Annual report 2014

BGL
BNP PARIBAS | The bank for a changing world

bgl.lu

BGL BNP Paribas is continuing the project it started in 2013 to modernise and extend its branch network in Luxembourg. For the benefit of our customers these newly renovated branches combine proximity with the latest technology.

The interiors of these branches, as shown in this annual report, clearly illustrate the concepts of conviviality and modernity.

Cover: Branch Tétange/Käldall

ANNUAL REPORT 2014

BGL BNP PARIBAS

CONTENTS

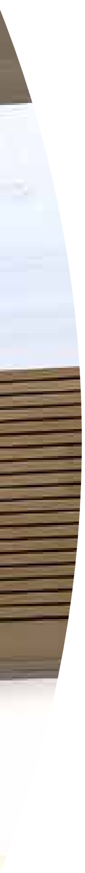
Branch Ettelbrück

The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinions, expressed in the original language version of the document in French, take precedence over the translation.

CONSOLIDATED KEY FIGURES

01

Branch Mondorf-les-Bains



CONSOLIDATED KEY FIGURES

In millions of euros	2014	2013
Profit and loss account		
Revenues	1 346.8	1 351.9
Operating expenses	(666.1)	(705.6)
Cost of risk	(35.7)	(21.5)
Net profit attributable to equity holders of the parent	342.5	336.9
Balance Sheet		
Total balance sheet	41 096.9	40 224.5
Loans and receivables due from customers	24 570.8	24 990.2
Due to customers and debt securities	21 347.5	20 891.2

	2014 Bâle 3 (phasé)	2013 Bâle 2.5
Regulatory own funds	5 206.8	5 855.3
Amount of risk weighted assets	22 876.1	22 781.3
Solvency ratio	22.8%	25.7%

Ratings (March 2015)	Moody's	Standard & Poor's	Fitch
Short term	**P-1**	**A-1**	**F1**
Long term	**A2**	**A+**	**A+**

BGL BNP PARIBAS
AND ITS
SHAREHOLDERS

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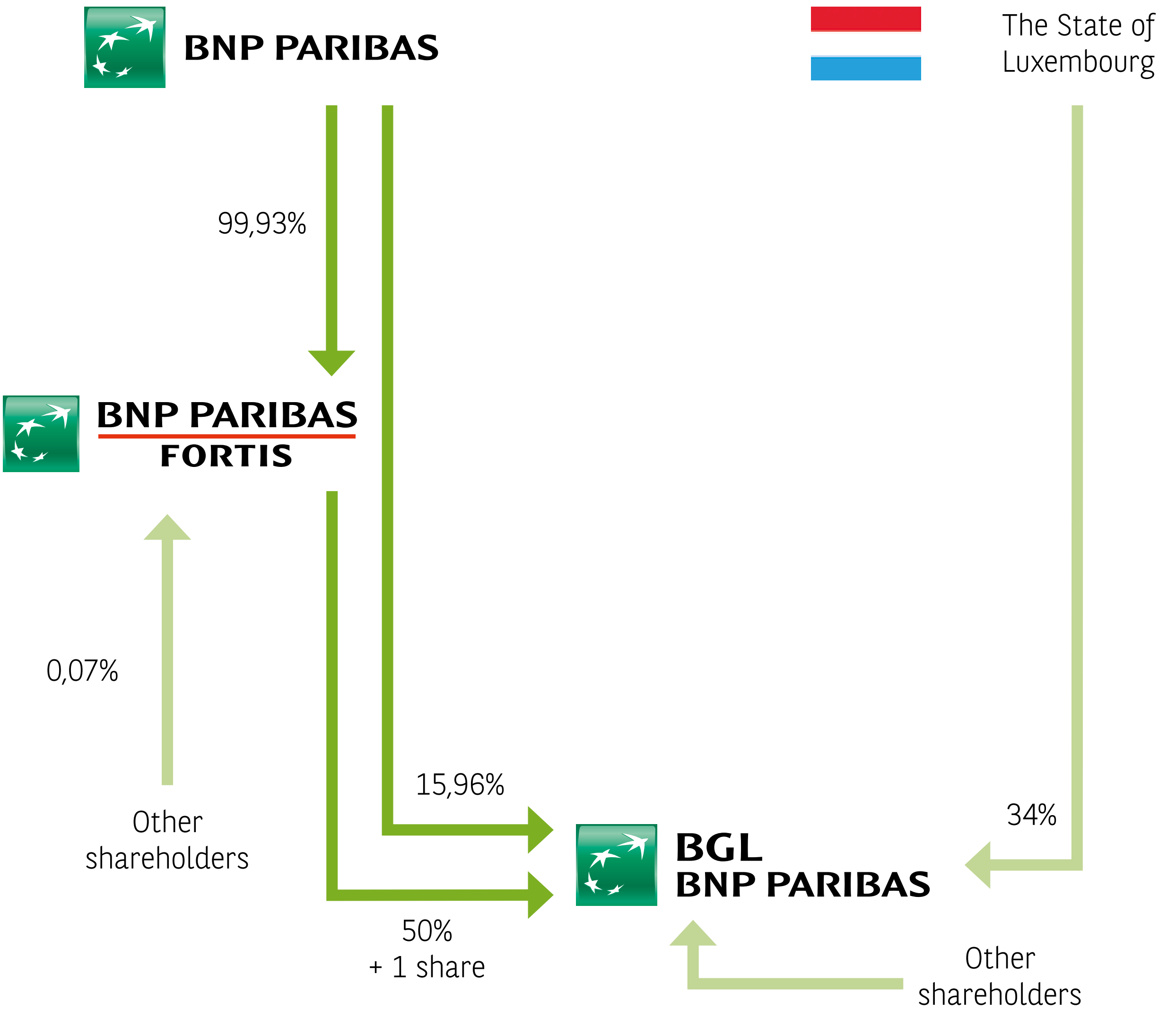
Branch *Europe*, Luxembourg/Kirchberg

BGL BNP PARIBAS AND ITS SHAREHOLDERS



THE BNP PARIBAS GROUP IN LUXEMBOURG

With 4 000 employees, the various divisions and business lines of the BNP Paribas Group in Luxembourg respond to the needs of individuals and businesses, investors and also corporate and institutional customers in three core business areas: Retail Banking, Investment Solutions and Corporate and Investment Banking.

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Branch *Europe*, Luxembourg/Kirchberg

Retail Banking: An offer for individuals and businesses

- The **Retail and Corporate Banking** business of BGL BNP Paribas, via its four pillars – Retail Banking, Corporate Banking, Private Banking Luxembourg and the direct banking business - offers a wide range of financial products and services, from current accounts to savings products or bancassurance, as well as specialised services for professionals and companies (in particular cash management). The commercial network consists of 40 branches and 5 Private Banking Centres, dedicated to wealthy domestic customers, 88 ATMs and one online agency to provide targeted assistance. The direct banking business was launched in 2014 to bring together all the remote banking services, including NetAgence (daily banking transactions) and Personal Investors (investment advice).

- Leasing:
  BNP Paribas Leasing Solutions is the leader in the local market for financial leasing and offers attractive solutions in equipment financing to business customers.
  Arval provides operational leasing services exclusively to companies, by putting in place solutions to simplify and optimise the management of the car pools of its clients.

- Factoring:
  BNP Paribas Factor offers solutions for the protection, management and pre-financing of the trade receivables, allowing the companies to obtain an alternative short-term funding and to focus on their business.

Investment Solutions: A global offer for investors

- As part of the **Wealth Management** business, BGL BNP Paribas offers tailor-made solutions in asset and financial management as well as an array of benefits and high quality services including: investment advice, discretionary management, wealth organisation and planning , financing, and regular banking services, as well as expertise in asset diversification.

- Securites:
  BNP Paribas Securities Services has a long-standing reputation for its expertise and a unique know-how in funds management, international bond issues and in engineering both products.

- Asset Management:
  BNP Paribas Investment Partners offers a full range of financial management services to institutional customers and distributors worldwide.

- Insurance:
  Cardif Lux Vie offers a range of products and services in three complementary lines of business: Wealth Management in the international market , Retail Insurance (via the network of BGL BNP Paribas branches) and insurance of Companies.

- Real Estate Services:
  BNP Paribas Real Estate offers made-to-measure solutions with a multi-expertise offering.

Corporate and Investment Banking: A powerful tool for corporate and institutional clients

Corporate & Investment Banking (CIB) offers corporate and institutional clients of BGL BNP Paribas direct access to the CIB portfolio of products of BNP Paribas.

CIB centralises in Luxembourg the following activities:

- Fixed Income & Execution Platform
- Structured Capital Markets
- Optimization & Structured Leasing
- Equity Finance
- Financial Institutions coverage

HISTORY OF BGL BNP PARIBAS

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Branch Mondorf-les-Bains

HISTORY OF BGL BNP PARIBAS

- Founded in 1919 under the name of Banque Générale du Luxembourg (BGL).
- Founders: Société Générale de Belgique in conjunction with a group of private investors in Luxembourg and Belgium.
- 1984: The shares of Banque Générale du Luxembourg are listed on the Luxembourg Stock Exchange.
- 1998: Fortis Group becomes the reference shareholder of the Bank (53.2%) following the launch of a public take-over bid for shares of the Générale de Banque.
- 2000: Banque Générale du Luxembourg and Fortis strengthen their strategic partnership.
- 2005: Banque Générale du Luxembourg changes its name and operates under the name of Fortis Bank Luxembourg.
- 2008: The Luxembourg State acquires a 49.9% shareholding of the Bank which operates under the name of BGL.
- 2009: The BNP Paribas Group acquires a majority stake in BGL (65.96%) alongside the Luxembourg State which remains a significant shareholder (34%).
- 2009: BGL adopts the name BGL BNP Paribas.

DIRECTORS AND OFFICERS

Etienne Reuter
Chairman of the Board of Directors

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DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

ETIENNE REUTER
Secretary General, Ministry of Finance, Luxembourg
Chairman
(as from 7 May 2014)

GEORGES HEINRICH
Doctor of Economics
Chairman
(until 7 April 2014)

FRANÇOIS VILLEROY DE GALHAU
Member of the Executive Committee of BNP Paribas, Paris
Vice-Chairman

HRH PRINCE GUILLAUME OF LUXEMBOURG
Luxembourg
Director

JEAN-MARIE AZZOLIN
Staff Representative, Bridel
Director
(as from 6 January 2014)

GILBERT BEFFORT
Staff Representative, Bofferdange
Director
(until 6 January 2014)

FRANCIS CAPITANI
Staff Representative, Dudelange
Director
(as from 1 July 2014)

JEAN CLAMON
Engineer, Corporate Director, Paris
Director

JACQUES D'ESTAIS
Member of the Executive Committee of BNP Paribas, Paris
Director

GABRIEL DI LETIZIA
Staff Representative, Bergem
Director

CAMILLE FOHL
BNP Paribas Group Responsible for Germany, Frankfurt
Director

GÉRARD GIL
Deputy Finance Officer, Paris
Director

JEAN-CLAUDE GILBERTZ
Staff Representative, Olm
Director

CLAUDE HEIREND
Staff Representative, Junglinster
Director
(until 30 June 2014)

MAXIME JADOT
Chairman of the Management Committee of BNP Paribas Fortis, Brussels
Director

CARLO KRIER
Staff Representative, Esch/Alzette
Director

VINCENT LECOMTE
Head of BNP Paribas Wealth Management, Paris
Director

CORINNE LUDES
Staff Representative, Dudelange
Director

THOMAS MENNICKEN
Member of the Management Committee of BNP Paribas Fortis, Brussels
Director

JEAN MEYER
Doctor of Law, Attorney, Oberanven
Director

NORBERT ROOS
Staff Representative, Rodange
Director
(until 6 January 2014)

DENISE STEINHÄUSER
Staff Representative, Junglinster
Director

TOM THEVES
First Advisor to the Government, Luxembourg
Director

CARLO THILL
Chairman of the Management Board, Leudelange
Director

MICHEL WURTH
Economist, Sandweiler
Director

HONORARY CHAIRMEN

GEORGES ARENDT
(deceased on 24 July 2014)
Director of Law, Luxembourg

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

HONORARY VICE-CHAIRMAN

XAVIER MALOU
Honorary Director of Generale Bank, Bruxelles

BUREAU OF THE BOARD OF DIRECTORS

ETIENNE REUTER
Chairman of the Board of Directors
(as from 7 May 2014)
Chairman
(as from 7 May 2014)

GEORGES HEINRICH
Chairman of the Board of Directors
(until 7 April 2014)
Président
(until 7 April 2014)

FRANÇOIS VILLEROY DE GALHAU
Vice-Chairman of the Board of Directors
Member

CARLO THILL
Chairman of the Management Board
Member

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

JEAN CLAMON
Director
Chairman

GÉRARD GIL
Director
Member

GEORGES HEINRICH
Chairman of the Board of Directors
(until 7 April 2014)
Member
(until 7 April 2014)

THOMAS MENNICKEN
Director
Member

JEAN MEYER
Director
Member

ETIENNE REUTER
Chairman of the Board of Directors
(as from 7 May 2014)
Member
(as from 7 May 2014)

REMUNERATION AND NOMINATION COMMITTEE

FRANÇOIS VILLEROY DE GALHAU
Vice-Chairman of the Board of Directors
Chairman

JEAN CLAMON
Director
Member

GEORGES HEINRICH
Chairman of the Board of Directors (until 7 April 2014)
Membre (until 7 April 2014)

ETIENNE REUTER
Chairman of the Board of Directors (as from 7 May 2014)
Member (as from 7 May 2014)

MICHEL WURTH
Director
Member
(as from 14 February 2014)

EXTERNAL AUDITORS

PRICEWATERHOUSECOOPERS
Société coopérative
Réviseurs d'entreprises

MANAGEMENT BOARD

CARLO THILL
Chairman

FABRICE CUCCHI
Compliance
Member
(as from 1 September 2014)

DOMINIQUE GOULEM
ALM/Treasury
Member

PATRICK GREGORIUS
Human Resources
Member (as from 1 January 2015)

LUC HENRARD
Risk
Member

ANNE KAYSER
Compliance
Member (until 31 August 2014)

MARC LENERT
ITP & Operations
Member

CARLO LESSEL
Finance
Member

LAURE MORSY
Chief Operating Officer, Corporate and Investment Banking
Member

HUBERT MUSSEAU
Wealth Management
Member

KIK SCHNEIDER
Retail and Corporate Banking
Member

THIERRY SCHUMAN
Human Resources
Member (until 31 December 2014)

MANAGEMENT BOARD From left to right.
Hubert Musseau, Kik Schneider, Luc Henrard, Carlo Thill, Patrick Gregorius, Laure Morsy, Marc Lenert, Carlo Lessel, Dominique Goulem, Fabrice Cucchi

JEAN-LOUIS MARGUE
Corporate Secretary (until 31 October 2014)

MATHILDE JAHAN
Corporate Secretary (as from 1 November 2014)

INTERNAL AUDITOR

ERIC DORLENCOURT

MANAGEMENT OF THE SUBSIDIARIES

LUXEMBOURG

BNP PARIBAS LEASING SOLUTIONS

DIDIER CHAPPET
Chief Executive Officer

BNP PARIBAS LEASE GROUP LUXEMBOURG SA

ROBERT CHRISTOPHORY
General Manager (until 31 December 2014)

VINCENT HAINAUT
General Manager (as from 1 January 2015)

BGL BNP PARIBAS FACTOR SA

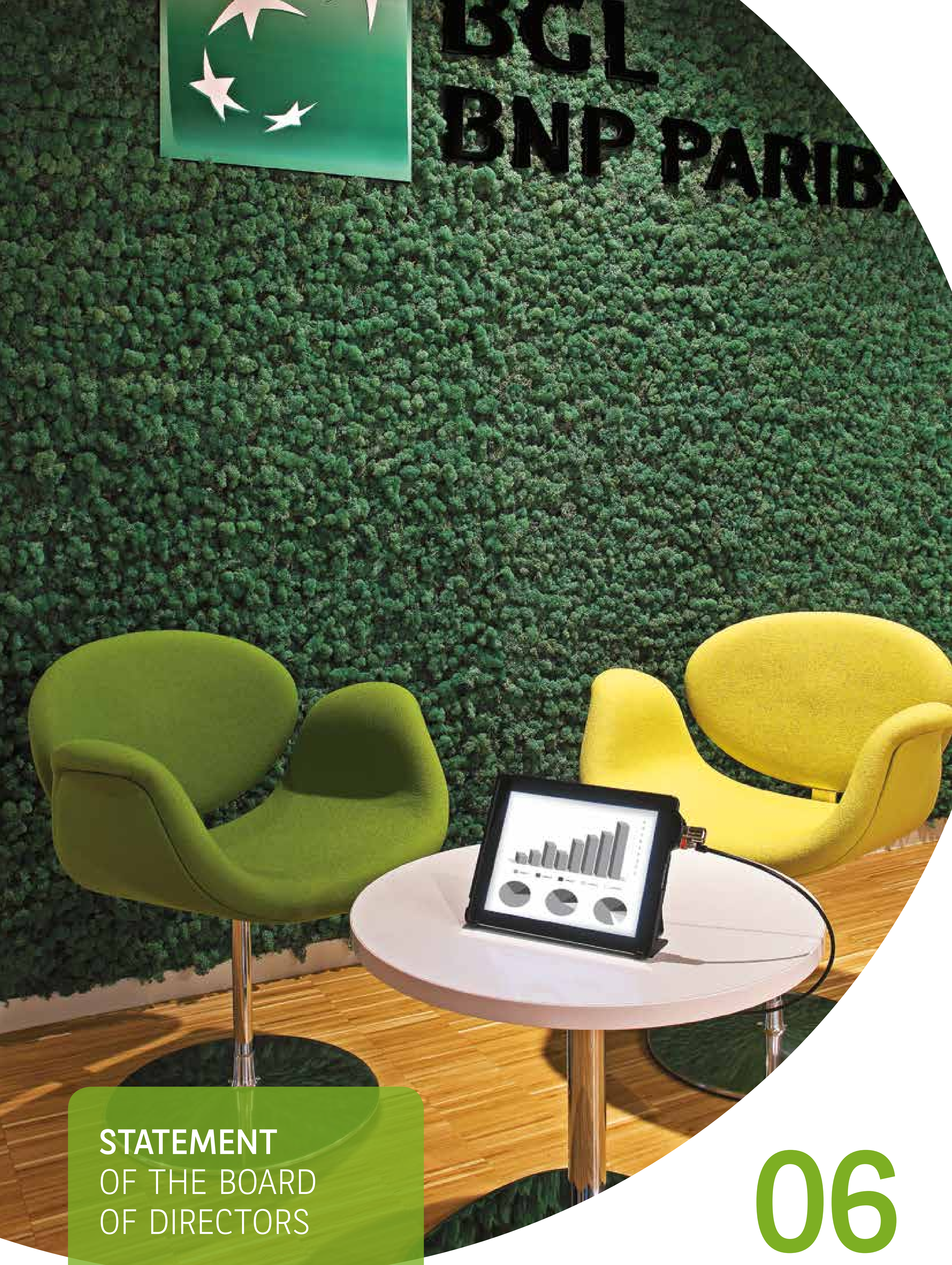
MARCEL HOH
General Manager (until 15 September 2014)

PAUL ENGELS
General Manager (as from 16 September 2014)

FRANCE

SADE (SOCIÉTÉ ALSACIENNE DE DÉVELOPPEMENT ET D'EXPANSION)

ANTOINE GILLIOT
Chief Executive Officer



STATEMENT OF THE BOARD OF DIRECTORS

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Branch *Jardins de Luxembourg*, Luxembourg/Merl

STATEMENT OF THE BOARD OF DIRECTORS

(in accordance with the Transparency law of 11 January 2008)

The Board of Directors declares that, to the best of its knowledge, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the financial statements prepared in accordance with the legal and regulatory requirements of Luxembourg, give a true and fair view of the assets and liabilities, financial position and profit or loss of BGL BNP Paribas SA, and the undertakings included in the scope of the consolidation as at 31 December 2014, and the management report presents fairly the evolution, the earnings and the position of BGL BNP Paribas SA and the undertakings included in the scope of the consolidation, as well as a description of the principal risks and uncertainties that they face.

Luxembourg, 11 March 2015

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

PREAMBLE

From an economic perspective, 2014 was primarily marked by the actions of the European Central Bank (ECB). Faced with a euro zone inflation rate that had been falling continuously, and that even fell into negative territory in December 2014, the ECB undertook some innovative steps: it set a negative rate on the deposit facility; it lowered short-term refinancing rates to 0.05%; it put in place new targeted measures for long-term refinancing and even purchases of asset-backed securities and covered bonds. The ECB also paved the way for a large scale bond purchasing programme (Quantitative Easing), which was finally announced on 22 January 2015.

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Branch Mondorf-les-Bains

These actions by the ECB had a significant impact on market rates. The main interbank rate for the euro zone hit negative levels. Long rates, as measured by the ten-year rate on government bonds, continued to decline in 2014, reaching record lows in January 2015, in anticipation of the Quantitative Easing programme. The proposed programme is ambitious due to both its size and its open-ended character.

The year 2014 was also marked by the divergence of monetary policies on both sides of the Atlantic. While in the euro zone ECB policy became more accommodative, the Federal Reserve in the United States completed its tapering programme, that is to say, the phasing out of the third wave of Quantitative Easing. Indeed, the recovery now appears to be confirmed in the United States, particularly in the labour market. Following growth of 2.4% in 2014, our baseline forecast is for this growth to accelerate in 2015. The Federal Reserve might therefore raise interest rates over the course of 2015. This divergence in monetary policies has undoubtedly been a key factor in the significant depreciation of the euro against the dollar since May 2014.

At a geopolitical level, the year was marked by the crisis in Ukraine, which was accompanied by a resurgence of volatility and a deterioration of the leading indicators in the second half of the year. The outcomes of elections in several countries in the euro zone also continue to be a source of uncertainty.

Nevertheless, the euro zone should benefit from significant help from several areas in 2015. In addition to the serious weakening of the euro, which should be a supporting factor for the export sector, it is especially important to note the historic drop in oil prices since the beginning of the summer of 2014. This trend accelerated following the decision of the member countries of the Organisation of Petroleum Exporting Countries, at their meeting of 27 November 2014, not to reduce their oil production. Overall, the decline in oil prices is good news for the euro zone, which is a net importer of oil. It will increase the purchasing power of households and reduce the costs of most businesses at an important time, when domestic demand remains weak and the recovery remains fragile. Following growth of 0.9% in 2014, our baseline forecast provides for a gradual acceleration of growth for the euro zone in 2015.

However, the collapse of oil prices, and more generally the prices of a number of raw materials, will pose challenges for exporting countries, especially among emerging economies. For many of those countries whose debt is denominated in dollars, their governments and businesses face the additional challenge of a likely rise in US interest rates. In 2015, it will also be important to monitor the relative slowdown of growth in China, particularly the correction in its real estate sector.

In Luxembourg, growth was of the order of 2.9% in 2014 but it is expected to slow in 2015. In particular, the consequences of the loss of some VAT revenue related to electronic commerce, plus the fiscal measures announced by the government as part of its "Package for the future" and the 2% increase in the VAT rate, should soon start to be felt. In terms of employment, it is noteworthy that in spite of sustained growth in jobs, the unemployment rate remains high, even though there was a slight fall towards the end of 2014 to a level of 7%. In addition, the phenomenon of disinflation also had an impact in Luxembourg in 2014. The inflation rate actually fell to a level of -0.6% in December 2014.

As regards the Luxembourg banking sector, the fact that it is operating in an environment of historically low interest rates continues to weigh on interest income, which was down 3.5% for the sector as a whole. Profit before provisions was also slightly down (-2%), while commission income was up (+4.8%). For banks, 2014 was also marked by the Asset Quality Review and the establishment of a single supervisory mechanism in the euro area.

CONSOLIDATED MANAGEMENT REPORT

Consolidated Results

Profit and loss account *In millions of euros*	2014	2013	Changes Value	 %
Revenues	**1 346.8**	**1 351.9**	**(5.1)**	**0%**
Operating expenses	(666.1)	(705.6)	39.5	-6%
Gross operating income	**680.6**	**646.3**	**34.3**	**5%**
Cost of risk	(35.7)	(21.5)	(14.2)	66%
Operating income	**644.9**	**624.8**	**20.1**	**3%**
Share of earnings of associates	(35.7)	19.1	(54.8)	n/a
of which: Leasing	*(46.8)*	*7.6*	*(54.3)*	*n/a*
Other non operating items	1.6	2.6	(1.0)	-38%
Pre-tax income	**610.8**	**646.5**	**(35.7)**	**-6%**
Corporate income tax	(181.0)	(186.3)	5.3	-3%
Net income from discontinued activities	-	(4.2)	4.2	n/a
Net income	429.7	456.0	(26.3)	-6%
of which: Net income attributable to equity holders of the parent	342.5	336.9	5.6	2%

Changes in scope of consolidation in 2014

In accordance with IFRS 11, SREI Equipment Finance Ltd, an Indian subsidiary, 50% owned by BNP Paribas Lease Group, which was previously accounted for using the proportional consolidation method, will now be accounted for using the equity method. All 2013 comparative figures have been restated to reflect this change (see notes 1.a and 2 in the Notes to the Consolidated Financial Statements).

Moreover, following the application of the accounting principles of the BNP Paribas Group, the method of consolidation of several entities was changed in 2014. Depending on their materiality, some entities had their consolidation method changed from full consolidation to the equity consolidation method, and they were deconsolidated, or were included in the scope of consolidation (see note 9.b of the Notes to the Consolidated Financial Statements). These changes in scope nevertheless had a limited impact on the consolidated net income of the Group in 2014.

Exceptional items

2013 was impacted by various items:

- Revenues were reduced by EUR 52.0 million, due to value adjustments recorded in relation to the Bank's stake in BNP Paribas Investment Partners (BNPP IP), as well as a loss realised on a partial disposal of these shares in 2013.

- Due to the impact on the Bank's business model of regulatory changes and the announcement of the automatic exchange of information on interest payments as from 1 January 2015, BGL BNP Paribas put in place a plan for early retirement on a voluntary basis on 31 December 2013. The communication of this plan had resulted in the recognition of a provision of EUR 41.4 million in staff costs in 2013.

There were no exceptional items in 2014.

The decline in the Group's net income attributable to equity holders of EUR 60.1 million, or -15% compared to the prior year, is primarily due to:

- regulatory developments and low interest rates that have penalised income from the banking business;

- the negative contribution of the Leasing entity in India, accounted for under Share of earnings of associates.

Profit and loss account excluding exceptional items	2014	2013	Changes	
In millions of euros			Value	%
Revenues	**1 346.8**	**1 403.9**	**(57.1)**	**-4%**
Operating expenses	(666.1)	(664.2)	(1.9)	0%
Gross operating income	**680.6**	**739.7**	**(59.1)**	**-8%**
Cost of risk	(35.7)	(21.5)	(14.2)	66%
Operating income	**644.9**	**718.2**	**(73.3)**	**-10%**
Share of earnings of associates	(35.7)	19.1	(54.8)	n/a
of which: Leasing	*(46.8)*	*7.6*	*(54.3)*	*n/a*
Other non operating items	1.6	2.6	(1.0)	-38%
Pre-tax income	**610.8**	**739.8**	**(129.0)**	**-17%**
Corporate income tax	(181.0)	(213.9)	32.9	-15%
Net income from discontinued activities	-	(4.2)	4.2	n/a
Net income	429.7	521.7	(92.0)	-18%
of which: Net income attributable to equity holders of the parent	342.5	402.6	(60.1)	-15%

Operating expenses and the cost of risk remain under control.

Analysis of the profit and loss account and balance sheet

Revenues were stable compared to the previous year, at EUR 1 346.8 million at 31 December 2014.

Net interest income amounted to EUR 1 094.7 million at 31 December 2014 compared to EUR 1 086.7 million at 31 December 2013.

This slight increase of 0.7% can be explained by two opposing trends: a decline in the Bank's activities of EUR 24.8 million, or -5%, and an increase of EUR 29.5 million or +6 % in Leasing International activities.

As regards banking activities, the decrease is mainly related to the difficulty of reinvesting maturing bond positions at equivalent rates and the tighter regulatory environment, particularly in terms of liquidity. Interest margins are also under pressure due to the extremely low interest rate environment.

Net interest margin on Leasing International activities increased by 6%, due to growth in assets and high margin rates on strategic activities that offset the decline in interest income from activities being managed on a run-off basis.

Net commission income decreased from EUR 216.3 million in 2013 to EUR 170.8 million in 2014, down EUR 45.5 million or -21%. This decline was primarily associated with the Bank (EUR -38 million or -20%), and was due mainly to the reduction in assets under management in Retail Banking following the departure of non-resident clients. Despite an increase in assets under management of 3%, Wealth Management also saw its net commission income decrease due to the deep structural change in its business.

Gains or losses on financial instruments at fair value through profit or loss amounted to EUR 23.1 million compared to EUR 24.3 million in 2013. The recovery of debts written off following the bankruptcy of Lehman Brothers for a value of EUR 6.9 million helped to offset the decline due in particular to the fall in income from foreign exchange activity with customers, down EUR 5.4 million.

The line **Net gains or losses on available-for-sale financial assets** posted a gain of EUR 17.6 million in 2014 compared to a loss of EUR -50.3 million in 2013. These results are mainly related to the sale of the Bank's investment in Cetrel, which generated a gain of EUR 9.4 million, as well as capital gains on the sale of bonds for EUR 4.7 million.

In 2013, the decline in value of the asset management activities of the Group BNP Paribas Investment Partners led the Bank to record a value adjustment and a loss on disposal of EUR -52.0 million on its shareholding.

Net income and expenses from other activities amounted to EUR 40.6 million compared to EUR 75.0 million in 2013. This significant decrease is due, on the one hand, to property disposals made in 2014 within the non-strategic portfolio of International Leasing and, on the other hand, to the effect of changes in the scope of consolidation in 2014. Indeed, some Leasing companies with investment property on their books changed from full consolidation to the equity method of consolidation, resulting in their net income from investment properties being reported under the heading of *Share of earnings of associates as from 2014*.

On 31 December 2014, **operating expenses** amounted to **EUR 666.1 million** compared to EUR 705.6 million at the end of the previous year.

With regard to banking activities, excluding the recognition of the provision for early retirement on a voluntary basis of EUR 41.4 million in 2013, there was a fall in expenses of EUR 3.7 million or -1%. Staff costs decreased by EUR 4.0 million or -1.6% in line with lower staff numbers in 2014. Other general operating expenses were stable: strict cost control offset the increase in investments projects related to the Simple & Efficient programme (up from EUR 6.5 million in 2013 to EUR 13.2 million in 2014).

In Leasing International activities, operating expenses were up EUR 10.0 million or 4%. This increase was mainly due to the resumption of activity by BNP Paribas Leasing Solutions Spa (consolidated using the equity method) within the BNP Paribas Lease Group Italian Branch (consolidated under the full consolidation method) for EUR 8.0 million. Excluding this item, operating expenses were stable compared to 2013, despite the investments in Germany of EUR 6 million in the context of the strategic development plan.

The **Cost of risk** amounted to **EUR -35.7 million** compared to EUR -21.5 million in 2013., Net additions to provisions for impairment charges in the Leasing International activities amounted to EUR -51.4 million, an increase of EUR 32.4 million. It should be noted that the cost of risk in 2013 was particularly low due to the reversal of a number of value adjustments. In the banking activities, the cost of risk showed a value adjustment reversal of EUR 20.7 million compared to a net provision for impairment charges of EUR -3.6 million in 2013.

The **Share of earnings of associates** amounted to **EUR -35.7 million** compared to EUR 19.1 million in 2013.

Leasing International saw its contribution to this line go from EUR 7.6 million in 2013 to EUR -46.8 million in 2014.

This significant decrease can be mainly explained by the following:

- The economic slowdown in India starting in the second half of 2013 greatly affected the 2014 results of SREI Equipment Finance Ltd (EUR -49.5 million in 2014 compared to EUR 3.8 million in 2013) following a very significant deterioration in credit risk. Given the situation, the Group also recorded an impairment charge of EUR 7.9 million on the Goodwill of this company. However it should be noted that the targeted action plan that redefined the risk policy has already had an effect on the year-end results, and the Group expects the coming year to bring a significant improvement in the financial position of its subsidiary.

- On the other hand, real estate management in Italy, in an economic context that remains difficult, also required significant provisions to be made in early 2014 at BNP Paribas Leasing Solutions Spa, which generated a negative contribution of EUR -13.1 million (EUR -9.4 million in 2013). This entity is being wound down.

- Finally, though to a lesser extent, the decline is also due to the ongoing policy to reduce the portfolio of non-strategic activities.

The contribution of insurance operations in Luxembourg (Cardif Lux Vie SA), in which the Bank has a 33% holding, which totalled EUR 11.0 million, was stable compared to 2013.

Finally, after deducting income due to minority shareholders, **Net income attributable to equity holders** for the year 2014 showed a net profit of **EUR 342.5 million** compared to a net profit of EUR 336.9 million for 2013, an increase of EUR 5.6 million or +2%.

Balance sheet

At 31 December 2014, total assets amounted to EUR 41.1 billion compared to EUR 40.2 billion at 31 December 2013, up 2%.

On the **assets** side, **Available-for-sale financial assets** rose from EUR 3.3 billion at 31 December 2013 to EUR 6.3 billion at 31 December 2014. This strong growth stems from the change in investment strategy intended to improve the profitability of investment portfolios. It was realised by increasing the portfolio of euro zone bonds, consisting mainly of sovereign and supranational securities.

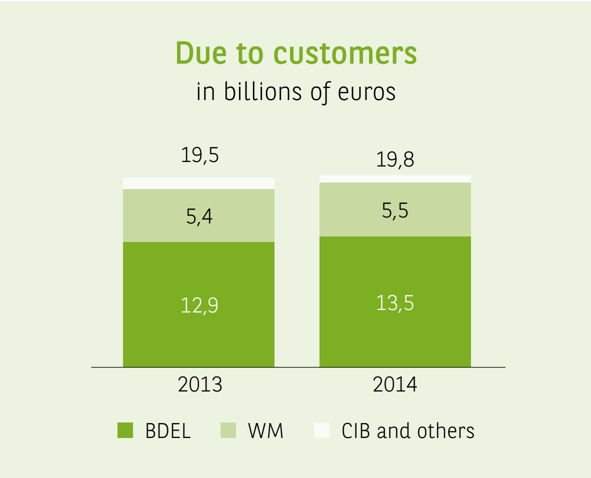
Loans and receivables due from credit institutions were down EUR 1.6 billion or -20% to EUR 6.7 billion at 31 December 2014. This decrease is attributable to a EUR 1.8 billion decline in the Bank's outstanding loans to companies of the BNP Paribas Group, particularly in relation to investments in the portfolios of available-for-sale securities.

Loans and receivables due from customers fell from EUR 25.0 billion at 31 December 2013 EUR 24.6 billion at 31 December 2014, a decrease of EUR 0.4 billion, or -2%. At Leasing International, lower outstanding loans in the portfolio being wound down were partially offset by an increase of 5% in outstandings in strategic activities. In terms of banking activity, at the end of the period, Loans and receivables due from customers dropped slightly by 2%. This decrease was due to a reduction in the number of demand accounts at 31 December 2014, particularly corporate accounts, though this was partially offset by growth in home loans in a buoyant domestic market.

Investment Property was down EUR 213 million or -63% falling from EUR 336 million at 31 December 2013 to EUR 123 million at 31 December 2014. This decrease is mainly due to the changes in the scope of consolidation at Leasing International, as defined by the Group's materiality thresholds.

On the **liabilities** side, **Due to credit institutions** increased slightly from EUR 128 billion to EUR 9.5 billion at 31 December 2014. At BGL BNP Paribas, the increase related to repurchase agreements with BNP Paribas was offset by lower interbank loans within the BNP Paribas Group. At Leasing International, the line item was up 2%.

Due to customers rose from EUR 19.5 billion at 31 December 2013 to EUR 19.8 billion at 31 December 2014, an increase of 2%.



At Retail and Corporate Banking Luxembourg, deposits at year end increased (up 5%) compared to the previous year, supported by a good inflow of funds especially from corporate clients and institutional investors in connection with the development of cash management.

At Wealth Management, the establishment of the new business model resulted in a fundamental shift in the customer base. The departure of clients with low levels of assets under management was offset by an inflow of money from new customer segments, in particular Ultra High Net Worth Individuals, which resulted at the end of 2014 in a growth in total assets under management of 3% compared to 2013.

Debt securities rose from EUR 1.4 billion at 31 December 2013 to EUR 1.6 billion at 31 December 2014, an increase of 10%. This is mostly the result of the increase in outstandings in short-term paper (European Commercial Paper) of EUR 128 million, due to greater demand from institutional clients.

Own funds

At 31 December 2014, excluding revenues for the current year and after regulatory deductions, **regulatory capital** calculated in accordance with Basel III regulations, stood at EUR 5.2 billion, with the **solvency ratio** at 22.8%.

Group share of consolidated equity amounted to EUR 6.1 billion.

Risk management within the Bank

The Bank's risk management policy is described in detail in note 5 of the consolidated financial statements at 31 December 2014.

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 and which assumes primary responsibility for the risks arising within the activities of each business line.

At central management level, the different types of risk are monitored and managed by special committees, which meet on a regular basis. Credit risk is monitored by the Central Credit Committee (which meets once a week); market risk is monitored by the Asset & Liability Committee (which meets once a month) and operational risk is monitored by the Platform for the Coordination of Internal Control and Risk Prevention (which meets every two months) and the Permanent Control Committee (which meets every six months). The Bank has set up permanent structures and adopted strict risk management procedures consistent with the requirements of the regulatory authorities.

The activities of the Bank

Retail and Corporate Banking Luxembourg (BDEL)

Retail and Corporate Banking Luxembourg, via its four pillars - Retail Banking, Corporate Banking, Private Banking Luxembourg and the direct banking business - offers a wide range of financial products and services to individual customers, professionals and companies through its network of 40 branches, and its services or departments dedicated to businesses. In 2014, Retail Banking (BDL) as a whole was heavily involved with the project concerning automatic exchange of information on interest payments, which paying agents established in Luxembourg conduct for individuals who have their residence in a Member State of the European Union other than Luxembourg. The work was done in a remarkable way, and allowed the Bank to intensify its relationship development programme: the A³ (Customer Activation, Acquisition, Attention) for residents and cross-border workers.

The Bank intensified its efforts in the area of digital technology, with a defined strategy covering three areas: development and use of data, improving customer understanding and creating a digital distribution model. The Apple and Android mobile applications met with great success. It is also noteworthy that there was strong growth in the number of connections using smart phones, and in Web Banking utilisation throughout 2014. Finally, all branches are now equipped with tablets, allowing us to dispense with paper documents at cash desks.

The Bank also continued its project to upgrade the branch network and increase the number of ATMs. Since the beginning of the modernisation project, more than a third of the branch network now conforms to the new model, thus promoting a more open relationship with the client, without physical barriers, and reinforcing the multichannel model.

In its ongoing effort to provide a wide range of unique products, the Bank has expanded its offering by launching a new range of *World MasterCard* credit cards, coupled with a set of insurance, assistance and extensive concierge services. The *World MasterCard allows* customers to join the loyalty programme and receive the exclusive advantages of *Premium Benefits*, an innovative and exclusive formula in the Luxembourg market.

Finally, a new thematic fund range, launched in partnership with BNP Paribas Investment Partners, enables the Bank to cover customer's investment needs, by providing them with a selection of funds classified into four current themes: Investing in the major financial centers; Responsible saving; Increasing asset value; Preparing for retirement or projects.

In 2014, the direct banking activities, which encompass the *NetAgence* and *Personal Investors* teams, have emerged to respond to new customer behaviour. These teams, dedicated to direct banking, offer remote services for all customers, whether they are investors, expatriates, residents or cross-border commuters. While *NetAgence* serves customer looking for a daily banking solution with its free *E-ssentiel, Personal Investors* caters to a potential international and resident clientele, looking for complete investment solutions. The different possibilities of access to advisors (internet, phone), and their availability during extended hours, now allow us to serve clients who prefer to have a remote relationship with their bank.

Private Banking Luxembourg (BPL) continued its efforts to date with a view to making BGL BNP Paribas "The private banker" of reference in Luxembourg. The teams working for Private Banking Luxembourg can offer customised integrated financial solutions to clients' investment and wealth management needs. This offer from Private Bank Luxembourg complements the daily banking services on the five private banking sites, linked to the branch network.

At the Corporate Bank (BEL) the number of customers increased by 6% in 2014, thanks to the *One Bank for Corporates* project, which is part of a global development strategy of the BNP Paribas Group, as well as the strategy pursued by the Bank in the Greater Region.

There was continued significant growth in stable deposits in 2014, due to a large inflow of funds from customers and the development of new products. It is also noteworthy that there was an increase in loans granted, while the cost of risk remained under control.

The strategy pursued by the Bank in the framework of its Cash Management activity, which highlighted the international prowess of the BNP Paribas Group, as well as the *Connexis*, *Cash Concentration* and *Notional Pooling* products, led to a significant increase in inflows in 2014.

This growth at all levels has again been reinforced by the strong development of *Global Trade Services, Escrow Services, Cash Management, Leasing* and *Factoring*, as well as the launch of new products in each of these activities.

With regards to *Corporate activity*, the presence of the BNP Paribas Group worldwide is a major asset and enables the Bank to share the benefit of this international expertise with all its customers.

Finally, in 2014, BGL BNP Paribas continued to commit to financing the real economy, as witnessed by the renewal of the partnership with the European Investment Bank on a loan of EUR 50 million for Small and Medium Enterprises.

Lux Future Lab

BGL BNP Paribas has developed an innovative project - the Lux Future Lab - with a clear mission: to impact the social and economic dynamics in Luxembourg through education and entrepreneurship. Launched in mid-2012 as a pilot project, Lux Future Lab made good progress in 2014 and is today an important part of the ecosystem of innovation and creation of companies in Luxembourg.

By the end of 2014, its entrepreneurial platform - a business incubator - was involved in 17 start-ups that have created more than 170 jobs in Luxembourg. These start-ups are extremely diverse in nature, both as regards the sectors they cover (social media, electronic payments, computer security, media and communication, etc.) and their geographical origin (11 nationalities including USA, France, Israel, and Japan).

In July 2014, its platform dedicated to training, the Summer School, hosted, for the third time, a group of high school students to encourage them to think “out of the box” and in terms of excellence as regards what they will become and their future studies.

We can also reveal the launch in 2014 of the *Intrapreneurship* programme for professionals wanting to change careers to engage in entrepreneurship. This one-year programme, which was initially promoted only internally, was awarded the Innovation Prize of the BNP Paribas Group, and will be marketed from 2015 onwards to other large companies and Research Centres.

Wealth Management (WM)

As part of the Wealth Management business line, the Bank provides tailored solutions for financial and asset management as well as a whole range of services and high quality offers for international private banking customers.

During 2014, the Bank continued its strategy of developing the customer segment of Ultra High Net-Worth Individuals (clients whose assets under management exceed EUR 25 million) and of strengthening the segment of Very High Net-Worth Individuals (clients whose assets under management are between EUR 5 and 25 million). Meanwhile, the Bank has set up a sales team dedicated to clients who have assets under management of less than EUR 1 million, in order to provide these customers with a commercial approach and an offer of services best suited to their needs. Despite the deep transformation of the Luxembourg financial centre, the level of assets under management managed by the Wealth Management business line increased slightly. The net capital inflows were positive for the different geographical segments (+ 4% for the International Europe Markets division, + 9% for the Emerging Markets division), driven in particular by a strong contribution from the customer segment of Ultra High Net Worth Individuals (+18 %), which now accounts for more than half of the assets under management.

In October 2014, the Bank established the company Global General Partner SA, whose remit is the administration and management of alternative investment funds for the Wealth Management business line of BNP Paribas. Note that the Alternative Investment Funds Manager (AIFM) authorised status of Global General Partner allows the funds administered to obtain a European passport, authorising their distribution within the European Union.

In order to respond to the growing interest from private clients in digital solutions, the teams of the Wealth Management business line continued to develop products aimed at facilitating remote contact between the customer and the Bank. Thus, a new version of the iPad application MyPortfolio, dedicated to private clients, has many enhancements including proposing a new digital interface facilitating navigation and new features (transfers, secure messaging, visual synthesis of accounts etc.). Moreover, to improve the quality of services to private clients, especially when meeting outside the Bank, the sales teams in Wealth Management were equipped with communication and counselling tools using tablets and touchscreen smartphones.

Finally, to meet the growing demands of customers and the constant evolution of financial markets, the Bank has implemented a certified training course for its private bankers, aiming to improve the skills and the professional excellence of sales teams in the Wealth Management business line.

Corporate and Investment Banking (CIB)

The Corporate and Investment Banking business line in Luxembourg offers the Bank's customers, who are primarily corporate and institutional investors, products and services related to capital markets and financing in Luxembourg.

In 2014, due to the unfavorable economic environment, particularly in Europe, the Corporate and Investment Banking business had to deal with difficult market conditions. In the context of the implementation of new regulations to reduce systemic risk and strengthen the soundness of banks, the Corporate and Investment Banking business has continued to adapt its organisation in order to best serve its corporate clients and institutional investors.

During the past year, *structuring activities* contributed, on the one hand, to the diversification of the Bank's funding sources from local institutional counterparties and, on the other hand, to the development of investment products for the BNP Paribas Group and for corporate and institutional customers.

Following the new European requirements, the *Financial Institutions Group* assisted its large institutional clients in the search for solutions related to the management of capital; to the clearing and management of OTC derivatives in accordance with the implementation of the EMIR (European Market Infrastructure Regulation); and the management and optimization of liquidity, following the regulatory changes and the unfavorable environment in terms of yield. The Financial Institutions Group also promoted the solutions and services offered by BNP Paribas Securities Services (the Luxembourg branch of BNP Paribas Securities Services SCA) in connection with the management of securities and by BNP Paribas Investment Partners, which provides a wide range of investment funds.

The Foreign Exchange and *Fixed Income Trading* teams enabled the Bank to perform well in this area. Note that the Forex business achieved good results despite the low volatility observed in currency markets in the first half of 2014. The bond business in turn generated results in line with expectations, and, in an extremely low interest rate environment, with relatively low demand from retail and institutional clients.

Institutional Sales, which is responsible for hedging bond products for institutional clients in the Luxembourg financial center, performed extremely well in 2014, thanks to a substantial increase in sales volumes in the EMTN issues (Euro Medium Term Notes) of the BNP Paribas Group.

The *Private Banks & Distribution* department, which provides hedging for interest rate structured products for Luxembourg internal and institutional clients, implemented some significant transactions for private banks. For this department, which was set up in mid-2013, 2014 was the first full year of operation and the results are promising with new areas of development foreseen for 2015.

The *Corporate Sales* activity, which offers currency and interest rate hedging products for companies, recorded a slowdown in activity due to low currency volatility and to the extremely low interest rates in the first half 2014.

BNP Paribas Leasing Solutions

In close collaboration with the Bank, the various leasing divisions of the BNP Paribas Group, including BNP Paribas Lease Group Luxembourg SA, a 100%-owned subsidiary of the Bank, offer businesses and professionals a range of rental solutions ranging from equipment financing to outsourcing fleets, by using multiple channels - direct sales, referrals, partnerships and banking networks – grouped under the name BNP Paribas Leasing Solutions.

To provide the highest quality of service to its clients, BNP Paribas Leasing Solutions is organised by market specialty, with dedicated sales teams covering:

- *Equipment & Logistics Solutions* for professional rolling stock, agricultural machinery, machinery for building, public works and handling equipment, and commercial and industrial vehicles;
- *Technology Solutions* for office, computer and telecommunications equipment;
- *Bank Leasing Services* for leasing products and services to customers of the banking networks of the BNP Paribas Group.

BNP Paribas Leasing Solutions is a leading European provider of equipment financing and contributes actively to financing the real economy.

With the ambition to be the company of reference of the leasing market - for its customers, partners and 3,600 employees - BNP Paribas Leasing Solutions has relied in 2014 on two strategic levers: growth and transformation.

Thus, strategic agreements with key partners and development plans in Germany and Turkey have allowed BNP Paribas Leasing Solutions to fully achieve its growth objectives.

In order to embody on a daily basis a clear and decisive promise of value, BNP Paribas Leasing Solutions has upgraded its brand message and, in late 2014, it unveiled a new brand motto: Business is *ON*. Dynamic, original, distinctive, it summarizes in a few words the promise made by BNP Paribas Leasing Solutions to its customers and partners, and its desire to position itself as a facilitator, contributing to the sustainable development of their business.

This promise, which is at the heart of the brand message of BNP Paribas Leasing Solutions, is structured around five commitments: Expertise, Simplicity, Responsiveness, Innovation, Responsibility. This new brand signature not only carries a strong quality of service message, it also reflects the transformation of BNP Paribas Leasing Solutions into an more agile organisation, able to respond to the challenges of a world that is more open, more mobile and constantly changing.

Leasing Life Awards: BNP Paribas Leasing Solutions elected in 2014 European Lessor of the Year

In late November 2014, in Warsaw, BNP Paribas Leasing Solutions received the prize of European Lessor of the Year by the magazine Leasing Life, the leading magazine dedicated to leasing in Europe. The Leasing Life Awards are given every year to reward key players in the European market for asset financing.

Awarded by a panel of five independent judges, this prize acknowledges the overall performance and achievements of BNP Paribas Leasing Solutions during 2014. It is based specifically on criteria such as the volume of activity recorded in 2014 compared with 2013; the profit made by the company and its contribution to the overall revenue of the BNP Paribas Group; initiatives taken in the area of business development; its visibility; and its influence in the market.

Human Resources

The increased demands arising from an ever-more intricate and complex regulatory environment and the difficult economic climate require banks to continually adapt and to test the resilience and flexibility of all employees of the Bank. This additional workload was absorbed through the exemplary commitment of employees - both in the commercial activity and in the support functions - and the Board of Directors would like to congratulate them for their commitment throughout the year under review.

With a view to highlighting the skill of its managers, Wealth Management successfully launched a certified training programme for private bankers.

We can reveal that despite somewhat unfavorable circumstances, the satisfaction scores in the *Global People Survey*, conducted annually with all employees remain satisfactory.

The labour market remained exceptionally quiet, with net turnover in 2014 at a record low. This decline in external mobility was offset by a policy of internal mobility, allowing employees to grow and develop their skills through assignment changes.

As part of a new collective labour agreement for bank employees, signed for the years 2014-2016 and remaining faithful to a long tradition, the Bank has addressed employee relations' matters - particularly in the context of the establishment of the 2016 strategic plan – with complete transparency to work together with its corporate partners to find solutions and answers to the various issues that arise in a banking world characterised by profound changes.

The Board wishes to emphasise the quality of cooperation with all the corporate partners. It thanks them for their responsible and constructive cooperation and for their important contribution to the well-being of the employees of the Bank on a daily basis.

Staffing situation within BGL BNP Paribas

On 31 December 2014, the total number of employees at the Bank in Luxembourg was 2,540, including 1,318 men (51.89%) and 1,222 women (48.11%). In 2014, the Bank hired 81 new employees (38 fixed-term contracts and 43 contracts of indefinite duration).

The percentage of employees working part time went from 23.18% (or 619 people) in 2013 to 24.13% (or 613 people) at the end of 2014.

27 nationalities are represented within the Bank, with the following breakdown of countries:

Luxembourg	37.78%
France	31.86%
Belgium	18.94%
Other EU countries	10.98%
Outside the EU	0.44%

Social responsibility and external relations

BGL BNP Paribas is an important driver of the Luxembourg economy and has been following for many years an ambitious policy in the area of economic, social and environmental responsibility.

The Bank fulfills its economic responsibility by using a variety of resources, notably the Socially Responsible Investment (SRI). Note that in this context the *Aqua* and *Sustainable Activity* funds, which have been available since 2014, as part of the SRI range, are dedicated to customers of Retail Banking. Also note that in the Wealth Management business line, SRI discretionary management mandates increased by 37% compared to 2013.

2014 was also the year when, for the first time, the BNP Paribas Group in Luxembourg supported two local microfinance projects, through co-operation with FUSE (Fondation des Universitaires en Sciences Economiques) (Foundation of Academics in Economics). Furthermore the development of social enterprises in Europe led the BNP Paribas Group to encourage this segment with the introduction in February 2014 of a credit policy dedicated to social enterprises.

In the analysis of the social responsibility of a financial group, an ever-growing importance is placed on the management of sensitive sectors of the economy. To manage this type of risk the BNP Paribas Group has implemented sectorial policies coordinating and limiting its financing in sectors such as defence, nuclear, palm oil, coal, tar sands, agricultural materials, etc.

Non-profit associations have very specific needs, hence the Bank has made them a customer segment in its own right by devoting to them a portal on its home page, the "Click NGO" programme. With one click, and totally seamlessly, these associations and NGOs can access the full range of financial and non-financial products that are dedicated to them. The "Click NGO" website of the Bank was in great demand in 2014, particularly for its capability to relay information, for the donation of computer equipment and especially its Skills Loan Programme, providing real support for the voluntary sector.

The Bank is also very involved in the sports, cultural and social life of the country, as evidenced in particular in the extension of its partnership with the Luxembourg Football Federation for the next three seasons and with the Luxembourg Tennis Federation for the next two seasons, as well as the extension with the organizer of the BGL BNP Paribas Luxembourg Open Tournament until 2018. We should also mention the long-standing partnerships with the Philharmonic, Luxembourg City Film Festival and the sponsorship of the Grand Duke Jean Museum of Modern Art.

Note also that in 2014 the "*Coup de Pouce*" programme provided 25 community projects chosen by employees of the BNP Paribas Group in Luxembourg with a total of EUR 72 000.

Finally, as part of solidarity actions in the fight against precarious circumstances, in 2014 the Bank organised a food collection among its employees for the benefit of three associations (social groceries, the homeless and refugees), which resulted in the collection of more than 18.5 tons of food, sanitation supplies and equipment against the cold.

Diversity

For many years, the BNP PARIBAS Group has included diversity in its business strategy, through the management of its human resources, the control of risks and the promotion of socially responsible actions. This culture of diversity led in 2011 to the integration of the principle of promoting diversity within teams, with the publication of the *four management principles*: principles that govern the expected managerial practices of all executives of the BNP Paribas Group. In addition to the variety of genres, the second priority of the BNP Paribas Group is to have cultural diversity within its executive committees throughout the world, in order to fully integrate into the decision-making process the local culture of each entity, as well as the international scale of the BNP Paribas group.

In late 2011, BGL BNP Paribas was the first company to create a function entirely dedicated to the promotion of diversity and inclusion. Note that in June 2012, the Bank obtained accreditation for its *Positive Actions* programme by the Ministry of Equal Opportunities, for the implementation of its action plan for equal, professional opportunities for women and men. In March 2013, the Bank signed the *Lëtzebuerg Charte de Diversité*, supported by the Ministry of Family and Integration.

As part of the implementation of its diversity plan that focuses on five strategic objectives, the Bank has set up a total of thirty-four concrete actions, particularly in terms of training and communication, and was rewarded in October 2014 by the award of the *MEGA-Entreprise* prize by the Minister for Equal Opportunities.

UNCONSOLIDATED MANAGEMENT REPORT

Unconsolidated Results

Profit and loss account *In millions of euros*	2014 Total	2013 Total
Revenues	860.7	819.0
Other income / Operating expenses	55.0	18.1
Overhead costs	(585.8)	(569.6)
including: Administrative overhead costs	*(411.4)*	*(393.2)*
Value corrections on intangible and on tangible assets	*(174.4)*	*(176.4)*
Gross operating income	329.9	267.5
Value corrections on receivables	(54.6)	(8.6)
Value corrections on marketable securities described as financial fixed assets and participating interests	6.1	(61.9)
Operating income	281.4	197.0
Other non operating items	0.2	0.2
Proceeds resulting from the dissolution of amounts listed in the fund for general banking risks	(60)	-
Pre-tax income	221.6	197.2
Tax	(45.4)	(50.9)
Net income	176.2	146.3

Exceptional items

The results for 2013 and for 2014 were both impacted by various exceptional items.

In 2014, the Bank received an exceptionally high dividend from BNP Paribas Leasing Solutions SA (EUR 148.9 million compared to EUR 32.6 million in the previous year) thus raising by EUR 116.3 million the contribution of this subsidiary compared to 2013.

As part of the rationalisation of its defined benefit pension plans, the Bank revised its financing plan and therefore recorded a provision of EUR 20.6 million for the payment of an additional contribution in early 2015.

Also in 2014, the Bank assigned EUR 60.0 million to the fixed provision for assets at risk and EUR 60.0 million to the fund for general banking risk.

In 2013, the Bank had recorded value adjustments and a loss on the sale of its stake in BNP Paribas Investment Partners SA for a total of EUR 52.0 million due to the slowdown in asset management activities and reduced development prospects.

In view of the impact on the Bank's business model of the regulatory changes, BGL BNP Paribas has set up a plan for early retirement on a voluntary basis. This had resulted in the recognition of a provision of EUR 41.4 million in other operating expenses in 2013.

Profit and loss account excluding exceptional items

In millions of euros	2014 Total	2013 Total
Revenues	**744.4**	**819.0**
Other income / Operating expenses	55.0	61.0
Overhead costs	(565.2)	(569.6)
including: Administrative overhead costs	*(390.8)*	*(393.2)*
Value corrections on intangible and on tangible assets	*(174.4)*	*(176.4)*
Gross operating income	**234.2**	**310.4**
Value corrections on receivables	5.4	(8.6)
Value corrections on marketable securities described as financial fixed assets and participating interests	6.1	(11.4)
Operating income	**245.7**	**290.4**
Other non operating items	0.2	0.2
Proceeds resulting from the dissolution of amounts listed in the fund for general banking risks	-	-
Pre-tax income	**245.9**	**290.6**
Tax	(69.2)	(78.5)
Net income	**176.7**	**212.1**

Changes in the income statement

For 2014, **Revenues**, which consists of the sum of net interest income, income from securities, net commission income and net profit from financial transactions made by the Bank, was EUR 860.7 million, an increase of EUR 41.7 million or 5% compared to the previous year.

Net interest income decreased from EUR 548.3 million to EUR 518.6 million, down by EUR 29.7 million or -5% compared to 2013. This decrease is mainly caused by the difficulty of finding equivalent terms on which to reinvest funds when bond positions mature, and by the stricter regulatory environment, particularly in terms of liquidity. Interest margins were also under pressure due to the extremely low interest rate environment.

Net commission income was down 19% compared to the previous year, from EUR 179.9 million in 2013 to EUR 145.3 million in 2014. This fall was due primarily to the decrease in assets under management at Retail Banking, following the departure of non-resident clients. Despite the increase in assets under management of 3%, Wealth Management also witnessed a decrease in Net commission income due to deep structural changes in its business.

Income from securities increased by EUR 114.2 million, rising from EUR 55.6 million in 2013 to EUR 169.8 million in 2014, following an increase of EUR 116.3 million in dividends received from BNP Paribas Leasing Solutions SA.

Net profit from financial transactions declined by EUR 8.2 million, or down 23%, from EUR 35.2 million in 2013 to EUR 27.0 million in 2014. In 2013 the bank had benefited from larger reversals of value adjustments on its bond portfolio than in 2014. These reversals were due either to the rise in the financial markets, or the release of surplus value adjustments as a result of reimbursement of some of the positions in the portfolio of structured loans.

Other operating income, which amounted to EUR 62.4 million for 2014 compared to EUR 70.2 million in 2013, includes expenses charged to other Group entities in Luxembourg. In 2013, in addition to these re-charged expenses, this accounting item also included reversals of provisions for surplus taxes, to the tune of EUR 6.3 million.

At 31 December 2014, **Administrative overhead costs** amounted to EUR 411.4 million compared to EUR 393.2 million at the end of the previous year, an increase of EUR 18.2 million or 5%.

Staff costs amounted to EUR 269.4 million at 31 December 2014, an increase of EUR 14.6 million or 6% mainly explained by the exceptional charge of EUR 20.6 million related to the adjustment of the financing plan for defined benefit pension plans. Excluding this exceptional item, staff costs were down EUR 6.0 million or -2.4% linked in particular to a declining headcount in 2014. Other administrative costs amounted to EUR 142.0 million, an increase of EUR 3.6 million or 3%. Strict cost control helped offset rising investments in projects in the *Simple & efficient* programme (EUR 6.5 million in 2013 and EUR 13.2 million in 2014).

Other operating expenses declined in relation to the previous year, amounting to EUR 7.4 million in 2014 compared to EUR 52.1 million at the end of 2013. In 2013, this item included a provision of EUR 41.4 million related to the new, voluntary early-retirement plan.

Additions/reversals for value creations on receivables and provisions for possible debts and commitments showed a net increase in value adjustments of EUR 54.6 million in 2014 compared to net charge of EUR 8.6 million in 2013. This variation primarily reflects an allocation to the lump sum provision for assets at risk to the tune of EUR 60.0 million in 2014 and the decrease in specific provisions, going from a net increase in provisions of EUR 8.6 million in 2013 to a net reversal of provisions of EUR 5.4 million in 2014.

In **Additions/reversals for value creations on marketable securities described as financial fixed assets**, there was a net release of EUR 6.1 million, compared to a net charge of EUR 61.9 million in 2013. In 2013, the Bank had recorded an additional provision of EUR 50.5 million on its investment in BNP Paribas Investment Partners SA, following the decline in asset management activities.

In 2014, the Bank increased its **Fund for general banking risks** by EUR 60.0 million. This countercyclical reserve is increased as a preventative measure during favourable economic periods or when exceptional revenues are received, with the aim of being used in less favourable periods.

Taxes on ordinary profit amounted to EUR 44.9 million compared to EUR 50.4 million, a decrease of EUR 5.5 million or -11%.

Other non-operating items, which includes exceptional income, additions to special items with a quota share of reserves, and the proceeds resulting from the dissolution of special items with a quota share of reserves, remains unchanged at EUR 0.2 million. Exceptional income was EUR 84.8 million in 2013 due to capital gains arising on the transfer of two buildings to real estate companies owned by the Bank. These gains were eligible for tax exemption under section 54 of the Law on income tax. Therefore, these gains were offset in 2013 by identical charges recorded in the accounting item Additions to special items with a quota share of reserves. In 2014, the Bank did not have any exceptional income, or any appropriations to special items with a quota share of reserves.

Finally, the Bank posted an unconsolidated net profit of EUR 176.2 million (EUR 146.3 million in 2013), an increase of EUR 29.9 million, or 20%, compared to the previous year. Excluding the exceptional items mentioned above, net profit was down by EUR 35.4 million, or -17%.

Balance sheet

At 31 December 2014, total assets amounted to EUR 31.5 billion compared to EUR 31.2 billion at 31 December 2013, an increase of EUR 0.3 billion, or 1%.

On the **assets** side of the balance sheet, **Receivables from credit institutions** fell by EUR 3.5 billion to EUR 7.8 billion and basically include interbank placements within the BNP Paribas Group. The decrease is due, on the one hand, to the shift from banking-product type investments towards bond-type investments, and on the other hand, to changes in financing flows from Leasing activities. From 2014 onwards, this financing has been carried out through BNP Paribas Leasing Solutions SA (a Luxembourg company, head of the Leasing International activities). This company is included in the accounting heading "Receivables due from customers", not through BNP Paribas Lease Group SA (a French company), which has the status of credit institution.

Receivables due from Customers rose by EUR 1.8 billion, going from EUR 12.5 billion to EUR 14.3 billion, an increase of 14%. This increase was primarily attributable to financing granted to entities owned by the Bank, as a result of changes in the financing of Leasing activities (as explained above). Outstandings at the end of period in Retail and Corporate Banking decreased slightly by 1% due to a reduction of overdrafts at the end of 2014, especially at the corporate level, though this was partially offset by growth in home loans linked to a buoyant domestic market.

Bonds and other fixed-income securities went up from EUR 4.5 billion at 31 December 2013 to EUR 6.6 billion at 31 December 2014. This strong growth is related to the change in investment strategy instigated in order to improve portfolio profitability. This took the form of an increase in the portfolio of euro zone bonds, mainly composed of sovereign and supranational securities.

Equities and other variable-income securities decreased by EUR 42 million to EUR 157 million due to the decrease in shares held by the Global Equity Commodities and Derivatives (GECD) trading group.

Intangible assets consist mainly of the net value of business goodwill, for an initial amount of EUR 802 million resulting from the merger of BNP Paribas Luxembourg SA on 1 October 2010. The goodwill is amortised over a period of 5 years, and was written down by EUR 160 million in 2014. At 31 December 2014, the residual value was EUR 120 million.

Tangible assets rose from EUR 154 million at the end of 2013 to EUR 209 million at the end of 2014, mainly related to increased capital expenditure made in 2014 in connection with the construction of the new CBK II building in Kirchberg.

On the **liabilities** side, **Due to credit institutions** fell from EUR 2.8 billion in 2013 to EUR 2.5 billion in 2014. This heading primarily includes deposits from other entities of the BNP Paribas Group with the Bank.

Due to customers evolved favourably, going from EUR 19.0 billion at the end 2013 to EUR 19.8 billion at the end of 2014. At the Retail and Corporate Banking Luxembourg, deposits at the end of the period increased (+ 5%) compared to the previous year, supported by a good inflow of funds, notably from corporate clients and institutional investors, in connection with the development of cash management. In the Wealth Management business line, the establishment of the new business model resulted in a fundamental change in its customer base. The departure of clients with a low level of assets under management was offset by an inflow of funds from new customer segments, and in particular from Ultra High Net Worth Individuals, which translated at the end of 2014 into a growth of 3% of total assets under management compared to 2013.

Debt securities decreased slightly from EUR 2.1 billion in 2013 to EUR 1.9 billion in 2014, a decrease of EUR 0.2 billion. The decline was particularly related to repayments of EMTNs which were not rolled over, and partially offset by an increase in short-term paper issues due to greater demand from institutional clients.

Other liabilities decreased by EUR 0.3 billion from EUR 1.0 billion to EUR 0.7 billion mainly due to the maturity of short sales of securities related to structured products.

Allocation of profit

Profit available for distribution is as follows:

Net profit for the period	EUR	176 239 121.00
Profit brought forward	EUR	189 629.67
Profit to appropriate	**EUR**	**176 428 750.67**

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

Statutory allocations	EUR	1 283 641.04
Dividend of 6.25 euros to 27 979 135 shares	EUR	174 869 593.75
Retained earnings	EUR	275 515.88
Total	**EUR**	**176 428 750.67**

If these proposals are accepted, a gross dividend of 6.25 euros per share will be payable to shareholders for the financial year 2014 on presentation of coupon N° 35 [1].

It is proposed to the General Meeting that an amount of EUR 102.5 million be transferred from free reserves to unavailable reserves for wealth tax in order to reduce the burden of wealth tax in the year 2014. According to the tax legislation, these reserves must be maintained for five tax years following the year of the reduction. Similarly, it is proposed to the General Meeting that an amount of EUR 130.2 million be transferred from unavailable reserves to free reserves, for wealth tax related to the year 2009.

Equity

On 31 December 2014, the **Fully subscribed and paid capital** amounted to EUR 713.1 million represented by 27 979 135 shares.

Regulatory unconsolidated overheads excluding income for the current year of the Bank at 31 December 2014 included in the calculation of the solvency ratio amounted to EUR 5.4 billion compared to EUR 5.2 billion at 31 December 2013.

Acquisition and holding of treasury shares

In compliance with Article 49-3 c) of the law on commercial companies, the Bank declares that it did not conduct a share buyback in 2014. At 31 December 2014, the Bank did not hold any of its own treasury shares.

OUTLOOK FOR 2015

The activities of the strategic business lines continue to develop satisfactorily given the economic environment which remains difficult in the euro area (low growth and low interest rates) and the constraints imposed by regulatory changes.

The Bank is continuing to pursue its ambitious programme to develop new sources of growth in its different business lines. It is focusing in particular on innovative investments in order to expand its range of products by modernising the branch network, with an integrated digital offering and a new type of branch at the service of its clients. Furthermore, the Bank is continuing to develop cross-selling opportunities between the various entities of BNP Paribas present in Luxembourg, and its cash management services, while extending its range of Wealth Management products to new customer segments.

With regards to the consolidated companies, the strategic activities of Leasing International continue to develop positively in the light of a more difficult competitive environment in Europe. The strategic development of the BNP Paribas Group relies among other things on the strong presence of Leasing in Germany and it aims to greatly expand the customer base in that country. The difficult economic situation in India will remain a focus of attention in 2015.

Meanwhile, BGL BNP Paribas will maintain its efforts to optimise operations by pursuing the initiatives included in the "Simple & Efficient" programme. This programme affects all units and geographic locations where the BNP Paribas Group operates, aims to simplify the way they function and to improve operational efficiency. It is therefore envisaged that the investments made in 2013-2015 will generate recurring savings, thus paving the way for the Bank to meet its future challenges.

[1] Subject to the blocking of the shares in accordance with the Law on stocks and bearer shares of Luxembourg commercial companies, adopted on 28 July 2014.

GOVERNANCE BODIES

Internal Control and Risk Management Committee

During 2014, the Internal Control and Risk Management Committee met five times. Its mission is to assist the Board of Directors in the execution of its supervisory function in the areas covered by the CSSF Circular 12/552 (as amended) for audit, risk and Compliance.

Members of the Internal Control and Risk Management Committee are appointed by the Board of Directors. It is composed of directors who are neither management nor employees of the Bank. It is currently composed of the Chairman of the Board of Directors, and four other directors, one of whom chairs the Committee.

The Bank is thus not only following the recommendations of its supervisory authority and the internationally recognised standards, but has also developed an internal control environment relevant to the safety of its operations and reflecting the best practices in this field.

Remuneration and Nomination Committee

The Board of Directors is assisted by a special committee, called the *Remuneration and Nomination Committee*, which acts in accordance with the powers granted to it in the framework of remuneration policy, as decided by the Board of Directors, in accordance with regulatory requirements in this area.

The Remuneration and Nomination Committee has decision-making authority in respect of the remuneration of the members of the Management Board, particularly regarding the structure of remuneration and individual remuneration. It also proposes to the Board of Directors the appointment of directors and members of the Management Board and the approval of the appointment and dismissal of the heads of internal control functions. The Remuneration and Nomination Committee, which is composed of four members of the Board of Directors, other than those involved in the daily management of the company or representing the staff, met seven times during 2014.

Bureau of the Board of Directors

Established in accordance with Article 16 of the Statutes of the Bank, the Bureau of the Board of Directors' mission is to prepare the meetings of the Board of Directors. The Bureau of the Board of Directors, which is composed of the Chairman and Vice-Chairman of the Board of Directors and the Chairman of the Management Board, met five times during 2014.

The Board of Directors

The Board of Directors, management and bank staff lamented the death on 24 July 2014 of Mr. Georges Arendt, Honorary Chairman of the Board of Directors of the bank. He was a widely respected leader, President of the Management Board from 1984 to 1987 and Chairman of the Board of Directors from 1987 to 1993. Under his leadership the bank underwent a remarkable development of its activities.

Mr. Georges Heinrich resigned as a director of BGL BNP Paribas and therefore also as Chairman of the Board of Directors with effect from 8 April 2014. The Board of Directors thanked Mr. Heinrich for his work during the period in which he chaired the Board of Directors, as this period represented an important step in the corporate life of the Bank, notably including the adoption of the strategic development plan for its activities for 2016.

In accordance with Article 15 of the Statutes of the Bank and Article 51 of the modified law of 10 August 1915 on commercial companies, the Board of Directors confirmed on 7 May 2014 the co-option as director of Mr. Etienne Reuter to complete the term of Mr. Georges Heinrich. On the same occasion, the Board of Directors elected Mr. Etienne Reuter Chairman of the Board of Directors.

Mr. Claude Heirend resigned as a director and staff representative of the Board of Directors of the Bank with effect from 1 July 2014, due to his retirement. Taking into consideration the evaluation conducted by the Remuneration and Nomination Committee, the Board of Directors approved the appointment of Mr. Francis Capitani by the staff delegation with effect from 1 July 2014 as a director and staff representative of BGL BNP Paribas.

All directorships will expire at the Annual General Meeting to be held on 2 April 2015, and the Meeting will be called on to elect a new Board of Directors.

Luxembourg, 11 March 2015
The Board of Directors

Branch *Jardins de Luxembourg,* Luxembourg/Merl

CONSOLIDATED FINANCIAL STATEMENTS TO 31 DECEMBER 2014

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 2014 and 2013, in compliance with the IFRS standards adopted by the European Union.

The figures in the tables presented in the financial statements may, in some cases, include immaterial differences due to rounding. These differences do not in any way affect the true and fair view of the Group's consolidated financial statements.

08

Branch *Jardins de Luxembourg*, Luxembourg/Merl

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 2013, 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 2013, 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, 11 March 2015
Represented by
Paul Neyens
Rima Adas

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2014

In millions of euros	*Note*	2014	2013*
Interest income	*3.a*	1 418.3	1 463.9
Interest expense	*3.a*	(323.6)	(377.2)
Commission (income)	*3.b*	375.1	399.0
Commission (expense)	*3.b*	(204.3)	(182.8)
Net gain / loss on financial instruments at fair value through profit or loss	*3.c*	23.1	24.3
Net gain / loss on financial assets available for sale	*3.d*	17.6	(50.3)
Income from other activities	*3.e*	405.1	481.3
Expense on other activities	*3.e*	(364.6)	(406.3)
Revenues		**1 346.8**	**1 351.9**
Staff costs	*8.a*	(421.1)	(470.8)
Other operating expense		(219.5)	(205.8)
Depreciation. amortisation and impairment of property. plant and equipment and intangible assets	*6.n*	(25.5)	(29.0)
Gross operating income		**680.6**	**646.3**
Cost of risk	*3.f*	(35.7)	(21.5)
Operating income		**644.9**	**624.8**
Share of earnings of associates	*3.h*	(35.7)	19.1
Net gain on other fixed assets		1.6	2.6
Pre-tax income		**610.8**	**646.5**
Corporate income tax	*3.g*	(181.0)	(186.3)
Net income on continued operations		**429.7**	**460.2**
Net income on discontinued operations	*3.i*	-	(4.2)
Net income		**429.7**	**456.0**
Minority interests		87.3	119.1
of which: Income from continued operations		*87.3*	*121.2*
of which: Income from discontinued operations		*-*	*(2.1)*
Net income attributable to equity holders of the parent		**342.5**	**336.9**

** Restated according to IFRS 11 (see notes 1.a and 2)*

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

In millions of euros	2014	2013*
Net income	**429.7**	**456.0**
Changes in assets and liabilities recognised directly in equity	**201.0**	**(41.5)**
Items transferable to profit and loss	**210.8**	**(39.3)**
Items related to exchange rate movements	25.8	(27.6)
Changes in fair value of available-for-sale financial assets and of securities reclassified as loans and receivables	130.7	14.3
Changes in fair value of available-for-sale assets, reported to net income for the period	(9.3)	(1.4)
Changes in fair value of hedging instruments	35.4	(2.1)
Changes in items related to equity associates	28.3	(22.5)
Items non transferable to profit or loss	**(9.8)**	**(2.2)**
Actuarial gains or losses related to post-employment benefits	(9.7)	(2.4)
Changes of value related to equity associates	(0.1)	0.2
Total	630.7	414.5
Attributable to equity shareholders of the parent	528.5	323.1
Attributable to minority interests	102.2	91.4

** Restated according to IFRS 11 (see notes 1.a and 2)*

CONSOLIDATED BALANCE SHEET 2014

In millions of euros	*Note*	31 December 2014	31 December 2013 *
ASSETS			
Cash and amounts due from central banks and post office banks		348.9	306.6
Financial instruments at fair value through profit or loss			
Trading securities	*6.a*	270.6	156.3
Loans and repurchase agreements	*6.a*	-	26.3
Instruments designated at fair value through profit or loss on option	*6.a*	71.3	127.4
Derivatives	*6.a*	119.9	78.0
Derivatives used for hedging purposes	*6.b*	169.5	89.9
Available-for-sale financial assets	*6.c*	6 353.3	3 324.8
Loans and receivables due from credit institutions	*6.f*	6 713.4	8 358.8
Loans and receivables due from customers	*6.g*	24 570.8	24 990.2
Held-to-maturity financial assets	*6.j*	339.1	370.1
Current and deferred tax assets	*6.k*	217.3	285.8
Accrued income and other assets	*6.l*	679.3	697.6
Investments in associates	*6.m*	330.0	302.9
Investment property	*6.n*	123.0	335.5
Property, plant and equipment	*6.n*	601.2	587.8
Intangible assets	*6.n*	19.8	18.3
Goodwill	*6.o*	136.3	135.1
Non-current assets classified as assets held for sale	*6.p*	33.1	33.1
Total assets		41 096.9	40 224.5
LIABILITIES			
Financial instruments at fair value through profit or loss			
Trading securities	*6.a*	0.9	25.6
Borrowings and repurchase agreements	*6.a*	255.9	132.7
Instruments designated at fair value through profit or loss on option	*6.a*	457.3	641.8
Derivatives	*6.a*	106.4	77.8
Derivatives used for hedging purposes	*6.b*	60.1	31.2
Due to credit institutions	*6.f*	9 468.9	9 341.4
Due to customers	*6.g*	19 780.7	19 467.0
Debt securities	*6.i*	1 566.8	1 424.2
Remeasurement adjustment on interest-rate risk hedged portfolios		93.8	49.8
Current and deferred tax liabilities	*6.k*	606.9	663.7
Accrued expenses and other liabilities	*6.l*	1 166.7	1 145.2
Provisions for contingencies and charges	*6.q*	223.7	240.4
Total liabilities		33 788.1	33 240.8
CONSOLIDATED EQUITY			
Share capital and additional paid-in capital	*6.t*	*5 524.1*	*5 340.2*
Net income for the period attributable to shareholders		*342.5*	*336.9*
Total capital, retained earnings and net income for the period attributable to shareholders		**5 866.6**	**5 677.1**
Changes in assets and liabilities recognised directly in equity		216.3	24.4
TOTAL CONSOLIDATED EQUITY		**6 082.9**	**5 701.5**
Retained earnings and net income for the period attributable to minority interests		1 270.4	1 345.6
Changes in assets and liabilities recognised directly in equity		(44.4)	(63.4)
Total minority interests		**1 226.0**	**1 282.2**
Total consolidated equity		7 308.9	6 983.7
Total liabilities and equity		41 096.9	40 224.5

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY

Attributable to shareholders

In millions of euros	Capital and retained earnings			Change in assets and liabilities recognised directly in equity **			Total equity attributable to equity holders of the parent
	Share capital 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 2012	**3 474.9**	**2 057.0**	**5 531.9**	**(35.8)**	**64.0**	**10.6**	**5 570.7**
Dividends	-	(189.7)	**(189.7)**	-	-	-	**(189.7)**
Commitment to repurchase minority shareholders' interests	-	0.9	**0.9**	-	-	-	**0.9**
Other movements	-	(3.5)	**(3.5)**	-	-	-	**(3.5)**
Change in assets and liabilities recognised directly in equity*	-	0.6	**0.6**	(24.0)	10.9	(1.3)	**(13.8)**
Net income for 2013	-	336.9	336.9	-	-	-	**336.9**
Capital and retained earnings at 31 December 2013	**3 474.9**	**2 202.2**	**5 677.1**	**(59.8)**	**74.9**	**9.3**	**5 701.5**
Dividends	-	(144.9)	**(144.9)**	-	-	-	**(144.9)**
Commitment to repurchase minority shareholders' interests	-	(2.1)	**(2.1)**	-	-	-	**(2.1)**
Other movements	-	(0.2)	**(0.2)**	-	-	-	**(0.2)**
Change in assets and liabilities recognised directly in equity	-	(5.8)	**(5.8)**	18.9	138.2	34.7	**186.0**
Net income for 2014	-	342.5	**342.5**	-	-	-	**342.5**
Capital and retained earnings at 31 December 2014	**3 474.9**	**2 391.7**	**5 866.6**	**(40.9)**	**213.1**	**44.0**	**6 082.9**

* *Restated according to IFRS 11 (see notes 1.a and 2)*
** *Including items related to equity associates*

Branch Esch-Belval

Minority interests

In millions of euros	Retained earnings	Change in assets and liabilities recognised directly in equity **	Total minority interests
As at 31 December 2012	**1 272.3**	**(38.5)**	**1 233.8**
Dividendes	(13.0)	-	(13.0)
Commitment to repurchase minority shareholders' interests	(0.3)	-	(0.3)
Interim dividend payments	(26.1)	-	(26.1)
Other movements	(3.6)	-	(3.6)
Change in assets and liabilities recognised directly in equity*	(2.8)	(24.9)	(27.7)
Net income for 2013	119.1	-	119.1
As at 31 December 2013	**1 345.6**	**(63.4)**	**1 282.2**
Dividendes	(106.6)	-	(106.6)
Commitment to repurchase minority shareholders' interests	(1.5)	-	(1.5)
Interim dividend payments	(50.3)	-	(50.3)
Other movements	(0.1)	-	(0.1)
Change in assets and liabilities recognised directly in equity	(4.0)	19.0	15.0
Net income for 2014	87.3	-	87.3
As at 31 December 2014	**1 270.4**	**(44.4)**	**1 226.0**

** Restated according to IFRS 11 (see notes 1.a and 2)*
*** Including items related to equity associates*

CONSOLIDATED CASH FLOW STATEMENT 2014

In millions of euros	2014	2013*
Pre-tax income on continued operations	**610.8**	**646.5**
Net income on discontinued operations	-	(4.2)
Tax related to discontinued activities	-	(2.2)
Pre-tax net income	**610.8**	640.1
Non-monetary items included in pre-tax net income and other adjustments	**39.8**	**224.8**
Net depreciation/amortisation expense on property, plant and equipment and intangible assets	98.1	126.2
Impairment of goodwill and other fixed assets	(2.7)	6.9
Net addition to provisions	17.5	39.5
Share of earnings of associates	35.7	(19.1)
Net income from investing activities	(1.8)	(2.7)
Other movements	(107.0)	74.0
Net increase/decrease in cash related to assets and liabilities generated by operating activities	**15.9**	**(1 625.3)**
Net increase (decrease) in cash related to transactions with credit institutions	2 045.7	(815.1)
Net increaese (decrease) in cash related to transactions with customers	700.8	(574.3)
Net increase (decrease) in cash related to transactions involving other financial assets and liabilities	(2 506.9)	38.6
Net increase (decrease) in cash related to transactions involving non-financial assets and liabilities	24.6	(61.9)
Taxes paid	(248.3)	(212.6)
Net increase (decrease) in cash and cash equivalents generated by operating activities	666.5	(760.4)
Net increase related to financial assets and participations	1.3	34.2
Net increase (decrease) related to property, plant and equipment and intangible assets	(82.5)	32.7
Net increase related to assets held for sale	-	93.5
Net increase (decrease) in cash and cash equivalents related to investing activities	**(81.2)**	**160.4**
Decrease in cash and cash equivalents related to transactions with shareholders	(277.4)	(206.7)
Decrease in cash and cash equivalents generated by other financing activities	(10.5)	-
Net decrease in cash and cash equivalents related to financing activities	**(287.9)**	**(206.7)**
Effect of movement in exchange rates	4.8	(2.8)
Net changes in cash and cash equivalents	302.2	(809.5)

** Restated according to IFRS 11 (see notes 1.a and 2).*

(CONTINUATION)

In millions of euros	*Note*	2014	2013*
Balance of cash and cash equivalent accounts at the start of the period		**705.8**	**1 515.3**
Cash and amounts due from central banks		306.6	1 334.9
Demand deposit with credit institutions	*6.f*	905.5	913.8
Demand loans from credit institutions	*6.f*	(505.5)	(732.4)
Deduction of receivables and accrued interest on cash and cash equivalents		(0.8)	(1.0)
Balance of cash and cash equivalent accounts at the end of the period		**1 008.0**	**705.8**
Cash and amounts due from central banks		348.9	306.6
Demand deposits with credit institutions	*6.f*	960.3	905.5
Demand loans from credit institutions	*6.f*	(300.7)	(505.5)
Deduction of receivables and accrued interest on cash and cash equivalents		(0.4)	(0.8)
Net changes in cash and cash equivalents		302.2	(809.5)

** Restated according to IFRS 11 (see notes 1.a and 2)*

NOTES
TO THE FINANCIAL STATEMENTS

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

GENERALITIES

BGL BNP Paribas, 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 acquisition 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 Annual General Meeting on 2 April 2015.

Since 1 January 2014, the Group applies IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and the amended IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities", adopted on 29 December 2012 by the European Union. These standards and the amendment have been applied retrospectively, therefore the comparative financial statements as at 1 January and 31 December 2013 have been restated as described in note 2.

The introduction of other standards, effective from 1 January 2014 (including IFRS 10 "Consolidated Financial Statements" and the revised IAS 28 "Investments in Associates and Joint Ventures") had no significant impact on the consolidated financial statements at 31 December 2014.

The Group did not choose to early-adopt the application of the new standards, amendments and interpretations adopted by the European Union, when such application in 2014 is given as an option.

The Group will apply IFRIC 21 "Duties and taxes" in the consolidated financial statements as of 1 January 2015. Its application at 31 December 2014 would have had an estimated impact of 2.5 million euros on consolidated equity, including an impact of 0.3 million euros on income net of tax for the year.

The Group has not changed its accounting principles as a result of the asset quality review (AQR) conducted by the European Central Bank during the financial year 2014.

1.b CONSOLIDATION

1.b.1 Scope of consolidation

The consolidated financial statements of BGL BNP Paribas include 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 net revenue; 1 million euros of gross operating income or net income before tax; and 500 million euros of total assets. Companies that hold shares in consolidated companies, or those required to be so treated by the regulator, are also consolidated in the BNP Paribas Group or when requested by the regulator. 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 net 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 controlled by the Group are fully consolidated. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For entities governed by voting rights, the Group generally controls the entity if it, directly or indirectly, holds the majority of the voting rights and there are no other agreements altering the power of these voting rights.

Structured entities are defined by IFRS 12 as entities that are not governed by the voting rights, such as when those voting rights relate to administrative decisions, whereas the management of relevant activities is governed by contractual agreements. For these entities, the analysis of control shall consider the purpose and design of the entity, the risks to which the entity is designed to be exposed and to what extent the Group absorbs the related variability. The assessment of control, shall consider all the facts and circumstances able to determine the practical ability of the Group to make decisions that could significantly affect its returns even if such decisions are contingent on uncertain future events or circumstance.

In assessing whether it has power, the Group considers only substantive rights which it holds or which are held by third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the relevant activities of the entity need to be made.

Control shall be reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

Where the Group contractually holds the decision-making power, for instance where the Group acts as fund manager, it shall determine whether it is acting as agent or principal. Indeed, when associated with a certain level of exposure to the variability of returns, this decision making power may indicate that the Group is acting on its own account and that it thus has control over those entities.

Where the Group carries out an activity with one or more partners, sharing control by virtue of a contractual agreement which requires unanimous consent on relevant activities (those that significantly affect the entity's returns), the Group exercises joint control over the activity. Where the jointly controlled activity is structured through a separate vehicle in which the partners have rights to the net assets, this joint venture is accounted for using the equity method. Where the jointly controlled activity is not structured through a separate vehicle or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, the Group accounts for its share of the assets, liabilities, revenues and expenses in accordance with the applicable IFRSs.

Companies over which the Group exercises significant influence, so called associates, 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 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".

As soon as there is an indication of impairment, the carrying value of investments in associates (including goodwill) is subjected to an impairment test by comparing its recoverable value (equal to the higher of its value in-use and market value) with its carrying amount. Where appropriate, an impairment loss is recognised under "Share of earnings of associates" in the consolidated profit and loss account and can be reversed at a later date

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 in the associate 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.

For transactions resulting in a loss of control, any equity interest retained by the Group is remeasured at its fair value through profit or loss.

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

1.b.3 Consolidation procedures

The consolidated financial statements are prepared using uniform accounting policies for 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 cumulative translation adjustment is recorded in the profit and loss account for the share of the amount relating to the interest sold.

1.b.4 Business combinations and measurement of goodwill

Business Combinations

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 sales, 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 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 combination. 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, representing similar business lines. This split is consistent with the Group's organisational structure and management methods, 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 homogenous cash-generating units 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 of the unit less its costs to sell 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 (paragraph 1.c.9).

1.c.2 Securities

Categories of securities

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

Financial assets at fair value through profit or loss

Apart from derivative instruments, "Financial assets at fair value through profit or loss" comprise:

- financial assets held for trading purposes;

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

Securities in this category are initially measured at their fair value, with transaction costs being directly posted to the profit and loss account. At 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 account under "Net gain / loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

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

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

Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as "Loans and receivables" if they do not meet the criteria to be classified as financial assets at fair value through profit or loss. These securities are 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. For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognised between the trade date and the settlement date when the transactions are recognised, respectively, as “Loans and receivables” and “Liabilities”. When reverse repurchase agreements and repurchase agreements are recognised, respectively, as “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”, the repurchase commitment is recognised as a derivative financial instrument

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.

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

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". However, if 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, then the translation differences are recognised in the profit and loss account.

1.c.4 Impairment and restructuring of financial assets

Doubtful assets

Doubtful assets are defined as assets where the Bank considers that there is a risk that the debtors will be unable to honour all or part of their commitments.

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

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

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

- the existence of 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 accounts have gone past due;
- 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 impaired assets are recognised in the profit and loss account, under "Cost of risk". Any subsequent reappraisal that can be objectively related to an event occurring after the impairment loss was recognised, is credited to the profit and loss account, also under "Cost of risk". From the date of the first entry, contractual interest ceases to be recognised. The theoretical income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the profit and loss account.

Impairment losses on 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 sufficient accuracy to adjust the parameters used to determine the collective provision applicable to affected 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 impairment resulting from one or more events that have occurred since acquisition.

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

Apart from the identification criteria, the Group has determined three indications of impairment, one being a significant decline in price, defined as a fall of more than 50% of the acquisition price; another being an observation of unrealised capital gains during the 24 months preceding the statement of account, and the final one being 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 on volatility inherent in 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 individually impaired loans and receivables. For securities quoted in an active market, impairment is calculated on the basis of the quoted price; for others, impairment loss is calculated on the basis of the model value.

Impairment losses taken against variable-income securities are recognised as a component of Revenues on the line "Net gain/ loss on available-for-sale financial assets" and may not be reversed through the profit and loss account, 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 may be 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 authorised reclassifications of financial assets are the following:

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

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

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

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

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

The Group ensures strict compliance with these criteria in the 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 fair value remeasurement of the hedged component is recognised either in accordance 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 ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this category. In the case of identified fixed income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over their remaining life of the instrument. In the case of interest rate risk hedged fixed income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged items no longer appear in the balance sheets, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, derivatives are remeasured at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, "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 account under "Net interest income" as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for the treatment specific to the category to which they belong.

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

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

The Group determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They maximise the use of observable inputs and minimise the use of unobservable inputs. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the fair value.

The unit of measurement is generally the individual financial asset or financial liability but a portfolio-based measurement can be elected subject to certain conditions. Accordingly, the Group retains this portfoliobased measurement exception to determine the fair value when some group of financial assets and financial liabilities with substantially similar and offsetting market risks or credit risks are managed on the basis of a net exposure, in accordance with the documented risk management strategy.

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy:

- Level 1: Fair values are determined using directly quoted prices in active markets for identical assets and liabilities. Characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices.

- Level 2: Fair values are determined based on valuation techniques for which significant inputs are observable market data, either directly or indirectly. These techniques are regularly calibrated and the inputs are corroborated with information from active markets.

- Level 3: Fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to illiquidity of the instrument and significant model risk. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgment.

The level in the fair value hierarchy within which the asset or liability is categorised in its entirety is based upon the lowest level input that is significant to the entire fair value.

For financial instruments disclosed in Level 3 of the fair value hierarchy, a difference between the transaction price and the fair value may arise at initial recognition. This "Day One Profit" is deferred and released to the profit and loss account 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.

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 can 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.

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 appreciated 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 to 8 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 LEASES

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

1.e.1 The 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 leases

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 leases

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 leases

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. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. The lease obligation is recognised at 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 to resale.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, 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 from the reassessment of 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 to 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 company recognises an expense when it has used services rendered by employees in exchange for employee benefits.

Long-term benefits

These are benefits, other than short-term benefits, post-employment benefits and termination benefits.

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 the revaluation items are recognised in the profit and loss account and not in equity.

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 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 net liability recognised with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets, if there is a difference.

The present value of the defined-benefit obligation is measured 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, specific to each country or Group division, such as demographic assumptions, early retirement, wage increases, a discounting rate and the inflation rate.

When the value of the plan assets exceeds the amount of the obligation, an 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 annual expense recognised in the profit and loss account under "Salaries and employee benefits", with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interest linked to the effect of discounting the net defined-benefit liability (asset), the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability (asset) are recognised in other comprehensive income and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

1.h SHARE-BASED PAYMENTS

Share-based payments transactions are payments based on shares issued by BNP Paribas, settled in the form of equity.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the share-based payment granted to the employee.

The Group grants employees deferred compensation paid in shares issued by BNP Paribas.

Share award plans

The expense related to the stock option plan is recognised over the vesting period, if the benefit is conditional upon the grantee's continued employment.

This charge, recorded under staff costs, is calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors of BNP Paribas.

The total cost of the plan is determined by multiplying the unit value of free shares awarded by the estimated number of bonus shares acquired at the end of the vesting period taking into account the conditions regarding the grantee's continued employment.

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

1.i 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.j 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 carry forwards 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 account, except 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 account under "Corporate income tax".

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

Preparation of the Group 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 those responsible 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 tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and more generally of assets on which depreciation is charged net of their estimated residual value;
- assumptions and parameters used in the valuation of defined service pension plans;
- the measurement of provisions for contingencies and charges;
- the capitalisation of development costs in accordance with the definition of capitalisation;
- 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. RETROSPECTIVE IMPACT OF IFRS 11 AND THE AMENDMENT TO IAS 32

As of 1 January 2014, the Group applies IFRS 11 "Joint Arrangements" and the amendment to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities". As this standard and amendment have a retrospective effect, the comparative financial statements as at 1 January and 31 December 2013 have been restated.

Retrospective impact of IFRS 11

The adoption of IFRS 11 has resulted in the Group's use of the equity method to account for jointly controlled activities conducted via a separate vehicle in which the partners have rights to the net assets. Until now, such activities were consolidated by the proportional method. This application concerns a single entity within the Group, the company SREI Equipment Finance Ltd.

Retrospective impact of the amendment to IAS 32

The principles of offsetting financial assets and liabilities have been clarified: the legally enforceable right to set off the recognised amounts must be unconditional and must exist in all circumstances. Clarification has been given on the circumstances in which simultaneous gross settlement may be considered equivalent to net settlement.

Balance sheet

The following tables present the impact of the application of IFRS 11 and the amendment to IAS 32 on the balance sheet of the Group at 1 January 2013 and 31 December 2013.

In millions of euros	1 January 2013 before IFRS 11, and the amendment to IAS 32	IFRS 11 adjustments	IAS 32 amendment adjustments	1 January 2013 restated
ASSETS				
Cash and amounts due from central banks	1 335.1	(0.1)	-	1 335.0
Financial instruments at fair value through profit or loss				
Trading securities	191.7	-	-	191.7
Loans and repurchase agreements	10.0	-	-	10.0
Instruments designated at fair value through profit or loss on option	213.0	-	-	213.0
Derivatives	138.8	(7.4)	-	131.4
Derivatives used for hedging purposes	129.5	(11.2)	-	118.3
Available-for-sale financial assets	3 224.8	(2.1)	-	3 222.7
Loans and receivables due from credit institutions	9 018.6	(65.4)	-	8 953.2
Loans and receivables due from customers	27 292.9	(1 124.5)	21.5	26 189.9
Held-to-maturity financial assets	509.2	-	-	509.2
Current and deferred tax assets	186.3	(14.3)	-	172.0
Accrued income and other assets	631.8	(10.7)	-	621.1
Investments in associates	226.8	108.8	-	335.6
Investment property	468.7	-	-	468.7
Property, plant and equipment	701.3	(81.2)	-	620.1
Intangible assets	13.1	-	-	13.1
Goodwill	145.3	(8.4)	-	136.9
Non-current assets classified as assets held for sale	-	-	-	-
Total assets	44 436.9	(1 216.5)	21.5	43 241.9
LIABILITIES				
Financial instruments at fair value through profit or loss				
Trading securities	7.0	(0.0)	-	7.0
Borrowings and repurchase agreements	156.5	-	-	156.5
Instruments designated at fair value through profit or loss on option	877.3	-	-	877.3
Derivatives	174.6	(2.2)	-	172.4
Derivatives used for hedging purposes	60.2	(0.4)	-	59.8
Due to credit institutions	12 149.5	(1 005.5)	-	11 144.0
Due to customers	19 721.1	-	21.5	19 742.6
Debt securities	2 643.9	(148.2)	-	2 495.7
Remeasurement adjustment on interest-rate risk hedged portfolios	80.6	-	-	80.6
Current and deferred tax liabilities	581.2	(16.4)	-	564.8
Accrued expenses and other liabilities	962.3	(40.1)	-	922.2
Provisions for contingencies and charges	215.6	(1.1)	-	214.5
Subordinated debt	2.6	(2.6)	-	-
Total liabilities	37 632.4	(1 216.5)	21.5	36 437.4
CONSOLIDATED EQUITY				
Share capital and additional paid-in capital	5 265.5	-	-	5 265.5
Net income for the period attributable to shareholders	266.4	-	-	266.4
Total capital, retained earnings and net income for the period attributable to shareholders	**5 531.9**	**-**	-	**5 531.9**
Changes in assets and liabilities recognised directly in equity	38.8	-	-	38.8
TOTAL CONSOLIDATED EQUITY	5 570.7	-	-	5 570.7
Retained earnings and net income for the period attributable to minority interests	1 272.3	-	-	1 272.3
Changes in assets and liabilities recognised directly in equity	(38.5)	-	-	(38.5)
Total minority interests	1 233.8	-	-	1 233.8
Total consolidated equity	6 804.5	-	-	6 804.5
Total liabilities and equity	44 436.9	(1 216.5)	21.5	43 241.9

In millions of euros	31 December 2013 before IFRS 11 and amendment to IAS 32	IFRS 11 adjustments	IAS 32 amendment adjustments	31 December 2013 restated
ASSETS				
Cash and amounts due from central banks	306.9	(0.3)	-	306.6
Financial instruments at fair value through profit or loss				
Trading securities	156.3	-	-	156.3
Loans and repurchase agreements	26.3	-	-	26.3
Instruments designated at fair value through profit or loss on option	127.4	-	-	127.4
Derivatives	82.1	(4.1)	-	78.0
Derivatives used for hedging purposes	104.9	(15.0)	-	89.9
Available-for-sale financial assets	3 326.5	(1.7)	-	3 324.8
Loans and receivables due from credit institutions	8 376.1	(17.3)	-	8 358.8
Loans and receivables due from customers	25 869.9	(901.9)	22.2	24 990.2
Held-to-maturity financial assets	370.1	-	-	370.1
Current and deferred tax assets	310.6	(24.8)	-	285.8
Accrued income and other assets	704.7	(7.1)	-	697.6
Investments in associates	206.6	96.3	-	302.9
Investment property	335.5	-	-	335.5
Property, plant and equipment	658.0	(70.2)	-	587.8
Intangible assets	19.6	(1.3)	-	18.3
Goodwill	133.6	1.5	-	135.1
Non-current assets classified as assets held for sale	33.1	-	-	33.1
Total assets	41 148.2	(945.9)	22.2	40 224.5
LIABILITIES				
Financial instruments at fair value through profit or loss				
Trading securities	25.6	-	-	25.6
Borrowings and repurchase agreements	132.7	-	-	132.7
Instruments designated at fair value through profit or loss on option	641.8	-	-	641.8
Derivatives	78.3	(0.5)	-	77.8
Derivatives used for hedging purposes	31.2	-	-	31.2
Due to credit institutions	10 147.5	(806.1)	-	9 341.4
Due to customers	19 444.8	-	22.2	19 467.0
Debt securities	1 522.1	(97.9)	-	1 424.2
Remeasurement adjustment on interest-rate risk hedged portfolios	49.8	-	-	49.8
Current and deferred tax liabilities	687.0	(23.3)	-	663.7
Accrued expenses and other liabilities	1 169.0	(23.8)	-	1 145.2
Provisions for contingencies and charges	241.2	(0.8)	-	240.4
Subordinated debt	2.2	(2.2)	-	-
Total liabilities	34 173.2	(954.6)	22.2	33 240.8
CONSOLIDATED EQUITY				
Share capital and additional paid-in capital	5 340.2	-	-	5.340.2
Net income for the period attributable to shareholders	336.9	-	-	336.9
Total capital, retained earnings and net income for the period attributable to shareholders	**5 677.1**	**-**	-	**5 677.1**
Changes in assets and liabilities recognised directly in equity	20.0	4.4	-	24.4
Total consolidated equity	5 697.1	4.4	-	5 701.5
Retained earnings and net income for the period attributable to minority interests	1.345.6	-	-	1 345.6
Changes in assets and liabilities recognised directly in equity	(67.7)	4.3	-	(63.4)
Total minority interests	1 277.9	4.3	-	1 282.2
Total consolidated equity	6 975.0	8.7	-	6 983.7
Total liabilities and equity	41 148.2	(945.9)	22.2	40 224.5

Profit and loss account

The following table shows the impacts of the application of IFRS 11 on the 2013 profit and loss account. The amendment to IAS 32 has no impact on the profit and loss account.

In millions of euros	Year to 31 December 2013 before IFRS 11	IFRS 11 adjustments	Year to 31 December 2013 restated
Interest income	1 613.1	(149.2)	1 463.9
Interest expense	(483.7)	106.5	(377.2)
Commission (income)	399.4	(0.4)	399.0
Commission (expense)	(182.8)	-	(182.8)
Net gain / loss on financial instruments at fair value through profit or loss	18.1	6.2	24.3
Net gain / loss on financial assets available for sale	(50.3)	-	(50.3)
Income from other activities	505.5	(24.2)	481.3
Expense on other activities	(419.0)	12.7	(406.3)
Revenues	**1 400.3**	**(48.4)**	**1 351.9**
Staff costs	(478.7)	7.9	(470.8)
Other operating expense	(212.7)	6.9	(205.8)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(29.6)	0.6	(29.0)
Gross operating income	**679.3**	**(33.0)**	**646.3**
Cost of risk	(48.8)	27.3	(21.5)
Operating income	**630.5**	**(5.7)**	**624.8**
Share of earnings of associates	15.3	3.8	19.1
Net gain on other fixed assets	2.6	-	2.6
Pre-tax income	**648.4**	(1.9)	**646.5**
Corporate income tax	(188.2)	1.9	(186.3)
Net income on continued operations	**460.2**	**-**	**460.2**
Net income on discontinued operations	(4.2)	-	(4.2)
Net income	**456.0**	**-**	**456.0**
Minority interests	119.1	-	119.1
of which: Income from continued operations	121.2	-	121.2
Income from discontinued operations	(2.1)	-	(2.1)
Net income attributable to equity holders of the parent	**336.9**	**-**	**336.9**

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

The following table shows impacts on the statement of net income and changes in assets and liabilities recognised directly in equity for the year ended 31 December 2013 due to the application of IFRS 11. The amendment to IAS 32 has no impact on the statement of net income and changes in assets and liabilities recognised directly in equity.

In millions of euros	Year to 31 December 2013 before IFRS 11	IFRS 11 Adjustments	Year to 31 December 2013 restated
Net income	456.0	-	456.0
Changes in assets and liabilities recognised directly in equity	(50.2)	8.7	(41.5)
Changes in fair value of Items transferable in net income	**(48.0)**	**8.7**	**(39.3)**
Items related to exchange rate movements	(52.8)	25.2	(27.6)
Changes in fair value of available-for-sale financial assets and of securities reclassified as loans and receivables	14.3	-	14.3
Changes in fair value of available-for-sale financial assets reported to net income for the period	(1.4)	-	(1.4)
Changes in fair value of hedging instruments	(0.7)	(1.4)	(2.1)
Items related to equity associates	(7.4)	(15.1)	(22.5)
Changes in fair value of items non transferable in net income	**(2.2)**	**-**	**(2.2)**
Actuarial gains or losses related to defined post-employment benefits	(2.3)	(0.1)	(2.4)
Items related to equity associates	0.1	0.1	0.2
Total	405.8	8.7	414.5
Attributable to equity shareholders of the parent	318.7	4.4	323.1
Attributable to minority interests	87.1	4.3	91.4

Cash flow statement

The impact of IFRS 11 on the balance of cash and equivalent accounts of the Group amounted to EUR 74.4 million at 1 January 2013 and EUR 116.9 million at 31 December 2013, which reflects an increase of EUR 42.5 million over the period.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

3.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			2014			2013*
	Inocme	Expense	Net	Income	Expense	Net
Customer items	**1 100.9**	**(84.5)**	**1 016.4**	**1 140.4**	**(85.2)**	**1 055.2**
Deposits, loans and borrowings	487.2	(66.6)	420.6	514.2	(73.2)	441.0
Finance leases	613.7	(17.9)	595.8	626.2	(12.0)	614.2
Interbank items	**166.6**	**(203.8)**	**(37.2)**	**187.1**	**(249.7)**	**(62.6)**
Deposits, loans and borrowings	166.6	(203.4)	(36.8)	187.1	(249.7)	(62.6)
Repurchase agreements	-	(0.4)	(0.4)	-	-	-
Debt securities issued	**-**	**(12.2)**	**(12.2)**	**-**	**(16.4)**	**(16.4)**
Cash flow hedge instruments	**18.9**	**(14.6)**	**4.3**	**13.6**	**(15.9)**	**(2.3)**
Interest rate portfolio hedge instruments	**24.1**	**(2.5)**	**21.6**	**23.2**	**(2.2)**	**21.0**
Trading book	**4.5**	**(6.1)**	**(1.6)**	**3.2**	**(7.8)**	**(4.6)**
Fixed-income securities	2.8	-	2.8	-	-	-
Repurchase agreements	1.0	(1.8)	(0.8)	1.9	(2.5)	(0.6)
Loans / borrowings	0.7	(2.0)	(1.3)	1.3	(1.9)	(0.6)
Debt securities	-	(2.3)	(2.3)	-	(3.4)	(3.4)
Available-for-sale financial assets	**88.8**	**-**	**88.8**	**79.1**	**-**	**79.1**
Held-to-maturity financial assets	**14.4**	**-**	**14.4**	**17.3**	**-**	**17.3**
Total interest income/(expense)	1 418.3	(323.6)	1 094.7	1 463.9	(377.2)	1 086.7

** Restated according to IFRS 11 (see notes 1.a and 2).*

3.b COMMISSIONS

In millions of euros	2014	2013*
Credit operations for customers	17.8	21.9
Means of payment and account keeping	26.7	30.2
Securities, investment funds and UCITS	60.7	76.1
Securities transactions for customers account	41.4	49.3
Insurance activities	23.3	26.1
Other commissions	1.0	12.5
Total commissions for the period	170.8	216.3

** Restated according to IFRS 11 (see notes 1.a and 2).*

The decrease in net commission income derives mainly from the banking business. It is due to the decrease in assets under management at Retail Banking and the profound change in the asset structure of Wealth Management.

3.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" (see note 3.a).

In millions of euros	2014	2013*
Trading portfolio	**17.1**	**16.0**
Interest rate instruments	10.0	(4.7)
Equity financial instruments	7.1	20.0
Other derivatives	-	0.7
Portfolio assessed at fair value on option	**(11.5)**	**(21.1)**
Impact of hedge accounting	**(2.7)**	**2.6**
Fair value hedges	5.4	(16.7)
Hedged items in fair value hedge	(8.1)	19.3
Exchange rate result	**20.2**	**26.8**
Total	23.1	24.3

** Restated according to IFRS 11 (see notes 1.a and 2).*

The line Instruments at fair value on option includes the revaluation of own credit risk for an amount of EUR -2.6 million (EUR -5.6 million in 2013).

Net gains on the trading book in 2014 and 2013 include a non-material amount related to the ineffective portion of cash flow hedges.

3.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, nor as financial assets measured at fair value through profit or loss.

In millions of euros	2014	2013*
Loans and receivables, fixed-income securities [1)]	**4.7**	**0.2**
Gains and losses on disposal	4.7	0.2
Equities and other variable-income securities	**13.0**	**(50.5)**
Dividend income	7.5	4.7
Additions to impairments	(2.6)	(55.1)
Gains and losses on disposal	8.0	(0.1)
Total	17.6	(50.3)

** Restated according to IFRS 11 (see notes 1.a and 2).*

[1)] Interest income from fixed-income financial instruments is included in the "net interest income" (see note 3.a) and impairment losses linked to potential issuer default are included in "Cost of risk" (see note 3.f).

Impairment losses on shares and other variable-income securities included in 2013 value adjustments recorded by the Bank on its stake in BNP Paribas Investment Partners (BNPP IP) for EUR -50.5 million.

3.e INCOME AND EXPENSE FROM OTHER ACTIVITIES

En millions d'euros	2014			2013*		
	Income	Expense	Net	Income	Expense	Net
Income and expense from investment property	29.1	(26.0)	3.1	54.2	(35.6)	18.6
Income and expense from assets held under operating leases	135.6	(98.4)	37.2	155.8	(116.6)	39.2
Other income and expense	240.4	(240.2)	0.2	271.3	(254.1)	17.2
Total	405.1	(364.6)	40.6	481.3	(406.3)	75.0

** Restated according to IFRS 11 (see notes 1.a and 2).*

Other income and expenses primarily include purchases and sales of goods and services related to finance-lease transactions.

Net income from other activities is declining as a result of property disposals made in 2014 from the non-strategic portfolio of Leasing International and the effect of changes in scope which occurred in 2014.

3.f 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.

Cost of risk for the period

Cost of risk for the period

In millions of euros	2014	2013*
Net additions to impairments	(26.9)	(1.7)
Recoveries on loans and receivables previously written off	11.3	13.9
Irrecoverable loans and receivables not covered by impairments	(20.1)	(33.7)
Total cost of risk for the period	(35.7)	(21.5)

** Restated according to IFRS 11 (see notes 1.a and 2).*

Cost of risk for the period by asset-type

In millions of euros	2014	2013*
Loans and receivables due from credit institutions	0.1	0.1
Loans and receivables due from customers	(38.7)	(29.0)
Financial instruments on trading activities	(0.8)	0.1
Other assets	0.9	1.4
Off-balance sheet commitments and other items	2.8	5.9
Total cost of risk for the period	(35.7)	(21.5)

** Restated according to IFRS 11 (see notes 1.a and 2).*

Credit risk impairment

Impairment variation during the period

En millions d'euros	2014	2013*
Total impairments at start of period	718.8	794.7
Net additions to impairments	26.9	1.7
Use of impairments	(105.6)	(59.0)
Exit from the scope of consolidation	(22.5)	-
Reclassification to assets held for sale	-	(15.1)
Effect of movements in exchange rates and other items	15.3	(3.5)
Total impairments at end of period	632.9	718.8

** Restated according to IFRS 11 (see notes 1.a and 2).*

Impairment by asset type

In millions of euros	2014	2013*
Impairment of assets		
Loans and receivables due from credit institutions (note 6.f)	0.4	0.6
Loans and receivables due from customers (note 6.g)	621.7	709.5
Financial instruments on trading activities	0.9	0.0
Other assets	1.0	1.8
Total impairments against financial assets	624.0	711.9
of which: Specific impairments	*527.8*	*587.1*
Collective impairments	*96.2*	*124.8*
Provisions recognised as liabilities		
Provisions on commitments		
to credit institutions	0.3	2.2
to customers	8.7	4.6
Ttotal provisions recognised as liabilities	9.0	6.8
of which: Specific impairments	*6.5*	*3.7*
Collective impairments	*2.5*	*3.1*
Total impairments and provisions	632.9	718.8

** Restated according to IFRS 11 (see notes 1.a and 2).*

3.g CORPORATE INCOME TAX

Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in Luxembourg	2014		2013*	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Theoretical income tax expense on pre-tax income [1)]	**(191.2)**	**29.6%**	**(185.5)**	**29.6%**
Tax exempt interest and dividends	11.4	-1.9%	13.6	-2.1%
Income from tax exempt investments	5.7	-0.9%	6.6	-1.0%
Impact of using tax losses for which no deferred tax asset was previously recognised	8.3	-1.4%	-	-
Impact of tax rate adustment on temporary differences	(6.1)	1.0%	(12.1)	1.9%
Differential effect in tax rates applicable to foreign entities	(2.9)	0.5%	(9.9)	1.5%
Other items	(6.2)	1.0%	1.0	-0.2%
Corporate income tax expense	**(181.0)**	**28.0%**	**(186.3)**	**29.7%**
of which: Current tax expense for the year to 31 December	*(153.2)*		*(245.5)*	
Deferred tax income (expense) for the year to 31 December (note 6.k)	*(27.9)*		*59.2*	

** Restated according to IFRS 11 (see notes 1.a and 2).*

[1)] Adjusted for shares of earnings of associates.

3.h SHARE OF EARNINGS OF ASSOCIATES

The net profit is mainly composed of the contribution from leasing activities of EUR 46.8 million (EUR 7.6 million in 2013) and from Cardif Lux Vie of EUR 11.0 million (EUR 11.5 million in 2013).

The contribution of the leasing activities includes the share of result of the Indian entity SREI Equipment Finance Ltd which fell from + EUR 3.8 million during 2013 to EUR -49.5 million during 2014 and the depreciation of the equity value recorded on the same entity of EUR -7.9 million in 2014.

3.i NET INCOME ON DISCONTINUED OPERATIONS

In millions of euros	2014	2013
Losses on discontinued operations	-	(6.4)
Pre-tax income	-	**(6.4)**
Taxes related to discontinued operations	-	2.2
Net income on discontinued operations	-	(4.2)

At 31 December 2013, net income on discontinued operations related to the depreciation of investment properties reclassified as available-for-sale non-current assets.

4. SEGMENT INFORMATION

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

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 the BNP Paribas Group 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)** which covers the network of retail branches in the Grand Duchy of Luxembourg and the activities of major companies in Luxembourg and in the Greater Region, as well as the activities of private banking in Luxembourg, and offers its financial services to individuals and companies. The related financing activities are also included in this scope (BNP Paribas Lease Group Luxembourg SA, BGL BNP Paribas Factor SA).

- **Leasing International** which includes the leasing activities of the BNP Paribas Group held by the Luxembourg holding company BNP Paribas Leasing Solutions SA. BNP Paribas Leasing Solutions uses multiple channels (direct sales, sales via referrals, sales via partnerships and bank networks) to offer businesses and professionals a range of leasing solutions ranging from equipment financing to outsourcing of fleets of vehicles.

- **Corporate and Investment Banking (CIB)** whose activities in the capital markets are intended for bankers, institutional customers and major corporations;

- **Investment Solutions (IS),** includes Wealth Management, which provides wealth management services for international private clients, as well as Cardif Lux Vie SA, which primarily offers protection products, group insurance, pension savings and life insurance in Luxembourg and abroad.

Other activities include the activities of Assets and Liabilities Management (ALM), those of the "Société Alsacienne de Développement et d'Expansion" (SADE) SA, as well as items related to support functions that cannot be allocated to a specific business segment. They also include non-recurring items resulting from applying the rules for business combinations. In order to provide consistent and relevant economic information for each core business, the costs associated with the cross-business saving programme "Simple and Efficient" are assigned to the Other Activities 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 results within the various business segments was revised from 1 January 2014. To allow comparison of results by business segment between fiscal 2014 and 2013, the 2013 results were recalculated based on the distribution applied in 2014:

- The contribution of SADE was reclassified from BDEL to Other.
- The contribution of Paribas Trust Luxembourg (renamed as Plagefin in 2014) was reclassified from CIB to Other.
- The contribution of the Personal Investors business was reclassified from Other to BDEL, following the merger with the direct bank.

The segment allocation of the Group's entities is based on the core business to which they report, with the exception of BGL BNP Paribas SA, which is subject to a specific break-down.

Income by business segment

In millions of euros						2014
	BDEL	Leasing International	Corporate Investment Banking	Investment Solutions	Others	Total
Revenues	362.1	619.5	60.4	140.6	164.2	1 346.8
Operating expense	(227.6)	(285.3)	(21.9)	(108.9)	(22.4)	(666.1)
Cost of risk	13.7	(51.4)	-	(0.1)	2.1	(35.7)
Operating income	148.2	282.8	38.5	31.6	143.9	644.9
Non-operating items	-	(45.3)	-	11.0	0.2	(34.1)
Pre-tax income	148.2	237.5	38.5	42.6	144.0	610.8

In millions of euros						2013*
	BDEL	Leasing International	Corporate Investment Banking	Investment Solutions	Others	Total
Revenues	370.3	629.0	83.3	164.3	105	1 351.9
Operating expense	(228.6)	(275.3)	(28.1)	(115.9)	(57.7)	(705.6)
Cost of risk	(8.2)	(19.0)	-	(0.1)	5.8	(21.5)
Operating income	133.5	334.7	55.2	48.3	53.1	624.8
Non-operating items	-	10.2	-	11.5	-	21.7
Pre-tax income	133.5	344.9	55.2	59.8	53.1	646.5

** Restated according to IFRS 11 (see notes 1.a and 2).*

The results of the Other segment were notably marked in 2013 by the value adjustment of the investment in BNPP IP (EUR -50.5 million) as regards revenues, as well as the provision for the voluntary early retirement plan of EUR -41.4 million in general operating expenses.

Assets and liabilities by business segment

In millions of euros	31 December 2014		31 December 2013*	
	Assets	Liabilities	Assets	Liabilities
BDEL	8 273.3	14 178.4	8 252.4	13 360.8
Leasing International	17 390.2	15 123.7	17 464.8	15 063.5
Corporate Investment Banking	6 938.8	4 279.1	6 345.9	4 020.0
Investment Solutions	1 088.8	5 565.0	944.9	5 459.8
Others	7 405.7	1 950.6	7 216.5	2 320.5
Total Group	41 096.9	41 096.9	40 224.5	40 224.5

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

5. RISK MANAGEMENT AND CAPITAL ADEQUACY

In the continuance of the implementation of the Basel Accord, and of its Pillar 3, which prescribes new requirements regarding risk transparency, and in order to remain clear and consistent, the Group has decided to unify as much as possible the information required by IFRS 7 and Basel Pillar 3.

Measures of risk produced by the Group related to its banking activities comply with the methods approved by the CSSF under Pillar 1. The scope of application (called the prudential scope) is detailed in Note 5.i "Capital management and capital adequacy."

The information presented in this note reflects all the risks borne by the Group, directly or indirectly as a subgroup of BNP Paribas and whose measurement and management are conducted in the most homogenous manner possible.

5.a RISK FACTORS

This section summarizes the main risk factors to which the Group deems it is currently exposed. They are classified by category: risks related to the macroeconomic and market environment, regulatory risks, risks specific to the Group, its strategy, management and operations.

Risks related to the macroeconomic and market environment.

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

The Group's business lines are 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 resulting, among other things, from crises affecting sovereign debt, the capital markets, credit or liquidity, regional or global recessions, sharp fluctuations in commodity prices, currency exchange rates or interest rates, volatility in prices of financial derivatives, inflation or deflation, restructurings or defaults, corporate or sovereign debt rating downgrades or adverse political and geopolitical events (such as natural disasters, societal unrest, acts of terrorism and military conflicts). 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 position, results of operations and cost of risk.

In 2015, the macroeconomic environment is expected to be subject to various specific risks, including geopolitical tensions and financial market volatility along with weak growth in the euro zone. Measures taken or that may be taken by central banks to stimulate growth and prevent deflation, including the "quantitative easing" measures announced by the European Central Bank on 22 January 2015, could have negative effects on the banking industry possibly bringing margin pressure but not necessarily lending volume growth.

Moreover, a resurgence of a sovereign debt crisis in Europe cannot be ruled out. European markets have experienced significant disruptions in recent years as a result of concerns regarding the ability of certain countries in the euro zone to refinance their debt obligations. At several points in recent years these disruptions caused a contraction in the credit markets, increased volatility in the exchange rate of the euro against other major currencies, affected the levels of stock market indices and created uncertainty regarding the economic prospects of certain countries in the European Union as well as the quality of bank loans to sovereign debtors in the European Union.

The Group holds, and in the future may hold, substantial portfolios of sovereign obligations issued by the governments of certain of the countries that have been most significantly affected by the crisis in recent years, and also has, and may in the future have, substantial amounts of loans outstanding to borrowers in these countries. The Group also participates in the interbank financial market and as a result, is indirectly exposed to risks relating to the sovereign debt held by the financial institutions with which it does business.

If economic conditions in Europe and other parts of the world were to deteriorate, in particular in the context of a resurgence of the sovereign debt crisis, (such as a sovereign default or the exit of a country from the euro zone), 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 moreover 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.

The Group's access to and cost of funding could be adversely affected by a resurgence of the sovereign debt crisis, worsening economic conditions, rating downgrades or other factors.

If such adverse credit market conditions were to reappear in the event of prolonged stagnation, deflation, resurgence of the debt crisis, factors relating to the financial industry in general or to the Group in particular, the effect on the liquidity of the European financial sector in general and the Group in particular could be materially adverse and have a negative impact on the Group's results of operations and financial condition.

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

The amount of net interest income earned by the Group during any given period has a significant impact on the overall revenues and profitability for that period. Interest rates are affected by many factors beyond the Group's control, such as the level of inflation or the monetary policies of states. 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 effect on the Group.

The Group's ability to engage in financing, 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. As a result, defaults or even rumours or questions about one or more financial services institutions or the financial services industry generally, may have led to market-wide liquidity problems and could in the future lead to further losses or defaults.

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

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

Fort the purpose of trading or investment, the Group may take positions in the debt, currency, commodity and equity markets, and in unlisted securities, real estate and other asset classes, including through derivative contracts. These positions could be adversely affected by extreme volatility in these markets, i.e., the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. Moreover, volatility trends that prove substantially different from the Group's expectations may lead to losses relating to a broad range of other products that the Group uses, including swaps, forward and future contracts, options and structured products.

Revenues from brokerage and fee-based businesses are potentially vulnerable to a market downturn.

Financial and economic conditions affect the number and size of transactions for which the Group provides securities underwriting, financial advisory and other investment banking services. The bank's corporate and investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which it participates and can decrease significantly as a result of economic or financial 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, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues it receives from its asset management, equity derivatives and Private Bank businesses. Independently of market changes, any below-market performance by the BNP Paribas Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues related to its asset management business.

Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to significant losses.

In some of the Group's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. Such developments can lead to material losses if it were not able to close out deteriorating positions in a timely manner. This is particularly true for assets that are intrinsically illiquid. Assets that are not traded on stock exchanges or other public trading markets, such as certain derivative contracts between financial institutions, may have values that the Group calculates using models rather than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to significant losses that the Group did not anticipate.

Regulatory Risks

Laws and regulations adopted in response to the global financial crisis may materially impact the Group and the financial and economic environment in which it operates.

In recent periods, laws and regulations have been enacted or proposed in Europe and the United States, in particular, with a view to introducing a number of changes, some permanent, in the financial environment. The new measures aiming to avoid a resurgence of the financial crisis have changed substantially the environment in which the Group and other financial institutions operate. The new measures that have been or may be adopted include more stringent capital and liquidity requirements, more stringent internal control requirements and transparency on certain activities, more stringent governance and conduct of business rules, more extensive market abuse regulations, measures to improve the transparency and efficiency of financial markets. Many of these measures have been adopted and are already applicable to the Group.

At the European level, many of the provisions of the EU Directive and Regulation on prudential requirements "CRD 4/CRR" dated 26 June 2013 took effect as of 1 January 2014. In this respect, many delegated and implementing acts provided for in the Directive and Regulation CRD 4/CRR were adopted in 2014.

Regarding the European "Banking Union", the European Union adopted, in October 2013, a Single Supervisory Mechanism ("SSM") under the supervision of the European Central Bank; as a consequence, since November 2014 and the ordinance dated 6 November 2014 for the adaptation of the law to the single supervisory mechanism of credit institutions, the BNP Paribas Group, along with all other significant institutions in the euro zone, are now under the direct supervision of the European Central Bank. It is not yet possible to assess the impacts of such measures, if any, on the Group; however the uncertainty regarding the application of several measures by the European Central Bank and the implementation of additional measures may be a source of additional uncertainty and a risk of non-compliance and, generally speaking, the costs incurred due to the implementation of the SSM may have a negative impact on the Group's results of operations and financial condition.

The Group is subject to extensive and evolving regulatory regimes where it operates.

The Group faces the risk of changes in legislation or regulation in all of the countries in which it operates, including, but not limited to, the following:

- monetary, liquidity, interest rate and other policies of central banks and regulatory authorities;
- changes in government or regulatory policy that may significantly influence investor decisions, in particular in the markets in which the Group operates;
- changes in regulatory requirements applicable to the financial industry, such as rules relating to applicable governance, remunerations, capital adequacy and liquidity frameworks and restrictions on activities considered as speculative;

- changes in securities regulations as well as in financial reporting and market abuse regulations;
- changes in tax legislation or the application thereof;
- changes in accounting rules;
- changes in rules and procedures relating to internal controls, risk management and compliance;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

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

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 of these texts could expose the Group to legal proceedings and fines, public reprimand, enforced suspension of operations, or, in extreme cases, withdrawal by the authorities of operating licences. This risk is further exacerbated by the continuously-increasing level of oversight by the competent authorities.

Risks related to the Group, its strategy, management and operations

The Group may experience difficulties integrating acquired companies and may not be able to realise the benefits expected 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 generally undertakes an in-depth analysis of the companies it plans to acquire, such analyses often cannot be complete or exhaustive. As a result, the Group may have an increased exposure to doubtful assets and incur higher cost of risk as a result of its acquisitions, particularly in cases in which it was unable to conduct comprehensive due diligence prior to acquisition.

Intensifying competition by banking and non-banking operators could adversely affect the Group's revenues and profitability.

The Group's main business lines are all faced with intense competition. Competition in the banking industry could intensify as a result of the ongoing consolidation of financial services that accelerated during the recent financial crisis. If the Group is unable to remain competitive by offering an attractive and profitable range of products and services, it may lose market share in key areas of its business or incur losses on some or all of its activities.

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

In connection with its lending activities, the Group regularly establishes provisions for loan losses, which are recorded in its profit and loss account under "cost of risk". The Group's overall level of provisions is based on its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Group seeks to establish an appropriate level of provisions, its lending businesses may have to increase their provisions for loan losses substantially in the future as a result of deteriorating economic conditions or other causes. Any significant increase in provisions for loan losses or a significant change in the Group's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, could have a material adverse effect on the Group's results of operations and financial condition.

The Group also establishes provisions for contingencies and charges including in particular provisions for litigations. Any loss arising from a risk that has not already been provisioned or that is greater than the amount of the provision could have a negative impact on the Group's results of operation and financial condition.

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

The Group has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic and market environments.

These techniques and strategies might also be ineffective against certain risks, particularly risks that the Group may have failed to identify or anticipate. The Group's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if, as a result of market turmoil such as that experienced in recent years, the models and approaches it uses become less predictive of future behaviour, valuations, assumptions or estimates. Some of the Group's qualitative tools and metrics for managing risk are based on its use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. The process the Group uses to estimate losses inherent in its credit exposure or estimate the value of certain assets requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans or impact the value of assets, which may, during periods of market disruption, be incapable of accurate estimation and, in turn, impact the reliability of the process. These tools and metrics may fail to predict future risk exposures, e.g., if the Group does not anticipate or correctly evaluate certain factors in its statistical models, or upon the occurrence of an event deemed extremely unlikely by the tools and metrics. This would limit the Group's ability to manage its risks. The Group's losses could therefore be significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

Hedging strategies implemented by the Group may not prevent losses.

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 its strategies are based on historical trading patterns and 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 the reported earnings of the Group.

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

Considering the highly competitive environment in the financial services industry, a reputation for financial strength and integrity is critical to the Group's ability to attract and retain customers. The Group's reputation could be harmed if it fails to adequately promote and market its products and services. The Group's reputation could also be damaged if, as it increases its client base and the scale of its businesses, the Group's comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to address conflicts of interest properly. At the same time, the Group's reputation could be damaged by employee misconduct, fraud or misconduct by market participants to which the Group is exposed, a decline in, a restatement of, or corrections to its financial results, as well as any adverse legal or regulatory action. Such risks to reputation have recently increased as a result of the growing use of social networks within the economic sphere. The loss of business that could result from damage to the Group's reputation could have an adverse effect on its results of operations and financial position.

An interruption in or a breach of the Bank's information systems may result in material losses of client or customer information, damage to the Bank's reputation and lead to financial losses.

As with most other banks, the Group relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Group's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems. The Group cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. An increasing number of companies have over the past few years experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. The techniques used to obtain unauthorised access, disable or degrade service, steal confidential data or sabotage information systems have become more sophisticated, change frequently and often are not recognised until launched against a target. The Group may therefore be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures. Any failures or interruptions of this nature could have an adverse effect on the Group's reputation, financial condition and results of operations.

Unforeseen external events may disrupt the Bank'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 could cause substantial losses that may not necessarily be 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 temporary or longer-term business interruption, additional costs (such as relocation of employees affected) and increase the Group's costs (particularly insurance premiums).

5.b RISK MANAGEMENT

5.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 second-level control, the entire process is supervised by the Group Risk Management Department (GRM). GRM, which is independent of the business lines and functions, 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, as approved by the Central Credit Committee or the Executive Committee. In addition, major risk policies are presented to the Board. 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.

5.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.

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 at the portfolio level, implies correlations between the values of the loans that comprise it, and a risk of contagion for related debtors.

Counterparty risk is the translation of credit risk during market operations, investments or payment transactions, during which the Group is exposed to potential counterparty default: it is a bilateral risk on a third party with which one or more market transactions were concluded. The amount of this risk may vary over time in line with changes in market parameters that impact the value of the relevant 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.

5.c CREDIT AND COUNTERPARTY RISK

5.c.1 Exposure to credit risk

The accompanying table 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 2014			31 December 2013		
	IRBA	Standardised approach	Total	IRBA	Standardised approach	Total
Central governments and central banks	6 438.2	411.8	6 850.0	3 523.7	65.2	3 588.9
Corporates	5 725.4	5 872.4	11 597.8	6 288.8	6 326.7	12 615.5
Institutions [1]	6 656.2	2 232.8	8 889.0	8 855.0	2 187.9	11 042.9
Retail	6 193.1	9 401.7	15 594.8	6 070.7	8 332.9	14 403.6
Other non credit-obligation assets [2]	63.4	1 253.8	1 317.2	-	2 096.9	2 096.9
Total exposure	25 076.3	19 172.5	44 248.9	24 738.2	19 009.6	43 747.8

IRBA: Advanced internal ratings based approach
The above table shows the entire prudential scope based on the categories defined in Directive 2013/36/EU (CRD 4) and Regulation (EU) No. 575/2013.
[1] The asset class "Institutions" 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.

Exposure linked to risks on securitisation positions

In millions of euros	31 December 2014		31 December 2013	
	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	-	260.0	-	313.2
Total exposure	-	260.0	-	313.2

The securitisation position is being managed on a run-down basis.

5.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.

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 "credit risk" parameters in line with the requirements of banking supervisors with regards to capital adequacy.

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. Also, adaptive approaches used for loans to private customers and very small businesses ("Retail" population according to Basel III), 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 (LGD) 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.

The Group uses internal models for determining the off-balance sheet exposure risk, based on the analysis of data or products at constant behaviour, or applies, primarily for off-balance sheet elements, a Credit Conversion Factor (CCF), 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.

5.c.3 Credit risk diversification

Diversification by counterparty

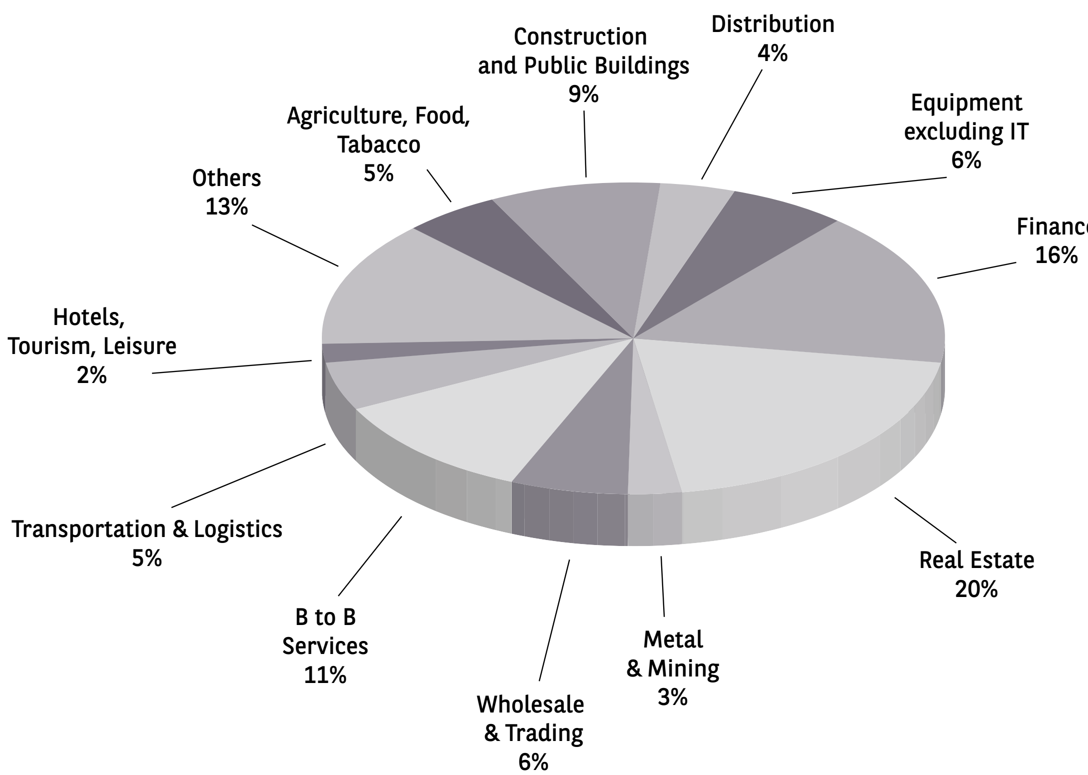
Diversification is a key component of the Group's policy and is assessed by taking account of all exposure to a single business group. Diversification of the portfolio by counterparty is monitored on a regular basis. The risk concentration ratio ensures that the total amount of risks incurred on a counterparty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

At the request of 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 accordance with Directive 2013/36/EU (CRD 4) and Regulation (EU) No. 575/2013.

Industry diversification

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

Breakdown of credit risk on corporates by industry

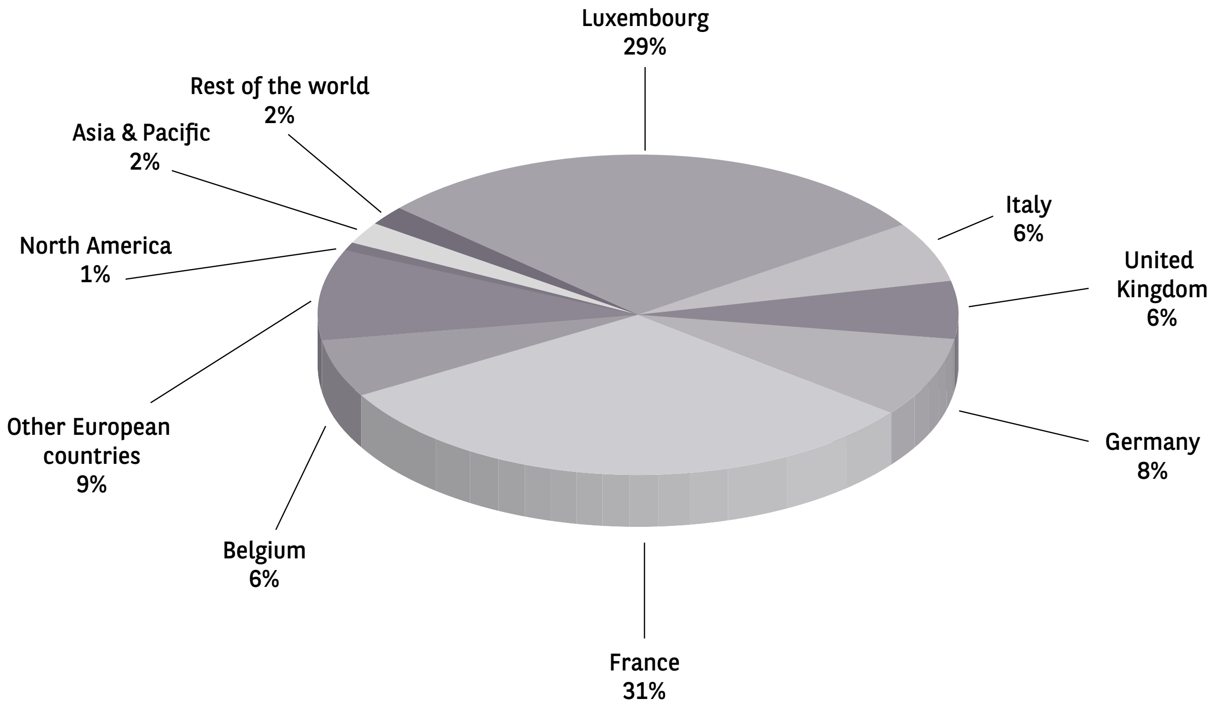


Geographical diversification

"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.

The geographic breakdown below is based on the country where the counterparty conducts its principal business activities, without taking into account the location of its head office. Accordingly, a French company's exposure arising from a subsidiary or branch located in the United Kingdom is classified in the United Kingdom.

Geographical breakdown of credit risk by counterparty's country of business.



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

5.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 are characterized by a high degree of granularity, small unit volumes and a standard risk profile, the Group applies an approach by "uniform risk classes". This approach notably adheres to the following constraints:

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

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

5.c.5 Credit risk mitigation techniques

Techniques to reduce credit risk are used in accordance with regulations of Basel III 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 their 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 of 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.

5.c.6 Counterparty risk

The Group is exposed to counterparty risk on its capital market transactions. The Group attenuates 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 (Directive 2013/36/EU (CRD 4) and Regulation (EU) No. 575/2013). 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 rates.

5.d MARKET RISK

5.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.

- Commodities risk arises from changes in the market prices and volatilities of commodities and/or commodity 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 quarterly.

Limit setting and tracking

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

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

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

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

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

Control processes

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

Transaction accounting controls

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

Reserve calculations

GRM defines and calculates “reserves”. 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.

5.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.

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 in 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 Treasury, which is part of the ALM Treasury business line at the BNP Paribas group level.

ALM Treasury has functional authority over the ALM 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 committee in Luxembourg.

Equity risk

As part of the regulations implemented within the Basel III 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).

Exposure to equity risk [1)]

In millions of euros	31 December 2014	31 December 2013
Standardised approach (grandfathering)	**49.1**	**32.0**
Simple risk weight method	**241.7**	**185.8**
Listed equities	0.9	0.2
Other equity exposures	240.8	185.6
Total	290.7	217.8

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

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 - Treasury via analytical internal allocation means or lending / borrowing transactions. ALM - Treasury is 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

Interest rate positions in the banking book are measured in terms of interest rate gaps, with embedded behavioural options translated into delta equivalents. Maturities of outstanding assets are determined based on the contractual terms of the transactions and observations of 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 interest rate gaps as well as the sensitivity of clientele intermediation portfolios and then reinvestment of equity capital relative to the changes applied to the interest rate curves, are regularly presented to the ALCO Luxembourg, and are therefore used as the basis for management decisions, taking into account the nature of the risks involved.

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 2014					
	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	(45)	(11)	(302)	(314)	(598)	(1.271)
USD	7	12	(33)	(134)	(31)	(179)
Other currencies	0	0	6	19	7	32
Total	**(38)**	**1**	**(330)**	**(429)**	**(622)**	**(1.418)**

In thousands of euros	31 December 2013					
	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	(42)	(67)	(339)	(300)	(118)	(866)
USD	(1)	(2)	(2)	(158)	(11)	(174)
Other currencies	(1)	(1)	43	49	17	107
Total	**(44)**	**(70)**	**(298)**	**(409)**	**(112)**	**(933)**

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 EUR 1.4 million at 31 December 2014.

The increased sensitivity on maturities greater than five years is mainly due to the acquisitions in the portfolio of available-for-sale securities made in 2014.

Hedging of interest rate and foreign exchange risks

Hedging 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.

Interest rate risk in the banking book

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.

Structural foreign exchange risk

Currency hedges are contracted by the ALM-Treasury in relation 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 cover its equity position in subsidiaries using a foreign currency.

Hedging of financial instruments recognised in the balance sheet (Fair Value Hedges)

Fair-value hedges of interest rate risk 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. Carved-out Macro Fair Value Hedges were used in 2014 to cover financial liabilities, namely customer demand 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 essentially 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 2014 and 2013, no hedge (established in accordance with IFRS) was disqualified.

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 profit and loss account.

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

Cash flow hedge

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

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

In millions of euros	31 December 2014				31 December 2013			
	Under 1 year	From 1 to 5 years	More than 5 years	Total	Under 1 year	From 1 to 5 years	More than 5 years	Total
Variable-rate outstandings whose cash flows are hedged	1 220.0	1 575.0	550.0	3 345.0	750.0	1 370.0	425.0	2 545.0

In the context of ALM-Treasury management, a " macro cash flow hedge " was unwound in 2014 (there were none in 2013) without the disappearance of the hedged item (which consisted of loans).

5.e SOVEREIGN RISKS

Sovereign risk is the risk of a State defaulting on its debt, that is to say a temporary or prolonged interruption of debt servicing (interest and / or principal).

The Group holds sovereign bonds as part of its liquidity management process. This is based on holding securities eligible as collateral for refinancing by central banks, and includes a high proportion of debt securities with a high rating, issued by governments representing a low level of risk. Moreover, as part of assets and liability management and structural interest-rate risk management policy, the Group also holds a portfolio of assets that includes sovereign debt instruments, with interest rate characteristics that contribute to its hedging strategies.

Banking and trading books sovereign exposures by geographical breakdown:

In millions of euros	31 December 2014	31 December 2013
Banking book [1]		
Euro zone		
Germany	25.0	-
Austria	550.0	-
Belgium	710.0	710.0
France	393.0	400.0
Italy	241.6	241.5
Luxembourg	183.0	130.0
The Netherlands	525.0	30.0
Countries covered by a European support plan		
Portugal	235.0	235.0
Cyprus	-	5.0
Total euro zone	2 862.6	1 751.5
Other countries of the European Economic Area		
The Czech Republic	60.0	60.0
Lithuania	10.0	10.0
Total other EEE	70.0	70.0
Total banking book	2 932.6	1 821.5
Trading book [2]		
Indonesia	5.6	-
Vietnam	11.5	-
Total trading book	17.2	-

[1] Nominal value. [2] Fair value.

The credit risk on the trading book is hedged by credit default swaps, the fair value of which at 31 December 2014 is negligible.

5.f LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is defined as the risk of the Group being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position.

The Group's liquidity and funding 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.

5.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 discharge 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 ALCO committee in BGL BNP Paribas is the 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 BNP Paribas Group level, and by Group Risk Management.

Liquidity risk is managed centrally by ALM-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-Treasury is therefore in charge of financing the Group's business lines and of investing their surplus cash.

5.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.

Risk mitigation techniques

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

Medium / long term debt

The total amount of the Group's medium and long term outstanding bonds stood at EUR 1.06 billion at the end of 2014 compared to a stock of EUR 1.25 billion at the end of 2013. The Group also continued to fund itself through its Commercial Paper programmes. The total volume of this paper was EUR 0.94 billion at the end of 2014, up EUR 128 million 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.

5.g OPERATIONAL RISK AND INTERNAL CONTROL

5.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 has the duty to raise the alarm in the event of any malfunction or deficiency of which he may learn.

- Internal Control is exhaustive.

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

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

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

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

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

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

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

- Internal Control is traceable.

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

Action principles

Risk control requires the implementation of the following action principles:

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

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

The internal Control organisation

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

Permanent Control

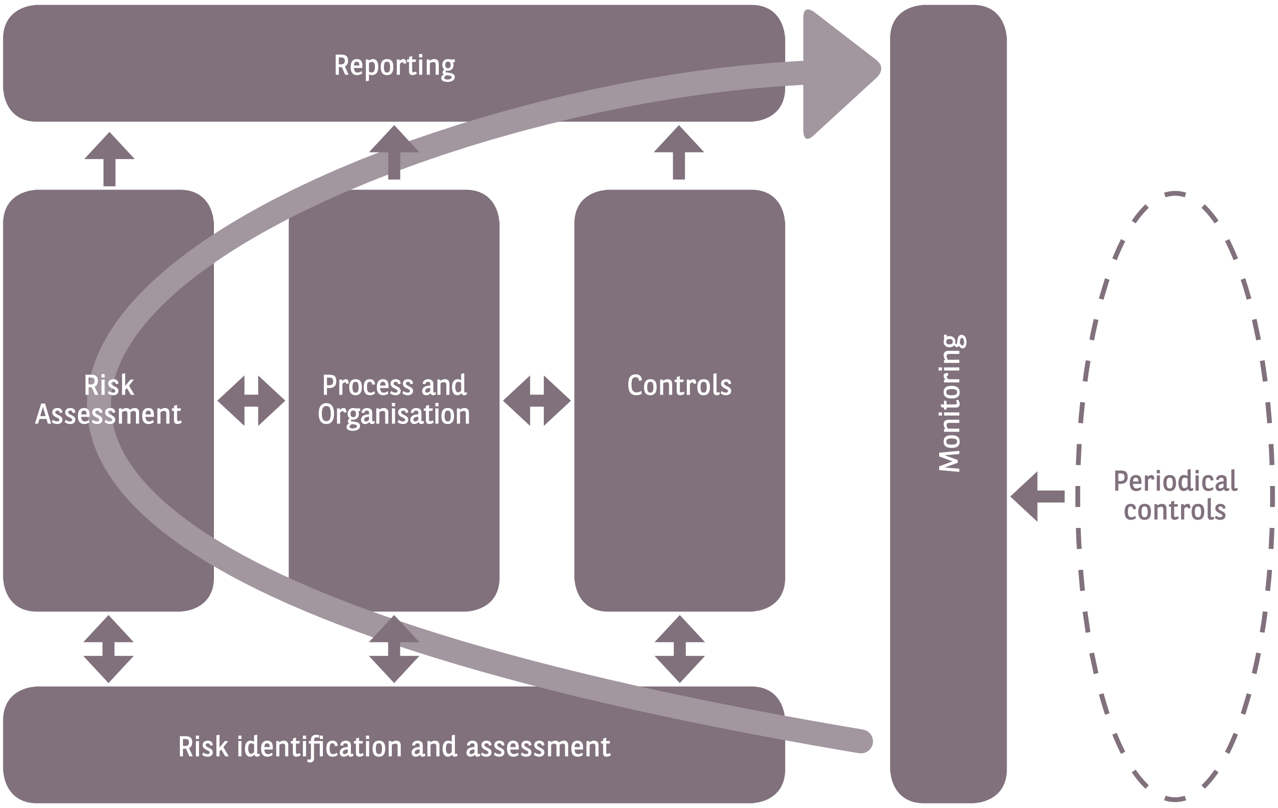
It is an overall system that makes continuous usage of risk management actions and follow-up of the realisation of strategic actions. It is based on control policies, procedures, processes and plans.

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

The consistency of the permanent control systems of the business lines and functions on the organisation's various levels, 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;
- the controls carried out by Operational staff members dealing with operations on transactions, on the operations or transactions carried out by other Operational staff members (controls provided by the Middle / Back Offices, cross-controls);
- controls carried out by the hierarchy on its various levels, as part of its managerial responsibilities.

Control level 2

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

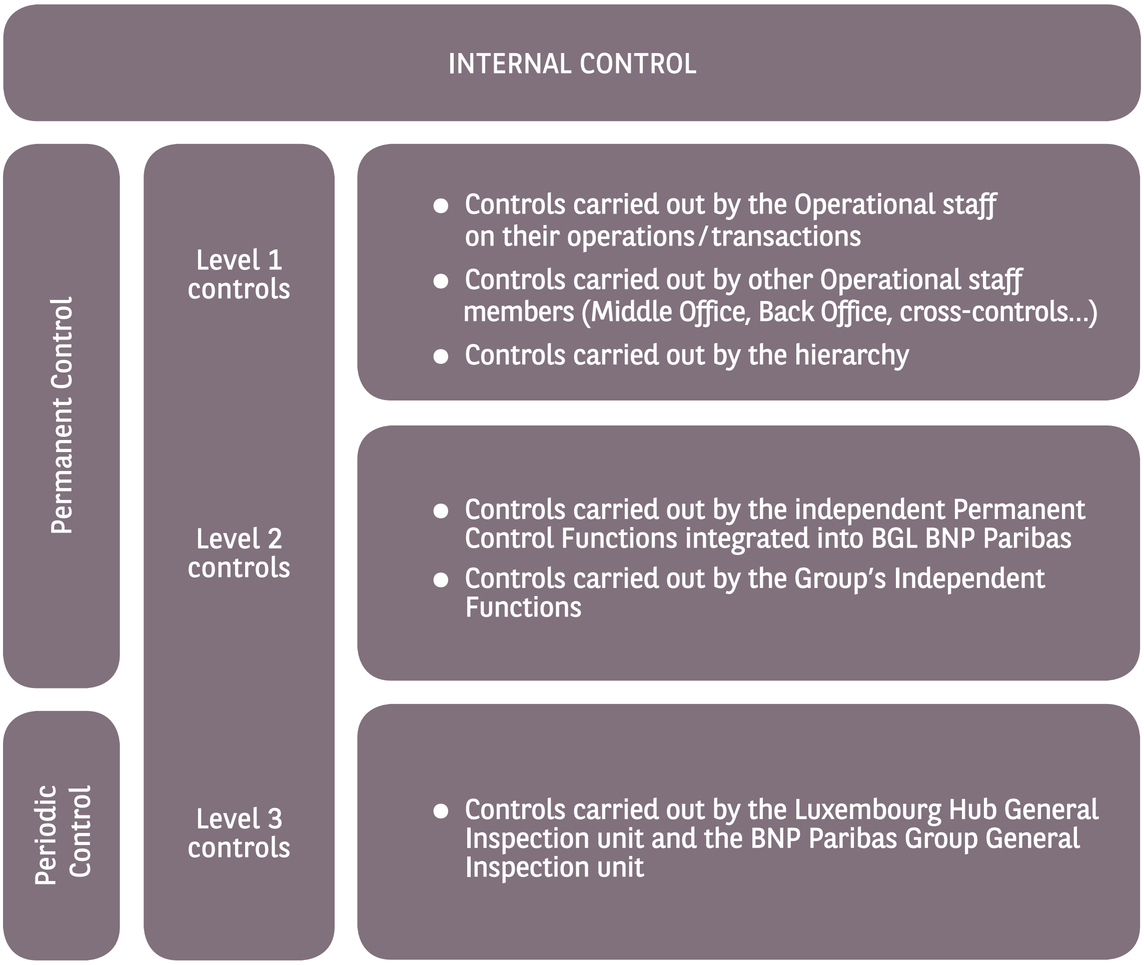
- the controls carried out by the independent permanent Control functions integrated into BGL BNP Paribas;
- the controls carried out by the independent permanent Control functions within the BNP Paribas Group.

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

Periodic Control

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

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



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. 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 Coordination and Internal Control Platform

The Coordination and Internal Control Platform ("P2Ci") meets every two months and it assembles around the Chairman of the BGL BNP Paribas Management Board those responsible for the functions that make up the second and third internal control levels. The purpose of this platform is to ensure good risk control on a day-to-day basis.

The BGL BNP Paribas Permanent Control Committee

Every six months, the Group's permanent Control Committee brings together the members of the Board of Directors, 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 as well as current and planned actions which aim to improve it.

5.g.2 Operational risk

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 (2OPC) team in Luxembourg also participates in the Coordination and Internal Control Platform (P2Ci), which meets every two months. The operational risk status is presented during these two meetings.

The objectives of the operational risk management policy are:

- mobilisation of all stakeholders in the Bank, 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 allows various levels of Management to have reasonable assurance of risk management and the Group as a whole to benefit from the opportunities offered by the variety of its activities.

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 are carried out under the auspices of the Oversight of Operational Permanent Control (2OPC) team in Luxembourg, applying the Group Forecast (Full Operational Risk & Control Analysis System).

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

- have a first global 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 it allows it to 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 functions.

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

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 18 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 Group Tax Department 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 Group Tax Departments 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 COO looking after the AFLs, and functionally to the Group Tax Department 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 channels 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 IT system also has a central control system of application logs which allows for continuous monitoring of activities. The most sensitive systems are currently being put under surveillance.

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 vulnerabilities and cyber attacks: a CSIRT (Corporate Security Incident Response Team) local was created and is in contact with the global CSIRT of the BNP Paribas Group. They have common tools and reporting systems.

- Some of the information system activities are now under review with the deployment of a centralised management platform for the logs. A 24/7 SMC (Security Monitoring Centre) already monitors the internet activity of the Bank.

5.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 Group 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 an 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.

5.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 BNP Paribas 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.

5.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);
- training and awareness-raising actions, both at Group level and in the divisions and business lines.

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, and to ensure that the interests of clients are protected.

5.i CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

5.i.1 Scope of application

The prudential scope of application as defined in Regulation (EU) No 575/2013 on capital requirements is not the same as the accounting scope of consolidation whose composition concerns the application of IFRS as adopted by the European Union.

Prudential Scope

In accordance with banking regulations, the Group has defined a prudential scope to monitor capital ratios calculated on consolidated data.

For 2013 and 2014, the prudential scope is identical to the accounting scope of consolidation except for the entity SREI Equipment Finance Ltd, which is consolidated using the proportional integration method.

The consolidation principles and the scope of consolidation, in accordance with the accounting consolidation method, are described respectively in notes 1.b and 9.b.

5.i.2 Capital ratios

In millions of euros	31 December 2014 Basel 3 (phased in)	31 December 2013 Basel 2.5
Common Equity Tier 1 (CET1 [1])	5 125.5	5 855.3
Tier 1 equity (Tier 1)	5 125.5	5 855.3
Total equity	5 206.8	5 855.3
Risk-weighted assets	22 876.1	22 781.3
Ratios		
Common Equity Tier 1 (CET1) ratio	22.4%	25.7%
Tier 1 equity (Tier 1) ratio	22.4%	25.7%
Total equity ratio	22.8%	25.7%

[1] *The equivalent of CET1 under Basel 2.5 is Core Tier 1.*

With phased Common Equity Tier 1 (CET1) & Tier 1 ratios of 22.4% and of total equity of 22.8% at 31 December 2014 the Group largely meets the regulatory requirements.

With regard to the minimum ratio requirements, Luxembourg has not adopted a transitional arrangement, so that the "full" Basel 3 ratios shall apply in 2014.

5.i.3 Regulatory capital

The Group is required to comply with the Luxembourg prudential regulation that transposes into Luxembourg law European Directives on "Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms".

In the various countries where the Group operates, it is subject, in addition to compliance with specific ratios in line with procedures controlled by the relevant supervisory authorities. These include solvency ratios or ratios on risk concentration, liquidity and asset/liability mismatches (transformation).

As of 1 January 2014, Regulation (EU) No. 575/2013, establishing the methods for calculating the solvency ratio, defines it as the ratio between total regulatory capital and the sum of:

- the amount of risk-weighted assets for credit and counterparty risks, calculated using the standardised approach or the Internal Ratings Based Approach (IRBA) depending on the particular entity or the activity of the Group concerned;
- capital requirements for market risk, for credit valuation adjustment risk and for operational risk, multiplied by a factor of 12.5.

Breakdown of regulatory capital

Regulatory capital is divided into three categories (Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital), which consist of equity and debt instruments, to which regulatory adjustments have been made. These items are subject to transitional measures.

Common Equity Tier 1 capital

Common Equity Tier 1 capital is based on:

- the Group's consolidated equity, restated for net income for the current year and applying limits to the eligibility of minority reserves (the Group does not have eligible minority reserves);
- regulatory adjustments including prudential filters (components of consolidated equity that are not recognized as regulatory capital elements) and deductions (not components of book equity but which, according to the regulations, reduce prudential capital).

Additional Tier 1 capital

The Group has no additional capital Tier 1 items.

Tier 2 capital

Tier 2 capital is comprised of subordinated debt with no redemption incentive. A prudential discount is applied to subordinated debt with less than five years of residual maturity.

Transitional arrangements

CRR Regulation allows the gradual introduction of new methods of calculation. The CSSF communication (CSSF Regulation N° 14-01 of 11 February 2014) includes specific percentages to be applied to prudential filters and deductions, as well as the minimum ratios to be respected. The main items subject to the transitional arrangements are restatements of unrealized gains and losses on available-for-sale securities.

Regulatory Capital

In millions of euros	31 December 2014	
	Basel 3 (phased in)	**Amounts subject to pre-regulation treatment or prescribed residual amount ***
Total equity excluding minority interests and net income of the financial year (prudential scope)	5 740.4	-
of which equity instruments and the related share premium accounts	**3 474.9**	**-**
of which: Ordinary shares	**713.1**	**-**
Share premiums	**2 761.8**	**-**
of which: Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	**2 265.5**	**-**
Regulatory adjustments	**(614.9)**	**104.8**
Tier 1 equity (Tier 1) [1)]	5 125.5	104.8
Subordinated loans	**81.2**	**-**
Tier 2 equity (Tier 2)	81.2	-
Total equity (Tier 1 + Tier 2)	5 206.8	104.8

** According to Regulation (EU) No. 575/2013.*
[1)] The Group has no additional category 1 items.

Regulatory adjustments - Common Equity Tier 1 (CET1) capital

In millions of euros	31 December 2014	
	Basel 3 (phased in)	Amounts subject to pre-regulation treatment or prescribed residual amount*
Intangible assets and goodwill	(156.8)	-
Deferred tax assets that rely to losses carried forward	(7.1)	-
Fair value reserves related to gains or losses on cash flow hedges	(44.0)	-
Negative amounts resulting from the calculation of expected loss amounts (credit exposure by Internal Ratings Based Approach)	(35.8)	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(11.7)	-
Defined benefit pension funds assets	(1.9)	-
Fair value reserves related to unrealised gains or losses with regard to available-for-sale securities	(215.6)	104.8
Reserves related to the Luxembourg Deposit Guarantee Scheme not recognized as regulatory capital	(84.1)	-
Unrealised gains related to property investment, accounted for in the first application of the IAS guideline	(53.1)	-
Expected loss amounts related to shares by simple weighting method	(4.8)	-
Regulatory adjustments to Tier 1 equity (CET1)	(614.9)	104.8

** According to Regulation (EU) No. 575/2013.*

Amounts below the thresholds for deduction (before risk weighting)

In millions of euros	31 December 2014	
	Basel 3 (phased in)	Amounts subject to pre-regulation treatment or prescribed residual amount*
Direct and indirect holdings of the equity of financial sector entities in which the institution does not have a significant investment [1)]	225.9	-
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities in which the institution has a significant investment [1)]	364.0	-
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in article 38 (3) are met)	177.0	-

** According to Regulation (EU) No. 575/2013.*
[1)] An investment is considered to be significant if exceeding the 10% threshold net of eligible short positions.

On 31 December 2014, none of the thresholds that require deduction from capital had been reached.

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

Capital requirements and risk-weighted assets under Pillar 1

In millions of euros	31 December 2014 Basel 3 (fully loaded)		31 December 2013 Basel 2.5	
	Amount of risk-weighted assets	Capital requirements (8%)	Amount of risk-weighted assets	Capital requirements (8%)
Credit risk	19.536,3	1.562,9	20.439,3	1.635,1
Credit risk - IRBA	**5.661,3**	**452,9**	**5.515,4**	**441,2**
Central governments and central banks	525.6	42.0	400.8	32.1
Corporates	2 810.4	224.8	2 893.5	231.5
Institutions	880.2	70.4	926.1	74.1
Retail	1 183.1	94.6	1 294.9	103.6
Real estate loans	644.5	51.6	744.7	59.6
Other exposures	538.6	43.1	550.2	44.0
Other non credit-obligation assets	262.0	21.0	-	-
Credit risk - Standardised approach	**13 875.0**	**1 110.0**	**14 923.9**	**1 193.9**
Central governments and central banks	363.0	29.0	6.4	0.5
Corporates	5 515.7	441.3	6 115.5	489.2
Institutions	857.0	68.6	661.6	52.9
Retail	5 909.7	472.8	6 323.2	505.9
Real estate loans	4.6	0.4	1.3	0.1
Other exposures	5 905.2	472.4	6 322.0	505.8
Other non credit-obligation assets	1 229.6	98.4	1 817.2	145.4
Securitisation positions of the banking book	209.4	16.8	240.3	19.2
Securitised exposures- Basic Indicator Approach (BIA)	60.5	4.8	91.9	7.4
Securitised exposures- Standardised approach	148.9	11.9	148.4	11.9
Counterparty credit risk	116.6	9.3	108.8	8.7
Counterparty credit risk-IRBA	**114.7**	**9.2**	**31.9**	**2.5**
Other counterparty credit risk	114.7	9.2	31.9	2.5
Corporates	74.8	6.0	1.2	0.1
Institutions	39.0	3.1	30.6	2.4
Retail	1.0	0.1	-	-
Counterparty credit risk - Standardised approach	**1.9**	**0.2**	**76.9**	**6.2**
Sided credit value adjustment (CVA)	1.6	0.1	-	-
Other counterparty credit risk	0.2	0.0	76.9	6.2
Corporates	0.0	0.0	57.2	4.6
Institutions	0.2	0.0	19.4	1.6
Retail	-	-	0.3	0.0
Equity risk	1 703.7	136.3	726.3	58.1
Simple weighting method	910.5	72.8	687.3	55.0
Standardised approach	793.2	63.5	39.0	3.1
Market risk	0.8	0.1	11.7	0.9
Standardised approach	0.8	0.1	11.7	0.9
Operational risk	1 309.2	104.7	1 254.9	100.4
Advanced Measurement Approach	1 044.5	83.6	955.3	76.4
Standardised approach	160.4	12.8	151.5	12.1
Basic indicator approach	104.3	8.3	148.1	11.8
Total	22 876.1	1 830.1	22 781.3	1 822.5

The increased risk of equity investments is mainly due to regulatory change: some investments that were deducted under Basel 2 are now weighted under Basel 3 regulations.

5.i.5 Capital adequacy

Single Supervisory Mechanism

The Single Supervisory Mechanism (SSM) is the new banking supervision system for the euro zone. The SSM is one of the three pillars of the Banking Union, a process initiated in June 2012 by the European Union in response to the financial crisis in the euro zone, together with the Single Resolution Mechanism (SRM) and the Deposit Guarantee Scheme.

The ECB thus became the direct prudential supervisor of BNP Paribas as of 4 November 2014. The ECB draws on the competent national supervisory authorities in fulfilling this role.

The comprehensive risk assessment exercise described below preceded the introduction of the Single Supervisory Mechanism.

Comprehensive assessment

The ECB conducted a Comprehensive Assessment of the BNP Paribas Group prior to assuming its supervision functions. This review was broken down into two main phases:

- the Asset Quality Review or AQR, comprising the portfolio selection, followed by performance of the portfolio review;
- the stress test to measure the bank's capacity to absorb shocks in periods of crisis, conducted jointly by the ECB and the EBA.

On 26 October 2014, the ECB published the results of its Asset Quality Review of the 130 largest banks in the euro zone. The overall impact of the AQR adjustments on the BNP Paribas Group's CET1 ratio was minor: 15 basis points, on some loan portfolios and on the valuation of some financial instruments.

The stress test results also show the BNP Paribas group's ability to withstand a major stress scenario, based on extremely severe assumptions with respect to developments in economic and market conditions.

The BGL BNP Paribas Group has been integrated into the exercise conducted at the BNP Paribas Group: no special requirements were addressed to the Group.

Capital adequacy

Higher ratios introduced by Basel 3

The minimum ratio requirement has been increased, with a gradual implementation until 2019.

From 2014, the Group is required to meet a minimum Common Equity Tier 1 (CET 1) ratio of 4.5%, a Tier 1 capital ratio of 6% and a total capital ratio of at least 8%. The Group is also subject from 2014 to additional capital requirements (capital conservation buffer consisting of common equity Tier 1 capital equal to 2.5% of total risk-weighted assets) which are intended to absorb losses in a situation of intense economic stress. There is no requirement to date for the countercyclical capital buffer or other additional requirements.

Including the capital conservation buffer, the capital adequacy requirements known to date mean that the Group must meet a minimum fully loaded Common Equity Tier 1 ratio of at least 7%, a Tier 1 ratio of at least 8.5% and a total ratio 10.5%.

The transitional arrangements do not concern the minimum ratios to be respected but the recognition of the components of capital, mainly restatements of the unrealised gains and losses on available-for-sale securities.

5.i.6 Management and planning of capital requirements

The Group manages its solvency ratios prospectively, combining prudential objectives, profitability and growth. The Group maintains a balance sheet structure to enable it to finance the development of its activities in the best conditions, taking into account, in particular, a high quality credit rating.

Changes in ratios are reviewed by the Management Committee on a quarterly basis and at any time when an event or decision is likely to have a significant effect on the ratios at Group level.

Pillar 2 Process

The second Pillar of the Basel Accord, as transposed in CRD IV, provides that the supervisor shall determine whether the policies, strategies, procedures and arrangements implemented by the Group on the one hand, and the capital held on the other hand, are adequate for risk management and risk coverage purposes. This evaluation exercise by the supervisors to determine the adequacy of mechanisms and capital with respect to bank risk levels is designated in the regulations under the acronym SREP (Supervisory Review Evaluation Process).

The SREP conducted by the supervisor has an internal equivalent within institutions in the form of the ICAAP (Internal Capital Adequacy Assessment Process). ICAAP is the annual process by which institutions assess the adequacy of their capital with their internal measurements of the levels of risk generated by their usual activities.

The Group's ICAAP focuses on two key pillars: risk review and capital planning.

The risk review is a comprehensive review of management policies and internal control rules applicable to Pillar 1 exposures as stated in the Basel regulations and Pillar 2 exposures as defined in the classification of risks used by the Group.

Capital planning is based on the most recent actual and estimated financial data available at the time. These data are used to project future capital requirements, in particular by factoring in the Group's goal of maintaining a first-class credit rating to protect its origination capability, its business development targets and anticipated regulatory changes. Capital planning consists of comparing the capital ratio targets defined by the Group with future projected capital requirements, then testing their robustness in a stressed macroeconomic environment.

Based on CRD 4/CRR, Pillar 1 risks are covered by regulatory capital, calculated on the basis of the methods defined in the current regulation. Pillar 2 risks addressed, are based on qualitative approaches, dedicated monitoring frameworks and, if necessary, quantitative assessments.

The SREP and ICAAP definitions as well as the conditions for their interaction were previously defined in the "Guidelines on the Application of the Supervisory Review Process under Pillar 2" of 25 January 2006 published by the CEBS (Committee of European Banking Supervisors).

This directive was supplemented on 19 December 2014 by the EBA with "Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP)". These new guidelines are a step in the implementation of the Single Supervisory Mechanism (SSM) and offer supervisors a common and detailed methodology that enables them to successfully complete the SREP according to a European standard. The EBA SREP guidelines will be applicable starting 1 January 2016, with transitional provisions until 2019.

The 2014 financial adequacy of internal capital demonstrated that the Group is adequately capitalised and has a large surplus of internal capital

6. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2014

6.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 mainly of issues for the Group's own account, made to fulfil customer demand, and instruments which accounting regulations do not allow the Group to classify as hedging instruments.

In millions of euros	31 December 2014		31 December 2013*	
	Trading book	Portfolio designated at fair value on option	Trading book	Portfolio designated at fair value on option
Securities portfolio	270.6	2.4	156.3	4.2
Loans and repurchase agreements	-	68.9	26.3	123.2
Financial assets at fair value through profit or loss	270.6	71.3	182.6	127.4
Securities portfolio	0.9	-	25.6	-
Borrowing and repurchase agreements	255.9	-	132.7	-
Debt securities (note 6.i)	-	342.7	-	532.8
Subordinated debt (note 6.i)	-	114.6	-	109.0
Financial liabilities at fair value through profit or loss	256.8	457.3	158.3	641.8

** Restated according to IFRS 11 (see notes 1.a and 2).*

The details of these headings are presented in note 6.d.

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 some derivatives. 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

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 cancelled out by changes in the value of economic hedging derivatives.

The redemption value of liabilities at fair value or model value through profit or loss amounted to EUR 443.8 million on 31 December 2014 compared to EUR 648.5 million on 31 December 2013.

Derivative financial instruments held for trading

The majority of derivative financial instruments held for trading are related to financial assets and liabilities which do not qualify for hedge accounting under IFRS

Some derivatives financial instruments held in the trading portfolio relate to transactions initiated by the activities to manage positions. They may result from market-making or arbitrage activities.

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

In millions of euros	31 December 2014		31 December 2013*	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Currency derivatives	58,8	60,0	22,6	20,7
Interest rates derivatives	45.9	34.8	43.7	33.2
Equity derivatives	15.0	11.4	11.6	23.7
Credit derivatives	0.3	0.2	0.1	0.2
Financial derivative instruments	119.9	106.4	78.0	77.8

** Restated according to IFRS 11 (see notes 1.a and 2).*

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 2014	31 December 2013*
Currency derivatives	6 958.8	4 181.7
Interest rate derivatives	1 783.0	2 550.9
Equity derivatives	327.6	691.5
Credit derivatives	185.1	187.3
Other derivatives	-	1.2

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.b DERIVATIVES USED FOR HEDGING PURPOSES

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

In millions d'euros	31 December 2014			31 December 2013*		
	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	2 972.1	102.7	53.0	1 839.4	66.1	17.0
Fair value hedges	2 972.1	102.7	53.0	1 839.4	66.1	17.0
Derivatives used for cash flow hedges of non-derivative financial instruments						
Currency derivatives	3 345.0	66.9	7.1	2 545.0	23.8	14.2
Cash flow hedges	3 345.0	66.9	7.1	2 545.0	23.8	14.2
Derivatives used for hedging purposes	6 317.1	169.5	60.1	4 384.4	89.9	31.2

** Restated according to IFRS 11 (see notes 1.a and 2).*

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

6.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

In millions of euros	31 December 2014			31 December 2013*		
	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	**6 047.7**	**-**	**260.9**	**3 075.5**	**-**	**116.9**
Government Bonds	2 827.8	-	165.9	1 559.6	-	85.2
Other Bonds	3 219.9	-	95.0	1 515.9	-	31.7
Equities and other variable-income securities	**305.6**	**(246.9)**	**42.9**	**249.3**	**(249.1)**	**22.7**
Listed securities	0.9	-	0.4	30.1	(13.2)	6.2
Non-listed securities	304.7	(246.9)	42.5	219.2	(235.9)	16.5
Total available-for-sale financial assets	6 353.3	(246.9)	303.8	3 324.8	(249.1)	139.6

** Restated according to IFRS 11 (see notes 1.a and 2).*

Changes in value taken directly to equity are included in equity as follows:

In millions of euros	31 December 2014			31 December 2013*		
	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"	**260.9**	**42.9**	**303.8**	**116.9**	**22.7**	**139.6**
Deferred tax linked to these changes in value	(65.8)	(11.6)	(77.4)	(19.9)	(3.7)	(23.6)
Group share of changes in value of available-for-sale securities owned by associates, net of deferred tax	25.7	(0.5)	25.2	8.6	(0.3)	8.3
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(38.7)	-	(38.7)	(49.7)	-	(49.7)
Other variations	-	(0.1)	(0.1)	0.1	(0.1)	0.0
Changes in value of assets recognised directly to equity under the heading "Available-for-sale financial assets "	182.1	30.7	212.8	56.0	18.6	74.6
Attributable to equity shareholders	182.3	30.8	213.1	56.2	18.7	74.9
Attributable to minority interests	(0.2)	(0.1)	(0.3)	(0.2)	(0.1)	(0.3)

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.d MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation process

The Group has retained the fundamental principle that it should have a unique and integrated processing chain for producing and controlling the valuations of financial instruments that are used for the purpose of daily risk management and financial reporting. All these processes are based on a common economic valuation which is a core component of business decisions and risk management strategies.

Economic value is composed of mid-market value and additional valuation adjustments.

Mid-market value is derived from external data or valuation techniques that maximise the use of observable and market-based data. Mid-market value is a theoretical additive value which does not take account of i) the direction of the transaction or its impact on the existing risks in the portfolio, ii) the nature of the counterparties, and iii) the aversion of a market participant to particular risks inherent in the instrument, the market in which it is traded, or the risk management strategy.

Additional valuation adjustments reflect the valuation uncertainties and market risk premiums and credit to reflect the costs that could induce an output operation on the main market. Where valuation techniques are used to calculate the fair value, the assumptions about the cost of financing future expected cash flows are an integral part of the midmarket valuation, particularly through the use of appropriate discount rates. These assumptions reflect the Bank's expectations of what a market participant would hold as actual conditions to refinance the instrument. They take into account, where appropriate, the terms of collateral agreements.

Fair value generally equals the economic value, subject to limited additional adjustments, such as own credit adjustments, which are specifically required by IFRS standards.

The main additional valuation adjustments are presented in the section below.

Additional valuation adjustments

Additional valuation adjustments retained by the Group for determining fair values are as follows:

Bid/offer adjustments: the bid/offer range reflects the additional exit cost for a price taker (potential client). It represents symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price.

The Group assumes that the best estimate of an exit price is the bid or offer price, unless there is evidence that another point in the bid/ offer range would provide a more representative exit price.

Value adjustment for counterparty risk (Credit valuation adjustment or CVA): the CVA adjustment applies to valuations and market quotations whereby the credit worthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that the Group may not receive the full fair value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be an inter-dealer market. However, the observation of CVA remains judgemental due to:

- the absence or lack of price discovery in the inter-dealer market;
- the influence of the regulatory landscape relating to counterparty risk on the market participants' pricing behaviour;
- and the absence of a dominant business model for managing counterparty risk.

The CVA model is grounded on the same exposures as those used for regulatory purposes. The model attempts to estimate the cost of an optimal risk management strategy based on i) implicit incentives and constraints inherent in the regulations in force and their evolutions, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes;

Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment – DVA): OCA and DVA are adjustments reflecting the effect of credit worthiness of BGL BNP Paribas, on respectively the value of debt securities designated as at fair value through profit and loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels.

Thus, the carrying value of debt securities designated as at fair value though profit or loss fell by EUR 13.8 million as at 31 December 2014, compared with a reduction in value of EUR 16.6 million as at 31 December 2013.

The change in the result is largely correlated to changes in the level of spreads: the average level of senior spread applied at 31 December 2014 was 14 basis points compared to 29 basis points applied at 31 December 2013.

The change in fair value of derivative liabilities in respect of own credit risk instruments is not significant at 31 December 2014.

Instrument classes and classification within the fair value hierarchy for assets and liabilities measured at fair value

As explained in the summary of significant accounting policies (note 1.c.8), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

The disaggregation of assets and liabilities into risk classes is meant to provide further insight into the nature of the instruments:

- securitised exposures are further broken down by collateral type;
- for derivatives, fair values are broken down by dominant risk factor, namely interest rate, foreign exchange, credit and equity. Derivatives used for hedging purposes are mainly interest rate derivatives.

In millions of euros	31 December 2014				31 December 2013*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS								
Trading book	270.5	-	-	270.6	156.3	26.3	-	182.6
Securities portfolio	**270.5**	**-**	**-**	**270.6**	**156.3**	**-**	**-**	**156.3**
Government bonds	17.2	-	-	17.2	-	-	-	-
Other fixed-income securities	143.1	-	-	143.1	-	-	-	-
Equities and other variable-income securities	110.2	-	-	110.2	156.3	-	-	156.3
Loans and repurchase agreements	**-**	**-**	**-**	**-**	**-**	**26.3**	**-**	**26.3**
Repurchase agreements	-	-	-	-	-	26.3	-	26.3
Portfolio designated as at fair value through profit or loss on option	-	70.9	0.4	71.3	-	126.2	1.2	127.4
Securities porfolio	**-**	**2.0**	**0.4**	**2.4**	**-**	**3.0**	**1.2**	**4.2**
Equities and other variable-income securities	-	2.0	0.4	2.4	-	3.0	1.2	4.2
Loans and repurchase agreements	**-**	**68.9**	**-**	**68.9**	**-**	**123.2**	**-**	**123.2**
Loans	-	68.9	-	68.9	-	123.2	-	123.2
Available-for-sale assets	4 710.7	1 340.7	302.0	6 353.3	2 291.2	816.9	216.7	3 324.8
Government bonds	2 577.1	250.8	-	2 827.8	1 331.5	228.1	-	1.559.6
Other fixed-income securities	2 132.4	1 087.4	-	3 219.9	929.7	586.2	-	1.515.9
Equities and other variable-income securities	1.2	2.5	302.0	305.6	30.0	2.6	216.7	249.3
FINANCIAL LIABILITIES								
Trading book	0.9	255.1	0.8	256.8	25.6	132.7	-	158.3
Securities porfolio	**0.9**	**-**	**-**	**0.9**	**25.6**	**-**	**-**	**25.6**
Equities and other variable-income securities	0.9	-	-	0.9	25.6	-	-	25.6
Borrowings and repurchase agreements	**-**	**255.1**	**0.8**	**255.9**	**-**	**132.7**	**-**	**132.7**
Repurchase agreements	-	255.1	0.8	255.9	-	132.7	-	132.7
Portfolio designated as at fair value through profit or loss	-	453.9	3.4	457.3	-	634.3	7.5	641.8
Debt securities	-	339.3	3.4	342.7	-	525.3	7.5	532.8
Subordinated debts	-	114.6	-	114.6	-	109.0	-	109.0

** Restated according to IFRS 11 (see notes 1.a and 2).*

In millions of euros	31 December 2014				31 December 2013*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
POSITIVE FAIR VALUE								
Foreign exchange derivatives	-	58.8	-	58.8	-	22.6	-	22.6
Interest rate derivatives	-	45.9	-	45.9	-	43.2	0.5	43.7
Credit derivatives	-	0.3	-	0.3	-	0.1	-	0.1
Equity derivatives	-	15.0	-	15.0	-	11.6	-	11.6
Positive fair value of derivatives (not used for hedging purposes)	-	119.9	-	119.9	-	77.5	0.5	78.0
Positive fair value of derivatives used for hedging purposes	-	169.5	-	169.5	-	89.9	-	89.9
NEGATIVE FAIR VALUE								
Foreign exchange derivatives	-	60.0	-	60.0	-	20.7	-	20.7
Interest rate derivatives	-	33.9	0.9	34.8	-	33.2	-	33.2
Credit derivatives	-	0.2	-	0.2	-	0.2	-	0.2
Equity derivatives	-	11.4	-	11.4	-	23.7	-	23.7
Negative fair value of derivatives (not used for hedging purposes)	-	105.5	0.9	106.4	-	77.8	-	77.8
Negative fair value of derivatives used for hedging purposes	-	60.1	-	60.1	-	31.2	-	31.2

** Restated according to IFRS 11 (see notes 1.a and 2).*

Transfers between levels may occur when an instrument fulfils the criteria defined, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. The timing of recognising transfers is determined at the end of the reporting period.

During 2014, the Group transferred several bond positions from Level 1 to Level 2 with a value of EUR 196.8 million due to lower volumes traded in markets. Over the same period, several bond positions, with a value of EUR 144.0 million, were transferred from Level 2 to Level.

During the year 2013, transfers between Level 1 and Level 2 were not significant.

Description of main instruments in each level

The following section provides a description of the instruments in each level in the hierarchy. It describes notably instruments classified in Level 3 and the associated valuation methodologies.

For main trading book instruments and derivatives classified in Level 3, further quantitative information is provided about the inputs used to derive fair value.

Level 1

This level encompasses all derivatives and securities that are listed on exchanges or quoted continuously in other active markets.

Level 1 includes notably equity securities and liquid bonds, shortselling of these instruments, derivative instruments traded on organised markets (for example, futures,) and shares of funds and UCITS, for which the net asset value is calculated on a daily basis.

Level 2

The Level 2 stock of securities is composed of securities which are less liquid than the Level 1 bonds. They are predominantly government bonds, corporate debt securities, Asset Backed Securities and Student Loans, Mortgage Backed Securities, not using a modelling methodology of cash flows, fund shares and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices. This comprises amongst other, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers. Other sources such as primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

Repurchase agreements are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral.

Debts issued designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. Own credit spread is an observable input.

Derivatives classified in Level 2 comprise mainly the following instruments:

- vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/commodities forwards and options;

- structured derivatives such as exotic FX options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.

Derivatives are classified in Level 2 when there is a documented stream of evidence supporting one of the following:

- fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;

- fair value is derived from other standard techniques such as replication or discounted cash flows that are calibrated to observable prices, that bear limited model risk and enable an effective offset of the risks of the instrument through trading Level 1 or Level 2 instruments;

- fair value is derived from more complex or proprietary valuation techniques but is directly evidenced through regular back-testing using external market-based data.

Determining whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axes within an "observability zone" whose limits are determined by i) a predetermined list of product categories and ii) the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable additional valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

Level 3

Level 3 securities of the trading book, designated as at fair value through profit or loss or classified as available for sale comprise units of funds and unquoted equity shares.

Fair value is determined using a methodology that takes into consideration both the available external indicative prices as well as discounted expected cash flows.

The Discounted Expected Cash flow approach for CDOs takes into consideration both an internal and an external independent set of hypotheses to derive expectations about the underlying cash flow payments.

Fund units relate to real estate funds for which the valuation of the underlying investments is not frequent, as well as hedge funds for which the observation of the net asset value is not frequent.

Unlisted private equities are systematically classified as Level 3, with the exception of UCITS with a daily net asset value, presented as unlisted securities in note 6.b, but which are classified in the Level 1 of the fair value hierarchy.

The portfolio of available for sale financial assets classified as Level 3 contains mainly assets controlled by BNP Paribas.

Repurchase agreements mainly long term on corporate bonds: the valuation of these transactions requires proprietary methodologies given the bespoke nature of the transactions and the lack of activity and price discovery in the long-term repo market.

Debts issued designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. Own credit spread is an observable input.

Derivatives

Vanilla derivatives are classified in Level 3 when the exposure is beyond the observation zone for rate curves or volatility surfaces, or relates to less liquid markets such as tranches on old credit index series or emerging markets interest rates markets.

Complex derivatives classified in Level 3 predominantly comprise hybrid products (FX/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some options on a basket of stocks, and some interest-rate option instruments.

Table of movements in level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 1 January and 31 December 2014:

Financial assets

In millions of euros	31 December 2014		31 December 2013*	
	Financial instruments at fair value through profit or loss on option	Available-for-sale financial assets	Financial instruments at fair value through profit or loss on option	Available-for-sale financial assets
Start of period	**1.2**	**216.7**	**1.3**	**361.9**
Entry in scope	-	0.5	-	-
Purchases	-	38.7	-	2.8
Sales	-	(9.6)	-	(77.7)
Settlements	-	0.3	-	(0.4)
Transfers from level 1	-	31.9	-	-
Others	-	(0.8)	-	(19.9)
Gains (or losses) recognised in profit or loss	(0.8)	(0.1)	(0.1)	(52.3)
Changes in fair value of assets and liabilities recognised directly in equity	-	24.4	-	2.3
Items related to exchange rate movements	-	0.5	-	(0.2)
Changes in fair value of assets and liabilities recognised in equity	-	23.9	-	2.5
End of period	**0.4**	**302.0**	**1.2**	**216.7**

Financial liabilities

In millions of euros	31 December 2014	31 December 2013*
	Financial instruments at fair value through profit or loss on option	Financial instruments at fair value through profit or loss on option
Start of period	**7.5**	**17.8**
Settlements	(4.2)	(14.3)
Transfers from level 2	-	3.8
Gains (or losses) recognised in profit or loss	0.2	0.2
End of period	**3.4**	**7.5**

Transfers have been reflected as if they had taken place at the end of the reporting period.

In 2013 losses recognized in the accounting entry Available-for-sale financial assets were EUR -50.5 million due to the value adjustment recorded on the participation BNP Paribas IP.

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.

6.e RECLASSIFICATION OF FINANCIAL INSTRUMENTS INITIALLY ACCOUNTED FOR 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.

The Group has twice reclassified as loans and receivables assets that were initially recorded as available-for-sale assets:

- In 2009, the Group reclassified structured transactions with a net value of EUR 669.7 million;
- In 2011, the Group reclassified Portuguese debt securities with a net value of EUR 299.8 million.

The variation in the carrying value of securities reclassified in 2009 as loans and receivables is due to repayments, partially offset by the amortisation of the reclassification discount.

The variation in the net book value of sovereign debt, reclassified in 2011 as loans and receivables is due to sales of securities and repayments partially offset by the amortisation of the reclassification discount.

The following table summarises the securities reclassified to loans and receivables:

In millions of euros		31 December 2014		31 December 2013	
	Reclassification date	Carrying value	Fair value or model	Carrying value	Fair value or model
Sovereign securities from portfolio of available-for-sale assets		188,2	241,3	179,5	213,7
of which: Portuguese sovereign securities	*30 June 2011*	*188,2*	*241,3*	*179,5*	*213,7*
Stuctured transactions and other fixed-income securities from portfolio of available-for-sale assets	*30 june 2009*	161,1	166,7	207,4	207,2

Without these reclassifications, equity would have been EUR 40.2 million different in 2014, compared to a difference of EUR 11 million currently recognised (EUR 25.6 million and EUR 12.5 million respectively for 2013). In 2014 and 2013, the reclassifications had no impact on the Group's net income.

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

Loans and receivables due from credit institutions

In millions of euros	31 December 2014	31 December 2013*
On demand accounts	960.3	905.5
Loans	5 753.5	7 453.9
Total loans and receivables due from credit institutions before impairments	6 713.8	8 359.4
of which: Doubtful loans	*0.4*	*0.8*
Impairments (note 3.f)	(0.4)	(0.6)
Specific impairments	*(0.4)*	*(0.6)*
Collective impairments	*0.0*	*0.0*
Total loans and receivables due from credit institutions, net of impairments	6 713.4	8 358.8

** Restated according to IFRS 11 (see notes 1.a and 2).*

Due to credit institutions

In millions of euros	31 December 2014	31 December 2013*
On demand accounts	300.7	505.5
Borrowings	8 389.5	8 835.9
Repurchase agreements	778.6	-
Total due to credit institutions	9 468.9	9 341.4

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.g LOANS AND RECEIVABLES DUE FROM/TO CUSTOMERS

Loans and receivables due from customers

In millions of euros	31 December 2014	31 December 2013*
Ordinary debitory accounts	964.3	1 283.8
Loans to customers	14 390.7	14 885.0
Finance leases	9 837.6	9 530.9
Total loans granted and receivables due from customers before impairments	25 192.6	25 699.7
of which: Doubtful loans	*1 269.0*	*1.430.8*
Impairments (note 3.f)	(621.7)	(709.5)
Specific impairments	(525.5)	(584.7)
Collective impairments	(96.2)	(124.8)
Total loans and receivables due from customers, net of impairments	24 570.8	24 990.2

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

Breakdown of finance leases

In millions of euros	31 December 2014	31 December 2013*
Gross investment	11 969.1	11 078.8
Receivable within 1 year	*4 355.3*	*4 013.7*
Receivable after 1 year but within 5 years	*6 538.8*	*5 803.4*
Receivable beyond 5 years	*1 074.9*	*1 261.7*
Unearned interest income	(2 131.6)	(1 547.9)
Net investment before impairments	9 837.6	9 530.9
Receivable within 1 year	*3 637.1*	*3 505.0*
Receivable after 1 year but within 5 years	*5 332.5*	*5 012.4*
Receivable beyond 5 years	*867.9*	*1 013.5*
Impairments	(341.3)	(367.2)
Net investment after impairments	9 496.3	9 163.7

** Restated according to IFRS 11 (see notes 1.a and 2).*

Due to customers

In millions of euros	31 December 2014	31 December 2013*
Demand deposits	16 918.1	16 321.3
Term accounts	2 818.2	3 040.8
Regulated saving accounts	44.4	104.9
Total due to customers	19 780.7	19 467.0

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

6.h PAST DUE AND DOUBTFUL LOANS AND RESTRUCTURED RECEIVABLES

The tables below present 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 and finally the net book value of restructured loans. The amounts shown in these tables are stated before any provision on a portfolio basis.

The reported amount for collateral and other guarantees received is the lower of the value of the guarantee and the value of the secured asset.

Past due but not impaired loans

In millions of euros	31 December 2014					
	< 90 days	> 90 days < 180 days	> 180 days < 1 year	> 1 year	Total	Collateral received
Loans and receivables due from credit institutions	2.0	0.1	-	0.1	2.2	2.1
Loans and receivables due from customers	618.9	19.6	5.0	2.0	645.5	502.1
Total past-due but not impaired loans	**620.9**	**19.7**	**5.0**	**2.1**	**647.7**	**504.2**

In millions of euros	31 December 2013*					
	< 90 days	> 90 days < 180 days	> 180 days < 1 year	> 1 year	Total	Collateral received
Loans and receivables due from credit institutions	2.4	0.2	-	-	2.6	2.3
Loans and receivables due from customers	1 000.5	47.7	13.8	4.7	1 066.7	682.2
Total past-due but not impaired loans	**1 002.9**	**47.9**	**13.8**	**4.7**	**1 069.3**	**684.5**

** Restated according to IFRS 11 (see notes 1.a and 2).*

Doubtful loans

In millions of euros	31 December 2014			
	Gross value	Impair-ments	Net	Collateral received
Loans and receivables due from credit institutions (note 6.f)	0.4	(0.4)	-	0.1
Loans and receivables due from customers (note 6.g)	1 269.0	(525.5)	743.5	574.5
Doubtful assets	**1 269.4**	**(525.9)**	**743.5**	**574.6**
Financing commitments given	5.1	(0.8)	4.3	-
Guarantee commitments given	14.8	(5.7)	9.1	-
Off-balance sheet doubtful commitments	**19.9**	**(6.5)**	**13.4**	**-**
Total	**1 289.3**	**(532.4)**	**756.9**	**574.6**

In millions of euros	31 December 2013*			
	Gross value	Impair-ments	Net	Collateral received
Loans and receivables due from credit institutions (note 6.f)	0.8	(0.6)	0.2	1.4
Loans and receivables due from customers (note 6.g)	1 430.8	(584.7)	846.1	744.3
Doubtful assets	**1 431.6**	**(585.3)**	**846.3**	**745.7**
Financing commitments given	4.6	-	4.6	0.9
Guarantee commitments given	11.0	(3.1)	7.9	3.2
Off-balance sheet doubtful commitments	**15.6**	**(3.1)**	**12.5**	**4.1**
Total	**1 447.2**	**(588.4)**	**858.8**	**749.8**

** Restated according to IFRS 11 (see notes 1.a and 2).*

Restructured Receivables

In millions of euros	31 December 2014	31 December 2013
Restructured doubtful outstandings	229.7	270.9
Impairments and haircut on restructured doubtful outstandings	(31.5)	(41.7)
Restructured doubtful outstandings - net value	**198.2**	**229.2**
Restructured healthy outstandings	123.0	63.2
Restructured outstandings and receivables (excluding repurchase agreements)	321.2	292.4
Off-balance sheet commitments	0.6	2.5
Total	321.8	294.9

This table covers the main entities of the Group (BGL BNP Paribas SA, BNP Paribas Lease Group SA, Fortis Lease France SA, and SADE).

6.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 6.a)

In millions of euros	31 December 2014	31 December 2013
Debt with a maturity of more than 1 year on issue		
Negociable debt securities	279.5	459.4
Bond issues	63.2	73.4
Debt securities	342.7	532.8
Redeemable subordinated debt	114.6	109.0
Subordinated debt	114.6	109.0

Debts measured at amortised cost

In millions of euros	31 December 2014	31 December 2013*
Debt with a maturity of less than 1 year on issue		
Negociable debt securities	944.3	816.8
Debt with a maturity of more than 1 year on issue		
Negociable debt securities	622.5	607.4
Debt securities	1 566.8	1 424.2

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.j HELD-TO-MATURITY FINANCIAL ASSETS

In millions of euros	31 December 2014	31 December 2013*
Bonds	**339.1**	**370.1**
Government bonds	159.3	159.0
Other bonds	179.8	211.1
Total held-to-maturity financial assets	339.1	370.1

** Restated according to IFRS 11 (see notes 1.a and 2).*

At 31 December 2014, as at 31 December 2013, no impairment was recognised.

6.k CURRENT AND DEFERRED TAXES

In millions of euros	31 December 2014	31 December 2013*
Current taxes	76.3	116.1
Deferred taxes	141.1	169.7
Current and deferred tax assets	217.3	285.8
Current taxes	58.9	194.8
Deferred taxes	548.1	468.9
Current and deferred tax liabilities	606.9	663.7

** Restated according to IFRS 11 (see notes 1.a and 2).*

Changes in deferred taxes over the period

In millions of euros	2014	2013*
Net deferred taxes at start of period	(299.2)	(357.7)
Deferred tax income	(27.9)	59.2
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	(53.8)	(4.7)
Changes in deferred taxes linked to remeasurement and reversal through or loss on hedging derivatives	(14.9)	0.2
Changes in deferred taxes linked to items recognised directly in equity that may not be transferred to profit and loss	2.8	(0.2)
Reclassification	-	(2.7)
Entry in scope of consolidation	0.1	-
Exit from scope of consolidation	(17.4)	10.0
Non-current assets held for sale	-	2.2
Effect of exchange rate and other movements	3.3	(5.5)
Net deferred taxes at end of period	(407.0)	(299.2)

** Restated according to IFRS 11 (see notes 1.a and 2).*

Breakdown of deferred tax assets and liabilities by origin

In millions of euros	31 December 2014	31 December 2013*
Available-for-sale financial assets	(114.9)	(51.1)
Finance leases	(270.0)	(235.1)
Provisions for employee benefit obligations	20.6	20.8
Provisions for credit risk	64.3	66.3
Earnings on capital gains to be immunized according to art. 54 LIR	(43.7)	(43.7)
Property, plant, equipment and intangible assets	(41.5)	(35.9)
AGDL provisions	(35.3)	(35.3)
Lump sum provision	(22.5)	(4.7)
Receivables and debts due to customers	(3.8)	(7.5)
Credit institutions and treasury	(0.2)	1.1
Financial assets at fair value through profit or loss	17.4	4.0
Other items	6.9	2.2
Tax loss carryforwards	15.7	19.7
Net deferred taxes	(407.0)	(299.2)
of which: Deferred tax assets	*141.1*	*169.7*
Deferred tax liabilities	*(548.1)*	*(468.9)*

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.l ACCRUED INCOME/EXPENSE AND OTHER ASSETS/LIABILITIES

In millions of euros	31 December 2014	31 December 2013*
Settlement accounts related to securities transactions	12.8	15.7
Collection accounts	33.1	34.9
Accrued income and prepaid expenses	84.0	76.0
Guarantee deposits paid and bank guarantees issued	8.3	19.9
Other debtors and miscellaneous assets	541.1	551.1
Total accrued income and other assets	679.3	697.6
Guarantee deposits received	50.9	22.9
Settlement accounts related to securities transactions	35.1	2.5
Collection accounts	61.5	43.5
Accrued expenses and deferred income	335.5	313.6
Other creditors and miscellaneous liabilities	683.7	762.7
Total accrued expenses and other liabilities	1 166.7	1 145.2

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.m INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group's investments in joint ventures and associates are all accounted for using the equity method.

The main associates and joint ventures of the Group are identified below.

In millions of euros	Country	Activity	% interest	2014	2013*
Associates					
Cardif Lux Vie SA	Luxembourg	Insurance	33.33%	104.1	80.0
BNP Paribas Leasing Solutions SPA	Italy	Leasing	13.09%	54.2	65.5
Joint ventures					
SREI Equipment Finance Ltd	India	Leasing	25.00%	46.0	96.3

** Restated according to IFRS 11 (see notes 1.a and 2).*

Accumulated financial data regarding joint ventures and associates is detailed in the table below:

In millions of euros	31 December 2014			
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates
Associates [1]	13.8	21.8	35.6	284.0
Cardif Lux Vie SA	11.0	17.1	28.1	104.1
BNP Paribas Leasing Solutions SPA	(13.1)	(0.1)	(13.2)	54.2
Others	15.9	4.8	20.7	125.7
Joint ventures	(49.5)	6.4	(43.1)	46.0
SREI Equipment Finance Ltd	(49.5)	6.4	(43.1)	46.0
Total associates and joint ventures	**(35.7)**	**28.2**	**(7.5)**	**330.0**

[1] Including controlled entities subject to a simplified consolidated by the equity method because they are not significant (see note 1.b).

In millions of euros	31 December 2013 *			
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Investments in equity associates
Associates [1]	15.3	(7.3)	8.0	206.6
Cardif Lux Vie SA	11.5	(2.0)	9.5	80.0
BNP Paribas Leasing Solutions SPA	(9.4)	0.2	(9.2)	65.5
Others	13.2	(5.5)	7.7	61.1
Joint ventures	3.8	(15.0)	(11.2)	96.3
SREI Equipment Finance Ltd	3.8	(15.0)	(11.2)	96.3
Total associates and joint ventures	**19.1**	**(22.3)**	**(3.2)**	**302.9**

[1] Including controlled entities subject to a simplified consolidated by the equity method because they are not significant (see note 1.b).
** Restated according to IFRS 11 (see notes 1.a and 2).*

The Group does not consider holding joint ventures or associates significant within the meaning of IFRS 12. The appreciation of the significance of joint ventures and associates is based on the contribution of these investments to the balance sheet and the Group's equity, as well as net profit excluding non-recurring items.

6.n PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	31 December 2014			31 December 2013 *		
	Gross value	Accumulated depreciation and amortisation	Carrying value	Gross value	Accumulated depreciation and amortisation	Carrying value
Investment property	230.5	(107.5)	123.0	478.2	(142.7)	335.5
Land and buildings	323.1	(128.3)	194.8	322.2	(121.9)	200.3
Equipment, furniture and fixtures	208.0	(180.9)	27.1	207.8	(179.8)	28.0
Plant and equipment leased as lessor under operating leases	531.7	(251.0)	280.7	617.5	(295.7)	321.8
Other property, plant and equipment	157.2	(58.6)	98.6	94.4	(56.7)	37.7
Property, plant and equipment	1 220.0	(618.8)	601.2	1 241.9	(654.1)	587.8
Purchased software	134.0	(121.3)	12.7	135.7	(123.3)	12.4
Internally developped software	1.8	(1.8)	-	1.8	(1.8)	-
Other intangible assets	10.0	(2.9)	7.1	8.7	(2.8)	5.9
Intangible assets	145.8	(126.0)	19.8	146.2	(127.9)	18.3

** Restated according to IFRS 11 (see notes 1.a and 2).*

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 EUR 130.6 million at 31 December 2014 compared with EUR 360.9 million at 31 December 2013.

Most investment properties are periodically assessed by an independent expert.

The evaluation is based primarily on:

- Indications in the market based on unit prices of similar properties. In this case, account is taken of all the parameters available at the valuation date (location, market conditions, nature of the construction, maintenance status, assignment, etc.).
- The capitalization of the estimated rental value.

Operating leases

Operating leases and investment property transactions are in certain cases subject to agreements providing for the following minimum future payments:

In millions of euros	31 December 2014	31 December 2013*
Payments receivable within 1 year	107.1	145.8
Payments receivable after 1 year but within 5 years	251.8	363.1
Payments receivable beyond 5 years	49.9	62.7
Future minimum lease payments receivable under non-cancellable leases	408.8	571.6

** Restated according to IFRS 11 (see notes 1.a and 2).*

Future minimum lease payments under non-cancellable leases correspond to payments that the lessee is required to make during the term of the lease.

Intangible 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 2014 amounted to EUR 25.5 million versus EUR 29.1 million in 2013.

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 2014 as it was in 2013.

Change in investment properties

In millions of euros	2014	2013*
Gross value at start of period	478.2	595.9
Acquisitions	1.3	0.8
Disposals	(50.3)	(19.1)
Reclassification	(57.4)	(41.3)
Reclassifications to assets held for sale	-	(87.1)
Exit from scope of consolidation	(145.0)	-
Other movements	3.8	29.0
Gross value at end of period	230.5	478.2
Depreciation and amortisation at period start	(142.7)	(127.2)
Amortisation charges	(12.3)	(24.4)
Amortisation reversal after divestments	15.8	8.9
Depreciations	(7.0)	(11.0)
Depreciation reversals	10.4	4.3
Reclassements	8.3	20.6
Reclassification of assets held for sale	-	15.1
Exit from scope of consolidation	22.7	-
Other movements	(2.7)	(29.0)
Depreciation and amortisation at end of period	(107.5)	(142.7)
Carrying value at end of period	123.0	335.5

** Restated according to IFRS 11 (see notes 1.a and 2).*

Change in tangible assets

In millions of euros	2014			
	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	322.2	207.8	617.5	94.4
Acquisitions	1.0	9.9	80.7	68.5
Disposals	-	(9.8)	(140.0)	(4.6)
Reclassifications	-	-	57.4	-
Exit from scope of consolidation	-	-	(83.9)	(1.2)
Gross book value at period end	323.1	208.0	531.7	157.2
Depreciation and amortisation at period start	(121.9)	(179.8)	(295.7)	(56.7)
Amortisation charges	(6.4)	(10.8)	(60.2)	(2.2)
Reversal of amortisation after disposals	-	9.7	67.9	0.3
Depreciations	-	-	(1.7)	-
Depreciation reversals	0.1	-	1.0	-
Reclassifications	-	-	(8.3)	-
Exit from scope of consolidation	-	-	46.0	-
Depreciation and amortisation at end of period	(128.3)	(180.9)	(251.0)	(58.6)
Carrying value at end of period	194.8	27.1	280.7	98.6

In millions of euros	2013*			
	In millions of euros	Equipment, furniture and fixtures	Plant and equipment leased as lessor under operating leases	Other fixed assets
Gross value at start of period	396.6	342.7	610.6	72.9
Acquisitions	14.7	8.1	89.0	28.3
Disposals	(10.8)	(74.2)	(80.0)	(7.0)
Reclassifications	(14.8)	-	-	0.2
Reclassifications to assets held for sale	(63.5)	(68.7)	-	-
Currency translation adjustments	-	(0.1)	(2.1)	-
Gross book value at period end	322.2	207.8	617.5	94.4
Depreciation and amortisation at period start	(168.9)	(291.0)	(287.7)	(55.1)
Amortisation charges	(9.5)	(12.5)	(71.2)	(2.3)
Reversal of amortisation after disposals	(0.2)	65.0	62.4	0.7
Depreciation reversals	-	-	0.9	-
Reclassifications	14.6	-	-	-
Currency translation adjustments	-	0.1	0.9	-
Depreciation and amortisation at end of period	(121.9)	(179.8)	(295.7)	(56.7)
Gross value at end of period	200.3	28.0	321.8	37.7

** Restated according to IFRS 11 (see notes 1.a and 2).*

Other assets include assets under construction for a value of EUR 90.0 million (EUR 29.4 million at 31 December 2013).

6.o GOODWILL

In millions of euros	2014	2013
Carrying value at period start	135.1	136.9
Currency translation adjustments	1.1	(1.8)
Carrying value at end of period	136.3	135.1
of which: Gross value	*149.2*	*148.0*
Accumulated impairments recognised at the end of period	*(12.9)*	*(12.9)*

** Restated according to IFRS 11 (see notes 1.a and 2).*

Goodwill is exclusively 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.

Goodwill impairment tests are based on three different methods: observation of transactions related to comparable businesses; share price data for listed companies with comparable businesses; and discounted future cash flows (DCF).

If one of the two comparables-based methods indicates the need for impairment, the DCF method is used to validate the results and determine the amount of impairment required.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the 5-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The key parameters which are sensitive to the assumptions made are the cost/income ratio, the cost of capital and the growth rate to perpetuity.

Cost of capital is determined on the basis of a risk-free rate, an observed market risk premium weighted by a risk factor based on comparables specific to each homogeneous group of businesses. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each homogeneous group of businesses based on the Common Equity Tier One regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 7%.

The growth rate to perpetuity used is 2% for mature economies.

The following table shows the sensitivity of the valuations of the cash generating unit Treasury Leasing Solutions, to changes in the value of parameters used in the DCF calculation: the cost of capital, cost/income ratio, and the growth rate to perpetuity.

Sensitivity of the main Goodwill valuations to a 10-basis point change in the cost of capital, a 1% change in the cost/income ratio and a 50 basis-point change in the growth rate to perpetuity.

In millions of euros at 31 December 2014	Leasing Solutions
Cost of capital	7.9%
Adverse change (+10 basis points)	(53.3)
Positive change (-10 basis points)	55.1
Cost/income ratio [1)]	44.5%
Adverse change (+1%)	(79.1)
Positive change (-1%)	79.1
Growth rate to perpetuity	2.0%
Adverse change (-50 basis points)	(130.5)
Positive change (+50 basis points)	154.5

[1)] *From 2016*

Even when retaining for the impairment test, the three worst changes in the table, there would be no need to depreciate the goodwill of UGT Leasing Solutions.

6.p NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2013 and pursuant to IFRS 5, two operating properties owned by the Société Immobilière de Monterey SA and the Société Immobilière du Royal Building SA were reclassified at a net value of EUR 33.1 million in non-current assets held for sale. The sale of these properties could not be carried out in 2014.

However, this delay does not affect the desire of the Bank to dispose of those assets; the sales are planned for later in 2015.

6.q PROVISIONS FOR CONTINGENCIES AND CHARGES

Changes in provisions by type

In millions of euros	31 December 2013*	Net additions to provisions	Provisions used	Remeasurement recognised directly in equity	Changes in scope of consolidation	Movements in exchange rates and other movements	31 December 2014
Provisions for employee benefits	125.4	1.3	(4.1)	4.8	-	3.4	130.8
provisions for defined-benefit pension plan (note 8.b)	49.9	2.0	(4.1)	4.8	-	3.4	56.0
provisions for unindexed deferred bonus cash (note 8.c)	1.5	1.1	-	-	-	-	2.6
provision for other long-term benefits (note 8.c)	24.8	4.0	-	-	-	-	28.8
provision for early retirement plans and headcount adaptation plan (note 8.d)	49.2	(5.8)	-	-	-	-	43.4
Provisions for off-balance sheet commitments (note 3.f)	6.8	2.2	-	-	-	-	9.0
Provisions for tax litigations and staff-related litigations	4.0	1.4	(0.9)	-	-	0.3	4.8
Provisions for commercial litigations	23.3	1.1	-	-	-	0.9	25.3
Provisions for restructuring	1.9	0.2	(0.3)	-	(0.3)	0.5	2.0
Provisions on investment securities	29.0	(6.3)	-	-	-	(0.9)	21.8
Provisions for operational risk on buildings under operating leases	26.2	(3.5)	-	-	(6.7)	(0.1)	15.9
Other provisions for contingencies and charges	23.8	1.8	(2.3)	-	(7.1)	(2.1)	14.1
Total provisions for contingencies and charges	**240.4**	**(1.8)**	**(7.6)**	**4.8**	**(14.1)**	**2.0**	**223.7**

** Restated according to IFRS 11 (see notes 1.a and 2).*

6.r OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables present the amounts of financial assets and liabilities before and after offsetting. This information, required by the amendment to IFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities), aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

"Amounts set off on the balance sheet" have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Amounts set off derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

The "impacts of master netting agreements and similar agreements" are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

"Financial instruments given or received as collateral" include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

Regarding master netting agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in accrued income or expenses and other assets or liabilities.

In millions of euros at 31 December 2014	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as collateral	Net amount
Assets						
Cash and amounts due from central banks	348.9	-	348.9	-	-	348.9
Financial instruments at fair value through profit or loss						
Trading securities portfolio	270.6		270.6	-	-	270.6
Loans and repurchase agreements	-	-	-	-	-	-
Instruments designated as at fair value through profit or loss on option	71.3	-	71.3	-	-	71.3
Derivatives (including derivatives used for hedging purposes	304.4	(15.0)	289.4	(47.6)	(36.9)	204.9
Loans and receivables due from credit institutions and customers	31 856.3	(572.1)	31 284.2	-	-	31 284.2
Accrued income and other assets	679.3	-	679.3	-	-	679.3
of which: Guarantee deposits given	*8.3*	-	*8.3*	-	-	*8.3*
Other assets not subject to offsetting	8 153.2	-	8 153.2	-	-	8 153.2
Total assets	**41 684.0**	**(587.1)**	**41 096.9**	**(47.6)**	**(36.9)**	**41 012.4**

In millions of euros at 31 December 2014	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amount
Liabilities						
Financial instruments at fair value through profit or loss						
Trading securities porfolio	0.9	-	0.9	-	-	0.9
Borrowings and repurchase agreeements	255.9	-	255.9	-	(101.2)	154.7
Instruments designated at fair value on options	457.3	-	457.3	-	-	457.3
Derivatives (including derivatives used for hedging purposes)	181.5	(15.0)	166.5	(47.6)	(0.2)	118.7
Due to credit institutions and customers	29 821.7	(572.1)	29 249.6	-	(778.6)	28 471.0
Accrued expenses and other liabilities	1 166.7	-	1 166.7	-	-	1 166.7
of which: Guarantee deposits received	*50.9*	-	*50.9*	-	-	*50.9*
Other liabilities not subject to offsetting	2 491.2	-	2 491.2	-	-	2 491.2
Total liabilities	**34 375.2**	**(587.1)**	**33 788.1**	**(47.6)**	**(880.0)**	**32 860.5**

*In millions of euros at 31 december 2013**	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments received as a collateral	Net amount
Assets						
Cash and amounts due from central banks	306.6	-	306.6	-	-	306.6
Financial instruments at fair value through profit or loss						
Trading securities portfolio	156.3	-	156.3	-	-	156.3
Loans and repurchase agreemnets	26.3	-	26.3	(8.6)	(17.0)	0.7
Instruments designated as at fair value on option	127.4	-	127.4	-	-	127.4
Derivatives (including derivatives used for hedging purposes)	182.9	(15.0)	167.9	(54.1)	(7.3)	106.5
Loans and receivables due from credit institutions and from customers	34 196.6	(847.6)	33 349.0	-	-	33 349.0
Accrued income and other assets	697.6	-	697.6	-	-	697.6
of which: Guarantee deposits given	*19.9*	-	*19.9*	-	-	*19.9*
Other assets not subject to offsetting	5 393.4	-	5 393.4	-	-	5 393.4
Total assets	**41 087.1**	**(862.6)**	**40 224.5**	**(62.7)**	**(24.3)**	**40 137.5**

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

*In millions of euros at 31 december 2013**	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Financial instruments given as collateral	Net amount
Liabilities						
Financial instruments at fair value through profit or loss						
Trading securities	25.6	-	25.6	-	-	25.6
Borrowings and repurchase agreeements	132.7	-	132.7	(8.6)	(123.9)	0.2
Instruments designated at fair value on options	641.8	-	641.8	-	-	641.8
Derivatives (including derivatives used for hedging purposes)	124.0	(15.0)	109.0	(54.1)	(10.9)	44.0
Due to credit institutions and to customers	29 656.0	(847.6)	28 808.4	-	-	28 808.4
Accrued expense and other liabilities	1 145.2	-	1 145.2	-	-	1 145.2
of which: Guarantee deposits received	*22.9*	-	*22.9*	-	-	*22.9*
Other liabilities not subject to offsetting	2 378.1	-	2 378.1	-	-	2 378.1
Total liabilities	**34 103.4**	**(862.6)**	**33 240.8**	**(62.7)**	**(134.8)**	**33 043.3**

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

6.s TRANSFER OF FINANCIAL ASSETS

In 2014, the financial assets that the Group had transferred, but continued to account for, consist essentially of securities, temporarily sold under a repurchase agreement. Liabilities associated with investments sold under a repurchase agreement are recorded under the heading "Repurchase Agreements".

In millions of euros	31 December 2014		31 December 2013	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements				
Securities at fair value through profit or loss	*264.5*	*255.8*	*145.1*	*132.7*
Available-for-sale financial assets	*789.2*	*778.6*	-	-
Total	1 053.7	1 034.4	**145.1**	**132.7**

In 2014, as in 2013, 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.

6.t SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

On 31 December 2013 and at 31 December 2014, the share capital and additional paid-in capital amounted to EUR 713.1 million, represented by 29,979,135 shares. On 31 December 2013 and 31 December 2014, BGL BNP Paribas did not hold any own equity instruments.

On 31 December 2013 and at 31 December 2014, the additional paid-in capital was equal to EUR 2,761.8 million.

7. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

7.a FINANCING COMMITMENTS GIVEN OR RECEIVED

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

In millions of euros	31 December 2014	31 December 2013*
Financing commitments given:		
- to credit institutions	**0.2**	**46.3**
- to customers:	**3 205.1**	**3 015.8**
Confirmed letters of credit	3 134.2	2 968.5
Other commitments given to customers	70.9	47.3
Total financing commitments given	3 205.3	3 062.1
Financing commitments received		
from the Central Bank of Luxembourg	2 495.3	2 246.7
from credit institutions	491.1	305.2
Total financing commitments received	2 986.4	2 551.9

** Restated according to IFRS 11 (see notes 1.a and 2).*

7.b GUARANTEE COMMITMENTS GIVEN BY SIGNATURE

In millions of euros	31 December 2014	31 December 2013*
Guarantee commitments given:		
- to credit institutions	478.3	350.3
- to customers	1 006.0	1 028.2
Total guarantee commitments given	1 484.3	1 378.5

** Restated according to IFRS 11 (see notes 1.a and 2).*

7.c OTHER GUARANTEE COMMITMENTS

Financial instruments given as collateral

In millions of euros	31 December 2014	31 December 2013*
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	**2 495.3**	**2 246.7**
used as collateral with central banks	-	-
available for refinancing transactions	2 495.3	2 246.7
Securities sold under repurchase agreements	**1 039.2**	**140.9**
Other financial assets pledged as collateral for transactions with credit institutions et financial customers	**1.3**	**126.3**

** Restated according to IFRS 11 (see notes 1.a and 2).*

Financial instruments given as collateral by the Group that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 1 039.4 million at 31 December 2014 (EUR 151.8 million at 31 December 2013).

Financial instruments received as collateral

In millions of euros	31 December 2014	31 December 2013*
Financial instruments received as collateral (excluding repurchase agreements)	**1 109.6**	**1 151.2**
of which: Instruments that the Group is authorised to sell and reuse as collateral	-	-
Securities received under repurchase agreements	**-**	**25.4**

** Restated according to IFRS 11 (see notes 1.a and 2).*

8. SALARIES AND EMPLOYEE BENEFITS

8.a STAFF COSTS

In millions of euros	2014	2013*
Fixed and variable remuneration, incentive bonuses and profit-sharing	(333.4)	(346.2)
Retirement bonuses, pension costs and social security taxes	(83.9)	(120.4)
Payroll taxes	(3.8)	(4.2)
Total staff costs	**(421.1)**	**(470.8)**

** Restated according to IFRS 11 (see notes 1.a and 2).*

The retirement benefits included a provision in 2013 of EUR 41.4 million related to a plan for early retirement on a voluntary basis established by the Bank at 31 December 2013.

8.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.

Defined-contribution pension plans the Group

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 were EUR 4.4 million for 2014 versus EUR 5.0 million for 2013.

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.

For all of the plans involved, un-covered commitments are carried in the balance sheet of the Group.

Commitments relating to defined benefit plans

Assets and liabilities recognised on the balance sheet

In millions of euros	Present value of the obligations arising from wholly or partially funded plans	Present value of non-financed obligations	Present value of the obligations	Fair value of plan assets	Fair value of reim-bursement rights	Net obliga-tion	of which asset recognised in the balance sheet for defined benefit plans	of which net assets of defined-benefit plans	of which fair value of reimbur-sement rights	of which obligation recognised in the balance sheet for defined-benefit plans
31 December 2014										
France	21.0	-	21.0	(15.9)	-	5.1	-	-	-	5.1
Luxembourg	116.9	4.6	121.5	(82.7)	-	38.8	-	-	-	38.8
United-Kingdom	107.2	-	107.2	(107.3)	-	(0.1)	(1.9)	(1.9)	-	1.8
Others	17.4	1.8	19.2	(8.9)	(2.7)	7.6	(2.7)	-	(2.7)	10.3
Total	**262.5**	**6.4**	**268.9**	**(214.8)**	**(2.7)**	**51.4**	**(4.6)**	**(1.9)**	**(2.7)**	**56.0**
31 December 2013*										
France	18.0	0.6	18.6	(13.4)	-	5.2	-	-	-	5.2
Luxembourg	107.4	4.3	111.7	(77.8)	(1.0)	32.9	(1.0)	-	(1.0)	33.9
United-Kingdom	82.1	-	82.1	(86.1)	-	(4.0)	(4.0)	(4.0)	-	-
Others	18.5	-	18.5	(7.7)	(2.4)	8.4	(2.4)	-	(2.4)	10.8
Total	**226.0**	**4.9**	**230.9**	**(185.0)**	**(3.4)**	**42.5**	**(7.4)**	**(4.0)**	**(3.4)**	**49.9**

** Restated according to IFRS 11 (see notes 1.a and 2).*

Change in the present value of the obligations

In millions of euros	31 December 2014	31 December 2013*
Present value of obligations at start of period	230.9	234.9
Current service cost	7.0	7.1
Interest cost	7.5	6.5
Actuarial losses (gains) on change in demographic assumptions	(0.6)	0.7
Actuarial losses (gains) on change in financial assumptions	35.8	0.6
Actuarial losses (gains) on experience gaps	(6.6)	(0.2)
Benefits paid directly by employer	(1.0)	(0.9)
Benefits paid from assets/reimbursement rights	(7.4)	(8.4)
Change in exchange rates	6.5	(1.8)
Other changes	(3.2)	(7.6)
Present value of obligations at end of period	268.9	230.9

** Restated according to IFRS 11 (see notes 1.a and 2).*

Change in the fair value of plan assets

In millions of euros	31 December 2014	31 December 2013
Fair value of plan assets at start of period	185.0	186.3
Interest income on assets	6.3	5.5
Actuarial gains over the period	15.2	2.3
Contributions by the Group	8.8	7.5
Benefits paid from plan assets	(7.4)	(7.6)
Change in exchange rates	6.7	(2.0)
Other changes	0.2	(7.0)
Fair value of plan assets at end of period	214.8	185.0

Change in the fair value of reimbursement rights

In millions of euros	31 December 2014	31 December 2013
Fair value of reimbursement rights at beginning of period	3.4	4.7
Interest income on assets	0.1	0.1
Contributions by the Group	0.2	0.3
Benefits paid from reimbursement rights	(0.1)	(0.7)
Other changes	(0.9)	(1.0)
Fair value of reimbursement rights at end of period	2.7	3.4

Components of the cost of defined benefit plans

In millions of euros	2014	2013
Service costs	**7.0**	**7.1**
Current service cost	7.0	7.1
Net financial expense	**1.1**	**0.9**
Cost for actualisation of the present value of the obligations	7.5	6.5
Interest income on plan assets	(6.3)	(5.5)
Interest income on reimbursement rights	(0.1)	(0.1)
Total recorded in "Staff costs"	8.1	8.0

Other items recognised directly in equity

In millions of euros	2014	2013
Other items recognised directly in equity	**(13.4)**	**1.2**
Actuarial (losses)/gains on plan assets or reimbursement rights	15.2	2.3
Actuarial (losses)/gains of demographic assumptions on the present value of obligations	0.6	(0.7)
Actuarial (losses)/gains of financial assumptions on the present value of obligations	(35.8)	(0.6)
Experience (losses)/gains on obligations	6.6	0.2

Principal actuarial assumptions used to calculate post-employment benefit obligations

In the Eurozone, United Kingdom and United States, the Group discounts its obligations using the yields of high quality corporate bonds, with a term consistent with the duration of the obligations.

The rates used are as follows:

In percentage	31 December 2014		31 December 2013	
	Discount rate	Rate of compensation increase [1]	Discount rate	Rate of compensation increase [1]
France	1.50%	2.00%-3.00%	2.09% - 3.17%	2.30% - 3.30%
Luxembourg	0.70%-1.50%	2.20%	2.30% - 3.00%	3.90%
United Kingdom	3.40%	4.75%	4.30%	3.10%

[1] Including price increases (inflation)

The impact of a 100 basis points change in discount rates on the present value of post-employment benefit obligations is as follows:

In million of euros	31 December 2014		31 December 2013	
	Discount rate -100 bp	Discount rate +100 bp	Discount rate -100 bp	Discount rate +100 bp
France	2.8	(2.3)	2.0	(1.9)
Luxembourg	10.4	(10.7)	10.5	(10.1)
United Kingdom	14.3	(13.1)	16.5	(15.4)

Actual rate of return on plan assets and reimbursement rights over the period.

In percentage [1]	31 December 2014	31 December 2013
France	3.60%	3.70%
Luxembourg	3.84% -7.40%	3.16% -9.37%
United Kingdom	7.69% -20.99%	-0.84% -7.45%

[1] Range of values, reflecting the existence of several plans in the same country.

Breakdown of plan assets

In percentage	31 December 2014					
	Shares	Government bonds	Non-government bonds	Real-estate	Deposit accounts	Others
France	6%	68%	18%	8%	0%	0%
Luxembourg	13%	28%	40%	0%	0%	19%
United Kingdom	27%	51%	20%	3%	0%	0%
Others	0%	0%	0%	0%	0%	100%
Total	18%	41%	26%	2%	0%	13%

In percentage	31 December 2013					
	Shares	Government bonds	Non-government bonds	Real-estate	Deposit accounts	Others
France	7%	62%	22%	9%	0%	0%
Luxembourg	11%	35%	32%	0%	4%	18%
United Kingdom	29%	65%	3%	3%	0%	0%
Others	0%	0%	0%	0%	0%	100%
Total	18%	49%	16%	2%	2%	13%

The Group introduced an asset management governance for assets backing defined-benefit pension plan commitments, the main objectives of which are the management and control of the risks in term of investment.

It sets out investment principles, in particular, by defining an investment strategy for plan assets, based on financial objectives and financial risk management, to specify the way in which plan assets have to be managed, via financial management servicing contracts.

The investment strategy is based on an assets and liabilities management analysis that should be realised at least on an annual basis for plans with assets in excess of EUR 100 million and every three years for plans with assets of between EUR 20 and EUR 100 million.

8.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 2014, the provisions existing within the Group relative to other long-term benefits amount to EUR 31.4 million (EUR 26.3 million on 31 December 2013).

8.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 2014, the existing provisions within the Group for the voluntary redundancy and early retirement plans amounted to EUR 43.4 million (EUR 49.2 million at 31 December 2013).

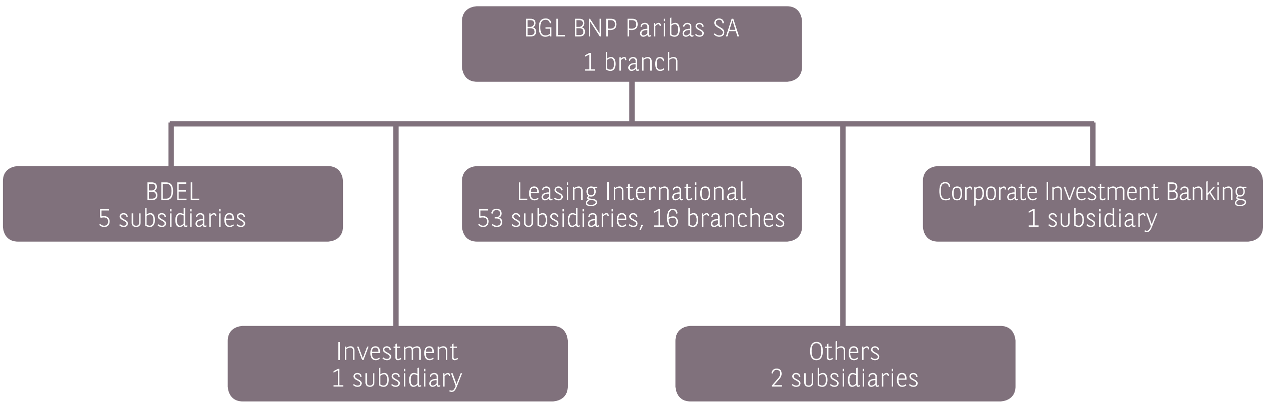
9. ADDITIONAL INFORMATION

9.a CHANGES IN SHARE CAPITAL

There was no share capital transaction in 2014 or in 2013.

9.b SCOPE OF CONSOLIDATION

Simplified structure of the Group by business line



List of subsidiaries and branches consolidated in the Group:

			31 December 2014			31 December 2013		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref.[1)]	Conso-lidation method	Group ownership interest	Ref.[1)]
Consolidating company								
BGL BNP Paribas SA	Luxembourg	Bank						
BGL BNP Paribas (German branch)	Germany	Bank	IG	100,00%		IG	100.00%	
BDEL								
BGL BNP Paribas Factor SA	Luxembourg	Factoring	IG	100.00%		IG	100.00%	
BNP Paribas Lease Group Luxembourg SA	Luxembourg	Leasing	IG	100.00%		IG	100.00%	
Cofhylux SA	Luxembourg	Real estate	IG	100.00%		IG	100.00%	
Structured entities								
Société Immobilière de Monterey SA	Luxembourg	Real estate	IG	100.00%		IG	100.00%	E1
Société Immobilière du Royal Building SA	Luxembourg	Real estate	IG	100.00%		IG	100.00%	E1

			31 December 2014			31 December 2013		
Name	Country	Activity	Consolidation method	Group ownership interest	Ref.[1)]	Conso-lidation method	Group ownership interest	Ref.[1)]
Leasing International								
Ace Equipment Leasing NV	Belgium	Leasing	IG	50.00%		IG	50.00%	
Ace Leasing NV	Belgium	Leasing	--	--	S2	IG	50.00%	
Agrilease BV	The Netherlands	Leasing	--	--	S3	IG	50.00%	
Albury Asset Rentals Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
All In One Vermietungs gesellschaft für Telekommunikationsanlagen mbH	Germany	Leasing	ME*	50.00%		ME*	50.00%	
All In One Vermietung GmbH	Austria	Leasing	ME*	50.00%		ME*	50.00%	
Aprolis Finance SA	France	Leasing	IG	25.50%		IG	25.50%	
Aprolis Finance (Romanian branch)	Romania	Leasing	ME*	25.50%	D1	IG	25.50%	
Arius SA	France	Leasing	IG	50.00%		IG	50.00%	
Artegy Ltd	United Kingdom	Leasing	ME*	50.00%	D1	IG	50.00%	
Artegy SA	France	Leasing	IG	50.00%		IG	50.00%	
Heffiq Heftruck Verhuur BV	The Netherlands	Leasing	--	--	S3	ME	25.00%	
BNP Paribas Finansal Kiralama AS	Turkey	Leasing	IG	47.74%		IG	47.74%	
BNP Paribas Lease Group (Belgique) SA	Belgium	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group BPLG SA	France	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group (German branch)	Germany	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group (Spanish branch)	Spain	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group (Italian branch)	Italy	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group (Portuguese branch)	Portugal	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group IFN SA	Romania	Leasing	ME*	49.97%		ME*	49.97%	
BNP Paribas Lease Group Kft	Hungary	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Lease Group Lizing RT	Hungary	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Lease Group Sp.z o.o.	Poland	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Lease Group UK PLC	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Lease Group Rentals Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Leasing Solutions NV	The Netherlands	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Leasing Solutions Immobilier Suisse SA	Switzerland	Leasing	ME*	50.00%		ME*	50.00%	
BNP Paribas Leasing Solutions Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Leasing Solutions SA	Luxembourg	Leasing	IG	50.00%		IG	50.00%	
BNP Paribas Leasing Solutions SPA	Italy	Leasing	ME	13.09%		ME	13.09%	
BNP Paribas Leasing Solutions Suisse SA	Switzerland	Leasing	ME*	50.00%		ME*	50.00%	
Claas Financial Services Inc.	United States	Leasing	IG	30.05%		IG	30.05%	
Claas Financial Services Ltd	United Kingdom	Leasing	IG	25.50%		IG	25.50%	
Claas Financial Services SA	France	Leasing	IG	30.05%		IG	30.05%	
Claas Financial Services (German branch)	Germany	Leasing	IG	30.05%		IG	30.05%	

				31 December 2014			31 December 2013	
Name	Country	Activity	Consolidation method	Group ownership interest	Ref.[1)]	Conso-lidation method	Group ownership interest	Ref.[1)]
Leasing international								
Claas Financial Services (Spanish branch)	Spain	Leasing	IG	30.05%		IG	30.05%	
Claas Financial Services (Polish branch)	Poland	Leasing	IG	30.05%		IG	30.05%	
Class Financial Services (Italian branch)	Italy	Leasing	IG	30.05%		IG	30.05%	
CNH Industrial Capital Europe BV	The Netherlands	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe GmbH	Austria	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe Ltd	United Kingdom	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe SA	France	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (German branch)	Germany	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Belgian branch)	Belgium	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Spanish branch)	Spain	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Italian branch)	Italy	Leasing	IG	25.05%		IG	25.05%	
CNH Industrial Capital Europe (Polish branch)	Poland	Leasing	IG	25.05%	E1	--	--	
Commercial Vehicle Finance Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
Fortis Lease Belgium SA	Belgium	Leasing	IG	50.00%		IG	50.00%	
Fortis Lease SA	France	Leasing	IG	50.00%		IG	50.00%	
Fortis Lease Car & Truck SA	Belgium	Leasing	--	--	S2	IG	50.00%	
Fortis Lease Deutschland GmbH	Germany	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease Iberia SA	Spain	Leasing	ME*	39.31%		ME*	39.31%	
Fortis Lease Portugal SA	Portugal	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease Romania IFN SA	Romania	Leasing	ME*	50.00%		ME*	50.00%	
Fortis Lease UK Ltd	United Kingdom	Leasing	ME*	50.00%	D1	IG	50.00%	
Fortis Lease UK Retail Ltd	United Kingdom	Leasing	ME*	50.00%	D1	IG	50.00%	
Fortis Vastgoed Lease BV	The Netherlands	Leasing	ME*	50.00%	D1	IG	50.00%	
HFGL Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
Humberclyde Commercial Inv. Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
Humberclyde Commercial Inv. (N1) Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
JCB Finance Holdings Ltd	United Kingdom	Leasing	IG	25.05%		IG	25.05%	
JCB Finance SA	France	Leasing	IG	25.05%		IG	25.05%	
JCB Finance (German branch)	Germany	Leasing	IG	25.05%		IG	25.05%	
JCB Finance (Spanish branch)	Spain	Leasing	--	--	S1	IG	25.05%	
JCB Finance (Italian branch)	Italy	Leasing	IG	25.05%		IG	25.05%	
Locatrice Italiana SPA	Italy	Leasing	ME	13.09%		ME	13.09%	
Manitou Finance Ltd	United Kingdom	Leasing	IG	25.51%		IG	25.51%	
MFF SAS	France	Leasing	IG	25.50%		IG	25.50%	
Same Deutz Fahr Finance Ltd	United Kingdom	Leasing	IG	50.00%		IG	50.00%	
Same Deutz Fahr Finance SA	France	Leasing	IG	50.00%		IG	50.00%	
SREI Equipment Finance Ltd	India	Leasing	ME **	25.00%		ME **	25.00%	
Structured entities								
Vela Lease SRL	Italy	Leasing	ME	13.09%		ME	13.09%	

Name	Country	Activity	31 December 2014 Consolidation method	Group ownership interest	Ref.[1]	31 December 2013 Conso-lidation method	Group ownership interest	Ref.[1]
Investment Solutions								
Cardif Lux Vie SA	Luxembourg	Insurance	ME	33.33%		ME	33.33%	
Corporate Investment Banking								
Alleray Sàrl	Luxembourg	Bond investment	IG	100.00%	E3	--	--	
Other activities								
Plagefin - Placement, Gestion, Finance Holding SA	Luxembourg	Equity management	--	--	S2	IG	100.00%	
Plagefin SA (ex Paribas Trust Luxembourg SA)	Luxembourg	Equity management	IG	100.00%		IG	100.00%	
Société Alsacienne de Développement et d'Expansion (SADE) SA	France	Finance	IG	100.00%		IG	100.00%	

[1] Changes in the scope of consolidation :

New entries (E) in the scope of consolidation
E1 Incorporation
E2 Purchase, gain of control or significant influence
E3 Crossing of threshold as defined by Group

Exits (S) from the scope of consolidation
S1 Disposal
S2 Merger
S3 Entities no longer consolidated as below the thresholds defined by the Group

Other (D)
D1 Change in consolidation method not related to changes in interest rates
ME * Controlled Entities subject to a simplified consolidated by the equity method due to their immateriality (see note 1.b)
ME ** Entity consolidated using the equity method following the application of IFRS 11 for the reporting entity; remains on a proportionate basis for the prudential consolidation scope

9.c MINORITY INTERESTS

Main minority interests

BGL BNP Paribas owns 50% + 1 share of the Luxembourg holding company BNP Paribas Leasing Solutions SA (BPLS). The minority shareholder of BPLS is BNP Paribas, which holds 50% minus 1 share. Other subsidiaries of the Group are all 100% owned.

BPLS itself holds many international leasing subsidiaries (see note 9b), some of which also have minority interests (partnerships with manufacturers in particular). These minority interests are not material to the Group.

In millions of euros before elimination of intra-group transactions	31 December 2014	31 December 2013
Leasing Solutions (BNP Paribas Leasing Solutions SA and its subsidiaries)		
Total balance sheet	17 390.2	17 464.8
Revenues	619.5	629.0
Net Income	147.8	216.3
Net income and changes in assets and liabilities recognised directy in equity	174.6	162.2
Shareholders' equity - Minority interests	1 226.0	1 282.2
Net income attributable to minority interests	87.3	119.1
Dividends paid to minority shareholders	(106.6)	(13.0)
Interim dividend payments to minority shareholders	(50.3)	(26.1)

Furthermore, there are no special contractual restrictions on the assets of BNP Paribas Leasing Solutions, related to the presence of the minority shareholder.

In 2013 and 2014, there were no acquisitions of additional interests or partial sales of interests by the Group which could have changed the share of minority shareholders in the equity and reserves.

Commitments to buy equity from minority shareholders

As part of the acquisition of certain entities, the Group has granted minority shareholders put options for their participation in a specific price.

The total value of these commitments, which are recorded as a reduction of shareholders' equity, was EUR 16.2 million at 31 December 2014 compared with EUR 12.5 million at 31 December 2013.

9.d SIGNIFICANT RESTRICTIONS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Significant restrictions related to the ability of entities to transfer cash to the Group

The ability of entities to pay dividends or to repay loans and advances depends, inter alia, on local regulatory requirements for capitalisation, and legal reserves, as well as the entities financial and operational performance. During 2013 and 2014, no Group entity was subject to significant restrictions other than those related to regulatory requirements.

Significant restrictions related to the Group's ability to use assets pledged as collateral or sold under repurchase agreements

Financial instruments pledged by the Group as collateral or sold under repurchase agreements are presented in the notes 7.c and 6.s.

Significant restrictions related to liquidity reserves

The amount of mandatory deposits with central banks and other regulators amounted to EUR 319.8 million at 31 December 2014 (EUR 73.6 million at 31 December 2013).

9.e STRUCTURED ENTITIES

The Group considers that it sponsored a structured entity when it was involved in its creation.

The Group is engaged in transactions with sponsored structured entities primarily through its activities of specialised asset financing.

In addition, the Group is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds and securitisation vehicles.

The method for assessing control for structured entities is detailed in note 1.b.2. "Consolidation methods".

9.e.1 Consolidated structured entities

Structured entities consolidated by the Group mainly include structured entities controlled by the Group as part of its core business of structured finance or investments.

9.e.2 Unconsolidated structured entities

The Group is involved in relationships with unconsolidated structured entities as part of its activities to meet the needs of its customers.

The main categories of unconsolidated sponsored structured entities are as follows:

Securitisation: the Group structures securitisation vehicles for the purpose of offering customers financing solutions for their assets. Each vehicle finances the purchase of customers' assets (receivables, or bonds, etc) primarily by issuing bonds backed by these assets and whose redemption is linked to their performance.

Funds: the Group may invest in mutual funds or securities investment funds with no involvement in their management or structuring.

Asset financing: the Group finances structured entities that acquire assets (aircraft, ships, etc.) intended for lease, and the lease payments received by the structured entity are used to repay the financing, which is guaranteed by the asset held by the structured entity.

Real Estate structure: on behalf of its customers, the Group may also structure entities, whose objective is to invest in real estate assets.

Other: on behalf of its customers, the Group may also structure entities, which invest in assets to acquire holdings or to raise funds.

The Group's assets and liabilities related to interests held in structured entities are as follows:

In millions of euros	31 December 2014					
	Securitisation	Funds	Assets financing	Real estate structure	Others	Total
Interests on the Group balance sheet						
Assets						
Available-for-sale financial assets	-	-	1.0	-	7.8	8.8
Loans and receivables	195.4	-	5.3	86.2	9.7	296.6
Other assets	-	-	-	1.7	-	1.7
Total assets	**195.4**	**-**	**6.3**	**87.9**	**17.5**	**307.1**
Liabilities						
Financial liabilities carried at amortised cost	-	8.5	0.2	5.5	10.9	25.1
Total liabilities	**-**	**8.5**	**0.2**	**5.5**	**10.9**	**25.1**
Maximum exposure to loss	**195.4**	**-**	**6.4**	**316.9**	**12.9**	**531.6**

The maximum exposure to losses on structured entities is the carrying amount of the potential loss in cash flow.

It is composed of the carrying value of the asset, excluding, for available-for-sale, financial assets changes in value taken directly to equity, as well as the nominal amount of financing and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

Size of structured entities sponsored by the Group

In millions of euros	31 December 2014					
	Securitisation	Funds	Assets financing	Real estate structure	Others	Total
Size of structured entities sponsored by the Group	n/a	14.7	27.9	348.9	23.3	414.9

Information on the size of the structured entities sponsored differs depending on their type.

Thus, the following financial data have been used to measure the size:

- securitisation: total assets of the structured entity, mentioned in the last report to investors;
- funds: Fund Net Asset Value;
- other structured entity: total assets of the structured entity or, if the information is available, the amount of the Group's commitment.

9.f COMPENSATION AND BENEFITS AWARDED TO MEMBERS OF THE BOARD OF DIRECTORS AND KEY CORPORATE OFFICERS

In 2014, the remuneration, including pension expenses, paid to the Group's key officers amounted to EUR 7.7 million (2012: EUR 7.2 million).

The remuneration paid in 2014, relative to 2013, to the members of the BGL BNP Paribas Board of Directors amounted to EUR 1.7 million (2013: EUR 1.8 million).

During the year 2014 the key officers were allocated EUR 0.6 million under the ISIS Scheme (International Sustainabilty and Incentive Scheme). (2013: EUR 0.6 million).

On 31 December 2014, the loans granted to members of the Board of Directors were equal to EUR 2.2 million (on 31 December 2013: EUR 20 million); the loans granted to key officers were equal to EUR 5.3 million (on 31 December 2013: EUR 5.2 million).

On 31 December 2014, the credit lines granted to members of the Board of Directors were equal to EUR 2.4 million (31 December 2013: EUR 3.2 million); the credit lines granted to key officers were equal to EUR 5.6 million (on 31 December 2013: EUR 5.4 million).

9.g RELATED PARTIES

The related parties of the Group are associated companies, joint ventures, 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;
- parent companies: BNP Paribas SA, BNP Paribas Fortis SA and their subsidiaries;
- 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 9.f.

Relationships with joint ventures are not significant.

The State of Luxembourg is a 34% shareholder of BGL BNP Paribas SA. As such, it received a dividend of EUR 49.3 million from BGL BNP Paribas SA in 2014. 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 2014			31 December 2013		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
ASSETS						
Financial assets at fair value through profit or loss	-	92.8	13.4	-	147.9	25.5
Derivatives used for hedging purposes	-	169.5	-	-	89.8	-
Available-for-sale financial assets	85.5	-	193.4	85.5	-	170.6
Loans and receivables due from credit institutions	433.8	5 871.5	187.3	78.1	7.837.2	41.6
Loans and receivables due from customers	441.1	0.9	191.3	752.4	2.1	451.1
Accrued income and other assets	4.9	17.5	82.6	6.3	26.3	73.3
Total	965.3	6 152.2	668.0	922.3	8 103.3	762.1
LIABILITIES						
Financial liabilities at fair value through profit or loss	-	203.0	16.2	-	54.0	56.7
Derivatives used for hedging purposes	-	60.1	-	-	30.2	-
Due to credit institutions	-	8 797.3	44.4	-	8 895.4	33.5
Due to customers	42.1	-	220.7	77.1	-	207.7
Accrued expenses and other liabilities	19.7	22.9	2.1	7.8	34.9	2.5
Total	61.9	9 083.3	283.4	84.9	9 014.5	300.4

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 2014			31 December 2013		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
FINANCING AND GUARANTEE COMMITMENTS						
Financing commitments given	1.9				46.1	
Financing commitments received	-	485.2	2.4	-	293.7	3.8
Guarantee commitments given	161.3	139.9	42.6	125.6	157.2	31.0
Guarantee commitments received	-	112.6	32.1	0.4	229.6	61.1

As at 31 December 2013 and at 31 December 2014, guarantees given include EUR 125.0 million of guarantees given to Cardif Lux Vie SA, following the merger of Fortis Luxembourg Vie SA and Cardif Lux International SA. At 31 December 2014, a provision of EUR 9.5 million for this guarantee was recorded in the accounts (compared with EUR 8.4 million at the end of 2013).

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	2014			2013		
	Associates	Parent companies	Other BNP Paribas entities	Associates	Parent companies	Other BNP Paribas entities
Interest income	20.3	175.0	15.5	12.1	199.0	15.7
Interest expense	(0.2)	(218.1)	(7.2)	-	(255.7)	(9.2)
Commission (income)	10.0	11.3	35.1	10.6	13.9	40.5
Commission (expense)	(4.4)	(8.3)	(1.5)	(5.7)	(5.1)	(0.1)
Gains (losses) on financial instruments at fair value through profit or loss	-	(7.6)	(2.2)	-	(55.6)	5.0
Income (expenses) from other activities	(3.0)	-	55.1	7.7	-	55.9
Total	22.7	(47.7)	94.8	24.7	(103.5)	107.8

9.h 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 2014 *In millions of euros*	Undetermined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and amounts due from central banks	-	348.9	-	-	-	-	-	348.9
Financial assets at fair value through profit or loss	392.9	-	-	-	63.3	5.6	-	461.8
Derivatives used for hedging purposes	169.5	-	-	-	-	-	-	169.5
Available-for-sale financial assets	305.6		814.9	80.0	236.7	2 793.8	2 122.3	6 353.3
Loans and receivables due from credit institutions	-	959.9	1 130.6	215.4	458.4	2 493.6	1 455.5	6 713.4
Loans and receivables due from customers	-	849.8	843.6	1 857.5	4 112.2	10 044.7	6 863.0	24 570.8
Held to maturity financial assets	-	-	10.0	17.8	-	214.3	97.0	339.1
Financial assets by maturity	**868.0**	**2 158.6**	**2 799.1**	**2 170.7**	**4 870.6**	**15 552.0**	**10 537.8**	**38 956.8**
Financial liabilities at fair value through profit or loss	363.2	-	-	48.5	105.2	197.4	106.2	820.5
Derivatives used for hedging purposes	60.1	-	-	-	-	-	-	60.1
Due to credit institutions	-	304.7	1 205.3	1 145.3	2 225.0	4 038.4	550.2	9 468.9
Due to customers	-	11 167.8	902.2	6 354.4	1 043.8	119.5	192.9	19 780.7
Debt securities	-	-	11.4	630.9	505.3	419.1	-	1 566.8
Remeasurement adjustment on the interest-rate-risk hedged portfolios	93.8	-	-	-	-	-	-	93.8
Financial liabilities by maturity	**517.1**	**11 472.5**	**2 118.9**	**8 179.1**	**3 879.3**	**4 774.4**	**849.3**	**31 790.8**

31 December 2013* *In millions of euros*	Undetermined	Overnight or demand	Up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and amounts due from central banks	-	306.6	-	-	-	-	-	306.6
Financial assets at fair value through profit or loss	264.7	-	-	-	43.6	79.7	-	388.0
Derivatives used for hedging purposes	89.9	-	-	-	-	-	-	89.9
Available-for-sale financial assets	249.3	-	394.9	215.3	67.2	1 231.5	1 166.6	3 324.8
Loans and receivables due from credit institutions	-	906.6	1 963.6	940.8	1 018.5	2 379.3	1 150.0	8 358.8
Loans and receivables due from customers	-	1 160.5	718.6	2 072.0	4 167.8	9 669.0	7 202.3	24 990.2
Held to maturity financial assets	-	-	10.0	8.4	25.0	66.1	260.6	370.1
Financial assets by maturity	**603.9**	**2 373.7**	**3 087.1**	**3 236.5**	**5 322.1**	**13 425.6**	**9 779.5**	**37 828.4**
Financial liabilities at fair value through profit or loss	236.1	-	3.3	22.6	145.5	349.3	121.1	877.9
Derivatives used for hedging purposes	31.2	-	-	-	-	-	-	31.2
Due to credit institutions	-	505.5	404.0	1 963.1	2 107.7	3 610.5	750.6	9 341.4
Due to customers	-	16 334.8	1 447.8	464.7	705.9	118.2	395.6	19 467.0
Debt securities	-	-	12.5	928.9	192.3	290.5	-	1 424.2
Remeasurement adjustment on the interest-rate-risk hedged portfolios	49.8	-	-	-	-	-	-	49.8
Financial liabilities by maturity	**317.1**	**16 840.3**	**1 867.6**	**3 379.3**	**3 151.4**	**4 368.5**	**1 267.3**	**31 191.5**

** Restated according to IFRS 11 and the amended IAS 32 (see notes 1.a and 2).*

9.i FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as of 31 December 2014. 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 finance lease operations, 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 instruments concerned to the overall valuation of the Group.

In millions of euros at 31 December 2014	Estimated fair value				Balance sheet value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables due from credit institutions	-	6 713.4	-	6 713.4	6 713.4
Loans and receivables due from customers [1)]	241.3	898.5	14.115.6	15 255.4	15 074.5
Held-to-maturity financial assets	389.7	-	-	389.7	339.1
FINANCIAL LIABILITIES					
Due to credit institutions	-	9 469.2	-	9 469.2	9 468.9
Due to customers	-	19 783.4	-	19 783.4	19 780.7
Debt securities	-	1 578.2	-	1 578.2	1 566.8

[1)] *Excluding finance lease operations.*

*In millions of euros at 31 December 2013**	Estimated fair value				Balance sheet value
	Level 1	Level 2	Level 3	Total	
FINANCIAL ASSETS					
Loans and receivables due from credit institutions	-	8 177.5	181.3	8 358.8	8 358.8
Loans and receivables due from customers [1)]	213.7	1 207.4	14 457.8	15 878.9	15 826.5
Held-to-maturity financial assets	405.9	-	-	405.9	370.1
FINANCIAL LIABILITIES					
Due to credit institutions	-	9 341.7	-	9 341.7	9 341.4
Due to customers	-	19 446.3	-	19 446.3	19 467.0
Debt securities	-	1 430.0	-	1 430.0	1 424.2

[1)] Excluding finance lease operations
** Restated according to IFRS 11 (see notes 1.a and 2).*

The used valuation techniques and assumptions ensure that the fair value of financial assets and liabilities is measured at amortised cost 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. The allocation by level was conducted in accordance with the accounting principles described in this note. 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) fair value is used and these were presented in Level 2, with the exception of loans to customers, classified as Level 3.

The breakdown by level at 31 December 2013 has been reclassified to conform to the principles applied in 2014.

9.j 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.

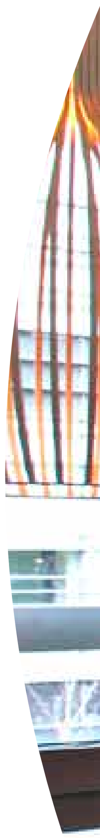
The Group makes provisions for such matters when, in the opinion of management and upon consultation with its legal advisors, it is probable that a payment will have to be made by the Group, and when the amount can be reasonably estimated (see note 6.q "Provisions for contingencies and charges.").

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.

9.k FEES PAID TO THE STATUTORY AUDITORS

Year to 31 December 2014 *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%	718	70%	-	0%	718	19%
- Consolidated subsidiaries	26	3%	282	28%	1 759	99%	2 067	56%
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%	26	1%	26	1%
Audit total	**26**	**3%**	**1 023**	**100%**	**1 785**	**100%**	**2 834**	**77%**
Other services provided by the networks								
Legal, tax, social	-	0%	-	0%	-	0%	-	0%
Other	862	97%	-	0%	-	0%	862	23%
Other services total	**862**	**97%**	**-**	**0%**	**-**	**0%**	**862**	**23%**
Total fees	888	100%	1 023	100%	1 785	100%	3 696	100%

Year to 31 December 2013 *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%	729	72%	-	0%	729	15%
- Consolidated subsidiaries	26	1%	235	23%	1 925	100%	2 186	46%
Other due diligence reviews and services directly related to the corporate auditor's scope, of which:								
- Issuer	-	0%	25	2%	-	0%	25	1%
- Consolidated subsidiaries	-	0%	-	0%	-	0%	-	0%
Audit total	**26**	**1%**	**989**	**97%**	**1 925**	**100%**	**2 940**	**62%**
Other services provided by the networks								
Legal, tax, social	-	0%	-	0%	-	0%	-	0%
Other	1 802	99%	27	3%	-	0%	1 829	38%
Other services total	**1 802**	**99%**	**27**	**3%**	**-**	**0%**	**1 829**	**38%**
Total fees	1 828	100%	1 016	100%	1 925	100%	4 769	100%



Branch Esch/Belval

UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

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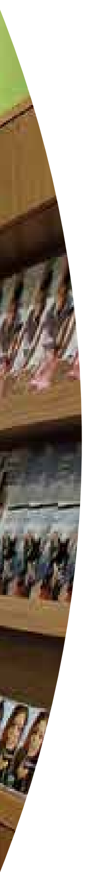
Branch Esch/Belval



UNCONSOLIDATED BALANCE SHEET

In millions of euros	31 December 2014	31 December 2013
Liabilities		
Cash, credit notes with central banks and post office banks	**346.5**	**306.5**
Receivables from credit institutions	**7 814.1**	**11 336.3**
a) demand	954.0	843.5
b) other receivables	6 860.1	10 492.8
Receivables due from customers	**14 286.5**	**12 520.7**
Bonds and other fixed income securities	**6 565.8**	**4 489.5**
a) from public issuers	3 986.4	2 612.3
b) other issuers	2 579.4	1 877.2
Equities and other variable income securities	**157.3**	**199.5**
Investments in subsidiaries	**46.2**	**44.1**
Affiliates	**1 574.5**	**1 595.8**
Intangible fixed assets	**125.5**	**283.2**
Tangible fixed assets	**209.4**	**154.4**
Other assets	**39.5**	**76.5**
Accrued income	**301.7**	**238.4**
Total assets	31 467.0	31 244.9

UNCONSOLIDATED BALANCE SHEET (CONTINUATION)

In millions of euros	31 December 2014	31 December 2013
Liabilities		
Due to credit institutions	**2 459.1**	**2 767.0**
a) demand	402.3	707.1
b) forward or with notice	2 056.8	2 059.9
Due to customers	**19 827.3**	**18 998.6**
a) savings deposits	5 800.8	5 802.8
b) other debts	14 026.5	13 195.8
- demand	11 208.5	10 864.1
- forward or with notice	2 818.0	2 331.7
Debt securities	**1 941.6**	**2 064.7**
a) bills and outstanding bonds	996.3	1 247.3
b) other	945.3	817.4
Other liabilities	**712.2**	**1 036.0**
Accrued income	**114.9**	**77.2**
Provisions	**359.0**	**338.2**
a) provisions for taxes	41.7	44.8
b) other provisions	317.3	293.4
Subordinated liabilities	**110.0**	**110.0**
Special items with a share of the reserves	**225.1**	**225.2**
Fund for general banking risks	**117.4**	**57.4**
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	**176.2**	**146.3**
Total liabilities	31 467.0	31 244.9

Off-balance sheet		
Contingent liabilities	**1 718.5**	**1 624.8**
of which: Surety bonds and assets given in guarantee	*334.3*	*371.4*
Commitments	**2 051.0**	**1 872.9**
Fiduciary operations	**2 712.9**	**2 868.5**

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

In millions of euros	2014	2013
Interest income	**739.6**	**819.7**
including: On fixed revenue marketable securities	*152.1*	*140.5*
Interest expense	**(221.0)**	**(271.4)**
Income on equities and other variable instruments	**169.8**	**55.6**
a) earnings from equities, shares and other variable instruments	3.4	2.5
b) earnings from holdings	6.3	3.8
c) earnings from affiliates	160.1	49.3
Commissions earned	**195.9**	**231.4**
Commissions paid	**(50.6)**	**(51.5)**
Earnings on financial operations	**27.0**	**35.2**
Other operating income	**62.4**	**70.2**
Administrative overhead costs	**(411.4)**	**(393.2)**
a) staff costs	(269.4)	(254.8)
including: - Wages and salaries	*(211.2)*	*(216.6)*
- Social charges	*(50.8)*	*(31.6)*
- Social charges applying to pensions	*(43.5)*	*(24.1)*
b) other administrative costs	(142.0)	(138.4)
Value corrections on intangible fixed assets and on tangible fixed assets	**(174.4)**	**(176.4)**
Other operating expenses	**(7.4)**	**(52.1)**
Additions/reversals for value creations on receivables and provisions for possible debts and commitments	**(54.6)**	**(8.6)**
Additions/reversals for value creations on marketable securities described as financial fixed assets, on investments in subsidiaries and shares in subsidiaries and affiliates	**6.1**	**(61.9)**
Additions to "special items with a share of the reserves"	**-**	**(87.0)**
Proceeds resulting from the dissolution of the "special items with a share of the reserves"	**0.2**	**2.4**
Proceeds resulting from the dissolution of the amounts listed in the fund for general banking risks	**(60.0)**	**-**
Income tax applicable to ordinary activities	**(44.9)**	**(50.4)**
Proceeds resulting from ordinary activities, after tax	176.7	62.0
Exceptional income	**-**	**84.8**
Exceptional proceeds	-	84.8
Other taxes not included in the above items	**(0.5)**	**(0.5)**
Profit or loss for the fiscal year	176.2	146.3

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