2011
Present value of the obligations	**235.2**	**93.4**
Present value of the obligations arising from wholly or partially funded plans	229.3	90.2
Present value of non-financed obligations	5.9	3.2
Fair value of plan assets	**(173.5)**	**(58.7)**
Fair value of reimbursement rights	**(16.6)**	**(12.8)**
Costs not yet recognised in accordance with IAS 19 provisions	**(36.1)**	**(14.9)**
Prior service costs	(1.7)	-
Net actuarial losses (gains)	(34.4)	(14.9)
Net obligation for defined benefit plans	9.0	7.0
Assets recognised in the balance sheet for defined benefit plans	(31.7)	(14.5)
of which: net assets of defined-benefit plans	*(15.1)*	*(1.7)*
of which: fair value of reimbursement rights	*(16.6)*	*(12.8)*
Obligation recognised in the balance sheet for defined benefit plans	40.7	21.5

Change in the present value of the defined benefit obligation

In millions of euros	31 December 2012	31 December 2011
Present value of obligations at start of period	93.4	89.0
Current service cost	6.2	4.9
Interest cost	7.3	3.7
Plan amendments	(0.1)	-
Curtailments or settlements	(6.6)	-
Actuarial (gains)/losses on obligation	12.4	1.0
Actual employee contributions	0.1	-
Benefits paid directly by employer	(0.9)	(0.5)
Benefits paid from assets/reimbursement rights	(8.9)	(4.8)
Change in exchange rates	2.0	-
Change in scope of consolidation	130.3	-
Other changes	-	0.1
Present value of obligations at end of period	235.2	93.4

Change in the fair value of plan assets

In millions of euros	31 December 2012	31 December 2011
Fair value of plan assets at start of period	58.7	62.6
Expected return on plan assets	6.2	2.6
Curtailments or settlements	(8.8)	-
Actuarial gains over the period	6.6	(4.5)
Employer contributions	6.0	1.7
Benefits paid from plan assets	(7.2)	(3.8)
Change in exchange rates	1.9	-
Change in scope of consolidation	110.1	-
Other changes	-	0.1
Fair value of plan assets at end of period	173.5	58.7

Change in the fair value of reimbursement rights

In millions of euros	31 December 2012	31 December 2011
Fair value of the separate assets at period start	12.8	12.0
Expected return on reimbursement rights	0.3	0.5
Actuarial gains over the period	-	(0.1)
BGL BNP Paribas contributions	1.7	1.4
Benefits paid from reimbursement rights	(1.7)	(1.0)
Change in scope of consolidation	3.5	-
Fair value of reimbursement rights at end of period	16.6	12.8

Components of the cost of defined benefit plans

In millions of euros	Year to 31 December 2012	Year to 31 December 2011
Current service cost	6.2	4.9
Interest cost	7.3	3.7
Expected return on plan assets	(6.2)	(2.6)
Expected return on reimbursement rights	(0.3)	(0.5)
Amortisation of actuarial gains and losses	1.2	0.6
Amortisation of prior service costs	0.1	-
(Losses) gains on curtailments or settlements	3.5	-
Total expense recorded in "salary and employee benefit expenses"	**11.8**	**6.1**

Principal actuarial assumptions used to calculate post-employment benefit obligations

The Group discounts its commitments based on the yields of high-quality corporate bonds issued in the relevant currency zone and whose maturity corresponds to the duration of the liabilities assessed. Up to 31 December 2011, the Group used the sovereign bond yields for the Eurozone, as reflected in the iBoxx Eurozone index. In 2012 the rates provided by this index were higher than the AA-rated corporate bond yields, which prompted the Group to abandon the reference to sovereign bond yields and adopt the commonly used AA rated corporate bonds benchmark - the iBoxx Euro index. The effect of this change of benchmark was an increase of 9.1 million euros in obligations, with no impact on the financial statements at December 31 2012, given the use of the "corridor" approach – the mechanism for deferred recognition of actuarial gains and losses - explained below.

The rates used are as follows:

In %	31 December 2012		31 December 2011
	Euro Zone	UK	Euro Zone
Discount rate	1.42 % - 2.69 %	4.00 %	3.90 % - 4.70 %
Rate of compensation increase [1]	2.60 % - 3.90 %	2.75 %	4.10 % - 4.30 %

[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 2012		31 December 2011
	Euro Zone	UK	Euro Zone
Expected return on plan assets [1]	2.95 % - 3.55 %	3.40 % - 4.00 %	4.26 %
Actual return on plan assets [1]	3.70 % - 13.73 %	3.51 % - 6.13 %	(2.74) % - (3.43) %

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

Actuarial gains and losses

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

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

The following table shows the actuarial gains and losses:

In millions of euros	31 December 2012	31 December 2011
Deferred net actuarial (loss)/gains	**(34.4)**	**(14.9)**
Net actuarial (losses)/gains generated over the period	**(5.8)**	**(5.6)**
of which: actuarial (losses)/gains on plan assets or reimbursement rights	*6.6*	*(4.6)*
of which: actuarial (losses)/gains from changes in actuarial assumptions on obligations	*(19.5)*	*0.7*
of which: experience (losses)/gains on obligations	*7.1*	*(1.7)*

7.c OTHER LONG-TERM BENEFITS

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

On 31 December 2012, the provisions existing within the Group relative to other long-term benefits amount to 24.1 million euros (14.0 million euros on 31 December 2011).

7.d TERMINATION BENEFITS

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

On 31 December 2012, the provisions existing within the Group relative to the voluntary redundancy and early retirement plans amount to 14.6 million euros (21.2 million euros on 31 December 2011).

8. ADDITIONAL INFORMATION

8.a CHANGES IN SHARE CAPITAL

There was no share capital transaction in 2012.

8.b SCOPE OF CONSOLIDATION

8.b.1 2012

At the end of March 2012, the Bank acquired from two other entities of the BNP Paribas Group a stake of 16.67% in BNP Paribas Leasing Solutions SA for an acquisition price of 383.3 million euros, in order to increase its holding in the company to 50% + 1 share. Following this purchase, from 31 March 2012, BNP Paribas Leasing Solutions SA has been consolidated by the Bank using the global integration method, instead of as an associated company, as was previously the case. This transaction was performed according to the business combination under common control method, and generated the recognition of goodwill of 109.7 million euros directly deducted from consolidated equity.

Following the buy-back of the shares of BNP Paribas Leasing Solutions SA, a number of leasing entities formerly included in the consolidation under the associated company method in 2011, are now fully consolidated.

- From 1 January to 30 March 2012, as throughout 2011, income from these activities is accounted for as income from associate companies, reflecting an equity interest of 33%.

- From 31 March 2012, income from the leasing activity is fully consolidated in the accounts of BGL BNP Paribas SA. Minority interests are calculated in the consolidated accounts of the leasing entities, based on an equity holding of 50% + 1 share.

The assets and liabilities of leasing companies included for the first time in the scope of consolidation at 31 March 2012 and 31 December 2012 are as follows:
On 30 March 2012, the Bank purchased 100% of BNP Paribas Lease Group Luxembourg SA and the entity has been included in the scope of full consolidation from 31 March 2012.

In billions of euros	31 December 2012	31 December 2011
ASSETS		
Cash and amounts due from central banks and post offices	-	-
Loans and receivables due from credit institutions	1.2	1.6
Loans and receivables due from customers	17.0	18.3
Investments in associates	0.2	-
Portfolios	0.2	0.3
Other assets	1.5	1.6
Total assets	**20.1**	**21.8**
LIABILITIES		
Due to credit institutions	10.2	13.2
Financing of the leasing business by BGL BNP Paribas [1)]	6.2	5.0
Due to customers	0.2	0.2
Debt securities	0.1	0.1
Other liabilities	1.1	1.5
Shareholders' equity	1.1	0.8
Minority interests	1.2	1.0
Total liabilities	**20.1**	**21.8**

[1)] Internal Funding is off-set at Group level during the process of consolidation.

At the end of March 2012, the following leasing companies were sold to another entity of the BNP Paribas Group, which resulted in the deconsolidation of these entities at Group level:

- ES-Finance SA/N.V.
- Natiocreditbail SA
- Natiocredimurs S.e.n.c.
- NatioEnergie (Sofergie) SA

The following companies were consolidated by the Group in late 2011, but they were deconsolidated from March 2012, because on the one hand, below the materiality thresholds (see note 1.b.1) and secondly, some were in process of liquidation or were dissolved during fiscal 2012.

- Fortis Lease Hungaria Equipment Financing Leasing Co.
- Fortis Lease Hungaria Vehicle Financing Leasing Co.
- Fortis Lease UK (1) Ltd. (dissolved in November 2012).

In early April 2012, the Bank acquired 100% of the shares of BGL BNP Paribas Factor SA (formerly Fortis Commercial Finance SA), a company which is active in the factoring business in Luxembourg. The entity is fully consolidated in the accounts of the Bank.

The company Fundamentum Asset Management (FAM) SA, which started liquidation proceedings in April 2009, but was still fully consolidated until 31 March 2012, is no longer in the scope of consolidation at 31 December 2012 because it is below the materiality thresholds.

Following the early discontinuation of certain financial structuring operations, the following companies have been put into liquidation, and some were liquidated during 2012, and were deconsolidated from the second quarter of 2012, as they were also below materiality thresholds:

- Aura Capital Invest SA (liquidated in 2012)
- Black Kite Investments Ltd. (liquidated in November 2012)
- Delphinus Titri 2010 SA (liquidated in 2012)
- Royale Neuve Investment S.à r.l. (liquidated in December 2012)
- Royale Neuve Finance S.à r.l.

Belgian leasing company Fortis Lease Group Services SA was deconsolidated in December 2012 as it was below materiality thresholds.

8.b.2 2011

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

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

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

- Fortis Lease (China) Co. Ltd.
- F.L. Zeebrugge N.V.
- Folea Grundstücksverwaltungs- und -vermietungs GmbH & Co., Objekt Leverkusen KG
- Folea Grundstücksverwaltungs- und -vermietungs GmbH & Co., Objekt Burtenbach KG

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

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

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

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

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

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

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

consolidation, following the sale of shares to a company outside the BNP Paribas Group

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

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

Beginning in December 2011, following the early closure of structured operations, the participation of 36.67% in Stradios Bond Fund FCP FIS, a company consolidated under the equity, was sold.

At the end of December 2011, the group sold its 47.84% share in the last company of the FASTNET group, namely Fastnet Netherlands N.V., which was deconsolidated in Q1 2011, the second-largest shareholder CACEIS.

At 31 December 2011, BGL BNP Paribas exchanged its 50% stake in Fortis Luxembourg Vie SA against 33.33% of the shares of Cardif Lux Vie SA. The latter was formed by the merger of the insurance companies Cardif Lux International SA and Fortis Luxembourg Vie SA

Cardif Lux Vie SA will also be consolidated by the equity method by the Group.

The following entities have been consolidated in the BGL BNP Paribas Group accounts:

Name	Registered office	Activity	2012 Consolidation method	2012 Group ownership Interest	2011 Consolidation method	2011 Group ownership Interest
Consolidating company						
BGL BNP Paribas SA	Luxembourg	Bank				
Retail Banking						
BGL BNP Paribas Factor SA	Luxembourg	Factoring	IG Aquisition	100.00 %	-	-
Cofhylux SA	Luxembourg	Real Estate	IG	100.00 %	IG	100.00 %
Société Alsacienne de développement et d'expansion (SADE) SA	Strasbourg (France)	Finance	IG	100.00 %	IG	100.00 %
Ace Equipment Leasing NV	Berchem-Saint-Agathe (Belgium)	Leasing	IG	50.00 %	ME	33.33 %
ACE Leasing BV	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
Ace Leasing NV	Berchem-Saint-Agathe (Belgium)	Leasing	IG	50.00 %	ME	33.33 %
Agrilease BV	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
Albury Asset Rentals Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
All In One Vermietungs-gesellschaft Telekomm. GmbH	Cologne (Germany)	Leasing	ME	50.00 %	ME	33.33 %
All In One Vermietungs GmbH	Vienne (Austria)	Leasing	ME	50.00 %	ME	33.33 %
Aprolis Finance SA	Puteaux (France)	Leasing	IG	25.50 %	ME	17.00 %
Arius SA	Rueil Malmaison (France)	Leasing	IG	50.00 %	ME	33.33 %
Artegy Ltd	Manchester (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
Artegy SA	Puteaux (France)	Leasing	IG	50.00 %	ME	33.33 %
Barloworld Heftruck BV	Amsterdam (The Netherlands)	Leasing	ME	25.00 %	ME	16.67 %
BNP Paribas Finansal Kiralama AS	Istanbul (Turkey)	Leasing	IG	47.74 %	ME	31.83 %
BNP Paribas Lease Group (Belgique) SA	Berchem-Saint-Agathe (Belgium)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Lease Group BPLG SA	Puteaux (France)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Lease Group IFN SA	Bucarest (Romania)	Leasing	ME	49.97 %	ME	33.31 %
BNP Paribas Lease Group Kft	Budapest (Hungary)	Leasing	ME	50.00 %	ME	33.33 %
BNP Paribas Lease Group Lizing RT	Budapest (Hungary)	Leasing	ME	50.00 %	ME	33.33 %

* ME: equity associate
* IG : fully consolidated

	2012				2011	
Name	Registered office	Activity	Consolidation method	Group ownership Interest	Consolidation method	Group ownership Interest
BNP Paribas Lease Group Luxembourg SA	Luxembourg	Leasing	IG	100.00 %	ME	33.33 %
BNP Paribas Lease Group Netherlands BV	Amsterdam (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Lease Group Sp.z.o.o.	Varsovie (Poland)	Leasing	ME	50.00 %	ME	33.33 %
BNP Paribas Lease Group UK PLC	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Lease Group Rentals Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Leasing Solutions (NL) NV	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Leasing Solutions Immobilier Suisse SA	Lausanne (Switzerland)	Leasing	ME	50.00 %	ME	33.33 %
BNP Paribas Leasing Solutions Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Leasing Solutions SA	Luxembourg	Leasing	IG	50.00 %	ME	33.33 %
BNP Paribas Leasing Solutions SpA	Milan (Italy)	Leasing	ME	13.09 %	ME	8.72 %
BNP Paribas Leasing Solutions Suisse SA	Lausanne (Switzerland)	Leasing	ME	50.00 %	ME	33.33 %
Class Financial Services Inc.	San Francisco (United States)	Leasing	IG	30.05 %	ME	20.04 %
Class Financial Services Ltd	Basingstoke (United Kingdom)	Leasing	IG	25.50 %	ME	17.00 %
Class Financial Services SA	Puteaux (France)	Leasing	IG	30.05 %	ME	20.04 %
CNH Capital Europe BV	Hertogenbosch (The Netherlands)	Leasing	IG	25.05 %	ME	16.70 %
CNH Capital Europe GmbH	Vienne (Austria)	Leasing	IG	25.05 %	ME	16.70 %
CNH Capital Europe Ltd	Basildon (United Kingdom)	Leasing	IG	25.05 %	ME	16.70 %
CNH Capital Europe SA	Puteaux (France)	Leasing	IG	25.05 %	ME	16.70 %
Commercial Vehicle Finance Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
Equipment Lease BV	Amsterdam (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
ES-Finance NV	Berchem-Saint-Agathe (Belgium)	Leasing	Disposal	--	ME	33.33 %
Fortis Energy Leasing X1	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Energy Leasing X2	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Energy Leasing XIV	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %

* ME: equity associate
* IG : fully consolidated

Name	Registered office	Activity	2012 Consolidation method	2012 Group ownership Interest	2011 Consolidation method	2011 Group ownership Interest
Fortis Lease (B) SA	Berchem-Saint-Agathe (Belgium)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Lease (France) SA	Puteaux (France)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Lease Car & Truck SA	Berchem-Saint-Agathe (Belgium)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Lease Deutschland AG	Cologne (Germany)	Leasing	ME	50.00 %	ME	33.33 %
Fortis Lease Group Services SA	Bruxelles (Belgium)	Leasing	NC	--	ME	33.33 %
Fortis Lease Hungaria Equipment Financing Leasing Co.	Budapest (Hungary)	Leasing	NC	--	ME	33.33 %
Fortis Lease Operat Lizing Zartkoruen	Budapest (Hungary)	Leasing	ME	50.00 %	ME	33.33 %
Fortis Lease Hungaria Vehicle Financing Leasing Company	Budapest (Hungary)	Leasing	NC	--	ME	33.33 %
Fortis Lease Iberia EFC SA	Madrid (Spain)	Leasing	ME	39.31 %	ME	26.20 %
Fortis Lease Portugal SA	Lisbonne (Portugal)	Leasing	ME	50.00 %	ME	33.33 %
Fortis Lease Romania IFN SA	Bucarest (Romania)	Leasing	ME	50.00 %	ME	33.33 %
Fortis Lease UK (1) Ltd.	Glasgow (United Kingdom)	Leasing	In liquidation	--	ME	33.33 %
Fortis Lease UK Ltd.	Londres (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Lease UK Retail Ltd.	Edinburgh (Scotland)	Leasing	IG	50.00 %	ME	33.33 %
Fortis Vastgoed Lease BV	Hertogenbosch (The Netherlands)	Leasing	IG	50.00 %	ME	33.33 %
HFGL Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
Humberclyde Commercial Inv. Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
Humberclyde Commercial Inv. (N1) Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
JCB Finance Holdings Ltd	Rocester-Uttoxeter (United Kingdom)	Leasing	IG	25.05 %	ME	16.70 %
JCB Finance SA	Puteaux (France)	Leasing	IG	25.05 %	ME	16.70 %
Locatrice Italiana SpA	Milan (Italy)	Leasing	ME	13.09 %	ME	8.72 %

* ME: equity associate
* IG : fully consolidated
* NC : non significant company for the Group's scope of consolidation and thus not consolidated

Name	Registered office	Activity	Consolidation method (2012)	Group ownership Interest (2012)	Consolidation method (2011)	Group ownership Interest (2011)
Manitou Finance Ltd	Verwood (United Kingdom)	Leasing	IG	25.51 %	ME	17.00 %
MFF SA	Puteaux (France)	Leasing	IG	25.50 %	ME	17.00 %
Natiocredimurs Senc	Puteaux (France)	Leasing	Disposal	--	ME	33.33 %
Natiocreditbail SA	Puteaux (France)	Leasing	Disposal	--	ME	33.33 %
NatioEnergie (Sofergie) SA	Puteaux (France)	Leasing	Disposal	--	ME	33.33 %
Nissan Finance Belgium NV	Bruxelles (Belgium)	Leasing	ME	12.50 %	ME	8.33 %
Same Deutz Fahr Finance Ltd	Basingstoke (United Kingdom)	Leasing	IG	50.00 %	ME	33.33 %
Same Deutz Fahr Finance SA	Puteaux (France)	Leasing	IG	50.00 %	ME	33.33 %
SREI Equipement Finance Private Ltd	Calcuta (India)	Leasing	IP	25.00 %	ME	16.67 %
Vela Lease SRL	Conegliano (Italy)	Leasing	ME	13.09 %	ME	8.72 %
Investment Solutions						
Cardif Lux Vie SA	Luxembourg	Insurance	ME	33.33 %	ME	33.33 %
Fundamentum Asset Management (FAM) SA (en liquidation)	Luxembourg	Wealth Management	NC	--	IG	100.00 %
Structures Ad Hoc						
Aura Capital Invest SA	Luxembourg	--	In liquidation	--	IG	100.00 %
Black Kite Investment Ltd.	Dublin (Ireland)	--	In liquidation	--	IG	100.00 %
Delphinus Titri 2010 SA	Luxembourg	--	In liquidation	--	IG	100.00 %
Paribas Trust Luxembourg SA	Luxembourg	Equity Management	IG	100.00 %	IG	100.00 %
Royale Neuve Finance S.à r.l	Luxembourg	Finance	NC	--	IG	100.00 %
Royale Neuve Investments S.à r.l.	Luxembourg	--	In liquidation	--	IG	100.00 %
Other Activities						
Plagefin - Placement, Gestion, Finance Holding SA	Luxembourg	Equity Management	IG	100.00 %	IG	100.00 %

* ME: equity associate
* IG : fully consolidated
* NC : non significant company for the Group's scope of consolidation and thus not consolidated

8.c COMPENSATION AND BENEFITS AWARDED TO MEMBERS OF THE BOARD OF DIRECTORS AND KEY CORPORATE OFFICERS

In 2012, the remuneration, including pension expenses, paid to the Group's key officers amounted to 7.16 million euros (2011: 6.60 million euros). In 2012 the scope of consolidation included the management of BNP Paribas Leasing Solutions SA.

The remuneration paid in 2012, relative to 2011, to the members of the BGL BNP Paribas Board of Directors amounted to 1.74 million euros (2011: 1.75 million euros).

During the year 2012 following the decision of the Board of Directors of BNP Paribas and for the charge of the BNP Paribas Group, the key officers were allocated 20,555 BNP Paribas shares (5,745 shares in 2011) In 2012 no stock-options were allocated to key officers. In 2011 there was an allocation of 23,140 stock-options on BNP Paribas shares, with an exercise price of 56.45 euros, which was the average of the 20 market opening prices preceding 4 March 2011.

On 31 December 2012, the loans granted to members of the Board of Directors were equal to 2.88 million euros (on 31 December 2011: 1.93 million euros); the loans granted to key officers were equal to 5.96 million euros (on 31 December 2011: 7.18 million euros).

On 31 December 2012, the credit lines granted to members of the Board of Directors were equal to 3.10 million euros (on 31 December 2011: 2.18 million euros); the credit lines granted to key officers were equal to 6.17 million euros (on 31 December 2011: 7.39 million euros).

8.D RELATED PARTIES

The related parties of the Group are associated companies, pension funds, the members of the Board of Directors and the key officers of the Group, the members of the close families of the aforesaid persons, entities controlled or appreciably influenced by any of the aforesaid persons, as well as any other related entity.

As part of its operational activities, the Group is often required to carry out transactions with related parties. These transactions primarily involve loans and deposits and are carried out on an arm's length basis.
The table below summarises the financial scope of the activities carried out with the following related parties:

- associated companies:
- other BNP Paribas Group companies not held by the Group.

The relations with members of the Board of Directors and the Group's key officers are covered in part 8.c.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas SA as such, it received a dividend of 85.3 million euros from BGL BNP Paribas SA in 2012. The other transactions with the State of Luxembourg or any other entity controlled by the State of Luxembourg are carried out on an arm's length basis.

Related-party balance sheet items

In millions of euros	31 December 2012		31 December 2011	
	Entities consolidated using the equity method	Other BNP Paribas entities	Entities consolidated using the equity method	Other BNP Paribas entities
ASSETS				
Financial assets at fair value through profit or loss	-	359.9	-	1 057.8
Derivatives used for hedging purposes	-	118.2	-	51.6
Available-for-sale financial assets	85.5	239.2	-	359.9
Loans and receivables due from credit institutions	68.6	8 488.2	2 074.2	8 901.5
Loans and receivables due from customers	506.7	801.3	3 300.7	460.1
Accrued income and other assets	10.0	99.3	2.5	90.7
Total	670.8	10 106.1	5 377.4	10 921.6
LIABILITIES				
Financial liabilities at fair value through profit or loss	-	151.9	-	177.8
Derivatives used for hedging purposes	-	58.0	-	86.4
Due to credit institutions	-	10 663.6	0.4	2 155.6
Due to customers	74.2	203.0	209.9	1 487.6
Accrued expenses and other liabilities	6.5	23.5	-	3.6
Total	80.7	11 100.0	210.3	3 911.0

The increase of related parties in liabilities to credit institutions is mainly due to the inclusion of leasing activities in the scope of consolidation.

Moreover, the Group also carries out, with these related parties, trading transactions on an arm's length basis involving derivatives (swaps, options, futures contracts…) and financial instruments (equities, debt securities…) contracted or issued by them.

In millions of euros	31 December 2012		31 December 2011	
	Entities consolidated using the equity method	Other BNP Paribas entities	Entities consolidated using the equity method	Other BNP Paribas entities
Financing and guarantee commitments				
Financing commitments given	-	31.0	8.0	69.5
Guarantee commitments given	126.9	175.3	191.2	3 585.5

As at 31 December 2012 and at 31 December 2011, guarantees given include 125.0 million euros of guarantees given to Cardif Lux Vie SA, following the merger of Fortis Luxembourg Vie SA and Cardif Lux International SA. At 31 December 2012, a provision of 8.8 million euros for this guarantee was recorded in the accounts.

In 2011, the Bank had netting agreements with the entities BNP Paribas Fortis SA and BNP Paribas SA (and their respective branches established in the territory of the European Union) thereby reducing its exposure to such entities, for both on-balance sheet and off-balance sheet exposures.

Related-party profit and loss items

In millions of euros	31 December 2012		31 December 2011	
	Entities consolidated using the equity method	Other BNP Paribas entities	Entities consolidated using the equity method	Other BNP Paribas entities
Interest income	**19.7**	**322.3**	**143.4**	**274.0**
Interest expense	(0.1)	(440.5)	(1.6)	(132.7)
Commission (income)	**11.9**	**60.4**	**17.4**	**87.2**
Commission (expense)	(6.5)	(12.8)	(6.4)	(4.8)
Gains (losses) on financial instruments at fair value through profit or loss	**-**	**6.0**	**-**	**111.2**
Income (expenses) from other activities	**5.9**	**44.5**	**0.8**	**28.8**
Profit/loss from discontinued activities				**14.2**
Total	30.9	(20.1)	153.6	377.9

8.e BALANCE SHEET BY MATURITY

The table below gives a breakdown of the balance sheet by contractual maturity. The maturity of financial assets and liabilities at fair value through profit or loss within the trading portfolio is deemed to be "undetermined" insofar as these instruments are intended to be sold or redeemed before their contractual maturity dates. The maturities of variable- income financial assets classified as available-for-sale, hedging derivatives, remeasurement adjustments on interest-rate risk hedged portfolios and undated subordinated debt are also deemed to be "undetermined".

The majority of the financing and guarantee commitments given may be drawn at sight.

31 December 2012 *In millions of euros*	Un-determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and amounts due from central banks and post office banks	-	1 335.1	-	-	-	-	-	1 335.1
Financial assets at fair value through profit or loss	344.9	-	-	-	85.4	117.6	5.6	553.5
Derivatives used for hedging purposes	129.5							129.5
Available-for-sale financial assets	393.7	-	23.6	72.3	294.6	986.2	1 454.4	3 224.8
Loans and receivables due from credit institutions	-	1 008.0	980.7	1 309.0	2 131.7	2 445.5	1 143.7	9 018.6
Loans and receivables due from customers	-	1 096.3	845.8	2 622.5	4 675.3	10 447.0	7 606.0	27 292.9
Held to maturity financial assets			10.0	61.7	74.8	102.7	260.0	509.2
Financial assets by maturity	**868.1**	**3 439.4**	**1 860.1**	**4 065.5**	**7 261.8**	**14 099.0**	**10 469.7**	**42 063.6**
Financial liabilities at fair value through profit or loss	338.1	-	-	34.7	250.5	466.0	126.1	1 215.4
Derivatives used for hedging purposes	60.2	-	-					60.2
Due to credit institutions		879.3	1 382.4	1 088.7	3 012.2	4 767.1	1 019.8	12 149.5
Due to customers		15 603.2	1 662.4	824.1	1 016.7	164.7	450.0	19 721.1
Debt securities			241.3	343.8	1 428.1	606.4	24.3	2 643.9
Subordinated debt	2.6	-	-	-	-	-	-	2.6
Remeasurement adjustment on the interest-rate-risk hedged portfolios	80.6	-	-	-	-	-	-	80.6
Financial liabilities by maturity	**481.5**	**16 482.5**	**3 286.1**	**2 291.3**	**5 707.5**	**6 004.2**	**1 620.2**	**35 873.3**

31 December 2011 *In millions of euros*	Un-determined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and amounts due from central banks and post office banks	-	783.9	-	-	-	-	-	783.9
Financial assets at fair value through profit or loss	327.4	-	609.3	43.2	186.7	229.9	24.6	1 421.1
Derivatives used for hedging purposes	51.7							51.7
Available-for-sale financial assets	387.6	-	61.4	189.9	267.1	1 210.5	1 312.8	3 429.3
Loans and receivables due from credit institutions	-	865.7	1 131.9	1 067.5	2 902.2	3 711.9	1 513.1	11 192.3
Loans and receivables due from customers	-	893.9	539.4	505.7	932.1	3 318.0	7 574.1	13 763.2
Held to maturity financial assets			10.0	58.4	161.3	217.2	290.3	737.2
Financial assets by maturity	**766.7**	**2 543.5**	**2 352.0**	**1 864.7**	**4 449.4**	**8 687.5**	**10 714.9**	**31 378.7**
Due to central banks and post office banks	-	18.7	-	-	-	-	-	18.7
Financial liabilities through profit or loss	60.4	607.1	190.9	211.2	300.9	775.9	176.0	2 322.4
Derivatives used for hedging purposes	88.6	-	-	-	-	-	-	88.6
Due to credit institutions	-	871.3	1 296.2	208.5	109.2	764.8	152.7	3 402.7
Due to customers	-	12 854.6	2 956.6	1 463.7	1 620.2	202.7	280.8	19 378.6
Debt securities	-		691.9	344.9	394.5	146.0	-	1 577.3
Remeasurement adjustment on the interest-rate-risk hedged portfolios	35.4	-	-	-	-	-	-	35.4
Financial liabilities by maturity	**184.4**	**14 351.7**	**5 135.6**	**2 228.3**	**2 424.8**	**1 889.4**	**609.5**	**26 823.7**

8.f FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

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

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2012. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amount actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instruments to the Group as a going concern.

- Most of these fair values are not meaningful, and hence are not taken into account in the management of commercial banking activities that use these instruments.

- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.

- Finally, the fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or to the clientele in relation with the Group in its various activities. Consequently, these fair values should not be regarded as the actual contribution of the instrument concerned to the overall valuation of the BGL BNP Paribas Group.

In millions of euros	31 December 2012		31 December 2011	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
FINANCIAL ASSETS				
Loans and receivables due from credit institutions	9 018.6	9 363.0	11 192.3	11 167.8
Loans and receivables due from customers	27 292.9	27 694.8	13 763.2	13 874.2
Held-to-maturity financial assets	509.2	558.4	737.2	740.2
FINANCIAL LIABILITIES				
Due to credit institutions	12 149.5	12 661.0	3 402.7	3 402.7
Due to customers	19 721.1	19 730.2	19 378.6	19 383.1
Debt securities	2 643.9	2 652.7	1 577.3	1 594.2
Subordinated debt	2.6	2.6	-	-

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

The Group makes provisions for such matters when, in the opinion of management and upon consultation with its legal advisors, it is probable that a payment will have to be made by the Group, and when the amount can be reasonably estimated (see note 5.p "Provisions for contingencies and charges").

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

8.h FEES PAID TO THE STATUTORY AUDITORS

Year to 31 December 2012 *In thousands of euros*	Deloitte		PricewaterhouseCoopers		Mazars		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- Issuer	-	0 %	798	65 %	-	0 %	798	17 %
- Consolidated subsidiaries	39	2 %	239	20 %	1 757	100 %	2 035	43 %
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- Issuer	-	0 %	23	2 %	-	0 %	23	1 %
- Consolidated subsidiaries	-	0 %	-	0 %	-	0 %	-	0 %
Audit total	**39**	**2 %**	**1 060**	**87 %**	**1 757**	**100 %**	**2 856**	**61 %**
Other services provided by the networks								
Legal, tax, social	-	0 %	161	13 %	-	0 %	161	3 %
Other	1 663	98 %	4	0 %	-	0 %	1 667	36 %
Other services total	**1 663**	**98 %**	**165**	**13 %**	**-**	**0 %**	**1 828**	**39 %**
Total fees	1 702	100 %	1 225	100 %	1 757	100 %	4 684	100 %

Year to 31 December 2011 *In thousands of euros*	Deloitte		PricewaterhouseCoopers		Mazars		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, examination of the individual and consolidated accounts, of which:								
- Issuer	-	0 %	711	90 %	-	0 %	711	21 %
- Consolidated subsidiaries	4	0 %	54	7 %	24	100 %	82	2 %
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- Issuer	-	0 %	23	3 %	-	0 %	23	1 %
- Consolidated subsidiaries	-	0 %	-	0 %	-	0 %	-	0 %
Audit total	**4**	**0 %**	**788**	**100 %**	**24**	**100 %**	**816**	**24 %**
Other services provided by the networks								
Legal, tax, social	-	0 %	161	13 %	-	0 %	161	3 %
Other	1 663	98 %	4	0 %	-	0 %	1 667	36 %
Other services total	**2 645**	**100 %**	**1**	**0 %**	**-**	**0 %**	**2 645**	**76 %**
Total fees	2 649	100 %	789	100 %	24	100 %	3 461	100 %

The total audit fees paid to auditors who do not belong to the network of one of the auditors certifying the consolidated and non-consolidated financial statements of BNP Paribas SA, mentioned in the table above, amount to 81 thousands euros for the year 2012.

Unconsolidated Financial Statements
for the Year Ended 31 December 2012

The unconsolidated annual accounts of BGL BNP Paribas SA have been prepared in accordance with the legislation and regulations applicable in Luxembourg, and in particular with the modified Law of 17 June 1992 on the accounts of credit institutions.

The annual accounts are provided hereafter in an abridged form. The unconsolidated annual accounts, comprising the balance sheet, income statement and notes to the annual accounts as well as the Board of directors' report and the auditor's report are published in accordance with legal requirements.

Pursuant to article 71 of the modified Law of 17 June 1992 on the approved annual accounts of credit institutions, the Board of directors' report, as well as the auditor's report must be filed with the register of commerce and companies in the month they are approved by the General Meeting of Shareholders, and no later than 7 months after the closing of the period. The accounts are published by mention in the "Mémorial" of the filing with the register of commerce and companies where these documents are available.

The auditor delivered an unqualified certification of the unconsolidated annual accounts of BGL BNP Paribas SA as at 31 December 2012.

UNCONSOLIDATED BALANCE SHEET

In millions of euros	31 December 2012	31 December 2011
Assets		
Cash, credit notes with central banks and post office banks	**1 333.6**	**783.6**
Receivables from credit institutions	**11 476.7**	**11 293.9**
a) demand	575.5	864.3
b) other receivables	10 901.2	10 429.6
Receivables due from customers	**12 543.4**	**13 069.5**
Bonds and other fixed income securities	**4 742.2**	**5 735.2**
a) from public issuers	2 731.5	2 808.2
b) other issuers	2 010.7	2 927.0
Equities and other variable income securities	**240.5**	**308.2**
Investments in subsidiaries	**45.2**	**47.1**
Affiliates	**1 547.7**	**1 205.9**
Intagible fixed assets	**443.9**	**604.1**
Tangible fixed assets	**166.5**	**171.8**
Other assets	**80.5**	**157.1**
Accrued income	**237.9**	**399.3**
Total assets	32 858.1	33 775.7

UNCONSOLIDATED BALANCE SHEET (CONTINUATION)

In millions of euros	31 December 2012	31 December 2011
Liabilities		
Due to credit institutions	**2 666.4**	**3 229.4**
a) demand	636.6	858.8
b) forward or with notice	2 029.8	2 370.6
Due to customers	**19 034.1**	**18 932.1**
a) savings deposits	5 607.5	4 231.2
b) other debts	13 426.6	14 700.9
- demand	10 175.6	8 996.9
- forward or with notice	3 251.0	5 704.0
Debt securities	**3 491.6**	**3 168.9**
a) bills and outstanding bonds	1 927.7	2 632.4
b) other	1 563.9	536.5
Other liabilities	**1 364.8**	**1 987.9**
Accrued income	**86.5**	**155.6**
Provisions	**291.2**	**281.6**
a) provisions for taxes	40.3	33.5
b) other provisions	250.9	248.1
Subordinated liabilities	**110.0**	**110.0**
Special items with a share of the reserves	**140.6**	**141.1**
Fund for general banking risks	**57.4**	**92.4**
Share capital	**713.1**	**713.1**
Additional paid-in capital	**2 770.4**	**2 770.4**
Retained earnings	**1 940.5**	**1 940.5**
Profit or loss brought forward	**0.2**	**0.3**
Profit or loss for the fiscal year	**191.3**	**252.4**
Total liabilities	**32 858.1**	**33 775.7**

Off-balance sheet		
Contingent liabilities	**1 596.3**	**1 978.6**
including: - surety bonds and assets given in guarantee	*946.7*	*1 224.9*
Commitments	**2 227.2**	**2 507.5**
Fiduciary operations	**3 134.1**	**3 599.2**

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	2012	2011
Interest income	**962.0**	**1.086.5**
including on fixed revenue marketable securities	*178.2*	*283.5*
Interest expense	**(430.0)**	**(535.4)**
Income on equities and other variable instruments	**53.0**	**17.1**
a) earnings from equities, shares and other variable instruments	3.5	8.2
b) earnings from holdings	4.9	2.1
c) earnings from affiliates	44.6	6.8
Commissions earned	**226.3**	**240.9**
Commissions paid	**(58.0)**	**(63.1)**
Earnings on financial operations	**108.8**	**(0.1)**
Other operating income	**61.9**	**84.0**
Administrative overhead costs	**(396.3)**	**(418.2)**
a) staff costs	(243.8)	241.9
including: - wages and salaries	*(206.7)*	*(203.0)*
- social charges	*(30.8)*	*(33.0)*
including social charges applying to pensions	*(22.7)*	*(24.1)*
b) other administrative costs	(152.5)	(176.3)
Value corrections on intangible fixed assets and on tangible fixed assets	**(179.3)**	**(182.2)**
Other operating expenses	**(22.0)**	**(13.8)**
Additions/reversals for value creations on receivables and provisions for possible debts and commitments	**(38.7)**	**38.4**
Additions/reversals for value creations on marketable securities described as financial fixed assets, on investments in subsidiaries and shares in subsidiaries and affiliates	**(85.5)**	**(185.0)**
Additions to "special items with a share of the reserves"	**-**	**(0.4)**
Proceeds resulting from the dissolution of the "special items with a share of the reserves"	**0.5**	**0.5**
Proceeds resulting from the dissolution of the amounts listed in the fund for general banking risks	**35.0**	**210.0**
Income tax applicable to ordinary activities	**(45.8)**	**(26.2)**
Proceeds resulting from ordinary activities, after tax	191.9	253.0
Other taxes not included in the above items	**(0.6)**	**(0.6)**
Pofit or loss for the fiscal year	191.3	252.4

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