

# BNP Paribas Fortis SA/NV Annual Report 2012





# Introduction

The BNP Paribas Fortis Annual Report 2012 contains both the audited Consolidated and the Non-consolidated Financial Statements, preceded by the Report of the Board of Directors, the Statement of the Board of Directors and a section on Corporate Governance including the composition of the Board of Directors. The audited BNP Paribas Fortis Consolidated Financial Statements 2012, with comparative figures for 2011, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are followed by the audited Non-consolidated Financial Statements 2012 of BNP Paribas Fortis SA/NV, prepared on the basis of the rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

*All amounts in the tables of the consolidated Financial Statements are denominated in millions of euros, unless stated otherwise. All amounts in the tables of the non-consolidated Financial Statements are denominated in thousands of euros, unless stated otherwise. Because figures have been rounded off, small differences with previously reported figures may occur. Certain reclassifications have been made with regard to the prior year's Financial Statements in order to make them comparable for the year under review.*

*BNP Paribas Fortis refers in the Consolidated Financial Statements to the BNP Paribas Fortis SA/NV consolidated situation unless stated otherwise. BNP Paribas Fortis refers in the Non-Consolidated Financial Statements to the BNP Paribas Fortis SA/NV non-consolidated situation, unless stated otherwise.*

*The Extraordinary General Meeting of Shareholders of December 11, 2012 decided to change the legal name of the company from*

*Fortis Bank into BNP Paribas Fortis as from 1 January 2013. In all places where Fortis Bank is still mentioned it should therefore be read as BNP Paribas Fortis.*

*All information contained in the BNP Paribas Fortis Annual Report 2012 relates to the BNP Paribas Fortis statutory consolidated and non-consolidated financial statements and does not cover the contribution of BNP Paribas Fortis to the BNP Paribas Group consolidated results, which can be found on the BNP Paribas website: [www.bnpparibas.com](http://www.bnpparibas.com).*

*The BNP Paribas Fortis Annual Report 2012 is available on the website: [www.bnpparibasfortis.com](http://www.bnpparibasfortis.com)*

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# **BNP Paribas Fortis Consolidated Annual Report 2012**

# Report of the Board of Directors

## A word from the Chairman and the CEO

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2012 was a difficult year for the European economy, with very low short-term interest rates, a relatively flat yield curve and the resurgence of the sovereign-debt crisis in the first half of the year. Banks increasingly focused their activities on their respective domestic markets, which are mature markets with limited growth potential. In addition, their strategies were conditioned by the higher capital buffers called for by the stricter Basel III solvency requirements that are to be gradually phased in from 2013 onwards. However, the banking sector continued to play its role as credit provider to the real economy, helped by a range of stabilising policies from the European Central Bank – including the announcement of a bond-buying programme – which helped to ease financial market friction.

Despite the adverse operating environment, BNP Paribas Fortis posted a solid commercial and operational performance in 2012. We retained market leadership in our domestic markets in Belgium and Luxembourg by pursuing a client-centric, multi-channel strategy. By continuing to supply credit, we continued to support our retail and business clients and also further broadened our distribution channels so as to enable customers to carry out their banking operations whenever and wherever they wish.

Today, customer needs are keeping pace with the rapid digitisation and rise of interconnectivity in today's society. With this in mind, the Bank undertook a strategy update in December 2012, deciding on steps to increase our efficiency and approachability, with the ultimate aim of providing a better overall customer experience. To comprehensively address the needs of the new generation of 'digital natives' and clients seeking a more independent relationship with their bank, BNP Paribas Fortis is making significant investments in the digital offering (Easy banking for mobile devices, plus Contact Centres), making it easier for clients to interact with the Bank. As part of the plan, the Bank's branch network will also be adapted.

Our financial performance over 2012 shows that we are on the right track. Net income attributable to shareholders totalled EUR 307 million, an improvement on 2011 when it was materially affected by the Greek sovereign debt crisis and the restructuring of our Turkish activities, but it was negatively impacted by an exceptional impairment of EUR (470) million on the participation in investment activities. The cost of risk was much lower than in 2011, and we achieved a balance sheet reduction of more than 20%, through further deleveraging. The Bank's solvency ratio remains high with Tier 1 capital at 15.3%, and we maintain strong liquidity levels, as illustrated by a loan-to-deposit ratio of 101%. In view of these results and the successful completion of our integration into the BNP Paribas Group at the end of 2012, we will henceforth focus even more closely on the profitability of our activities and on improving operating income, as explained in our strategic update.

Pursuing better profitability will however by no means stifle growth prospects. Since 2009 BNP Paribas Fortis has taken on a number of important activities for the Group, including Trade Finance, Cash Management and Factoring, in addition to the activities of Corporate & Transaction Banking Europe (CTBE). To that we are now adding leasing activities through the consolidation of BNP Paribas Leasing Solutions and the transfer to BNP Paribas Fortis of Specialised Finance activities for major corporates in Europe (excluding France and Italy), the Middle East and Africa, expanding in particular services in the field of Export Finance and Project Finance. This transfer brings new and additional business to us and more than doubles BNP Paribas Fortis' Specialised Finance activity, leading to the development of additional skills. Moreover, the opening of branches in Norway and the Netherlands (2013) further strengthens the role which BNP Paribas Fortis plays in the Group's corporate banking activities.

We expect the economic outlook to remain challenging in 2013 and beyond, with the EU economy suffering from a difficult post-financial crisis correction, which is likely to weigh on growth and employment. Low economic growth and interest rates, stresses in the labour market and uncertainty regarding the regulatory framework mean that BNP Paribas Fortis will focus even more on operational efficiency and process industrialisation. This will contribute to the general aim of keeping costs flat over the next three years, thus improving the overall profitability of the Bank.

Thanks to the dedication, hard work and customer focus of our staff, BNP Paribas Fortis is in a strong position to address the challenges ahead. We would like to thank all our staff for the superb job they do every day to make our Bank successful, and also to thank our customers for the confidence they place in us. In 2013 we will continue to strive to be the bank for the future on which both our customers and our employees can fully rely.

Maxime Jadot  
Chief Executive Officer (CEO)

Herman Daems  
Chairman Board of Directors

## Solid commercial and operational performance in an adverse market

### The economic context in 2012

The slowdown in economic growth which set in during 2011 continued unabated in 2012. While the Belgian economy narrowly avoided a recession – officially defined as two continuous quarters of negative growth – economic activity fell by 0.2% for the year as a whole. Belgium nevertheless performed better than the Eurozone average, which ended the year 0.5% down. The year was especially characterised by weak domestic demand, as both Belgian household consumption and investment in housing construction fell for the second year running. Meanwhile the continuing crisis in the euro area and the budgetary measures taken by the government weighed significantly upon confidence in the business sectors. Faced with reduced demand for their products, companies cut back on investment. In the latter part of the year, the economic indicators showed further weakening, leading to announcements of closures and restructuring by several companies, with consequent significant job losses.

Inflation in Belgium cooled from 3.5% at end 2011 to 2.2% at end 2012, thus coming back into line with the eurozone average. As growth prospects weakened, the European Central Bank (ECB) decided in July to reduce its base lending rate from 1.0% to 0.75%, the lowest level since the euro came into being.

The crisis in the euro area continued to spread a pall across the financial markets, despite the fact that the situation was now gradually coming under control. At the start of the year, a new rescue plan for Greece was agreed, calling for a comprehensive debt restructuring which strongly impacted private sector bondholders and creditors. Concerns over the budget situation in Spain pushed the Spanish long-term borrowing rate higher and then in the second quarter the crisis struck Italy. Those countries saw their interest rate gap with Germany widen to the extent that it prevented the bond markets from functioning normally. Worries over increasing financial fragmentation of the Eurozone prompted the ECB President to declare in late July that the ECB was ready to do 'whatever it takes' to preserve the single currency. In September a new monetary programme – entitled Outright Monetary Transactions (OMT) – was announced, empowering the ECB to make unlimited purchases of government paper on the secondary market on condition that the country in question undertook to pursue its efforts towards fiscal and structural reform. The financial

markets reacted favourably to this move and in the latter part of the year financial tensions gradually eased, with further support from national policymakers, who took further steps towards creating a closer currency union and ironing out macro-economic imbalances. Towards the end of the year, as part of the progress towards a European 'banking union', agreement was reached on a Community mechanism for bank oversight. Although they represent necessary steps towards finding a final solution to the crisis, these measures are far from being sufficient.

It is noteworthy that Belgium stood out as one of the Eurozone's greatest stalwarts on the financial markets in 2012. Within one year, the country's long-term borrowing rate fell from 4.1% to 2.1% - its lowest-ever rate – and the interest rate gap with Germany shrank from 227 to 75 basis points. The formation of a federal government in late 2011 and the publication of a highly credible budget for 2012 considerably improved Belgium's creditworthiness. This has enabled Belgium to continue along the path sketched out by the European Commission.

It will be clear from the foregoing that the environment in which banks are operating remains extremely challenging. Interest rates are at a historical low, which is putting downward pressure on profit margins. Profitability is further constrained by the fact that European banks are now increasingly focusing their activities on their respective domestic markets, which are mature markets with very little growth potential. In addition, banks' strategies are strongly conditioned by the higher capital buffers called for by the stricter Basel III solvency requirements that are to be gradually phased in from 2013 onwards.

In this difficult environment, the banking sector continued to play to the full its role as credit provider to the economy. Despite overall shrinking demand for credit, lending activities remained robust. Lending to households rose 5.5% in 2012, close to the 6.8% growth seen in 2011 while lending to companies was up 2.1%, compared with the 4.2% increase achieved in 2011. However, the second half of the year saw stricter lending standards to take account of the increased economic risks. The general uncertainty among both consumers and businesses resulted in strong flows of deposit funds into Belgium's banks. Deposits rose by EUR 26 billion in 2012, compared with an EUR 8 billion increase the previous year.

## Changes in the scope of consolidation

The major changes in the consolidation scope of BNP Paribas Fortis during 2012 were related to integration transactions, with certain activities of BNP Paribas Fortis and BNP Paribas transferred and re-allocated between various entities of the BNP Paribas Group. Changes to the BNP Paribas Fortis consolidation perimeter comprised, inter alia:

- The acquisition by BGL BNP Paribas of an additional 16.67% of the shares of BNP Paribas Leasing Solutions. This acquisition increased the share of BGL BNP Paribas from 33.33% to 50% +1 share and transferred control over BNP Paribas Leasing Solutions from BNP Paribas to BGL BNP Paribas. The acquisition of the additional 16.67% stake took place in various phases, concluding at end of March 2012.
- The integration of Fortis Commercial Finance (FCF) went ahead in 2012, following the acquisition of these factoring activities and entities in October 2011.
- The creation of a branch of BNP Paribas Fortis in Norway (Oslo) on 1 October 2012 and the consequent acquisition of all activities of the BNP Paribas branch in Norway.
- Final closure in the course of 2012 of the BNP Paribas Fortis branches in Taipei, Guangzhou, Shanghai and Budapest.

More information on the changes in the scope of consolidation is provided in note 8.a 'Scope of consolidation' and note 8.b 'Business Combinations'.

## Integration with BNP Paribas fully delivered according to plan

The integration of BNP Paribas Fortis into the BNP Paribas Group is now fully delivered, according to plan and exceeding the initial targets.

The achievements made through the integration process strengthened both the Group and the Belgian bank by extending its European footprint in Retail, boosting the existing CIB and Investment Solutions activities and bringing efficiency improvements to Functions and IT departments.

BNP Paribas Fortis has also taken on a range of important tasks on behalf of the Group. A number of Competence Centres, including Trade Finance, Cash Management and Factoring, are now based in Brussels, as are also the activities of Corporate & Transaction Banking Europe (CTBE), the BNP Paribas Group's European network of 150 Business Centres set up to serve corporate clients in 16 countries.

One of the important challenges of the integration was to put BNP Paribas Fortis at the heart of the Group's global organisation, a goal which was achieved inter alia by:

- strengthening the domestic bank in Belgium, while supporting clients abroad through a unique pan-European network
- accelerating the development of the Bank's human capital, resources and tools and continuing to support the Belgian economy
- improving client satisfaction with solutions tailored to their specific needs, striving to come closer to the customer and widening the range of products and services.

## Corporate Social Responsibility

In 2012 BNP Paribas Fortis clearly profiled itself as a bank which takes its economic, social and civic responsibilities very seriously.

### Sustainable financing of the economy

The Bank continued to play an important role in the financing of the real economy in Belgium, with considerable support for sustainable projects. In 2012 BNP Paribas Fortis supplied credit for a total amount of EUR 4.15 billion to 'green and social profit' sector investment projects. Among other projects, EUR 2.7 billion was dedicated to investment in social profit sector initiatives (hospitals, universities, etc.), EUR 428.3 million (including Fintro) was granted in green mortgages, EUR 237.9 million was lent to support projects in the field of renewable energy and EUR 216 million was lent for 'green' vehicles. The Bank's special initiative on the leasing of 'green' company cars at the Brussels Autosalon resulted in the financing of protection for 30,000 m<sup>2</sup> of woodlands.

In conjunction with the Group's Retail & Private Banking and Investment Partners divisions, as part of a thorough revision of our range of investment funds, a plan was drawn up in 2012 to offer Socially Responsible Investment (SRI) funds to a broader clientele. Meanwhile strict compliance with a set of financing policies regarding sensitive sectors ('List of Excluded Goods' and a comprehensive 'Defence and Armaments policy') was ensured.

Following its launch in 2011, microStart focused during 2012 on expanding its two existing microcredit agencies in the Brussels region. To-date 375 micro-loans have been granted to aspiring small business founders for a total sum of 1.8 million euro. Following careful analysis, two further neighbourhoods – in Ghent and Liege – with high levels of unemployed people who have low educational qualifications were chosen for the launch of two new agencies.

BNP Paribas Fortis made great efforts to promote banking ethics through awareness-raising and training programmes on codes of conduct for all staff, inter alia as regards the avoidance of conflicts of interest. The Bank also ran an intensive Customer Satisfaction campaign, based on five fundamental values: readiness to listen, transparency, partnership, approachability and social commitment.

### Responsible HR policy

On the employment front, considerable investments were made in training and continuous learning, with an average of three working days per FTE devoted to these programmes. From 2012 onwards, part of the variable salary component is now linked to the attainment of six sustainability and corporate social responsibility targets, including Customer Satisfaction, Diversity, staff participation in the Employee Satisfaction and Motivation survey, training in the field of Compliance & Risk, reducing the impact on the environment of the Bank's work, and improving health and general wellbeing in the workplace.

BNP Paribas Fortis was awarded the Diversity label by the Brussels-Capital region in 2012 in recognition of the range of Diversity initiatives undertaken at the Bank, including:

- A Diversity e-learning programme, which was followed by 77% of all staff

- MixCity Belgium, an internal network set up to provide career support to female staff, which now numbers 900 members, 20% of them male employees
- Initiatives designed to provide support to older staff during specific, challenging phases of their lives
- A set of internal quotas for female appointments: 50% of all trainees, 30% to 50% of participants on career development programmes and 50% of new branch manager appointments must be women.

### Corporate philanthropy

BNP Paribas Fortis also takes its civic responsibilities very seriously, on the one hand helping to combat poverty and social exclusion, and on the other pursuing a sustained policy of corporate philanthropy, with initiatives in the field of education, culture and support for underprivileged young people. During 2012 the Bank was engaged, inter alia, in the following initiatives:

- Win-Win fairs were held in 17 Belgian towns, the purpose being to link up local employers with socio-cultural organisations, in cooperation with the local authorities.
- Two new university chairs were set up: the Herman Daems Chair for Entrepreneurship and Innovation at Leuven University, in conjunction with GIMV and Barco; and the ICHEC-Chair for CSR, in cooperation with GDF Suez and MIVB. Meanwhile the Bank extended its support for four tutoring projects at Belgian universities for a further three years.
- During the year, the BNP Paribas Fortis Foundation provided support to 247 social work organisations, 141 of them receiving financial aid while the remaining hundred or so received material support and/or volunteer assistance. Various projects run by these organisations were granted financing to a total of 0.9 million euro, while 631 Bank employees provided hands-on assistance to these charitable organisations. Meanwhile, in collaboration with the Retail Banking arm, a collection was made which enabled 13,000 meals to be distributed by charitable food banks, and the 'Foursquare' initiative provided a further 5,000 meals to the needy via food banks.

### Reduction of environmental impact

In 2012, the Bank undertook further steps to reduce its environmental impact. This drive took place both in the central departments and with the help of 500 'eco-coaches' spread across the entire Bank, focusing on cutting down on paper and energy consumption and reducing CO2 emissions. A set of rules are being implemented with a view to making all the Bank's premises more energy efficient, both the large administrative buildings and data centres and the branches. Targets have been set and an action plan drawn up as part of the ISO 14001-certified environmental care system. Every year progress will be assessed and the approach modified if that proves necessary. In addition to our efforts to gradually reduce energy consumption, the Bank's electricity supply is also 100% 'green' power. Projects are also underway to generate renewable energy from the Bank's own installations, such as photovoltaic and solar thermal panels and through the geothermal heat pump method.

In addition, the Bank focuses on energy use and sustainability in our service provision to clients, including a wide range of sustainable investment products, loans for energy-efficient construction, special conditions for the financing and insurance of environmentally-friendly vehicles, and the BNP Paribas Fortis Life Climate Change insurance product, which invests only in sectors that strive to combat climate change. New sector policy rules were introduced during the year pertaining to 'environmentally-sensitive' industries and a partnership signed with nature protection charities Natuurpunt and Natagora to provide support to nature preservation projects and biodiversity protection. Meanwhile an in-company agreement was signed with the workforce representatives, which encourages the use of 'green' transport.

## Core Businesses

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### BNP Paribas Fortis

BNP Paribas Fortis covers both the Retail Banking and Corporate & Investment Banking activities of the BNP Paribas Group in Belgium. The Bank employs a total of 16,900 people in Belgium.

#### Retail Belgium

BNP Paribas Fortis Retail banking activities comprise banking services to a range of client types, including individual customers, self-employed people and those in the liberal professions, small and medium-sized companies, local businesses, corporate clients and non-profit organisations. Retail Belgium provides its services via two networks, which operate according to a segmented business approach: Retail & Private Banking Belgium and Corporate & Public Banking Belgium.

#### Retail & Private Banking Belgium

BNP Paribas Fortis is the market leader in Retail & Private Banking (RPB) in Belgium, with over 9,000 employees serving 3.6 million clients and strong positions in all banking products. Retail customers are served through a multi-channel distribution strategy. The network comprises 938 branches, supplemented by 312 branches under the Fintro brand and

680 sales points under a 50/50 joint venture with Bpost Bank. Other channels include a fleet of 4,382 ATMs, non-cash machines for making bank transfer payments, and bank statement printers; an online banking service, with 1.2 million active users; the Easy banking mobile banking service via smartphone and tablet; and telephone banking. Our long-term partnership with AG Insurance, due to run until end-2018, further reinforces the distribution power of the retail network and builds on our long experience in the bancassurance field.

With 36 Private Banking Centres, BNP Paribas Fortis is a major player in the Belgian private banking market. Clients with a minimum of EUR 250,000 worth of assets are eligible for private banking services and these constitute a sizeable client base for investment products. Meanwhile our Wealth Management arm targets clients with potential assets worth over EUR 4 million. These clients are provided with a specific service model and are mainly served from two Wealth Management Centres, one in Brussels and the other in Antwerp.

The prevailing economic uncertainty led to a drop in corporate demand for credit in spite of the fact that the Bank had designed tailored solutions for enlarging companies' working capital. In the individual customer segment, there was a marked reduction in housing loans, following two years of strong demand in 2010 and 2011. This falling off can be partly explained by the fact that a number of government grants and tax breaks expired during the year. By contrast, demand for consumer credit held up rather more strongly and the Bank was able to continue making its contribution to financing this area of the real economy.

The highly volatile situation on the financial markets clearly prompted clients to adopt a more safety-oriented approach and BNP Paribas Fortis responded to this trend with a broad, differentiated, product offering for savings and investments. Bonds issued by Belgian corporates proved to be an overwhelming success.

The Bank's ongoing efforts to improve customer satisfaction found their just reward. Once again in 2012 the satisfaction scores at Retail & Private Banking were up, thanks to the active support provided to staff at the branches and Private Banking centres, strong management focus and implementation of the Bank-wide 'One Bank Customer Satisfaction' project, which involves not only Retail & Private Banking staff but all the Bank's departments.

Considerable investments were made in our multi-channel offering. The switching of incoming calls to the branches over to the Contact Centre improved service availability for the customer. On some days, the Contact Centre handled more than 10,000 calls, with a response rate of over 90%.

PC banking has now become a fully-fledged channel for all customer needs, not just to carry out routine transactions and obtain basic information but increasingly also to seek advice and sign up for new services.

The offering was expanded during 2012 with Easy banking, which is available on iPhones, iPads and Android-based mobile devices. This latest offering met with great success, with over 200,000 downloads of the application by the end of the year and extremely positive feedback on the social media. New apps have been created for mobile banking, which have proved very

much to the liking of users. A number of new developments are now in preparation, including smartphone payments. Last but not least, the Bank's young customers' offering has now been posted on our Facebook page, which reaches out to some 30,000 fans.

BNP Paribas Fortis and Fintro also received special recognition from the Braille League after reaching the milestone of equipping 850 ATMs with voice guidance systems for the convenient use of visually impaired people. BNP Paribas Fortis and Fintro are the only banks in Belgium which offer this service.

The new CRM-infrastructure has also been further developed so that up-to-date information on each individual client's current situation and needs is available in real time on all channels.

Private Banking also came up with an innovative approach to investment profiles with its socially responsible investment (SRI) asset management offering. Within just a few months, this new offer had proved a great success. The difficult financial market situation also led investors to place greater importance on professional asset management, with a consequent increase in assets under management. Private Banking's credit offering saw the addition of an innovative formula: Flexible Private Credit. Meanwhile the intensive training for the 'Certified Private Banker' qualification, which all our private bankers follow, helped to enhance their knowledge and skills even further.

### **Corporate & Public Bank Belgium (CPBB)**

Corporate & Public Bank Belgium (CPBB) provides a comprehensive range of local and international services to Belgian companies, government institutions and local authorities. With over 600 corporate clients and 12,500 midcap clients, CPBB is the market leader in these two categories and a strong challenger in public banking, currently with 710 clients. The offer range comprises flow-banking products, specialised financial expertise, securities, insurance products, real estate services, trade finance, cash management, factoring and leasing, plus M&A and capital markets activities. Two central teams comprising 40 corporate banking and 13 public banking experts, and 210 relationship managers in 22 Business Centres, aided by skills officers, ensure that BNP Paribas Fortis has its finger on the pulse of the market.



In the difficult market circumstances of 2012, CPBB continued to make strenuous efforts to be the 'top of mind' provider and stay close to its clients, building further on its long-term relations and striving to obtain a better grasp of the strategic priorities and long-term objectives of each client. As the financier par excellence of the real economy, CPBB remained well-placed to meet the borrowing needs of these clients in a fully risk-aware manner.

In addition to the traditional lending approach, CPBB relationship managers are also able to provide alternative financing solutions. The strong trend towards financial disintermediation in the large corporates segment continued during the year, and many companies opted to issue bonds or make private placements of their debt paper. Once again in 2012, BNP Paribas Fortis played a leading role in this process thanks to its knowhow in this field.

Moreover CPBB was able to draw on the strength of the BNP Paribas Group's international network on behalf of its clients. The close links between Corporate & Public Banking Belgium and the 80-plus countries in the network enabled CPBB to bring a number of new clients within the fold.

In order to do justice to its status as a full-service banking partner, and given that in times of crisis all companies will undoubtedly wish to make optimal use of their working capital, CPBB launched in early 2012 a full-scale campaign targeting companies' working capital requirements. In addition to advertising, CPBB set up a website dedicated to this field, carried out a special survey among companies in collaboration with the economic magazine Trends-Tendances, and also created a Working Capital Scan tool. This tool enables relationship managers to examine the factors influencing a company's working capital needs and compare them with competitors in the same sector. In order to make this assessment of working capital requirements, BNP Paribas Fortis combines its knowhow and experience in Cash Management, Global Trade Solutions and Factoring in order to optimise the number of days of clients' customer and supplier credit available and so manage the risks in the best possible manner. In this way the Bank also acts as a strategic partner in terms of company clients' day-to-day needs, thus strengthening the client relationship.

2012 also saw CPBB's market share of deposit volumes grow. CPBB outperformed the market especially in standard current accounts and fixed-term deposit accounts. CPBB also made notable progress in integrating its various factoring businesses and streamlining their organisational processes. The Bank succeeded in maintaining high marks for client satisfaction while working to improve performance in a number of areas, such as making more frequent proactive visits to companies where BNP Paribas Fortis is not the main banking partner. Overall we can say that during the year 2012 CPBB clients expressed appreciation for the competence of our relationship managers and the various specialists, the communication relating to lending decisions and processes, and the Bank's overall range of products and services.

### **Corporate & Investment Banking**

BNP Paribas Fortis Corporate & Investment Banking (CIB) offers its clients in Belgium and across Europe full access to the BNP Paribas CIB product portfolio. BNP Paribas Fortis CIB consists of five business lines: Capital Markets, Structured Finance, Corporate & Transaction Banking Europe, Corporate Finance & Equity Capital Markets, and Private Equity.

Capital Markets, a Brussels-based platform, offers the comprehensive product range of BNP Paribas. In Fixed Income, Capital Markets serves mainly Belgian clients, but also European Corporates. In Equity Derivatives, the focus is on serving Belgian clients.

Structured Finance groups the activities of Corporate Acquisition Finance, Leveraged Finance, Export Finance, Project Finance and Loan Syndication. A regional platform is set up in Brussels to serve clients in the Benelux countries, Northern & Central Europe and Turkey.

Corporate & Transaction Banking Europe (CTBE) is an integrated banking network focused in particular on servicing subsidiaries of BNP Paribas clients in 16 European countries outside the Group's domestic markets. CTBE delivers daily banking products and services (vanilla loans, cash management, trade services, flow-hedging products and, when available, leasing, factoring and investment solutions products) in 16 non-domestic markets in Europe, through a network of more than 30 business centres which ensure close proximity with the clients. CTBE operates in close collaboration with two competence centres based in Belgium, which operate on behalf of the entire BNP Paribas Group: Cash Management and Global Trade Solutions. Cash Management provides companies with liquidity management services, in line with the increasing requirement from corporates for comprehensive, homogeneous solutions at European level (e.g. SEPA solutions, cash pooling and payment factories). Global Trade Solutions assists companies in their international trading activities, providing inter alia international guarantees for commercial agreements between parties in different countries.

Corporate Finance is active in Mergers & Acquisitions Advisory and in Equity Capital Markets, focusing on clients in Belgium and Luxembourg.

Private Equity continues to support the Belgian economy by investing in capital assets and mezzanine finance, thus enabling BNP Paribas Fortis to support its clients in their external development.

### Notable deals concluded in 2012

- M&A mandate to sell the Sand activities (non-core business) of the Carmeuse Group, which was successfully sold to Pioneer for USD 300 million. Carmeuse is a world benchmark in the production of lime, limestone and related products, crucial for a large number of applications (steel, construction, agro-food, paper, chemistry, plastics, carpets, paint, water treatment, flue gas treatment, etc.). Through the sale of the non-core Sand business in North America, BNP Paribas Fortis was instrumental in helping a Belgian company to pursue its deleveraging, thus enabling further expansion in its core business.
- Sole coordinator and joint bookrunner for a EUR 350 million retail bond issued by Fluxys Belgium. Fluxys is the independent operator of the natural gas

transmission system in Belgium. Gas accounts for almost 25% of primary energy consumption in Belgium, a percentage expected to rise in the coming years, and by ensuring its transmission, Fluxys is a key player in the Belgian economy. The proceeds of the retail bond will be used to further develop its activities in the country.

- Joint bookrunner for a EUR 500 million EMTN benchmark bond issued by SNCB/NMBS Holding, and sole bank for a EUR 102 million Schuldschein Bond 0 Coupon and a EUR 75 million EMTN Private Placement. SNCB/NMBS is the Belgian national rail service. Ensuring the daily continuity of the transportation system is crucial for the Belgian economy, and entails significant financing needs. SNCB/NMBS has therefore regularly called upon financial markets for private placements. This time however, it opted for the first time also for a benchmark transaction, whose proceeds are to be used for general corporate purposes related to the railroad transportation activities.
- Joint bookrunner for a EUR 750 million Benchmark bond for the Flemish Community. The Flemish Community exercises its powers in the Flemish provinces and in Brussels, where it uses public and private companies to carry out public service missions and investments, guaranteeing a number of them and transferring budgetary funds. In order to meet all its obligations, the Flemish Community has already issued several capital markets instruments, and opted this time for a benchmark bond.
- EUR 150 million participation in a EUR 300 million club deal, sole Rating Advisor and Joint Bookrunner in the inaugural (institutional) bond issue for Apetra. Apetra (Agence de Pétrole/Petroleum Agentschap) is the Belgian state entity responsible for the procurement and management of the national strategic petroleum reserves. Like other EU Member States, Belgium is forced to hold stocks of crude oil and petroleum products of at least 100 days of previous year net imports of oil products. With petroleum and its derivatives still accounting for more than 30% of our energy sources, the role of Apetra and consequently its access to funding are crucial. BNP Paribas Fortis is proud to support Apetra by financing its 2012-2015 forecast financing needs.

- Bookrunner, Mandated Lead Arranger and Facility Agent for the USD 14 billion acquisition facility that was granted to Anheuser-Busch InBev for the intended combination with Grupo Modelo (for an amount of USD 20 billion). AB InBev is the leading global brewer and one of the world's top 5 consumer products companies. It manages a portfolio of well over 200 beer brands, including Stella Artois®, Leffe®, Hoegaarden® and Jupiler®. Grupo Modelo is the leading brewer in Mexico and owns the Corona® brand. Bank of the West, a subsidiary of the BNP Paribas Group, is part of the original lending group, with a take of USD 100 million. In addition, BNP Paribas Fortis was also mandated as bookrunner for two bond issues for AB InBev, for respectively USD 7.5 billion in July 2012 and 2.25 billion in September 2012.
- A financing package of EUR 767 million for the Sarens Group, a Belgian multinational specialising in crane hire and engineering planning for the moving and hoisting of exceptionally large and heavy equipment. BNP Paribas Fortis acted as Mandated Lead Arranger for the club deal, including leasing facilities for an amount of EUR 450 million, involving BNP Paribas Leasing Solutions, a revolving credit facility of EUR 75 million to be used as working capital, and export credit finance worth EUR 242 million.
- Financial advisor and project finance for Northwind, set up in 2007 by the retailer Colruyt (66.7%) and Aspiravi Holding, a Flemish inter-community organisation promoting sustainable energy generation (33.3%), to develop, build and run an offshore windfarm in the North Sea. The project consists of 72 wind turbine generators situated 37 kilometers off the coast in Belgian territorial waters, with an estimated total generating capacity of 216 MW, enabling the windfarm to supply the electricity needs of 230,000 families while reducing CO2 emissions in Belgium by an annual 235,000 tons.
- BNP Paribas Fortis acted as financial advisor for the USD 450 million Azito independent gas-fired power project (IPP) expansion in Abidjan, Côte d'Ivoire. Shareholders of the project are Globeleq (from the UK) and the Aga Khan's Industrial Promotion Services (IPS). Financing includes a 15-year USD 350 million project financing led by the IFC (World Bank), BOAD

(regional bank in West Africa) and Development Agencies Proparco, DEG, FMO, EAIF, ICCF and BIO. The project relates to the conversion of an existing 290 MW open-cycle gas-fired power station into a 430 MW combined-cycle plant. When completed in 2015, this conversion and expansion will enable the Azito plant to increase its production so as to supply almost 50% of the electricity in Ivory Coast, without consuming any addition fuel.

BNP Paribas Fortis was named 'No.1 Bond Finance House 2011' by NYSE Euronext in recognition of its leading role in corporate bond issuance on behalf of Belgian and Luxembourgian clients. During 2012, BNP Paribas Fortis confirmed its position as the number one player on the domestic market, acting as lead manager on all but one of the corporate and public sector bond issues targeted at individual investors in Belgium and Luxembourg during the year.

## BGL BNP Paribas

BGL BNP Paribas was named 'Bank of the Year' in Luxembourg by the international magazine The Banker for the second year running. In Luxembourg, BGL BNP Paribas ranks as:

- N° 1 in Corporate Banking
- N° 2 in Retail Banking
- N° 1 Financial sector employer
- N° 1 Banking business within the EU economic area known as the 'Grande Région'

The three core businesses of the BNP Paribas Group are all represented within BGL BNP Paribas: Retail Banking, Investment Solutions, and Corporate and Investment Banking.

## Retail Banking

BGL BNP Paribas' Retail and Corporate Banking in Luxembourg provides a broad range of financial products and services to individual, professional and corporate clients through its network of 38 branches plus the departments and units that are dedicated to serving corporates.

BGL BNP Paribas is the number two bank in the Grand Duchy of Luxembourg for individual customers, with 204,000 clients, representing a 16% market share. It is also the number one bank for corporates, with 36,000 clients, equivalent to a 35% share of the market. In addition, the five BGL BNP Paribas Wealth Management Centres which are attached to the branch network provide Private Banking services to clients resident in Luxembourg.

2012 marked the conclusion of a series of major investments by the Bank, which consequently now has a wide range of client-centric tools at its disposal.

On the Retail Banking side, our new tools for client prospecting and acquisition, coupled with the consistent support provided to the sales teams, have enabled the Retail arm to run an ambitious programme designed to strengthen client relations. The Bank has also successfully launched a new daily banking offering and now also provides statements and notifications in electronic format. In addition, BNP Paribas' Priority offering for Premium clients has been rolled out and French (non-resident) clients can also take advantage of the fully integrated cross-border offering.

Corporate Banking is now making BNP Paribas Group offerings, such as the 'One Bank for Corporates in Europe and beyond' service, available to clients. These are services which none of our direct competitors is able to provide. In addition to setting up new leasing and factoring units and driving forward Cash management activities, the Bank has carried out a number of exceptional transactions in tandem with various entities of the Group, which were able to provide specialised knowhow. BGL BNP Paribas is today able to fully support its corporate clients' projects using a unique range of financing formulae which are tailored to client needs and specific circumstances.

BNP Paribas Personal Investors, a BGL BNP Paribas service which specialises in online savings and brokerage, is designed for the Bank's international resident clientele who are looking for a top-of-the-range service while maintaining the flexibility to communicate via the Internet, over the telephone and/or face to face. The Personal Investors business line is the number one for online savings and brokerage in continental Europe.

In 2010, with close to twenty years' experience in managing expatriates' wealth, BNP Paribas Personal Investors in Luxembourg established a dedicated brand for these clients, The Bank For Expats®, to strengthen its positioning as specialist banker to the expatriate community.

### **Investment Solutions**

The BGL BNP Paribas Private Banking teams provide their clients with integrated, tailored wealth management solutions.

The teams are structured by market, and clients benefit from services which are customised to their needs, while our multilingual service helps them to manage their wealth in their own language. The Wealth Management service is also offered in our Private Banking Centres in Luxembourg.

Our private bankers are able to draw on the expertise and knowhow of the BNP Paribas Wealth Management teams worldwide, which enables them to recommend solutions which extend beyond the borders of Luxembourg.

In 2012, BNP Paribas Wealth Management was named 'Best Private Bank in Luxembourg' by Euromoney, and was rated 'Highly Commended' in the 'Best Private Bank in Luxembourg' ranking published by Professional Wealth Management / The Banker.

In 2012 the Wealth Management Luxembourg teams developed new investment solutions to improve their client offering in line with the changed economic environment and the widespread changes taking place in the markets.

Investment Solutions has also rolled out a new investment advisory offering designed to provide clients with greater added value in their portfolio management. At the end of 2012 this offering was supplemented by the launch of a new Internet service, which enables a client to view his/her account details online and to obtain recommendations and financial information geared to his/her needs.

Meanwhile the Discretionary Management teams are now offering a new mandate – the 'Fixed Income Yield Opportunity' – designed to achieve superior returns to those available on 'investment grade' money market or bond investments, with an objective of capital preservation.

Last but not least, Wealth Management Luxembourg has been taking determined steps to expand its Ultra High Net Worth clientele, as evidenced in particular by the rollout of an offering designed exclusively for these clients.

### **Corporate and Investment Banking**

The BNP Paribas Corporate and Investment Banking (CIB) arm in Luxembourg provides services linked to stock markets and money markets, brokerage, investment banking, structured finance, corporate hedging operations, and both active and passive portfolio management. CIB clients are essentially companies and financial institutions domiciled in the Grand Duchy. The local sales and trading teams can rely on the back-up – in terms of knowhow and services – of the entire BNP Paribas Group.

### **BNP Paribas Bank Polska SA**

BNP Paribas Bank Polska SA encompasses the Group's retail and corporate banking activities in Poland. The Bank is organised along the following business lines: Retail Banking (including Private Banking and services to SMEs), Personal Finance, and Corporate & Transaction Banking.

BNP Paribas Bank Polska SA has a network of 228 retail banking branches and eight Business Centres servicing corporate clients, with close to 400,000 customers, most of whom are in the Retail Banking segment. The total number of the Bank's employees stands at 2,773 FTEs.

In a market characterised by intense competition, BNP Paribas Bank Polska has continued to perform the transformation of its business model with strong focus on the improvement of its risk profile and the development of its client base in specific segments. In 2012 BNP Paribas Bank Polska acquired over 62,000 new customers. Supporting the development of its credit activity with both individual and corporate customers while enhancing its already solid capital base, the Bank carried out in June 2012 a capital increase of some PLN 260 million, by means of a share issue fully subscribed by the main shareholder, BNP Paribas Fortis.

In view of the current macroeconomic and financial market situation, BNP Paribas Bank Polska will continue to develop its lending activity at an appropriate pace, focusing special attention on credit quality.

In the first half of 2012 the Bank initiated a plan to optimise operational efficiency and reduce costs, mainly in the central and back office functions, while at the same time continuing to invest selectively in the sales network and business lines. This plan includes a redundancy programme affecting up to 410 staff, spanning over 2012 and the first half of 2013.

The product offering for individual clients has been developed to cater for the needs of the three segments targeted by BNP Paribas Bank Polska, i.e. Aspiring, Mass Affluent and Affluent clients, who are serviced through the branch network, the Internet, a call centre, plus external channels such as car dealers, insurance companies and financial brokers.

The leading products for individual clients are cash loans linked with an active current account and car purchase loans. Supported by an attractive offering and powerful marketing campaigns, the volume of these consumer loans granted in 2012 was up 68% on the previous year.

In addition to products and services available to individual customers, in May 2012 BNP Paribas Bank Polska expanded its offering addressed through the Private Banking unit to high-net-worth individuals holding assets worth PLN 600,000 and above. The new offering, which is accompanied by the setting up of a Brokerage Office, includes investment advisory services, wealth planning, discretionary portfolio management and execution of clients' orders for the sale and purchase of financial instruments. Private Banking customers also enjoy access to services and products offered by the BNP Paribas Group International Private Banking network.

In addition to individual clients, the Retail Banking segment serves SMEs, i.e. companies with a turnover of up to PLN 40 million per annum, with a complete range of financing and banking solutions through dedicated teams in the main branches. Due to the attractiveness of the bank's offer to SME clients, BNP Paribas Bank Polska was one of the winners of the annual Forbes Polska rankings of 'Best Bank for Companies'. The Bank received this prestigious title in 2012 for the second time in a row. BNP Paribas Bank Polska was also named among the leaders in loan offerings, especially as regards a wide range of loans enjoying support from EU institutions – i.e. the EBRD, EIB, and EIF, and was moreover highly rated in the Customer Service quality category.

Corporate customers with an annual turnover of over PLN 40 million are covered by the Corporate & Transaction Banking (CTB) business line through its eight business centres. Its scope includes both domestic companies and subsidiaries of international groups that are clients of BNP Paribas on a global or European level. BNP Paribas Bank Polska also acquired many new international clients served by BNP Paribas Group entities in other countries under the 'One bank for Corporates in Europe' strategy.

CTB recorded consistent growth in revenues in 2012. Despite a difficult international economic situation, the most dynamic growth was to be observed in the trade finance area, with a more than 20% rise compared to 2011. The year was also quite successful for the new Structured Finance Department set up in 2011. CTB continues to develop its product offering, especially through the 'Cash Management Europe' programme.

In servicing the corporate banking segment, the Bank closely cooperates with the BNP Paribas SA branch in Poland, part of the CIB core business, which is in charge of client coverage for approximately 15 large domestic corporate and institutional clients and the investment banking offer of the Group locally.

BNP Paribas Bank Polska SA holds 100% shares in three subsidiaries: asset management company TFI BNP Paribas Polska SA; Fortis Lease Polska Sp. z o.o., a leasing company; and BNP Paribas Factor Sp. z o.o., a company offering both non-recourse and recourse factoring services, which joined the Group in early April.

BNP Paribas Bank Polska also cooperates with other subsidiaries of the BNP Paribas Group in Poland which provide services such as securities services, insurance, fleet management and real estate advisory and brokerage.

## TEB

BNP Paribas Fortis operates in Turkey through TEB, in which it has a 44.58% stake. This is the result of a merger between Fortis Bank Turkey and TEB A.Ş., which took place on 14 February 2011. The merged bank ranks 9th in the Turkish banking sector in terms of loans and deposits market share (as at 30 September 2012) and encompasses the full range of the BNP Paribas Group retail activities in the country. The Bank employs 9,288 people.

In Retail Banking, TEB offers debit and credit cards, mortgage loans, personal loans, and investment and insurance products, which are distributed through 509 branches and via internet, phone and mobile banking.

Through its commercial and small business banking departments, the Bank offers a full range of banking services to small and medium-sized enterprises and is recognised as having strong expertise in non-financial services. TEB was named by the International Finance Corporation (IFC) as one of the three top banks in the world for SMEs in the field of non-financial services.

Corporate Banking services include international trade finance, asset and cash management, credit services, hedging of currency, interest and commodity risk, plus factoring and leasing.

Having set a very successful example for a merger in the Turkish market, TEB continues to grow, while delivering high returns for its shareholders. Total loans increased by 16% and total deposits by 26%. Shareholders' equity increased by 14% and TEB's capital adequacy ratio is now at a comfortable level of 15.2%.

Throughout 2012, the Bank achieved a highly satisfactory performance in revenue generation. Coupled with determined cost cutting efforts, this had a dual impact on the bottom line, which increased by 135%, improving the profitability and efficiency ratios of TEB after the merger.

The main priorities set for 2012 were to increase efficiency and profitability. In spite of unsupportive regulatory measures and the unfavourable global economic environment, TEB was able to deliver on its promises thanks to the dedicated efforts of all its stakeholders.

## BNP Paribas Fortis credit ratings at 28/02/2013

	Long-term	Outlook	Short-term
<b>Standard &amp; Poor's</b>	A+	Negative	A-1
<b>Moody's</b>	A2	Stable	P-1
<b>Fitch Ratings</b>	A+	Stable	F1

The table above shows the main BNP Paribas Fortis credit ratings and outlook at 28 February 2013. Each of these ratings reflects the view of the rating agency specifically at the moment when the rating was issued; any explanation of

the significance of a given rating is to be obtained from the rating agency which issued it.

Adjustments to long-term credit ratings in the course of 2012:

- Moody's downgraded BNP Paribas Fortis' long-term rating to 'A2' from 'A1' on 21 June 2012.
- Standard & Poor's downgraded BNP Paribas Fortis' long-term rating to 'A+' from 'AA-' on 25 October 2012.
- Fitch upgraded BNP Paribas Fortis' long-term rating to 'A+' from 'A' on 22 November 2012.

## Forward-looking Statements

It should be noted that any statement of future expectations and other forward-looking elements are based on the company's current views and assumptions and involve a degree

of risk and uncertainty, especially given the current general economic and market conditions.

## Comments on the evolution of the results

For the whole of 2012, Operating income came in at EUR 1,116 million, up EUR 391 million compared to 2011, in spite of a credit spread net negative impact of EUR (172) million (negative on own debt and positive on a loan portfolio held at fair value). Commercial revenues were resilient and the cost of risk declined steeply compared to 2011, which was impacted by the Greek debt restructuring. Operating income was positively influenced by EUR 194 million by acquiring control of leasing activities. Net profit attributable to shareholders came to EUR 307 million, impacted by an exceptional impairment of EUR (470) million on the asset management participation and a net loss of EUR (236) million on non-current assets, mainly due to disposal of foreign activities. The income tax expenses in both years were positively impacted by the recognition of deferred tax assets on tax losses carry forward generated by the liquidation of former participations. The 2011 net result on discontinued operations of EUR (314) million was affected by the reorganisation of the BNP Paribas Group activities in Turkey.

The comparison between the 2012 and 2011 results is still largely impacted by the consequences of the various integration initiatives between BNP Paribas Fortis and BNP Paribas. BGL BNP Paribas, a 50% subsidiary of BNP Paribas Fortis, acquired an additional 16.67% of the shares of BNP Paribas Leasing Solutions (BPLS) on 30 March 2012, thereby obtaining control of BPLS (50% + one share in BPLS). This leads to the full consolidation of the leasing activities as from the second quarter of 2012 onwards, which were previously reported under one heading as 'Share of earnings of associates'. In addition, the comparison between 2012 and 2011 results is affected by the reorganisation of the activities in Turkey in 2011, by the acquisition of Fortis Commercial Finance in Q4 2011, by the disposal of Fortis Bank Reinsurance in Q4 2011 and the deconsolidation or liquidation of some entities due to the running down of activities (FIF Dublin, Fortis Proprietary Investments, et al). These impacts are further detailed in the paragraphs below.

From a geographical point of view, based on the location of the BNP Paribas Fortis entities, 63% of the revenues were generated in Belgium, 9% in Luxembourg and 28% in other countries in which BNP Paribas Fortis is active. The evolution in other countries was mainly impacted by the full consolidation of the leasing activities and the increased activity level in Turkey.

**Net interest income** reached EUR 4,457 million in 2012, up EUR 295 million or 7% compared to 2011. This includes scope changes related to the full consolidation of the leasing activities with a positive impact of EUR 460 million, a full year's contribution from Fortis Commercial Finance (EUR 12 million) and a negative impact of EUR (22) million from the deconsolidation of entities and the disposal of FB Reinsurance. Excluding scope changes, interest revenues were lower in most countries except in Turkey.

The 2012 interest margin in Belgium was in general negatively impacted by margins under pressure and lower income from the bond portfolio (due to re-investment at lower rates), partly neutralised by increased transformation margins benefiting from a high BOR/OIS spread in the first quarter. At Retail and Private Banking, pressure on margins, mainly of deposits, in the context of the low interest rate environment was partly counterbalanced by the impact of volume growth on loans and deposits. At Corporate and Public Banking, net interest income was supported by volume growth mainly in deposits, with underlying margins flat or slightly up on assets. The 2011 interest margin benefited from a revaluation of inflation-linked bonds in the amount of EUR 101 million.

The interest margin at BGL BNP Paribas was negatively impacted by a decline in the government bonds portfolio and the slowdown in the structured capital markets business, which more than offset the positive impact of deposit growth (mainly current accounts) at Retail Banking. The negative trend in interest margins in Poland was driven by a decline in margins, despite growth in deposits and loan volumes. Interest revenues at CIB Branches (mainly in Spain and the US) came under pressure due to the running down of portfolios.

Partly compensating for this, there was an increase in interest income in Turkey on the back of volume growth and a positive margin effect.

**Net commission income** amounted to EUR 1,317 million in 2012, up EUR 77 million or 6% compared to 2011. The increase in net commission income was supported by CIB Belgium (due to higher activity in structured finance and retrocession fees from BNP Paribas for capital markets activities) and by higher fee income in Turkey (i.e. on electronic payments). Scope changes related to leasing entities, Fortis Commercial Finance and deconsolidated entities had a positive impact of EUR 21 million. Net commission income came under pressure at Belgian Retail Banking due to lower selling fees on off-balance sheet products and lower management fees. In addition, a termination fee of EUR 7 million was paid to the Belgian State, linked to the ending of the State guarantee on the Structured Credit Instruments portfolio. Net commission income also decreased at BGL BNP Paribas, mainly due to lower trailer and selling fees, alongside lower retrocession fees from BNP Paribas.

**Net results on financial instruments at fair value through profit or loss** came in at EUR 89 million in 2012, a decrease of EUR (220) million on 2011. This was mainly driven by the credit spread net negative impact of EUR (172) million (negative on own debt (EUR (411) million) and positive on a loan portfolio held at fair value (EUR 239 million)) and the indemnity paid for the unwinding of part of the subordinated debt CASHES (EUR (69) million). The running down of portfolios previously located in Fortis Proprietary Investments (EUR (52) million) also influenced this evolution, partly offset by positive trading results.

**Net results on available-for-sale financial assets** amounted to EUR (45) million in 2012 compared to EUR (36) million in 2011. Scope changes related to leasing entities, Fortis Commercial Finance and the running down of portfolios previously located in Fortis Proprietary Investments had a limited (EUR (5.5) million) impact. Further reduction in exposure to sovereign risk led to losses of EUR (134) million on the sale of Portuguese government bonds, partly counterbalanced by gains on the sale of Greek exchanged bonds and other European (i.e. German and Belgian) government bonds.



**Net income from other activities** reached EUR 63 million in 2012, EUR 5 million higher compared to 2011. Scope changes related to leasing entities and disposal of FB Reinsurance had a positive impact of EUR 48 million, partly counterbalanced by higher legal and operational risk provisions.

**Operating expenses** amounted to EUR (4,155) million in 2012, EUR (526) million or 14% higher than 2011. Operating expenses benefited in 2011 from an exceptional release of tax-related provisions worth EUR 256 million. The 2012 evolution was impacted by scope changes related to leasing entities (EUR (235) million) and Fortis Commercial Finance (EUR (10) million). In addition, operating expenses increased in Turkey while other entities kept their expenses fairly flat, in which was the case for Belgium if we exclude the exceptional release of tax related provision in 2011. In Belgium, the impact of the wage drift was offset by a new compensation model, while the contribution to the deposit guarantee scheme, taxes on deposits and the financial stability contribution increased by 23% to EUR (173) million.

**Depreciation charges** came to EUR (236) million in 2012, EUR (9) million higher than the previous year. Depreciation charges in 2012 included scope changes related to leasing entities (EUR (8) million) and Fortis Commercial Finance (EUR (6) million) and a write-off on intangibles for the London and Lisbon branches (EUR (10) million), relating to an forthcoming transfer to BNP Paribas. Depreciation charges in 2011 included accelerated depreciation charges of commercial branches as part of the reshaping process for the retail distribution network in Belgium (EUR (12) million).

**Cost of risk** amounted to EUR (374) million in 2012, EUR 778 million lower than in 2011 which included a EUR (866) million provision for Greek sovereign debt restructuring. Excluding the provision for Greek debt and the scope changes due to leasing (EUR (61) million), the cost of risk was at a comparable level over the two years.

**Share of earnings of associates** totalled EUR (294) million in 2012, reflecting a strong decrease of EUR (183) million on 2011. This evolution is mainly due to the EUR (470) million impairment on the investment in asset management associates in 2012. The change from the equity method to full consolidation of the leasing entities in Q2 2012 had a negative impact of EUR (56) million. These negative results were

partly counterbalanced by a higher positive contribution from AG Insurance (EUR 195 million), 2011 having been negatively impacted by the Greek debt restructuring. The 2011 result was also impacted by the EUR (167) million impairment on the investment in AG Insurance.

**Net results on non-current assets** came in at EUR (236) million in 2012 compared to EUR 51 million in 2011. The negative result in 2012 was mainly due to the anticipated losses on the disposal of the London and Lisbon branches (EUR (105) million), the recycling through P&L of currency conversion reserves linked to the liquidation of Fortis Proprietary Investments and FB Energy Trading (EUR (94) million) and a loss on the disposal of hardware (EUR (15) million). The 2011 positive result was generated by the sale of Textainer Marine Containers LTD and Fortis Bank Réinsurance.

**Income tax expenses** amounted to EUR (41) million in 2012 including the recognition of deferred tax assets on tax losses carry-forward generated by the liquidation of participations (EUR 291 million). Excluding this DTA recognition and the share in the result of associates reported net of income taxes, the effective tax rate was 38%. Income taxes in 2011 amounted to EUR (80) million, also including the recognition of additional deferred tax assets worth EUR 197 million on Fortis Proprietary Investment (Ireland). Excluding this DTA and the share in the result of associates, the effective tax rate works out at 36%.

**Net result on discontinued operations** of EUR (314) million in 2011 comprised the negative accounting result related to a currency conversion loss of EUR (233) million following the loss of control over Fortis Bank Turkey, the negative fair value (EUR (75) million) of a put option granted to the partner in the TEB Holding joint venture (as part of the reorganisation of BNP Paribas' Turkish entities) in addition to the net operating results of the disposed subsidiaries and branches (EUR (5) million).

**Net income attributable to minority interests** amounted to EUR 238 million in 2012, EUR 71 million higher than in 2011, mainly driven by the scope change in the Leasing entities (with an increase in minority interests from 50% to 75%) and the higher result in Turkey, partly offset by the lower contribution from BGL BNP Paribas.

## Comments on the evolution of the balance sheet

The BNP Paribas Fortis balance sheet totaled EUR 272 billion at the end of December 2012, EUR (74) billion or 21% lower than at end-2011. The overall size of the balance sheet was impacted by the optimisation programmes leading to a sharp decrease in financial assets and liabilities at fair value, lower available-for-sale financial assets and lower loans and receivables from and to credit institutions. The change in consolidation method of the leasing companies from the equity method to full consolidation as a result of the increase of BGL BNP Paribas' stake in the leasing companies from 33.33% to 50% + one share had an increased impact on the total balance sheet amounting to EUR 12.8 billion (Belgium EUR 1.3 billion, Luxembourg EUR (2.5) billion and other countries EUR 13.9 billion). Additional funding raised through customer deposits and commercial paper/deposits programmes was partly used to reimburse subordinated liabilities.

From a geographical point of view - based on the location of BNP Paribas Fortis companies -, 74% of the assets are located in Belgium, 9% in Luxembourg and 17% in other countries.

### Assets

**Cash and amounts due from central banks** amounted to EUR 11 billion at the end of December 2012, an increase of EUR 2.8 billion on end-2011. The increase mainly relates to the additional funding placed on the (overnight) deposit facility with the central banks in Belgium (EUR 5.5 billion) and in Luxembourg (EUR 0.9 billion), an increase on the FED account in the US (EUR 1.3 billion) and higher deposits with central banks in other countries (EUR 0.9 billion). This was partly counterbalanced by a decrease in the monetary reserves lodged with the central banks in Belgium and Luxembourg (EUR (3.8) billion) following the ECB decision to reduce by 50% the legal average required reserves, next to a decrease in margin accounts.

**Financial assets at fair value through profit or loss** saw a substantial decrease in 2012, falling by EUR (57.8) billion or 63% to EUR 33.5 billion. This was mainly driven by the optimisation of the balance sheet through the novation and compression of interest rate swaps (EUR (30.5) billion) and the unwinding of interest rate options (EUR (12.5) billion) in Q4 2012, plus a decrease of EUR (12.5) billion in the reverse repurchase agreement activities. On top of this, the stock of fixed income securities declined by EUR (1.9) billion due to maturing securities.

**Available-for-sale financial assets** decreased by EUR (7.2) billion or 17% to EUR 35.5 billion at the end of December 2012. This is mainly attributable to a decline in the government bond portfolio (EUR (9) billion), the equities portfolio (EUR (0.2) billion) and in money markets instruments (EUR (0.3) billion). The decrease in the government bonds portfolio is driven by sales and redemptions of Dutch bonds (EUR (4.2) billion), German bonds (EUR (2.0) billion), French bonds (EUR (0.7) billion) and Austrian bonds (EUR (0.4) billion). The decrease was however partly offset by a EUR 2.2 billion increase in the corporate bonds portfolio.

**Loans and receivables due from credit institutions** amounted to EUR 18.5 billion at the end of December 2012, EUR (17.2) billion or 48% lower than end-2011. This decrease was mainly driven by lower reverse repurchase activity and by a decrease in interbank loans. The net impact of the scope change for leasing entities, coupled with the deconsolidation of Royal Neuve, generated a EUR (1.0) billion decrease. The reclassification of margin accounts from 'Loans and receivables' to 'Other assets' explains the EUR (6.4) billion decline.

**Loans and receivables due from customers** amounted to EUR 147.8 billion at the end of December 2012, compared to EUR 145.8 billion at the end of 2011. The scope change for leasing entities contributed EUR 12 billion (mainly in financial leases), slightly offset by the classification of credits from the Lisbon and London Branches as 'Assets held for sale' relating to the forthcoming transfer of the activities of these branches to BNP Paribas, creating an impact of EUR (2) billion. Excluding this scope impact and the reverse repurchase agreements (which declined by EUR (0.8) billion), loans stood at EUR 135.5 billion compared to EUR 142.5 billion at the end of 2011. Securities reclassified as Loans and receivables' totalled EUR (7.9) billion, the reduction being mainly due to the call on the Dolphin and Beluga securities in Q3 2012, which had a (4.2) billion impact, and the impact of sales from the structured credit portfolio (EUR (1.6) billion). Loan growth in Retail Banking in Belgium, mainly on the back of mortgage loans, was offset by a drop in loans to corporate clients at CIB Belgium and in other geographies.

**Accrued income and other assets** increased by EUR 1.7 billion or 21% to EUR 10 billion at the end of December 2012. The reclassification of margin accounts from 'Loans & Receivables due from credit institutions' to 'Other assets' contributed EUR 6.4 billion, partly offset by lower customer margin accounts (cash collateral).

**Investments in associates** amounted to EUR 3.6 billion at the end of December 2012, a decrease of EUR (0.6) billion or 14% compared to the end of 2011. This is mainly related to the scope change for leasing entities (from the equity method to full consolidation) leading to a EUR (0.6) billion change and impairment on investment in asset management associates of EUR (0.5) billion. This is partly offset by an increase of EUR 0.5 billion at AG Insurance due to the higher net asset value following the decline in interest rates (which finds its counterpart in 'equity' as unrealized gains and losses).

**Investment property** increased by EUR 0.4 billion compared to the end of 2011, fully driven by the scope change of the leasing entities.

**Property, plant and equipment** increased from EUR 1.5 billion at the end of 2011 to EUR 2.0 billion at the end of 2012, due to the scope change of the leasing entities (EUR 0.4 billion).

**Goodwill** amounted to EUR 0.3 billion, an increase of EUR 0.2 billion, related to the goodwill on the acquisition of the leasing entities.

**Assets classified as held for sale** amounted to EUR 2.1 billion, showing a substantial increase of EUR 2 billion compared to the end of 2011, resulting from the forthcoming transfer of the activities of the London (EUR 1.5 billion) and Lisbon (EUR 0.6 billion) branches to BNP Paribas.

## Liabilities and equity

**Financial liabilities at fair value through profit or loss** showed a strong decrease of EUR (68.5) billion or 69% to EUR 30.8 billion at the end of December 2012. As was the case for the financial assets at fair value through profit or loss, the significant decrease on the liability side was driven by the impact of the optimisation of the balance sheet. Trading derivatives instruments went down by EUR (48.2) billion from EUR 66.5 billion at the end of 2011 to EUR 18.3 billion at the end of 2012, while trading repurchase agreement activities decreased by EUR (19) billion.

**Due to credit institutions** stood at EUR 23.8 billion at the end of December 2012, EUR (15.2) billion or 39% lower than at end-2011. This decrease was driven by lower interbank borrowing (EUR (13.2) billion), a lower amount of repurchase agreements (EUR (6) billion), the reclassification of margin accounts from 'Due to credit institutions' to 'Other liabilities' (EUR (5.6) billion) and the impact of the deconsolidation of Royal Neuve (EUR (0.5) billion). This was partly counterbalanced by the consolidation change for leasing entities, which exerted an impact of EUR 10.1 billion.

**Due to customers** totalled EUR 146.2 billion at the end of December 2012, a decrease of EUR (8.3) billion or 5% compared to the end of 2011. Repurchase agreements fell by EUR 12 billion following redemptions. Excluding repos, deposits came to EUR 146.2 billion compared to EUR 142.7 billion at end 2011, an increase supported by individual customer deposits (EUR 5.8 billion, mainly in saving accounts) but partly offset by lower corporate client deposits (EUR (2.3) billion, mainly in term accounts). Deposit growth to individual clients was mainly booked in Belgium (i.e. current accounts and saving accounts) and in Turkey. Corporate clients deposits decreased, impacted by the reclassification of the London and Lisbon branches as 'Assets held for sale' due to the anticipated disposal of these branches to BNP Paribas (EUR (1.8) billion).

**Debt Securities** amounted to EUR 22.4 billion at 31 December 2012, an increase of EUR 7.8 billion or 54% versus end-2011. Thanks to better market conditions and higher demand, the Bank issued new certificates of deposits and commercial paper (EUR 9.5 billion), far exceeding the maturing deals (EUR (1.7) billion).

**Accrued expenses and other liabilities** increased by EUR 4.6 billion to EUR 8.1 billion at end 2012. This is mainly related to the reclassification of EUR 5.6 billion in margin accounts from 'Due to credit institutions' to 'Other liabilities' and also to the scope change for leasing entities (EUR 0.9 billion), partly offset by lower settlement accounts.

**Subordinated debt** decreased by EUR (2) billion or 21% to EUR 7.5 billion at end 2012, driven by redemptions of subordinated certificates and subordinated borrowings (following the anticipated reimbursement of a hybrid loan and a subordinated loan and the buyback of two perpetual loans).

**Liabilities classified as held for sale** amounted to EUR 1.7 billion at 31 December 2012 compared to EUR 0.1 billion at the end of 2011. The EUR 1.5 billion increase resulted from the anticipated transfer of the London and Lisbon branches to BNP Paribas. At 31 December 2012, these liabilities related to the London branch (EUR 1.6 billion) and the Lisbon branch (EUR 0.1 billion).

**Shareholders' equity** amounted to EUR 19 billion at 31 December 2012 compared to EUR 16.3 billion at the end of 2011. This EUR 2.7 billion increase resulted from the positive impact of the year's result (EUR 0.3 billion) plus an increase in unrealised gains and losses (EUR 2.4 billion, due to the increase in fair value of the Available-for-sale portfolio mainly in Belgian government bonds and linked to the decline in interest rates versus Q4 2011).

**Minority interests** increased by EUR 1.3 billion to reach EUR 4.3 billion at 31 December 2012. This is mainly attributable to the full consolidation of the leasing activities, plus an increase in minority interests from 16.7% to 75%.

## Liquidity and solvency

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BNP Paribas Fortis' liquidity remained solid, as shown by the loan-to-deposit ratio, although there was some stress on the wholesale deposit market towards the end of the year.

The loan-to-deposit ratio (excluding repurchase and reverse repurchase agreements) decreased slightly to 100.9% at the end of 2012, compared to 101.4% at 31 December 2011.

BNP Paribas Fortis' solvency remained strong. At 31 December 2012, BNP Paribas Fortis' Tier 1 capital ratio stood at 15.3%, slightly lower than last year's level. The total capital ratio stood at 18.9% at end December 2012, well above the regulatory required minimum of 8%.

The evolution of the Tier 1 capital ratio can be explained by an increase in Risk Weighted Assets (RWA) of EUR 6.1 billion or 5.2% and a slight decrease in Tier 1 capital of EUR (0.5) billion to EUR 19.0 billion.

## Principal risks and uncertainties

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BNP Paribas Fortis' activities are exposed to a number of risks such as credit risk, market risk, liquidity risk and operational risk. To ensure that these risks are identified and adequately controlled and managed, the Bank adheres to a number of internal control procedures and refers to a whole array of risk indicators, which are further described in note 4, 'Risk Management and Capital Adequacy' of the BNP Paribas Fortis Consolidated Financial Statements 2012.

BNP Paribas Fortis is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business and following the restructuring of BNP Paribas Fortis and BNP Paribas Fortis Group at the end of September and beginning of October 2008, as further described in note 8.j 'Contingent assets and liabilities' of the BNP Paribas Fortis Consolidated Financial Statements 2012.

Events after the reporting period are further described in the note 8.l 'Events after the reporting period' of the BNP Paribas Fortis Consolidated Financial Statements 2012.

# Statement of the Board of Directors

The Board of Directors of BNP Paribas Fortis is responsible for preparing the BNP Paribas Fortis Consolidated Financial Statements as at 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the European Union and the BNP Paribas Fortis Non-consolidated Financial Statements as at 31 December 2012 in accordance with rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The Board of Directors reviewed the BNP Paribas Fortis Consolidated and Non-consolidated Financial Statements on 14 March 2013 and authorised their issue.

The Board of Directors of BNP Paribas Fortis declares that, to the best of its knowledge, the BNP Paribas Fortis Consolidated Financial Statements and the BNP Paribas Fortis Non-consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss of BNP Paribas Fortis and the undertakings included in the consolidation and that the information herein contains no omissions likely to modify significantly the scope of any statements made.

The Board of Directors of BNP Paribas Fortis also declares that, to the best of its knowledge, the management report includes a fair review of the development, results and position of BNP Paribas Fortis and the undertakings included in the consolidation, together with a description of the principal risks and uncertainties with which they are confronted.

The BNP Paribas Fortis Consolidated Financial Statements and the BNP Paribas Fortis Non-consolidated Financial Statements as at 31 December 2012 will be submitted to the Annual General Meeting of Shareholders for approval on 18 April 2013.

Brussels, 14 March 2013  
The Board of Directors of BNP Paribas Fortis

# Corporate Governance

BNP Paribas Fortis has issued debt securities which are listed on a regulated market in the sense of Article 2, 3° of the Law of 2 August 2002 regarding the supervision of the financial sector and financial services. In addition, but without the involvement of BNP Paribas Fortis itself, its shares are traded from time to time on a multilateral trading facility in the sense of Article 2, 4° of the Law of 2 August 2002 regarding the supervision of the financial sector and financial services.

Taking into account the above and in accordance with Article 96§2 of the Companies Code and Article 1 of the Royal Decree

of 6 June 2010, BNP Paribas Fortis has adopted the 'Belgian Corporate Governance Code 2009' as its reference code (hereafter referred to as 'the Code').

The Code can be consulted on <http://www.corporategovernancecommittee.be>

The Remuneration Report as referred to in Provision 7.2 of the Code can be found in Note 8.d 'Remuneration and benefits awarded to the BNP Paribas Fortis corporate officers'.

## 1. Compliance with the Code

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BNP Paribas Fortis generally complies with the principles and provisions of the Code. Main differences relate to Principle 8: 'Dialogue with shareholders'. The fact that the Company is not able to comply with all of the provisions of Principle 8 of the Code relates to the ownership of BNP Paribas Fortis. On the one hand the 'free float' is limited to 0.07% of the issued shares, while on the other hand is the fact of the Company's commercial and operational integration within its controlling shareholder, BNP Paribas SA, which holds 74.93% of the issued shares. Nevertheless, BNP Paribas Fortis constantly communicates with its various stakeholders through its website and via other media.

BNP Paribas SA itself is a Euronext listed company which implies that certain legal provisions on the disclosure of sensitive information to the market need to be taken into account by BNP Paribas Fortis, its Directors and staff. The Board of Directors is however determined to protect the interests of all shareholders of BNP Paribas Fortis at all times and will provide all of them with the necessary information and facilities to exercise their rights, in compliance with the Companies Code.

The Bank's policy on Diversity includes inter alia the objective that at least one third of the seats on the Board of Directors will be occupied by women by January 2017. In April 2012, Mrs. d'Aspremont Lynden joined the Board as an independent director, to replace Mr. JP Pruvot, taking the number of female directors to two. Mrs. Dutordoir was elected to the Board at the end of 2010.

BNP Paribas Fortis has not received any transparency declarations within the meaning of the Law of 2 May 2007 on the disclosure of significant shareholdings.

Although no formal meetings among non-executive directors were held for the purpose of assessing the interactions with the CEO and/or the executive directors without these being present (provision 4.12 of the Code), there is, given the share ownership of the Bank and the composition of the Board of Directors, an ongoing dialogue among non-executive directors both in and outside the Board and its committees.

## 2. Governing Bodies

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### Board of Directors

#### Role and responsibilities

In accordance with the legislation and regulations relating to credit institutions prevailing in Belgium, the Board of Directors is responsible for setting the general policy of the Bank ('policy function'), supervising the activities of the Executive Board, appointing and dismissing the members of the Executive Board and supervising the Internal Control Functions ('supervisory function'). The Board of Directors decides on the company's values and strategy, its risk appetite and key policies.

In accordance with Article 26 of the Banking Act<sup>1</sup> and Article 22 of BNP Paribas Fortis Articles of Association, the members of the Board of Directors have elected from among themselves an Executive Board, whose members are referred to as 'Executive Directors'. The Executive Board has received a general delegation of power to perform any acts necessary or relevant to manage the banking activities within the general policy framework set out by the Board of Directors ('management function').

#### Size and membership criteria

The Board of Directors shall be made up of not less than five and not more than 35 Directors. Members of the Board of Directors may or may not be shareholders, and are appointed for a period not exceeding four years.

Board members must have the necessary qualities to exercise their function in an objective and independent way in order to safeguard the interests of BNP Paribas Fortis at all times.

In accordance with BNP Paribas Fortis policy, the composition of the Board of Directors maintains an appropriate and balanced mix of Executive Directors and Non-Executive Directors, whether independent or not.

Executive Directors may not constitute the majority of the Board. Furthermore, BNP Paribas Fortis strives to maintain an appropriate balance of skills and competencies on the Board of Directors in accordance with the provisions of the Banking Act.

The establishment, composition, responsibilities and functioning of the Board of Directors and the Executive Board comply with the Code.

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<sup>1</sup> *The Law of 22 March 1993 regarding the statutes and supervision of credit institutions*

## Composition

On 1 March 2013, the composition of the Board of Directors is as follows:

### **DAEMS Herman**

Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009. Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **CHODRON de COURCEL Georges**

Vice Chairman of the Board of Directors; Non-Executive Director; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **JADOT Maxime**

Executive Director; Chairman of the Executive Board since 01 March 2011; Member of the Board of Directors by cooption since 13 January 2011.

Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **DIERCKX Filip**

Executive Director; Vice Chairman of the Executive Board; Member of the Board of Directors since 28 October 1998. Board Member mandate expires at the 2013 Ordinary Annual General Meeting of Shareholders.

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### **MENNICKEN Thomas**

Executive Director; Member of the Board of Directors and of the Executive Board since 14 May 2009.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **VANDEKERCKHOVE Peter**

Executive Director; Member of the Board of Directors and of the Executive Board since 21 April 2011.

Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **REMY Dominique**

Executive Director; Member of the Board of Directors and of the Executive Board by cooption since 25 July 2012, with entering into force on 30 August 2012, following resignation of Jean-Yves FILLION on 30 August 2012.

Board Member mandate was confirmed and renewed on 11 December 2012 and expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **BONNAFÉ Jean-Laurent**

Non-Executive Director; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **BOOGMANS Dirk**

Independent Non-Executive Director; Member of the Board of Directors since 01 October 2009.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **GEENS Koen**

Non-Executive Director proposed by SFPI/FPIM\*; Member of the Board of Directors by cooption since 26 May 2011.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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### **DUTORDOIR Sophie**

Independent Non-Executive Director; Member of the Board of Directors by cooption since 30 November 2010.

Board Member mandate was confirmed and renewed on 21 April 2011 and expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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### **PAPIASSE Alain**

Non-Executive Director; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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**STÉPHENNE Jean**

Independent Non-Executive Director; Member of the Board of Directors since 26 April 2001.

Board Member mandate expires at the 2013 Ordinary Annual General Meeting of Shareholders.

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**VARÈNE Thierry**

Non-Executive Director; Member of the Board of Directors since 14 May 2009.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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**FOHL Camille**

Non-Executive Director; Member of the Board of Directors since 01 January 2008. Executive Director from 01 January 2008 until 31 December 2012.

Board Member mandate expires at the 2015 Ordinary Annual General Meeting of Shareholders.

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**d'ASPREMONT LYNDEN Antoinette**

Independent Non-Executive Director; Member of the Board of Directors since 19 April 2012.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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**VILLEROY DE GALHAU François**

Non-Executive Director; Member of the Board of Directors since 19 April 2012.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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**DELWAIDE Henri**

Non-Executive Director proposed by SFPI/FPIM\*; Member of the Board of Directors since 11 December 2012.

Board Member mandate expires at the 2016 Ordinary Annual General Meeting of Shareholders.

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(\*) *Société Fédérale de Participations et Investissements / Federale Participatie- en Investeringsmaatschappij.*

Mr. Luc VANSTEENKISTE is a permanent invitee to the Board of Directors and all Board Committees.

The BNP Paribas Fortis Board of Directors, which is responsible for setting general policy and supervising the activities of the Executive Board, is currently composed of 18 Directors, 13 of whom are Non-Executive Directors (four of these appointed as Independent Directors in compliance with the criteria laid down in Article 526ter of the Companies Code) and five are Executive Directors.

Between 1 January 2012 and 31 December 2012, the composition of the Board of Directors was as follow:

**DAEMS, Herman**

Chairman of the Board of Directors

**CHODRON de COURCEL, Georges**

Vice Chairman of the Board of Directors

**BONNAFÉ, Jean-Laurent**

Non-Executive Director

**JADOT, Maxime**

Chairman of the Executive Board; Executive Director

**DIERCKX, Filip**

Vice Chairman of the Executive Board; Executive Director;

**FOHL, Camille**

Non-Executive Director; Executive Director and member of the Executive Board until 31 December 2012.

**MENNICKEN, Thomas**

Executive Director; Member of the Executive Board

**FILLION, Jean-Yves**

Executive Director; Member of the Executive Board (until 30 August 2012)

**REMY, Dominique**

Executive Director; Member of the Executive Board (since 30 August 2012)

**VANDEKERCKHOVE, Peter**

Executive Director; Member of the Executive Board

**BOOGMANS, Dirk**

Independent Non-Executive Director

**DUTORDOIR, Sophie**

Independent Non-Executive Director

**STÉPHENNE, Jean**

Independent Non-Executive Director

**WIBAUT, Serge**

Non-Executive Director (until 2 February 2012)

**LAVENIR, Frédéric**

Non-Executive Director (until 19 April 2012)

**PAPIASSE, Alain**

Non-Executive Director

**VARÈNE, Thierry**

Non-Executive Director

**PRUVOT, Jean-Paul**

Non-Executive Director (until 30 March 2012)

**GEENS, Koen**

Non-Executive Director

**VILLEROY DE GALHAU, François**

Non-Executive Director (since 19 April 2012)

**d'ASPREMONT LYNDEN, Antoinette**

Independent Non-Executive Director (since 19 April 2012)

**DELWAIDE, Henri**

Non-Executive Director (since 11 December 2012)

### Meetings attendance:

The Board of Directors held 13 meetings in 2012. Attendance at meetings was as follows:

Director	Number of Meetings Attended
DAEMS, Herman	13
CHODRON de COURCEL, Georges	11
BONNAFÉ, Jean-Laurent	6
JADOT, Maxime	13
BOOGMANS, Dirk	13
d'ASPROMONT LYNDEN, Antoinette (as of 19 April 2012)*	9
DIERCKX, Filip	13
DUTORDOIR, Sophie	8
FILLION, Jean-Yves (until 30 August 2012)*	9
FOHL, Camille	8
GEENS, Koen	12
LAVENIR, Frédéric (until 19 April 2012)*	2
MENNICKEN, Thomas	13
PAPIASSE, Alain	10
PRUVOT, Jean-Paul (until 30 March 2012)*	2
REMY, Dominique (as of 1 September 2012)*	4
STÉPHENNE, Jean	9
VANDEKERCKHOVE, Peter	11
VARÈNE, Thierry	12
VILLEROY DE GALHAU, François (as of 19 April 2012)*	6
DELWAIDE, Henri (as of 11 December 2012)*	1
VANSTEENKISTE, Luc**	13

\* Director joining or leaving the Board in the course of the year 2012.

\*\* Present as permanent invitee.

### Assessment of the Board of Directors

During 2012, the Chairman of the Board of Directors held interviews with his Non-Executive colleagues in order to assess the Board's size, composition and performance and those of the various Board Committees, and their interactions with the executive management. These interviews have four objectives:

- to assess how the Board or the Board Committee in question operates
- to verify that the important issues are being suitably prepared and discussed
- to assess the contribution made by each Director in terms of the Director's attendance at Board and Board Committee meetings and his/her constructive involvement in discussions and decision-making
- to assess the current composition of the Board and the Board Committee with regard to the desired composition.

### Remuneration

Information regarding the total remuneration for 2012, including benefits in kind and pension costs, of Executive and Non-Executive Members of the Board of Directors, paid and payable by BNP Paribas Fortis, is to be found in Note 8.d 'Remuneration and benefits awarded to the BNP Paribas Fortis corporate officers' of the BNP Paribas Fortis Consolidated Financial Statements. This report is deemed to be the Remuneration Report in accordance with Provision 7.2 of the Code.

## Board Committees

In order to assist it to fulfil its role and responsibilities efficiently, the Board of Directors has set up an Audit, Risk and Compliance Committee and a Governance, Nomination and Remuneration Committee. The existence of these Committees does not in any way impinge upon the Board's right to set up further ad-hoc Committees to deal with specific matters as when the need arises. Each Board Committee has an advisory function in relation to the Board. The appointment of Committee members is based on (i) their specific competencies and experience, in addition to the general competency requirements for Board Members, and (ii) the requirement that each Committee, as a group, should possess the competencies and experience needed to perform its tasks. Assessments of each Board Committee are led by the Chairman of that Committee in the same manner as assessments made of the Board of Directors.

The establishment, composition, responsibilities and functioning of the aforementioned Board Committees comply with the Code.

### Audit, Risk & Compliance Committee (ARCC)

The role of the ARCC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within BNP Paribas Fortis, including internal control over financial reporting and risk.

### Role and responsibilities

The ARCC's task is to monitor, review and make recommendations to the Board of Directors regarding:

#### *Audit*

- The performance of the statutory audit process: the ARCC oversees the work performed by the statutory auditors, reviews their audit plan, formally assesses their performance at least once every three years against stated criteria and makes recommendations to the Board of Directors regarding their appointment or reappointment, mandate renewal and remuneration. The ARCC follows up on questions or recommendations of the statutory auditors. The ARCC also monitors the independence of statutory audit firms, including the review and approval of non-audit services provided to BNP Paribas Fortis;

- The performance of the internal audit process: the ARCC oversees the work performed by the internal audit department and endorses the annual audit plan, including focal point audit assignments, scope and audit budget. It monitors the follow-up that management gives to the internal audit recommendations; takes part in the external quality assessment of the internal audit department carried out at least once every five years and is called upon to approve the appointment or dismissal of the General Auditor.

#### *Risk*

- The Bank's major risk exposures and the operation of internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations. This implies that the ARCC identifies and acknowledges major risk areas such as credit risk, market risk and liquidity risk.

#### *Compliance & Operational Risk*

- The coherence and effectiveness of the internal control system. This includes overseeing and reviewing the consistency and effectiveness of the BNP Paribas Fortis internal control system, through oversight and controls, more specifically with regard to its permanent control, the compliance of its activities with the law and with internal and external regulations and the safeguarding of its reputation, including the supervision of operational risk management. The ARCC is also called upon to approve the appointment or dismissal of the Head of Compliance & Operational Risk ('Conformité').

#### *Financial Reporting*

- The integrity of financial statements and of any report on BNP Paribas Fortis financial performance. This includes the consistent application of accounting principles (and changes thereto) and the quality of internal control over financial reporting.
- The scope of consolidation and the accounting principles.
- The Annual Report and the statements to be made by the Board of Directors therein, plus any external or official communication on the financial statements or the financial performance of BNP Paribas Fortis.

## Composition

At least three seats on the ARCC must be occupied by Non-Executive Directors and at least half of its members must be independent directors. In the event of a tied vote, the ARCC chairman has a casting vote.

The ARCC must have at its disposal the necessary skills and competencies in the field of accounting, audit and financial business, both on a committee-wide basis and in terms of the individual experience of the committee members

Article 526bis, §2 of the Companies Code states that at least one member of a company's ARCC must both be an independent director and possess the necessary skills and competencies in the field of accounting, audit and financial business. Both of the Independent Directors who sit on the BNP Paribas Fortis ARCC fulfil this criterion.

Composition:

- Dirk Boogmans (Independent Director), Chairman
- Antoinette d'Aspremont Lynden (Independent Director) (as of 7 June 2012)
- Herman Daems
- Jean Stéphane (Independent Director)
- Luc Vansteenkiste (permanent invitee)

## Meetings attendance:

The ARCC met six times in 2012.

<b>Committee Member</b>	<b>Number of Meetings Attended</b>
BOOGMANS, Dirk	6
DAEMS, Herman	5
d'ASPROMONT LYNDEN, Antoinette (as of 7 June 2012)*	3
STÉPHENNE, Jean	4
VANSTEENKISTE, Luc**	6

\* Member joining or leaving the ARCC in the course of the year 2012.

\*\* Present as a permanent invitee.

## Remuneration

Information regarding the remuneration for 2012, including that of the Members of the Audit, Risk & Compliance Committee, paid and payable by BNP Paribas Fortis, is to be found in Note 8.d, 'Remuneration and benefits awarded to the BNP Paribas Fortis corporate officers' of the BNP Paribas Fortis Consolidated Financial Statements. This report is deemed to be the Remuneration Report in accordance with Provision 7.2 of the Code.

## Governance, Nomination and Remuneration Committee (GNRC)

The GNRC fulfils the role of Remuneration Committee within the meaning of Provision 20, §2 ter of the Banking Act and Provision 5.4 of the Code.

The mission of the GNRC is:

- 1) to assist the Board of Directors in matters relating to:
  - the appointment of Board members and the members of the Executive Board (the 'Executive Directors')
  - remuneration policies in general, including but not limited to the policies applicable to Directors, Executive Directors and Senior Management
  - Bank governance on which the Board or its Chairman wishes to receive advice from the GNRC
- 2) to review and approve the individual compensation packages of Executive Directors and Senior Management.

## Role and responsibilities

It is the task of the GNRC to monitor, review and make recommendations to the Board of Directors regarding:

### Governance

- the adequacy of the Bank's corporate governance practices and rules and assessment of the Bank's compliance with its corporate governance rules
- emerging corporate governance issues or significant developments in the applicable laws and/or corporate governance practices
- all matters of corporate governance and any corrective action to be taken, including advising on organisation of the Board of Directors or Board Committees and their membership, functions, duties and responsibilities
- related insider and affiliated party transactions and/or matters of conflict of interest involving Executive or Non-Executive Directors
- the (re)appointment of the Head of Compliance & Operational Risk ('Conformité'), upon a proposal by the Chairman of the Executive Board
- disclosures in the Annual Report on the remuneration of Executive and Non-Executive Directors, on the processes that govern their appointment and remuneration, and on the activities of the GNRC

### Appointments

- the policies and criteria (independence requirements, competencies and qualifications) which govern the selection and appointment of Board members, members of Board Committees and of the Executive Board, recommending changes to the Board of Directors where necessary
- verifying that the appointment and re-election process is carried out objectively and professionally
- recommendations to the Board with regard to the size of the Board of Directors, the appointment or re-election of Board members and the appointment or dismissal of Executive Directors:
  - The process of appointing or re-electing Non-Executive Board members is initiated and led by the Chairman of the Board, in close cooperation with the Chairman of the GNRC, who proposes to the GNRC candidates for appointment. The GNRC considers such proposals and makes recommendations to the Board of Directors, which then decides on the appointment or re-election proposals to be submitted to the General Meeting of Shareholders for a decision.
  - The re-election and succession process of the Chairman of the Board is conducted by the GNRC.
  - All issues related to succession planning for Executive Directors and the members of the executive management are monitored by the GNRC, in close cooperation with the Chairman of the Board; proposals in this regard are to be made by the Chairman of the Executive Board and further monitored and approved by the GNRC and/or the Board of Directors.
  - Regarding the termination and succession of the mandate of the Chairman of the Executive Board, the GNRC recommendation is based on a proposal by the Chairman of the Board in close cooperation with the chairman of the GNRC; for the appointment or dismissal of members of the Executive Board, recommendations are based on a proposal submitted by the Chairman of the Executive Board, in consultation with the GNRC<sup>2</sup>.

- the reports of the Chairman of the Executive Board on management development and Executive Board succession planning
- the (re)appointment of the General Auditor upon a proposal by the Chairman of the Executive Board

### Remuneration

- the remuneration policies of BNP Paribas Fortis
- the remuneration of the Executive Directors and staff members in accordance with the BNP Paribas Fortis remuneration policies
- the objectives for the Chairman of the Executive Board, and, based on a proposal made by the Chairman of the Executive Board, for the other Executive Directors; for Senior Management, the GNRC reviews the main principles to be applied, which will subsequently serve as benchmarks in their performance appraisals
- the performance of Directors:
  - With regard to Non-Executive Directors, the GNRC assesses their performance as part of their re-election process.
  - With regard to the Executive Directors, the GNRC assesses their performance as part of the process of determining their remuneration; for Executive Directors, the GNRC receives a joint proposal from the Chairman of the Board of Directors and the Chairman of the Executive Board.

### Composition

least three of the seats on the GNRC must be occupied by Non-Executive Directors and at least half of its members must be Independent Directors.

Composition:

- Herman Daems (Chairman)
- Dirk Boogmans (Independent Director)
- Sophie Dutordoir (Independent Director)
- Koen Geens (Non-Executive Director)
- Jean Stéphenne (Independent Director)

<sup>2</sup> In accordance with article 22 of the Articles of Association.

### Meetings attendance

The GNRC met 10 times in 2012.

<b>Committee Member</b>	<b>Numbers of Meetings Attendeds</b>
DAEMS, Herman	9
BOOGMANS, Dirk	10
DUTORDOIR, Sophie	9
GEENS, Koen	9
STEPHENNE, Jean	9
VANSTEENKISTE, Luc*	10

\* Present as permanent invitee

### Remuneration

Information regarding the remuneration for 2012, including that of the members of the Governance, Nomination and Remuneration Committee, paid and payable by BNP Paribas Fortis, is to be found in Note 8.d 'Remuneration and benefits awarded to the BNP Paribas Fortis corporate officers' of the BNP Paribas Fortis Consolidated Financial Statements. This report is deemed to be the Remuneration Report in accordance with Provision 7.2 of the Code.

## 3. Internal Control Procedures

### Production of accounting and financial information

#### Reporting policies and rules

The local financial statements for each entity are prepared under local GAAP while the BNP Paribas Fortis Consolidated Financial Statements are prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The Reporting Policies team within the Finance department draws up, based on IFRS as endorsed by the European Union, the accounting policies to be applied for all BNP Paribas Fortis entities. These are aligned with BNP Paribas Group accounting policies. The Reporting Policies team monitors regulatory changes and prepares new internal accounting policies in line with the level of interpretation necessary to adapt them to the operations carried out by BNP Paribas Fortis. The BNP Paribas Group accounting manual is available together with additional documentation and guidance related to the specific BNP Paribas Fortis products and scope. This IFRS accounting manual is distributed to all accounting and reporting teams. It is regularly updated to reflect regulatory changes. The Reporting Policies team also handles requests for specific accounting analysis made by the local entities and the core businesses/business lines. The Management Control department draws up management reporting rules.

#### Systems used

The accounting systems used are similar to those used by the BNP Paribas Group. Dedicated teams within BNP Paribas' Group Finance-Development decide on the target architecture of the information systems (accounting systems, cost-accounting systems, accounting and regulatory consolidated reporting systems and consolidated management reporting systems) to be used by the finance departments across the Group. They facilitate the sharing of information and the implementation of cross-functional projects in a context of increasing convergence of the various existing accounting platforms, both at the level of the BNP Paribas Group and BNP Paribas Fortis.

The information used to prepare the BNP Paribas Fortis Consolidated Financial Statements is derived from the company's various transaction processing systems. All the systems have been designed and adapted in order to meet BNP Paribas Fortis's specific reporting needs. Routing controls ensure at each level of the data transmission chain that these systems are properly fed. BNP Paribas Fortis also regularly upgrades its systems to adapt them to the increasing complexity of its business.

Dedicated teams are responsible for setting the accounting and control procedures in the back offices and accounting systems.

### Process for collecting and preparing consolidated financial accounting and management accounting information

The process for collecting financial accounting and management accounting information is based on the accounting systems used across the BNP Paribas Group and is organised around two separate reporting channels, one dedicated to financial accounting data and the other to management accounting data, using the same integrated collection and consolidation software system known as MATISSE ('Management & Accounting Information System'). At local level, the accounting teams enter validated financial accounting and management accounting data into the system in accordance with BNP Paribas Fortis principles.

This reporting process applies to both financial accounting and management accounting data as follows:

- Financial accounting data: the procedures for preparing BNP Paribas Fortis' Financial Statements are set out in the instructions distributed to all consolidated entities. This facilitates the standardisation of financial accounting data and compliance with BNP Paribas Fortis accounting standards. Each entity closes its accounts on a quarterly basis and prepares a consolidation reporting package in accordance with pre-determined reporting instructions and deadlines. The validation procedures which accompany each phase of the reporting process seek to verify that:
  - accounting standards have been correctly applied
  - inter-company transactions have been correctly identified and eliminated for consolidation purposes,
  - consolidation entries have been correctly recorded.

The finance departments within the various BNP Paribas core businesses verify the consolidation packages coming from the accounting entities within their perimeter before reporting them, via BNP Paribas Group Finance-Development, to the BNP Paribas Fortis Finance department, which is in charge of preparing the BNP Paribas Fortis Consolidated Financial Statements.

- Management accounting data: management accounting information is reported on a monthly basis by each entity and business line to the relevant core

business and business line, which then reports management reporting data consolidated at its level to the Strategic Management Control unit at Group Finance-Development.

Quarterly, for each entity and business, a reconciliation is performed between the main income and expense items based on management accounting data and the Profit and Loss account intermediate balances. This is supplemented by an overall reconciliation performed by Group Finance-Development to ensure consistency between consolidated financial accounting data and management accounting data. These two reconciliations form part of the procedure for ensuring reliable financial accounting and management accounting data.

### Procedure for control of financial accounting and management accounting information

#### Internal control within the Finance department

Internal control in Finance is performed by dedicated teams supported by specialised tools, encompassing accounting controls and other operational permanent control areas.

The mission of these teams is to ensure, on a permanent basis, the reliability of the processes used for producing and validating the financial figures for BNP Paribas Fortis, and to ensure compliance with the legal and regulatory reporting requirements. Other activities consist inter alia in maintaining relations with the external auditors and ensuring that their recommendations are correctly applied throughout BNP Paribas Fortis, monitoring the certifications issued by BNP Paribas Fortis, and verifying the valuation of financial instruments.

#### Internal Certification Process

BNP Paribas Fortis monitors the accounting and financial reporting risk through a certification process, whose purpose is to report on the quality of the information provided in the MATISSE reporting system. The results of the certification process are presented quarterly to the BNP Paribas Fortis Audit, Risk and Compliance Committee (ARCC) and are an integral part of the accounting process.



Under a general rule set by BNP Paribas Group, each entity submitting a MATISSE reporting package is required to certify the accuracy of the reporting package on a quarterly basis, using the Finance Accounting Control Tool (FACT), an application dedicated to supporting the certification process across the BNP Paribas Group. Certificates are made up of standardised questions addressing the main accounting and financial risks areas.

Permanent Control within Finance provides a level of comfort to the CFO, the BNP Paribas Fortis Audit, Risk and Compliance Committee (ARCC), the external auditors and also the National Bank of Belgium that the internal control measures are being properly maintained for the entities which fall within the BNP Paribas Fortis perimeter.

The certification process encompasses:

- certification that the accounting data reported are reliable and comply with the BNP Paribas Fortis accounting policies
- certification that the accounting internal control system designed to ensure the quality of accounting data is operating effectively

This internal certification process forms part of the overall permanent control monitoring system and enables the BNP Paribas Fortis Finance department, which has overall responsibility for the preparation and quality of the BNP Paribas Fortis Consolidated Financial Statements, to be informed of any incidents relating to the preparation of the financial statements and to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to book appropriate provisions. As regards BNP Paribas Fortis in Belgium, the certification process is supported by an extensive set of sub-certificates which cover all activities which may generate accounting and financial risk for the company.

### **Measuring the financial instruments and determining the results of market transactions**

The Finance department delegates the determination and control of market values or models of financial instruments to the various departments involved in measuring financial instruments within the overall process of monitoring market risk and management data. However, it remains the responsibility of the Finance department to overview the accuracy of these operations.

The purpose of these control procedures within Finance is:

- to ensure that transactions involving financial instruments are properly recorded in BNP Paribas Fortis's financial and management data
- to guarantee the quality of the measurement and reporting of financial instruments used both in preparing the financial and management accounts and in managing and monitoring market and liquidity risks
- to ensure that the results of market transactions are accurately determined and correctly analysed.

### **General inspection team**

The General Inspection department is in charge of the periodic controls within BNP Paribas Fortis. It includes a team of auditors and inspectors specialising in financial audits. This reflects BNP Paribas Fortis' strategy of strengthening the internal audit capability in terms of both the technical scope and the areas of accounting risk addressed in the audit engagements undertaken.

The General Inspection department is empowered to intervene independently in all entities and areas of BNP Paribas Fortis. General Inspection may inspect any subject it deems necessary and enjoys unlimited access to all documents, persons and property of any audited entity. General Inspection's basic mission may be summarised as follows:

- to add value and improve BNP Paribas Fortis' operations through independent, objective assurance and consulting activity.
- to help BNP Paribas Fortis achieve its objectives by driving a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance processes
- to carry out periodic controls on the compliance of operations as to the level of risk actually incurred, on compliance with procedures, and on the appropriateness and effectiveness of the permanent control system.

When performing assignments, General Inspection is bound by a number of specific principles, including the requirements that:

- auditors remain independent, objective and impartial in their investigations and in reporting the results of their work to executive management and to the audited entities
- auditors cannot engage directly in acts of operational management.

Finally, General Inspection has a duty of vigilance and alert at all levels. It informs executive management about any major internal control deficiencies as soon as they are detected.

## Relations with the statutory auditors

In 2012, the panel of accredited Statutory Auditors was composed of:

- PwC Bedrijfsrevisoren bcvba / PwC Reviseurs d'Entreprises scrl, represented by Mr Roland JEANQUART
- Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises SC sfd SCRL, represented by Mr Philip MAEYAERT and Mr Frank VERHAEGEN.

The Statutory Auditors are appointed by the General Meeting of Shareholders, based on advice from the Audit, Risk and

Compliance Committee and upon a proposal by the Board of Directors and the Workers' Council.

The Statutory Auditors are required to issue a report every financial year in which they give their opinion concerning the fairness of the Consolidated Financial Statements of BNP Paribas Fortis and its subsidiaries.

The Statutory Auditors also carry out limited reviews of the quarterly accounts. As part of their statutory audit assignment:

- they examine any significant changes in accounting standards and present their recommendations to the Audit, Risk and Compliance Committee regarding accounting elections that have a material impact
- they present the relevant entity and the Finance department with their findings, observations and recommendations for the purpose of improving aspects of the internal control system for the preparation of accounting and financial information, reviewed in the course of their audit.

The Audit, Risk and Compliance Committee of the Board of Directors is informed about any accounting elections that have a material impact on the financial statements, so that they can submit these elections to the Board of Directors for a final decision.

## 4. Conflict of Interests

In addition to the legal provisions on Conflicts of Interest in the Companies Code, the company is required to comply with the substance of a number of circular letters issued by the National Bank of Belgium (NBB) whose purpose is avoid conflicts of interest between BNP Paribas Fortis and its directors or executive management, inter alia in relation to external functions exercised and any loans granted.

Further, the Company has a general policy on conflicts of interest and a code of conduct in place, which states that the attainment of commercial, financial, professional or personal objectives must not stand in the way of compliance with the following basic principles:

1. to act fairly, honestly and transparently
2. to respect others

3. to comply with the law, the regulations and professional standards
4. to comply with instructions
5. to act in the best interests of the customer
6. to ensure that market integrity is respected
7. to manage conflicts of interests
8. to behave professionally
9. to safeguard the interest of BNP Paribas
10. to report any irregularities observed.

Finally, BNP Paribas Fortis directors and executive management have been assessed by the NBB before their formal appointment, in accordance with the Banking Act. Before issuing its approval or a statement of 'nihil obstat' ('no objection'), the NBB conducts an enquiry which inter alia verifies that certain conflicts of interest do not exist.

# **BNP Paribas Fortis Consolidated Financial Statements 2012**

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

## Profit and loss account for the year ending 31 December 2012

In millions of euros	Note	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Interest income	2.a	9,216	8,866
Interest expense	2.a	(4,759)	(4,704)
Commission income	2.b	1,931	1,750
Commission expense	2.b	(614)	(510)
Net gain/loss on financial instruments at fair value through profit or loss	2.c	89	309
Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value	2.d	(45)	(36)
Income from other activities	2.e	495	99
Expense on other activities	2.e	(432)	(41)
<b>REVENUES</b>		<b>5,881</b>	<b>5,733</b>
Operating expense		(4,155)	(3,629)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.m	(236)	(227)
<b>GROSS OPERATING INCOME</b>		<b>1,490</b>	<b>1,877</b>
Cost of risk	2.f	(374)	(1,152)
<b>OPERATING INCOME</b>		<b>1,116</b>	<b>725</b>
Share of earnings of associates		(294)	(111)
Net gain/loss on non-current assets		(236)	51
Goodwill	5.n		
<b>PRE-TAX INCOME</b>		<b>586</b>	<b>665</b>
Corporate income tax	2.g	(41)	(80)
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>		<b>545</b>	<b>585</b>
Net result of discontinued operations	8.c		(314)
<b>NET INCOME</b>		<b>545</b>	<b>271</b>
Net income attributable to minority interests		238	167
<b>NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>307</b>	<b>104</b>

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

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>Net income for the period</b>	<b>545</b>	<b>271</b>
<b>Changes in assets and liabilities recognised directly in equity</b>	<b>2,741</b>	<b>(175)</b>
Items related to exchange rate movements	111	50
Changes in fair value of available-for-sale financial assets	2,156	(483)
Changes in fair value of available-for-sale assets reported in net income	(35)	201
Deferred gains and losses on hedging instruments	60	54
Changes in value of hedging instruments reported in net income		
Items related to equity-accounted companies	449	3
<b>TOTAL</b>	<b>3,286</b>	<b>96</b>
Attributable to equity shareholders	2,964	20
Attributable to minority interests	322	76

## Balance sheet at 31 December 2012

In millions of euros	Note	31 December 2012	31 December 2011
<b>ASSETS</b>			
Cash and amounts due from central banks and post office banks		11,040	8,287
Financial assets at fair value through profit or loss	5.a	33,479	91,241
Derivatives used for hedging purposes	5.b	1,365	935
Available-for-sale financial assets	5.c	35,482	42,688
Loans and receivables due from credit institutions	5.f	18,541	35,786
Loans and receivables due from customers	5.g	147,781	145,757
Remeasurement adjustment on interest-rate risk hedged portfolios		753	674
Held-to-maturity financial assets	5.i	1,485	2,187
Current and deferred tax assets	5.j	3,698	4,198
Accrued income and other assets	5.k	10,008	8,281
Investments in associates	5.l	3,561	4,141
Investment property	5.m	498	58
Property, plant and equipment	5.m	1,957	1,509
Intangible assets	5.m	109	127
Goodwill	5.n	347	192
Assets classified as held for sale	8.c	2,150	118
<b>TOTAL ASSETS</b>		<b>272,254</b>	<b>346,179</b>
<b>LIABILITIES</b>			
Due to central banks and post office banks		593	41
Financial liabilities at fair value through profit or loss	5.a	30,819	99,359
Derivatives used for hedging purposes	5.b	2,836	2,282
Due to credit institutions	5.f	23,763	38,918
Due to customers	5.g	146,246	154,514
Debt securities	5.h	22,404	14,560
Remeasurement adjustment on interest-rate risk hedged portfolios		561	472
Current and deferred tax liabilities	5.j	824	258
Accrued expenses and other liabilities	5.k	8,090	3,482
Provisions for contingencies and charges	5.o	3,593	3,384
Subordinated debt	5.h	7,536	9,491
Liabilities classified as held for sale	8.c	1,663	137
<b>TOTAL LIABILITIES</b>		<b>248,928</b>	<b>326,898</b>
<b>CONSOLIDATED EQUITY</b>			
<i>Share capital and additional paid-in capital</i>		9,605	9,605
<i>Retained earnings</i>		8,533	8,679
<i>Net income for the period attributable to shareholders</i>		307	104
<b>Total capital, retained earnings and net income for the period attributable to shareholders</b>		<b>18,445</b>	<b>18,388</b>
Change in assets and liabilities recognised directly in equity		562	(2,096)
<b>Shareholders' equity</b>		<b>19,007</b>	<b>16,292</b>
Retained earnings and net income for the period attributable to minority interests		4,370	3,124
Change in assets and liabilities recognised directly in equity		(51)	(135)
<b>Total minority interests</b>		<b>4,319</b>	<b>2,989</b>
<b>TOTAL CONSOLIDATED EQUITY</b>		<b>23,326</b>	<b>19,281</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>272,254</b>	<b>346,179</b>

## Statement of changes in shareholders' equity between 1 January 2011 and 31 December 2012

In millions of euros	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity			Total Shareholders' Equity
	Ordinary shares	Non distributed reserves	Total Capital and Retained Earnings	Exchange rate	Financial Assets Available for sale	Derivatives used for hedging purposes	
Capital and retained earnings at 31 December 2010	9,605	8,999	18,604	(336)	(1,735)	59	16,592
Other movements		67	67				67
Dividends		(387)	(387)				(387)
Changes in assets and liabilities recognised directly in equity				79	(216)	53	(84)
Net income for 2011		104	104				104
Capital and retained earnings at 31 December 2011	9,605	8,783	18,388	(257)	(1,951)	112	16,292
Other movements		(42)	(42)				(42)
Dividends		(208)	(208)				(208)
Changes in assets and liabilities recognised directly in equity				154	2,446	58	2,658
Net income for 2012		307	307				307
Capital and retained earnings at 31 December 2012	9,605	8,840	18,445	(103)	495	170	19,007

The EUR (42) million in the line 'Other movements' is related to the acquisition of an additional 16.67% of the shares of BNP Paribas Leasing Solutions by BGL BNP Paribas and the acquisition of assets and liabilities from BNP Paribas Norway Branch by BNP Paribas Fortis Norway Branch. As these transactions took place between entities under common control, BNP Paribas Fortis applied the 'predecessor basis of accounting method'. Further information can be found in notes 1.c.4 'Business combinations and measurement of goodwill' and 8.b 'Business combinations'.

## Minority Interests between 1 January 2011 and 31 December 2012

In millions of euros	Capital and retained earnings	Changes in assets and liabilities recognised directly in equity	Total Minority Interests
Capital and retained earnings at 31 December 2010	3,054	(44)	3,010
Other movements	72		72
Dividends	(169)		(169)
Change in assets and liabilities recognised directly in equity		(91)	(91)
Net income for 2011	167		167
Capital and retained earnings at 31 December 2011	3,124	(135)	2,989
Other movements	1,175		1,175
Dividends	(167)		(167)
Change in assets and liabilities recognised directly in equity		84	84
Net income for 2012	238		238
Capital and retained earnings at 31 December 2012	4,370	(51)	4,319

The EUR 1,175 million in the line 'Other movements' is mainly related to the acquisition of an additional 16.67% of the shares of BNP Paribas Leasing Solutions (BPLS) by BGL BNP Paribas. The acquisition increased the BGL BNP Paribas share from 33.33% to 50% +1 share and transferred the control over BPLS from BNP Paribas to BGL BNP Paribas. The consolidation method changed from the equity method to full consolidation with recognition of 75% minorities. Further information can be found in note 8.b 'Business combinations'.

## Statement of cash flows for the year ending 31 December 2012

In millions of euros	Note	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Pre-tax net income of continuing activities		586	665
Pre-tax net income of discontinued activities			(311)
<b>Non-monetary items included in pre-tax net income and other adjustments of continuing activities</b>		<b>1,983</b>	<b>21</b>
Net depreciation/amortisation expense on property, plant and equipment and intangible assets		328	231
Impairment of goodwill and other non-current assets		12	167
Net addition to provisions		(807)	323
Share of earnings of associates		295	111
Net income from investing activities		32	(196)
Net income from financing activities			
Other movements		2,123	(615)
<b>Net increase (decrease) in cash related to assets and liabilities generated by continuing operating activities</b>		<b>9,345</b>	<b>10,755</b>
Cash related to transactions with credit institutions		(5,140)	1,674
Cash related to transactions with customers		14,336	(55)
Cash related to transactions involving other financial assets and liabilities		153	9,136
Cash related to transactions involving non-financial assets and liabilities		(4)	
Taxes paid		(231)	(119)
<b>CASH AND EQUIVALENTS GENERATED BY CONTINUING OPERATING ACTIVITIES</b>		<b>11,683</b>	<b>11,322</b>
<b>CASH AND EQUIVALENTS GENERATED BY DISCONTINUED OPERATING ACTIVITIES</b>	8.c	<b>298</b>	<b>(403)</b>
Cash related to acquisitions and disposals of consolidated entities	8.b	(106)	755
Cash related to property, plant and equipment and intangible assets		(257)	(271)
<b>CASH AND EQUIVALENTS RELATED TO CONTINUING INVESTING ACTIVITIES</b>		<b>(363)</b>	<b>484</b>
<b>CASH AND EQUIVALENTS RELATED TO DISCONTINUED INVESTING ACTIVITIES</b>	8.c	<b>(111)</b>	<b>(10)</b>
Cash and equivalents related to transactions with shareholders		(73)	(438)
Cash and equivalents generated by other financing activities		(2,627)	(5,532)
<b>CASH AND EQUIVALENTS RELATED TO CONTINUING FINANCING ACTIVITIES</b>		<b>(2,700)</b>	<b>(5,970)</b>
<b>CASH AND EQUIVALENTS RELATED TO DISCONTINUED FINANCING ACTIVITIES</b>	8.c	<b>(52)</b>	<b>1</b>
<b>EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES</b>		<b>(1)</b>	<b>(147)</b>
<b>EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES</b>		<b>1</b>	<b>1</b>
<b>Balance of cash and equivalent accounts of continuing activities at the start of the period</b>		<b>1,667</b>	<b>(4,022)</b>
Cash and amounts due from central banks and post office banks		8,287	2,989
Due to central banks and post office banks		(41)	(25)
Demand deposits with credit institutions	5.f	1,969	607
Demand loans from credit institutions	5.f	(8,548)	(7,593)
<b>Balance of cash and equivalent accounts of continuing activities at the end of the period</b>		<b>10,358</b>	<b>1,667</b>
Cash and amounts due from central banks and post office banks		11,040	8,287
Due to central banks and post office banks		(593)	(41)
Demand deposits with credit institutions	5.f	2,355	1,969
Demand loans from credit institutions	5.f	(2,444)	(8,548)
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF CONTINUING ACTIVITIES</b>		<b>8,691</b>	<b>5,689</b>
<b>Balance of cash and equivalent accounts of discontinued activities at the start of the period</b>		<b>4</b>	<b>415</b>
<b>Balance of cash and equivalent accounts of discontinued activities at the end of the period</b>		<b>68</b>	<b>4</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS OF DISCONTINUED ACTIVITIES</b>		<b>64</b>	<b>(411)</b>



# Notes to the consolidated financial statements

Prepared in accordance with IFRS  
as adopted by the European Union

# 1 Summary of significant accounting policies applied by BNP Paribas Fortis

## 1.a Applicable accounting standards

The Consolidated Financial Statements of BNP Paribas Fortis are prepared in accordance with the international accounting standards - International Financial Reporting Standards (IFRS), as adopted for use in the European Union<sup>1</sup>. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded and certain recent texts have not yet undergone the approval process.

In the Consolidated Financial Statements at 31 December 2012, BNP Paribas Fortis has applied the amendment to IFRS 7 Financial Instruments: disclosures - transfer of financial instruments, which was endorsed by the European Union on 23 November 2011. This amendment has no impact on the evaluation and the accounting of the transactions.

The introduction of other standards, which are mandatory as of 1 January 2012, had no effect on the Consolidated Financial Statements at 31 December 2012.

BNP Paribas Fortis did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union whose application in 2012 is optional.

<sup>1</sup> The full set of standards adopted for use in the European Union can be consulted on the website of the European Commission at [http://ec.europa.eu/internal\\_market/accounting/ias\\_en.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission).

As of 1 January 2013, in accordance with the amendment to IAS 19 'Employee benefits' adopted on 6 June 2012 by the European Union, the retirement benefit obligations will be recognised in the BNP Paribas Fortis balance sheet without adjustment of unrecognised actuarial gains or losses or other amortising items. This liability will therefore increase by EUR 533 million in the 2012 comparatives figures presented in the 2013 BNP Paribas Fortis Consolidated Financial Statements.

On 29 December 2012, the European Union endorsed amendments to IAS 32 'Financial Instruments: presentation - offsetting of financial assets and financial liabilities'; the standards IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'; and the amended standards IAS 28 'Investments in associates and joint ventures' and IFRS 13 'Fair value measurement'. All become applicable, at the latest, as from the financial year starting 1 January 2014 with the exception of the IFRS 13 'Fair value measurement' standard, which becomes applicable prospectively as from 1 January 2013. BNP Paribas Fortis is currently analysing the potential impact of the application of these standards to the Consolidated Financial Statements.

## 1.b Segment reporting

The organisation, operating model and governance structure of BNP Paribas Fortis changed significantly following the acquisition of a 75% share in BNP Paribas Fortis by BNP Paribas and the commencement of the integration project, as set out in the Industrial Plan. These changes also have a major impact on the way performance is assessed and resources of the segments are allocated and on the format and content of BNP Paribas Fortis' segment reporting.

We consider that within the legal and regulatory scope of BNP Paribas Fortis ('controlled perimeter'), the nature and financial effects of the business activities in which it engages and the economic environments in which it operates are best reflected through operating segments based on geographical components, namely:

- BNP Paribas Fortis in Belgium
- BNP Paribas Fortis in Luxembourg
- Other countries

Operating segments are components of BNP Paribas Fortis:

- that engage in business activities from which it may earn revenues and incur expenses
- whose operating results are regularly reviewed by the Board of Directors of BNP Paribas Fortis in order to make decisions about resources to be allocated to that segment and to assess its performance
- for which discrete financial information is available.

The Board of Directors of BNP Paribas Fortis is deemed to be the chief operating decision maker (CODM) within the meaning of IFRS 8, Operating Segments, jointly overseeing the activities, performance and resources of BNP Paribas Fortis.

BNP Paribas Fortis, like many other companies with diverse operations, organises and reports financial information to the CODM in more than one way.

BNP Paribas Fortis and the legal entities that are part of the Group exercise management control over the full legal and regulatory scope, known as the 'controlled perimeter', including the establishment of appropriate governance structures and control procedures.

Within this organisational structure, with the presence of significant minority shareholders, and in the context of the regulatory scope ('controlled perimeter') of BNP Paribas Fortis, operating segments based on geographical areas and regulatory environments are best aligned with the core principles and criteria for determining operating segments as defined in IFRS 8 Operating Segments.

Transactions or transfers between the operating segments are entered into on normal commercial terms and conditions as would be available to unrelated third parties.

## 1.c Consolidation

### 1.c.1 Scope of consolidation

The BNP Paribas Fortis Consolidated Financial Statements encompass all entities under the exclusive or joint control of BNP Paribas Fortis or over which BNP Paribas Fortis exercises significant influence, with the exception of those entities whose consolidation is regarded as immaterial to BNP Paribas Fortis. An entity is considered to be non-material and is therefore not consolidated if its contribution does not reach any of the following thresholds: EUR 15 million in consolidated revenues, EUR 10 million in consolidated net income before tax and EUR 500 million of total consolidated assets. Entities that exceed none of the above thresholds but generate a consolidated net income before tax between EUR 1 million and EUR 10 million are reported via the equity method. Entities in which BNP Paribas Fortis has a significant influence are reported via the equity method if the net asset value of the equity associate exceeds EUR 500 million or the net profit exceeds EUR 1 million. Otherwise these entities are reported as investments.

Subsidiaries are consolidated from the date on which BNP Paribas Fortis obtains effective control. Entities acquired with a view to their subsequent disposal are included in the consolidated financial statements until the date of disposal.

BNP Paribas Fortis also consolidates special purpose entities (SPEs) formed specifically to manage a transaction or a group of transactions with similar characteristics, even where BNP Paribas Fortis has no equity interest in the entity, provided that the substance of the relationship indicates that BNP Paribas Fortis exercises control as assessed by reference to the following criteria:

- the activities of the SPE are being conducted exclusively on behalf of BNP Paribas Fortis, such that BNP Paribas Fortis obtains benefits from those activities
- BNP Paribas Fortis has the decision-making and management powers to obtain the majority of the benefits of the ordinary activities of the SPE (as evidenced, for example, by the power to dissolve the SPE, to amend its bylaws, or to exercise a formal veto over amendments to its bylaws)
- BNP Paribas Fortis has the ability to obtain the majority of the benefits of the SPE, and therefore may be exposed to risks inherent in the activities of the SPE. These benefits may be in the form of rights to some or all of the SPE's earnings (calculated on an annual basis), to a share of its net assets, to benefit from one or more assets, or to receive the majority of the residual assets in the event of liquidation

- BNP Paribas Fortis retains the majority of the risks taken by the SPE in order to obtain benefits from its activities. This would apply, for example, if BNP Paribas Fortis remains exposed to the initial losses on a portfolio of assets held by the SPE.

## 1.c.2 Consolidation methods

Enterprises under the exclusive control of BNP Paribas Fortis are fully consolidated. BNP Paribas Fortis has exclusive control over an enterprise where it is in a position to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. Exclusive control is presumed to exist where BNP Paribas Fortis holds, directly or indirectly, more than half of the voting rights of an enterprise. It also exists when BNP Paribas Fortis has the power to govern the financial and operating policies of the enterprise under an agreement; to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

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

Jointly-controlled companies are consolidated by the proportional method. BNP Paribas Fortis exercises joint control when, under a contractual arrangement, strategic financial and operating decisions require the unanimous consent of the parties that share control.

Enterprises over which BNP Paribas Fortis exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decision-making of an enterprise without exercising control. Significant influence is presumed to exist where BNP Paribas Fortis holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and BNP Paribas Fortis effectively exercises significant influence. This

applies to companies developed in partnership with other groups, where BNP Paribas Fortis participates in the strategic decision-making of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or management staff, and provides technical assistance to support the development of the enterprise.

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

If the share of losses of an associate of BNP Paribas Fortis equals or exceeds the carrying amount of its investment in the associate, BNP Paribas Fortis discontinues recognising its share of further losses. The investment is then reported at nil value. Additional losses of the associate are provided for only to the extent that BNP Paribas Fortis has a legal or constructive obligation to do so, or has made payments on behalf of the associate.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet. The calculation of minority interests takes account of outstanding cumulative preferred shares classified as equity instruments and issued by subsidiaries, when such shares are held outside BNP Paribas Fortis.

Transactions resulting in loss of control completed prior to 1 January 2010 have given rise to the recognition of a gain or loss equal to the difference between the sale price and the share of BNP Paribas Fortis in the underlying equity. For transactions completed after 1 January 2010, the revised IAS 27 now requires any equity interest retained by BNP Paribas Fortis to be 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 account under 'Net gain/loss on non-current assets'.

### 1.c.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 enterprises 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.

#### **Translation of financial statements expressed in foreign currencies**

The BNP Paribas Fortis Consolidated Financial Statements are prepared in euros.

The financial statements of enterprises 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 for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising on the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under 'Cumulative translation adjustment' for the portion attributable to shareholders, and in 'Minority interests' for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, BNP Paribas Fortis has reset at zero, by transfer to retained earnings, all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004.

On liquidation or disposal of all or part of an interest in a foreign operation outside the eurozone, leading to a change in the nature of the investment (loss of control, significant influence or joint control), the cumulative translation adjustment recorded in equity at the date of liquidation or sale is recognised in the profit and loss account.

Should the percentage interest held change without any change in the nature of the investment, the translation adjustment is reallocated between the portion attributable to shareholders and that attributable to minority interests, if the enterprise is fully consolidated. For associates and joint ventures, the portion related to the interest sold is recognised in the profit and loss account.

### 1.c.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 and liabilities assumed are measured at fair value at the acquisition date, except for non-current assets held for sale, which are accounted for at fair value less cost to sell.

The acquiree's contingent liabilities are not recognised in the consolidated balance sheet unless they represent a present obligation on the acquisition date and their fair value can be measured reliably.

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

Any contingent consideration is included in the consideration transferred at its acquisition-date fair value as soon as control is obtained. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

BNP Paribas Fortis may recognise any adjustments to the provisional accounting of the business combination within 12 months after the acquisition date.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while badwill is recognised immediately in profit or loss, on the acquisition date.

Minority interests are measured for their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, BNP Paribas Fortis can elect to measure the minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, BNP Paribas Fortis has never used this latter option.

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

At the acquisition date, any previously held equity interest in the acquiree is remeasured at its fair value through profit or loss. In the case of a step acquisition, the goodwill is therefore determined by reference to the acquisition-date fair value.

Since the revised IFRS 3 is applied prospectively, business combinations completed prior to 1 January 2010 were not restated for the effects of 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 accounting standards (Belgian GAAP) have not been restated in accordance with the principles of IFRS 3.

### Measurement of goodwill

BNP Paribas Fortis tests goodwill for impairment on a regular basis.

### Cash-generating units

BNP Paribas Fortis has divided all its activities into cash-generating units<sup>2</sup>, representing the reporting entities or groups of reporting entities of BNP Paribas Fortis. This split is

consistent with the organisational structure and management methods of BNP Paribas Fortis, and reflects the independence of each reporting entity or group of reporting entities in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

### Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with 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 the higher of the fair value of the unit and its value-in-use.

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

Value-in-use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by the Executive Committee and from analyses of changes in the relative positioning of the unit's activities on its market. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region in question.

### Transactions under common control

Transfers of assets or exchange of shares between entities under common control do not fall within the scope of IFRS 3, Business Combinations or other IFRS standards. Therefore, based on IAS 8, which requires management to use its judgement in developing and applying an accounting policy that provides relevant and reliable financial statement information, BNP Paribas Fortis has decided to adopt a predecessor basis of accounting. Under this method, BNP Paribas Fortis,

<sup>2</sup> As defined by IAS 36.

as acquiring party, recognises those assets and liabilities at their carrying amount as determined by the transferring entity at the date of the transfer. Consequently, no new goodwill (other than the existing goodwill relating to either of the combining entities) is recognised. Any difference between the

consideration paid/transferred and the share in the net assets measured at the predecessor carrying amount is presented as an adjustment in equity. This predecessor basis of accounting for the business combinations under common control is applied prospectively from the date of the acquisition.

## 1.d Financial assets and financial liabilities

### 1.d.1 loans and receivables

Loans and receivables include credit provided by BNP Paribas Fortis, the share of BNP Paribas Fortis in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as 'Available-for-sale financial assets' and measured using the methods applicable to this category.

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 commission (participation fees, 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 amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments where the probability of drawdown is low, or when there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

### 1.d.2 Securities

#### Categories of securities

Securities held by BNP Paribas Fortis are classified in one of four categories.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of:

- financial assets held for trading purposes
- financial assets that BNP Paribas Fortis has designated, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.d.10 'Financial assets and liabilities designated at fair value through profit or loss (FVO)'.

Securities in this category are measured at fair value at the balance sheet date. Transaction costs are directly posted in the profit and loss account. 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 measured and recognised as described in section 1.d.1 'Loans and receivables'.

### Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that BNP Paribas Fortis 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 accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and the redemption value of the asset) and incidental acquisition costs (where material). Income earned from this category of assets is included in 'Interest income' in the profit and loss account.

### Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as 'at fair value through profit or loss', 'held-to-maturity' or 'loans and receivables'.

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the balance sheet date, they are remeasured to fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity. Upon disposal, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line 'Net gain/loss on available-for-sale financial assets'. The same applies in the event of impairment.

Income recognised using the effective interest method derived from fixed-income available-for-sale securities is recorded in 'Interest income' in the profit and loss account. Dividend income from variable-income securities is recognised in 'Net gain/loss on available-for-sale financial assets' when BNP Paribas Fortis' right to receive payment is established.

### Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recorded in the BNP Paribas Fortis balance sheet in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category on the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in 'Financial liabilities at fair value through profit or loss'.

Securities temporarily acquired under reverse repurchase agreements are not recognised in the BNP Paribas Fortis balance sheet. The corresponding receivable is recognised under 'Loans and receivables' except in the case of reverse repurchase agreements contracted for 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 on the balance sheet, except in cases where the borrowed securities are subsequently sold by BNP Paribas Fortis. In such cases, the obligation to deliver the borrowed securities on maturity is recognised on the balance sheet under 'Financial liabilities at fair value through profit or loss'.

### Date of recognition for securities transactions

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

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



Securities transactions are carried on the balance sheet until BNP Paribas Fortis' right to receive the related cash flows expire, or until BNP Paribas Fortis has transferred substantially all the risks and rewards incident to ownership of the securities.

### 1.d.3 Foreign currency transactions

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by BNP Paribas Fortis, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

#### **Monetary assets and liabilities<sup>3</sup> 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 in the profit and loss account, except for those arising on financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

#### **Non-monetary assets and liabilities 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 translated using the exchange rate at the date of the transaction if they are measured at historical cost and at the closing rate if they are measured at fair value.

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

<sup>3</sup> *Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.*

### 1.d.4 Impairment of financial assets

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

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by BNP Paribas Fortis, with the probability of drawdown taken into account in any assessment of financing commitments.

At individual level, objective evidence that a financial asset is impaired includes observable data on the following events:

- the existence of accounts more than three months past due (six months past due for real estate loans and loans to local authorities)
- knowledge or indications that the borrower is experiencing significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments
- concessions in respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been experiencing financial difficulty (see below 'Restructuring of assets classified in the category Loans and Receivables').

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in the profit and loss account under 'Cost of risk'. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under 'Cost of risk'. Once an asset has been impaired, 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 and receivables are usually recorded in a separate provision account which reduces the amount for which the loan or receivable was recorded in assets upon initial recognition. Provisions relating to off-balance sheet financial instruments, financing and guarantee commitments or disputes are recognised under liabilities. Impaired receivables are written off in whole or in part and the corresponding provision 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 alongside those with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables BNP Paribas Fortis to identify groups of counterparties which, as a result of events occurring since the inception of the loans, have collectively acquired a probability of default at maturity, which provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are taken in the profit and loss account under 'Cost of risk'.

Based on the experienced judgement of the Bank's divisions or of Risk Management, BNP Paribas Fortis may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

#### **Impairment of available-for-sale financial assets**

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis, based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts BNP Paribas Fortis 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, BNP Paribas Fortis has determined three indications of impairment, namely: a significant decline in price, defined as a fall of more than 50% on the acquisition price; a prolonged decline over two consecutive years; or a decline of at least 30% on average over an observation period of one year. BNP Paribas Fortis believes that a period of two years is required for a moderate decline in price below the purchase cost to be regarded as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but rather as a lasting phenomenon which justifies an impairment.

A similar method is applied for variable-income securities which are not quoted on an active market. Any impairment is then determined based on the model value.

In the case of fixed-income securities, impairment is assessed on the basis of the same criteria applied to individually impaired loans and receivables. For securities quoted in an active market, impairment is determined on the basis of quoted price. For all others, it is determined on the basis of 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 until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, to be recognised in the profit and loss account.

Impairment losses taken against fixed-income securities 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 the 'Loans and receivables' category**

A restructuring due to financial difficulties experienced by the borrower of an asset classified in the category 'Loans and receivables' is defined as a change in the terms and conditions of the initial transaction, which BNP Paribas Fortis only takes into consideration for economic and legal reasons linked to the financial difficulties of the borrower. This is because it results in a reduced obligation towards the Bank on the part of the customer in comparison with the terms and conditions of the transaction before the restructuring.

At the moment of the restructuring, the restructured asset is subject to a discount which will adjust its carrying amount to a discounted amount of expected future cash flows, at the initial effective interest rate of the asset. The modification which reduces the value of the asset is reported under 'Cost of risk' in the income statement.

When the restructuring takes the form of a partial or full exchange against other assets, this conversion results in the derecognition of the receivable and the recognition of the exchanged assets, which are valued at fair market value at the date of the exchange. The value difference caused by this exchange is recognised under 'Cost of risk' in the income statement.

### **1.d.5 Reclassification of financial assets**

The only authorised reclassifications of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near term, out of 'Financial assets at fair value through profit or loss' and into:
  - 'Loans and receivables' if the asset meets the definition for this category and BNP Paribas Fortis has the intention and ability to hold the asset for the foreseeable future or until maturity, or
  - other categories only under rare circumstances where 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' on the same conditions as set out above for 'Financial assets at fair value through profit or loss', or
  - 'Held-to-maturity financial assets', for assets that have a maturity, or 'Financial assets at cost', for unlisted variable-income assets.

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

After reclassification, assets are recognised according to the provisions applicable to the host portfolio. The transfer price on the reclassification date is deemed to be the initial cost of the asset 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 through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the carrying amount of the financial asset.

### 1.d.6 Issues of debt securities

Financial instruments issued by BNP Paribas Fortis are qualified as debt instruments if, in issuing the instruments, BNP Paribas Fortis has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if BNP Paribas Fortis may be obliged to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to BNP Paribas Fortis, or to deliver a variable number of BNP Paribas Fortis' own equity instruments.

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

Bonds redeemable for or convertible into BNP Paribas Fortis equity instruments are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

### 1.d.7 Own equity instruments and own equity instrument derivatives

The term 'own equity instruments' refers to shares issued by the parent company (BNP Paribas SA) or by its fully consolidated subsidiaries.

Own equity instruments held by BNP Paribas Fortis, also known as treasury shares, are deducted from consolidated shareholders' equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

When BNP Paribas Fortis acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas Fortis, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to the shareholders of BNP Paribas Fortis. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to the shareholders of BNP Paribas Fortis. Until these options have been exercised, the portion of net income attributable to minority interests is allocated to minority interests in the profit and loss account. A decrease in interest in a fully consolidated subsidiary of BNP Paribas Fortis is recognised in the accounts of BNP Paribas Fortis as a change in shareholders' equity.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset; such instruments are not revalued
- as derivatives if they are settled in cash, or by choice depending on whether they are settled by physical delivery of the shares or in cash; changes in value of such instruments are taken to the profit and loss account.

If the contract includes an obligation, whether contingent or not, for the Bank to repurchase its own shares, the Bank must recognise the present value of the debt with an offsetting entry in equity.

### 1.d.8 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 to fair value on the balance sheet date.

### Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet under 'Financial assets at fair value through profit or loss' when their fair value is positive, and under 'Financial liabilities at fair value through profit or loss' when their fair value is negative. Realised and unrealised gains and losses are taken to the profit and loss account on the line '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 (demand deposits and fixed rate loans in particular).

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

At the inception of the hedge, BNP Paribas Fortis 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 the type of risk hedged, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, BNP Paribas Fortis assesses, in consistency with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under IAS 39 as adopted by the European Union (which excludes certain provisions on portfolio hedging), interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

- The risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits).
- The instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings.
- The hedging instruments used consist exclusively of 'plain vanilla' swaps
- Prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

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

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value taken to profit or loss in 'Net gain/loss on financial instruments at fair value through profit or loss', symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under 'Remeasurement 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 the 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 item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is measured at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, 'Unrealised or deferred gains or losses'. The amounts taken to shareholders' equity 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 using the treatment specific to the asset 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, at which point they are transferred to the profit and loss account.

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

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under 'Net gain/loss on financial instruments at fair value through profit or loss'.

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

### **Embedded derivatives**

Derivatives embedded in hybrid financial instruments are separated from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

### **1.d.9 Determination of fair value**

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

Fair value is determined:

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

Whether or not a market is active, is determined on the basis of a variety of factors. Characteristics of an inactive market include; a significant decline in the volume and level of trading activity in identical or similar instruments; a significant variation of the available prices over time or among market participants; or observed transaction prices that are not current.

### **Use of quoted prices on active markets**

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

### Use of models to value unquoted financial instruments

The majority of over-the-counter derivatives are traded in active markets. Valuations are determined using generally accepted models (e.g. discounted cash flows, Black & Scholes model, interpolation techniques), based on quoted market prices for similar instruments or underlyings.

Some financial instruments, although not traded on an active market, are measured using methods based on parameters which are observable on the market.

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

The valuation derived from these models is adjusted for liquidity and credit risk. Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of long positions, or at asking price in the case of short positions. The 'bid price' is the price at which a counterparty would buy the instrument, and the 'asking price' is the price at which a seller would sell the same instrument.

Similarly, a counterparty risk adjustment is included in the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

The margin generated when financial instruments are traded is immediately taken to the profit and loss account.

Other illiquid complex financial instruments are valued using internally-developed techniques and techniques that are entirely based on data or on parameters that are partially non-observable on active markets.

In the absence of observable inputs, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

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

Lastly, the fair value of unlisted equity securities is measured in comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such points of reference are available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or BNP Paribas Fortis' share of net assets, calculated using the most recent information available.

### 1.d.10 Financial assets and liabilities designated at fair value through profit or loss (fair value option)

Financial assets or financial liabilities can be designated 'at fair value', with changes in fair value recognised in profit or loss, in the following cases:

- Hybrid financial instruments containing one or more embedded derivatives which otherwise would have been separated and accounted for separately
- Where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories
- Where a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, in accordance with a documented risk management and investment strategy.

### 1.d.11 Income and expenses arising from financial assets and financial liabilities

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified under 'Available-for-sale financial assets' are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, where 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 (i) all fees received or paid that are an integral part of the effective interest rate of the contract, (ii) transaction costs and (iii) premiums and discounts.

The method used by BNP Paribas Fortis to recognise service-related commission income and expenses depends on the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account under 'Net interest income'. Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under 'Commission income and expense'. Commission payable or receivable for recurring services is recognised over the term of the service, also under 'Commission income and expense'.

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Revenues.

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

### 1.d.12 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 provisions for impairment for financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off. This heading also includes impairment losses recorded in respect of default risk incurred on counterparties for over-the-counter financial instruments, and expenses relating to fraud or to disputes inherent in the financing business.

### 1.d.13 Derecognition of financial assets and financial liabilities

BNP Paribas Fortis derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when BNP Paribas Fortis transfers the contractual rights to the cash flows from the asset plus substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, BNP Paribas Fortis retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

BNP Paribas Fortis derecognises all or part of a financial liability when the liability is extinguished in full or in part.

### 1.d.14 Offsetting of 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, BNP Paribas Fortis 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 settle the liability simultaneously.

Repurchase agreements and derivatives traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the balance sheet.



## 1.e Accounting standards specific to insurance business

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies generally applied to the assets and liabilities of BNP Paribas Fortis, and are included under the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

### 1.e.1 Assets

Financial assets and non-current assets are accounted for using the policies described elsewhere in this note. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets representing technical provisions related to unit-linked business are shown in 'Financial assets at fair value through profit or loss', and are stated at the realisable value of the underlying assets at the balance sheet date.

### 1.e.2 Liabilities

The obligations of BNP Paribas Fortis to policyholders and beneficiaries are shown in 'Technical reserves of insurance companies' and comprise liabilities relating to insurance contracts carrying a significant insurance risk (e.g. mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive a share of actual profits as a supplement to guaranteed benefits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in 'Due to customers'.

Unit-linked contract liabilities are measured with reference to the fair value of the underlying assets at the balance sheet date.

The technical reserves of life insurance subsidiaries consist primarily of mathematical reserves, which generally correspond to the surrender value of the contract.

The benefits offered relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers' insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

Non-life technical reserves include unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period. A capitalisation reserve is set up in individual statutory accounts on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the Consolidated Financial Statements, the bulk of this reserve is reclassified to 'Policyholders' surplus' on the liabilities side of the consolidated balance sheet; a deferred tax liability is recognised on the portion taken to shareholders' equity.

This item also includes the policyholders' surplus reserve resulting from the application of shadow accounting. This represents the policyholders' interest in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

In the event of an unrealised loss on shadow accounted assets, a policyholders' loss reserve is recognised on the assets side of the consolidated balance sheet in an amount equal to the probable deduction from the policyholders' future profit share. The recoverability of the policyholders' loss reserve is assessed prospectively, taking account of policyholders' surplus reserves recognised elsewhere, capital gains on financial assets that are not shadow accounted due to accounting elections made (held-to-maturity financial assets and property investments measured at cost) and the

company's ability and intention to hold the assets carrying the unrealised loss. The policyholders' loss reserve is recognised symmetrically with the corresponding assets and shown on the assets side of the balance sheet under the line item 'Accrued income and other assets'.

### 1.e.3 Profit and loss account

Income and expenses arising on insurance contracts written by BNP Paribas Fortis are recognised in the profit and loss account under 'Income from other activities' and 'Expenses on other activities'.

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders' surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

## 1.f Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets shown in the consolidated balance sheet comprise assets used in operations and investment property.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by BNP Paribas Fortis as lessor under operating leases.

Investment property comprises 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 where a long period of construction or adaptation is required before the asset can be brought into service.

Software developed internally by BNP Paribas Fortis that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by BNP Paribas Fortis 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 expense is recognised in the profit and loss account under 'Depreciation, amortisation and impairment of property, plant and equipment and intangible assets'.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. BNP Paribas Fortis has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Software maintenance costs are expensed as incurred. However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account 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 assets used in operations are recognised in the profit and loss account under 'Net gain/loss on non-current assets'.

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

## 1.g Leases

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

### 1.g.1 Lessor accounting

Leases contracted by BNP Paribas Fortis as lessor are categorised as either finance leases or operating leases.

#### Finance leases

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

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 interest on the loan, and is taken to the profit and loss account under 'Interest income'. The lease payments are spread over the lease term, and are allocated to 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 lease.

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

### Operating leases

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

The asset is recognised under investment property in the lessor's balance sheet and depreciated on a straight-line basis over the lease term. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight-line basis over the lease term. Lease payments and depreciation expenses are taken to the profit and loss account under 'Income from other activities' and 'Expenses on other activities'.

### 1.g.2 Lessee accounting

Leases contracted by BNP Paribas Fortis as lessee are categorised as either finance leases or operating leases.

### Finance leases

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

### Operating leases

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight-line basis over the lease term.

## 1.h Non-current assets held for sale and discontinued operations

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Where BNP Paribas Fortis 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 associated with non-current assets held for sale'.

Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

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 account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a major business line, it is categorised as a 'discontinued operation'. Discontinued operations include operations that are held for sale, operations that have been 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 'Post-tax gain/loss on discontinued operations and assets held for sale'. This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

## 1.i Employee benefits

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Employee benefits are classified in one of four categories:

- short-term benefits such as salary, annual leave, incentive plans, profit-sharing and additional payments
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation
- termination benefits
- post-employment benefits.

### 1.i.1 Short-term benefits

BNP Paribas Fortis recognises an expense when it has used services rendered by employees in exchange for employee benefits.

### 1.i.2 Long-term benefits

These are benefits, other than post-employment benefits and termination benefits, which are not settled fully within 12 months after the employee renders the related service. This relates in particular to compensation deferred for more than 12 months 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 techniques used are similar to those used for defined-benefit post-employment benefits, except that actuarial gains and losses are recognised immediately as is the effect of any plan amendments.

### 1.i.3 Termination benefits

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

### 1.i.4 Post-employment benefits

In accordance with IFRS, BNP Paribas Fortis draws a distinction between defined-contribution plans and defined-benefit plans.

Defined-contribution plans do not give rise to an obligation on BNP Paribas Fortis and consequently do not require a provision. The amount of employer's contributions payable during the period is recognised as an expense.

Only defined-benefit schemes give rise to an obligation on BNP Paribas Fortis. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether BNP Paribas Fortis has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take account of demographic and financial assumptions.

The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by BNP Paribas Fortis, using the projected unit credit method. This method takes into account various parameters such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation.

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

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby causing actuarial gains and losses. BNP Paribas Fortis applies the 'corridor' method in accounting for actuarial gains and losses. Under this method, BNP Paribas Fortis is allowed to recognise, as from the following period and over the average remaining service lives of employees, only that portion of actuarial gains and losses that exceeds the greater of (i) 10% of the present value of the gross defined-benefit obligation or (ii) 10% of the fair value of plan assets at the end of the previous period.

At the date of first-time adoption, BNP Paribas Fortis elected for the exemption allowed under IFRS 1, under which all

unamortised actuarial gains and losses at 1 January 2004 are recognised as a deduction from equity at that date.

The effects of plan amendments on past service cost are recognised in profit or loss over the full vesting period of the amended benefits.

The annual expense recognised in the profit and loss account under 'Salaries and employee benefits' with respect to defined-benefit plans is comprised of the current service cost (the rights vested by each employee during the period in return for service rendered), interest cost (the effect of discounting the obligation), the expected return on plan assets, amortisation of actuarial gains and losses and past service cost arising from plan amendments, and the effect of any plan curtailments or settlements.

## 1.j Share-based payment

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Share-based payment transactions are payments based on shares issued by BNP Paribas, whether the transaction is settled in the form of equity or cash, the amount of which is based on trends in the value of BNP Paribas shares.

BNP Paribas Fortis has elected to apply IFRS 2 to all share options and restricted shares outstanding as of 1 January 2004 and all options issued subsequent to 1 January 2004.

Employees are granted stock subscription option plans and deferred share-based compensation plans and also offered the opportunity of subscribing for specially-issued BNP Paribas shares at a discount, on condition that they retain the shares for a specified period.

### 1.j.1 Stock option and share award plans

The expense related to stock option and share award plans is recognised over the vesting period if the benefit is conditional upon the grantee's continued employment.

Stock option and share award expense are recorded in salaries and employee benefits, with the credit entry posted to shareholders' equity. They are calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.

In the absence of any market for these instruments, financial valuation models are used which take into account any performance conditions related to the BNP Paribas share price. The total expense of a plan is determined by multiplying the unit value per option or share awarded by the estimated number of options or shares awarded that will vest 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 BNP Paribas Fortis and those relating to performance conditions that are not linked to the value of BNP Paribas shares.

## 1.j.2 Share subscriptions or purchases offered to employees under the company savings plan

Share subscriptions or purchases offered to employees under the company savings plan at lower-than-market rates over a specified period do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of five years. This restriction is taken into account by measuring the benefit to the employees, which is reduced accordingly. The benefit therefore equals the difference, at the date the plan is announced to employees, between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee, multiplied by the number of shares acquired.

The cost of the mandatory five-year holding period is equivalent to the cost of a strategy involving the forward sale of shares subscribed at the time of the capital increase reserved for employees and the cash purchase of an equivalent number of BNP Paribas shares on the market, financed by a loan repaid at the end of a five-year period out of the proceeds from the forward sale transaction. The interest rate on the loan is the rate that would be applied to a five-year general purpose loan taken out by an individual with an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

## 1.k Provisions recorded under liabilities

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) 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 embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

## 1.l 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 BNP Paribas Fortis operates during the period in which the income is generated.

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

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

- taxable temporary differences on initial recognition of goodwill;

- taxable temporary differences on investments in enterprises under the exclusive or joint control of BNP Paribas Fortis, where BNP Paribas Fortis is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and deferred taxes are recognised as tax income or expense in the profit and loss account, except deferred taxes relating to unrealised gains or losses on available-for-sale assets 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.m Statement of cash flows

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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 operations of BNP Paribas Fortis, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

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, plus 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 certificates of deposit).

## 1.n Use of estimates in the preparation of the financial statements

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Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements.

This requires the managers in question to exercise their judgement and to make use of information available at the date of preparation of the financial statements when making their estimates. The actual future results from operations in respect of which managers have made use of estimates may in reality differ significantly from those estimates, mainly due to market conditions. This may have a material effect on the financial statements.



This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities
- the use of internally-developed models to measure positions in financial instruments that are not quoted in active markets
- calculations of the fair value of unquoted financial instruments classified under '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
- 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 goodwill and intangible assets
- impairment testing on investments in equity associates
- deferred tax assets recognition
- the appropriateness of the designation of certain derivative instruments 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
- the measurement of provisions for contingencies and charges.

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

## 2 Notes to the profit and loss account for the year ending 31 December 2012

### 2.a Net interest income

BNP Paribas Fortis includes under '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 gain/loss on financial instruments at fair value through profit or loss'.

Interest income and expenses on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. In like manner, 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 income and expense relating to the underlying transactions.

In millions of euros	Year to 31 Dec. 2012			Year to 31 Dec. 2011		
	Income	Expense	Net	Income	Expense	Net
<b>Customer items</b>	<b>6,399</b>	<b>(2,223)</b>	<b>4,176</b>	<b>5,516</b>	<b>(2,326)</b>	<b>3,190</b>
Deposits, loans and borrowings	5,762	(2,205)	3,557	5,465	(2,259)	3,206
Repurchase agreements	18	(9)	9	38	(67)	(29)
Finance leases	619	(9)	610	13		13
<b>Interbank items</b>	<b>553</b>	<b>(722)</b>	<b>(169)</b>	<b>559</b>	<b>(416)</b>	<b>143</b>
Deposits, loans and borrowings	535	(654)	(119)	546	(341)	205
Repurchase agreements	18	(68)	(50)	13	(75)	(62)
<b>Debt securities issued</b>		<b>(786)</b>	<b>(786)</b>		<b>(867)</b>	<b>(867)</b>
<b>Cash flow hedge instruments</b>	<b>256</b>	<b>(171)</b>	<b>85</b>	<b>206</b>	<b>(149)</b>	<b>57</b>
<b>Interest rate portfolio hedge instruments</b>	<b>623</b>	<b>(614)</b>	<b>9</b>	<b>449</b>	<b>(452)</b>	<b>(3)</b>
<b>Trading book</b>	<b>246</b>	<b>(243)</b>	<b>3</b>	<b>420</b>	<b>(494)</b>	<b>(74)</b>
Fixed-income securities	67		67	107		107
Repurchase agreements	90	(48)	42	233	(217)	16
Loans / Borrowings	89	(171)	(82)	80	(247)	(167)
Debt securities		(24)	(24)		(30)	(30)
<b>Available-for-sale financial assets</b>	<b>1,051</b>		<b>1,051</b>	<b>1,501</b>		<b>1,501</b>
<b>Held-to-maturity financial assets</b>	<b>88</b>		<b>88</b>	<b>215</b>		<b>215</b>
<b>TOTAL INTEREST INCOME / (EXPENSE)</b>	<b>9,216</b>	<b>(4,759)</b>	<b>4,457</b>	<b>8,866</b>	<b>(4,704)</b>	<b>4,162</b>

Interest income on individually impaired loans amounted to EUR 37 million at 31 December 2012 and EUR 35 million at 31 December 2011.

## 2.b Commission income and expenses

Net commission income and expenses for the year ended 31 December are specified in the table below:

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Guarantees, commitments and credit operations	251	206
Payment services	250	255
Securities and derivatives operations	200	190
Asset management	376	411
Insurance	309	275
Intermediaries	(172)	(159)
Other	103	62
<b>TOTAL NET COMMISSION INCOME AND EXPENSE</b>	<b>1,317</b>	<b>1,240</b>

## 2.c Net gain/loss on financial instruments at fair value through profit or loss

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

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>Trading book</b>	<b>373</b>	<b>(573)</b>
Debt instruments	96	(155)
Equity instruments	263	(413)
Other derivatives	4	(3)
Repurchase agreements	10	(2)
<b>Financial instruments designated at fair value through profit and loss</b>	<b>(427)</b>	<b>786</b>
<b>Impact of hedge accounting</b>	<b>(23)</b>	<b>(49)</b>
Hedging instruments	(501)	(750)
Items covered by fair value hedges	478	701
<b>Remeasurement of currency positions</b>	<b>166</b>	<b>145</b>
<b>TOTAL</b>	<b>89</b>	<b>309</b>

Net gains on the trading book in 2012 and 2011 include a non-material amount related to the ineffective portion of cash flow hedge.

## 2.d Net gain/loss on available-for-sale financial assets and other financial assets not measured at fair value

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>Loans and receivables, fixed-income securities <sup>1</sup></b>	<b>(33)</b>	<b>(47)</b>
<b>Equities and other variable-income securities</b>	<b>(12)</b>	<b>11</b>
Dividend income	11	11
Additions to impairment provisions	(58)	(26)
Net disposal gains	35	26
<b>TOTAL</b>	<b>(45)</b>	<b>(36)</b>

<sup>1</sup> Interest income from available-for-sale fixed-income securities is included in 'Net interest income' (Note 2.a), and impairment losses related to potential issuer default are included in 'Cost of risk' (Note 2.f).

Upon sale of the available-for-sale securities, or where there is objective evidence of impairment, the unrealised gains or losses on these securities previously recorded under 'Change in assets and liabilities recognised directly in shareholders' equity' are transferred to the profit and loss account. For the year ended 31 December 2012, this amounted to a gain of EUR 58 million compared to EUR 81 million for the year ended 31 December 2011.

## 2.e Net income from other activities

In millions of euros	Year to 31 Dec. 2012			Year to 31 Dec. 2011		
	Income	Expense	Net	Income	Expense	Net
Net income from insurance activities					(14)	(14)
Net income from investment property	64	(63)	1	16	(4)	12
Net income from assets held under operating leases	139	(101)	38	1		1
Other income and expense	292	(268)	24	82	(23)	59
<b>TOTAL NET INCOME FROM OTHER ACTIVITIES</b>	<b>495</b>	<b>(432)</b>	<b>63</b>	<b>99</b>	<b>(41)</b>	<b>58</b>

The increases in the lines 'Net income from assets held under operating leases' and 'Other income and expense' in 2012 are related to the acquisition of BNP Paribas Leasing Solutions by BGL BNP Paribas. Further information can be found in note 8.b 'Business Combinations'.

## 2.f Cost of risk

Cost of risk represents the net amount of impairment losses recognised in respect of credit risks inherent in the banking intermediation activities, plus any increase in credit risk on over-the-counter derivatives with doubtful counterparties.

### Cost of risk for the period

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Net additions to impairment provisions	(379)	(1,046)
Recoveries on loans and receivables previously written off	37	19
Irrecoverable loans and receivables not covered by impairment provisions	(32)	(125)
<b>TOTAL COST OF RISK FOR THE PERIOD</b>	<b>(374)</b>	<b>(1,152)</b>
<i>of which losses on Greek sovereign debt</i>	<i>(16)</i>	<i>(866)</i>

### Cost of risk for the period by asset type

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Loans and receivables due from credit institutions	(12)	7
Loans and receivables due from customers	(392)	(877)
Available-for-sale financial assets	1	(146)
Held-to-maturity financial assets	(3)	(116)
Financial instruments on trading activities	(23)	(57)
Other assets	(1)	2
Off-balance sheet commitments and other items	56	35
<b>TOTAL COST OF RISK FOR THE PERIOD</b>	<b>(374)</b>	<b>(1,152)</b>

### Provisions for impairment: credit risks

#### Movement in impairment provisions during the period:

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>TOTAL IMPAIRMENT PROVISIONS AT START OF PERIOD</b>	<b>4,341</b>	<b>4,700</b>
Discontinued operations	147	
<b>TOTAL IMPAIRMENT PROVISIONS OF CONTINUING OPERATIONS AT START OF PERIOD</b>	<b>4,194</b>	<b>4,700</b>
Net additions to impairment provisions	379	1,046
Utilisation of impairment provisions	(1,048)	(305)
Effect of exchange rate movements and other items	563	(1,100)
<b>TOTAL IMPAIRMENT PROVISIONS OF CONTINUING OPERATIONS AT END OF PERIOD</b>	<b>4,088</b>	<b>4,341</b>

## Impairment provision by asset type:

In millions of euros	31 December 2012	31 December 2011
<b>Impairment of assets</b>		
Loans and receivables due from credit institutions (Note 5.f)	246	266
Loans and receivables due from customers (Note 5.g)	3,592	3,642
Financial instruments on trading activities	79	57
Available-for-sale financial assets (Note 5.c)	37	37
Held-to-maturity financial assets (Note 5.i)		116
Other assets	7	11
<b>TOTAL IMPAIRMENT PROVISIONS AGAINST FINANCIAL ASSETS</b>	<b>3,961</b>	<b>4,129</b>
<b>Provisions recognised as liabilities</b>		
Provisions for off-balance sheet commitments		
- to credit institutions	2	
- to customers	107	199
Other items subject to provisions	18	13
<b>TOTAL PROVISIONS RECOGNISED AS LIABILITIES</b>	<b>127</b>	<b>212</b>
<b>TOTAL IMPAIRMENT PROVISIONS</b>	<b>4,088</b>	<b>4,341</b>

## 2.g Corporate income tax

The table below shows the reconciliation of income tax expense to theoretical tax expense at the standard tax rate in Belgium.

	Year to 31 Dec. 2012		Year to 31 Dec. 2011	
	In millions of euros	In %	In millions of euros	In %
<b>Corporate income at standard tax rate expense in Belgium</b>	<b>(299)</b>	<b>33.99%</b>	<b>(264)</b>	<b>33.99%</b>
Differential effect in tax rates applicable to foreign entities	43	(4.9%)	26	(3.3%)
Effect of dividends and asset disposals taxed at reduced rate	(14)	1.6%	14	(1.8%)
Tax effect linked to capitalisation of tax loss carryforward and prior temporary differences	313	(35.5%)	183	(23.6%)
Tax effect of using tax losses not capitalised		- %	11	(1.4%)
Other items	(84)	9.5%	(50)	6.4%
<b>Corporate income tax expense</b>	<b>(41)</b>	<b>4.7%</b>	<b>(80)</b>	<b>10.3%</b>
<i>Of which</i>				
<i>Current tax expense for the period to 31 December</i>	<i>(282)</i>		<i>(127)</i>	
<i>Deferred tax expense for the period to 31 December (Note 5.j)</i>	<i>241</i>		<i>47</i>	

### 3 Segment information

It is considered that within the legal and regulatory scope of BNP Paribas Fortis ('controlled perimeter'), the nature and financial effects of the business activities in which it engages and the economic environments in which it operates are best reflected through operating segments based on geographical components, being:

- BNP Paribas Fortis in Belgium
- BNP Paribas Fortis in Luxembourg
- BNP Paribas Fortis in other countries

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) in order to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

The Board of Directors of BNP Paribas Fortis is, within the meaning of IFRS 8, Operating Segments, deemed to be the CODM, jointly overseeing the activities, performance and resources of BNP Paribas Fortis.

BNP Paribas Fortis, like many other companies with diverse operations, organises and reports financial information to the CODM in more than one way.

The combined activities of BNP Paribas Fortis in Belgium, Luxembourg and other countries are being integrated into the overall operating model of BNP Paribas.

This integration of BNP Paribas Fortis activities into the organisational structure of businesses and support functions of BNP Paribas ensures that adequate levers exist to effectively implement BNP Paribas Group strategy within all entities that are part of BNP Paribas Fortis.

However, BNP Paribas Fortis group and the legal entities that are part of this group continue to exercise management control over the full legal and regulatory scope (the 'controlled perimeter'), including the setting up of appropriate governance structures and control processes.

Within this organisational structure, with the presence of significant minority shareholders, and with regard to the regulatory scope ('controlled perimeter') of BNP Paribas Fortis, operating segments based on geographical areas and regulatory environments are mostly in line with the core principles and criteria for determining operating segments as defined in IFRS 8, Operating Segments.

The basis of segmentation has changed since the Consolidated Financial Statements for the year ended 31 December 2009, induced by the deployment of the integration process within the BNP Paribas Group and the related industrial plan, in line with the requirements arising from the 'controlled perimeter', including the setting up of appropriate governance structures and control and reporting processes.

Transactions between segments are entered into under normal commercial terms and conditions as would be the case with non-related parties.

The profit and loss account and the assets and liabilities of each segment are drawn up in conformity with the accounting policies adopted for preparing and presenting the BNP Paribas Fortis Consolidated Financial Statements, as this is the approach used for reporting to the CODM.

## 3.a Operating segments

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### BNP Paribas Fortis in Belgium

In Belgium, BNP Paribas Fortis offers a comprehensive package of financial services to private individuals, the self-employed, members of the professions and SMEs. The Bank also provides high net worth individuals, corporations and public and financial institutions with customised solutions, for which it is able to draw on the know-how and international network of the mother company, BNP Paribas.

In Retail & Private Banking (RPB), BNP Paribas Fortis has a solid footprint, serving 3.7 million individuals, professionals, SMEs and private banking customers. It has a very strong presence in the local market, through an extensive network of more than 900 branches, plus other channels such as ATMs, online banking facilities (including mobile banking) and phone banking. In its retail banking activities, BNP Paribas Fortis operates under three complementary brands: the main brand BNP Paribas Fortis, plus Fintro and Bpost Bank/Banque. In the insurance sector, BNP Paribas Fortis works in close cooperation with the Belgian market leader, AG Insurance.

Corporate & Public Banking, Belgium (CPBB) provides, a comprehensive range of local and international financial services to Belgian enterprises, public entities and local authorities. The offering includes domestic banking products, specialist financial skills, and securities, insurance and real estate services. Skills include specialist trade services, cash management, factoring and leasing, as well as M&A and capital markets activities. A central team of corporate bankers, relationship managers and skills officers ensures that BNP Paribas Fortis stays close to the market. This team, combined with the European network of business centres managed within Corporate & Investment Banking, enables the Bank to offer unified commercial services to its Belgian clients locally and abroad.

Corporate & Investment Banking (CIB) offers its clients (in Belgium and throughout Europe) full access to BNP Paribas CIB's product portfolio. CIB consists of five business lines: Capital Markets, Structured Finance, Corporate Finance, Private Equity, and Corporate & Transaction Banking Europe.

### BNP Paribas Fortis in Luxembourg

BGL BNP Paribas ranks among the leading banks operating in the Luxembourg financial marketplace. It has made a significant contribution to the country's emergence as a major international financial centre and is deeply rooted in Luxembourg's economic, cultural, sporting and social life.

As a partner with a longstanding commitment to the national economy, BGL BNP Paribas offers a wide range of products not only for individuals but also for professional and institutional clients. Ranked as the number one bank for corporates and the number two bank for resident individuals in the Grand Duchy of Luxembourg, BGL BNP Paribas is also the leader in bancassurance, providing combined offerings of insurance and banking services.

### BNP Paribas Fortis in other countries

This segment covers all activities performed by BNP Paribas Fortis outside Belgium and Luxembourg.

In Poland, BNP Paribas Bank Polska (99.87% owned by BNP Paribas Fortis SA/NV) is a universal bank providing savings, investment products and loans to individuals and integrated solutions to companies for the purpose of financing their businesses in local and international markets.

BNP Paribas Fortis operates in Turkey via Turk Ekonomi Bankasi (TEB), in which it has a 44.58% stake. Retail Banking product and services consist of debit and credit cards, personal loans, and investment and insurance products distributed through the TEB branch network and via internet and phone banking. Corporate banking services include international trade finance, asset and cash management, credit services, currency hedging, interest and commodity risk, plus factoring and leasing. Through its commercial and SME banking departments, the Bank offers an array of banking services to small and medium-sized enterprises.

Branches of BNP Paribas Fortis SA/NV located outside Belgium are also reported under this segment.



## 3.b Information by operating segment

### Income by operating segment

In millions of euros	Year to 31 Dec. 2012				Year to 31 Dec. 2011			
	BNP Paribas	BNP Paribas	BNP Paribas	Total	BNP Paribas	BNP Paribas	BNP Paribas	Total
	Fortis in Belgium	Fortis in Luxembourg	Fortis in other Countries		Fortis in Belgium	Fortis in Luxembourg	Fortis in other Countries	
Revenues	3,716	523	1,642	5,881	3,773	878	1,082	5,733
Operating expense	(3,049)	(397)	(945)	(4,391)	(2,782)	(415)	(659)	(3,856)
Cost of risk	(226)	(6)	(142)	(374)	(929)	(157)	(66)	(1,152)
Operating Income	441	120	555	1,116	62	306	357	725
Non Operating items	(462)	(50)	(18)	(530)	(243)	32	151	(60)
Pre-tax income	(21)	70	537	586	(181)	338	508	665

### Assets and liabilities by operating segment

In millions of euros	31 December 2012				31 December 2011			
	BNP Paribas	BNP Paribas	BNP Paribas	Total	BNP Paribas	BNP Paribas	BNP Paribas	Total
	Fortis in Belgium	Fortis in Luxembourg	Fortis in other Countries		Fortis in Belgium	Fortis in Luxembourg	Fortis in other Countries	
Assets	201,123	24,104	47,027	272,254	284,966	29,496	31,717	346,179
<i>of which goodwill on acquisitions during the period</i>		146		146	2		167	169
<i>of which investments in associates and Joint ventures</i>	2,719	262	580	3,561	2,655	453	1,033	4,141
Liabilities	188,437	19,459	41,032	248,928	274,264	24,894	27,740	326,898

# 4 Risk management and capital adequacy

## Introduction

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The information presented in this chapter reflects the entirety of the risks carried by BNP Paribas Fortis. It provides a comprehensive description of BNP Paribas Fortis' risk management organisation and a quantitative and qualitative overview of BNP Paribas Fortis' risk exposure at year end 2012.

BNP Paribas Fortis' risk measures are presented according to the Basel II Pillar 3 principles. These risks are calculated using methods approved by the Belgian banking regulator, i.e. the National Bank of Belgium (NBB) and are measured and managed as consistently as possible with the BNP Paribas Group Risk Management methodologies.

Further details on BNP Paribas Group's approach to the measuring and managing of risks resulting from banking activities can be found in the Registration Document and the BNP Paribas Annual Financial Report 2012.

## 4.a Risk management organisation

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### 4.a.1 Mission and organisation

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this issue. The entire process is supervised primarily by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the core business divisions, business lines and territories and reports directly to Group Executive Management. The Group Compliance department (GC) monitors operational and reputational risk as part of its responsibility for permanent control.

The guiding principles of the mission and organisation of BNP Paribas Fortis' Risk department are aligned

- with the mission of BNP Paribas' Group Risk Management (GRM):
  - Advise the Bank's management on risk appetite and policy
  - Provide a 'second pair of eyes' so that risks taken by the Bank are aligned with its policies and compatible with its profitability and solvency objectives
  - Report to and alert Bank management, core business division heads and the special committee of the Board of Directors on the status of the risks to which the bank is exposed
  - Ensure compliance with banking regulations in the risk area, in liaison with other relevant Group Functions

- and its organisational principles:
  - A single integrated risk entity, which is responsible for risk aspects across all businesses
  - Independent of business-line management
  - Organised with local and global reporting lines (matrix principle)

The BNP Paribas Fortis Risk department was integrated into the BNP Paribas GRM function in November 2009. The Chief Risk Officer (CRO) of BNP Paribas Fortis is a member of the Executive Board and also has a reporting line to the BNP Paribas Head of Group Risk Management. The CRO has no hierarchical link to the heads of businesses or of countries. This structure is designed to:

- ensure objective risk control
- ensure that swift, objective and complete information is provided in the event of increased risk
- maintain a single set of high-quality risk management standards throughout the Bank
- ensure that risk professionals implement and further develop methods and procedures of the highest quality in line with international competitors' best practices

The CRO heads the various Risk functions:

- Risk Information, Modelling & Reporting is responsible for the Basel II programme, credit modelling, model certification, business architecture, risk performance and for credit reporting, strategic risk analysis, provisioning and country risk analysis.

- Risk Investments and Markets has the role of providing full transparency and dynamic analysis of market, liquidity and counterparty risks plus credit risks on financial institutions and sovereigns to all businesses.
- Credit Risk Retail & Private Banking Belgium is responsible for the retail and private banking credit risk in the domestic market.
- Corporate Credit Risk is responsible for the management of credit risks arising from corporate, public and commercial banking in Belgium and from the Corporate & Investment Banking division.
- Strategy & Organisation is responsible for operational permanent control (ensuring second-line control of the Risk function and of business continuity), the Risk Operating Office (coordinating the non-core support functions), change management projects and Communication.

Outside Belgium, alongside the existing local and global reporting lines, the CROs of companies that remain within the BNP Paribas Fortis perimeter report to the CRO of BNP Paribas Fortis in order to ensure compliance with internal and external rules.

The key principle of the Bank's overall risk governance (covering all risk types including credit, market, counterparty, liquidity risk etc.) is the double-walled defence, as stated in the BNP Paribas Fortis Risk Policy reviewed by the Executive Board and the Audit, Risk & Compliance Committee.

The primary responsibility for Risk lies with the businesses (first line of defence), which are responsible for the approval, monitoring and management of the Risks arising from their activities.

The Risk Function provides a second pair of eyes, helping to ensure that the risks taken by the Bank are compliant and compatible with its policies; it thus represents the second line of defence in line with the mission stated above, contributing strongly to joint decision making with the businesses and increasing the emphasis on risk monitoring and controls.

## 4.a.2 BNP Paribas Fortis' Risk committees

### BNP Paribas Fortis Risk committee structure

#### Risk committees

- BNP Paribas Fortis Audit, Risk and Compliance Committee (ARCC): the role of the ARCC is to assist the Board in fulfilling its supervisory and monitoring responsibilities with respect to internal control in the broadest sense within BNP Paribas Fortis, including risk strategy and internal control over financial reporting and risk.
- Central Credit Committee: the highest Credit Committee of BNP Paribas Fortis acting in line with the dedicated authority held by its members (CEO and Heads of Business Lines, together with the CRO and other senior Risk representatives), it ensures that client-level credit decisions are taken in accordance with the desired credit risk appetite, formulated credit policies and the Bank's legal lending limits.
- Capital Markets Risk Committee: draws up and enforces the risk strategy, policies, methods and thresholds for capital markets, including investment portfolios, at business line and transaction level.
- Risk Policy Committee: determines the risk appetite, approves the main risk policies and methodologies, reviews exposures, concentrations and cost of risk, examines current and potential risks in the light of market conditions, business strategy and profitability prospects and enforces risk decisions at the portfolio level.
- Bank Assets and Liabilities Committee: manages liquidity, interest rate and forex risk on the balance sheet; manages the Bank's funding and capital.
- Committee on Impairments and Provisions: makes final decisions on consolidated provisions and impairments.
- Exceptional Transactions Committees: validates and approves exceptional transactions.
- New Activity Committees: validates and approves new activities and products, including significant changes in current activities.

## 4.b Risk measurement and categories

### 4.b.1 Risk measurement

Risk measurement is a crucial step in the risk management process.

To assess and measure risks, BNP Paribas Fortis uses several qualitative and/or quantitative methodologies. These range from regular reporting on matters such as concentration and quantitative and qualitative portfolio overviews to more sophisticated quantitative risk models for estimating internal risk parameters. The latter include probability of default, loss given default, exposure at default and expected loss (for credit risk) and Value at Risk (for market risk).

The development and review of these models, and their validation, are subject to Bank-wide standards in order to ensure adequacy and consistency.

The monitoring of the observed risk parameters, stress tests and model based expectations are then compared to a framework of limits and risk guidelines.

Ultimately, all these risk measurements, together with stress tests, are then consolidated in Risk Dashboards, which provide a general overview for senior management. These aggregation documents are intended to provide a basis for well-founded decisions and are subject to ongoing improvement.

### 4.b.2 Risk taxonomy

The risk categories reported below evolve in line with methodological developments at BNP Paribas and regulatory requirements.

#### Credit and counterparty risk

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

Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio.

Counterparty risk is the manifestation of credit risk in market, investment and/or payment transactions that potentially expose the Bank to the risk of default by the counterparty. It is a bilateral risk on a counterparty with whom one or more market transactions have been concluded. The amount of this risk may vary over time in line with market parameters that impact the value of the underlying market instrument.

#### 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.

Market risk arises mainly from trading activities carried out by the Fixed Income and Equity teams within Corporate and Investment Banking and encompasses various risk factors defined as follows:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates.
- Equity risk arises from changes in the market prices and volatilities of equity shares and/or equity indices.
- Commodity risk arises from changes in the market prices and volatility of commodities and/or commodity indices.
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer.
- Option products create by their very nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

### **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' chain.

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 default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses human resources risks, legal risks, tax risks, information system risks, misprocessing risks, risks related to published financial information and the financial implications resulting from compliance and reputation risk.

### **Compliance and reputational risk**

Compliance risk is the risk of legal, administrative or disciplinary sanctions, together with the significant financial loss that a bank may suffer as a result of its failure to comply with all the laws, regulations, codes of conduct and standards of good practice applicable to banking and financial activities (including instructions given by an executive body, particularly in the application of guidelines issued by a supervisory body).

By definition, compliance risk is a sub-category of operational risk. However, as certain implications of compliance risk involve more than a purely financial loss and may actually damage the institution's reputation, the Bank treats compliance risk separately.

Reputational 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.

Reputational risk is primarily contingent on all the other risks borne by the Bank.

### **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. Asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk.

### **Liquidity and refinancing risk**

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

## **4.c Capital adequacy**

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### **Framework**

As a credit institution, BNP Paribas Fortis is subject to regulatory supervision.

At a consolidated and statutory level, BNP Paribas Fortis is supervised by the National Bank of Belgium (NBB). BNP Paribas Fortis' subsidiaries may also be subject to regulation by various supervisory authorities in the countries where the subsidiaries operate.

Regulators require banks to hold a minimum level of qualifying capital (8% of risk-weighted assets). Since 2008, BNP Paribas

Fortis computes its qualifying capital and its risk-weighted assets under the Basel II Framework.

The CBFA (the former Belgian supervisor) has granted BNP Paribas Fortis its approval for using the most advanced approaches for calculating the risk-weighted assets under Basel II: Advanced Internal Ratings Based Approach for credit and market risk; and Advanced Measurement Approach for operational risk.

Some subsidiaries of BNP Paribas Fortis have not been granted such an approval and therefore use the Standardised Approach for calculating risk-weighted assets.

## Breakdown of regulatory capital

Qualifying capital for regulatory purpose is calculated at consolidation level based on IFRS accounting standards and taking into account prudential filters imposed by the regulator, as described in the Circulaire PPB 2007-1-CPB.

The table below details the composition of the regulatory capital of BNP Paribas Fortis:

In millions of euros	31 December 2012	31 December 2011
<b>Shareholders' equity before appropriation of income</b>	<b>20,325</b>	<b>21,313</b>
Share Capital, retained earnings and similar	18,445	18,388
Regulatory deductions on share capital and retained earnings	(330)	(738)
Super subordinated notes and similar securities	2,210	3,663
<b>Minority interests before appropriation of income</b>	<b>4,139</b>	<b>2,974</b>
Minority interests before regulatory deductions	4,319	2,989
Regulatory deductions on minority interests	(180)	(15)
<b>Regulatory deductions and other items</b>	<b>(5,446)</b>	<b>(4,794)</b>
Intangible assets deductions	(456)	(319)
<i>of which goodwill</i>	<i>(347)</i>	<i>(192)</i>
Other regulatory items	(4,990)	(4,475)
<i>of which deduction from Tier 1 capital at 50%</i>	<i>(2,060)</i>	<i>(2,265)</i>
<b>TIER 1 CAPITAL</b>	<b>19,018</b>	<b>19,493</b>
Total Tier 2 capital	6,570	8,370
<i>of which positive difference between provisions and expected losses over 1 year</i>	<i>331</i>	<i>367</i>
Tier 2 regulatory deductions	(2,136)	(2,320)
Allocated Tier 3 capital		
<b>REGULATORY CAPITAL</b>	<b>23,452</b>	<b>25,543</b>

The table below shows the key capital indicators:

In millions of euros	31 December 2012	31 December 2011
Tier 1 capital	19,018	19,493
Total capital	23,452	25,543
<b>Risk weighted commitments</b>		
Credit risk	112,830	105,551
Market risk	2,198	3,080
Operational risk	9,048	9,360
<b>TOTAL RISK WEIGHTED COMMITMENTS</b>	<b>124,076</b>	<b>117,991</b>
Tier 1 ratio	15.3%	16.5%
Total capital ratio	18.9%	21.6%

### Internal Capital Adequacy Assessment Process (ICAAP)

The second pillar of the Basel II capital framework prescribes how supervisory authorities and banks can effectively assess the appropriate level of regulatory capital. The assessment must cover all the risks incurred by the bank, their sensitivity to crisis scenarios, and how they are expected to evolve in the light of changes in the businesses going forward.

BNP Paribas Fortis' internal Capital Adequacy Assessment Process (ICAAP) supports the assessment of whether the level of capital is adequate to mitigate the Bank's risk profile. This internal assessment is regularly integrated into the Bank's decision-making and management processes and supported, where appropriate, by impact or what-if analyses.

## 4.d Credit and counterparty risk

The following table shows all BNP Paribas Fortis' financial assets, including fixed-income securities, which are exposed to credit risk. Credit risk exposure does not include collateral

and other security taken by the Bank in its lending business or purchases of credit protection.

### Exposure to credit risk by Basel asset class

In millions of euros	31 December 2012			31 December 2011		
	Standardised		Total	Standardised		Total
	IRBA	Approach		IRBA	Approach	
Central governments and central banks	48,123	7,567	55,690	50,465	8,667	59,132
Corporates	75,967	29,199	105,166	83,966	21,335	105,301
Institutions *	28,906	19,464	48,370	40,628	16,554	57,182
Retail	65,031	18,809	83,840	63,145	8,115	71,260
Securitisation positions	13,085		13,085	21,982		21,982
Other non-credit-obligation assets **	135	3,685	3,820		2,702	2,702
<b>TOTAL EXPOSURE</b>	<b>231,247</b>	<b>78,724</b>	<b>309,971</b>	<b>260,186</b>	<b>57,373</b>	<b>317,559</b>

(\*) The Basel II Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

(\*\*) Other non credit-obligation assets include tangible assets and accrued income and other assets.

The table above shows the entire prudential scope based on the asset classes defined in accordance with article VI.2 of the CBFA Regulation of 17 October 2006 on capital requirements for credit institutions and investment firms.

The exposure to 'Institutions' fell by 15% mainly due to the elimination of intercompany funding to Leasing entities. The 40% drop in Securitisation exposure was driven by the maturity and liquidation of asset-backed securities.

Despite the consolidation of the BNP Paribas leasing activities and the continuous growth in Retail exposure, total credit risk exposure decreased by only 2% compared to 31 December 2011. This resulted from noticeable decreases in the asset classes 'Institutions', 'Securitisation positions' and to a lesser extent 'Central Governments'.

The table below shows the Bank's exposure to counterparty risk (measured as exposure at the time of default) by Basel asset class on derivatives contracts and securities lending/borrowing transactions, after the impact of any netting agreements.

## Exposure at default to counterparty risk by Basel asset class

In millions of euros	31 December 2012			31 December 2011		
	Standardised		Total	Standardised		Total
	IRBA	Approach		IRBA	Approach	
Central governments and central banks	371		371	374		374
Corporates	3,626	788	4,414	2,654	1,128	3,782
Institutions *	4,902	391	5,293	20,268	520	20,788
Retail		8	8		2	2
<b>TOTAL EXPOSURE</b>	<b>8,899</b>	<b>1,187</b>	<b>10,086</b>	<b>23,296</b>	<b>1,650</b>	<b>24,946</b>

(\*) The Basel II Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.

The 60% decrease in counterparty risk is mostly due to maturing reverse repos that were not renewed and by early termination of back-to-back derivative transactions with BNP Paribas.

### 4.d.1 Credit risk

#### 4.d.1.1 General credit policy and control and provisioning procedures

BNP Paribas Fortis' lending activities are governed by the Global Credit Policy, which applies to all BNP Paribas Group entities. It is approved by the BNP Paribas Group Risk Committee, chaired by the Chief Executive Officer and endorsed by the BNP Paribas Fortis Executive Board, chaired by its Chief Executive Officer. The policy is underpinned by core principles relating to compliance with the Group's ethical standards, clear definition of responsibilities (Business and Risk), and the existence and implementation of procedures and requirements for a thorough analysis of risks. It is cascaded in the form of specific policies tailored to each type of business or counterparty. The framework for the governance of credit risks within the Bank is further detailed in a specific, transversal approach which is built upon on key credit routing principles, rules governing the granting of delegations of authority and the role of the Central Credit Committee, which is the highest-level credit committee at the Bank. It also reiterates and reinforces the key principle that the Risk Function is independent from the Businesses.

#### 4.d.1.2 The credit lifecycle

##### Decision-making procedures

The basis for effective credit risk management is the identification of both existing and potential credit risk inherent in any product or activity. This process includes the gathering of all relevant information concerning the products offered, the counterparties involved and all other elements that may influence credit risk. In particular, before making any commitments, BNP Paribas Fortis carries out an in-depth review of any known development plans of the client, and ensures that the Bank has thorough knowledge of all the structural aspects of the client's operations and that adequate monitoring will be feasible.

Assessing the credit risk of a proposed transaction consists of:

- analysis of the probability that the client will fail to meet his obligations, which also translates into a risk classification on the Bank's rating scale
- analysis of the possibilities of fulfilling the client's obligations by other means in the event that the client fails to meet his obligations by himself
- formulation of a credit proposal which brings all these facets to the attention of the decision makers



Authorised persons or committees composed of designated Business and Risk representatives take a joint decision based on the credit proposal. Credit proposals must comply with the Bank's Global Credit Policy and with any specific policies, and must in all cases comply with the applicable laws and regulations.

A system of discretionary lending limits has been established, under which all lending decisions must be approved by formally designated members of Business and Risk. The underlying principle is the need to achieve an appropriate balance (in terms of overall profitability) between two opposite drivers, i.e. maximising the decision-making autonomy of the businesses on the one hand and reducing unexpected counterparty risk on the other.

Approvals are systematically given in writing, either by means of a signed approval form or in the minutes of formal meetings of a Credit Committee. Discretionary lending limits correspond to aggregate commitments by business group and vary according to internal credit ratings and the specific nature of the business concerned. In addition, an industry expert or designated specialist may also be required to sign off on the loan application for certain sectors/industries. In retail banking, simplified procedures are applied, based on statistical decision-making aids, for standard products and limited amounts.

### **Monitoring procedures**

All BNP Paribas Fortis entities are subject to comprehensive risk monitoring and reporting. This is carried out by Control and Reporting units which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Exception reports are produced (at varying intervals depending on the business) and various tools are used to provide early warnings of potential escalations of credit risks. Monitoring is carried out at different levels, generally reflecting the organisation of discretionary lending limits. The monitoring teams report to the Risk Department. Monitoring teams are closely involved in the organisation of the Watchlist and Impairment Committees which meet at monthly intervals to examine all higher risk,

sensitive or problem loans in excess of a certain amount. Its responsibilities include guidance on strategy and giving its opinion on any adjustments to impairment provisions, based on the recommendations of the relevant Business and the Risk Department.

### **Impairment procedures**

The Risk Department reviews all corporate, bank and sovereign loans in default at monthly intervals to confirm the amount of any impairment loss to be recognised. The review relates to all material decisions taken at the appropriate decision levels as defined the related policies. The amount of the impairment loss is based on the present value of probable net recoveries, taking into account the possible realisation of guarantees received.

In addition, a collective impairment figure is established for each business on a statistical basis. The BNP Paribas Fortis Committee on Impairments and Provisions meets on a quarterly basis to approve the amount of the impairment. This is based on simulations of losses to maturity on portfolios of loans whose credit quality is considered to be impaired, but where the customers concerned have not been identified as in default (i.e. loans not covered by specific impairment). The simulations carried out by the Risk Department use the parameters of the internal rating system described below.

The aforementioned Committee takes the final decision on all elements of cost of risk, including specific provisions for impairment and collective impairments. Decisions on the structured credits portfolio are taken by the same Committee.

#### **4.d.1.3 Internal rating system**

BNP Paribas Fortis has chosen to adopt the most advanced approach – the 'Advanced Internal Ratings Based Approach' (AIRBA) as described by the Basel II accord – and received approval from the CBFA on 3 March 2008 for using this approach for calculating capital requirements under Basel II. This approach has been implemented throughout the whole Group in a consistent way. Projects to achieve convergence projects with the BNP Paribas Group are currently in progress with a view to harmonising methods, processes and systems, while remaining compliant with regulatory requirements.

The Bank has a comprehensive internal rating system for determining risk-weighted assets used to compute capital adequacy ratios. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented. For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating; loss given default, which depends on the structure of the transaction; and the credit conversion factor (CCF), which estimates the portion of off-balance sheet exposure at risk.

There are twenty counterparty ratings. Seventeen cover performing clients with credit assessments ranging from 'excellent' to 'very concerning', and three relate to clients classified as in default, as per the definition published by the banking supervisor.

Ratings are determined at least once a year, in connection with the annual review of the client's total exposure, drawing on the combined expertise of Business line staff and Senior Credit Officers from the Risk Department, the latter having the final say. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk.

Various quantitative and other methods are used to check rating consistency and the rating system's robustness. Loans to private customers and very small businesses are rated using statistical analyses of groups of risks with the same characteristics. The Risk department has overall responsibility for the quality of the entire system. This responsibility is fulfilled either by directly designing the system, validating it and/or verifying its performance.

Loss given default is determined either using statistical models for books with the highest degree of granularity or using expert judgment based on comparative values. Basel II defines loss given default as the loss that the Bank would suffer in the event of the counterparty's default.

For each transaction, it is measured using the recovery rate for a senior unsecured exposure to the counterparty concerned, adjusted for any effects related to the transaction structure (e.g. subordination) and for the effects of any risk mitigation techniques (collateral and other security). Amounts recoverable against collateral and other security are estimated each year on a prudent basis and discounts are applied for realising security in a stressed environment.

Exposure at default has been modelled by the Bank, using either historical internal default data or other techniques when there is insufficient historical data. Conversion factors are used to measure the off-balance sheet exposure at risk in the event of borrower default.

Each of the three credit risk parameters is back-tested annually to check the system's performance for each of the Bank's business segments. Back-testing consists of comparing estimated and actual results for each parameter.

For back-testing 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 policy, rating, geographical area and rating method is carried out to identify any areas where the models might be underperforming. The stability of the rating and its population is also verified. The Bank has also developed back-testing techniques tailored to low default portfolios to assess the appropriateness of the system, even where the number of actual defaults is very low.

Back-testing of the overall recovery rates is based mainly on analysing recovery flows on exposures in default. When an exposure has been written off, each amount recovered is discounted back to the default date and calculated as a percentage of the exposure. When an exposure has not yet been written off, the amount of provisions made is used as a proxy for future recoveries. The recovery rate determined in this way is then compared with the initial forecast rate. As for the rating, recovery rates are analysed on an overall basis and by rating policy and geographical area. Variances on an item-by-item and average basis are analysed taking into account the bimodal distribution of recovery rates. The results of these tests show that the Bank's estimates are consistent with economic downturn conditions and are conservative on an average basis.

The credit conversion factor is also backtested annually.

The result of all backtesting work is presented annually to the bodies responsible for overseeing the rating system and risk practitioners worldwide. These results and ensuing discussions are used to help set priorities in terms of developing methodology and deploying tools.

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

#### **4.d.1.4 Portfolio policy**

In addition to carefully selecting and assessing individual risks, BNP Paribas Fortis follows a portfolio-based policy designed to diversify risks among borrowers, industries and countries. As part of this policy, BNP Paribas Fortis may use credit risk transfer instruments (such as securitisation programmes or credit derivatives) to hedge individual risks, reduce portfolio concentration or cap potential losses under crisis scenarios.

#### **4.d.1.5 Risk mitigation techniques**

##### **Collateral and other security**

Risk mitigation is the result of reducing the credit risk by hedging or by obtaining collateral. Hedging is any financial technique designed to reduce or eliminate the financial risk engendered by products and/or activities. Security (collateral) is any commitment made or privilege given by a counterparty or third party to which the Bank can seek recourse in the event of the counterparty's default in order to reduce loan losses, or any other agreement or arrangement having a similar effect. The lending activity is never based purely on collateral or hedging. Risk mitigation factors are always regarded as an alternative solution.

The BNP Paribas Global Credit Policy, which also applies to BNP Paribas Fortis, sets out how transactions should be structured in order to mitigate risk. Collateral and other security are taken into account at fair value, and only accepted as the main source of repayment in exceptional cases such as for example commodities financing. Cash generated by operations is regarded as the primary source of the borrower's ability to repay. Guarantors are subject to the same rigorous upfront assessment process as primary debtors.

Banking regulations set clear guidelines for assessing the risk-mitigating effect of collateral and other security under the Basel II advanced approaches. The Bank's diversified business base means that loans are secured by many different types of collateral and security charges over inventory, accounts receivable or real estate. Risk assessments also take into account direct guarantees issued by the counterparty's parent company or other guarantors such as financial institutions. Other guarantees assessed by the Bank include credit derivatives, export credit agencies and credit enhancers. Acceptance of these types of guarantees is governed by strict criteria. A guarantee is considered as mitigating a risk only when the guarantor is rated higher than the counterparty. The value of collateral or other security is only taken into account in measuring exposure if there is no strong correlation with the risk on the first-rank debtor.

### **Purchases of credit protection**

Optimisation of credit portfolio management requires the use of efficient hedging techniques to avoid concentration or unwanted exposure in the loan or debt security portfolio. For this purpose, BNP Paribas Fortis uses mainly single name credit default swaps (CDS). CDS counterparties are carefully selected and virtually all contracts benefit from collateral agreements.

### **Asset securitisation**

Asset securitisation is the process of creating a marketable financial instrument that is backed by the cash flow or value of specific financial assets. During the securitisation process, assets (e.g. consumer loans, receivables, mortgages) are selected and pooled together into a special purpose vehicle (SPV) which issues securities that can be sold to investors. Detailed information on asset securitisation is provided in section 4.d.3 'Securitisation' of this chapter and in note 8.g 'Structured Credit Instruments'.

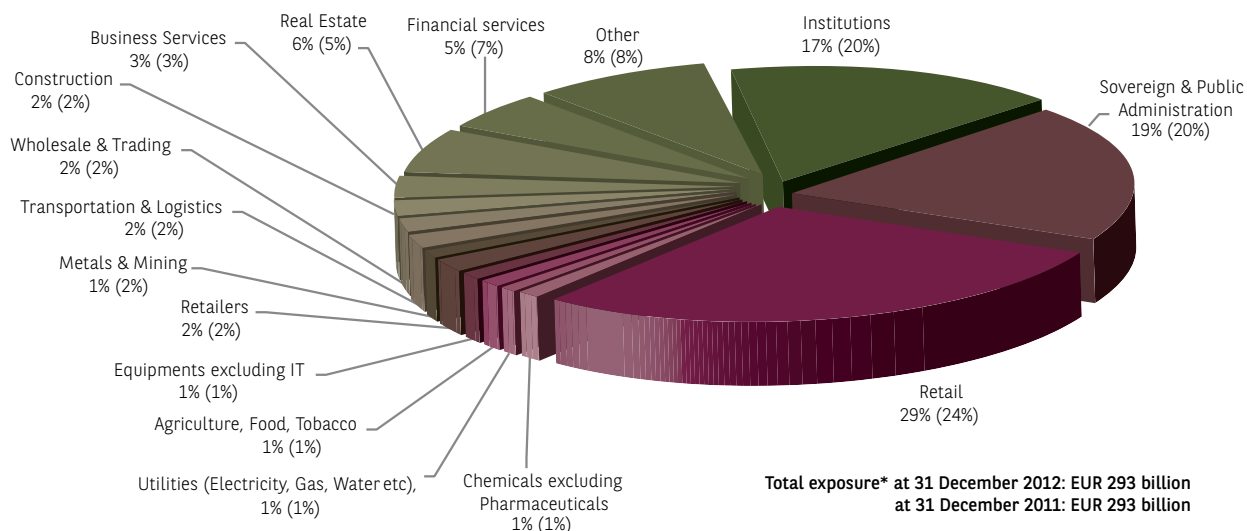
### **Diversification of exposure to credit risk**

Credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to BNP Paribas Fortis' credit risk strategy of maintaining granular, liquid and diversified portfolios.

To identify potential linkages between exposures to single counterparties, BNP Paribas Fortis applies the concept of 'total one obligor'. This implies that groups of connected counterparties are considered to be a 'Business Group' for the management of credit risk exposure.

To manage the diversity of credit risk, BNP Paribas Fortis' credit risk management policy seeks to spread credit risk across different sectors and countries. The table below shows the industry concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2012.

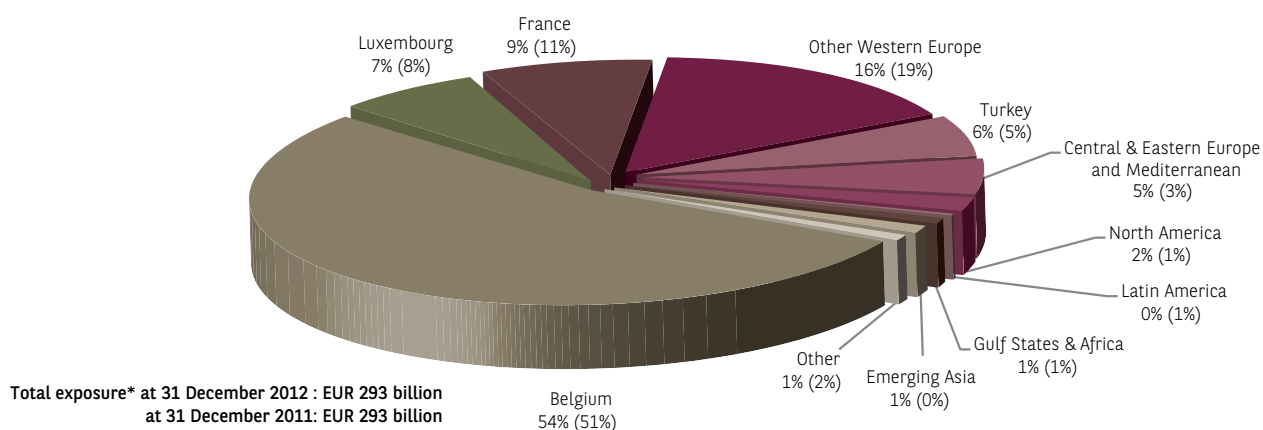
*Breakdown of credit risk by Basel II Asset Class and by corporate industry at 31 December 2012*



[\*] Total exposure excluding counterparty risk, equity, other non-credit obligation assets and securitisation positions. Percentages in brackets reflect the breakdown at 31 December 2011.

Country concentration risk is the sum of all exposures to obligors in the country concerned. The table below shows the geographical concentration of BNP Paribas Fortis' customer credit portfolio at 31 December 2012.

*Geographical breakdown of credit risk at 31 December 2012 by counterparty's country of location*



[\*] Total exposure excludes counterparty risk, equity, other non credit obligation assets and securitisation positions. Percentages in brackets reflect the breakdown at 31 December 2011.

#### 4.d.1.6 Credit risk rating

Credit risk rating is a classification that results from the Risk Rating Assignment Process, which is based on a qualified assessment and formal evaluation. This classification is the result of an analysis of each obligor's financial history and an estimate of its ability to meet debt obligations in the future.

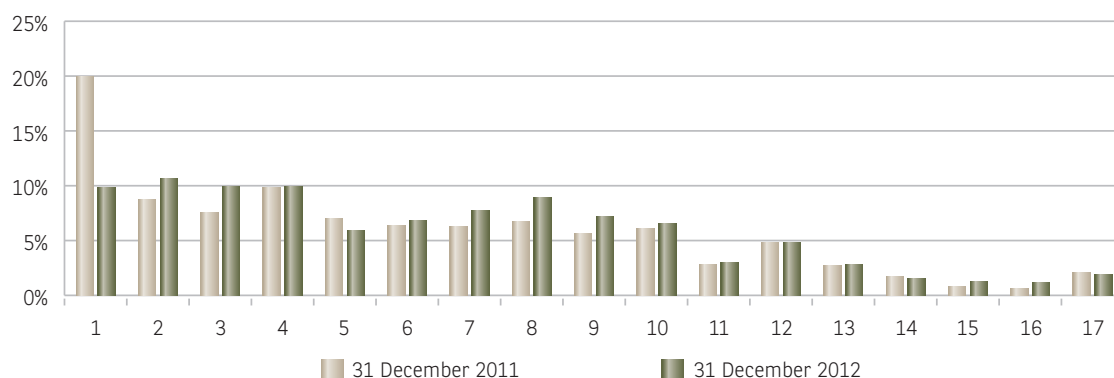
To that end, BNP Paribas Fortis has drawn up a 'Master Scale', ranging from 1 to 20, which provides an indication of the probability that a counterparty will default within one year. Master

Scale ratings from 1 to 6 are considered investment grade, from 7 to 17 non-investment grade and from 18 to 20 impaired.

#### IRBA: Corporate exposures by credit rating

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate loan book for all the Bank's business lines, measured using the internal ratings-based approach (IRBA). This exposure represents EUR 70.7 billion of the gross credit risk at 31 December 2012 compared with EUR 78.2 billion at 31 December 2011.

#### Breakdown of IRBA - Corporate exposures by credit rating



#### Retail banking operations

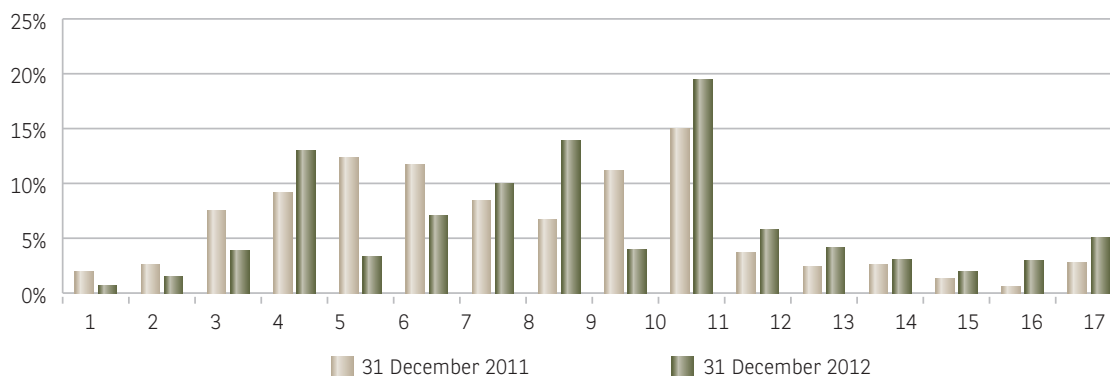
Retail banking operations are carried out through BNP Paribas Fortis branches and via the Alpha Credit subsidiary. The Belgian field of operations is embedded in structured and automated credit processes, complying with the Basel II Internal Rating Based Advanced approach endorsed in March 2008.

All the advanced Basel II parameters estimates (PD, EAD, LGD) are reviewed and/or updated yearly. The explanatory variables for the Retail part of the portfolio rely on internal behavioural data. These parameters are computed monthly on the basis of the latest available information and made available without any manual intervention.

Classical scoring techniques are used for screening customers at application time, always remaining in line with the Basel II parameters.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Retail loan book for all the Bank's business lines, measured using the internal ratings-based approach. This exposure represents EUR 62.9 billion of the gross credit risk at 31 December 2012 compared with EUR 62.5 billion at 31 December 2011.

### Breakdown of IRBA - Retail exposures by credit rating



The relative increase of higher rated positions (10 and above) was principally driven by a more conservative risk weighting of residential mortgage loans, as also influenced by the review of models applied to SME loans.

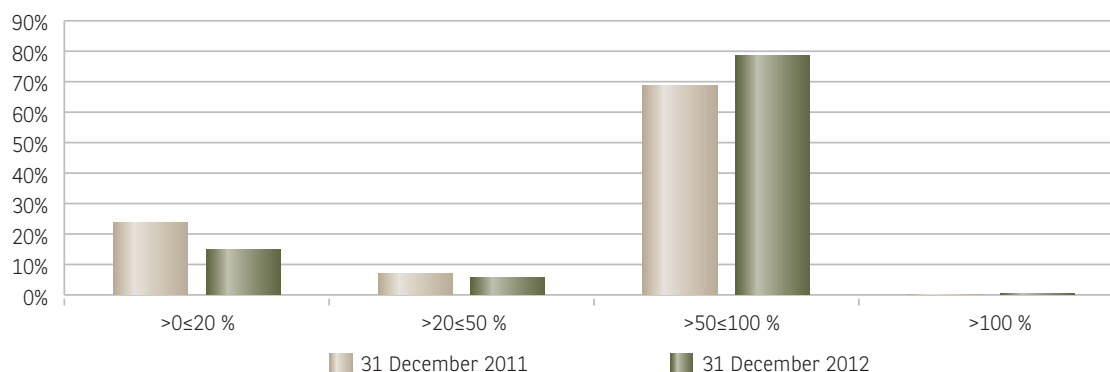
#### Standardised approach

BNP Paribas Fortis also applies the standardised approach or the 'Unrated Standardised Approach' (USTA) to legal entities or business units, inter alia those that are classified under 'Permanent exemptions'.

The entities classified under 'Permanent exemptions' are those legal entities or business units that are earmarked as non-material based on the eligibility criteria or processes defined by BNP Paribas Fortis. Permanent exemptions will remain as long as the eligibility criteria or processes for non-materiality continue to be met.

The chart below provides information on the exposure to the Corporate loan book (including institutions and governments) measured using the standardised approach and broken down by risk weight buckets.

### Breakdown of Corporate (\*) exposure by weighting in the standardised approach



[\*] The 'Corporate' loan book shown in the chart above includes corporates, central governments and central banks, and institutions

The overall exposure to corporate clients, risk weighted in the Standardised Approach, increased by 20%. The newly consolidated Leasing activities were the main contributor to this evolution.

#### 4.d.1.7 Loans with past-due instalments, whether impaired or not, and related collateral or other security

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

	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of impaired assets
	Total	Up to 90 days	Between 90 days and 180 days	Between 180 days and 1 year	More than 1 year				
<b>31 December 2012</b>									
<b>In millions of euros</b>									
Financial assets at fair value through profit or loss (excl. variable-income securities)						4	4		
Available-for-sale financial assets (excl. variable-income securities)									
Loans and receivables due from credit institutions	197	197				131	328	147	72
Loans and receivables due from customers	5,943	5,572	366	2	3	4,038	9,981	4,307	3,092
Held-to-maturity financial assets									
<b>Past-due assets, net of individual impairment</b>	<b>6,140</b>	<b>5,769</b>	<b>366</b>	<b>2</b>	<b>3</b>	<b>4,173</b>	<b>10,312</b>	<b>4,454</b>	<b>3,163</b>
Financing commitments given						286	286		72
Guarantee commitments given						174	174		149
<b>Off-balance sheet non-performing net of provisions</b>						<b>460</b>	<b>460</b>		<b>221</b>
<b>TOTAL EXPOSURE</b>	<b>6,140</b>	<b>5,769</b>	<b>366</b>	<b>2</b>	<b>3</b>	<b>4,633</b>	<b>10,773</b>	<b>4,454</b>	<b>3,384</b>

	Maturities of unimpaired past-due loans					Impaired assets and commitments covered by provisions	Total loans and commitments	Collateral received in respect of unimpaired past-due loans	Collateral received in respect of impaired assets
	Total	Up to 90 days	Between 90 days and 180 days	Between 180 days and 1 year	More than 1 year				
<b>31 December 2011</b>									
<b>In millions of euros</b>									
Financial assets at fair value through profit or loss (excl. variable-income securities)						13	13		
Available-for-sale financial assets (excl. variable-income securities)									
Loans and receivables due from credit institutions	203	203				382	585	132	88
Loans and receivables due from customers	2,924	2,708	150	65	2	3,458	6,382	1,793	2,296
Held-to-maturity financial assets						44	44		
<b>Past-due assets, net of individual impairment</b>	<b>3,127</b>	<b>2,911</b>	<b>150</b>	<b>65</b>	<b>2</b>	<b>3,897</b>	<b>7,024</b>	<b>1,925</b>	<b>2,383</b>
Financing commitments given						284	284		102
Guarantee commitments given						184	184		120
<b>Off-balance sheet non-performing net of provisions</b>						<b>468</b>	<b>468</b>		<b>222</b>
<b>TOTAL EXPOSURE</b>	<b>3,127</b>	<b>2,911</b>	<b>150</b>	<b>65</b>	<b>2</b>	<b>4,364</b>	<b>7,492</b>	<b>1,925</b>	<b>2,605</b>



## 4.d.2 Counterparty risk

BNP Paribas Fortis is exposed to counterparty risk on its Capital Markets and ALM-Treasury transactions. This risk is managed through the widespread use of standard close-out netting and collateral agreements and through a dynamic hedging policy. Changes in the value of the Bank's exposure are taken into account in the measurement of over-the-counter financial instruments through a process of credit value adjustments.

### Netting agreements

Netting is used by the Bank in order to mitigate counterparty credit risk associated with derivatives trading. The main instance where netting occurs is in case of trades-termination: if the counterparty defaults, all the trades are terminated at their current market value, and all the positive and negative market values are summed to obtain a single amount (net) to be paid to or received from the counterparty. The balance ('close-out netting') may be subject to a guarantee ('collateralisation') granted as cash collateral, securities or deposits.

The Bank also applies netting in case of currency-settlements in order to mitigate counterparty credit risk. This corresponds to the netting of all payments and receipts between the Bank and one counterparty in the same currency, to be settled the same day. The netting results in a single amount (for each currency) to be paid either by the Bank or by the counterparty.

Transactions affected by this are processed in accordance with bilateral or multilateral agreements respecting the general principles of the national or international framework. The main forms of bilateral agreements are those issued by the National Bank of Belgium (NBB), and on an international basis by the International Swaps and Derivatives Association (ISDA)

### Counterparty exposure valuation

The exposure at default (EaD) for counterparty risk is measured using an internal model and is subsequently incorporated into the credit risk assessment system. This measure is regularly updated. It is based on 'Monte Carlo' simulations which assess possible exposure movements. The stochastic processes used are sensitive to parameters including volatility, correlations and are calibrated on historical market data. The potential future counterparty risk exposures are measured using an internal model, known as ValRisk, which can simulate thousands of potential market scenarios and makes a valuation of each counterparty trading portfolio at several points in the future (from Day 1 to more than 30 years for the longest transactions). Value changes are calculated up to the maturity of transactions.

When performing the exposure aggregation, the system takes into account the legal contracts linked to each transaction and counterparty, such as netting and margin call agreements.

Counterparty credit risk exposures are characterised by high variability over time due to constant evolution of market parameters affecting the underlying transaction value. It is therefore important to monitor not only the current transaction values, but also to analyse potential changes in the future.

The use of Value at Risk computed by the internal model described here above for counterparty credit risk regulatory purposes was approved by the NBB for the first run on 31 March 2012.

### Supervision and monitoring of counterparty risk

Future potential exposures calculated by ValRisk are compared with the limits assigned to each counterparty on a daily basis. In addition, ValRisk can simulate new transactions and measure their impact on the counterparty risk of the portfolio. It is therefore an essential tool of the Risk approval process. The following Committees (listed in ascending order of authority) set the limits according to their delegated authority level: Regional Credit Committee (Comité de Crédit Régional), Global Credit Committee (Comité de Crédit Global) and General Management Credit Committee (Comité de Crédit Direction Générale - CCDG).

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

The valuation of financial OTC trades carried out by BNP Paribas Fortis as part of its trading activities (Fixed Income, Global Equity & Commodity Derivatives<sup>1</sup>) includes credit adjustments. A 'Credit Value Adjustment' (CVA) is an adjustment of the trading portfolio valuation to take into account the counterparty credit risk. It reflects the expected loss in fair value on a counterparty exposure based on the potential positive value of the contract, the counterparty default probability, credit quality migration and the estimated recovery rate.

### **Dynamic management of counterparty credit risk**

The credit value adjustment is a variable of the existing exposure movements and the credit risk level of the counterparty, linked to the movements of the credit default swaps (CDS) spreads used in the default probability calculation.

For Corporate and Investment Banking (CIB) clients, the CVA varies according to changes in the existing exposure and in the prices quoted for the counterparty's credit risk as well as its global recovery rate (GRR), which may be reflected in particular in the credit default swap (CDS) spread variations used to calculate the probability of default.

For Corporate and Public Banking Belgium (CPBB) clients, the CVA varies according to changes in the existing exposure and in the internal rating and GRR used to calculate the probability of default.

To reduce the risk associated with the credit quality deterioration embedded in a financial operations portfolio, BNP Paribas Fortis is able to make use of a dynamic hedging strategy, involving the purchase of market instruments such as credit derivative instruments.

### **4.d.3 Securitisation**

Asset securitisation is the process of creating a marketable financial instrument that is backed by the cash flow or value of specific financial assets. During the securitisation process, assets (e.g. consumer loans, receivables, mortgages) are selected and pooled together into a special purpose vehicle (SPV) which issues securities that can be sold to investors.

#### **Proprietary securitisation (Originator under Basel II)**

To support its business development, while meeting regulatory capital requirements, BNP Paribas Fortis has launched securitisation programmes. Securitisation of own assets can provide long term funding, liquidity or a capital management tool depending on the requirements. The related securitisation vehicles are fully consolidated and, hence, the securitised assets are reported on-balance in the Consolidated Financial Statements.

BNP Paribas Fortis has also created a special purpose vehicle called Bass Master Issuer NV/SA to securitise mortgage loans, originally granted by BNP Paribas Fortis and a SPV called Esmée Master Issuer NV/SA to securitise loans to self-employed people and small and medium-sized enterprises, originally granted by BNP Paribas Fortis. Exposures in Bass Master Issuer NV/SA and Esmée Issuer NV/SA are excluded from the table below as bonds issued under these programmes have not so far been sold to third parties and are therefore not considered as efficient under Basel 2.5. Additional information on both securitisation transactions is included in the 'Other Information' section of the BNP Paribas Fortis Consolidated Financial Statements.

<sup>1</sup> The Equity Derivatives trading activity was managed in run-down mode and was stopped over the summer 2012.

### Securitisation as sponsor on behalf of clients

In 2012, securitisation provided a financing alternative for the Bank's clients. In particular, financing via Scaldis Capital Limited ('Scaldis'), an asset-backed commercial paper (ABCP) vehicle sponsored by BNP Paribas Fortis, gave BNP Paribas Fortis' corporate and institutional clients access to an alternative funding source from the capital markets. On 31 December 2012, the total face value of the commercial paper issued via Scaldis was USD 4.29 billion (EUR 3.25 billion). The proceeds of the commercial paper issuance were used to invest USD 2.80 billion (EUR 2.12 billion) in highly rated eligible securities and USD 1.49 billion (EUR 1.12 billion) in eligible financial assets from clients of BNP Paribas Fortis, plus in cash and deposits to the amount of USD 13.69 million (EUR 10.38 million).

Scaldis' eligible asset purchases are structured to justify an A-1/P-1/F1 rating level. Throughout 2012, Scaldis' commercial paper was rated in the highest short term rating category from each of Standard & Poor's, Moody's and Fitch Ratings: respectively A-1, P-1 and F1.

### Securitisation as investor

BNP Paribas Fortis has made investments in a wide variety of ABS/MBS (asset-backed securities/mortgage-backed securities), with a clear focus on the differentiation of deal ticket size and diversification by asset type and geographical distribution, ranging from European Prime residential mortgage-backed securities (RMBS), to US Student Loans, Credit Cards, Commercial MBSs, collateralised loan obligations (CLOs), Consumer ABS, SME and Small Business Loans. Redemptions from these assets are no longer reinvested in the ABS/MBS portfolio.

BNP Paribas Fortis' structured credits are overweight in investment grade securities (95% of the portfolio is investment grade). BNP Paribas Fortis' credit risk exposures arising from these transactions as of year-end 2012 and the valuation methods applied are described in note 8.g 'Structured Credit Instruments'.

The Bank's activities in each of these roles are described below:

In millions of euros	31 December 2012	31 December 2011
<b>BNP Paribas Fortis role</b>		
Originator		
Sponsor	3,512	4,916
Investor	9,573	17,066
<b>TOTAL EXPOSURE</b>	<b>13,085</b>	<b>21,982</b>

### Securitisation risk management

Securitisation transactions arranged by BNP Paribas Fortis on behalf of clients are highly technical and specific in nature. They are therefore subject to a specific risk management system, which comprises:

- independent analysis and monitoring by dedicated teams within the Risk Department
- specific processes (with specific committees, approval procedures, credit and rating policies) to ensure a consistent, tailored approach.

## 4.e Market risk

### 4.e.1 Market risk related to trading activities

#### 4.e.1.1 Introduction

Market risk arises mainly from trading activities carried out by the Fixed Income and Equity teams within Corporate and Investment Banking and encompasses different risk factors defined as follows:

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates.
- Equity risk arises from changes in the market prices and volatility of equity shares and/or equity indices.
- Commodities risk arises from changes in the market prices and volatility of commodities and/or commodity indices.
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer.
- Option products create by their nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

#### 4.e.1.2 Organisational principles

##### Governance

The purpose of the market risk management system is to track and control market risks while ensuring that the control functions remain totally independent from the business lines.

Market Risk monitoring is structured around several committees:

- The Capital Markets Risk Committee (CMRC) is the main committee governing the risks related to capital markets. It is responsible for addressing, in a coherent manner, the issues related to market and counterparty risk. The CMRC sets the aggregate trading limits, outlines risk approval procedures and reviews loss statements and hypothetical losses estimated on the basis of stress tests. It meets every month (except during summer) and is chaired by either the CEO or by

the Head of Corporate and Investment Banking (who is a member of the Executive Committee).

- At business unit level, the Valuation Review Committee (VRC) meets monthly to examine and approve the results of the Market parameters review and any changes in reserves. The Valuation Review Committee also acts as referee in any disagreements between the business units and the control functions. The Committee is chaired by the Head of Trading and other members include representatives from Trading, Risk-IM (Investments & Markets), Valuation and Risk Control and Finance.

##### Risk monitoring system and limit-setting / monitoring

The Group uses an integrated system called Market Risk eXplorer (MRX) to follow the trading positions on a daily basis and manage VaR calculations. MRX not only tracks the VaR, but also details positions and sensitivities to market parameters based on various simultaneous criteria (currency, product, counterparty, etc.). MRX is also configured to include trading limits, reserves and stress tests. This system became the official tool for risk monitoring and for the computation of regulatory capital for market risks in July 2011.

Risk-IM's responsibility in terms of market risk management is to define, monitor and analyse risk sensitivities and risk factors, and to measure and control Value at Risk (VaR), which is the overall indicator of potential losses. Risk-IM ensures that all business activities comply with the limits approved by the various committees. In this respect, it also participates in the process of approving new activities and major transactions, applies the BNP Paribas position valuation models and conducts a monthly review of market parameters (MAP review) in association with the Valuation and Risk Control departments.

Responsibility for limit setting and monitoring is delegated at two levels, which are the CMRC (under the responsibility of the Chairman of the CMRC) and the Business Line (under the responsibility of the Head of the Business Line). Limits may be changed either temporarily or permanently, in accordance with the level of authority delegated and the prevailing procedures.

### Reporting and information to Executive management

Risk-IM reports, through various risk analyses and reports, to Executive Management and Business Line Senior Management on its risk analysis work (limit, VaR monitoring, core risk analysis, etc). The Global Risk Analysis and Reporting team is responsible for generating/circulating the main Risk reports.

The following Risk reports are generated on a regular basis:

- Weekly 'Main Position' reports for heads of Business Lines: these reports provide a summary of all positions, also highlighting items requiring special attention
- CMRC supporting documents, which are used as a basis for discussions during CMRC meetings
- Monthly risk dashboard covering Capital Markets' market and counterparty risk
- Quarterly risk 'dashboard' covering the key market, credit, liquidity and counterparty risks covered by Risk-Capital Markets and CIB Other and Treasury.

#### 4.e.1.3 Valuation control

The financial instruments that are part of the prudential Trading Book are valued and reported at fair value through profit or loss, in compliance with IAS 39. However, there are also a number of products in the Banking Book that are also reported at fair value.

Valuation control has been strengthened via the publication of a Charter of Responsibility on Valuation, which lays down how responsibilities are split, plus the creation of dedicated Valuation and Risk Controls teams who supervise the Valuation and P&L control framework. These policies and governance apply to all market activities and are being extended to ALM Treasury<sup>2</sup>. As part of the integration process, BNP Paribas Fortis benefits from the enhancements implemented since 2007 at Group level to portfolio valuation controls, i.e. the creation of a Valuation and Risk Control team and the design of its own Charter of Responsibility on Valuation based on the Group principles.

In addition to the Charter of Responsibilities, the topics relevant to the valuation controls are detailed in specific policies. The main processes that together form the valuation control governance are set out below.

#### Control of booking of transactions

Capital Markets Operations ensure that the deal representation in the official systems corresponds to the contractual terms of the deals, unless specific approximations are agreed, in which case they verify that the approximation has been correctly implemented. This excludes the case of complex deals for which first level controls stated above fall under the responsibility of Risk – IM.

#### Market parameter (MAP) review, also known as Independent Price Verification (IPV)

This task is managed and shared by the Risk-IM department and the Valuation and Risk Control department (V&RC). A comprehensive and formal review of all market parameters is performed at month-end. The types of parameters verified by V&RC are listed precisely. These are essentially the parameters for which an automatic control against external sources can be implemented, in particular prices of securities and the vanilla parameters. This may include the use of consensus price services. Risk-IM is in charge of verifying the most complex parameters. Risk-IM continues to perform controls for any parameters, responsibility for which has not been formally transferred to V&RC.

The Market parameter review results in an estimation of valuation adjustments which are communicated to Finance, thus impacting the official profit or loss after being discussed with the relevant traders. After review by Financial Control within Finance, the results are communicated to Trading management during Valuation Review Committee sessions, where final arbitrages can be made. Disagreement can however be escalated up to the Group Product and Financial Control Committee (PFC).

The general principles of the Market parameter reviews are described in the Charter of Responsibility on Valuation and as part of special policies such as the Global Marking and IPV Policy and the MAP review principles.

<sup>2</sup> Asset Backed Securities and Private Equity activities belonging to the banking book from prudential point of view are also covered by this policy.

## Models approval and reviews

For operations whose nature is common to BNP Paribas and BNP Paribas Fortis, BNP Paribas Fortis uses BNP Paribas models. Should BNP Paribas Fortis have specific products/activities not monitored outside Brussels, BNP Paribas Fortis Risk - IM would, in close cooperation with BNP Paribas Risk - IM, draw up official valuation methodologies and reserve policies. In this case, BNP Paribas Fortis Risk - IM would also be responsible for the 'models/products' mapping. The whole BNP Paribas model control framework must guarantee that the use of models is compliant with the IAS-IFRS standard related to the fair value measurement of financial instruments.

## Reserve and other valuation adjustments

Risk-IM defines and calculates reserves. From an accounting point of view, reserves are part of the fair value adjustments.

The reserves cover mainly:

- The liquidity risk and the bid-offer spreads
- The model or market parameters uncertainties
- A risk premium that a market participant would charge for positions containing non-hedgeable or non-diversifiable risks

All reserves are compatible with the regulatory concept of prudent valuation. Some reserves may however not be compliant with accounting principles, such as the penalisation of concentrated positions. In this case, the reserve taken at desk level needs to be reversed in the accounts.

A general valuation adjustment policy exists. Reserve methodologies are documented by Risk-IM for each product line and these documentations are updated regularly. The analysis of reserve variations is reported at the monthly VRC.

Reserve methodologies are regularly improved and any change is deemed to be a Valuation Model event. Reserve improvements are generally motivated by the conclusion of a model review or by calibration with market information during the Market parameter review process.

## 'Day-one profit' and fair value levels

Some transactions are valued using 'non-observable' parameters. This is also known as Level 3 inputs and the fair value is allocated to the level 3 of the fair value hierarchy. IAS 39 requires that any initial profit or loss for non-observable transactions be deferred, as the initial fair value needs to be calibrated with the transaction price.

The management of this 'Day-One Profit process' involves Finance (from both BNP Paribas and BNP Paribas Fortis), Middle-Office, Risk-IM and Trading. This entails:

- deciding whether a type of parameter or transaction is observable or not and documenting these rules (observability rules)
- checking whether a given transaction is observable or not in accordance with the observability rules, when automatic screening is not possible or needs to be validated

The profit or loss impact of the initial profit or loss deferral is calculated by the Middle-Office.

Observability rules are also used for IFRS 7 reporting of fair value.

During 2012, no transactions at BNP Paribas Fortis were subject to day-one profit.

### 4.e.1.4 Market risk monitoring

Market risk monitoring is based on an analysis of three types of indicators (Sensitivities or 'Greeks', VaR and stress tests) which aim to cover the entire scope of market risk.

### Market risk sensitivities analysis

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

## Market risk monitoring under normal market conditions

### Value at Risk (VaR)

VaR is calculated using an 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 business days with a confidence level of 99%. The model has been approved by the banking supervisor and takes into account all usual risk factors (interest rates, credit spreads, exchange rates, equity prices, commodities prices, and associated volatilities), and the correlation between these factors, in order to include the effects of diversification. It also takes into account specific credit risk.

The algorithms, methodologies and sets of indicators are reviewed and improved regularly to take into account growing market complexity and product sophistication.

In December 2010, BNP Paribas Fortis submitted a request to the French (ACP - Home) and Belgian (NBB - Host) Regulators for perimeter extension of the BNP Paribas internal model to the BNP Paribas Fortis SA/NV legal entity.

This perimeter extension was granted and as of July 2011, the market risk regulatory capital charge on the BNP Paribas Fortis trading portfolio is calculated based on the VaR figure computed with the BNP Paribas internal model.

### History of the VaR (10 days, 99%)

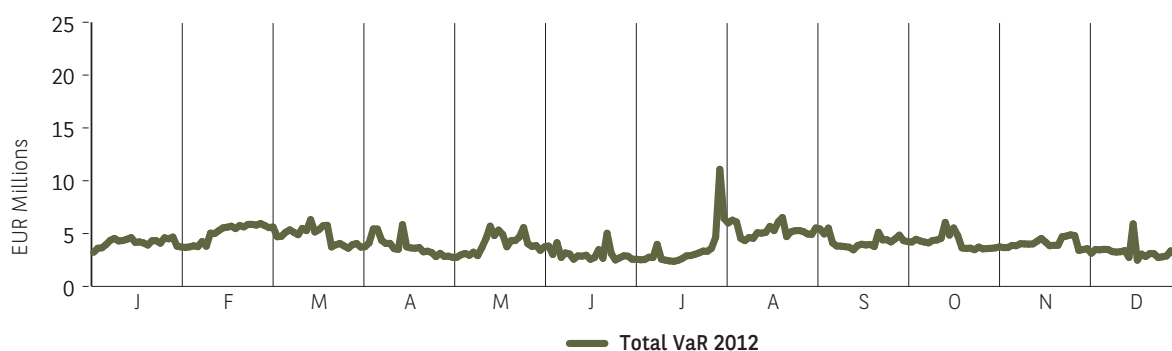
The Values at Risk (VaRs) set out below are calculated from an internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated value at risk ('Supplement to the Capital Accord to Incorporate Market Risks'). They are based on a ten-day time horizon and a 99% confidence interval.

In 2012, total average VaR is EUR 13.0 million (with a minimum of EUR 7.5 million and a maximum of EUR 35.0 million), after taking into account the EUR (5.7) million netting effect between the different types of risks. These amounts break down as follows:

In millions of euros Type of risk	Year to 31 Dec. 2012				Year to 31 Dec. 2011	
	Average	Minimum	Maximum	End of year	Average	End of year
Interest rate risk	12.3	7.1	36.1	8.6	19.2	9.8
Credit risk	2.9	1.3	9.1	1.6	6.5	6.4
Foreign exchange risk	2.3	0.8	7.8	1.0	2.3	2.8
Equity price risk	1.2	0.0	5.4	0.0	4.3	2.0
Commodity price risk	0.0	0.0	0.0	0.0	0.0	0.0
Netting effect	(5.7)	(1.7)	(23.4)	(2.4)	(9.2)	(9.2)
<b>TOTAL VALUE AT RISK</b>	<b>13.0</b>	<b>7.5</b>	<b>35.0</b>	<b>8.8</b>	<b>23.1</b>	<b>11.8</b>

## Risk exposure in 2011

### History of the VaR (1 day, 99%) in 2012



The VaR was fairly stable around or just below EUR 5 million in 2012. The peak observed at the end of August is not related to additional risk-taking but to a one-day lag between positions and hedges bookings.

Risk-IM continuously tests the accuracy of its internal model through a variety of techniques, including a regular comparison over a long-term horizon between actual daily losses on capital market transactions and 1-day VaR. A 99% confidence level means that in theory the Bank should not incur daily losses in excess of VaR more than two or three days a year.

In 2012, daily losses did not exceed the VaR. This implies that no penalty factor was applicable on the VaR figures for the capital computation. A multiplication factor of 4 was applied to the ten-day VaR in the RegCap computation formula. For BNP Paribas Fortis, the back-testing was a real back-testing for the first two quarters (i.e. a back-testing with the observed P&L of the next day and thus including intraday adjustments,

fees and commissions). For the last two quarters of 2012 a real-back testing as well as a hypothetical (i.e. a back-testing comparing theoretical mark-to-market variations on a frozen end-of-day portfolio with the VaR) back-testing is applied. The outcome of the worse of the two back-testings prevails.

### History of the Stressed VaR (10 days, 99%)

A Stressed VaR (SVaR) is computed under Basel 2.5 based on a 12-month stress period. The choice of the selected stress period is subject to annual review. It was revised in June 2012 (from 2008Q1 - 2008Q4 to 2008Q2 - 2009Q1). This method is applied on top of the VaR, to correct the 'short memory' of the VaR and to reinforce Specific Risk control.

In 2012, total average 10-day SVaR is EUR 16.1 million (with a minimum of EUR 10.2 million and a maximum of EUR 32.6 million), after taking into account the EUR (9.6) million netting effect between the different types of risks.

In millions of euros Type of risk	31 December 2012				31 December 2011	
	Average	Minimum	Maximum	End of Year	Average	End of Year
Interest rate risk	14.3	9.8	30.1	13.5	14.2	14.3
Credit risk	6.1	1.8	24.6	2.3	16.5	18.4
Foreign exchange risk	3.4	0.8	16.4	2.5	2.9	2.7
Equity risk	1.9	0.0	10.5	0.0	3.1	4.7
Commodity price risk	0.0	0.0	0.0	0.0	0.0	0.0
Netting effect	(9.6)	(2.2)	(49.0)	(3.9)	(13.4)	(16.9)
<b>TOTAL VALUE AT RISK</b>	<b>16.1</b>	<b>10.2</b>	<b>32.6</b>	<b>14.4</b>	<b>23.3</b>	<b>23.2</b>



### History of the Incremental Risk Capital

An incremental risk capital (IRC) is computed under Basel 2.5. The IRC approach measures losses due to ratings migration and default, at the 99.9% confidence interval over a capital horizon of one year, assuming a constant level of risk on this horizon. The approach to capturing the incremental default and migration risks covers all positions subject to a capital charge for specific interest rate risk, including all government bonds but excluding securitisation positions and Nth-to-default credit derivatives.

The model is currently used in the risk management processes and a request for homologation submitted to the ACP and the NBB in 2011 was duly approved. It has been applied since 31 December 2011.

The calculation of IRC is based on the assumption of a constant level of risk over the one-year capital horizon, implying that

the trading positions or sets of positions can be rebalanced during the one-year capital horizon in a manner that maintains the initial risk level, measured by the VaR or by the profile exposure by credit rating and concentration. This rebalance frequency is called the 'liquidity horizon'.

The model is built around a rating-based simulation for each obligor, which captures both the risk of the default and the risk of rating migration. The reliability among obligors is based on a multi-factor asset return model. The valuation of the portfolios is performed in each simulated scenario. The model uses a constant one-year liquidity horizon.

In the fourth quarter of 2012, the total average IRC was EUR 26.3 million (with a minimum of EUR 13.0 million and a maximum of EUR 47.8 million).

In millions of euros Type of risk	31 December 2012				31 December 2011	
	Average	Minimum	Maximum	End of Year	Average	End of Year
<b>TOTAL IRC</b>	<b>26.3</b>	<b>13.0</b>	<b>47.8</b>	<b>21.8</b>	<b>57.8</b>	<b>47.5</b>

### Comprehensive risk measure (Correlation portfolio)

The comprehensive risk measure (CRM) is a charge for structured credit correlation products in the trading books. Following the de-risking as set out in the Industrial Plan, the CRM is not applicable to BNP Paribas Fortis.

### Securitisation positions in Trading books outside correlation portfolio

Following the de-risking as set out in the Industrial Plan, this additional capital charge for re-securitisation is not applicable to BNP Paribas Fortis.

### Market Risk monitoring under extreme market conditions

Stress tests are simulated in order to assess potential variations in the trading portfolio value in extreme market conditions.

Extreme market conditions are defined by rupture scenarios, for which the assumptions are reviewed according to the economic conditions. The results obtained from the tests are further detailed for the different levels of the Capital Markets activities. Stress testing is intended to make management aware of the risks (and the implications for the income statement) of these extreme and abnormal movements, and so 'early warning signals' have been set up to enable all stakeholders to:

- adopt the same approach towards the entity's risk appetite
- be warned simultaneously
- decide on remedial actions

If stress testing results exceed the early warning signals, they are considered to be triggers for management action. In alignment with the Group, BNP Paribas Fortis uses 15 macro stress test scenarios covering all Market activities: fixed-income, currency, equity derivatives, commodities and treasury. These scenarios are presented to and reviewed by the CMRC on a bi-monthly basis. The framework was thoroughly reviewed over the summer 2012 and 8 refitted scenarios were adopted. Additionally, the existing multifactor CMRC market risk stress tests are combined with counterparty risks. This creates a combined markets and counterparty risk stress test scenario.

The Risk department may also outline specific scenarios for managing some types of risks with extra care, most notably the more complex risks requiring a full revaluation rather than an estimate based on sensitivity indicators. The results of these stress tests may be presented to business line managers and stress test limits may be set.

#### 4.e.2 Market risk related to banking activities

The market risk relating to banking activities encompasses the risk of loss on equity positions on the one hand, and the interest rate and currency risks stemming from banking intermediation activities on the other. Only equity and currency risk give rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

Interest rate and currency risks related to banking intermediation activities and investments mainly relate to retail banking activities, the specialised financing and savings management subsidiaries, the CIB financing businesses and investments made by BNP Paribas Fortis. These risks are managed by the ALM & Treasury Department.

At Group level, ALM & Treasury reports directly to the Group Functions. Group ALM & Treasury has functional authority over the ALM and Treasury staff of each subsidiary. Strategic decisions are made by the Asset and Liability Committee (ALCO), which oversees ALM & Treasury activities. These committees have been set up at Group, core business division and operating entity level.

##### 4.e.2.1 Equity risk

Equity interests held by the Bank outside the trading book are securities which convey a residual, subordinated claim on the assets or income of the issuer or have a similar economic substance. They include:

- listed and unlisted equities and units in investment funds
- options embedded in convertible and mandatory convertible bonds
- equity options
- super subordinated notes
- commitments given and hedges related to equity interests
- interests in companies accounted for by the equity method

##### Modelling equity risk

In accordance with the Capital Requirement Directive, banks using the Internal Risk Based Approach are required to apply a separate treatment to the equity exposures held in their banking book. BNP Paribas Fortis therefore applies the Simple Risk Weight approach, except for (i) equity exposure held prior to 2008 or held in non material entities, for which the Standardised approach is applied, and (ii) participations which are deducted from own funds.

The Simple Risk Weight approach is based on long-term market observations and sets out separate risk weights covering unexpected losses:

- 190% of exposure value for private equity exposures in sufficiently diversified portfolios
- 290% of exposure value for exchange-traded equity exposure
- 370% of exposure value for other equity exposures

In addition, expected losses for equity exposure are deducted from own funds. The model has been validated by the supervisor for measuring the capital requirement for equity risk as part of the Basel II approval process.

## Exposure\* to equity risk

In millions of euros	31 December 2012	31 December 2011
<b>Simple risk weight method</b>	<b>810</b>	<b>623</b>
190% weighted	655	584
290% weighted	7	5
370% weighted	148	34
<b>Standardised approach</b>	<b>1,000</b>	<b>957</b>
<b>TOTAL</b>	<b>1,810</b>	<b>1,580</b>

(\*) fair value (on and off balance sheet)

### 4.e.2.2 Currency risk (Pillar 1)

#### Calculation of risk-weighted assets

Currency risk relates to all transactions whether part of the trading book or not. This risk is treated in the same way under both Basel I and Basel II.

Except for BNP Paribas Fortis Belgium's currency exposure, which is calculated using the BNP Paribas Fortis internal model approved by the supervisor, exposure to currency risk is now determined under the Standardised approach, using the option provided by the banking supervisor to limit the scope to operational currency risk.

BNP Paribas Fortis entities calculate their net position in each currency, including the euro. The net position is equal to the sum of all asset items less all liability items plus off-balance sheet items (including the net forward currency position and the net delta-based equivalent of the currency option book), minus structural, non-current assets (long-term equity interests, property, plant and equipment, and intangible assets). These positions are converted into euros at the exchange rate prevailing at the reporting date and aggregated to give the Bank's overall net open position in each currency. The net position in a given currency is 'long' when assets exceed liabilities and short when liabilities exceed assets. For each entity, the net currency position is balanced in the relevant currency (i.e. its reporting currency) such that the sum of long positions equals the sum of short positions.

The rules for calculating the capital requirement for currency risk are as follows:

- Matched positions in currencies of Member States participating in the European Monetary System are subject to a capital requirement of 1.6% of the value of the matched positions.
- Positions in closely correlated currencies are subject to a capital requirement of 4% of the matched amount.
- Other positions, including the balance of unmatched positions in the currencies mentioned above, are subject to a capital requirement of 8% of their amount.

#### Currency risk and hedging of earnings generated in foreign currencies

BNP Paribas Fortis' exposure to operational currency risks stems from the net earnings in currencies other than the euro. BNP Paribas Fortis' policy is to hedge on a monthly basis all its non-EUR earnings against EUR. Earnings generated locally in a currency other than the operation's functional currency are hedged locally. Net earnings generated by foreign subsidiaries and branches and positions relating to portfolio impairment are managed centrally.

#### Currency risk and hedging of net investments in foreign operations

BNP Paribas Fortis' currency position on investments in foreign operations arises mainly from branch capital allocations and equity interests denominated in foreign currencies.

BNP Paribas Fortis' policy is usually to borrow the investment currency in order to protect the investment against currency risk. Such borrowings are documented as hedges of net investments in foreign operations. However, for most soft currencies, the investment may also be financed by purchasing the currency in question.

#### 4.e.2.3 Interest rate risk (Pillar 2)

##### Interest rate risk management framework

Interest rate risk on the commercial transactions of Retail banking, the specialised financing subsidiaries, the savings management business lines in the Investment Solutions division and CIB's Corporate Banking units are managed centrally by ALM & Treasury through the client intermediation book. Interest rate risk on the Bank's equity and investments is also managed by ALM & Treasury, in the equity intermediation and investments book.

Transactions initiated by each BNP Paribas Fortis business line are transferred to ALM & Treasury via internal contracts booked in the management accounts or via loans and borrowings. ALM & Treasury is responsible for managing the interest rate risk inherent in these transactions.

The main decisions concerning positions arising from banking intermediation activities are taken at monthly or quarterly committee meetings. These meetings are attended by the management of the business line, ALM & Treasury, Finance and the Risk department.

The four main sources of interest rate risk are:

- Repricing risk, due to a mismatch of interest rate repricing between assets and liabilities (usual mismatch)
- Changes in the structure of yield curves (parallel, flattening or steepening shifts)
- Basis risk resulting from imperfect correlation between different reference rates (for example swap rates and government bond yields)
- Optionality: on the asset side, certain financial instruments carry embedded options (hidden or explicit) that will be exercised depending on movements in interest rates.

##### Measurement of interest rate risk

BNP Paribas Fortis measures, monitors and controls its banking book interest rate risk using the following indicators:

- Duration of equity
- Interest rate sensitivity of the fair value of equity
- Earnings at Risk (EaR).

**Duration of equity** - Duration is a measure of the average timing of cash flows from an asset or a liability portfolio. Duration of equity is an application of duration analysis and measures BNP Paribas Fortis' consolidated interest rate sensitivity. It is measured as the difference between the present value of the future weighted cash flows generated by the assets and the present value of the future weighted cash flows from the liabilities. The duration of equity is an overall indicator of the mismatch in duration of assets and liabilities. BNP Paribas Fortis has a positive duration of equity. This means that an increase in interest rates leads to a decrease in value for the bank.

**Interest rate sensitivity of the fair value of equity** - This approach consists of applying +/- 100bp and +/- 200bp to the fair value of an instrument or portfolio.

**Earnings at Risk** - In the case of Retail Banking activities, structural interest rate risk is also measured on a going-concern basis, through an earnings sensitivity indicator. Due to the existence of partial or even zero correlations between customer interest rates and market rates, and the volume sensitivity caused by behavioural options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes. Lastly, for products with underlying behavioural options, a specific option risk indicator is analysed in order to fine-tune hedging strategies.

The choice of indicators and risk modelling and the production of indicators are subject to control by independent Product Control teams and dedicated Risk teams. The results of these controls are presented regularly to specialist committees and once a year to the Board of Directors.

These indicators are systematically presented to the ALM committees, and serve as the basis for hedging decisions taking into account the nature of the risk involved.

## Risk limits

For the customer banking intermediation books, overall interest rate risk for Retail Banking entities is subject to a primary limit, based on the sensitivity of revenues to changes in interest rates over the next 12 months. The limit is based on recurring revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. The specialised financing subsidiaries are exposed to very low levels of interest rate risk, considering the centralisation of risks at ALM & Treasury level. The residual risk is controlled by technical interest rate gap limits, which are monitored by the ALM committee of the relevant business line.

## Sensitivity of the value of banking books

Since the books of financial instruments resulting from banking activities are not intended to be sold, they are not managed on the basis of their fair value.

The sensitivity analysis takes into account all future cash flows generated by transactions outstanding at the reporting date, irrespective of maturity. The sensitivity data take account of the replication portfolios and models used to generate theoretical maturities, especially on the Bank's equity.

The sensitivity of the value of banking intermediation books to an instantaneous change of one basis point in interest rates was an increase in value in the event of a fall and a decrease in value in the event of a rise of approximately EUR 10.6 million at 31 December 2012, compared with EUR 12.8 million at 31 December 2011.

## Interest rate sensitivity of the value of the banking books

In thousands of euros	31 December 2012					TOTAL
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	
EUR	82	(187)	(293)	1,892	(11,388)	(9,894)
USD	13	(4)	(143)	(113)	(42)	(289)
GBP	1		6	(1)	(1)	5
Other currencies	5	10	(30)	(306)	(144)	(465)
<b>TOTAL</b>	<b>101</b>	<b>(181)</b>	<b>(460)</b>	<b>1,472</b>	<b>(11,575)</b>	<b>(10,643)</b>

In thousands of euros	31 December 2011					TOTAL
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	
EUR	71	(883)	637	1,335	(12,907)	(11,747)
USD	(4)	(30)	(89)	(482)	(24)	(629)
GBP	(2)	(21)	(15)	(2)	(1)	(41)
Other currencies	4	(12)	(57)	(97)	(260)	(422)
<b>TOTAL</b>	<b>69</b>	<b>(946)</b>	<b>476</b>	<b>754</b>	<b>(13,192)</b>	<b>(12,839)</b>

## Hedging of interest rate and currency risks

Hedging relationships initiated by the Bank mainly consist of interest rate or currency hedges in the form of swaps, options, forwards or futures.

Depending on the hedging objective, derivative financial instruments used for hedging purposes are qualified as either fair value hedges, cash flow hedges, or hedges of net

investments in foreign operations. 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, and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

### **Global Interest rate risk**

The Bank's strategy for managing global interest rate risk is based on closely monitoring the sensitivity of the Bank'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 so that the Bank can determine the most appropriate hedging strategy, after taking into account the effects of netting the different types of risk.

These hedging strategies are defined and implemented for each portfolio and currency.

The evolution of the customer assets and liabilities (excluding reverse repos and repos) remained stable between December 2011 and the end of 2012. Due to the different production pace in liabilities versus assets the structural interest rate hedges put in place by the Bank in 2012 are based mainly on a fixed-rate lender strategy. They include derivatives accounted for as fair value hedges and government securities which are recorded in the 'Available for sale' category.

Interest rate risk is mitigated using a range of different instruments, the most important of which are derivatives - primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile mainly caused by long-term assets and liabilities. Options are used to reduce the non-linear risk, which is mainly caused by embedded options sold to clients, e.g. caps and prepayment options on mortgages.

### **Structural currency risk**

Currency hedges are contracted by the ALM department in respect of the Bank's investments in foreign currencies and its future foreign currency revenues. 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 and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

A hedging relationship is applied and documented for investments financed by foreign currency loans so that impacts of movements in exchange rates can be recorded in a symmetrical fashion and have no impact on the profit and loss account. These instruments are designated as net investment hedges.

A similar hedging relationship is set up to hedge the currency risk on net foreign currency assets of branches and consolidated subsidiaries. Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies. No hedging relationship was disqualified from hedge accounting in 2012.

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

Fair value hedges of interest rate risks relate either to specified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these assets or liabilities to changes in interest rates. Identified assets consist mainly of available-for-sale securities. Hedges of portfolios of financial assets and liabilities relate to fixed-rate mortgages, fixed-rate debt issues demand deposits and loans.

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 on the basis of the contractual terms of the transactions and historical observations of customer behaviour (prepayment assumptions and estimated default rates). No hedging relationship was disqualified from hedge accounting in 2012.

For each hedging relationship, expected hedge effectiveness is measured - prospectively and retrospectively - by ensuring that, for each maturity band, the balance of the hedging instruments is not higher than that of the hedged items, which means that there is no over-hedging.

### **Cash Flow Hedge**

In terms of interest rate risk, the Bank uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands. After taken into account prepayment assumptions, the Bank uses derivatives to hedge some or all of the risk exposure generated by these floating-rate assets or liabilities.

Identified assets consist mainly of available-for-sale securities. Hedges of portfolios of financial assets and liabilities relate to Bank loans and deposits, term deposits and future loans.

In the year ended 31 December 2012, no hedges of forecast transactions were re-qualified as ineligible for hedge accounting on the grounds that the related future event was no longer highly probable.

## **4.f Operational risk**

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### **Risk management framework**

#### **Regulatory framework**

BNP Paribas Fortis has opted for an all-embracing, single, operational risk management framework for the entire bank, which complies with the Basel II criteria laid down in the Advanced Measurement Approach ('AMA'). This approach supports the organisation by offering better management of risk through heightened operational risk awareness. It ensures effective measurement and monitoring of the operational risk profile and an adequate level of own fund requirements.

As part of the process of integration into the BNP Paribas Group, in the early part of 2012 BNP Paribas Fortis aligned its operational risk management framework with the Group's framework. BNP Paribas Fortis had a very similar operational risk management system to that of the BNP Paribas Group (both were AMA compliant using a system that analyses loss data and forward-looking risk assessments). This alignment received the authorisation of the regulators in March 2012.

#### **Key players and governance**

An appropriate risk management structure has been created around a model with three levels of defence, which places the primary responsibility for operational risk management and mitigation with the businesses. The role of second line of defence is assumed by the risk management functions. Their role is to ensure that the operational risk management framework is properly embedded, that the operational risks that are identified, assessed, measured and managed reflect the true risk profile and that the resulting levels of own funds are adequate. The third line of defence is provided by internal audit, which provides assurance that risk structures and policies are being properly implemented.

The main governance bodies for the areas of Operational Risk & Internal Control are the Internal Control Committees (ICCs).

BNP Paribas Fortis has five ICCs, each chaired by a member of the Executive Committee. In addition, there is also an ICC at the level of the Executive Committee.

The role of the ICCs covers the management of the operational permanent control framework and the management of operational risks and risks of non-compliance. Operational risks and risks of non-compliance include reputational risk, fraud risk, financial reporting risk, tax risk, legal risk, risk of not complying with laws, regulations and policies, operational risks related to people, processes, systems and the external environment and business risk. The role of the ICCs includes, but is not limited to:

- creating an organised overall view of the operational permanent control framework and the management of BNP Paribas Fortis operational risks and risks of non-compliance
- analysing and taking decisions on these subjects
- providing a level of warning, alert and escalation for any weaknesses observed
- demonstrating and evidencing the involvement of the Executive Board and Executive Committee in the management of these issues and the follow up of actions undertaken

The objective of the ICCs is to allow the businesses and functions to signal the most significant operational risks, risks of non-compliance and weaknesses in the permanent control environment, highlight the associated action plan, and provide an overview of the status of measures taken.

A framework encompassing the four elements is required for an Advanced Measurement Approach:

- Loss data collection ('Historical Incidents') is the first building block of the operational risk management framework. Operational losses that occur throughout the organisation are systematically collected in a central database.
- BNP Paribas Fortis supplements this internal loss data with external loss data sources, using both consortium and public databases to supplement its internal loss database for risk analysis.
- A third element of the framework consists of forward-looking risk assessments ('Potential Incidents'), which draw up the Bank's risk profile and are used as primary input for calculating capital requirements. Potential Incidents (PIs) provide an insight into operational risks of different natures:
  - Those risks that are closely related to the internal organisation and control environment. Those risk events, despite the fact they may occur frequently, have a rather low impact on the organisation.
  - More systemic or low frequency-high impact operational risks. This captures the operational risks to which the organisation is subject due to the type of activities in which it engages and the business environment in which it operates.

PIs are conducted within each Business and support Function and result in a description of the identified risks, an analysis of the causal drivers of these risks and a description and assessment of the control environment. Lastly, the residual risk exposure is quantified.

- Operational risk triggers (key risk indicators or key performance indicators) are followed up to provide alerts on apparent changes in the operational risk profile due to internal or business environment factors.

#### Calculation of own funds requirements

BNP Paribas Fortis applies the most advanced methods to determine – for the material elements of its activities - the required levels of own funds against operational risks. These methods are compliant with the Advanced Measurements Approach (AMA). The Basic Indicator approach or the Standardised approach are used for smaller and non-material parts of the activities.

#### Operational Control and Mitigation

BNP Paribas Fortis has a variety of tools to control and mitigate operational risk. Potential Incidents, Historical Incidents and key risk indicator movements enable the formalisation of actions to further control operational risks. These actions often relate to organisational and process contexts. Centrally coordinated operational risk mitigation techniques include business continuity management, information security measures, insurance and a governance structure to decide on exceptional transactions and new activities via the Exceptional Transactions Committees and New Activities Committees.

## 4.g Compliance and reputational risk

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### Compliance mission

The overall mission of Compliance is to provide reasonable assurance of the consistency and effectiveness of the BNP Paribas Fortis permanent control system and the compliance of its activities and to safeguard the Bank's reputation through advice, oversight and independent controls.

Compliance, as a second line of defence, has a dual role:

The first role of Compliance consists of supervision of the effective management of compliance risk. This involves policy-setting, providing advice and raising the awareness of colleagues of the need to follow key compliance principles:



- Financial security: anti-money laundering, combatting corruption and the financing of terrorism, financial sanctions and disclosure to financial intelligence units
- Customer Protection: includes appropriateness of products and services offered to clients and any conflicts of interest
- Employee integrity: includes codes of conduct, gifts policy, conflicts of interest and a personal transactions policy
- Market abuse: market integrity, conflicts of interest.

The Compliance department sets policies and gives binding advice in these areas. In the event of any contention, advice from Compliance may be escalated to a higher level until consensus is found, so as to ensure appropriate issue resolution.

The second role of Compliance relates to the creation of a general framework in the area of permanent control. In this area, Oversight of Operational Permanent Controls (2OPC), which is part of Compliance, will draw up and coordinate the general control framework.

#### Compliance organisational set up

As required by Belgian regulations, the Compliance function is an independent control function reporting to the Chief Executive Officer. Compliance has direct, independent access to the Board's Audit, Risk and Compliance Committee and is a permanent invitee to the Committee.

Compliance is part of a Group-wide function steered from Paris, which is responsible for overseeing and supervising all compliance matters. The head of Compliance at BNP Paribas Fortis has a strong dotted line to the Group-wide head of Compliance, ensuring local application of the Group-wide operating model. The Compliance function within the Group has grown continuously since 2004.

#### Basic principles

Management of compliance and reputational risks is based on the following basic principles:

- Individual responsibility: compliance is everyone's responsibility, not solely the responsibility of the Compliance department.
- Exhaustive and comprehensive approach: the scope of compliance extends to all banking activities. In this respect, the Compliance department will have unrestricted access to all required information.
- Independence: Compliance colleagues exercise their mission in a context which guarantees their independence of action and thought.
- Primacy of Group policies over local policies as far as consistent with local law.

## 4.h Liquidity and refinancing risk

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

Liquidity and refinancing risk is managed through a general liquidity policy approved by the BNP Paribas Fortis Executive Board. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The liquidity policy of BNP Paribas Fortis is fully aligned with BNP Paribas Group liquidity policy. The Bank's liquidity position is assessed on the basis of internal standards and regulatory ratios.

### 4.h.1 Liquidity risk management policy

#### Policy objectives

The objectives of BNP Paribas Fortis' liquidity risk management policy are (i) to secure a balanced financing mix to support BNP Paribas Fortis' development strategy; (ii) to ensure that BNP Paribas Fortis is always in a position to discharge its obligations to its customers; (iii) to comply with the standards set by the local banking supervisor; (iv) to keep the cost of refinancing as low as possible; and (v) to cope with any liquidity crises.

### **Roles and responsibilities in liquidity risk management**

The Bank ALCO sets the general liquidity risk management policy, including risk measurement principles, acceptable risk levels and the internal billing system. It submits its decisions to the Executive Board for final approval. Responsibility for monitoring and implementation has been delegated to the ALM & Treasury department. The Audit, Risk and Compliance Committee (ARCC) reports to the Board of Directors on liquidity policy principles and the Bank's position.

The Bank ALCO is informed on a regular basis of liquidity indicators, results of stress tests, and the execution of financing programmes. It is also informed of any crisis situation, and is responsible for deciding on the allocation of crisis management roles and approving emergency plans.

After approval by the Bank ALCO, the ALM & Treasury department is responsible for implementing the policy at both central and individual entity level. It is also owner of the systems used to manage liquidity risk.

The Business Line and Entity ALCOs implement at local level the strategy approved by the Bank ALCO.

Group Risk Management (GRM) contributes to defining liquidity policy principles. It also provides second-line control by validating the models, risk indicators (including liquidity stress tests), limits and market parameters used. The BNP Paribas Fortis CRO is a member of the Bank ALCO and the Executive Board.

### **Centralised liquidity risk management**

Liquidity risk is managed centrally by ALM & Treasury across all maturities and currencies. ALM & Treasury is tasked with providing financing to the Bank's core businesses and business lines, and investing their surplus cash. The Treasury unit is responsible for short-term refinancing, including short-term issues (certificates of deposit, commercial paper, etc.), while the ALM unit is responsible for senior and subordinated debt issues (MTNs, bonds, medium/long-term deposits, etc), preference share issues, covered bonds and loan securitisation programmes for the Retail Banking business and the financing business lines at the Corporate and Investment Banking division.

## **4.h.2 Liquidity risk management and supervision**

Day-to-day liquidity management is based on a full range of internal information tools and standards that provide cash flow gap information at various maturities and for various currencies.

The refinancing capacity needed to cope with an unexpected surge in liquidity needs is measured daily at Bank level. It mainly comprises available securities and loans eligible for central bank refinancing, available ineligible securities that can be sold under repurchase agreements or immediately on the market, and overnight loans not liable to be renewed.

BNP Paribas Fortis measures daily the diversification of its sources of short-term funds to ensure that it is not over-dependent on a limited number of providers of funding.

Medium- and long-term liquidity management is based mainly on an analysis of the medium- and long-term sources of funds available to finance assets with the same maturity. BNP Paribas Fortis' consolidated liquidity position is measured regularly by maturity, by business line and by currency.

In addition, severe liquidity stress tests are performed, based on market factors and factors specific to BNP Paribas Fortis or BNP Paribas, which would adversely affect the liquidity position.

Regulatory observation ratios represent the final plank in the liquidity risk management system. These include the 1-week and 1-month liquidity observation ratios, which are calculated monthly on a statutory and consolidated basis. BNP Paribas Fortis complies with these binding observation ratios both at a statutory and consolidated level. Foreign subsidiaries and branches may be required to comply with local regulatory ratios.

### 4.h.3 Risk mitigation techniques

As part of the day-to-day management of liquidity, in the event of a temporary liquidity crisis, the Bank's most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by refinancing them on the repo market or discounting them with the central bank. If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by selling assets outright.

Less liquid assets may be converted into liquid assets or collateralised as part of the day-to-day management of liquidity, by securitising pools of mortgage or consumer loans granted to Retail banking customers and also pools of Corporate loans.

Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing.

#### **Hedging strategies**

The Bank has continued its policy of diversifying its sources of financing in terms of investors, currencies and collateralised financing. In 2010, it created the 'deposit product line', a sales unit within the Treasury department that contributed to diversifying the corporate and institutional investor base. The Bank further continues to attract funding through commercial paper and certificate of deposit programmes in several countries.

From a structural point of view, the Bank had a solid loan-to-deposit ratio of 100.9% at the end of 2012.

#### **Senior debt**

In 2012, BNP Paribas Fortis Retail customers bought a total of EUR 0.97 billion worth of senior debt issued in various currencies.

# 5 Notes to the balance sheet at 31 December 2012

## 5.a Financial assets, financial liabilities and derivatives at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss consist of trading book transactions and certain assets and liabilities designated by BNP Paribas Fortis at fair value through profit or loss at the time of acquisition or issue.

### Financial assets

Trading book assets include proprietary securities transactions, reverse repurchase agreements and derivative instruments contracted for position management purposes.

Assets designated at fair value through profit or loss include assets with embedded derivatives that have not been separated from the host contract and also assets designated at fair value through profit or loss under fair value option in order to avoid an accounting mismatch.

### Financial liabilities

Trading book liabilities comprise securities borrowing and short selling transactions, repurchase agreements and derivative instruments contracted for position management purposes.

Financial liabilities at fair value through profit or loss mainly comprise issues originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in fair value are counterbalanced by changes in the fair value of the economic hedging instrument.

In millions of euros	31 December 2012			31 December 2011		
	Assets designated at fair value through profit or loss			Assets designated at fair value through profit or loss		
	Trading book	loss	TOTAL	Trading book	loss	TOTAL
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
<b>Securities portfolio</b>	<b>2,185</b>	<b>662</b>	<b>2,847</b>	<b>4,143</b>	<b>824</b>	<b>4,967</b>
Treasury bills and government bonds	1,228		1,228	1,600		1,600
Other fixed-income securities	765	9	774	2,208	118	2,326
Equities and other variable-income securities	192	653	845	335	706	1,041
<b>Loans and repurchase agreements</b>	<b>6,657</b>	<b>1,906</b>	<b>8,563</b>	<b>18,944</b>	<b>1,804</b>	<b>20,748</b>
Loans	208	1,906	2,114	27	1,804	1,831
Repurchase agreements	6,449		6,449	18,917		18,917
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>8,842</b>	<b>2,568</b>	<b>11,410</b>	<b>23,087</b>	<b>2,628</b>	<b>25,715</b>
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
<b>Securities portfolio</b>	<b>335</b>		<b>335</b>	<b>1,235</b>		<b>1,235</b>
<b>Borrowings and repurchase agreements</b>	<b>4,899</b>	<b>551</b>	<b>5,450</b>	<b>23,670</b>	<b>841</b>	<b>24,511</b>
Borrowings	31	551	582	47	841	888
Repurchase agreements	4,868		4,868	23,623		23,623
<b>Debt securities</b>		<b>4,425</b>	<b>4,425</b>		<b>3,916</b>	<b>3,916</b>
<b>Subordinated debt</b>		<b>2,306</b>	<b>2,306</b>		<b>3,153</b>	<b>3,153</b>
<b>TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>5,234</b>	<b>7,282</b>	<b>12,516</b>	<b>24,905</b>	<b>7,910</b>	<b>32,815</b>

## Loans measured at fair value through profit or loss

BNP Paribas Fortis has designated some financial assets of Commercial and Public Banking Belgium (CPBB) at fair value through profit or loss. Selected inflation rate-linked credit contracts with governmental counterparties are designated at fair value through profit or loss, reducing a potential accounting mismatch between the measurement of the interest rate swaps and other derivatives involved and the credits otherwise measured at amortised cost.

The evolution of the fair value of the loans held at fair value through profit or loss is influenced by repayments, by the evolution of the interest rates and by a tightening of the credit spread linked with the recovery from the sovereign debt crisis.

Some other structured loans and contracts, including derivatives, are also designated as 'Held at fair value through profit or loss', thereby reducing a potential accounting mismatch.

The amortised cost of 'Loans held at fair value through profit or loss' at 31 December 2012 was EUR 1,528 million (2011: EUR 1,723 million).

## Borrowings measured at fair value through profit or loss

BNP Paribas Fortis has designated financial liabilities classified in 'Borrowings as held at fair value through profit or loss'. In accordance with the defined investment strategies, financial assets and financial liabilities, including derivatives, are aggregated in specific portfolios. These portfolios are managed and their performance is measured and reported on a fair value basis.

The contractual amount to be repaid on **Borrowings from customers** held at fair value through profit or loss is EUR 483 million (2011: EUR 712 million). There is no significant difference between the carrying amount and the nominal value of the Borrowings held at fair value through profit or loss.

The contractual amount to be repaid on **Borrowings from credit institutions** held at fair value through profit or loss is

EUR 53 million (2011: EUR 155 million). There is no significant difference between the carrying amount and the nominal value of the loans held at fair value through profit or loss.

## Debt securities measured at fair value through profit or loss

BNP Paribas Fortis has designated selected debt certificates with embedded derivatives and corresponding investments as 'Held at fair value through profit or loss', thereby reducing a potential accounting mismatch.

The nominal value of debt securities held at fair value through profit or loss was EUR 4,333 million as at 31 December 2012 (2011: EUR 4,142 million) due to the fact that new issues made by BNP Paribas Fortis Funding more than compensated for the reimbursements made by BGL BNP Paribas.

The fair value of liabilities held at fair value through profit or loss takes account of the evolution of the interest rates plus any change attributable to the issuer credit risk relating to BNP Paribas Fortis itself, which has been impacted by the global tightening of credit spreads linked to the easing of the sovereign debt crisis.

The change in fair value of 'Debt securities due to own credit risk' amounts to EUR 4 million cumulatively since inception.

## Subordinated debt measured at fair value through profit or loss

### Subordinated convertible securities : CASHES

On 19 December 2007, BNP Paribas Fortis issued undated floating rate convertible and subordinated hybrid equity-linked securities (CASHES) with a nominal value of EUR 3 billion, denominated at EUR 250,000 each. Coupons on the securities are payable quarterly, in arrears, at a variable rate of three month Euribor + 2.0%.

For regulatory purposes, the CASHES are treated as part of Tier 1 capital. The CASHES constitute direct and subordinated obligations of BNP Paribas Fortis, Ageas SA/NV and Ageas N.V. jointly and severally as co-obligors.

The CASHES are subordinate to all other loans, subordinated loans and preference shares, but rank senior to ordinary shares. The principal amount of the securities will never be repaid in cash. The sole recourse of the holders of the CASHES securities against any of the co-obligors with respect to the principal amount is equal to the 125,313,283 Ageas shares that BNP Paribas Fortis has pledged in favour of such debt holders. From 19 December 2014 onwards, the bonds will be automatically exchanged for Ageas shares if the price of Ageas shares is equal to or higher than EUR 35.91 on twenty consecutive stock exchange business days. The CASHES have no maturity date, but may be exchanged for Ageas shares at a price of EUR 23.94 per share at the discretion of the holder.

At the time of issuance of the CASHES instrument, Ageas SA/ NV and BNP Paribas Fortis agreed a Relative Performance Note (RPN), whose fair value was to neutralise the impact on BNP Paribas Fortis of differences between the value changes in the CASHES and the value changes in the related Ageas shares that occur on the BNP Paribas Fortis balance sheet and otherwise affect BNP Paribas Fortis' profit or loss.

In 2009, some conditions of that initial agreement were amended in Avenant (Rider) 3 to the Protocole d'Accord (Memorandum of Agreement) between Ageas Holding, the Belgian State and BNP Paribas. It was agreed to leave the RPN in place and to provide an interest payment mechanism between Ageas and BNP Paribas Fortis based on the reference amount of the RPN, with quarterly payment of interest from the third quarter of 2009 onwards. The Belgian State has issued a state guarantee on the RPN interest paid by Ageas, to the benefit of BNP Paribas Fortis. If Ageas were to default on its interest payments in respect of the RPN (and the Belgian State did not elect to make such interest payments in place of Ageas), BNP Paribas Fortis would have the option of terminating the RPN. In the case of such a termination, Ageas would be required to pay BNP Paribas Fortis the amount due under the RPN (subject to a cap of EUR 2.35 billion).

Depending on movements in the fair value of the CASHES and Ageas shares, either Ageas or BNP Paribas Fortis will owe an amount to the other party under the RPN. The party owing this reference amount will be required to pay interest on the amount to the other party on a quarterly basis at a rate of Euribor 3 months plus 20 basis points.

At the end of 2012, the basis for the calculation of the RPN interest payments resulted in an amount due by Ageas to BNP Paribas Fortis and will evolve over time in accordance with changes in the fair value of the CASHES instrument and changes in the fair value of the related Ageas shares.

From the start of the transaction, BNP Paribas Fortis has treated the liability component of the CASHES instrument, including an embedded derivative, as held at fair value through profit or loss, thus avoiding the separation of the embedded derivative from the host contract.

To avoid volatility in profit or loss due to an accounting mismatch, it was decided in 2007 to treat the related Ageas shares and the RPN as 'held at fair value through profit or loss'.

The fair value of the CASHES instrument (liability) and the fair value of the related Ageas shares are based on the market prices quoted at the end of the reporting period. As at 31 December 2012, BNP Paribas Fortis calculated the value of the RPN, consistently with the previous years, based on the difference between the change in fair value of the CASHES instrument since inception and the change in the value of the related Ageas shares since inception.

At 26 January 2012, Ageas and BNP Paribas Fortis announced an agreement on a partial settlement of the Relative Performance Note (RPN) related to the CASHES and the full call of a Tier 1 instrument issued by BNP Paribas Fortis in 2001 and 95% held by Ageas since September 2011. The settlement and call were both subject to BNP Paribas reaching at least a 50% success rate on a cash tender for the Cashes, launched on 26 January 2012.

The tender offer of the CASHES was successfully closed on Monday 30 January 2012. The acceptance rate reached 63% at an offer price of 47.5%.

On 6 February 2012, BNP Paribas exchanged 7,553 of tendered securities out of 12,000 CASHES securities outstanding (62.94%) for 78,874,241 existing Ageas shares, entitled to dividend and voting rights. BNP Paribas has committed not to sell these shares for a period of 6 months. The CASHES are reported under the Subordinated debt (HFVPL) heading and the underlying Ageas shares are reported under the Equities and other variable-income securities (HFVPL) heading. The RPN is reported as an Equity derivative in the trading book.

BNP Paribas has collected an indemnification from Ageas and BNP Paribas Fortis. The indemnification paid by Ageas and BNP Paribas Fortis compensates BNP Paribas for the tendering transactions costs and the premium offered above the market price of the CASHES. The indemnification paid by BNP Paribas Fortis amounts to EUR 69 million.

At 31 December 2012, the liability component of the CASHES was valued at EUR 593 million, the Ageas shares at EUR 103 million for a remaining number of 4,643,904 shares (after reverse stock split) and the RPN at EUR 249 million.

#### **Hybrid Tier 1 non-innovative loans entered into by BNP Paribas Fortis (related to Nitsh I & II)**

In 2006, Ageas set up Ageas Hybrid Financing S.A., a special purpose vehicle in the form of a Luxembourg limited liability company. Its sole purpose was to provide a vehicle for raising solvency capital for Ageas SA/NV and Ageas N.V. and the operating companies of the Ageas Group, by issuance of securities which would rank *pari passu* and investing the proceeds thereof in instruments (other than ordinary share capital) issued by any of the Ageas operating companies (in banking or insurance) which qualified as solvency for that entity.

Consequently, on the back of hybrid Tier 1 securities issued by Ageas Hybrid Financing in the course of 2008, BNP Paribas Fortis concluded two subordinated hybrid Tier 1 loans with Ageas Hybrid Financing:

- A perpetual loan for a nominal amount of USD 750 million, dated 27 February 2008, at an interest rate of 8.28% (on-loan of Nitsh I issued by Ageas Hybrid Financing on 27 February 2008); BNP Paribas Fortis may terminate this loan at its discretion as from 27 August 2013, and

- A perpetual loan for a nominal amount of EUR 375 million, dated 2 June 2008, at an interest rate of 8.03% (on-loan of Nitsh II issued by Ageas Hybrid Financing on 2 June 2008); BNP Paribas Fortis may terminate this loan at its discretion as from 2 June 2013.

BNP Paribas Fortis treats both subordinated perpetual loans as 'held at fair value through profit or loss' in order to avoid an accounting mismatch. The interest rate risk related to the fixed rate to be paid on the loans and the risk that the loans would be called by the issuer after five years have been hedged by entering into derivatives contracts measured at fair value through profit or loss.

These subordinated perpetual loans are loans between Ageas Hybrid Financing and BNP Paribas Fortis and are not the Nitsh I and Nitsh II securities issued by Ageas Hybrid Financing. As such, the loans between BNP Paribas Fortis and Ageas Hybrid Financing and the Nitsh I and Nitsh II have different risk profiles, due to differences in the credit risk profile of the debtor, i.e. BNP Paribas Fortis or Ageas Hybrid Financing.

The fair value of the subordinated perpetual loans between BNP Paribas Fortis and Ageas Hybrid Financing was determined by a mark-to-model method based on the following elements:

- The structure of the interest rate risk, relating to the possibility of calling the fixed rate debt
- The price evolution relating to movements in credit spreads on subordinated credit instruments, taking into account the own credit risk of the issuer component.

#### **Other subordinated liabilities**

Other subordinated liabilities include:

- Debt securities denominated in various currencies
- Perpetual loans denominated in various currencies

BNP Paribas Fortis has decided to value selected subordinated liabilities and corresponding investments at fair value through profit or loss, thereby reducing an accounting mismatch.

Due to the BNP Paribas exchange of 7,553 tendered securities out of 12,000 Cashes as described above, the total nominal value of the subordinated liabilities held at fair value through profit or loss amounted to EUR 2,792 million at year end 2012 (2011: EUR 5,396 million).

The fair value of 'Liabilities held at fair value through profit or loss' takes account of the evolution of the interest rates and

of any change attributable to the issuer risk relating to BNP Paribas Fortis itself, which has been impacted by the global tightening of credit spreads linked to the recovery from the sovereign debt crisis.

The change in fair value of these subordinated liabilities (excluding CASHES), which was due to own credit risk, amounts to EUR (78) million cumulatively since inception.

## Derivative financial instruments held for trading

The majority of derivative financial instruments held for trading are related to transactions initiated for trading purposes. BNP Paribas Fortis actively trades in derivatives so as to meet the needs of its customers. Transactions include trades in ordinary instruments such as credit default swaps and structured transactions with exotic pay-offs. The net position is in all cases subject to limits.

Trading book derivative instruments also include derivatives contracted to hedge financial assets or financial liabilities but

for which BNP Paribas Fortis has not documented a hedging relationship and as a consequence are classified as assets or liabilities held at fair value through profit or loss. These derivatives do not qualify for hedge accounting under IFRS. 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 2012		31 December 2011	
	Positive market value	Negative market value	Positive market value	Negative market value
Currency derivatives	743	742	909	845
Interest rate derivatives	20.872	17.265	63.723	65.025
Equity derivatives	354	231	382	319
Credit derivatives	55	22	450	285
Other derivatives	45	43	62	70
Trading book derivatives	22.069	18.303	65.526	66.544

During 2012, BNP Paribas Fortis took steps to further reduce and optimise the size of its balance sheet.

A dedicated transactions project made it possible to significantly reduce the fair values of the derivatives as reported on the balance sheet. The aim of the project is to have BNP Paribas as

the single counterparty for all external derivatives transactions. The project contained a novation phase, whereby all external deals are replaced by back-to-back deals with BNP Paribas, and a compression phase, whereby deals are terminated early and replaced by new deals with the same interest rate risk sensitivity but different expected future cash flows and lower fair values.



The table below shows the total notional amount of trading derivatives. The notional amounts of derivative instruments are merely an indication of the volume of the BNP Paribas

Fortis activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

In millions of euros	31 December 2012	31 December 2011
<b>Trading book derivatives</b>	<b>1,619,179</b>	<b>2,643,240</b>
Currency derivatives	64,414	113,899
Interest rate derivatives	1,550,607	2,520,766
Equity derivatives	2,492	5,040
Credit derivatives	1,545	3,209
Other derivatives	121	326

Derivatives traded on organised markets represented 7% of BNP Paribas Fortis derivatives transactions at 31 December 2012 (1% at 31 December 2011).

## 5.b Derivatives used for hedging purposes

Derivatives held for hedging purposes are related to fair value hedges and cash flow hedges. BNP Paribas Fortis uses derivatives, mainly interest rate swaps, for hedging purposes in the management of its own asset and liability portfolios

and structural positions. This enables BNP Paribas Fortis to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

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

In millions of euros	31 December 2012		31 December 2011	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<b>FAIR VALUE HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>1,016</b>	<b>2,747</b>	<b>698</b>	<b>2,235</b>
Currency derivatives		24	4	8
Interest rate derivatives	1,016	2,723	694	2,227
Other derivatives				
<b>CASH FLOW HEDGES OF NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>349</b>	<b>89</b>	<b>237</b>	<b>47</b>
Currency derivatives	16	7		
Interest rate derivatives	333	82	237	47
Other derivatives				
<b>NET FOREIGN INVESTMENT HEDGES</b>				
Currency derivatives				
<b>DERIVATIVES USED FOR HEDGING PURPOSES</b>	<b>1,365</b>	<b>2,836</b>	<b>935</b>	<b>2,282</b>

The total notional amount of derivatives used for hedging purposes amounted to EUR 50,952 million at 31 December 2012, compared with EUR 41,632 million at 31 December 2011.

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

## 5.c Available-for-sale financial assets

	31 December 2012			31 December 2011		
	Net	of which provisions for impairments recognised in the profit and loss account	of which changes in value recognized directly in equity	Net	of which provisions for impairments recognised in the profit and loss account	of which changes in value recognized directly in equity
<b>In millions of euros</b>						
<b>Fixed-income securities</b>	<b>34,440</b>	<b>(37)</b>	<b>649</b>	<b>41,431</b>	<b>(37)</b>	<b>(1,499)</b>
Treasury bills and Government bonds	26,810		711	32,467		(948)
Other fixed-income securities	7,630	(37)	(62)	8,964	(37)	(551)
<b>Variable-income securities</b>	<b>1,042</b>	<b>(473)</b>	<b>123</b>	<b>1,257</b>	<b>(1,320)</b>	<b>89</b>
Listed securities	34	(18)	8	37	(17)	3
Unlisted securities	1,008	(455)	115	1,220	(1,303)	85
<b>TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>35,482</b>	<b>(510)</b>	<b>772</b>	<b>42,688</b>	<b>(1,357)</b>	<b>(1,410)</b>

BNP Paribas Fortis has deployed investment strategies under which micro fair value hedge accounting is applied. The general objective of these strategies is to take a medium or long-term investment position on the spread between a bond yield and the swap rate over a certain period. The interest rate swap associated with the bond is designated to hedge the underlying bond against adverse changes in the interest rate. The hedged risk is interest rate risk. Credit risk is currently not being hedged. The main principal hedged items relate to government and corporate bonds and structured bonds.

Changes in the fair value of the bonds which are attributable to the hedged interest rate risk are included in the lines 'Treasury bills and Government bonds' and 'Other fixed-income securities'.

As required by the hedge accounting principles, valuations of interest rate swaps and bonds are recognised at fair value in the income statement.

The difference between the fair value and the carrying value of the hedged bonds at designation of the hedging is reversed

amortised over the remaining life of the hedged item and is also reported in the lines 'Treasury bills and Government bonds' and 'Other fixed-income securities' in the balance sheet.

BNP Paribas Fortis also applies micro cash flow hedges in order to hedge exposure to the variability in cash flows resulting from floating rate bonds in available-for-sale portfolios. BNP Paribas Fortis has designated interest rate swaps and volatility swaps as hedging instruments. A volatility swap is a forward contract that allows investors to trade the future volatility of a specified underlying.

Changes in the fair value of the hedging instruments are recognised in equity under 'Changes in assets and liabilities recognised directly in equity - derivatives used for hedging purposes'. Any hedge ineffectiveness is immediately recognised in the income statement.

BNP Paribas Fortis hedges the acquisition cost or net asset value of some consolidated participations against exchange rate fluctuations. For these hedging relationships, BNP Paribas Fortis has designated foreign currency borrowing contracts as hedging instruments.

	31 December 2012			31 December 2011		
	Fixed-income securities	Equity and other variable-income securities	Total	Fixed-income securities	Equity and other variable-income securities	Total
<b>In millions of euros</b>						
<b>Changes in value of securities</b>						
<b>recognised in "available-for-sale financial assets"</b>	<b>649</b>	<b>123</b>	<b>772</b>	<b>(1,499)</b>	<b>89</b>	<b>(1,410)</b>
Deferred tax linked to these changes in value	(7)	(4)	(11)	987	(3)	984
Group share of changes in value of available-for-sale securities owned by associates, after deferred tax and insurance policyholders' surplus reserve	418	30	448	(24)	11	(13)
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(683)		(683)	(1,623)		(1,623)
Other variations	4		4	25	1	26
<b>Changes in value of assets and liabilities taken directly to equity under the heading "Financial assets available for sale and reclassified loans and receivables"</b>						
	<b>381</b>	<b>149</b>	<b>530</b>	<b>(2,134)</b>	<b>97</b>	<b>(2,037)</b>
Attributable to equity shareholders	353	141	494	(2,038)	87	(1,951)
Attributable to minority interests	28	8	36	(96)	10	(86)

## 5.d Measurement of the fair value of financial instruments

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

### Level 1 - Financial instruments with quoted market prices

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

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

### Level 2 - Financial instruments measured using valuation techniques based on observable inputs

This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which regular transactions can be observed or, lastly, instruments measured using valuation techniques based on observable inputs.

This level includes such instruments as shares and bonds with low liquidity; borrowings and short sales of these instruments; short-term repurchase agreements not measured on the basis of a quoted price directly observed in the market, where the underlying assets are appraised from time to time using observable market data; units in funds for which liquidity is provided on a regular basis; derivatives traded in OTC markets measured using techniques based on observable inputs; and structured debt issues measured using only observable inputs.

### Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs

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

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

This level notably comprises unlisted shares; bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active

market (such as CDOs, CLOs and ABS units); long-term or structured repurchase agreements; units in funds undergoing liquidation or whose quotation has been suspended; complex derivatives with multiple underlyings (hybrid instruments, synthetic CDOs, etc.) and the structured debt underlying these derivatives.

## Breakdown by measurement method applied to financial instruments recognised at fair value presented in line with the recommendations of IFRS 7

In millions of euros	31 December 2012				31 December 2011			
	Quoted market price	Valuation techniques using observable inputs	Valuation techniques using non-observable inputs	TOTAL	Quoted market price	Valuation techniques using observable inputs	Valuation techniques using non-observable inputs	TOTAL
	(level 1)	(level 2)	(level 3)		(level 1)	(level 2)	(level 3)	
<b>FINANCIAL ASSETS</b>								
Financial instruments at fair value through profit or loss held for trading (Note 5.a)	1,452	29,054	405	<b>30,911</b>	1,765	86,460	388	<b>88,613</b>
<i>of which financial assets at fair value through profit and loss</i>	1,452	7,390		<b>8,842</b>	1,538	21,536	13	<b>23,087</b>
<i>of which derivatives</i>		21,664	405	<b>22,069</b>	227	64,924	375	<b>65,526</b>
Financial instruments designated as at fair value through profit or loss (Note 5.a)	103	1,990	474	<b>2,568</b>	251	1,888	489	<b>2,628</b>
Derivatives used for hedging purposes (Note 5.b)		1,365		<b>1,365</b>		935		<b>935</b>
Available-for-sale financial assets (Note 5.c.)	24,101	10,376	1,006	<b>35,482</b>	29,644	11,825	1,219	<b>42,688</b>
<b>FINANCIAL LIABILITIES</b>								
Financial instruments at fair value through profit or loss held for trading (Note 5.a)	218	23,078	240	<b>23,537</b>	429	90,858	162	<b>91,449</b>
<i>of which financial liabilities at fair value through profit and loss</i>	218	5,016		<b>5,234</b>	429	24,476		<b>24,905</b>
<i>of which derivatives</i>		18,062	240	<b>18,303</b>		66,382	162	<b>66,544</b>
Financial instruments designated as at fair value through profit or loss (Note 5.a)	235	7,029	18	<b>7,282</b>	339	7,537	34	<b>7,910</b>
Derivatives used for hedging purposes (Note 5.b)		2,836		<b>2,836</b>		2,282		<b>2,282</b>

## Table of changes in level 3 financial instruments

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

In millions of euros at 31 December 2012	Financial Assets			Financial Liabilities			TOTAL
	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	Available-for-sale financial assets	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	TOTAL	
<b>Beginning of the period</b>	<b>388</b>	<b>489</b>	<b>1,219</b>	<b>2,096</b>	<b>162</b>	<b>34</b>	<b>196</b>
- purchases			160	160			
- issues							
- sales	(13)		(470)	(483)			
- settlements <sup>1</sup>			(1)	(1)		(11)	(11)
Reclassifications <sup>2</sup>							
Transfers to level 3	77		158	235	129		129
Transfers from level 3			(9)	(9)		(8)	(8)
Gains or (losses) recognised in income	(47)	(15)	(49)	(111)	(51)	3	(48)
Changes in fair value of assets and liabilities recognised directly in equity							
- exchange rate movements							
- changes in assets and liabilities recognised in equity			(2)	(2)			
Other							
<b>End of the period</b>	<b>405</b>	<b>474</b>	<b>1,006</b>	<b>1,885</b>	<b>240</b>	<b>18</b>	<b>258</b>

<sup>(1)</sup> For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives whose fair value is positive. For the liabilities, includes principal redemptions, interest on payments plus inflows and outflows relating to derivatives whose fair value is negative.

<sup>(2)</sup> These are financial instruments initially recognised at fair value and reclassified as loans and receivables.

	Financial Assets			Financial Liabilities			TOTAL
	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	Available-for-sale financial assets	Financial instruments at fair value through profit or loss held for trading	Financial instruments designated as at fair value through profit or loss	TOTAL	
<b>In millions of euros at 31 December 2011</b>							
<b>Beginning of the period</b>	<b>2,422</b>	<b>473</b>	<b>437</b>	<b>3,332</b>	<b>820</b>	<b>489</b>	<b>1,309</b>
- purchases			70	70			
- issues					(430)		(430)
- sales			(88)	(88)			
- settlements <sup>1</sup>	(2,057)		5	(2,052)		(80)	(80)
Reclassifications <sup>2</sup>			(1,909)	(1,909)			
Transfers to level 3			2,754	2,754		10	10
Transfers from level 3			(107)	(107)		(398)	(398)
Gains or (losses) recognised in income	23	16	(32)	7	(228)	13	(215)
Changes in fair value of assets and liabilities recognised directly in equity							
- exchange rate movements			(1)	(1)			
- changes in assets and liabilities recognised in equity			90	90			
Other							
<b>End of the period</b>	<b>388</b>	<b>489</b>	<b>1,219</b>	<b>2,096</b>	<b>162</b>	<b>34</b>	<b>196</b>

<sup>(1)</sup> For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives whose fair value is positive. For the liabilities, includes principal redemptions, interest on payments plus inflows and outflows relating to derivatives whose fair value is negative.

<sup>(2)</sup> These are financial instruments initially recognised at fair value and reclassified as loans and receivables.

The Level 3 financial instruments may be hedged by other Level 1 and/or Level 2 instruments, on which the gains and losses are not shown in this table. Accordingly, 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 these instruments.

### Sensitivity of model values to reasonably likely changes in assumptions

Trading portfolio instruments, which are managed using dynamic risk hedging, generally complex derivatives, are subject to general sensitivity calculations based on adjustments of the portfolio's model value risks.

These adjustments help to factor in risks not included in the model, plus the uncertainty inherent in the estimate of the inputs, and form a component of the fair value of these portfolios.

To measure the sensitivity of the portfolio's fair value to a change in assumptions, the following two scenarios were explored: a favourable scenario in which no valuations of Level 3 financial instruments require value adjustments; and an unfavourable scenario in which all these valuations require a model risk value adjustment of double the size. Based on this method, each position (portfolios of instruments managed together with netting of risks) is considered individually, and no diversification effect between non-observable inputs of different types is taken into account.

The sensitivity of the fair value of securities positions, whether trading portfolio securities, available-for-sale assets or instruments designated as at fair value through profit or loss, is based on a change of 1% in fair value. For instruments with doubtful counterparties, sensitivity is calculated on the basis of the scenario of a 1% change in the assumed recovery rate.

In millions of euros	31 December 2012		31 December 2011	
	Potential impact	Potential impact	Potential impact	Potential impact
	on income	on equity	on income	on equity
Financial instruments at fair value through profit or loss held for trading or designated as at fair value <sup>1</sup>	+/- 99		+/- 170	
Available for sale assets		+/- 10		+/-12

<sup>(1)</sup> Financial instruments at fair value through profit or loss, whether they are part of the trading portfolio or have been designated as at fair value through profit or loss, are presented under the same heading to reflect the manner in which these instruments are accounted for as sensitivity is calculated on the net positions in instruments classified as Level 3 regardless of their accounting classification.

### Deferred margin on financial instruments measured using techniques developed internally and based on inputs partly non-observable in active markets

Deferred margin on financial instruments ('Day-One Profit') only relates to the scope of market activities eligible for Level 3.

The day-one profit is calculated after setting aside reserves for uncertainties as described previously and taken back to profit or loss over the expected period for which the inputs will be

non-observable. The still-to-be amortised amount is included under 'Financial instruments held for trading purposes at fair value through profit or loss' as a reduction in the fair value of the relevant complex transactions.

The deferred margin not taken to the profit and loss account but contained in the price of the derivatives sold to clients and measured using internal models based on non-observable parameters ('day-one profit') is less than EUR 1 million, both at 31 December 2012 and at 31 December 2011.

## 5.e Financial instruments reclassified as loans and receivables

BNP Paribas Fortis has opted to transfer certain financial assets from 'available-for-sale investments', 'financial assets held for trading' and 'other assets' to 'loans and receivables'. The reclassification of these financial assets reflects the change in the intent and ability of BNP Paribas Fortis to hold them in the foreseeable future.

Financial assets that have been reclassified as loans and receivables were initially recognised at their fair value on

the date of reclassification, which became their new cost base at that date. Subsequent measurement is at amortised cost.

Financial assets that have been reclassified as loans and receivables relate, to a significant extent, on the one hand to the structured credit instruments (see note 8.g 'Structured Credit Instruments') and on the other hand to part of the sovereign bond portfolio relating to Greece, Ireland and Portugal (see note 8.h 'Exposure to sovereign debt risk').

## 5.f Interbank and money-market items

### Loans and receivables due from credit institutions

In millions of euros	31 December 2012	31 December 2011
Demand accounts	2,356	1,983
Loans	15,974	29,928
Repurchase agreements	457	4,141
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT PROVISIONS</b>	<b>18,787</b>	<b>36,052</b>
<i>Of which doubtful loans</i>	<i>364</i>	<i>374</i>
Provisions for impairment of loans and receivables due from credit institutions (Note 2.f)	(246)	(266)
<i>Of which specific provisions</i>	<i>(235)</i>	<i>(263)</i>
<i>Of which collective provisions</i>	<i>(11)</i>	<i>(2)</i>
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT PROVISIONS</b>	<b>18,541</b>	<b>35,786</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked under 'due to/from credit institutions' and 'due to/from customers'. This activity has been taken over by the Treasury department which has now taken sole responsibility for supporting the funding of BNP Paribas Fortis.

In accordance with monetary policy, credit institutions are required to place amounts on deposit with the central banks in the countries where BNP Paribas Fortis operates. The total balance held with central banks and post office accounts amounted to EUR 10,381 million at year-end 2012 (2011: EUR 7,694 million).

BNP Paribas Fortis has deployed investment strategies under which micro fair value hedge accounting is applied. The general objective of this strategy is to hedge the fair value changes of certain loans in USD concluded with related parties.

Several cross-currency swaps are designated to hedge underlying loans against adverse changes in the interest rate and/or changes in the USD/EUR exchange rate.

As required by hedge accounting principles, changes in the fair value of the cross-currency swaps and those of the loans that are attributable to the hedged interest rate risk or currency risk are both recognised in the line 'Net gain/loss on financial instruments at fair value through profit or loss'.

### Due to credit institutions

In millions of euros	31 December 2012	31 December 2011
Demand accounts	2,444	8,553
Borrowings	20,893	23,952
Repurchase agreements	426	6,413
<b>TOTAL DUE TO CREDIT INSTITUTIONS</b>	<b>23,763</b>	<b>38,918</b>



Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked in 'due to/from credit institutions' and 'due to/from customers'. This activity has been taken over by the Treasury department which has now taken sole responsibility for supporting the funding of the Bank.

BNP Paribas Fortis has deployed investment strategies on which macro cash flow hedge accounting is applied. The

general objective of this strategy is to hedge the future fixed interest due on bank deposits made by credit institutions. The hedging instruments are interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties.

Changes in the fair value of the hedging instruments are recognised in equity under the heading 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes' in equity. Any hedge ineffectiveness is immediately recognised in the income statement.

## 5.g Customer items

### Loans and receivables due from customers

In millions of euros	31 December 2012	31 December 2011
Demand accounts	2,094	1,533
Loans to customers	136,263	146,367
Repurchase agreements	243	1,071
Finance leases	12,773	428
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT PROVISIONS</b>	<b>151,373</b>	<b>149,399</b>
<i>Of which doubtful loans</i>	<i>7,010</i>	<i>6,686</i>
Impairment of loans and receivables due from customers (Note 2.f)	(3,592)	(3,642)
<i>Of which specific provisions</i>	<i>(2,970)</i>	<i>(3,005)</i>
<i>Of which collective provisions</i>	<i>(622)</i>	<i>(637)</i>
<b>TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT PROVISIONS</b>	<b>147,781</b>	<b>145,757</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked in 'due to/from credit institutions' and 'due to/from customers'. This activity has been taken over by the Treasury department which has now taken sole responsibility for supporting the funding of the Bank.

In addition, BNP Paribas Fortis hedges the interest rate exposure of fixed-rate mortgages and commercial loans on

a portfolio basis (macro fair value hedge), by using interest rate swaps. Mortgages and commercial loans included in a portfolio hedge of interest rate risk must share the risk characteristics being hedged.

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

The hedging instruments are plain vanilla interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties and their changes in fair value are recognised in the income statement.

Changes in the fair value of mortgages and commercial loans which are attributable to the hedged interest rate risk are recorded in the balance sheet under the heading 'Remeasurement adjustment on interest-rate risk hedged portfolios' in order to adjust the carrying amount of the loan.

The difference between the fair value and the carrying value of the hedged mortgages and commercial loans at designation of the hedging is reversed amortised over the remaining life of the hedged item and is also reported in 'Remeasurement adjustment on interest-rate risk hedged portfolios' in the balance sheet.

Through Cash Flow Hedge, BNP Paribas Fortis also hedges on a portfolio basis the cash flows on the future production

of commercial loans at fixed rate by using constant maturity swaps. A constant maturity swap (CMS) is a swap that allows the purchaser to fix the duration of the received flows on a swap.

Constant maturity swaps are transacted at market rates prevailing at the time of the transaction with external counterparties.

BNP Paribas Fortis also applies micro cash flow hedges in order to hedge exposure to the variability in cash flows resulting from floating rate bonds in loans-and-receivables portfolios. BNP Paribas Fortis has designated interest rate swaps as hedging instruments.

Changes in the fair value of the hedging instruments are recognised in equity on the line 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes'. Any hedge ineffectiveness is immediately recognised in the income statement.

## Breakdown of finance leases

In millions of euros	31 December 2012	31 December 2011
<b>Gross investment</b>	<b>14,659</b>	<b>427</b>
Receivable within 1 year	4,866	99
Receivable after 1 year but within 5 years	7,699	175
Receivable beyond 5 years	2,094	153
<b>Unearned interest income</b>	<b>(1,886)</b>	<b>1</b>
<b>Net investment before impairment provisions</b>	<b>12,773</b>	<b>428</b>
Receivable within 1 year	4,238	99
Receivable after 1 year but within 5 years	6,778	176
Receivable beyond 5 years	1,757	153
<b>Impairment provisions</b>	<b>(501)</b>	<b>(36)</b>
<b>Net investment after impairment provisions</b>	<b>12,272</b>	<b>392</b>

The increase in finance leases in 2012 is related to the acquisition of BNP Paribas Leasing Solutions by BGL BNP Paribas. Further information can be found in note 8.b 'Business combinations'.

## Due to customers

In millions of euros	31 December 2012	31 December 2011
Demand deposits	50,648	45,210
Term accounts and short-term notes	34,067	41,026
Regulated Belgian savings accounts	61,489	56,455
Repurchase agreements	42	11,823
<b>TOTAL DUE TO CUSTOMERS</b>	<b>146,246</b>	<b>154,514</b>

Repurchase agreement activities are partly managed on a trading basis and are included in the column 'trading book' in note 5.a. 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'. However there is still an activity managed on an accrued basis booked under 'due to/from credit institutions' and 'due to/from customers'. This activity has been taken over by the Treasury department which has now taken sole responsibility for supporting the funding of the Bank.

BNP Paribas Fortis has deployed investment strategies under which macro cash flow hedge accounting is applied. The Bank's strategy consists of hedging interest rate exposure of floating rate term deposits by buying and selling interest rate options (caps). As a result, the hedge is assumed on a fluctuation of the interest rate within a predetermined range. The Bank buys interest rate options that protect against a rise in the interest rate. If the interest rate exceeds the strike price the payment received from the derivative can be used to support the interest payment on the deposits for that period. The Bank also sells caps at a higher strike price.

Results related to the intrinsic value of the caps designated as hedging instrument are recognised in equity under the line 'Changes in assets and liabilities recognised directly in equity – derivatives used for hedging purposes'. Any hedge ineffectiveness is immediately recognised in the income statement.

In addition, BNP Paribas Fortis has also decided to apply macro fair value hedge accounting on demand deposits and savings accounts opened in the Belgian market by BNP Paribas Fortis Retail and Private Banking clients. The Bank's objective is to hedge the interest rate risk on the demand deposits and savings accounts by buying interest rate swaps. The demand deposits and savings accounts are designated as the hedged items and form a portfolio. The hedge relationship is regarded as a macro fair value hedge.

As required by hedge accounting principles, valuations on demand deposits and savings accounts and interest rate swaps are recognised at fair value in the income statement.

## 5.h Debt securities and subordinated debt

This note covers all debt securities and subordinated debt measured at amortised cost. Debt securities and subordinated debt measured at fair value through profit or loss are presented in note 5.a 'Financial assets, financial liabilities and derivatives at fair value through profit or loss'.

### Debt securities measured at amortised cost

In millions of euros	31 December 2012	31 December 2011
Negotiable certificates of deposit	19,712	10,257
Bond issues	2,692	4,303
<b>TOTAL DEBT SECURITIES</b>	<b>22,404</b>	<b>14,560</b>

## Subordinated debt measured at amortised cost

In millions of euros	31 December 2012	31 December 2011
Redeemable subordinated debt	6,393	7,350
Undated subordinated debt	1,143	2,141
<b>TOTAL SUBORDINATED DEBT AT AMORTISED COST</b>	<b>7,536</b>	<b>9,491</b>

### Hybrid Tier 1 innovative securities issued directly by BNP Paribas Fortis

In 2001 and 2004, BNP Paribas Fortis directly issued perpetual hybrid debt securities each with a nominal value of EUR 1 billion.

- Redeemable perpetual cumulative debt securities with a nominal value of EUR 1 billion issued by BNP Paribas Fortis in 2001, at an interest rate of 6.50% until 26 September 2011 and the three-month euro reference rate + 2.37% thereafter
- Directly issued perpetual securities with a nominal value of EUR 1 billion issued by BNP Paribas Fortis in 2004, at an interest rate of 4.625% until 27 October 2014 and the three-month euro reference rate + 1.70% thereafter.

These two issues share very similar features. They are redeemable in whole, not in part, at the option of the issuer after ten years. The securities benefit from a Support Agreement entered into by Ageas SA/NV and Ageas N.V.

This Support Agreement grants securities holders the option, should BNP Paribas Fortis not call the instrument, to request Ageas SA/NV and Ageas N.V. to exchange the securities against newly issued Ageas' shares. On 27 and 28 April 2011, the shareholders' meetings of Ageas did not approve sufficient authorised capital for the exchange. Ageas SA/NV and Ageas N.V. therefore needed to settle the exchange for cash, subject to regulatory approval, as provided by the securities' issuance terms and conditions.

BNP Paribas Fortis decided not to exercise its call option on the EUR 1 billion Redeemable Perpetual Cumulative Coupon Debt Securities at their first call date of 26 September 2011. Following the BNP Paribas Fortis decision, and pursuant to

the terms and conditions of these securities, Ageas asked for the approval of the National Bank of Belgium to acquire the securities against cash and at par at 26 September 2011. On 19 August 2011, Ageas was notified by the NBB of its consent to the exchange. In addition, Ageas was informed that holders representing 95% of the amount of the securities had decided to opt for the exchange.

At 26 January 2012, Ageas and BNP Paribas Fortis reached an agreement to call this Tier 1 instrument. This agreement was subject to BNP Paribas reaching at least a 50% success rate on a cash tender of the CASHES, launched on 26 January 2012 and successfully closed on 30 January 2012. As a consequence this Tier 1 instrument was fully redeemed in 2012.

### Other subordinated liabilities

BNP Paribas Fortis hedges the interest rate risk attached to fixed rate subordinated liabilities on a portfolio basis (macro fair value hedge) using interest rate swaps.

Subordinated liabilities with such characteristics form the portfolio of liabilities and are designated as the hedged items. Subordinated liabilities included in a portfolio hedge of interest rate risk must share the risk being hedged. Cash flows are allocated to monthly time buckets based on contractual maturity dates.

Hedging instruments are plain vanilla interest rate swaps transacted at market rates prevailing at the time of the transaction with external counterparties and their changes in value are recognised at fair value in the income statement.

Changes in the fair value of the subordinated liabilities that are attributable to the hedged interest rate risk are recorded in the balance sheet under 'Re-measurement adjustment on interest rate risk hedged portfolios' in order to adjust the carrying amount of the subordinated liabilities.

The difference between the fair value and the carrying value of the hedged subordinated liabilities at the time of hedging is amortised over the remaining life of the hedged item and is

reported in the balance sheet under 'Re-measurement adjustment on interest rate risk hedged portfolios'.

## 5.i Held-to-maturity financial assets

In millions of euros	31 December 2012		31 December 2011	
	Net	of which depreciations	Net	of which depreciations
Treasury bills and government bonds	273		1,786	(116)
Other fixed-income securities	1,212		401	
<b>TOTAL HELD-TO-MATURITY FINANCIAL ASSETS</b>	<b>1,485</b>		<b>2,187</b>	<b>(116)</b>

BGL BNP Paribas booked in 2012 a EUR (3) million impairment related to Greek bonds, which were also disposed of in 2012. Disposals of sovereign debt securities classified as held-to-maturity financial assets are described in note 8.h 'Exposure to sovereign debt risk'.

In 2011, the impairment related to Greek bonds amounted to EUR (116) million.

## 5.j Current and deferred taxes

In millions of euros	31 December 2012	31 December 2011
Current taxes	120	80
Deferred taxes	3,578	4,118
<b>CURRENT AND DEFERRED TAX ASSETS</b>	<b>3,698</b>	<b>4,198</b>
Current taxes	224	110
Deferred taxes	600	148
<b>CURRENT AND DEFERRED TAX LIABILITIES</b>	<b>824</b>	<b>258</b>

### Change in deferred taxes over the period:

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>NET DEFERRED TAXES AT START OF PERIOD</b>	<b>3,970</b>	<b>3,620</b>
Profit (loss) of deferred taxes (note 2.g)	241	47
Change in deferred taxes linked to the remeasurement and reversal through-profit or loss of remeasurement adjustments on available-for-sale financial assets	(1,346)	213
Change in deferred taxes linked to the remeasurement and reversal through-profit or loss of remeasurement adjustments on hedging derivatives	(34)	(24)
Effect of exchange rate and other movements	147	114
<b>NET DEFERRED TAXES AT END OF PERIOD</b>	<b>2,978</b>	<b>3,970</b>

## Breakdown of deferred taxes by origin:

In millions of euros	31 December 2012	31 December 2011
Available-for-sale financial assets	(559)	964
Hedging derivatives	662	483
Unrealised finance lease reserve	(295)	
Provisions for employee benefit obligations	39	59
Provision for credit risk	588	572
Other items	5	5
Tax loss carryforwards	2,538	1,887
<b>NET DEFERRED TAXES</b>	<b>2,978</b>	<b>3,970</b>
<i>of which</i>		
<i>Deferred tax assets</i>	<i>3,578</i>	<i>4,118</i>
<i>Deferred tax liabilities</i>	<i>(600)</i>	<i>(148)</i>

Every year, in order to determine the size of the tax loss carryforwards recognised as assets, BNP Paribas Fortis conducts a specific review for each relevant entity, based on the applicable tax regime – incorporating especially any expiration rules – and a realistic projection of their future revenue and charges in line with their business plan. Tax loss carryforwards not recognised as assets at the end of the year totalled EUR

1,206 million at 31 December 2012 compared with EUR 1,364 million at 31 December 2011.

The net deferred tax assets as at 31 December 2012, the statutory limits on recovery of tax losses and the expected recovery period for the main entities concerned are shown below.

In millions of euros	31 December 2012	Statutory limits on carryforwards	Expected recovery period
BNP Paribas Fortis (excluding branches)	2,956	unlimited	10 years
Esmée	82	unlimited	10 years
BASS	157	unlimited	10 years
US Branch	62	20 years	15 years
Other	321	-	-
<b>TOTAL NET DEFERRED TAX ASSETS</b>	<b>3,578</b>		

In millions of euros	31 December 2011	Statutory limits on carryforwards	Expected recovery period
BNP Paribas Fortis (excluding branches)	3,601	unlimited	14 years
Esmée	125	unlimited	14 years
BASS	112	unlimited	14 years
US Branch	71	20 years	13 years
Other	209	-	-
<b>TOTAL NET DEFERRED TAX ASSETS</b>	<b>4,118</b>		

Net deferred tax assets booked by BNP Paribas Fortis amount to EUR 2,964 million, consisting of EUR 2,451 million relating to tax losses carried forward, EUR 42 million relating to temporary differences due to changes in fair value recorded in equity (relating mainly to the Available-for-sale portfolio) and EUR 471 million relating to other temporary differences (among others linked to impairments).

Bass and Esmée are BNP Paribas Fortis securitisation vehicles, for which the fair value changes relating to the derivatives hedging the interest rate risk in these entities are fully mirrored in BNP Paribas Fortis. The stock of deferred tax assets in these entities consists of temporary differences deemed to be fully covered by the BNP Paribas Fortis business plan.

## 5.k Accrued income/expense and other assets/liabilities

In millions of euros	31 December 2012	31 December 2011
Guarantee deposits and bank guarantees paid	4,515	41
Settlement accounts related to securities transactions	372	730
Collection accounts	42	18
Accrued income and prepaid expenses	361	170
Other debtors and miscellaneous assets	4,718	7,322
<b>TOTAL ACCRUED INCOME AND OTHER ASSETS</b>	<b>10,008</b>	<b>8,281</b>
Guarantee deposits received	4,320	14
Settlement accounts related to securities transactions	227	696
Collection accounts	52	84
Accrued expenses and deferred income	718	159
Other creditors and miscellaneous liabilities	2,773	2,529
<b>TOTAL ACCRUED INCOME AND OTHER LIABILITIES</b>	<b>8,090</b>	<b>3,482</b>

The line 'Settlement accounts related to securities transactions' contains temporary balancing amounts between trade date and settlement date for purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention that are

recognised on the trade date, i.e. the date when BNP Paribas Fortis becomes a party to the contractual provisions of the instrument. However, the temporary sales of securities and sales of borrowed securities are initially recognised at the settlement date.

## 5.l Investments in associates and joint ventures

The following table shows BNP Paribas Fortis investments in associates as at 31 December 2012:

In millions of euros	31 December 2012	31 December 2011
AG insurance	1,600	1,102
BNP Paribas Investment Partners S.A.	1,498	1,921
BNP Paribas Lease group	148	786
Cardif Luxembourg Vie	74	54
Fortis Commercial Finance GmbH	20	20
Fortis Commercial Finance Ltd	26	25
TAP Ltd		87
Fortis Bank Malta Ltd	(10)	43
Immob Sauvenière SA	20	19
Cronos Holding Company Ltd	63	48
Alpha Murcia Holding BV	77	
Other	45	36
<b>INVESTMENTS IN ASSOCIATES</b>	<b>3,561</b>	<b>4,141</b>

The following table gives statutory financial data of the holding companies of BNP Paribas Fortis main associates:

In millions of euros	Country	Total Assets	Net revenue	Net income
BNP Paribas Investment Partners S.A. <sup>1</sup>	France	4,210	339	347
AG insurance <sup>2</sup>	Belgium	58,147	6,113	(384)

<sup>1</sup> Data at 31 December 2012.

<sup>2</sup> Data at 31 December 2011.

Following finalisation of the restructuring programme of the leasing entities within the BNP Paribas Group (the Castle 1 transaction), the leasing entities are now fully consolidated. More information about the changes in ownership impacting the associates and joint ventures is included in note 8.a 'Scope of consolidation' and note 8.b 'Business combinations'.

Under the IFRS, it is mandatory to assess at the end of each reporting period whether there is any objective evidence that an investment in an equity associate is impaired. There is objective evidence of impairment if events have occurred after the acquisition of the asset which have negative impacts on the estimated future cash flows that will be generated by the investment. If so, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36, by comparing its carrying amount with its recoverable amount, being the highest of an assets fair value less costs to sell and its value in use.

It is considered that at 31 December 2012, for the investments in associates and joint ventures there were no triggers requiring an impairment test, except for investments in asset management. In the current environment, the profitability of asset managers remains indeed under pressure and the current and future earnings perspectives of BNP Paribas Investment Partners (BNPP-IP) reflect the same.

Accordingly, this investment was tested for impairment by comparing its carrying amount with the value-in-use. The valuation approach is a classical DCF (Discounted Cash flow) analysis, aligned with the methodology applied at BNP Paribas Group level.

The DCF analysis was applied to the medium-term business plan from the business for the first three years, further extended over a sustainable growth period of seven years, at the end of which a terminal value is computed.

After a year 2012 below budget, the business plan for the period 2013-2015 anticipates declining revenues, although this is partly compensated by cost reductions over the same period. In the medium to long term, it is expected that the company will be in a position to benefit from a stabilised environment and from improved markets so as to achieve some modest net growth (net new cash inflow) in addition to normal market performance, justifying sustained revenue growth of circa 7%. On the cost side, the business should reasonably continue to gradually improve its cost/income ratio. The perpetual growth rate is set at 2%, the level of long term expected inflation.

The test takes into account a cost of capital of 10.4% in line with prevailing market practice (the cost of capital used last year stood at 10.6%). Other key parameters include the cost/income ratio and the growth rates. These parameters are specific to the business.

Equity allocated is set at 7% of the Risk Weighted Assets. Such constraint complies with regulatory requirements applicable to a bank and is consistent with the fact that this asset manager is owned by a bank.

Based on the above, it appeared that the recoverable amount of the investment was below the carrying value, leading to an impairment of EUR (470) million. This impairment is reported in the consolidated income statement under the caption 'Share of earnings of associates'.



The table below shows the sensitivity of the estimated value of the investment to key assumptions:

In millions of euros	31 December 2012	
	BNPP IP	
<b>Cost of capital</b>		
Adverse change (+10 basis points)		(17)
Positive change (-10 basis points)		17
<b>Cost/income ratio</b>		
Adverse change (+1%)		(25)
Positive change (-1%)		25
<b>Sustainable growth rate (revenues and costs)</b>		
Adverse change (-1%)		(52)
Positive change (+1%)		54

Last year, at 31 December 2011, the goodwill impairment testing on the investment in AGI showed that the recoverable amount was below the carrying amount of the investment and

this gave rise to a goodwill impairment of EUR (240) million, of which EUR (167) million recognized in profit and loss and EUR (73) million in equity.

## 5.m Investment property, property, plant and equipment and intangible assets

In millions of euros	31 December 2012			31 December 2011		
	Gross value	Accumulated depreciations and amortisation and impairments	Carrying amount	Gross value	Accumulated depreciations and amortisation and impairments	Carrying amount
<b>INVESTMENT PROPERTY</b>	650	(152)	498	110	(52)	58
Land and buildings	2,079	(1,011)	1,068	1,944	(919)	1,025
Equipment, furniture and fixtures	1,211	(915)	296	1,300	(928)	372
Plant and equipment leased as lessor under operating leases	728	(325)	403			
Other property, plant and equipment	392	(202)	190	181	(69)	112
<b>PROPERTY, PLANT AND EQUIPMENT</b>	4,410	(2,453)	1,957	3,425	(1,916)	1,509
Purchased software	298	(261)	37	176	(141)	35
Internally-developed software	183	(142)	41	296	(286)	10
Other intangible assets	96	(65)	31	156	(74)	82
<b>INTANGIBLE ASSETS</b>	577	(468)	109	628	(501)	127

In December 2012 BNP Paribas Fortis sold part of its IT-equipment to BP2I, an SPV owned by BNP Paribas and IBM. This sale resulted in a loss of EUR 14.4 million, being the difference between the net book value of the hardware sold and the sale price received.

The increase in operating leases in 2012 is related to the acquisition of BNP Paribas Leasing Solutions by BGL BNP Paribas. Further information can be found in note 8.b 'Business combinations'.

## Investment property

The estimated fair value of investment property accounted for at cost at 31 December 2012 was EUR 501 million, compared with EUR 65 million at 31 December 2011.

## Operating lease

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

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>Future minimum lease payments receivable under non-cancellable leases</b>	<b>712</b>	
Payments receivable within 1 year	194	
Payments receivable after 1 year but within 5 years	439	
Payments receivable beyond 5 years	79	

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

## Intangible assets

Other intangible assets comprise leasehold rights, goodwill and trademarks acquired by BNP Paribas Fortis.

In general, software is amortised over a maximum of five years and other intangible assets have an expected useful life of 10 years at most.

With the exception of goodwill (see note 5.n, 'Goodwill') and intangibles relating to the business referral to BNP Paribas Fortis by BNP Paribas, no other intangible assets have indefinite useful lives. The fees paid by BNP Paribas Fortis to

compensate BNP Paribas for the business referral in respect of the Corporate and Transaction Banking Europe (CTBE) business by the Portuguese, German, UK and Spanish branches of BNP Paribas to the branches of BNP Paribas Fortis in those countries are booked as 'Other intangible assets with indefinite useful lives' (EUR 32 million). An intangible asset with an indefinite useful life is not amortised but tested for impairment by comparing its recoverable amount with its carrying value. At 31 December 2012 the CTBE intangibles recognised by the Portuguese and UK branch of BNP Paribas Fortis have been fully impaired (impact: EUR 10 million).

## Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2012 came to EUR 236 million, compared with EUR 227 million for the year ended 31 December 2011.

The reversal on impairment losses on property, plant and equipment and intangible assets taken to the profit and loss account in the year ending 31 December 2012 amounted to EUR 10 million, compared with a reversal on impairment loss of EUR 0.3 million for the year ending 31 December 2011.

## 5.n Goodwill

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
<b>CARRYING AMOUNT AT START OF PERIOD</b>	<b>192</b>	<b>24</b>
Acquisitions	150	198
Divestments		
Impairment losses recognised during the period		
Translation adjustments	2	(30)
Other movements	3	
<b>CARRYING AMOUNT AT END OF PERIOD</b>	<b>347</b>	<b>192</b>
<i>Of which</i>		
<i>Gross value</i>	<i>698</i>	<i>571</i>
<i>Accumulated impairment recognised at the end of period</i>	<i>(351)</i>	<i>(379)</i>

The EUR 146 million increase in goodwill as a result of acquisitions is related to the acquisition by BGL BNP Paribas of an additional 16.67% of the shares of BNP Paribas Leasing Solutions. Further information can be found in note 8.b 'Business combinations'.

Goodwill by cash-generating unit at 31 December 2012 is as follows:

In millions of euros	Carrying amount		Gross amount		Impairment recognised		Accumulated impairments	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2012	2011	2012	2011	2012	2011	2012	2011
<b>BNP Paribas Fortis in Belgium</b>	<b>28</b>	<b>24</b>	<b>28</b>	<b>24</b>				
Alpha Crédit	22	22	22	22				
Fortis Commercial Finance	6	2	6	2				
<b>BNP Paribas Fortis in Luxembourg</b>	<b>146</b>		<b>158</b>	<b>40</b>			<b>(12)</b>	<b>(40)</b>
SADE			12	12			(12)	(12)
Leasing (BPLS)	146		146					
Fundamentum Asset Management				28				(28)
<b>BNP Paribas Fortis in other countries</b>	<b>173</b>	<b>169</b>	<b>512</b>	<b>508</b>			<b>(339)</b>	<b>(339)</b>
Dominet			206	206			(206)	(206)
Margaret Inc.			102	102			(102)	(102)
Von Essen KG Bank			28	28			(28)	(28)
TEB Bank	172	167	172	167				
Other	1	2	4	5			(3)	(3)
<b>TOTAL</b>	<b>347</b>	<b>192</b>	<b>698</b>	<b>572</b>			<b>(351)</b>	<b>(379)</b>

The activities of BNP Paribas Fortis are divided into cash-generating units, representing reporting entities or groups of reporting entities of BNP Paribas Fortis. The split is consistent with the BNP Paribas Fortis organisational structure and management methods, and reflects the independence of the reporting entities in terms of results and management approach. This is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

Goodwill allocated to cash-generating units is tested for impairment annually and also whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with 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.

The recoverable amount of a cash-generating unit may be based on one of three different methods: transaction multiples for comparable businesses, share price data for listed companies with comparable businesses, and discounted future cash flows (DCF). The DCF method is applied if no transaction multiples for comparable businesses or share price data for listed companies with comparable businesses are available.

The DCF analysis is applied to the medium-term plan from the business for the first three years, further extended over a sustainable growth period of seven years, at the end of which a terminal value is computed, for which the perpetual growth rate is set at the level of long term expected inflation of 2%.

The tests take into account the cost of capital based on a risk-free rate plus a business specific risk premium. Other key parameters include the cost/income ratio and the growth rate. These parameters are specific to each business.

Equity allocated is set at 7% of the Risk Weighted Assets. The percentage of capital employed complies with regulatory requirements.

## Alpha Crédit

A discounted cash-flow model (DCF model) was used to determine the value-in-use. The business plan was delivered by Alpha Crédit and is aligned with the BNP Paribas commercial strategy.

Despite the depressed economic climate and the pressure on the consumer credit market, income of Alpha Crédit was up in 2012 reflecting some gain of market share. However, the revenue growth is expected to remain low. An overall program of cost reduction initiated by BNP Paribas Group as well as initiatives launched by Alpha Crédit will keep cost levels down.

At 31 December 2012, using a cost of capital of 10.09% and taking into account future capital requirements needed to finance growth, the earnings perspectives of Alpha Crédit, related to the budgeted period (2013-2015), the sustainable growth period (2016-2022) and the residual period (after 2022) lead to a recoverable amount on the investment in Alpha Crédit which was higher than its carrying value. Therefore, no goodwill impairment is required.

## Türk Ekonomi Bankasi (TEB)

A restructuring process took place in Turkey in 2011. This resulted in BNP Paribas Fortis holding a 44.58% investment in Türk Ekonomi Bankasi (TEB), merged with the former Fortis Bank Turkey, through the special purpose vehicle BNP Paribas Fortis Yatirimlar, and with goodwill amounting to EUR 172.3 million at 31 December 2012.

A discounted cash-flow model (DCF model) was used to determine the value-in-use based on the projected business evolution, in line with the BNP Paribas commercial strategy.

At 31 December 2012, using a cost of capital of 12.24% and taking into account future capital requirements needed to finance growth, the earnings perspectives of TEB, related to the budgeted periods (2013-2015), the sustainable growth periods (2016-2022) and the residual periods (after 2022) lead to a recoverable amount on the investment in Türk Ekonomi Bankasi (TEB) which was higher than its carrying value. Therefore, no goodwill impairment is required.

## Leasing entities (BPLS)

Following finalisation of the restructuring programme for the leasing entities within the BNP Paribas Group, the leasing entities are now fully consolidated, with goodwill totalling EUR 146 million.

A discounted cash-flow model (DCF model) was used to determine the value-in-use.

The business plan anticipates a decrease in revenues and costs for 2013, before returning to moderate growth in 2014 and thereafter, in an economic context that remains difficult. However, the revenue growth is projected to remain higher than the expense growth. The overall program of cost reduction initiated by BNP Paribas Group is regarded as a key element in order to maintain the low cost level.

Using a cost of capital of 9.37% and taking into account future capital requirements needed to finance growth, the earnings perspectives, related to the budgeted periods (2013-2015), the sustainable growth periods (2016-2022) and the residual periods (after 2022) lead to a recoverable amount on the investment in the Leasing entities which is higher than its carrying value. Therefore, no goodwill impairment is required.

The table below shows the sensitivity of the main goodwill valuations to a 10-basis point change in the cost of capital and a 1% change in the cost/income ratio and in the sustainable growth rate.

In millions of euros	31 December 2012		
	Alpha Crédit	TEB	BPLS
<b>Cost of capital</b>			
Adverse change (+10 basis points)	(3)	(29)	(40)
Positive change (-10 basis points)	2	30	41
<b>Cost/income ratio</b>			
Adverse change (+1%)	(7)	(92)	(77)
Positive change (-1%)	6	92	77
<b>Sustainable growth rate (revenues and costs)</b>			
Adverse change (-1%)	(4)	(45)	(73)
Positive change (+1%)	4	47	77

For each unit mentioned above, there are no grounds for goodwill write-downs even if the three most adverse scenarios contained in the table are applied in the impairment test.

## 5.0 Provisions for contingencies and charges

In millions of euros	31 December 2012	31 December 2011
<b>TOTAL PROVISION AT START OF PERIOD</b>	<b>3,384</b>	<b>3,821</b>
Discontinued operations	42	
<b>TOTAL PROVISION OF CONTINUING ACTIVITIES AT START OF PERIOD</b>	<b>3,342</b>	<b>3,821</b>
Additions to provisions	418	360
Reversals of provisions	(380)	(573)
Provisions used	(111)	(248)
Effect of movements in exchange rates and other movements	324	24
<b>TOTAL PROVISION OF CONTINUING ACTIVITIES AT END OF PERIOD</b>	<b>3,593</b>	<b>3,384</b>

In millions of euros	31 December 2012	31 December 2011
<b>Provisions for employee benefits (note 7.b)</b>	<b>3,119</b>	<b>2,869</b>
<i>of which post-employment benefit (note 7.b.1)</i>	<i>2,667</i>	<i>2,473</i>
<i>of which post-employment healthcare benefits (note 7.b.1)</i>	<i>58</i>	<i>56</i>
<i>of which provision for other long-term benefits (note 7.b.2)</i>	<i>120</i>	<i>123</i>
<i>of which provision for voluntary departure, early retirement plans, and headcount adaptation plan (note 7.b.3)</i>	<i>274</i>	<i>217</i>
<b>Provisions for off-balance sheet commitments (note 2.f)</b>	<b>127</b>	<b>212</b>
<b>Provisions for litigations</b>	<b>39</b>	<b>56</b>
<b>Other provisions for contingencies and charges</b>	<b>307</b>	<b>246</b>
<b>Total provisions for contingencies and charges</b>	<b>3,593</b>	<b>3,384</b>

## 5.p Transfers of Financial Assets

Financial assets that have been transferred but not fully derecognised by the Group are mainly composed of securities sold temporarily under repurchase agreements or stock lending transactions, and securitised assets. The associated

liabilities therefore include amounts recognised as debts or deposits received under repurchase agreements and stock lending transactions, and the securitisation notes purchased by third parties.

In millions of euros

31 December 2012

	Financial assets at fair value through profit and loss		Loans and receivables		Available for sale Financial Assets	
	Securities	Derivatives	Loans	Securities	Equity securities	Debt securities
<b>For assets that continue to be recognised in their entirety</b>						
Carrying amount of the transferred asset	841		34,011	519		1,646
Securities lent						248
Repurchase agreements	841			519		1,398
Securitisation			34,011			
Other operations						
Carrying amount of the associated liabilities	838		1,276	519		1,398
Securities lent						
Repurchase agreements	838			519		1,398
Securitisation			1,276			
Other operations						
<b>For those liabilities that have recourse only to the transferred assets</b>						
Carrying amount of the transferred assets			37,911			
Carrying amount of the associated liabilities			1,174			
Net position			36,738			

There have been no significant transfers leading to full derecognition of financial assets where the Bank has a continuing involvement.

## 6 Financing commitments and guarantee commitments

### 6.a Financing commitments given or received

Contractual value of financing commitments given and received by BNP Paribas Fortis:

In millions of euros	31 December 2012	31 December 2011
<b>Financing commitments given:</b>		
- to credit institutions	2,044	2,230
- to customers	34,947	38,086
<i>confirmed letters of credit</i>	34,121	37,332
<i>other commitments given to customers</i>	826	754
<b>Total financing commitments given</b>	<b>36,991</b>	<b>40,316</b>
<b>Financing commitments received:</b>		
- from credit institutions	26,106	30,421
- from customers	16	21
<b>Total financing commitments received</b>	<b>26,122</b>	<b>30,442</b>

### 6.b Guarantee commitments given by signature

In millions of euros	31 December 2012	31 December 2011
<b>Guarantee commitments given:</b>		
- to credit institutions	15,115	15,176
- to customers	13,448	14,229
<b>TOTAL GUARANTEE COMMITMENTS GIVEN</b>	<b>28,563</b>	<b>29,405</b>

### 6.c Other guarantee commitments

Financial instruments given as collateral:

In millions of euros	31 December 2012	31 December 2011
<b>Financial instruments (negotiable securities and private receivables)</b>		
<b>lodged with central banks and eligible for use at any time as collateral for refinancing transactions</b>	<b>14,600</b>	<b>19,999</b>
- Used as collateral with central banks	5,373	8,814
- Available for refinancing transactions	9,227	11,185
<b>Securities sold under repurchase agreements</b>	<b>5,278</b>	<b>37,391</b>
<b>Other financial assets pledged as collateral for transactions with banks and financial customers</b>	<b>24,655</b>	<b>27,281</b>

Financial instruments given as collateral by BNP Paribas Fortis which the beneficiary is authorised to sell or reuse as collateral amounted to EUR 28,843 million at 31 December 2012 (EUR 80,572 million at 31 December 2011).

## Financial instruments received as collateral:

In millions of euros	31 December 2012	31 December 2011
<b>Financial instruments received as collateral (excluding repurchase agreements)</b>	<b>10,115</b>	<b>9,536</b>
<i>Of which instruments that the Group is authorised to sell and reuse as collateral</i>		<i>1,219</i>
<b>Securities received under repurchase agreements</b>	<b>6,724</b>	<b>20,000</b>

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Financial instruments received as collateral by BNP Paribas Fortis or under repurchase agreements that BNP Paribas Fortis effectively sold or reused as collateral amounted to EUR 3,843 million at 31 December 2012 (EUR 18,723 million at 31 December 2011).



# 7 Salaries and employee benefits

## 7.a Salary and employee benefit expenses

In millions of euros	31 December 2012	31 December 2011
Fixed and variable remuneration, incentive bonuses and profit-sharing	(1,861)	(1,678)
Retirement bonuses, pension costs and social security taxes	(683)	(595)
<b>TOTAL SALARY AND EMPLOYEE BENEFIT EXPENSES</b>	<b>(2,544)</b>	<b>(2,273)</b>

## 7.b Employee benefit obligations

### 7.b.1 Post employment benefits

IAS 19 distinguishes between two categories of plan, with different treatment depending on the risk which the entity incurs. When an entity is committed to paying a defined amount (stated, for example, as a percentage of the beneficiary's annual salary) to an external organisation 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 premiums from employees and to bear the actual cost of benefits 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 an external body but retains the risk arising from management of the assets and from future changes in the benefits.

#### Pensions and other post-employment benefits

BNP Paribas Fortis has over the past few years implemented a policy of converting defined-benefit plans into defined-contribution plans.

BNP Paribas Fortis contributes to several defined benefit plans in Belgium, Luxembourg and Turkey, most of them now closed. New employees are offered defined-contribution plans. Under these plans, the Group's obligation essentially consists in paying a percentage of the employee's annual salary into the plan.

The amount paid into defined-contribution post-employment plans in Belgium and other countries for the year to 31

December 2012 was EUR 37 million compared with EUR 23 million for the year to 31 December 2011.

#### 1) Defined benefit pension plans of BNP Paribas Fortis entities

In Belgium, BNP Paribas Fortis provides a pension plan for its employees and middle managers who joined the Bank before its pension plans were harmonised on 1 January 2002, based on final salary and the number of years' service. The obligation is mainly funded through the insurance company AG Insurance, in which BNP Paribas Fortis owns a 25% interest. Senior managers have a pension plan that provides a capital sum based on number of years' service and final salary, mainly funded through AXA Belgium and AG Insurance.

Under Belgian law, the employer is responsible for a guaranteed minimum return on defined-contribution plans. As a result of this obligation, these plans are classified as defined-benefit plans.

In some countries, there still exist defined benefit pension plans, now generally closed to new employees, based on pensions linked to the employee's final salary and length of service. This is the case for Turkey, Luxembourg and the United Kingdom.

At 31 December 2012, Belgium accounted for 86% of BNP Paribas Fortis' total gross obligations. The fair value of the plan assets and reimbursement rights broke down as follows: 72% bonds, 8% cash, 15% insurance contracts, 4% equities and 1% in Real Estate.

The expected contribution to pension plans in 2013 amounts to EUR 163 million, of which EUR 150 million relates to the obligation in Belgium.

## 2) Post-employment healthcare plans

In Belgium, BNP Paribas Fortis has a scheme providing healthcare benefits for its retired employees and retired middle managers.

## 3) Commitments under defined benefit plans.

### Reconciliation of assets and liabilities recognised in the balance sheet

In millions of euros	Post-employment benefits		Post-employment healthcare benefits	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<b>Present value of defined benefit obligation</b>	<b>3,532</b>	<b>3,301</b>	<b>79</b>	<b>59</b>
Defined benefit obligations arising from wholly or partially funded plans	3,484	3,271		
Defined benefit obligations arising from wholly unfunded plans	48	30	79	59
<b>Fair value of plan assets</b>	<b>(556)</b>	<b>(462)</b>		
<b>Fair value of reimbursement rights</b>	<b>(2,630)</b>	<b>(2,410)</b>		
<b>Cost not yet recognised in accordance with IAS 19</b>	<b>(512)</b>	<b>(462)</b>	<b>(21)</b>	<b>(3)</b>
Prior service costs	(2)			
Net actuarial gains (losses)	(510)	(462)	(21)	(3)
<b>Effect of asset ceiling</b>	<b>173</b>	<b>76</b>		
<b>NET OBLIGATION FOR DEFINED BENEFIT PLANS</b>	<b>7</b>	<b>43</b>	<b>58</b>	<b>56</b>
Asset recognised in the balance sheet for defined benefit plans	(2,661)	(2,430)		
of which net assets for defined benefit plans	(30)	(20)		
of which fair value of reimbursement rights	(2,631)	(2,410)		
Liability recognised in the balance sheet for defined benefit plans	2,667	2,473	58	56

### Movements in the present value of the defined benefit obligation

In millions of euros	Post-employment benefits		Post-employment healthcare benefits	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION</b>				
<b>AT START OF PERIOD</b>	<b>3,301</b>	<b>3,000</b>	<b>59</b>	<b>58</b>
Current service cost	157	134	1	1
Interest cost	126	130	3	3
Plan amendments	2	6		
Curtailments or settlements	(58)	(2)		
Actuarial (gains) losses on obligation	93	(1)	17	(1)
Actual employee contributions	14	13		
Benefits paid directly by the employer	(32)	(22)	(2)	(1)
Benefits paid from assets/reimbursement rights	(184)	(171)		
Exchange rates (gains) losses on obligation	14	(10)		
Consolidation variation (gains) losses on obligation	99	224		
Other			1	(1)
<b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION</b>				
<b>AT END OF PERIOD</b>	<b>3,532</b>	<b>3,301</b>	<b>79</b>	<b>59</b>

## Movements in the fair value of plan assets

In millions of euros	31 December 2012	31 December 2011
<b>FAIR VALUE OF PLAN ASSETS AT START OF PERIOD</b>	<b>462</b>	<b>128</b>
Expected return on plan assets	35	35
Settlements	(9)	
Actuarial gains/ (losses) on plan assets	14	(12)
Actual employee contributions	4	4
Employer contributions	13	13
Benefits paid from plan assets	(15)	(12)
Exchange rates (gains) losses on plan assets	12	(13)
Consolidation variation (gains) losses on plan assets	38	320
Other	2	(1)
<b>FAIR VALUE OF PLAN ASSETS AT END OF PERIOD</b>	<b>556</b>	<b>462</b>

## Movements in the fair value of reimbursement rights

In millions of euros	31 December 2012	31 December 2011
<b>FAIR VALUE OF REIMBURSEMENT RIGHTS AT START OF PERIOD</b>	<b>2,410</b>	<b>2,356</b>
Expected return on reimbursement rights	97	92
Settlements		
Net actuarial gains / (losses) on reimbursement rights	124	1
Actual employee contributions	10	9
Employer contributions	144	109
Benefits paid from reimbursement rights	(169)	(159)
Exchange rates (gains) losses on reimbursement rights		
Consolidation variation (gains) losses on reimbursement rights	16	1
Other	(2)	1
<b>FAIR VALUE OF REIMBURSEMENT RIGHTS AT END OF PERIOD</b>	<b>2,630</b>	<b>2,410</b>

Because BNP Paribas Fortis has defined benefit plans that are funded through associated insurance companies, the related assets do not qualify as plan assets, and must be regarded as 'reimbursement rights' according to IAS 19. This means that these assets may not be deducted from the defined

benefit obligations when determining the defined benefit liability. They are shown instead as separate assets called 'reimbursement rights', expressing the right to reimbursement of expenditures (required to settle the defined benefit obligations) by the related party.

## Components of pension cost

In millions of euros	Post-employment benefits		Post-employment healthcare benefits	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Current service cost	157	134	1	1
Interest cost	126	130	3	3
Expected return on plan assets	(35)	(35)		
Expected return on reimbursement rights	(97)	(92)		
Amortisation of actuarial (gains) / losses	(83)	63		
Amortisation of prior service cost	3	6		
(Gains) / losses on curtailments or settlements	(42)	(1)		
Effect of asset ceiling	112	(28)		
<b>TOTAL EXPENSE RECOGNISED IN PROFIT AND LOSS</b>	<b>141</b>	<b>177</b>	<b>4</b>	<b>4</b>

### Method used to measure obligations

The legacy defined-benefit plans in Belgium and other countries are valued independently using actuarial techniques, applying the projected unit cost method, in order to determine the expense arising from rights vested in employees and benefits still payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take account of specific economic conditions in each country and each BNP Paribas Fortis company.

Obligations under post-employment healthcare benefit plans are measured using the specific mortality tables applicable in each country. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

The rates used are as follows :

### Principal actuarial assumptions used to calculate post-employment benefit obligations at the end of the period (excluding post-employment healthcare benefits)

For each currency area, the Group discounts its obligations at the yield on high quality corporate bonds, the term of the corporate or government bonds being consistent with the duration of the estimated obligations. Until 31 December 2011, the Group used sovereign bond yields for the euro-zone, as reflected in the iBoxx Eurozone index. In 2012, these yields moved above the yields on AA rated corporate bonds, prompting the Group to adopt the benchmark generally used for AA rated corporate bonds, as reflected in the iBoxx Euro. The change of benchmark led to an increase of EUR 138 million in its obligations, with no impact on the financial statements at 31 December 2012, given the mechanism for deferred recognition of actuarial gains and losses described below.

In %	31 December 2012			31 December 2011		
	Eurozone	UK	Turkey	Eurozone	UK	Turkey
Discounting rate	2.03%-2.69%	4.00%	7.00%	3.30%-4.70%	3.50%	9.15%-9.55%
Future rate of compensation increase *	3.60%-3.90%	2.00%-2.75%	5.61%	3.50%-4.27%	2.00%	7.00%

(\*) Inflation included

## Effective rate of return on plan assets and reimbursement rights over the period

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

In %	31 December 2012			31 December 2011		
	Eurozone	UK	Turkey	Eurozone	UK	Turkey
Expected return on plan assets and reimbursement rights <sup>1</sup>	2.27%-3.92%	3.40%-5.29%	7.00%	3.25%-4.65%	6.24%	9.15%
Actual return on plan assets and reimbursement rights <sup>1</sup>	1.54%-13.73%	3.51%-8.80%	10.80%	(3.43)%-7.33%	2.80%	6.91%-7.79%

<sup>1</sup> Range of values, reflecting the existence of several plans within a single country or geographical or monetary zone

## Actuarial gains and losses

Actuarial gains and losses resulting from the change in the present value of a defined-benefit plan obligation are the result of experience adjustments (differences between previous actuarial assumptions and actual occurrences) and the effects of changing actuarial assumptions.

BNP Paribas Fortis applies the 'corridor' approach permitted in IAS 19, which specifies that recognition of actuarial gains and losses is deferred when they do not exceed 10% of the greater of i) the obligation and ii) the value of the plan assets. The 'corridor' is calculated separately for each defined-benefit plan. Where this limit is breached, the portion of the actuarial gains and losses exceeding it is recognised in the profit and loss account in instalments over the average remaining service period of the plan participants.

The following table shows the actuarial gains and losses:

In millions of euros	31 December 2012	31 December 2011
<b>AMOUNT OF CUMULATIVE UNRECOGNISED ACTUARIAL GAINS/(LOSSES)</b>	<b>(510)</b>	<b>(462)</b>
<b>NET ACTUARIAL GAINS/(LOSSES) GENERATED OVER THE PERIOD</b>	<b>45</b>	<b>(10)</b>
<i>of which actuarial gains / (losses) on plan assets or reimbursement rights</i>	<i>138</i>	<i>(11)</i>
<i>of which actuarial gains / (losses) from changes in actuarial assumptions on obligation</i>	<i>(104)</i>	<i>1</i>
<i>of which experience gains / (losses) on obligation</i>	<i>11</i>	

## 7.b.2 Other long-term benefits

BNP Paribas Fortis offers its employees various long-term benefits, mainly long-service bonuses, the right to save up paid leave in time savings accounts, and certain guarantees protecting them in the event of incapacity.

As part of the Group's variable compensation policy, annual deferred compensation plans are set up for certain

high-performing employees or pursuant to special regulatory frameworks.

Under these plans, payment is deferred over time and is contingent on the performance achieved by the business units, the core businesses and the Group.

In millions of euros	31 December 2012	31 December 2011
Net provisions for other long term benefits	99	90

## 7.b.3 Termination benefits

BNP Paribas Fortis has implemented a number of voluntary redundancy plans for employees who meet certain eligibility criteria. The obligations to eligible active employees under

such plans are provided for where the plan is based on a bilateral agreement or a draft thereof.

In millions of euros	31 December 2012	31 December 2011
Provisions for voluntary departure and early retirement plans	274	217

## 8 Additional information

### 8.a Scope of consolidation

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The consolidated accounts are prepared in accordance with the Royal Decree of 5 December 2004 amending the Royal Decree of 23 September 1992 on the non-consolidated accounts and consolidated accounts of credit institutions. The Royal Decree stipulates that, for financial years beginning on or after 1 January 2006, consolidated annual accounts must be drawn up in accordance with international financial reporting standards (IAS/IFRS), as adopted by the European Union.

The consolidated financial statements include those of Fortis Bank SA/NV and its subsidiaries. Subsidiaries are those companies whose financial and operating policies Fortis Bank, directly or indirectly, has the power to govern so as to obtain benefits from its activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Fortis Bank and are no longer consolidated from the date that control ceases.

The consolidated accounts are prepared in accordance with IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures, and in accordance with SIC-12 Consolidation - Special Purpose Entities (SPEs), by which Fortis Bank must consolidate the SPE when the substance of the relationship indicates that Fortis Bank controls the SPE and retains a significant beneficial interest in the SPE's activities.

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

Investments in Associates – investments in which Fortis Bank has significant influence, but which it does not control, generally holding between 20% and 50% of the voting rights – are accounted for using the equity method.

The consolidation thresholds are detailed in section 1.c.1 'Scope of consolidation' in Note 1 'Summary of significant accounting policies applied by BNP Paribas Fortis'.

The tables below include the scope changes during the years 2011 and 2012.

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)	
<b>Consolidating company</b>						
BNP Paribas Fortis	Belgium	Before known as 'Fortis Banque Sa / Fortis Bank Nv'				
<b>Belgium</b>						
Ace Equipment Leasing	Belgium	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%
		31/12/2011	Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%
Ace Leasing	Belgium	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%
		31/12/2011	Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%
Ag Insurance	Belgium			Equity	25,00%	25,00%
Alpha Card S.C.R.L.	Belgium			Equity	50,00%	50,00%
Alpha Crédit S.A.	Belgium			Full	100,00%	100,00%
Epost Banque - Bpost Bank	Belgium	Before known as 'Banque De La Poste S.A. - Bank Van De Post N.V.'		Prop.	50,00%	50,00%
Belgolaise S.A.	Belgium	31/12/2011	< thresholds			
		31/12/2010		Equity	1	100,00%
Bnp Paribas Fortis Factor	Belgium	31/12/2012	Merger			
		31/12/2011		Full	99,99%	99,99%
Bnp Paribas Fortis Factor Nv SA	Belgium	31/12/2012	Before known as 'Fortis Commercial Finance NV'	Full	100,00%	100,00%
		31/12/2011	Purchase	Full	100,00%	100,00%
Bnp Paribas Lease Group	Belgium	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	16,67%
Continuing Care Retirement Community Nv	Belgium	31/12/2011	< thresholds			
		31/12/2010		Full	99,00%	99,00%
Crédit Pour Habitations Sociales - Krediet Voor Sociale Woningen	Belgium	31/12/2011	< thresholds			
		31/12/2010		Equity	1	81,66%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation



Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)	
<b>Belgium</b>						
Demetris N.V.	Belgium		Equity	1	100,00%	100,00%
Eos Aremas Belgium S.A./N.V.	Belgium		Equity		49,97%	49,97%
Es-Finance	Belgium	31/12/2012 Additional purchase	Full		100,00%	100,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Europay Belgium	Belgium	31/12/2012 < thresholds				
		31/12/2011	Equity		40,02%	40,02%
Finalia	Belgium	31/12/2012 Additional purchase	Full		100,00%	100,00%
		31/12/2011	Full		51,00%	51,00%
Fortis Finance Belgium S.C.R.L.	Belgium		Full		100,00%	100,00%
Fortis Lease	Belgium	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Car & Truck	Belgium	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Group Services	Belgium	31/12/2012 < thresholds				
		30/06/2012 Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,15%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Private Equity Belgium N.V.	Belgium		Full		100,00%	100,00%
Fortis Private Equity Expansion Belgium N.V.	Belgium		Full		100,00%	100,00%
Fortis Private Equity Venture Belgium S.A.	Belgium		Full		100,00%	100,00%
Fpre Management Sa	Belgium	31/12/2011 < thresholds				
		31/12/2010	Full		100,00%	100,00%
Frynaco	Belgium	31/12/2011 < thresholds				
		31/12/2010	Full		99,00%	99,00%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)
<b>Belgium</b>					
		31/12/2011 Disposal			
Fund Administration Services & Technology Network Belgium	Belgium	30/06/2011 < thresholds			
		31/12/2010	Equity	47,80%	23,90%
Fv Holding N.V.	Belgium		Equity	40,00%	40,00%
Immobilière Sauvenière S.A.	Belgium		Equity	1	100,00%
		31/12/2011 < thresholds			
Meespierson Private Belgian Offices Nv	Belgium	31/12/2010	Full	99,00%	99,00%
Nissan Finance Belgium N.V.	Belgium		Full	100,00%	81,25%
<i>Belgium - Special Purpose Entities</i>					
Bass Master Issuer Nv	Belgium		Full		
Esmée Master Issuer	Belgium		Full		
<b>Luxembourg</b>					
		31/12/2011 < thresholds			
Alleray	Luxembourg	31/12/2010	Full	100,00%	50,00%
Bgl Bnp Paribas	Luxembourg		Full	50,00%	50,00%
Bgl Bnp Paribas Factor S.A.	Luxembourg	31/12/2012 Passing qualifying thresholds	Full	100,00%	50,00%
Bnp Paribas Fortis Funding S.A.	Luxembourg	Before known as 'Fortis Luxembourg Finance SA'	Full	100,00%	100,00%
		31/12/2012 Additional purchase	Full	100,00%	50,00%
Bnp Paribas Lease Group Luxembourg S.A.	Luxembourg	31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%
		31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	50,00%	25,00%
Bnp Paribas Leasing Solutions	Luxembourg	31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)
<b>Luxembourg</b>					
Cardif Lux Vie	Luxembourg	31/12/2012	Equity	33,33%	16,67%
		31/12/2011 Purchase	Equity	33,33%	16,67%
Cofhylux S.A.	Luxembourg		Full	100,00%	50,00%
Compagnie Financiere De La Porte Neuve Sa	Luxembourg	31/12/2011 < thresholds			
		31/12/2010 Purchase	Full		
		31/12/2012 Liquidation			
Fb Energy Trading S.A R.L.	Luxembourg	31/12/2011 < thresholds			
		31/12/2010	Full	100,00%	100,00%
Fortis Bank Reinsurance S.A.	Luxembourg	31/12/2011 Disposal			
		31/12/2010	Full	100,00%	100,00%
Fortis Luxembourg - Vie S.A.	Luxembourg	31/12/2011 Merger			
		31/12/2010	Equity	50,00%	25,00%
Fortis Private Real Estate Holding S.A.	Luxembourg	31/12/2011 < thresholds			
		31/12/2010	Full	100,00%	100,00%
Fundamentum Asset Management	Luxembourg	31/12/2012 < thresholds			
		31/12/2011	Full	100,00%	50,00%
Generalcorp 10	Luxembourg	31/12/2011 < thresholds			
		31/12/2010	Full	100,00%	100,00%
Immoparibas Royal-Neuve Sa	Luxembourg	31/12/2011 < thresholds			
		31/12/2010 Purchase	Full	100,00%	50,00%
Paribas Trust Luxembourg Sa	Luxembourg		Full	100,00%	50,00%
Plagefin - Placement, Gestion, Finance Holding S.A.	Luxembourg		Full	100,00%	50,00%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)		
<b>Luxembourg</b>							
<i>Luxembourg - Special Purpose Entities</i>							
Aura Capital Investment Sa	Luxembourg	31/12/2012	Liquidation				
		31/12/2011		Full			
Delphinus Titri 2010 Sa	Luxembourg	31/12/2012	Liquidation				
		31/12/2011		Full			
Royale Neuve Finance S.A.R.L.	Luxembourg	31/12/2012	< thresholds				
		31/12/2011		Full			
Royale Neuve Investments Sarl	Luxembourg	31/12/2012	Liquidation				
		31/12/2011		Full			
Stradios Fcp Fis	Luxembourg	31/12/2011	Disposal				
		31/12/2010		Equity			
<b>Rest of the world</b>							
All In One	Austria	31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
All In One Gmbh	Germany	31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Alpha Murcia Holding B.V.	Netherlands	31/12/2012	Incorporation	Equity	1	100,00%	100,00%
Alsabail	France	31/12/2011	Disposal				
		31/12/2010		Equity		40,68%	20,34%
Aprolis Finance	France	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		51,00%	12,75%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,50%
Arius	France	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)		
<b>Rest of the world</b>							
Artegy	France	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%	
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	16,67%	
Artegy Ltd	United Kingdom	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%	
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	16,67%	
Bnp Paribas Bank Polska S.A.	Poland			Full	99,87%	99,87%	
Bnp Paribas Commercial Finance Limited	United Kingdom	31/12/2012	Before known as 'Fortis Commercial Finance Ltd.'	Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Bnp Paribas Factor GmbH	Germany	31/12/2012	Before known as 'Fortis Commercial Finance GmbH'	Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Bnp Paribas Fortis Yatirimlar Holding Anonim Sirketi	Turkey			Full	100,00%	100,00%	
Bnp Paribas Holding Canada	Canada	31/12/2011	Before known as 'Fb Holdings Canada Corp.'				
			Dissolution				
		30/06/2011	< thresholds				
		31/12/2010		Full	100,00%	100,00%	
Bnp Paribas Investment Partners	France			Equity	33,33%	30,78%	
Bnp Paribas Lease Gp Bplg	France	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%	
		31/12/2011	Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%	
Bnp Paribas Lease Gp Zrt	Hungary	31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	16,67%	
Bnp Paribas Lease Group Ifn Sa	Romania	31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	99,94%	24,99%
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	16,66%	
Bnp Paribas Lease Group Plc	United Kingdom	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%	
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	16,67%	

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)		
<b>Rest of the world</b>							
Bnp Paribas Lease Group Sp.Z.O.O	Poland	31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	16,67%
Bnp Paribas Leasing Solutions Immobilier Suisse	Switzerland	31/12/2012	Before known as 'Fortis Lease Immobilier Suisse' Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2011	Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
		31/12/2012	Before known as 'Fortis Lease Nederland N.V.' Additional purchase by BGL in Fortis Lease group	Full		100,00%	25,00%
Bnp Paribas Leasing Solutions N.V.	Netherlands	31/12/2011	Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity		26,17%	6,54%
Bnp Paribas Leasing Solutions S.P.A.	Italy	31/12/2010	Purchase by Fortis Lease group	Equity		26,17%	4,36%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
Bnp Paribas Leasing Solutions Suisse	Switzerland	31/12/2011	Before known as 'Fortis Lease Suisse' Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Equity		33,33%	16,67%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		60,11%	15,03%
Claas Financial Services	France	31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	10,02%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	15,03%
Claas Financial Services Inc	United States	31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	10,02%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		51,00%	12,75%
Claas Financial Services Ltd	United Kingdom	31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,50%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		100,00%	12,52%
Cnh Capital Europe GmbH	Austria	31/12/2010	Purchase by Fortis Lease group	Equity		33,33%	8,35%
		31/12/2012	Additional purchase by BGL in Fortis Lease group	Full		50,10%	12,52%
Cnh Capital Europe	France	31/12/2011	Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	8,35%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)		
<b>Rest of the world</b>							
Cnh Capital Europe Bv	Netherlands	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	12,52%	
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	8,35%	
Cnh Capital Europe Ltd	United Kingdom	31/12/2012	Additional purchase by BGL in Fortis Lease group	Full	100,00%	12,52%	
		31/12/2010	Purchase by Fortis Lease group	Equity	33,33%	8,35%	
Cronos Holding Company Limited	Bermuda			Equity	30,00%	29,90%	
Dominet S.A.	Poland			Full	100,00%	100,00%	
Fastnet Nederland	Netherlands	31/12/2011	Disposal				
		30/06/2011	< thresholds				
		31/12/2010		Equity	47,84%	23,92%	
Fb Energy Holdings Llc	United States	31/12/2011	< thresholds				
		31/12/2010		Full	100,00%	100,00%	
Fb Transportation Capital Llc	United States			Full	100,00%	100,00%	
Fortis Bank Anonim Sirketi	Turkey	31/12/2011	Merger				
		31/12/2010		Full	94,11%	94,11%	
Fortis Bank Malta Ltd	Malta	31/12/2012		Equity	1	100,00%	100,00%
		31/12/2011	< thresholds for full	Equity	1	100,00%	100,00%
Fortis Commercial Finance Deutschland Bv	Netherlands	31/12/2012		Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%
Fortis Commercial Finance Holding Nv	Netherlands	31/12/2012		Full		100,00%	100,00%
		31/12/2011	Purchase	Full		100,00%	100,00%
Fortis Faktoring A.S.	Turkey	31/12/2012		Equity	1	100,00%	100,00%
		31/12/2011	Purchase	Equity	1	100,00%	100,00%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)	
<b>Rest of the world</b>						
Fortis Funding Llc	United States		Full	100,00%	100,00%	
Fortis Holding Malta B.V.	Netherlands		Full	100,00%	100,00%	
Fortis Holding Malta Ltd	Malta		Full	100,00%	100,00%	
Fortis International Finance	Ireland	31/12/2011 < thresholds				
		31/12/2010	Full	100,00%	100,00%	
Fortis Lease	France	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%	
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%	
Fortis Lease Deutschland	Germany	31/12/2012 Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Iberia	Spain	31/12/2012 Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	41,04%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		34,49%	34,49%
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary	31/12/2012 Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Polska Sp.Z.O.O.	Poland		Full	100,00%	99,87%	
Fortis Lease Portugal	Portugal	31/12/2012 Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Romania Ifn Sa	Romania	31/12/2012 Additional purchase by BGL in Fortis Lease group	Equity	1	100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Uk (1) Ltd	United Kingdom	31/12/2012 Liquidation				
		< thresholds				
		30/06/2012 - Additional purchase by BGL in Fortis Lease group				
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%
Fortis Lease Uk Ltd	United Kingdom	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%	
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity		33,33%	16,67%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation



Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)
<b>Rest of the world</b>					
Fortis Lease Uk Retail Limited	United Kingdom	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%
		31/12/2011 Dilution of BNP Paribas Fortis in Fortis Lease group in 2010	Equity	33,33%	16,67%
Fortis Private Equity France Fund	France		Full	99,90%	99,84%
Fortis Proprietary Investment Ltd	Ireland	31/12/2012 Liquidation			
		31/12/2011 < thresholds			
		31/12/2010	Full	100,00%	100,00%
Fortis Wealth Management Hong Kong Ltd.	Hong-Kong	31/12/2011 Disposal			
		31/12/2010	Full	100,00%	100,00%
Fortis Yatirim Menkul Degerler As	Turkey	31/12/2011 Merger			
		31/12/2010	Equity 1	100,00%	94,11%
G I Finance	Ireland	31/12/2011 Liquidation			
		31/12/2010	Full	100,00%	100,00%
Geneve Credit & Leasing Sa	Switzerland	31/12/2011 Disposal			
		30/06/2011 < thresholds	Prop.	51,00%	51,00%
Jcb Finance	France	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	100,00%	12,53%
		31/12/2010 Purchase by Fortis Lease group	Equity	33,33%	8,35%
Jcb Finance Holdings Ltd	United Kingdom	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	50,10%	12,53%
		31/12/2010 Purchase by Fortis Lease group	Equity	33,33%	8,35%
Loft Beck Ltd	Ireland	31/12/2011 Before known as 'Postbank Ireland Ltd.'			
		31/12/2011 < thresholds			
		31/12/2010	Equity	50,00%	25,00%
Manitou Finance Ltd	United Kingdom	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	51,00%	12,75%
		31/12/2010 Purchase by Fortis Lease group	Equity	33,33%	8,50%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)
<b>Rest of the world</b>					
Margaret, Inc.	United States	31/12/2011 < thresholds			
		31/12/2010	Full	100,00%	100,00%
Mif Sas	France	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	51,00%	12,75%
		31/12/2010 Purchase by Fortis Lease group	Equity	33,33%	8,50%
Money Alpha	France	31/12/2011 Dissolution			
		31/12/2010	Full	100,00%	100,00%
Money Beta	France	31/12/2011 Dissolution			
		31/12/2010	Full	100,00%	100,00%
Robin Flight Ltd.	Ireland	31/12/2011 < thresholds			
		31/12/2010 Purchase	Full		
Same Deutz Fahr Finance	France	31/12/2012 Additional purchase by BGL in Fortis Lease group	Full	100,00%	25,00%
		31/12/2010 Purchase by Fortis Lease group	Equity	1 100,00%	16,67%
Société Alsacienne De Développement Et D'Expansion	France		Full	100,00%	50,00%
Srei Equipment Finance Private Limited	India	31/12/2012 Additional purchase by BGL in Fortis Lease group	Prop.	50,00%	12,50%
		31/12/2010 Purchase by Fortis Lease group	Equity	50,00%	8,33%
Tog Fund I, L.P.	Cayman Islands		Full	99,66%	99,66%
Teb Holding A.S.	Turkey		Prop.	50,00%	50,00%
Textainer Marine Containers Ltd.	Bermuda	31/12/2011 Disposal			
		31/12/2010	Equity	25,00%	24,92%
Trip Rail Holdings Inc	United States	31/12/2011 No significant influence			
		31/12/2010	Equity	16,33%	16,33%
Von Essen GmbH & Co. Kg Bankgesellschaft	Germany		Full	100,00%	100,00%

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

Name	Country	Change in the scope of consolidation	Method	BNP Paribas Fortis voting interest (%)	BNP Paribas Fortis ownership interest (%)
<b>Rest of the world</b>					
<i>Rest of the world - Special Purpose Entities</i>					
Alandes B.V.	Netherlands	31/12/2012	Full	2	
Astir B.V.	Netherlands	31/12/2012	Full		
Black Kite Investments Limited	Ireland	31/12/2012 Liquidation			
		31/12/2011	Full		
Scaldis Capital Ltd	Ireland	31/12/2012	Full	2	
Scaldis Capital Limited	Jersey	31/12/2012	Full	2	
Scaldis Capital Llc	United States	31/12/2012	Full	2	
Swallow Flight Ltd.	Ireland	31/12/2011 < thresholds			
		31/12/2010 Purchase	Full		

1 - Non-material subsidiaries consolidated via equity method

2 - As from 31/12/2012 no longer excluded from the prudential scope of consolidation

## 8.b Business combinations

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As part of the overall project to integrate BNP Paribas Fortis into the BNP Paribas Group, initiatives have been launched to re-organise and integrate certain activities of BNP Paribas Fortis and BNP Paribas by transferring and re-allocating assets between various Group entities. Implementation of this project, which began in 2009, continued in 2012.

The integration transactions approved in 2009 and executed in 2010 and the additional integration transactions approved in 2010 and executed in 2010 and 2011 are described in the BNP Paribas Fortis Annual Reports of 2009, 2010 and 2011.

In this context, further transactions were approved and executed in 2012. BGL BNP Paribas acquired an additional 16.67% of the shares of BNP Paribas Leasing Solutions (BPLS) on 30 March 2012. This acquisition increased the BGL BNP Paribas stake from 33.33% to 50% + 1 share in BPLS, thus transferring control of BPLS from BNP Paribas to BGL BNP Paribas.

On 19 November 2012, the newly established Norwegian branch of BNP Paribas Fortis acquired a set of assets and liabilities from the Norwegian branch of BNP Paribas Group. This transaction was considered a business transfer.

As both these acquisitions occurred between entities under common control, BNP Paribas Fortis applied the 'predecessor basis of accounting method' as described in the accounting policies. Under this method, BNP Paribas Fortis, as acquiring party, recognises the acquired assets and liabilities at their carrying value as determined by the transferring entity at the

date of the transfer, not at their fair value. Consequently, no new goodwill (other than the existing goodwill relating to either of the combining entities) is recognised. Any difference between the consideration paid/transferred and the share in the net assets, measured at the predecessor carrying value, is presented as an adjustment in equity.

The transaction relating to BPLS resulted in a decrease of EUR 61 million in shareholders' equity and recognition of existing goodwill in the amount of EUR 146 million.

The business transfer of the Norwegian branch from the BNP Paribas Group to BNP Paribas Fortis gave rise to a positive impact of EUR 21 million in equity.

The main acquisitions in 2011 included the acquisition by BGL BNP Paribas of a 33.33% shareholding in Cardif Luxembourg Vie, and the acquisition by BNP Paribas Fortis of Fortis Commercial Finance.

The main disposals in 2011 included the sale of BNP Paribas Fortis Réinsurance, Fortis Wealth Management Hong Kong, Alsabail, Fastnet Belgium and the activities of the branches in Shanghai and Guangzhou (China).

In addition, the Turkish entities were restructured in 2011.

Details of these transactions can be found in the BNP Paribas Fortis 2011 Annual Report, note 8.b 'Business combinations'.

The table below provides details on business combinations executed during the years 2011 and 2012.

31 December 2012		In millions of euros							
Acquired subsidiaries/business	Country	Acquired %	Acquisition price	Goodwill (Badwill)	Net cash inflow	Key figures on acquisition date			
						Assets		Liabilities	
BNP Paribas Leasing Solutions (BPLS)	Luxembourg	16.67%	383	146	(69)	Loans and receivables due from customers	18,675	Due to credit institutions	10,134
						Loans and receivables due from credit institutions	1,513	Accrued expenses and other liabilities	9,220
Some assets and liabilities of Norwegian branch of BNP Paribas Group	Norway	Business transfer	84	(21)	(44)	Loans and receivables due from customers	1,077	Due to credit institutions	672
								Due to customers	559

31 December 2011		In millions of euros							
Acquired subsidiaries/business	Country	Acquired %	Acquisition price	Goodwill (Badwill)	Net cash inflow	Key figures on acquisition date			
						Assets		Liabilities	
Fortis Commercial Finance-Holding N.V.	The Netherlands	100.00%	48	2	(34)	Loans and receivables-due from customers	1,458	Due to financial institutions	867
								Due to customers	463
Cardif Luxembourg Vie	Luxembourg	16.66%	82	(8)		Financial assets at fair value-through profit or loss	2,506	Technical reserves-of insurance companies	2,126
						Available for sale financial assets	2,351	Due to customers	2,579

## Forthcoming transactions

### Specialised Finance

The purpose of the forthcoming business transfer of Specialised Finance is to strengthen the business in concert with BNP Paribas. This development plan confirms the key role of BNP Paribas Fortis in the Group's European Corporate Banking and company finance activities.

In concert with the BNP Paribas Group, a European leader in company finance, BNP Paribas Fortis now intends to reinforce its Specialised Finance Competence Centre, which provides Export Finance, Project Finance, Leveraged Finance, Media and Telecoms financing and Corporate Acquisition Finance services. All these services are exclusively oriented towards supporting the real economy.

With this transaction, BNP Paribas Fortis is expanding the geographical reach of these activities, which have been managed since 2009 from Brussels. While the Competence

Centre previously serviced just the three Benelux countries plus Northern and Central Europe and Turkey, it now also covers the rest of Europe, plus the Middle East and Africa. These plans do not relate to France or Italy, which are both designated Domestic Markets of the BNP Paribas Group.

This initiative comes as part of overall efforts to drive forward and widen the reach of the Industrial Plan drawn up by BNP Paribas Fortis in December 2009, whose basic goal is to grow the European Corporate Banking and company finance businesses from a Brussels base on behalf of the entire Group, excluding the French and Italian domestic markets.

The transaction closed on 2 January 2013 and is being implemented in 2013.

### Netherlands Branch

The transfer of the business of the BNP Paribas Netherlands branch to the new BNP Paribas Fortis Netherlands branch is scheduled to take place in the second quarter of 2013.

## 8.c Non-current assets classified as Held for Sale and Discontinued operations

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Assets and liabilities of entities that qualify as held for sale and discontinued operations are reclassified and presented in separate line items 'Assets classified as held for sale' and 'Liabilities classified as held for sale' respectively. Comparative information is not adjusted, in accordance with IFRS 5, in the consolidated balance sheet.

The assets and liabilities still classified as held-for-sale at year-end 2011 related to contracts for which the sale had not yet taken place because of legal and operational constraints, mainly referring to not-yet-transferred assets and liabilities of the BNP Paribas Fortis Branch in the UK and partly to the BNP Paribas Fortis branch in Greece.

As part of the overall project to integrate BNP Paribas Fortis into the BNP Paribas Group, initiatives have been launched to re-organise and integrate certain activities of BNP Paribas Fortis and BNP Paribas by transferring and re-allocating assets between various Group entities. Implementation of this project, which began in 2009, continued in 2012.

In this context, BNP Paribas Fortis decided to sell the Corporate and Transaction Banking Europe (CTBE) activities of the BNP Paribas Fortis branches in Portugal and the UK to the BNP Paribas branches in Portugal and the UK. This transaction is part of a general approach, approved by the BNP Paribas Fortis Board of Directors, to swap activities of branches between BNP Paribas Fortis and BNP Paribas. Businesses to be acquired by BNP Paribas relate to activities of the BNP Paribas Fortis branches in Portugal, UK and Spain and businesses to be acquired by BNP Paribas Fortis relate to activities of the BNP Paribas branches in Norway and the Netherlands.

The transactions relating to the BNP Paribas Fortis branches in Portugal and the UK qualify as a disposal group as defined in IFRS 5, non current assets held for sale and discontinued operations.

The assets and liabilities included in this disposal group are reclassified and presented in separate line items 'Assets classified as held for sale' and 'Liabilities classified as held for sale', respectively, in the consolidated balance sheet as at 31 December 2012.

The disposal group is measured at the lower of its carrying amount and fair value less cost to sell. The result of the measurement at fair value less cost to sell amounts to a loss of EUR 105 million, reported under 'Net gain/loss on non-current assets' in the consolidated income statement as at 31 December 2012.

The following sections contain an analysis of the major classes of assets and liabilities and the net result of the entities presented as 'held for sale and discontinued operations'.

## Major classes of assets and liabilities classified as held for sale

BNP Paribas Fortis holds various assets and liabilities as at 31 December 2012 that are held for sale rather than for continuing use.

The assets and liabilities classified as held for sale as at 31 December 2012 and 31 December 2011 are shown below.

In millions of euros	31 December 2012	31 December 2011
<b>ASSETS</b>		
Cash and amounts due from central banks and post office banks	2	
Financial assets at fair value through profit or loss	161	125
Derivatives used for hedging purposes		
Available-for-sale financial assets	101	
Loans and receivables due from credit institutions	119	5
Loans and receivables due from customers	1,702	(12)
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets	162	
Investments in associates		
Investment property		
Property, plant and equipment	8	
Intangible assets		
Goodwill		
Expected loss on sale	(105)	
<b>TOTAL ASSETS</b>	<b>2,150</b>	<b>118</b>
<b>LIABILITIES</b>		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	137	114
Derivatives used for hedging purposes		
Due to credit institutions	83	
Due to customers	1,252	23
Debt securities	12	
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities	10	
Accrued expenses and other liabilities	156	
Provisions for contingencies and charges	13	
Subordinated debt		
<b>TOTAL LIABILITIES</b>	<b>1,663</b>	<b>137</b>

## Transactions with BNP Paribas

The tables below show the composition of assets classified as held for sale and liabilities classified as held for sale for the entities that are part of the integration transactions with BNP Paribas and that have been approved but not yet fully executed as of 31 December 2012.

In millions of euros	31 December 2012	
	BNP Paribas Fortis	BNP Paribas Fortis
	Portugal	UK
<b>ASSETS</b>		
Cash and amounts due from central banks and post office banks	1	1
Financial assets at fair value through profit or loss	45	116
Derivatives used for hedging purposes		
Available-for-sale financial assets	100	1
Loans and receivables due from credit institutions	1	118
Loans and receivables due from customers	471	1,231
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets	1	(1)
Accrued income and other assets	4	158
Investments in associates		
Investment property		
Property, plant and equipment		8
Intangible assets		
Goodwill		
Expected loss on sale	(12)	(93)
<b>TOTAL ASSETS</b>	<b>611</b>	<b>1,539</b>
<b>LIABILITIES</b>		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	17	120
Derivatives used for hedging purposes		
Due to credit institutions	1	82
Due to customers	66	1,186
Debt securities		12
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		10
Accrued expenses and other liabilities	9	147
Provisions for contingencies and charges	3	10
Subordinated debt		
<b>TOTAL LIABILITIES</b>	<b>96</b>	<b>1,567</b>



In millions of euros	31 December 2011	
	BNP Paribas Fortis UK	BNP Paribas Fortis Greece
<b>ASSETS</b>		
Cash and amounts due from central banks and post office banks		
Financial assets at fair value through profit or loss	125	
Derivatives used for hedging purposes		
Available-for-sale financial assets		
Loans and receivables due from credit institutions		5
Loans and receivables due from customers	(12)	
Remeasurement adjustment on interest-rate risk hedged portfolios		
Held-to-maturity financial assets		
Current and deferred tax assets		
Accrued income and other assets		
Investments in associates		
Investment property		
Property, plant and equipment		
Intangible assets		
Goodwill		
<b>TOTAL ASSETS</b>	<b>113</b>	<b>5</b>
<b>LIABILITIES</b>		
Due to central banks and post office banks		
Financial liabilities at fair value through profit or loss	114	
Derivatives used for hedging purposes		
Due to credit institutions		
Due to customers	23	
Debt securities		
Remeasurement adjustment on interest-rate risk hedged portfolios		
Current and deferred tax liabilities		
Accrued expenses and other liabilities		
Provisions for contingencies and charges		
Subordinated debt		
<b>TOTAL LIABILITIES</b>	<b>137</b>	

### Net result of discontinued operations

The result related to assets and liabilities classified as held for sale is reported in the income statement under 'Net result from discontinued operations'. Results on disposals that have occurred during the period are reported on the line 'Results on the sale of the discontinued operations'. The total net result of discontinued operations is detailed in the tables below.

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Interest income		60
Interest expense		(27)
Commission income		9
Commission expense		(6)
Net gain/loss on financial instruments at fair value through profit or loss		1
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value		3
Income from other activities		3
Expense on other activities		(1)
<b>REVENUES</b>		<b>42</b>
Operating expense		(39)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(3)
<b>GROSS OPERATING INCOME</b>		
Cost of risk		(3)
<b>OPERATING INCOME</b>		<b>(3)</b>
Share of earnings of associates		
Net gain/loss on non-current assets		
Goodwill		
<b>PRE-TAX INCOME</b>		<b>(3)</b>
Corporate income tax		(2)
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>		<b>(5)</b>
Results on the sale of the discontinued operations		(309)
<b>NET INCOME</b>		<b>(314)</b>

## Transactions with BNP Paribas

The total net result of discontinued operations of the entities that form part of the integration transactions with BNP Paribas is detailed in the tables below.

In millions of euros	Year to 31 Dec. 2011			
	BNP Paribas Fortis Asia	BNP Paribas Fortis Turkey	BNP Paribas Fortis UK	BNP Paribas Fortis Spain
Interest income	5	55		
Interest expense	(2)	(25)		
Commission income	1	8		
Commission expense	(1)	(5)		
Net gain/loss on financial instruments at fair value through profit or loss		1		
Net gain/loss on available-for-sale financial assets and other- financial assets not measured at fair value		3		
Income from other activities		3		
Expense on other activities		(1)		
<b>REVENUES</b>	<b>3</b>	<b>39</b>		
Operating expense	(1)	(38)		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(3)		
<b>GROSS OPERATING INCOME</b>	<b>2</b>	<b>(2)</b>		
Cost of risk		(3)		
<b>OPERATING INCOME</b>	<b>2</b>	<b>(5)</b>		
Share of earnings of associates				
Net gain/loss on non-current assets				
Goodwill				
<b>PRE-TAX INCOME</b>	<b>2</b>	<b>(5)</b>		
Corporate income tax	(1)	(1)		
<b>NET INCOME BEFORE DISCONTINUED OPERATIONS</b>	<b>1</b>	<b>(6)</b>		
Results on the sale of the discontinued operations		(308)	(6)	2
<b>NET INCOME</b>	<b>1</b>	<b>(314)</b>	<b>(6)</b>	<b>2</b>

## 8.d Remuneration and benefits awarded to the BNP Paribas Fortis corporate officers

The remuneration policy for the Board of Directors and Executive Board was not altered significantly during 2012.

### 8.d.1 Remuneration of the Members of the Board of Directors

#### Remuneration policy of the Members of the Board of Directors

Executive and non-Executive Members of the Board of Directors receive Board remuneration based on the principles set out below, as approved by the General Shareholders' Meeting of 19 April 2012, during which the principle of maintaining a maximum ceiling on board remuneration of EUR 1.5 million total per annum was confirmed.

Annual fixed salary Chairman Board of Directors	EUR	50,000 (gross)
Annual fixed salary Board Members	EUR	25,000 (gross)
Attendance fee Chairman Board Committees	EUR	4,000 (gross)
Attendance fee Members Board of Directors / Board Committees	EUR	2,000 (gross)

The non-Executive Members of the Board of Directors do not receive any variable pay, pension plan or insurances, nor any other benefit<sup>1</sup>.

<sup>1</sup> With the exception of the Chairman, who receives the use of a company car, mobile phone and internet at home.

## Remuneration of the year

The table below shows the gross board remuneration (in euros) paid in 2012 to each member of the Board of Directors.

		FIXED FEES	ATTENDANCE FEES BOARD (*)	TOTAL 2012
Mr. Herman DAEMS	Chairman	50.000	82.000	132.000
Mr. Georges CHODRON de COURCEL	Vice Chairman	25.000	20.000	45.000
Mr. Jean-Laurent BONNAFÉ	Non Executive	25.000	12.000	37.000
Mr. Dirk BOOGMANS	Non Executive	25.000	154.000	179.000
Mrs. Antoinette D'ASPREMONT LYNDEN	Non Executive (as from 19/04/2012)	18.750	28.000	46.750
Mr. Henri DELWAIDE	Non Executive (as from 11/12/2012)	2.083	2.000	4.083
Mr. Filip DIERCKX	Executive	25.000	22.000	47.000
Mrs. Sophie DUTORDOIR	Non Executive	25.000	68.000	93.000
Mr. Jean-Yves FILLION	Executive (until 30/08/2012)	16.667	16.000	32.667
Mr. Camille FOHL	Executive	25.000	12.000	37.000
Mr. Koenraad GEENS	Non Executive	25.000	82.000	107.000
Mr. Maxime JADOT	Executive	25.000	22.000	47.000
Mr. Frédéric LAVENIR	Non Executive (until 19/04/2012)	6.250	4.000	10.250
Mr. Thomas MENNICKEN	Executive	25.000	22.000	47.000
Mr. Alain PAPIASSE	Non Executive	25.000	18.000	43.000
Mr. Jean-Paul PRUVOT	Non Executive (until 30/03/2012)	6.250	4.000	10.250
Mr. Dominique RÉMY	Executive (as from 30/08/2012)	12.500	6.000	18.500
Mr. Jean STÉPHENNE	Non Executive	25.000	74.000	99.000
Mr. Peter VANDEKERCKHOVE	Executive	25.000	20.000	45.000
Mr. Thierry VARÈNE	Non Executive	25.000	22.000	47.000
Mr. François VILLEROY DE GALHAU	Non Executive (as from 19/04/2012)	18.750	10.000	28.750
<b>TOTAL</b>		<b>456.250</b>	<b>700.000</b>	<b>1.156.250</b>

(\*) This column includes the board fees for the Special Board Committees (23 meetings of the SBC took place in 2013)

## 8.d.2 Remuneration of the Members of the Executive Board

### Remuneration policy regarding the Members of the Executive Board

The Members of the Executive Board have self-employed status and receive a Board remuneration based on the same principles as non-Executive Members. In addition, they are rewarded for their functions in the Executive Management through the following components: fixed monthly remuneration, variable annual remuneration based on the attainment of clear performance criteria and risk monitoring, linked to collective and individual performance criteria as mentioned below, a company insurance plan (pension plan, hospital plan, life insurance and disability benefits), benefits in kind (the use of a company car, mobile phone and internet) and the opportunity to obtain share-based long-term incentive payments. Their variable remuneration may be subject to further regulation to be proposed by the Government.

An advisory board supports the Executive Board in its day-to-day management. The members of the advisory body work under an employment contract and their reward package is managed as for other senior managers except for the fact that they are deemed to be as individually regulated.

The remuneration structure and policy on levels of remuneration are determined by the Board of Directors upon a recommendation from the Governance, Nomination and Remuneration Committee (GNRC) by reference to common practices and market benchmarking for determining appropriate executive management compensation, and with guidance from specialised consultancy firms. Governance relating to remuneration followed the same principles and processes during 2012 as for 2011 and is expected to continue to do so in the coming years.

### **Performance criteria used to determine variable remuneration**

The entire process described hereunder is audited by the Inspection Générale.

#### **Individual performance**

A self assessment is prepared by each Executive Board Member, which is then challenged by the Chief Executive Officer, who decides on the final scoring in close discussion with the Chairman of the Board of Directors. An overall assessment is also made by Risk and Compliance departments.

Individual performance is defined as being the attainment of personal objectives and managerial performance as assessed by the Board of Directors in terms of the following four management principles:

- **Client Focus:** inspiring people to focus in an innovative way on the client first and foremost, as the interests of the client must always be central to the action.
- **Risk-Aware Entrepreneurship:** undertake initiatives for development and efficiency while being accountable, by:
  - acting in an interdependent and cooperative way with the other entities to serve the global interest of the Group and its clients;
  - being continuously vigilant of the risks related to our area of responsibility and empowering our staff to do the same.
- **People-Care:** caring for our people, by showing respect for staff, promoting equal opportunities and developing their talents and skills.
- **Lead by example:** setting an example through one's own behaviour and ethical conducts by following the regulations, applying the compliance rules and behaving in a socially responsible manner.

#### **Team performance based on Bank Key Performance Indicators (KPI's)**

Collective performance is based on Key Performance Indicators (KPIs) designed to show that the Executive Board is acting as a single team. Every year, the Bank draws up a strategic plan, from which are derived KPIs enabling the Executive Board to measure and assess the Bank performance. KPIs measured for each business are: financial results, cost management, risk management/compliance, long term developments, Corporate Social Responsibility, and people management. On a yearly basis, the Executive Board receives a score for its overall performance.

The assessment period during which performance is measured is January to December of each year. The methods used to evaluate the performance against the targets are both qualitative (client satisfaction, sound risk governance, results of the global employee survey, people management, etc.) and quantitative (net operating profit, gross income, increase in market shares, etc.).

#### **Future performance applied to the deferred part of the variable remuneration**

The variable part of the remuneration is subject to the deferral principle, whereby the deferred part is conditional on the future performance of the company and on sound risk management.

## Remuneration for the year

The table below shows the gross remuneration (in euros) paid or payable to the Members of the Executive Board for the year 2012, including benefits in kind and Director's fees.

	Chief Executive Officer	Other Members of the Executive Board
Remuneration (1)		
Fixed (4)	915,193	3,356,714
Cash part of variable		
Deferred part of variable		
Long Term Incentive plan		
Director's fee	47,000	227,167
Benefit in Kind (2)	10,103	226,850
Pension, life insurance and orphan's pension (3)	260,505	502,107
<b>Total</b>	<b>1,232,801</b>	<b>4,312,838</b>

(1) Only remuneration within Executive Board membership periods is reported.

(2) The members of the Executive Board each have a company car and a mobile telephone.

(3) For defined contribution plans: sum of employer contributions and for defined benefit plans: sum of service costs.

(4) Gross rental allowances and relocation allowances are included in the reported fix pay.

The Board's Governance, Nomination and Remuneration Committee has decided not to grant the members of the Executive Board any variable remuneration or long term incentives or the equivalent for 2012.

The Chief Executive Officer's 2012 compensation reflects the fact that, unlike last year, this is a full-year exercise. In addition, the recognition of the CEO's impact on the organisation and the Group led the Board to adapt his compensation package in line with peer benchmarking.

### Share-based-payments

#### 2011 Plan Terms and Conditions

As described in the Terms and Conditions of the 2011 Stock Option Plan, the vesting of a fraction of Options is subject to a performance condition based on a comparison of the performance of BNP Paribas shares with that of the Index. The performance condition will be based upon four assessments, i.e. for each of the years 2011, 2012, 2013 and 2014. Each assessment applies to one quarter of the Options subject to the performance condition. At each assessment, the exercise price for the corresponding Options is dependant upon the result of the performance assessment and is fixed at: EUR 56.45 if BNP Paribas shares outperform the Index; EUR 59.28 if BNP Paribas shares underperform the Index by less than

5 points; EUR 62.10 if BNP Paribas shares underperform the Index by between 5 and less than 10 points; and EUR 67.74 if BNP Paribas shares underperform the Index by between 10 and less than 20 points. Should BNP Paribas shares underperform the Index by 20 points or more, the corresponding Options subject to the performance condition become null and void and can no longer be exercised.

As described in the Terms and Conditions of the 2011 Free Shares Plan, the vesting of a fraction of the total award of free shares is subject to performance conditions linked to BNP Paribas' Earnings per Share ('EPS').

The performance condition will be assessed three times, i.e. for each of the calendar years 2011, 2012 and 2013, whereby each assessment applies to one third of the free shares. If the performance condition has not been met at the time of one of the first three assessments, an additional assessment will be carried out in 2013. At each assessment, if the increase in EPS is greater than or equal to 5%, the corresponding free shares may be vested at the date of vesting. If the increase in EPS is less than 5%, the corresponding free shares are permanently forfeited, except if the additional assessment performed in 2013 shows that EPS has increased by at least 15% during those three years.

The first assessment based on 2011 performance has been completed and the exercise price has been increased from EUR 56.45 up to EUR 62.10.

The table below shows the number and main characteristics of the shares, stock options and other rights granted in 2011 on an individual basis to the Executive members of the Board of Directors.

	Year	Stock	Exercise price	Grant date	Plan expiry date
Mr. Filip Dierckx	2011 options granted	7,485	56.45 €	04/03/2011	05/03/2019
Mr. Filip Dierckx	2011 options granted	2,495	62.10 €	04/03/2011	05/03/2019 revised based on 2011 performance
Mr. Filip Dierckx	2011 free shares granted	2,505	n/a	04/03/2011	05/03/2015
Mr. Camille Fohl	2011 options granted	3,720	56.45 €	04/03/2011	05/03/2019
Mr. Camille Fohl	2011 options granted	1,240	62.10 €	04/03/2011	05/03/2019 revised based on 2011 performance
Mr. Camille Fohl	2011 free shares granted	1,260	n/a	04/03/2011	05/03/2015
Mr. Thomas Mennicken	2011 options granted	2,565	56.45 €	04/03/2011	05/03/2019
Mr. Thomas Mennicken	2011 options granted	135	62.10 €	04/03/2011	05/03/2019 revised based on 2011 performance
Mr. Thomas Mennicken	2011 free shares granted	675	n/a	04/03/2011	05/03/2015

## 2012 and 2013

The Board's Governance, Nomination and Remuneration Committee decided not to grant any long-term incentives or equivalent to members of the Executive Board.

### Information on severance pay

The contracts of all Executive members of the Board of Directors are fully compliant with the provisions on severance pay set out in the 2009 Belgian Corporate Governance Code.

In 2012, no termination benefits were paid to any member of the Board of Directors.



## 8.e Related parties

### Parties related to BNP Paribas Fortis

Parties related to BNP Paribas Fortis as at 31 December 2012 include:

- parties that control or have an interest which gives them significant influence over BNP Paribas Fortis;
- parties that are controlled by BNP Paribas Fortis;
- associates and joint ventures;
- other related entities such as non-consolidated subsidiaries and pension funds;
- members of the Board of Directors and Executive Committee of BNP Paribas Fortis;
- close family members of any person referred to above;
- entities controlled or significantly influenced by any person referred to above.

Consequently, parties related to BNP Paribas Fortis as at 31 December 2012 include the following parties:

- consolidated companies including entities consolidated under the proportionate consolidation method or the equity method;
- BNP Paribas (and all its subsidiaries), which has control over BNP Paribas Fortis;
- SFPI/FPIM (Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij), which has significant influence over BNP Paribas Fortis;
- the Belgian State, which indirectly exerts significant influence over BNP Paribas Fortis;
- other Belgian State-controlled enterprises under common control (excluding local, regional and supra-national organisations, local authorities and municipalities).

Transactions between BNP Paribas Fortis and its fully consolidated subsidiaries, which are related parties to BNP Paribas Fortis, were eliminated upon consolidation and are not disclosed in this note.

### Relations with the Belgian State, the National Bank of Belgium (NBB), the SFPI/FPIM and other Belgian State-controlled entities

According to IAS 24, Related party disclosures, no disclosures are required for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities').

There has been no significant change in transactions between BNP Paribas Fortis and the Belgian State, the SFPI/FPIM, the National Bank of Belgium or other Belgian State-controlled entities in comparison with those described in Note 8.e 'Related parties' of the Annual Report 2011.

### Transactions with other related parties

BNP Paribas Fortis enters into transactions with various related parties in the course of its business operations. All kinds of transactions are entered into under the same commercial and market terms and conditions that apply to non-related parties.

A list of companies consolidated by BNP Paribas Fortis is provided in Note 8.a: 'Scope of consolidation'. As transactions and period-end balances between fully-consolidated entities

are eliminated in full during the consolidation process, the tables below show only figures relating to transactions and balances with (i) companies over which BNP Paribas Fortis exercises joint control (accounted for by the proportionate consolidation method), showing only the proportion not eliminated on consolidation, and (ii) companies over which BNP Paribas Fortis exercises significant influence (accounted for by the equity method).

## Related parties balance sheet items :

	31 December 2012			31 December 2011		
	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
In million of euros						
<b>ASSETS</b>						
<b>Loans, advances and securities</b>						
<i>Demand accounts</i>	1,334	1	26	1,156	1	298
<i>Loans</i>	13,527	628	1,719	23,693	492	10,257
<i>Securities</i>	332		21	522	74	19
<i>Finance leases</i>						
<i>Non-trading securities held in the portfolio</i>	93		88	5	1	2
<b>Other assets</b>	<b>519</b>	<b>3</b>	<b>100</b>	<b>252</b>	<b>4</b>	<b>133</b>
<b>TOTAL</b>	<b>15,805</b>	<b>632</b>	<b>1,954</b>	<b>25,628</b>	<b>572</b>	<b>10,709</b>
<b>LIABILITIES</b>						
<b>Deposits</b>						
<i>Demand accounts</i>	1,253	22	753	1,963	29	2,610
<i>Other borrowings</i>	11,795	1	1,773	15,480	1	47
<b>Debt securities</b>	<b>1,540</b>	<b>62</b>	<b>10</b>	<b>7,193</b>	<b>62</b>	<b>3</b>
<b>Other liabilities</b>	<b>85</b>	<b>1</b>	<b>11</b>	<b>65</b>		<b>2</b>
<b>TOTAL</b>	<b>14,673</b>	<b>86</b>	<b>2,547</b>	<b>24,701</b>	<b>92</b>	<b>2,662</b>
<b>FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS</b>						
Financing commitments given	527	7	791	10,667	1	1,110
Guarantee commitments given	15,788	101	127	14,569	88	141
<b>TOTAL</b>	<b>16,315</b>	<b>108</b>	<b>918</b>	<b>25,236</b>	<b>89</b>	<b>1,251</b>

NP Paribas Fortis also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.) These transactions have been excluded.

## Related parties profit and loss items :

	Year to 31 Dec. 2012			Year to 31 Dec. 2011		
	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method	Entities from the BNP Paribas Group	Consolidated entities under the proportionate method	Consolidated entities under the equity method
In million of euros						
Interest income	475	22	38	321	8	333
Interest expense	(559)	(3)	(22)	(276)		(51)
Commission income	174	2	453	135	1	440
Commission expense	(32)		(22)	(34)		(22)
Services provided		1		109	2	17
Services received				(62)		(25)
Lease income	1					
<b>TOTAL</b>	<b>59</b>	<b>22</b>	<b>447</b>	<b>193</b>	<b>11</b>	<b>692</b>

BNP Paribas Fortis also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.) These transactions have been excluded.

On 12 March 2009 an agreement was concluded on the sale of 25% + 1 share of AG Insurance to BNP Paribas Fortis for an amount of EUR 1,375 million. As part of this transaction Ageas granted to BNP Paribas Fortis a put option to resell at fair value to Ageas the acquired stake in AG Insurance Belgium during the six-month period commencing January 1, 2018.

### Relations with key management personnel

At 31 December 2012, total outstanding loans granted directly or indirectly to the members of the Board of Directors amounted to EUR 2.41 million. This represents the total amount of loans granted to members of the BNP Paribas Fortis Board of Directors and their close family members. These loans represent normal transactions and were carried out on an arm's length basis.

## 8.f Balance sheet by maturity

The table below gives a breakdown of the balance sheet by contractual maturity. The maturities of financial assets and liabilities measured at fair value through profit or loss within the trading portfolio are regarded as '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, derivative hedging instruments, re-measurement adjustments on interest-rate risk hedged portfolios and undated subordinated debt are also deemed to be 'undetermined'.

31 December 2012	Not determined	overnight or demand	up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
In millions of euros								
Cash and amounts due from central banks and post office banks		11,040						11,040
Financial assets at fair value through profit or loss	33,479							33,479
Derivatives used for hedging purposes	1,365							1,365
Available-for-sale financial assets	1,043		324	1,114	2,446	18,018	12,537	35,482
Loans and receivables due from credit institutions	69	2,594	1,849	1,652	2,311	6,795	3,271	18,541
Loans and receivables due from customers		4,883	12,527	15,624	15,152	35,514	64,081	147,781
Remeasurement adjustment on interest-rate risk hedged portfolios	753							753
Held-to-maturity financial assets			10	90	123	784	478	1,485
<b>FINANCIAL ASSETS BY MATURITY</b>	<b>36,709</b>	<b>18,517</b>	<b>14,710</b>	<b>18,480</b>	<b>20,032</b>	<b>61,111</b>	<b>80,367</b>	<b>249,926</b>
Due to central banks and post office banks		593						593
Financial liabilities at fair value through profit or loss	30,819							30,819
Derivatives used for hedging purposes	2,836							2,836
Due to credit institutions		3,227	2,644	1,496	4,111	11,155	1,130	23,763
Due to customers		113,794	7,926	6,359	4,910	10,140	3,117	146,246
Debt securities			5,500	5,225	7,381	2,948	1,350	22,404
Subordinated debt	1,143		34	93	590	4,098	1,578	7,536
Remeasurement adjustment on interest-rate risk hedged portfolios	561							561
<b>FINANCIAL LIABILITIES BY MATURITY</b>	<b>35,359</b>	<b>117,614</b>	<b>16,104</b>	<b>13,173</b>	<b>16,992</b>	<b>28,341</b>	<b>7,175</b>	<b>234,758</b>

31 December 2011	Not determined	overnight or demand	up to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
<b>In millions of euros</b>								
Cash and amounts due from central banks and post office banks		8,287						8,287
Financial assets at fair value through profit or loss	91,241							91,241
Derivatives used for hedging purposes	935							935
Available-for-sale financial assets	1,256		1,390	1,065	7,359	15,259	16,359	42,688
Loans and receivables due from credit institutions	71	5,126	3,017	16,683	2,482	6,394	2,013	35,786
Loans and receivables due from customers		5,764	15,310	14,220	13,900	29,221	67,342	145,757
Remeasurement adjustment on interest-rate risk hedged portfolios	674							674
Held-to-maturity financial assets			10	60	631	961	525	2,187
<b>FINANCIAL ASSETS BY MATURITY</b>	<b>94,177</b>	<b>19,177</b>	<b>19,727</b>	<b>32,028</b>	<b>24,372</b>	<b>51,835</b>	<b>86,239</b>	<b>327,555</b>
Due to central banks and post office banks		41						41
Financial liabilities at fair value through profit or loss	99,359							99,359
Derivatives used for hedging purposes	2,282							2,282
Due to credit institutions		9,872	5,751	12,180	2,035	8,128	952	38,918
Due to customers		103,841	23,568	7,244	5,378	10,803	3,680	154,514
Debt securities			3,972	4,315	1,891	2,281	2,101	14,560
Subordinated debt	2,140		27	259	337	2,933	3,795	9,491
Remeasurement adjustment on interest-rate risk hedged portfolios	472							472
<b>FINANCIAL LIABILITIES BY MATURITY</b>	<b>104,253</b>	<b>113,754</b>	<b>33,318</b>	<b>23,998</b>	<b>9,641</b>	<b>24,145</b>	<b>10,528</b>	<b>319,637</b>

The majority of the financing and guarantee commitments given, which amounted to EUR 36,991 million and EUR 28,563 million respectively at 31 December 2012 (EUR 40,316 million

and EUR 29,405 million respectively at 31 December 2011), can be drawn at sight.

## 8.g Structured Credit Instruments

BNP Paribas Fortis holds structured credit instruments (SCIs) as part of its investment portfolio. SCIs are securities created by repackaging cash flows from financial products. They encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised loan obligations (CLOs). The exposure to structured credit instruments is categorised

in the Consolidated Financial Statements as 'available-for-sale financial assets', 'investments reclassified as loans and receivables' and 'financial assets at fair value through profit or loss'. In 2012, the remaining structured credit instruments classified as available-for-sale were sold.

The net exposure to global structured credit instruments as at 31 December 2012 can be detailed by accounting category as follows:

In million of euros	31 December 2012	31 December 2011
SCI under Available-for-sale financial assets		3
SCI under Financial assets at fair value through profit or loss	33	128
SCI under Loans and receivables	12,036	18,501
<b>TOTAL</b>	<b>12,069</b>	<b>18,632</b>

This net exposure as at 31 December can be further detailed by type of assets as follows:

In million of euros	31 December 2012	31 December 2011
RMBS	5,574	10,511
CMBS	549	766
CLOs	1,890	2,577
Other ABS	4,056	4,779
<b>TOTAL</b>	<b>12,069</b>	<b>18,633</b>

On 12 May 2009, a substantial part of the retained SCI portfolio was transferred to investments reclassified as loans and receivables, applying the amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures (see note 5.e 'Financial instruments reclassified as loans and receivables'). This reclassification related to financial assets that were previously recognised as available-for-sale investments, assets held for trading and other assets.

Part of this portfolio carried a guarantee by the Belgian State on the second level of loss. Beyond a first tranche of final loss (EUR (3.5) billion), the Belgian State guaranteed on demand a second loss tranche of up to EUR (1.5) billion. In December 2012, this guarantee was renegotiated with the Belgian State, and was terminated.

The financial assets reclassified to loans and receivables are summarised in the following table:

In millions of euros	Carrying amount as of reclassi- fication date	31 December 2012		31 December 2011	
		Carrying Value	Market or model value	Carrying Value	Market or model value
<b>Financial assets reclassified from the trading portfolio</b>	<b>108</b>	<b>183</b>	<b>186</b>	<b>251</b>	<b>238</b>
- Into loans and receivables due from customers	108	183	186	251	238
<b>Financial assets reclassified from the available-for-sale portfolio</b>	<b>21,312</b>	<b>6,841</b>	<b>7,126</b>	<b>12,917</b>	<b>12,854</b>
- Into loans and receivables due from customers	21,312	6,841	7,126	12,917	12,854
<b>Financial assets reclassified from the other assets portfolio</b>	<b>2,030</b>	<b>1,112</b>	<b>1,077</b>	<b>1,434</b>	<b>1,313</b>
- Into loans and receivables due from customers	2,030	1,112	1,077	1,434	1,313
<b>TOTAL PORTFOLIO RECLASSIFIED INTO LOANS AND RECEIVABLES</b>	<b>23,450</b>	<b>8,136</b>	<b>8,389</b>	<b>14,602</b>	<b>14,405</b>

As of the reclassification date, the weighted average effective interest rate on financial assets reclassified as loans and receivables was 7.157% and the expected recoverable cash flows were EUR 18,531 million.

billion. These notes were previously recorded as SCIs under loans and receivables. In 2012, similar calls took place on other Dutch mortgage-backed securities (Dolphin and Beluga) for a total amount of EUR 4.7 billion.

In September 2010, Dutch mortgage-backed notes (Dolphin notes) were called at nominal value for an amount of EUR 4.1

Other sales and reimbursements since the reclassification date explain the further decreases in the portfolio over time.

The following table shows the profit or loss items related to the reclassified assets, both as they were recorded over the period and as they would have been recorded if the reclassification had not taken place:

In millions of euros	Year to 31 Dec. 2012	Year to 31 Dec. 2011
Profit or loss and equity items (before tax) related to reclassified assets as recorded	(289)	(1,014)
<b>Profit or loss item</b>	<b>281</b>	<b>342</b>
- Interest income	177	277
- Gains or losses on financial assets	5	12
- Cost of risk	91	39
- Other	8	14
<b>Equity items</b>	<b>(570)</b>	<b>(1,356)</b>
Impact on Profit or loss and equity items (before tax) if assets had not been reclassified	207	372
<b>Profit or loss items</b>	<b>14</b>	<b>(125)</b>
<b>Equity items</b>	<b>193</b>	<b>497</b>

## 8.h Exposure to sovereign debt risk

As part of liquidity management, BNP Paribas Fortis and BNP Paribas seek to maximise the assets available for refinancing so that they can meet unexpected liquidity needs. In particular, this strategy is predicated on holding securities eligible as collateral for refinancing from central banks and includes a substantial proportion of highly rated debt securities issued

by governments representing a low level of risk. As part of its ALM and structural interest-rate risk management policy, the Group also holds a portfolio of assets that includes sovereign debt instruments, with interest-rate characteristics which contribute to its hedging strategies.

BNP Paribas Fortis' euro sovereign bond portfolio is shown in the table below:

In millions of euros	31 December 2012	31 December 2011
	Banking Book	Banking Book
<b>Eurozone</b>		
Belgium	17,038	17,007
Netherlands	3,249	7,467
France	1,685	2,761
Italy	1,150	1,111
Spain	618	578
Finland	290	293
Germany	123	2,226
Austria	105	539
Luxembourg	46	31
Slovenia	38	41
Slovakia	29	29
Cyprus	7	23
<b>Countries under support</b>		
Portugal	575	1,182
Ireland	176	169
Greece		290
<b>Total eurozone</b>	<b>25,129</b>	<b>33,747</b>

### Accounting treatment of debt securities issued by Greece, Ireland and Portugal

#### 1) Reclassification of securities at 30 June 2011

The lack of liquidity seen during the first half of 2011 in the markets for public debt instruments issued by Greece, Ireland and Portugal prompted BNP Paribas Fortis to cease classifying these securities as available-for-sale assets.

As permitted in such exceptional circumstances by paragraph 50E of IAS 39, and given the period that the bank believes to be necessary for these three countries to restore the state of their finances, BNP Paribas Fortis reclassified – with effect from 30 June 2011 – public debt securities from these three countries from the 'Available-for-sale financial assets' category to 'Loans and receivables'.

Greek sovereign debt instruments due to mature prior to 31 December 2020 were covered by provisions under the second support plan for Greece, which was initiated in June 2011 and finalised on 21 July 2011, reflecting the banks' commitment to providing support. This plan had several options, including a voluntary exchange at par for 30-year debt securities with their principal collateralised by AAA-rated zero coupon bonds, with terms leading to the recognition of an initial discount of 21%.

BNP Paribas Fortis intended to take up this exchange option. Accordingly, the debt securities held on the balance sheet and due to be exchanged were measured by recognising the 21% discount. Treated as a concession by the lender owing to the difficulties encountered by the borrower, this discount led to an impairment loss being recognised through profit or loss in the first half of 2011.

As regards Greek sovereign debt securities not exchanged, and also Irish and Portuguese sovereign debt instruments, after due consideration of the various aspects of the European support plan, most investors took the view that there was no objective evidence that the recovery of the future cash flows associated with these securities was compromised, especially since the European Council had stressed the unique and non-replicable nature of the private sector involvement in this type of operation. Accordingly, the Bank took the view that there were no grounds to recognise an impairment for these securities.

## 2) Measurement of securities at 31 December 2011

In the second half of 2011, it was recognised that Greece was experiencing difficulty meeting the economic targets on which the 21 July plan was based, particularly with regard to the sustainability of the country's debts. This led to a new agreement in principle, dated 26 October, based on private-sector creditors waiving 50% of amounts owed to them. Since the arrangements for implementing this agreement had not yet been finally settled by all of the international institutions concerned by year-end 2011, the Bank determined an impairment loss on all the securities it held at 31 December 2011, based on the most recent proposal put forward by private-sector creditors represented by the Institute of International Finance (IIF).

On the basis of (1) a 50% haircut, (2) the immediate repayment of 15% of amounts owed through securities of the European Financial Stability Facility (EFSF) with a maturity of two years and paying market interest rates, (3) the payment of accrued interest through EFSF securities with a maturity of six months and paying market interest rates, (4) a coupon of 3% until 2020 and 3.75% subsequently on securities maturing between 2023 and 2042 received in exchange for existing securities and (5) a

discount rate of 12% on future cash flows, the Bank estimated the likely loss on existing securities at 75%, which is almost identical to that priced in by the market through the average discount on these securities at 31 December 2011.

## Accounting treatment at 30 June 2012, following the exchange offer for Greek sovereign securities

On 21 February 2012, the agreement was refined and supplemented, following negotiations between the representatives of the Greek government, private-sector investors (PSIs) and the Eurogroup. The final agreement is designed to enable Greece to achieve a debt ratio of 120.5% in 2020, down from 160% in 2011, and to achieve the financial stability which was the basic purpose of the support plan. The offer involved private-sector investors waiving 53.5% of the nominal value of their Greek bonds, thus reducing Greece's debt by around EUR 107 billion, in return for a public-sector contribution of EUR 30 billion.

On 12 March 2012, the exchange of Greek sovereign debt securities was carried out, with the following main characteristics:

- 53.5% of the principal of previous securities was waived,
- 31.5% of the principal of previous securities was exchanged for 20 bonds issued by Greece with maturities of between 11 and 30 years. The coupon on new bonds was set at 2% from 2012 to 2015, rising to 3% from 2015 to 2020, 3.6% in 2021 and 4.3% until 2042. These securities are accounted for as 'Available-for-sale assets'.
- 15% of the principal of previous securities was redeemed immediately in the form of short-term securities issued by the European Financial Stability Facility (EFSF), repayment of which is guaranteed by the EUR 30 billion public-sector contribution. These securities are accounted for as 'Available-for-sale assets'.
- Accrued interest on the exchanged Greek debt at 24 February 2012 was settled through the issue of short-term EFSF securities, accounted for as 'Loans and receivables'.
- Each new bond issued by Greece is accompanied by a security linked to movements in Greece's gross domestic product over and above those expected in the plan. This instrument is accounted for as a derivative.



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

The fair value of the instruments received in exchange for the previous securities was valued at 12 March 2012 at 23.3% of the nominal value of the previous securities. The difference versus the net value of the previous securities, plus the adjustment of

accrued interest on the previous securities, led to the recognition of a EUR (16) million loss on the banking book securities, accounted for under cost of risk.

### Evolution during the fourth quarter 2012

BNP Paribas Fortis and BGL BNP Paribas sold their total remaining portfolio of Greek government bonds during the fourth quarter of 2012, leading to a realised gain of EUR 11.2 million.

## Exposure to Greek, Irish and Portuguese sovereign credit risk at 31 December 2012

Banking book positions, broken down by residual term to maturity

In millions of euros	Remaining time to maturity						31 December 2012 Total
	1 year	2 years	3 years	5 years	10 years	> 10 years	
<b>Ireland</b>							
Loans and receivables		3		17	156		176
<b>Portugal</b>							
Loans and receivables		142	59	149	99	107	556
Held-to-maturity financial assets					19		19

## Reclassification of financial instruments initially recognised 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 classified as available-for-sale within the customer loan portfolios.

The financial assets relating to sovereign securities reclassified to loans and receivables are summarized in the following table :

In millions of euros	Assets reclassified as loans and receivables			
	Reclassification date	Carrying value	Expected cash flows deemed recoverable	Average effective interest rate
Sovereign securities from the available-for-sale portfolio		1,903	3,897	
of which Greek sovereign securities	30 June 2011	687	2,168	9.0%
of which Portuguese sovereign securities	30 June 2011	1,020	1,446	8.8%
of which Irish sovereign securities	30 June 2011	196	283	6.1%

The following tables show the items relating to the reclassified assets, both as they were recorded during the period and as they would have been recorded if the reclassification had not taken place:

On the balance sheet:

In millions of euros	31 December 2012	
	Carrying value	market or model value
<b>Sovereign securities reclassified as-</b>		
<b>loans and receivable due from customers</b>	<b>732</b>	<b>802</b>
<i>of which Greek sovereign securities</i>		
<i>of which Portuguese sovereign securities</i>	556	583
<i>of which Irish sovereign securities</i>	176	219

In profit and loss and as a direct change in equity:

In millions of euros	31 December 2012	
	Reported	Pro forma amount for the period
<b>In profit or loss item</b>		
<b>in revenues</b>		
<i>of which Greek sovereign securities</i>	5	5
<i>of which Portuguese sovereign securities</i>	(88)	(88)
<i>of which Irish sovereign securities</i>	8	8
<b>in cost of risk</b>		
<i>of which Greek sovereign securities</i>	(16)	(16)
<b>as direct change in equity (before tax)</b>		
<i>of which Greek sovereign securities</i>		
<i>of which Portuguese sovereign securities</i>	124	296
<i>of which Irish sovereign securities</i>	6	39
<b>Total profit and loss impact and direct changes in equity resulting from reclassified items</b>	<b>39</b>	<b>244</b>

### Disposals of Held-to-maturity securities in 2012

In 2012, BGL BNP Paribas sold EUR 160 million in sovereign debt securities, issued by Portugal and Greece, which had until then been classified under 'held-to-maturity assets'.

The sale of these securities was prompted by the deterioration in the economic situation in Portugal and Greece, as reflected by the downgrading of these countries' credit ratings by various rating agencies during the first quarter of 2012 and by the fall in the market value of these securities.

Rating downgrades suffered by certain issuers threatened to increase the amount of risk-weighted assets corresponding to the loans concerned. As a result, the Bank has reduced its exposure to positions most affected by this change, regardless of their accounting classification.

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

## 8.i Fair value of financial instruments carried at amortised cost

The information provided 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 at 31 December 2012. They can fluctuate from day to day as a result of changes in various parameters, such as interest rates and the credit quality of the counterparty. In particular, they may differ significantly from the amounts 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 instrument of BNP Paribas Fortis' activities as a going concern.
- Most of these fair values are not taken into account in the management of the commercial banking activities.
- 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.
- The fair values shown below do not include the fair values of non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of BNP Paribas Fortis.

In millions of euros	31 December 2012		31 December 2011	
	Carrying value <sup>1</sup>	Estimated fair value	Carrying value <sup>1</sup>	Estimated fair value
<b>FINANCIAL ASSETS</b>				
Loans and receivables due from credit institutions	18,541	18,610	35,786	35,912
Loans and receivables due from customers	147,781	153,654	145,757	151,432
Held-to-maturity financial assets	1,485	1,716	2,187	2,306
<b>FINANCIAL LIABILITIES</b>				
Due to credit institutions	23,763	23,933	38,918	39,105
Due to customers	146,246	147,360	154,514	155,583
Debt securities	22,404	22,571	14,560	15,257
Subordinated debt	7,536	8,531	9,491	9,221

<sup>1</sup> The carrying amount does not include the re-measurement of portfolios of financial instruments in fair value hedging relationships. At 31 December 2012, this is included under 'Re-measurement adjustment on interest-rate risk hedged portfolios' for EUR 753 million under assets, and EUR 561 million under liabilities (respectively EUR 674 million and EUR 472 million, at 31 December 2011).

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The valuation techniques and assumptions used by BNP Paribas Fortis ensure that the fair value of financial assets and liabilities is measured on a consistent basis throughout the BNP Paribas 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 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, 'Summary of significant accounting policies applied by BNP Paribas Fortis'. In the case where loans, liabilities and held-to-maturity financial assets have an initial maturity of less than one year (including demand deposits) or are granted on floating-rate terms, the fair value of these financial assets is equal to the carrying amount. The same principle applies to most regulated savings products.

## 8.j Contingent assets and liabilities

### Legal proceedings

BNP Paribas Fortis (and its consolidated subsidiaries) is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in a number of foreign jurisdictions, arising in the ordinary course of its banking business, including inter alia in connection with its activities as lender, employer, investor and taxpayer.

BNP Paribas Fortis makes provisions for such matters when in the opinion of its management and after having consulted its legal advisors, it is probable that a payment will have to be made by BNP Paribas Fortis and when the amount can be reasonably estimated.

With respect to certain other claims and legal proceedings against BNP Paribas Fortis (and its consolidated subsidiaries) of which management is aware (and for which, according to the principles outlined above, no provision has been made), the management is of the opinion, after due consideration of appropriate advice that, while it is often not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, such proceedings are without legal merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the BNP Paribas Fortis Consolidated Financial Statements.

Following the restructuring of Fortis (referring to both 'Fortis SA/NV' and 'Fortis N.V.' and currently 'Ageas SA/NV' hereafter 'Ageas') at the end of September and the beginning of October 2008, a number of groups representing shareholders, and other parties, initiated (or threatened to initiate) legal action against various entities of the former Fortis group and/or certain members of their Board of Directors and management. These legal actions include inter alia the following:

#### **MCS Noteholders claim against Ageas, BNP Paribas Fortis and others**

Certain holders of Mandatory Convertible Securities (hereafter 'MCS') notes filed two actions against the co-issuers of the MCS, including BNP Paribas Fortis, and against Bank of New York Corporate Trustee Services Ltd in its capacity of trustee, before the Commercial Court of Brussels, firstly claiming annulment of the MCS Notes conversion and the restitution of their MCS Notes and, secondly, claiming damages. On 23 March 2012 the Commercial Court of Brussels dismissed both actions. Certain holders then filed an appeal in June 2012. BNP Paribas Fortis is of the opinion that, as with the first instance action, these claims have no merit.

#### **Claims by VEB NCVB, 'Stichting Investor Claims against Fortis' and others before the Dutch courts**

These legal actions relate to a rights issue by Fortis at the time of its acquisition of ABN Amro and the role of BNP Paribas Fortis as underwriter.

In September 2007, BNP Paribas Fortis acted together with Merrill Lynch and other banks as underwriter of the rights issue by Fortis SA/NV and Fortis N.V. (now Ageas SA/NV) in the amount of EUR 13.4 billion. The purpose of this rights issue was to partly finance Fortis' participation in the acquisition of ABN Amro Bank N.V.

BNP Paribas Fortis received on 3 February 2011 a writ of summons from the Dutch association of shareholders 'VEB NCVB'. This association alleges that BNP Paribas Fortis, Ageas, Merrill Lynch and others are jointly and severally liable in connection with the alleged shortcomings of the prospectus. VEB NCVB is seeking declaratory relief that the statements and alleged omissions in the prospectus were misleading to all who purchased Fortis shares between 24 September 2007 and 3 October 2008 and that as a consequence BNP Paribas Fortis is jointly, with other banks and officers liable for the damages sustained by those shareholders. As these are Dutch legal proceedings relating to a declaration sought by an association, no actual claim for damages can be made at this stage. However, these proceedings may potentially lead to future individual damage claims.

On July 7, 2011 BNP Paribas Fortis received a writ of summons from a Dutch foundation named 'Stichting Investor Claims Against Fortis'. This action addresses the same subject matter and is largely based on the same allegations. Ageas and Merrill Lynch are co-defendants.

On 20 August 2012, BNP Paribas Fortis (and 8 other defendants) received a writ of summons from the same foundation 'Stichting Investor Claims against Fortis' and other investors, seeking to have the defendants declared jointly and severally liable for the payment of damages arising inter alia, in so far as BNP Paribas Fortis is concerned, from the communication allegedly incorrect or incomplete information to the market during the period from the acquisition of ABN Amro Bank until 17 October 2010.

#### **Claims by Deminor International and others against BNP Paribas Fortis and Merrill Lynch**

Deminor and a group of other retail and institutional investors in Fortis shares began in June 2012 a legal action in forced intervention before the Commercial Court of Brussels in order

to obtain damages from BNP Paribas Fortis and Merrill Lynch in their role as overall coordinator of the rights issue of Fortis in September 2007, as described above. The claimants allege that the banks breached their duty as financial advisors, including with respect to the information to be provided to investors in the prospectus issued by Fortis.

While it cannot be ruled out that the above claims may negatively affect the BNP Paribas Fortis Consolidated Financial Statements, any likelihood of this happening is regarded as limited at this point in time.

Other litigation and investigations are pending in relation to the restructuring of the Fortis Group.

This includes, inter alia, an inquiry into the management and course of events at Fortis ordered by the Dutch 'Ondernemingskamer' (Entreprise Chamber) whose report was filed in June 2010. After the filing of the report, the Court decided in April 2012 that improper management had occurred in 2007 and 2008 at Fortis NV (today Ageas SA/NV).

This also includes the fact that in Brussels the examining magistrate in charge since 2008 of examining the case relating to events which occurred within the Fortis group in 2007 and 2008 passed his file up to the Public Prosecutor in October 2012. In November 2012 several individuals were indicted by the examining magistrate and in February 2013 the Public Prosecutor requested the judiciary to order a trial.

The possibility cannot be ruled out that the outcome of such litigation and/or investigations might also have an impact on BNP Paribas Fortis.

Like many other companies in the banking, investment, mutual funds and brokerage sectors, BNP Paribas Fortis (and its consolidated subsidiaries) has received or may receive requests for information from supervisory, governmental or self-regulatory agencies. BNP Paribas Fortis responds to such requests cooperates with the relevant regulators and other parties and helps to address any issues they might raise. BNP Paribas Fortis believes that any issues that have been identified do not represent a systemic problem for BNP Paribas Fortis or its businesses.

## 8.k Fees paid to the Statutory Auditors

The breakdown of the fees paid to the statutory auditors for the year 2012 and 2011 is as follows:

In thousand of euros	Year to 31 Dec. 2012						Year to 31 Dec. 2011					
	Deloitte	%	PwC	%	Total	%	Deloitte	%	PwC	%	Total	%
<b>Audit</b>												
Statutory audits and contractual audits, including:	816	25%	2,623	84%	3,439	54%	2,377	47%	2,087	89%	4,464	60%
- BNP Paribas Fortis	636	20%	959	31%	1,595	25%	1,348	26%	1,179	50%	2,527	34%
- Consolidated subsidiaries	180	6%	1,664	53%	1,844	29%	1,029	20%	908	39%	1,937	26%
Other reviews and services directly related to- the statutory audit engagement, including:	845	26%	325	10%	1,170	18%	85	2%	256	11%	341	5%
- BNP Paribas Fortis	663	20%	108	3%	771	12%	40	1%	233	10%	273	4%
- Consolidated subsidiaries	182	6%	217	7%	399	6%	45	1%	23	1%	68	1%
Sub-total	1,661	51%	2,948	95%	4,609	73%	2,462	48%	2,343	100%	4,805	64%
<b>Non Audit</b>												
Tax and legal	15	0%		0%	15	0%	4	0%		0%	4	0%
- BNP Paribas Fortis		0%		0%		0%		0%		0%		0%
- Consolidated subsidiaries	15	0%		0%	15	0%	4	0%		0%	4	0%
Others	1,565	48%	165	5%	1,730	27%	2,645	52%		0%	2,645	35%
- BNP Paribas Fortis		0%		0%		0%		0%		0%		0%
- Consolidated subsidiaries	1,565	48%	165	5%	1,730	27%	2,645	52%		0%	2,645	35%
Sub-total	1,580	49%	165	5%	1,745	27%	2,649	52%		0%	2,649	36%
<b>TOTAL</b>	<b>3,241</b>	<b>100%</b>	<b>3,113</b>	<b>100%</b>	<b>6,354</b>	<b>100%</b>	<b>5,111</b>	<b>100%</b>	<b>2,343</b>	<b>100%</b>	<b>7,454</b>	<b>100%</b>

The audit fees paid to auditors that are not members of the network of one of the auditors certifying the BNP Paribas Fortis consolidated financial statements and the non-consolidated financial statements, shown in the table above, amounted to EUR 2,601,000 for the year 2012.

## 8.l Events after the reporting period

There have been no material events since the balance sheet date that would require adjustments to the Consolidated Financial Statements as at 31 December 2012.

On 5 July 2012, BNP Paribas Fortis announced plans to strengthen its specialist finance teams.

In concert with the BNP Paribas Group, BNP Paribas Fortis intends to reinforce its Specialist Finance Competence Centre, which provides Export Finance, Project Finance, Leveraged Finance, Telecoms financing and Corporate Acquisition Finance services.

The new plans call for BNP Paribas Fortis to expand the geographical reach of these activities which have since 2009 been managed from Brussels. While today the Competence Centre services the three Benelux countries plus Northern and Central Europe and Turkey, it will in future also cover Germany, Spain and the UK, plus the Middle East and Africa. These plans do not relate to France or Italy, which are both designated Domestic Markets of the BNP Paribas Group.

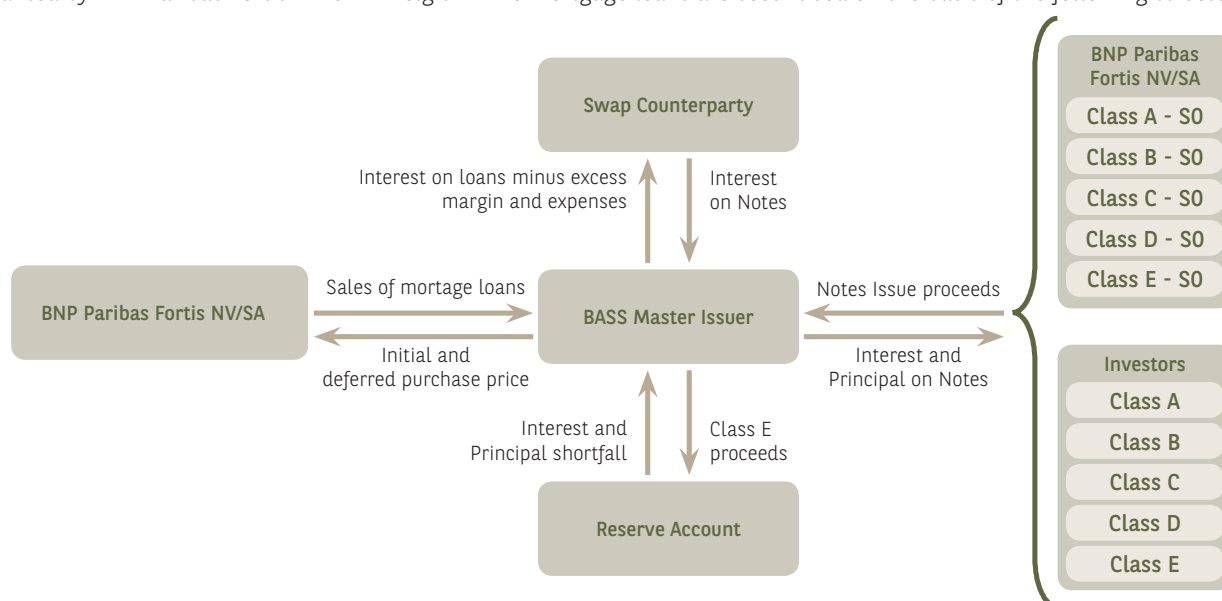
The closing of the transaction took place at 2 January 2013, after all required regulatory approvals had been obtained.

## 8.m Additional information on the Bass and Esmée securitisation transactions

Bass Master Issuer NV/SA, an institutional company for investment in receivables under Belgian law.

### Description of the transaction

Bass Master Issuer NV/SA is a special purpose vehicle (SPV) created for the purpose of securitising mortgage loans, originally granted by BNP Paribas Fortis NV/SA in Belgium. The mortgage loans are securitised on the basis of the following structure:



BNP Paribas Fortis NV/SA transfers monthly interest and principal repayments on the securitised loans to Bass Master Issuer NV/SA. To the extent permitted under the provisions of the programme, Bass Master Issuer NV/SA uses the capital receipts to purchase new mortgage loans from BNP Paribas Fortis NV/SA. The interest payments which Bass Master Issuer NV/SA receives are swapped on a quarterly basis for

the interest payable on the issued bonds, plus a guaranteed excess spread of 0.20% a year.

The bonds issued under the Bass Master Issuer programme as at 31 December 2012 are shown in the following table. Bass Master Issuer was launched in June 2008. The total amount of notes issued under the programme has been increased over time.

Tranche	ISIN	Original notional amount in EUR	Notional amount as of 31 December 2012	Step up date	Legal final maturity	Coupon	Step up coupon	Fitch	Moody's	S&P
Bass 2008-1 A0	BE0002364363	15,750,000,000	23,400,000,000	15/07/2013	15/07/2055	3-m Euribor + 25	3-m Euribor + 25	AAA	Aaa	NR
Bass 2008-1 B0	BE0002365378	525,000,000	780,000,000	15/07/2013	15/07/2055	3-m Euribor + 45	3-m Euribor + 45	AA	Aa3	NR
Bass 2008-1 C0	BE0002366384	525,000,000	780,000,000	15/07/2013	15/07/2055	3-m Euribor + 60	3-m Euribor + 60	A	A2	NR
Bass 2008-1 D0	BE0002367390	700,000,000	1,040,000,000	15/07/2013	15/07/2055	3-m Euribor + 120	3-m Euribor + 120	BBB	NR	NR
Bass 2008-1 E0	BE0002368406	157,500,000	234,000,000	15/07/2013	15/07/2055	3-m Euribor + 600	3-m Euribor + 600	NR	NR	NR
<b>Total Bass</b>			<b>26,234,000,000</b>							

As at 31 December 2012, BNP Paribas Fortis NV/SA had transferred mortgage loans to the value of EUR 25,817,161,970.97 to Bass Master Issuer NV/SA.

## Overview of relevant parties

BNP Paribas Fortis NV/SA plays several roles within the securitisation transaction, with a number other roles being played by parties outside the scope of BNP Paribas Fortis NV/SA. The following table contains provides of the relevant parties:

### Issuer of the bonds

Bass Master Issuer NV/SA, institutional company for investment in receivables under Belgian law. The company is not a subsidiary of BNP Paribas Fortis NV/SA and is represented by two independent directors.

### Seller of the loans

BNP Paribas Fortis NV/SA. Direct or indirect subsidiaries of BNP Paribas Fortis NV/SA may participate in the programme, subject to certain conditions, provided that a supplement to the prospectus is published.

### Loan provider

BNP Paribas Fortis NV/SA or any subsidiary or predecessor of BNP Paribas Fortis NV/SA.

### Loan servicer

BNP Paribas Fortis NV/SA

### Administrator of Bass Master Issuer NV/SA

Intertrust (Nederland) B.V.

### GIC counterparty

BNP Paribas Fortis NV/SA

### Interest swap counterparty

BNP Paribas Fortis NV/SA

### Security Agent

Stichting Security Agent Bass, a foundation under Dutch law. The foundation is represented by an independent director.

### Shareholders of Bass Master Issuer

Stichting Holding Bass, a foundation under Belgian law, and Genfinance NV/SA. Stichting Holding Bass is represented by two independent directors.

### Domiciliary Agent

BNP Paribas Fortis NV/SA

### Listing Agent

BNP Paribas Fortis NV/SA

### Reference Agent

BNP Paribas Fortis NV/SA

## Other rights and obligations

Since the securitisation vehicle is fully consolidated by BNP Paribas Fortis NV/SA, all other mutual relationships between the two entities are also consolidated.

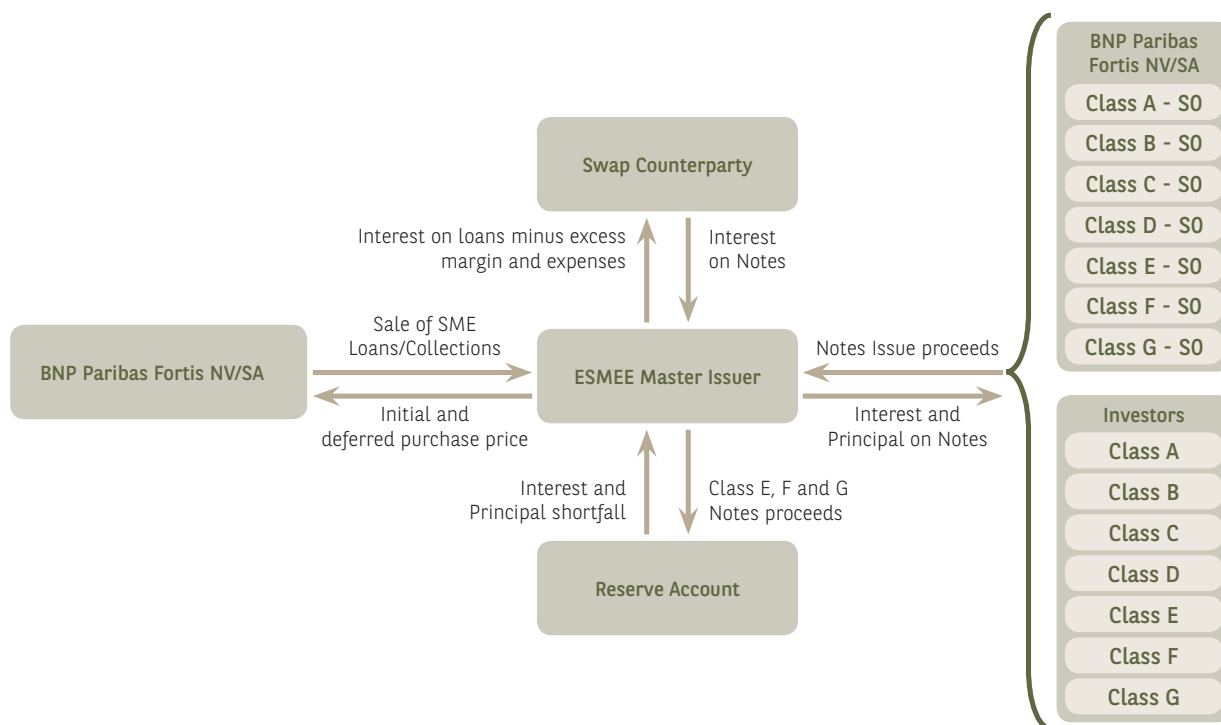


## Esmée Master Issuer NV/SA, an institutional company for investment in receivables under Belgian law

### Description of the transaction

Esmée Master Issuer NV/SA is a second special purpose vehicle (SPV) created to securitise loans to self-employed people and

small and medium-sized enterprises, originally granted by BNP Paribas Fortis NV/SA in Belgium. The loans are securitised on the basis of the following structure:



BNP Paribas Fortis NV/SA transfers monthly interest and principal repayments on the securitised loans to Esmée Master Issuer NV/SA. To the extent permitted under the provisions of the programme, Esmée Master Issuer NV/SA uses the capital receipts to purchase new loans from BNP Paribas Fortis NV/SA, based on predetermined criteria that the loans are required to meet. The interest payments which Esmée Master Issuer NV/

SA receives are swapped on a quarterly basis for the interest payable on the issued bonds, plus a guaranteed excess spread of 0.75% a year.

The bonds issued under the Esmée Master Issuer programme as at 31 December 2012 are shown in the following table. Esmée Master Issuer was launched in December 2009.

Tranche	ISIN	Original notional amount in EUR	Notional amount as of 31 December 2012	Step up date	Legal final maturity	Coupon	Step up coupon	Fitch	Moody's	S&P
Esmee 2009-1 A0	BE0002387596	6,040,000,000	6,040,000,000	25/10/2013	25/10/2047	3-m Euribor + 35	3-m Euribor + 35	AAA	Aaa	NR
Esmee 2009-1 B0	BE0002388602	1,400,000,000	1,400,000,000	25/10/2013	25/10/2047	3-m Euribor + 75	3-m Euribor + 75	NR	A2	NR
Esmee 2009-1 C0	BE0002389618	320,000,000	320,000,000	25/10/2013	25/10/2047	3-m Euribor + 100	3-m Euribor + 100	NR	Baa2	NR
Esmee 2009-1 D0	BE0002390624	240,000,000	240,000,000	25/10/2013	25/10/2047	3-m Euribor + 150	3-m Euribor + 150	NR	Ba2	NR
Esmee 2009-1 E0	BE0002391630	96,000,000	96,000,000	25/10/2013	25/10/2047	3-m Euribor + 300	3-m Euribor + 300	NR	NR	NR
Esmee 2009-1 F0	BE0002392646	96,000,000	96,000,000	25/10/2013	25/10/2047	3-m Euribor + 400	3-m Euribor + 400	NR	NR	NR
Esmee 2009-1 G0	BE0002393651	88,000,000	88,000,000	25/10/2013	25/10/2047	3-m Euribor + 500	3-m Euribor + 500	NR	NR	NR
<b>Total Esmée</b>			<b>8,280,000,000</b>							

As at 31 December 2012, BNP Paribas Fortis NV/SA had transferred loans to self-employed people and small and medium-sized enterprises to the value of EUR 7,840,348,581.55 to Esmée Master Issuer NV/SA.

## Overview of relevant parties

BNP Paribas Fortis NV/SA plays several roles within the securitisation transaction, with several other roles played by parties outside the scope of BNP Paribas Fortis NV/SA. The following table provides an overview of the relevant parties:

### Issuer of the bonds

Esmée Master Issuer NV/SA, institutional company for investment in receivables under Belgian law. The company is not a subsidiary of BNP Paribas Fortis NV/SA and is represented by two independent directors.

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### Seller of the loans

BNP Paribas Fortis NV/SA. Direct or indirect subsidiaries of BNP Paribas Fortis NV/SA may participate in the programme, subject to certain conditions, provided that a supplement to the prospectus is published.

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### Loan provider

BNP Paribas Fortis NV/SA or any subsidiary or predecessor of BNP Paribas Fortis NV/SA.

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### Loan servicer

BNP Paribas Fortis NV/SA

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### Administrator of Esmée Master Issuer NV/SA

Intertrust (Nederland) B.V.

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### GIC counterparty

BNP Paribas Fortis NV/SA

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### Interest swap counterparty

BNP Paribas Fortis NV/SA

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### Security Agent

Stichting Security Agent Esmée, a foundation under Dutch law. The foundation is represented by an independent director.

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### Shareholders of Esmée Master Issuer

Stichting Holding Esmée, a foundation under Belgian law, and Genfinance NV/SA. Stichting Holding Esmée is represented by two independent directors.

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### Domiciliary Agent

BNP Paribas Fortis NV/SA

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### Listing Agent

BNP Paribas Fortis NV/SA

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### Reference Agent

BNP Paribas Fortis NV/SA

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## Other rights and obligations

Since the securitisation vehicle is fully consolidated by BNP Paribas Fortis NV/SA, all other mutual relationships between the two entities are also consolidated.

# Report of the accredited statutory auditors

## JOINT STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY BNP PARIBAS FORTIS SA/NV AS OF AND FOR THE YEAR ENDING 31 DECEMBER 2012

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the Consolidated Financial Statements for the year ended 31 December 2012 as defined below, as well as our report on other legal and regulatory requirements.

### **Report on the Consolidated Financial Statements**

We have audited the Consolidated Financial Statements of BNP Paribas Fortis SA/NV ("the Company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These Consolidated Financial Statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated profit and loss account, the statement of net income and changes in assets and liabilities recognised directly in equity, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR (000.000) 272.254 and the consolidated profit and loss account show a net income for the year (group share) of EUR (000.000) 307.

### ***Board of directors' responsibility for the preparation of the Consolidated Financial Statements***

The Company's 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 with the legal and regulatory requirements applicable in Belgium, 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.

### ***Statutory auditor's responsibility***

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 statutory auditor's judgment, 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 statutory auditor considers internal control relevant to the group'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 group'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 have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

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

### ***Unqualified Opinion***

In our opinion, the Consolidated Financial Statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2012 and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

### ***Emphasis of Matter regarding certain pending legal proceedings***

Without further qualifying our opinion, we draw the attention to the fact that as described in note 8.j to the Consolidated Financial Statements as of 31 December 2012, as a result of 2008 events having impacted the Fortis group, a number of claimants have initiated legal actions against the former Fortis group, including the Company and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the Consolidated Financial Statements.

### ***Report on other legal and regulatory requirements***

The board of directors is responsible for the preparation and the content of the Annual report on the Consolidated Financial Statements.

In the framework of our mandate our responsibility is to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify our opinion on the Consolidated Financial Statements:

- The Annual report on the Consolidated Financial Statements includes the information required by law and is consistent with the Consolidated Financial Statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 15 March 2013

### **The Joint Statutory Auditors**

#### **PwC Reviseurs d'Entreprises scrl/ Bedrijfsrevisoren bcvba**

Represented by

R. Jeanquart  
Reviser d'Entreprises / Bedrijfsrevisor

#### **Deloitte Reviseurs d'Entreprises sc sous forme d'une scrl / Bedrijfsrevisoren bv ovv cvba**

Represented by

Ph. Maeyaert  
Reviser d'Entreprises / Bedrijfsrevisor

F. Verhaegen  
Reviser d'Entreprises / Bedrijfsrevisor



# **BNP Paribas Fortis Annual Report 2012 (non-consolidated)**

# Report of the Board of Directors

In conformity with Article 119 of the Belgian Companies Code and to avoid repetition, BNP Paribas Fortis has combined the non-consolidated report and the consolidated report of the Board of Directors. The consolidated report of the Board of Directors can be found on pages 9 to 42 of this Annual Report.

## Comments on the evolution of the Balance Sheet

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The **total balance sheet** at 31 December 2012 amounted to EUR 202 billion, a decrease of EUR (99) billion or 33% compared with 31 December 2011. The decrease is mainly the result of the process of novation and reduction of both Interest Rate Swaps (IRS) and options (IRO) generating a decline in the accruals. Moreover, the investments in Debt Securities declined by 23%. The volume of interbank transactions also dropped both as regards the assets and the liabilities.

### Assets

**Receivables from credit institutions** stood at EUR 21 billion at end-2012, a decrease of EUR (23) billion or 52%, mainly in Belgium.

The receivables of EUR 21 billion comprise mainly current accounts (EUR 5 billion), interbank investments (EUR 12 billion), reverse repurchase agreements (EUR 2 billion) and monetary reserves at the Belgian National Bank (EUR 1 billion). At the end of 2012, interbank receivables represented 10% of total assets, compared with 14% at end 2011.

Reverse repurchase agreements and current accounts decreased respectively by EUR (15) billion and EUR (4) billion. The monetary reserve also declined by EUR (3) billion while interbank investments increased by EUR 1 billion.

**Receivables from customers** amounted to EUR 74 billion at 31 December 2012, a decrease of EUR (8) billion or 10%, EUR (6) billion in Belgium and EUR (2) billion at the foreign branches.

The receivables of EUR 74 billion consist of term loans (EUR 49 billion), mortgage loans (EUR 14 billion), reverse repurchase agreements (EUR 5 billion), advances on current accounts (EUR 4 billion) and other receivables (EUR 2 billion). At the end of 2012, they represented 37% of the total assets versus 27% at end 2011.

At the end of 2012, this line no longer contains mortgage loans in the amount of EUR 26 billion, or term loans amounting to EUR 8 billion as these receivables have been securitised via Special Purpose Vehicles.

The evolution compared to 2011 can be described as follows. In Belgium, reverse repurchase agreements decreased by EUR (5) billion and term loans by EUR (1) billion, advances on current accounts by EUR (1) billion and the other receivables by EUR (1) billion. On the other hand, mortgage loans increased by EUR 2 billion.

Term loans at the branches decreased by EUR (3) billion, mainly owing to the transfer of foreign branch activities to the BNP Paribas Group, while current accounts increased by EUR 1 billion.

**Bonds and other fixed-income securities** totalled to EUR 69 billion. This portfolio decreased by EUR (21) billion or 23%, mainly in Belgium.

The amount of EUR 69 billion consists mostly of an investment portfolio containing bonds issued by public authorities (EUR 21 billion), by financial institutions (EUR 2 billion), by 'Special Purpose Vehicles' (EUR 33 billion) and by other issuers (EUR 11 billion). The trading portfolio amounted to EUR 2 billion. Bonds and other fixed-income securities represented 34% of total assets in 2012 versus 30% at the end of 2011.

The overall decrease is explained by a reduction of EUR (21) billion in the investment portfolio, mainly bonds issued by public authorities (EUR (9) billion), by other borrowers (EUR (11) billion, of which Dolphin and Beluga represent EUR (6) billion), and by financial institutions (EUR (1) billion).

**Financial fixed assets** amounted to EUR 9 billion at 31 December 2012. The reduction of EUR (60) million or 1% is due to the liquidation of participations (Fortis Proprietary Investments and GI Finance) and to the impairment of the participating



interest in BNPP Investment Partners, partially offset by the increase in subordinated loans to subsidiaries (Turk Ekonomi Bankasi AS) and the acquisition of new participations (mainly Fortis Commercial Finance and Alpha (Murcia) Holding BV).

**Other assets** totalled to EUR 6 billion at 31 December 2012, an increase of EUR 1 billion or 27%. This increase is especially concentrated in Belgium due to higher paid premiums on derivatives, essentially trading options.

**Deferred charges and accrued income** amounted to EUR 19 billion, a decrease of EUR (48) billion or 71%, mostly in Belgium. This evolution relates to the accruals on derivatives, essentially on interest rate swaps (EUR (30) billion) and interest rate options (EUR (16) billion). The decrease is mainly the result of the process of novation and reduction of both Interest Rate Swap (IRS) and options (IRO).

Deferred charges and accrued income represented 9% of total assets in 2012, versus 22% at the end of 2011.

## Liabilities and shareholders' equity

**Amounts payable to credit institutions** represented EUR 18 billion at 31 December 2012. This represents a decrease of EUR (29) billion or 61% compared to 2011, mainly in Belgium.

The amount of EUR 18 billion consists of repurchase agreements (EUR 8 billion), interbank borrowings (EUR 4 billion) and sight accounts of credit institutions (EUR 6 billion). At the end of 2012, interbank liabilities represented 9% of total liabilities, compared with 16% at end-2011.

The decrease relates to EUR (19) billion in repurchase agreements and to EUR (8) billion in interbank borrowings.

**Amounts payable to clients** stood at EUR 119 billion at 31 December 2012. This represents a reduction of EUR (13) billion or 10%, resulting from a decrease of EUR (15) billion in Belgium and an increase at the foreign branches of EUR 2 billion.

The amount of EUR 119 billion comprises savings deposits (EUR 58 billion), current accounts (EUR 33 billion), term deposits (EUR 21 billion), reverse repurchase agreements (EUR 3 billion), special deposits (EUR 3 billion) and other debts payable (EUR 1 billion) representing 59% of total liabilities versus 44% at end-2011.

The evolution resulted mainly from a decline in reverse repurchase agreements (EUR (23) billion) offset by an increase in term deposits (EUR 2 billion), current accounts (EUR 3 billion) and saving accounts (EUR 4 billion).

**Amounts payable represented by a security** totalled EUR 17 billion at 31 December 2012. Overall, they decreased by EUR (2) billion or 9% in 2012, mainly in Belgium.

The amount of EUR 17 billion consists of certificates of deposit (EUR 8 billion), savings certificates (EUR 6 billion) and non-convertible bonds (EUR 3 billion), representing 9% of total liabilities, compared with 6% at end 2011.

This decline is largely explained by a decrease of EUR (5) billion in non-convertible bonds, compensated by an increase of EUR 4 billion in certificates of deposit.

**Other amounts payable** represented EUR 7 billion at 31 December 2012, stable in relation to 2011. The amount of EUR 7 billion consists mainly of received premiums on derivatives, predominantly trading options.

**Accrued charges and deferred income** amounted to EUR 16 billion, a decrease of EUR (51) billion or 76%, mostly in Belgium. This evolution relates to accruals on derivatives, essentially on interest rate swaps (EUR (35) billion) and interest rate options (EUR (15) billion). The decrease is mainly the result of the process of novation and reduction of both Interest Rate Swap (IRS) and options (IRO).

Accrued charges and deferred income represent 8% of total liabilities in 2012 compared with 22% at the end of 2011.

**Fund for general banking risks** remained unchanged at EUR 1 billion.

**Subordinated debts** amounted to EUR 10 billion, a decrease of EUR (5) billion or 32%. The decrease is an overall reflection of the run-off calendar.

**Shareholders' equity**, after earnings appropriation, stood at EUR 13 billion at end-2012, an increase of EUR 1.4 billion or 15%. The rise is due to the amount of retained profit.

## Comments on the evolution of the Income statement

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The **year's result** showed a profit of EUR 1,704 million, compared to EUR 72 million in 2011.

The result of the year 2012 was mainly impacted by the reversal of the impairment on the Ageas pledged shares (EUR 1,384 million), resulting from the tender offer launched by BNP Paribas on the CASHES. BNP Paribas exercised the exchange option allowing conversion of the CASHES for the underlying amount of Ageas shares. This offer enabled the acquisition of nearly 63% of the CASHES securities. As AGEAS shares have been subject to impairment in the past, a reversal of impairment has now been recorded in proportion to the execution of the tender offer.

The result of the year 2011 was negatively influenced by the impairments on the Greek sovereign debt, leading to a provision of EUR (670) million.

The **interest margin** (Headings I and II) amounted to EUR 2,335 million in 2012, reflecting a decrease of EUR (187) million or 7% on 2011. This decrease breaks down to EUR (147) million located in Belgium and EUR (40) million at the foreign branches.

The interest margin in Belgium was impacted by a general decrease in the level of interest rates.

Interest income decreased mainly due to the decline in the average volume of the investment bonds portfolio (EUR (8.4) billion), combined with reinvestments at lower interest rates. The decrease in the interest expenses, resulting from the decreasing volume of long term subordinated debts (EUR (4,2) billion), partially offset the decline in interest income.

However, the interest margin at Retail Banking in Belgium increased in 2012. The decrease in interest income, in spite of the overall increase in loans, thanks in particular to the integration of Fortis Finance Belgium lending activities, is smaller than the decrease in interest expense, notwithstanding an increase in saving accounts.

The decline at the foreign branches is mainly due to the ongoing integration of foreign branches into other entities of the BNP Paribas Group.

**Income from variable-income securities** (Heading III) amounted to EUR 400 million in 2012, a decrease of EUR (53) million or 12% on 2011, mainly due to a decrease in dividends received from participating interests.

**Commissions** (Heading IV and V) amounted to EUR 947 million. The decrease of EUR (13) million is the combination of a EUR 49 million rise in Belgium outweighed by a EUR (62) million decrease at the foreign branches.

Despite the rise in fees on consumer credit, insurance products and guarantees, Retail Banking commission in Belgium decreased, in particular in relation to the management of investment funds and in relation to the securities business.

In addition, commission income related to both the transfer of capital market activities to BNP Paribas Paris and London and the structured finance business increased.

The decline in commission at foreign branches was essentially related to the commission received in 2011 following the transfer of the Fortis Proprietary Investment portfolio to the New York branch.

**Profit on financial operations** (Heading VI) amounted to EUR 255 million, up by EUR 235 million.

Profit on exchange transactions and trading in securities and other financial instruments amounted to EUR 189 million in 2012, versus EUR 41 million in 2011. The increase can be explained by the good performance of the forex activities (development with Belgian customers and new clients CTBE) and of the repo / reverse repo portfolio (good anticipation of the flattening of Euribor), and by the decrease of credit risk spread (mainly for PIIGS countries).

The disposal of investment securities, mainly fixed-income securities, generated a profit of EUR 66 million in 2012 compared to a loss of EUR (21) million in 2011.

**General administrative expenses** (Heading VII) came to EUR (2,794) million, a decrease of EUR 32 million on 2011.

Remuneration, social charges and pensions increased by EUR (41) million or 3%. On the one hand, the externalisation of a pension fund generated a contribution payment to the insurer. On the other hand, basic and variable salaries decreased following the new compensation model implemented in 2012.

Other administrative expenses decreased by EUR 73 million in 2012, mainly due to reduced integration costs at BNP Paribas Fortis SA/NV.

**Depreciation and amounts written off on formation expenses, intangible and tangible fixed assets** (Heading VIII) amounted to EUR (152) million, a decrease of EUR 20 million on 2011. This evolution is mainly due to higher depreciation on intangible assets in 2011 which was a consequence of the integration of Fortis Finance Belgium activities.

**Amounts written off on the amounts receivable and the investment portfolio** (Heading IX + X) totalled EUR (228) million, versus EUR (847) million in 2011, a decrease of EUR 620 million.

In 2011, the level of impairments was mainly impacted by a EUR (670) million impairment on the Greek sovereign debt. Excluding this impact, the level of impairments in 2012 was actually higher than in 2011 due to a general decline in the economic environment.

**Provisions for risks and charges** (Heading XI + XII) showed a net reversal of EUR 14 million in 2012 against EUR 350 million in 2011. The 2012 provisions were impacted by a reversal of tax-related and legal provisions.

The 2011 provisions were impacted by a reversal of tax-related provisions (EUR 253 million) and also by a reversal of legal provisions used (EUR 64 million, to be seen in parallel with Heading XV, 'Other Operating Charges').

**Other operating income** (Heading XIV) amounted to EUR 227 million, up by EUR 14 million compared to 2011. This evolution is mainly related to the re-invoicing of costs to BNP Paribas.

**Other operating charges** (Heading XV) amounted to EUR (279) million for 2012, down by EUR 48 million compared to 2011. The new tax on regular deposits negatively impacted the 2012 charges (EUR (18) million).

Charges in 2011 included payments related to already provisioned legal risks (EUR (64) million, to be considered together with Heading XI, 'Uses of provisions for risks and charges').

**Extraordinary income** (Heading XVII) came to EUR 1,515 million, an increase of EUR 1,198 million, relating mainly to the reversal of impairments on financial fixed assets (EUR 1,436 million, included in caption XVII B, of which EUR 1,384 million on pledged Ageas shares resulting from the tender offer by BNP Paribas on the CASHES and EUR 47 million on Ageas shares following fluctuations in the share price), realised gains on financial fixed assets (EUR 32 million, included in caption XVII D, of which EUR 31 million on Artemis), realised gains on property, plant and equipment (EUR 8 million, included in caption XVII D) and other extraordinary income (EUR 38 million, included in Heading XVII E, of which badwill in the newly created BNP Paribas Fortis Oslo branch (EUR 22 million), following the transfer of the Norwegian activities from the BNP Paribas Oslo branch).

In 2011 the extraordinary income of EUR 317 million resulted mainly from the reversal of impairments on financial fixed assets (EUR 244 million, included in Heading XVII B, of which EUR 183 million on Fortis Proprietary Investments), realised gains on financial fixed assets (EUR 35 million, included in Heading XVII D, of which EUR 23 million on FB Reinsurance) and realised gains on property, plant and equipment (EUR 33 million, included in Heading XVII D, mainly on buildings).

**Extraordinary charges** (Heading XVIII) came to EUR (538) million, a decrease of EUR 3 million, relating mainly to impairments on financial fixed assets (EUR (288) million, included in Heading XVIII B, of which EUR (276) million on BNPP IP), provisions for early departures (EUR (137) million, included in Heading XVIII C), realised losses on property, plant and equipment (EUR (29) million, included in Heading XVIII D, mainly relating to sales of IT equipment) and other extraordinary charges (EUR (76) million, included in heading XVIII E, of which EUR (70) million arising from an indemnity payment to BNP Paribas following the tender offer launched by BNP Paribas on the CASHES).

In 2011 the amount of EUR (541) million mainly resulted from impairments on financial fixed assets (EUR (386) million, included in Heading XVIII B, of which EUR (273) million on AG Insurance and on Ageas EUR (64) million), realised losses on financial fixed assets (EUR (73) million, included in Heading XVIII D) and realised losses on property, plant and equipment (EUR (35) million, included in Heading XVIII D, mainly on buildings)

**Income taxes** (Heading XIXbis + XX) showed a for EUR 2 million positive balance in 2012, following a of EUR (49) million negative outcome in 2011. The tax level was influenced by the fiscal treatment of the employee benefits participation, plus the provisions for early departures in Belgium and also by the specific tax regimes at the foreign branches.

The 11 **foreign branches** located in Bucharest, Cologne, Copenhagen, Lisbon, London, Madrid, New York, Oslo (newly created in 2012), Prague, Stockholm and Vienna together made a profit of EUR 148 million in 2012, down from EUR 211 million in 2011.

**Profit for the year available for appropriation** came to EUR 1,704 million.

## Proposed appropriation of the result for the accounting period

Profit for the year for appropriation	EUR	1,704.0	million
Profit brought forward from the previous year	EUR	1,221.3	million
Profit to be appropriated	EUR	2,925.3	million
Appropriation to statutory reserve	EUR	85.2	million
Profit to be carried forward	EUR	2,560.0	million
Dividend	EUR	256.1	million
Other allocations	EUR	24.0	million

In accordance with the aforementioned profit appropriation for the financial year 2012, the Board of Directors of BNP Paribas Fortis SA/NV will request the approval of the General Meeting of Shareholders for the distribution of a gross dividend of EUR 0.53 per share. This corresponds to a net dividend of EUR 0.3975. For shares with VVPR-strips the net dividend amounts to EUR 0.4187.

As part of its pursuit of cheaper capital, BNP Paribas Fortis issued innovative financial debt instruments ('Redeemable Perpetual Cumulative Coupon Debt Securities') on the international market on 26 September 2001 to a total value of EUR 1 billion. The purpose of the issue was to bolster BNP Paribas Fortis' solvency in a proactive manner and hence to support the further development of banking operations, in terms of corporate and consumer credit provision and of marketing operations. This move also anticipates new solvency regulations, including coverage of additional risk categories such as operating risk. Since these securities are, by their nature, highly subordinated liabilities, the Banking, Finance and Insurance Commission has agreed to rate them as equal to Tier 1 capital. A number of conditions have to be met to this end, including the possibility of converting the securities into BNP Paribas Fortis profit-sharing instruments under certain circumstances. To allow profit-sharing instruments to be issued on submission of these securities, the Extraordinary Meeting of Shareholders of 23 November 2001 added Article 5bis to the Articles of Association. The authorised capital was also adjusted to enable the Board of Directors, amongst other

things, to pay the interest on the securities by issuing new BNP Paribas Fortis shares, if that should prove necessary. Article 5bis of the Articles of Association further lists the circumstances in which profit-sharing instruments of this kind may be issued, the characteristics of those instruments, the dividend restrictions applying to them and various other provisions.

The Board of Directors has also undertaken to abide by the following regulatory limits: if actually issued, the profit-sharing instruments, together with other innovative capital instruments issued by BNP Paribas Fortis that qualify as Tier 1 capital, will not amount to more than 15% of BNP Paribas Fortis' Tier 1 capital and if actually used, the profit-sharing instruments, together with other similar instruments or shares without voting rights issued by BNP Paribas Fortis, will not amount to more than one third of BNP Paribas Fortis' authorised capital, including issue premiums.

BNP Paribas Fortis decided not to exercise its call option on the EUR 1 billion Redeemable Perpetual Cumulative Coupon Debt Securities at their first call date of 26 September 2011. Following the BNP Paribas Fortis decision, and pursuant to the terms and conditions of these Securities, Ageas sought the approval of the National Bank of Belgium (NBB) to acquire the securities against cash and at par on 26 September 2011. On 19 August 2011, Ageas was notified by the NBB of its consent to the exchange. In addition, Ageas was informed that holders representing 95% of the amount of the securities had decided to opt for the exchange.

On 27 October 2004, BNP Paribas Fortis issued Directly Issued Perpetual Securities to the value of EUR 1 billion with a goal and characteristics that are broadly comparable with the Redeemable Perpetual Cumulative Coupon Debt Securities dating from 2001. The regulatory limits described above also apply for this issue. In order to facilitate the issue of Directly Issued Perpetual Securities, the Articles of Association were amended at an Extraordinary General Meeting of Shareholders on 28 April 2005. A new Article 5ter was added, which defines in detail the circumstances under which profit-sharing instruments will be issued, their characteristics, the associated dividend restrictions and various other provisions.

On 19 December 2007, BNP Paribas Fortis issued Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) with a nominal value of EUR 3 billion and a denomination of EUR 250,000 each. The coupons on the securities are payable quarterly at a variable rate per annum of 3 month Euribor + 2.0%. For regulatory purposes, the CASHES securities are treated as part of Tier 1 capital. The coupons on the CASHES securities constitute direct and subordinated obligations of each of BNP Paribas Fortis S.A./N.V., Ageas S.A./N.V. (formerly Fortis S.A./N.V.) and Ageas N.V. (formerly Fortis N.V.) as obligors. The coupons of CASHES are subordinated to all other loans, subordinated loans and preference shares, but rank senior to ordinary shares. The principal amount of the securities will not be repaid in cash. The sole recourse of the note holders of the CASHES securities against any of the co-obligors with respect to the principal amount is the equivalent of 125,313,283 shares that BNP Paribas Fortis has pledged in favour of the CASHES holders. Those shares have no dividend entitlement or voting rights until the exchange. The CASHES securities have no maturity date, but may be exchanged against Ageas (ex-Fortis) shares at a price of EUR 23.94 per share at the discretion of the holder. From 19 December 2014, the bonds will be automatically exchanged into Ageas (ex-Fortis) shares if the price of the Ageas (ex-Fortis) share is equal to or higher than EUR 35.91 on twenty successive trading days.

On 26 January 2012, Ageas and BNP Paribas Fortis announced an agreement on a partial settlement of the RPN related to the CASHES and the full call of the Tier 1 instrument issued by BNP Paribas Fortis in 2001 and for 95% held by Ageas since September 2011. The settlement and call were both subject to BNP Paribas reaching at least a 50% success rate on a cash tender of the CASHES, launched on 26 January 2012.

The RPN is a financial instrument held by Ageas SA/NV, Ageas N.V. and BNP Paribas Fortis, which results in quarterly payments being made to, or received from BNP Paribas Fortis SA/NV

At 31 January 2012, it was announced that the tender offer of the CASHES launched by BNP Paribas on 26 January 2012 had been successfully closed on Monday 30 January 2012. The acceptance rate reached 63% at an offer price of 47.5%. On 6 February 2012, BNP Paribas exchanged 7,553 tendered securities out of 12,000 CASHES securities outstanding (62.94%) into 78,874,241 existing Ageas shares, entitled to dividend and voting rights. BNP Paribas collected an indemnification from Ageas and BNP Paribas Fortis. The RPN mechanism ceased to exist in proportion to the CASHES converted. The redemption of the Tier 1 securities and the indemnification payment have been netted.

# Information related to Article 523 of the Belgian Companies code

## Indemnification of directors – Conflict of interest

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### Meeting of 27 April 2012

- On 21 and 27 January 2009, on 28 July 2009, on 5 November 2009 and on 2 December 2010, the Board of Directors of the company decided that the potential liability incurred by its directors in the exercise of their mandate should be indemnified by the company in certain instances.
- The Chairman explains that the company should consider also granting an indemnity to Mrs. Antoinette d'Aspremont Lynden to protect her from the liability that she may incur as Director of the company. The Chairman refers to the considerations underlying the decisions of the Board of 2009, 2010 and 2011, which remain relevant to date. The Chairman therefore proposes that the company undertakes to indemnify Mrs. A. d'Aspremont Lynden in all instances where she acted in good faith and in a manner she believed to be in the best interest of the company, except where the liability of the Director would arise out of a fraud or willful misconduct or where such liability would be covered by an insurance policy (whether or not subscribed by the company) benefiting to such Director.
- The Chairman enacted that, in compliance with article 523 of the Company Code, prior to any deliberation, Mrs. A. d'Aspremont Lynden informed the other Directors and the Auditors of the company that she has to be considered as having an interest conflicting with the decisions to be taken by the Board in connection with this item of the agenda given that she would benefit personally from the indemnity described above.
- Mrs. d'Aspremont Lynden left the meeting room and did not participate to the deliberation and the resolution of the Board recorded in paragraphs 5 and 6 below.
- The other Directors acknowledged that the indemnity described above would be in line with market practices in Belgium considering the specificities of the company. This indemnity would be in the best interest of the company since the company needs to be able to attract and maintain Directors and to benefit from their valuable contribution. Furthermore, the other Directors benefit from a similar indemnity and not granting such indemnity to this Director would be a difference in treatment that cannot be justified and that would make it very difficult to attract and maintain Directors going forward. The Directors participating in the deliberation further acknowledged that there should be no financial consequences for the company arising from this indemnity other than those resulting from any payment made by the company there under.
- The other Directors then proceeded with the deliberation. They discussed the indemnification undertaking and unanimously decided that the company shall indemnify and shall hold harmless Mrs. d'Aspremont Lynden to the fullest extent permitted by applicable law, against or from all liabilities, expenses, damages or other amounts reasonably incurred or borne by her in connection with any proceeding or claim brought by a third party (including, without limitation, a shareholder of the company acting for his own account) against her as Director of the company in respect of any decision, action or omission which was made or occurred (or which is claimed to have been made or to have occurred) before, on or after the date of this meeting, provided however that:
  - she acted in good faith and in a manner she believed to be in the best interest of the company; and
  - this indemnification undertaking shall not be applicable (i) in respect of liabilities, expenses, damages or other amounts arising out of a fraud or willful misconduct of a director; nor (ii) if, and to the extent that, any such liabilities, expenses, damages or other amounts are covered by an insurance policy (whether or not subscribed by the company) benefiting the relevant Director.

## Meeting of 13 December 2012

- During meetings which took place in 2009, 2010 and 2011, the Board of Directors of the company decided that the potential liability incurred by its directors in the exercise of their mandate should be indemnified by the company in certain instances.
- The Chairman explains that the Bank should consider also granting an indemnity to Mr. H. Delwaide to protect him from the liability that he may incur as Director of the Bank. The Chairman refers to the considerations underlying the decisions of the Board of 2009, 2010, 2011 and 2012, which remain relevant to date. The Chairman therefore proposes that the Bank undertakes to indemnify Mr. H. Delwaide in all instances where he acted in good faith and in a manner he believed to be in the best interest of the Bank, except where the liability of the Director would arise out of a fraud or willful misconduct or where such liability would be covered by an insurance policy (whether or not subscribed by the Bank) benefiting to such Director.
- The Chairman enacted that, in compliance with article 523 of the Company Code, prior to any deliberation, Mr. H. Delwaide informed the other Directors and the Auditors of the Bank that he has to be considered as having an interest conflicting with the decisions to be taken by the Board in connection with this item of the agenda given that he would benefit personally from the indemnity described above.
- Mr. H. Delwaide left the meeting room and did not participate to the deliberation and the resolution of the Board recorded in paragraphs 5 and 6 below.
- The other Directors acknowledged that the indemnity described above would be in line with market practices in Belgium considering the specificities of the Bank. This indemnity would be in the best interest of the

Bank since the latter needs to be able to attract and maintain Directors and to benefit from their valuable contribution. Furthermore, the other Directors benefit from a similar indemnity and not granting such indemnity to this Director would be a difference in treatment that cannot be justified and that would make it very difficult to attract and maintain Directors going forward. The Directors participating in the deliberation further acknowledged that there should be no financial consequences for the Bank arising from this indemnity other than those resulting from any payment made by the Bank there under.

- The other Directors then proceeded with the deliberation. They discussed the indemnification undertaking and unanimously decided that the Bank shall indemnify and shall hold harmless Mr. Delwaide to the fullest extent permitted by applicable law, against or from all liabilities, expenses, damages or other amounts reasonably incurred or borne by him in connection with any proceeding or claim brought by a third party (including, without limitation, a shareholder of the Bank acting for his own account) against him as Director of the Bank in respect of any decision, action or omission which was made or occurred (or which is claimed to have been made or to have occurred) before, on or after the date of this meeting, provided however that:
  - he acted in good faith and in a manner he believed to be in the best interest of the Bank; and
  - this indemnification undertaking shall not be applicable (i) in respect of liabilities, expenses, damages or other amounts arising out of a fraud or willful misconduct of a director; nor (ii) if, and to the extent that, any such liabilities, expenses, damages or other amounts are covered by an insurance policy (whether or not subscribed by the Bank) benefiting the relevant Director.



# Information regarding related party transactions

## 1. Board procedure

### Background

Due to a change in legislation entered into force on 1 January 2012, article 524 of the Companies Code, imposing a specific procedure in the context of transactions between related parties, does no longer apply to BNP Paribas Fortis SA/NV ('BNP Paribas Fortis' or the 'Company'). Nonetheless, the Board of Directors, upon advice of the GNRC and in line with its internal governance principles, adopted on 15 December 2011 a 'Board Procedure for Related Party Transactions' (the 'Procedure') that is inspired on but not identical to article 524 of the Companies Code.

On 15 December 2011, the Board of Directors delegated the establishment and composition of a Special Board Committee (the 'SBC' or 'Special Board Committee') to the GNRC.

In the framework of a certain number of related party transactions, as defined in the Procedure and hereinafter further described as the 'Castle' transactions, the GNRC decided during its meeting of 16 January 2012:

- to appoint the following non-executive directors as members of the SBC:
  - Mr. Dirk Boogmans (acting as Chairman and coordinator of the SBC);
  - Mrs. Sophie Dutordoir (independent and non-executive director);
  - Mr. Koen Geens (non-executive director representing the Belgian State);
  - Mr. Jean Stéphane (independent and non-executive director); and
- to appoint Mr. Luc Vansteenkiste as expert to the SBC.

In view of another related party transaction, known under the name 'Haspen' and further described hereunder too, the Board of Directors invited on 25 July 2012 Mrs. d'Aspremont Lynden to join the SBC as an independent and non-executive director.

As the Castle transactions (Castle Leasing, Castle Branches and Castle Specialized Finance) and the Haspen transaction (together the 'Transaction(s)') have, within the meaning of the Procedure, been considered as being related party transactions between various affiliates of the Company, the Board of Directors invited the SBC to deliver a written reasoned opinion (the 'Opinion(s)') with regard to each of these Transactions.

The Procedure provides inter alia (i) that the SBC is assisted by an independent financial advisor and any other person it deems necessary, and (ii) that one of the BNP Paribas Group's statutory auditors issues prior to the Board of Directors meeting taking the relevant decision an opinion on the accuracy of the (financial) data in the Opinion of the SBC.

### Scope of the Opinion

In accordance with the Procedure, any decisions that concern (i) transactions between the Company and an affiliated company thereof, with the exception of its subsidiaries or (ii) transactions between a subsidiary of the Company and an affiliated company of such subsidiary, but which is not a subsidiary of the Company, must prior to any decision by the Board of Directors, be submitted to the application of the Procedure and entail the SBC to render a written reasoned Opinion in which it:

- describes the nature of the transaction;
- gives an assessment of the economic benefit or disadvantage of the transaction for the Company and for its shareholders;
- describes the financial consequences of the transaction for the Company; and
- assesses whether or not the decision or transaction is such that it may cause a disadvantage to the Company that, in the light of the Company's strategy, is manifestly abusive ('kennelijk onrechtmatig'/'manifestement abusif'). If the Special Board Committee is of the opinion that the decision or transaction is not manifestly abusive, but could still be detrimental to the Company, the Special Board Committee must clarify which benefits the Company derives from the decision or transaction that compensate for such disadvantage.

## Composition of the Special Board Committee

In respect of each decision falling within the scope of the Procedure, the SBC must be composed of minimum three (3) non-executive directors who do not represent the majority shareholder. The majority of the members of the Special Board Committee must be independent directors (within the meaning of article 526ter of the Companies Code). In order to meet this requirement, the SBC that was established for the Transactions was composed of the directors mentioned hereabove.

Mr. Dirk Boogmans, Mr. Jean Stéphane, Mrs. Sophie Dutordoir and Mrs. Antoinette d'Aspremont Lynden confirmed that they are independent directors within the meaning of article 526ter Companies Code.

## Independent financial advisor designated by the SBC in accordance with the Procedure

In accordance with the Procedure, the SBC is assisted by an independent financial advisor, and any other person it deems necessary.

For the Castle transactions (Castle Leasing, Castle Branches and Castle Specialized Finance), the SBC designated UBS Limited, 1 Finsbury Avenue, London, EC2M 299, United Kingdom, as independent expert to assist the SBC in the performance of its task and the provision of its Opinion. For

Haspen, the SBC designated Ernst & Young Special Business Services, 1831 Diegem, De Kleetlaan 2, as independent expert to assist the SBC in the performance of its task and the provision of its Opinion.

## Basis for the Opinions – Activities of the Special Board Committee

The SBC' Opinions have been prepared, inter alia, on the basis of the information provided by the management of the Company, BNP Paribas, and BGL BNP Paribas SA.

When concerned and applicable, both the management of BNP Paribas and of the Company have inter alia confirmed to the Special Board Committee that the documents and information provided to the Special Board Committee in order for it to perform its tasks and assessment of the concerned transactions were complete, true, accurate and not misleading, that no material information had been left behind.

With regard to the Castle transactions (Castle Leasing, Castle Branches and Castle Specialized Finance), the SBC held 20 meetings in 2012, and met 4 times with regard to the Haspen transaction. During these meetings the Special Board Committee consulted, exchanged information and views with the Company, the BNP Paribas management, UBS/Ernst & Young and the concerned BNP Paribas Group's statutory auditor.

## 2. Global integration project

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On 12 May 2009 and 13 May 2009, BNP Paribas acquired control over BNP Paribas Fortis by acquiring 74.93% of the shares of BNP Paribas Fortis and acquired also 15.96% of the shares of BGL BNP Paribas S.A. ('BGL') (BNP Paribas Fortis itself holding 50% +1 of the shares in the latter). Federale Participatie- en Investeringsmaatschappij / Société Fédérale de Participations et d'Investissement ('FPIM/SFPI'), a holding company owned by the Belgian State, holds 25% of BNP Paribas Fortis. Private investors hold the remaining 0.07% of the shares of BNP Paribas Fortis.

Immediately after BNP Paribas acquired control over BNP Paribas Fortis, a global integration project was initiated (of which the first part was known as Project Knight) to organize the integration of BNP Paribas Fortis and the BNP Paribas Group (the 'Global Integration Project'). All related transactions and the rationale thereof have been detailed in the BNP Paribas Fortis Annual Reports of 2009 and 2010 under Section 'Information related to article 524 of the Belgian Companies code'.

Due to a change in legislation entered into force on 1 January 2012, article 524 of the Belgian Companies code no longer applies to BNP Paribas Fortis. However, the Board of Directors adopted on 15 December 2011 a specific procedure for related party transactions involving BNP Paribas Fortis (see supra – board procedure/background).

As a next step of the Global Integration Project, and in view of the transfer and re-allocating of certain assets and activities

as described below between the various BNP Paribas Group entities, the management of BNP Paribas Fortis (and as the case may be of BNP Paribas) has defined the terms of the 'Castle' and 'Haspen' transactions and submitted them to the Board of Directors of BNP Paribas Fortis for approval. Before rendering its decision on the concerned transactions, the Board of Directors invited the Special Board Committee to render, within the context of the Procedure, a written motivated opinion on each of the concerned transactions.

## 3. Transactions

### 3.1. Description

#### Castle 'Leasing'

This transaction concerns the reorganisation of the Leasing activities, whereby BGL BNP Paribas, an affiliate of BNP Paribas Fortis, is to take control from BNP Paribas of BNP Paribas Leasing Solutions SA ('BNP PARIBAS LS'), and BNP PARIBAS LS is to carve out of its Group the active lease servicing subsidiaries to be sold by BNP PARIBAS LS to the domestic banks in France, Belgium and Luxembourg (the 'Carve-Outs').

The main reasons behind this transaction are:

1. Generally, the adaptation to the regulatory environment and the optimization of certain aspects of the BNP Paribas Group's structure as to the leasing activities; and
2. For BGL BNP Paribas to acquire a new group competence and gain exposure to an attractive standalone business with good growth prospects and sound risk profile.

#### Castle 'Branches'

This transaction relates to the (partial) restructuring of the European Branch network of BNP Paribas and BNP Paribas Fortis and strives to optimize certain aspects of the BNP Paribas Group structure through creating an efficient geographic structure in Europe for CIB as a whole that meanwhile offers BNP Paribas Fortis' CIB attractive business opportunities. This project comprises the following transfers:

1. The transfer of most activities related to the Dutch and Norwegian branch from BNP Paribas to BNP Paribas Fortis and the transfer of most activities related to the UK, Spanish and Portuguese branch from BNP Paribas Fortis to BNP Paribas (together the 'Business Transfers');
2. The transfer of the credit counterparty risk for relevant market transactions (fixed income derivatives) to the relevant purchaser in order to follow the transfer of the underlying loan and of the client's risk management while market risk is kept by the seller, where it was originally taken and hedged; and
3. The transfer from the seller's to the purchaser's central ALM department of the funding commitments towards the local businesses to be transferred within the Business Transfers.

#### Castle 'Specialized Finance'

This transaction aims at reorganizing the Specialized Finance activities within the BNP Paribas Group whereby (i) certain of the existing Specialized Finance credits are sold by BNP Paribas to BNP Paribas Fortis, and (ii) the future of certain Specialized Finance activities is dealt with, through BNP Paribas entering into a referral and non-compete undertaking relating to certain Specialized Finance businesses/activities and the Specialized Finance competence center being relocated in Brussels.

Castle Leasing, Castle Branches and Castle Specialized Finance are hereafter referred to as the 'Castle Transactions'.

## Haspen

In the IT area, a Group-wide alignment initiative was launched in 2011, in order to improve the efficiency of the BNP Paribas Group IT production and further develop the BNP Paribas Group IT around a strong Paris-Brussels axis. This alignment would be realized via the extension to Belgium of the BP<sup>2</sup>I model, where 'BP<sup>2</sup>I' stands for 'BNP Paribas Partners for Innovation', which is a 50/50 joint venture between BNP Paribas and IBM France and to which BNP Paribas outsourced the management of the lower layers of its technical infrastructure. Within the BNP Paribas Group, the BP<sup>2</sup>I model is already used in France, Italy and Switzerland.

From a BNP Paribas Fortis perspective, Haspen includes, next to the outsourcing to be realized through a 5-year duration contract, the sale of certain hardware and software assets that are coupled with the outsourced activities. The primary objective is to secure its IT production and to lower the IT costs over time thanks to economies of scales within BP<sup>2</sup>I, by replacing individual consultants into service provisioning contracts and by mutualisation of activities between France and Belgium.

## 3.2. Price setting for the Transactions

### Castle Transactions

For the Castle Transactions, the price setting has been based on the same mechanism as the one used for previous related party transactions done in 2009-2010 whereby the initial purchase price is expressed as the estimated tangible net book value as of the relevant date of economic transfer of the business plus a goodwill or minus a badwill, in accordance with the following formula:

	<b>Net Book Value</b>
-	Goodwill and other intangible assets
+	Forecast of current results (until the relevant date of economic transfer)
=	<b>Estimated Tangible Net Book Value</b>
+/-	Goodwill / Badwill
=	<b>Initial Purchase Price</b>

The Initial Purchase Prices were determined using conventional valuation methodologies, essentially the discounted cash flow (DCF) approach, and was set pursuant to a contradictory process in accordance with the Procedure. The final purchase price is to be determined by adjusting the initial price with the (positive or negative) difference between the estimated tangible net book value and the audited tangible net book value; the goodwill or badwill remaining constant. Other adjustments may also be taken into account so as to avoid any double counting.

A procedure is provided for in order to deal with disputes over the price adjustments.

The prices of the Castle Transactions were the following:

- For Castle Leasing: the final purchase price of the acquisition of the 16.67% stake in BNP Paribas LS by BGL BNP Paribas amounted to EUR 383 million; the final purchase price of the acquisition of the Belgian Carve-Out amounted to EUR 44 million; the final purchase price of the Luxembourg Carve-Out amounted to EUR 6 million; and the final purchase price of the French Carve-Out amounted to EUR 80 million (including a dividend distribution of EUR 30 million);
- For Castle Branches: The initial purchase price of Dutch branch amounted to EUR 292.8 million; the initial purchase price of the Norwegian branch amounted to NOK 753.4 million; the initial purchase price of the Portuguese branch amounted to EUR 31.8 million ; the initial purchase price of the UK branch amounted to GBP 504.55 million; and the initial purchase price of the Spanish branch will amount to the sum of the tangible net book value as at the effective transfer date and of a goodwill of EUR 16 million;
- For Castle Specialized Finance: the initial purchase price comprises the sum of (i) a total goodwill of EUR 455 million; (ii) the nominal value of the transferred Specialized Credits at their effective transfer date minus collective provisions; (iii) an ALM compensation amount covering the differential in funding and in liquidity costs between the historical conditions and the ones prevailing at the effective transfer date.

The valuation of each Castle Transaction has been analysed by and discussed with UBS Limited acting as independent financial advisor and assisting the SBC with its assessment of each of the Castle Transactions.

Mazars, through its office in Brussels, has acted as one of the statutory auditors of the BNP Paribas Group and has issued - prior to the Board of Directors taking the relevant decision - a report on the accuracy of the financial data contained in the Opinion of the SBC as to Castle Leasing.

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/CVBA, has acted as statutory auditor of BNP Paribas Fortis and has issued - prior to the Board of Directors taking the relevant decision - a report on the accuracy of the financial data contained in the Opinion of the SBC as to Castle Branches and Castle Specialized Finance.

### The Haspen Transaction

The price of the Haspen Transaction has two parts: (i) the price of the assets transferred from BNP Paribas Fortis to BP<sup>2</sup>I, being an amount of EUR 21 million, and (ii) the price of the outsourced services to be rendered by BP<sup>2</sup>I to BNP Paribas

Fortis, being a price of EUR 72 million for the services to be rendered in 2013 (of which EUR 5 million relate to migration services), of EUR 85 million for the services to be rendered in 2014 (of which EUR 5 million relate to migration services), of EUR 85 million to be rendered in 2015, of EUR 84 million for the services to be rendered in 2016 and of EUR 84 million for the services to be rendered in 2017.

The Haspen Transaction and in particular its valuation has been analysed by and discussed with Ernst & Young, acting as independent financial advisor and assisting the SBC with its assessment of the Haspen Transaction.

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/CVBA, has acted as statutory auditor of BNP Paribas Fortis and has issued - prior to the Board of Directors taking the relevant decision - a report on the accuracy of the financial data contained in the Opinion of the SBC.

## 4. Decision making

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The Board of Directors of BNP Paribas Fortis approved:

- The Castle Leasing Transaction on 15 March 2012;
- The Castle Branches Transaction on 9 May 2012;
- The Castle Specialized Finance Transaction on 31 July 2012; and
- The Haspen Transaction on 25 October 2012.

### 4.1. Castle Leasing

#### Opinion of the Special Board Committee – Financial consequences

"Based on the information provided to the SBC, the Transaction will result in an improvement in the returns earned on the available liquidity of both BNP Paribas Fortis and BGL BNP Paribas, who will be able to invest their available liquidity in medium term assets with good profitability and growth prospects.

The management of both the Company and BNP Paribas estimate a Return on Investment of 9.7% to 14.4% assuming up-streaming of all excess capital and based on the proposed Transaction price of EUR 2,300 million for BNPP LS. This will be based on a limited additional investment of EUR 383 million for BGL BNP Paribas or EUR 192 million for BNP Paribas Fortis indirectly. The Company's Basel 2.5 Core Tier 1 ratio would decrease by 90 bps on a pro-forma basis as of end 2011.

The transfer of the leasing businesses originated by the group domestic banks in Belgium, France and Luxembourg to their respective control perimeter will also have a direct financial impact as post Transaction the Company will hold all shares of ES Finance NV/SA. However, the full consolidation of ES Finance will not have a material impact on the results, solvency or liquidity position of the Company.

Both the Carve-Outs and the BNPP LS Transaction will have (indirect) financial consequences for the Company."

### Opinion of the Special Board Committee – Conclusion

“Based on the considerations above and after having reviewed the financial terms of Transaction with the Independent Expert, UBS Limited, the SBC is of the opinion that the proposed Transaction will not cause a prejudice to BNP Paribas Fortis that is abusive given the strategy of the Company. The SBC also believes that the Transaction is unlikely to result in adverse consequences that are not compensated for by benefits for BNP Paribas Fortis.”

### Decision of the Board of Directors

“On the basis of the foregoing, the additional information provided in the course of the meeting and the views expressed by the members of the Board, the Board of Directors decides to approve the Transactions, substantially on the terms and conditions described in the Management proposal and reflected in the Opinion in connection therewith.

The decision was subject to approval by the competent regulators NBB and CSSF.

This decision is further subject to the confirmation of the decision taken by the Board of Directors of BGL BNP Paribas to approve the same Transactions.

The Board confirms that the Board Procedure for Related Party Transactions, approved by the Board on 15 December 2011, has been complied with in respect of the approval of each of the Transactions described above. (...)”

## 4.2. Castle Branches

### Opinion of the Special Board Committee – Financial consequences

The SBC mentions the following estimated financial consequences for BNP Paribas Fortis pursuant to the Castle Branches Transaction:

- In terms of solvency the Castle Branches Transaction should lead to a reduction of RWA by about EUR 10.2 billion by 2013 and an additional reduction by about EUR 7.2 billion when the Spanish branch will be effectively transferred. In total, this would result in an improvement of about 110 bps of the T1 ratio (Basel 2.5);

- In terms of liquidity the funding gap should decrease by about EUR 2 billion in a first step and by an additional EUR 2 billion when the Spanish branch will be effectively transferred;
- In total, after the Spanish branch is effectively transferred, the profit before tax would decrease by about EUR 40 million.

### Opinion of the Special Board Committee – Conclusion

“The SBC is not aware of terms of the Transaction that should be considered as being manifestly abusive for the Company and/or its shareholders.

Taking into account, the general benefits which the Company may derive from the Transaction, including in terms of business opportunities, the SBC is of the opinion that the Transaction was compatible with the corporate interest of the Company and provides individual benefits for the Company.

The financial consequences of the Transaction for the Company were not disproportionate to the benefits derived by the Company from the Transaction. The Transaction is financially viable for the Company taking into account its financial merits.

Based on the considerations above and after having reviewed the financial terms of Transaction with the Independent Expert, UBS Limited, the SBC is of the opinion that the proposed Transaction will not cause a prejudice to the Company that is abusive given the strategy of the Company. The SBC also believes that the Transaction is unlikely to result in adverse consequences that are not compensated for by benefits for the Company.”

### Decision of the Board of Directors

“On the basis of the foregoing, the additional information provided in the course of the meeting and the views expressed by the members of the Board, the Directors decide to approve the Castle Branches Europe Transaction, substantially on the terms and conditions described in the Management Proposal and reflected in the Opinion of the SBC in connection therewith.

The decision was subject to approval by the NBB.

The Board confirms that the Board Procedure for Related Party Transactions, approved by the Board on 15 December 2011, has been complied with in respect of the approval of each of the Transactions described above (...).”

### 4.3. Castle Specialized Finance

#### Opinion of the Special Board Committee – Financial consequences

“Based on the information provided to the SBC the Transaction will result in an improvement of the Company’s profitability as well as the returns earned on the available liquidity of BNP Paribas Fortis, which will be able to invest its available liquidity in medium/long term assets with good profitability and growth prospects.

The management of both the Company and BNP Paribas estimate a Return on Investment in the range of 13% to 15% in the first 3 years. The Company’s Basel 2.5 Tier 1 ratio would decrease by 120 bps on a pro-forma basis as of end 2013.

Based on figures as at December 2011, and pro forma for Castle Leasing and Castle Branches, post the Transaction, the Transaction Castle SF would:

- Increase the Company’s RWA by over EUR 7 billion (6% increase), and would account for 10% of the RWAs of the Company (compared to 5% currently);
- Increase the Company’s net banking income by EUR 269 million (4% increase), and would account for 5% of the net banking income of the Company (compared to 2% currently);
- Increase the Company’s profit before tax by EUR 180 million (23% increase), and would account for 13% of the profit before tax of the Company (compared to 5% currently).”

#### Opinion of the Special Board Committee – Conclusion

“The Special Board Committee has reviewed the Transaction with its independent expert, UBS Limited, and has discussed it numerous times with the Company’s management. As part of its opinion on the Transaction, the SBC wishes to make the following recommendations to the Board:

- the governance and internal organisation of the new Competence Centre Structured Finance and the control over it should be an important attention point for the Company’s Executive Committee. In this context attention should be given to the presence of sufficient specialised senior management and commercial and support staff for this business in Brussels; also remuneration aspect should be considered and discussed in accordance with the Company’s internal governance;
- likewise, the Executive Committee should take the opportunity of the Transaction to review the framework describing the company’s risk policy ensuring a regular and systematic review and reporting to the Board of the company’s various risks, including the risks as a consequence of the Transaction;
- furthermore, the SBC asks that the Executive Committee keeps the Board regularly informed on the new Competence Centre and the SF business, including on the application of the allocation principles, the risks, a possible deleveraging campaign and other aspects.

The SBC suggests the Board to organize an overall status review of all Recommendations one year after Closing Date.

Subject to the Board endorsing and monitoring the above-mentioned recommendations, the SBC is of the opinion that the proposed Transaction is in the interest of the Company.

After having reviewed the financial terms of the Transaction with the Independent Expert, UBS Limited, and having discussed the terms and conditions of the Transaction with Management, the SBC takes the view that the proposed Transaction will not cause a prejudice to BNP Paribas Fortis that is abusive given the strategy of the Company. The SBC also believes that the Transaction is unlikely to result in adverse consequences that are not compensated for by benefits for BNP Paribas Fortis.”

### Decision of the Board of Directors

"1. The Board of Directors endorses the recommendations of the SBC (as described in the Opinion)(...).

The Board of Directors invites the Executive Board to organize the relevant report and monitoring thereof, and to give an overall status report at the first Board meeting one year after the closing of the Transaction.

2. The Board of Directors approves the Castle SF Transaction, substantially on the terms and conditions described in the Management Proposal and reflected in the opinion of the SBC in connection therewith.

(...)"

## 4.4. Haspen

### Opinion of the Special Board Committee – Financial consequences

"Based on the information provided to the SBC, the Transaction will result in an improvement of the Company's financial situation. The total net savings for the next five year period is approximately EUR 22 million, detailed by EUR 49 million savings reduced by EUR 27 million implementation costs, synergies and loss on the sale of the assets. From 2015 onwards, the expected savings are in the range of ten (10) to fifteen per cent (15%) and considered as in line with market. It should be noted that BNP Paribas Group supports the Transaction through the transfer of group activities which allows redeploying internal staff and fulfilling the social commitments of the Company. The expected savings that will be realised from 2015 onwards are in line with the Letter of Intent of 2 February 2012.

It should be noted that the 'Firm Price' received is not yet final and therefore the financial conditions are not final yet. The Company will receive a 'Best and Final Offer' from BP<sup>21</sup> at a later stage. The Company should aim to improve the financial conditions as well as to obtain more firm guarantees on the saving provided by BP<sup>21</sup> to safeguard the financial interests of the Transaction.

The contractual arrangements of the Transaction regarding pricing, in case the anticipated volumes and services bought from BP<sup>21</sup> change in the future, required adequate management attention and negotiation. The Company's management is committed to ensure that the necessary qualified resources are mobilised."

It should be noted that the price mentioned in the offer mentioned to the SBC early October has evolved slightly to reflect small corrections of scope and to integrate some technical elements. The price remains essentially unchanged compared to the best and final offer made to BNP Paribas Fortis.

### Opinion of the Special Board Committee - Conclusion

"The Special Board Committee has reviewed the Transaction with its independent expert, EY, and has discussed it a number of times with the Company's management.

The opinion of the SBC is based upon a number of assumptions and subject to a number of Conditions. The assumptions relate to the financial aspects of the model and the actions to be taken during the transition phase. The conditions relate to the possibility of (early) termination of the BP<sup>21</sup> model, and a social commitment in relation to the project.

Also, the SBC wishes to make a number of Recommendations to the Board, inter alia as to ensuring that sufficient technical and financial know-how and expertise remain available within I&O to manage the contract with BP<sup>21</sup> Belgium from a technical point of view as well as from a cost management point of view. The SBC asks the Board to endorse these Recommendations.

On the basis of the abovementioned Assumptions, and subject to the Conditions and the Board endorsing and monitoring the abovementioned Recommendations, the SBC is of the opinion that the proposed Transaction is in the interest of the Company.

After having reviewed the financial terms of Transaction with the Independent Expert, EY, and having discussed the terms and conditions of the Transaction with the Company's management, the SBC takes the view that the proposed Transaction will not cause a prejudice BNP Paribas Fortis that is abusive given the strategy of the Company. The SBC also believes that the Transaction is unlikely to result in adverse consequences that are not compensated for by benefits for BNP Paribas Fortis."



### Decision of the Board of Directors

The Board of Directors took note of the conditions to the Opinion of the SBC and has asked the management to ensure that these will be taken into account during the final contract negotiations with BNP Paribas and BP<sup>21</sup> Belgium and in the final agreement.

The Board of Directors has endorsed the following recommendations of the SBC:

- BNP Paribas Fortis' management should ensure that sufficient technical and financial know-how and expertise remain available within IT I&O to manage the contract with BP<sup>21</sup> Belgium from a technical point of view as well as from a cost management point of view;
- In case of serious breach ('manquement grave') by BP<sup>21</sup>, an exit at no cost should be possible.
- The limited liability clause is limited to three months of invoicing while it is better market practice to increase this to one year.

After having heard the views of the Special Board Committee, having asked to management to take the necessary action in order to take the conditions into account and having endorsed the recommendations, and based upon the additional information provided in the course of the meeting as well as the views expressed by the members of the Board, the Board of Directors, after due consideration, decided to approve the Haspen Transaction, substantially on the terms and conditions described in the Management Proposal and reflected in the Opinion of the SBC in connection therewith.

All the Transactions (Castle Leasing, Castle Branches, Castle Specialized Finance and Haspen) were considered as being 'strategic' within the meaning of article 36/3,§3 of the law of 22 February 1998 governing 'le statut organique/organiek statuut' of the National Bank of Belgium. The National Bank of Belgium has approved/given its nihil obstat for:

- Castle Leasing on 27 March 2012;
- Castle Branches on 17 July 2012;
- Castle Specialized Finance on 11 December 2012; and
- Haspen on 19 December 2012.



**BNP Paribas Fortis  
Financial Statements  
2012  
(non-consolidated)**

**BALANCE SHEET AFTER APPROPRIATION**

	Notes	Codes	Current period	Previous period
<b>ASSETS</b>				
I. Cash in hand, balances with central banks and giro offices		10100	1,837,908	2,057,488
II. Government securities eligible for refinancing with the central bank		10200	67,887	0
III. Amounts receivable from credit institutions	5.1	10300	21,028,915	43,635,968
A. At sight		10310	10,020,703	8,307,011
B. Other amounts receivable (at fixed term or period of notice)		10320	11,008,212	35,328,957
IV. Amounts receivable from customers	5.2	10400	73,726,841	81,908,899
V. Bonds and other fixed-income securities	5.3	10500	69,445,153	90,696,553
A. Issued by public bodies		10510	22,640,654	32,182,825
B. Issued by other borrowers		10520	46,804,499	58,513,728
VI. Shares and other variable-yield securities	5.4	10600	645,189	752,451
VII. Financial fixed assets	5.5/ 5.6.1	10700	8,922,458	9,015,811
A. Participating interests in affiliated enterprises		10710	6,073,418	6,027,852
B. Participating interests in other enterprises linked by participating interests		10720	2,386,514	2,657,688
C. Other shares held as financial fixed assets		10730	115,743	162,565
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests		10740	346,782	167,706
VIII. Formation expenses and intangible fixed assets	5.7	10800	35,872	62,211
IX. Tangible fixed assets	5.8	10900	1,038,990	1,023,703
X. Own shares		11000	0	0
XI. Other assets	5.9	11100	6,163,527	4,844,963
XII. Deferred charges and accrued income	5.10	11200	19,032,297	66,650,093
<b>TOTAL ASSETS</b>		<b>19900</b>	<b>201,945,038</b>	<b>300,648,140</b>

	Notes	Codes	Current Period	Previous Period
<b>LIABILITIES</b>				
<b>BORROWINGS</b>				
<b>I. Amounts owed to credit institutions</b>	5.11	20100	188,744,596	288,871,623
A. At sight		20110	18,443,237	47,264,789
B. Amounts owed as a result of the rediscounting of trade bills		20120	6,303,598	8,841,926
C. Other debts with agreed maturity dates or periods of notice		20130	0	0
<b>II. Amounts payable to clients</b>	5.12	20200	12,139,639	38,422,863
A. Savings deposits		20210	119,041,544	132,283,340
B. Other debts		20220	57,803,963	53,887,795
1. At sight		20221	61,237,581	78,395,545
2. At fixed term or period of notice		20222	33,990,612	31,091,680
3. As a result of the rediscounting of trade bills		20223	27,246,969	47,303,865
<b>III. Debts evidenced by certificates</b>	5.13	20300	17,282,286	19,030,111
A. Debt securities and other fixed-income securities in circulation		20310	9,287,216	15,114,915
B. Other		20320	7,995,070	3,915,196
<b>IV. Other amounts payable</b>	5.14	20400	6,756,745	6,856,628
<b>V. Accrued charges and deferred income</b>	5.15	20500	15,927,123	67,446,803
<b>VI. Provisions and deferred taxes</b>		20600	473,443	403,588
A. Provisions for risks and charges		20610	473,443	403,579
1. Pensions and similar obligations		20611	6,691	0
2. Fiscal charges		20612	9,000	9,000
3. Other risks and charges	5.16	20613	457,752	394,579
B. Deferred taxes		20620	0	9
<b>VII. Fund for general banking risks</b>		20700	871,681	871,681
<b>VIII. Subordinated liabilities</b>	5.17	20800	9,948,537	14,714,683
<b>SHAREHOLDERS' EQUITY</b>				
<b>IX. CAPITAL</b>	5.18	20900	13,200,442	11,776,518
A. Subscribed capital		20910	9,374,878	9,374,878
B. Uncalled capital (-)		20920	0	0
<b>X. Share premium account</b>		21000	230,475	230,475
<b>XI. Revaluation surpluses</b>		21100	0	0
<b>XII. Reserves</b>		21200	1,035,078	949,878
A. Statutory reserve		21210	494,009	408,809
B. Reserves not available for distribution		21220	36,988	36,988
1. In respect of own shares held		21221	0	0
2. Other		21222	36,988	36,988
C. Untaxed reserves		21230	150,790	150,790
D. Reserves available for distribution		21240	353,291	353,291
<b>XIII. Profits (losses (-) brought forward</b>	(+)/(-)	21300	2,560,011	1,221,287
<b>TOTAL LIABILITIES</b>		<b>29900</b>	<b>201,945,038</b>	<b>300,648,140</b>

	Notes	Codes	Current period	Previous period
<b>OFF BALANCE SHEET CAPTIONS</b>				
<b>I. Contingent liabilities</b>	5.22	30100	44,857,597	51,340,692
A. Non-negotiated acceptances		30110	2,625	5,117
B. Guarantees serving as direct credit substitutes		30120	15,590,761	16,844,532
C. Other guarantees		30130	28,186,180	32,924,463
D. Documentary credits		30140	1,078,031	1,566,580
E. Assets charged as collateral security on behalf of third parties		30150	0	0
<b>II. Commitments which could give rise to a credit risk</b>	5.22	30200	44,306,658	44,385,719
A. Firm commitments to make funds available		30210	2,193,105	2,267,958
B. Commitments as a result of spot purchases of transferable or other securities		30220	324,869	202,898
C. Undrawn margin on confirmed credit lines		30230	41,788,684	41,914,863
D. Underwriting and placing commitments		30240	0	0
E. Commitments as a result of open-ended sale and repurchase agreements		30250	0	0
<b>III. Assets lodged with the credit institution</b>		30300	119,866,349	121,634,425
A. Assets held by the credit institution for fiduciary purposes		30310	0	0
B. Safe custody and equivalent items		30320	119,866,349	121,634,425
<b>IV. Uncalled amounts of share capital</b>		30400	192,234	278,847

## INCOME STATEMENT (PRESENTATION IN VERTICAL FORM)

	Notes	Codes	Current Period	Previous period
<b>I. Interest receivable and similar income</b>	5.23	40100	4,835,032	5,679,707
A. Of which : from fixed-income securities		40110	1,637,430	2,458,862
<b>II. Interest payable and similar charges</b>		40200	2,499,810	3,157,114
<b>III. Income from variable-yield securities</b>	5.23	40300	400,015	452,818
A. From shares and other variable-yield securities		40310	73,795	64,754
B. From participating interests in affiliated enterprises		40320	314,636	334,205
C. From participating interests in other enterprises linked by participating interests		40330	9,793	52,618
D. From other shares held as financial fixed assets		40340	1,791	1,241
<b>IV. Commissions receivable</b>	5.23	40400	1,277,548	1,267,156
A. Brokerage and related commissions		40410	498,411	534,798
B. Management, consultancy and conservation commissions		40420	238,896	266,815
C. Other commissions received		40430	540,240	465,543
<b>V. Commissions paid</b>		40500	331,016	307,743
<b>VI. Profit (loss) on financial transactions</b>	(+)/(-) 5.23	40600	255,043	19,918
A. On trading of securities and other financial instruments		40610	188,812	40,828
B. On disposal of investment securities		40620	66,231	(20,910)
<b>VII. General administrative expenses</b>		40700	2,793,922	2,826,157
A. Remuneration, social security costs and pensions		40710	1,693,763	1,652,537
B. Other administrative expenses		40720	1,100,159	1,173,620
<b>VIII. Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets.</b>		40800	152,188	172,420
<b>IX. Decrease in write downs on receivables and in provisions for off-balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a credit risk'</b>	(+)/(-)	40900	198,228	155,112
<b>X. Decrease in write-downs on the investment portfolio of bonds, shares and other fixed-income or variable-yield securities.</b>	(+)/(-)	41000	29,438	692,100
<b>XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet captions</b>	(+)/(-)	41100	(57,152)	(379,402)
<b>XII. Provisions for risks and charges other than those included in the off-balance sheet captions.</b>		41200	43,451	29,762
<b>XIII. Transfer from (Appropriation to) the fund for general banking risks</b>	(+)/(-)	41300	0	0
<b>XIV. Other operating income</b>	5.23	41400	226,830	212,833
<b>XV. Other operating charges</b>	5.23	41500	278,550	326,278
<b>XVI. Profits (losses) on ordinary activities before taxes</b>	(+)/(-)	41600	725,016	345,148

	Notes	Codes	Current period	Previous period
<b>XVII. Extraordinary income</b>		41700	1,514,727	316,653
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets		41710	0	0
B. Adjustments to write-downs on financial fixed assets		41720	1,436,437	244,146
C. Adjustments to provisions for extraordinary risks and charges		41730	0	2,148
D. Capital gains on disposal of fixed assets		41740	40,704	67,513
E. Other extraordinary income	5.25	41750	37,586	2,846
<b>XVIII. Extraordinary charges</b>		41800	537,970	540,666
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets		41810	5,197	0
B. Write-downs on financial fixed assets		41820	287,728	386,265
C. Provisions for extraordinary risks and charges	(+/-)	41830	137,158	16,882
D. Capital losses on disposal of fixed assets		41840	31,655	108,248
E. Other extraordinary charges	5.25	41850	76,232	29,271
<b>XIX. Profits (Losses) for the period before taxes</b>	(+/-)	41910	1,701,772	121,134
<b>XIXbis. A. Transfer to deferred taxes</b>		41921	0	0
<b>B. Transfer from deferred taxes</b>		41922	9	102
<b>XX. Income taxes</b>	(+/-) 5.26	42000	(2,212)	48,784
A. Income taxes		42010	44,305	61,975
B. Adjustment of income taxes and write-back of tax provisions		42020	46,517	13,191
<b>XXI. Profits (Losses) for the period</b>	(+/-)	42100	1,703,993	72,452
<b>XXII. Transfer to (or from) untaxed reserves</b>	(+/-)	42200	0	(27)
<b>XXIII. Profit (Losses) for the period available for appropriation</b>	(+/-)	42300	1,703,993	72,479



### APPROPRIATION ACCOUNT

		Codes	Current period	Previous period
<b>A. Profits (Losses) to be appropriated</b>	(+)/(-)	49100	2,925,279	1,444,056
1. Profits (Losses) for the period available for appropriation	(+)/(-)	(42300)	1,703,993	72,479
2. Profits (Losses) brought forward from the previous financial year	(+)/(-)	(21300P)	1,221,287	1,371,577
<b>B. Transfers from equity</b>		49200	0	0
1. From capital and share premium account		49210	0	0
2. From reserves		49220	0	0
<b>C. Transfers to equity</b>		49300	(85,200)	(3,625)
1. To capital and share premium account		49310	0	0
2. To the legal reserve		49320	(85,200)	(3,625)
3. To other reserves		49330	0	0
<b>D. Result to be carried forward</b>	(+)/(-)	49400	2,560,011	1,221,287
<b>E. Shareholders' contribution in respect of losses</b>		49500	0	0
<b>F. Distribution of profits</b>		49600	(280,068)	(219,144)
1. Dividends		49610	(256,118)	(207,794)
2. Director's entitlements		49620	0	0
3. Other allocations		49630	(23,951)	(11,350)

## ANNEXE

## I. STATEMENT OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS (Assets caption III)

	Codes	Current period	Previous period
<b>A. FOR THE CAPTION AS A WHOLE</b>	(10300)	21,028,915	43,635,968
1. Loans and advances to affiliated enterprises	50101	8,356,648	18,952,824
2. Loans and advances to other enterprises linked by participating interests	50102	0	0
3. Subordinated loans and advances	50103	19,288	19,288
<b>B. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS (with agreed maturity dates or periods of notice)</b>	(10320)	11,008,212	35,328,957
1. Trade bills eligible for refinancing with the central bank of the country(ies) of establishment of the credit institution	50104	335,774	752,693
2. Breakdown according to the remaining maturity			
a. Up to 3 months	50105	2,267,313	
b. Over 3 months and up to 1 year	50106	1,852,841	
c. Over 1 year and up to 5 years	50107	4,489,327	
d. Over 5 years	50108	2,149,161	
e. Indeterminate period	50109	249,570	

**II. STATEMENT OF LOANS AND ADVANCES TO CUSTOMERS (Assets caption IV)**

	Codes	Current Period	Previous Period
<b>1. Loans to affiliated enterprises</b>	50201	6,892,849	8,422,332
<b>2. Loans to other enterprises linked by participating interests</b>	50202	349,282	358,898
<b>3. Subordinated loans</b>	50203	21,068	19,658
<b>4. Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established</b>	50204	128,420	201,626
<b>5. Breakdown according to the remaining maturity :</b>			
a. Up to 3 months	50205	11,778,261	
b. Over 3 months up to 1 year	50206	10,763,273	
c. Over 1 year up to 5 years	50207	10,963,029	
d. Over 5 years	50208	35,901,946	
e. Indeterminate period	50209	4,320,332	
<b>6. Breakdown of customer loans based on the type of debtor</b>			
a. Claims on government	50210	6,343,501	8,955,879
b. Retail exposures	50211	11,020,832	9,755,659
c. Claims on enterprises	50212	56,362,508	63,197,361
<b>7. Breakdown by type :</b>			
a. Trade bills (including own acceptances)	50213	128,602	
b. Loans and advances as a result of leasing and similar agreements	50214	0	
c. Fixed-rate loans	50215	167,014	
d. Mortgage loans	50216	14,174,720	
e. Other term loans with a maturity over 1 year	50217	33,862,316	
f. Other loans and advances	50218	25,394,189	
<b>8. Geographical breakdown</b>			
a. Belgian origin	50219	53,882,390	
b. Foreign origin	50220	19,844,451	
<b>9. Details of mortgage loans with reconstitution of capital or linked to life insurance and capitalization contracts</b>			
a. Principal sums initially lent	50221	0	
b. Reconstitution fund and mathematical reserves relating to these loans	50222	0	
c. Net amount outstanding (a-b)	50223	0	

**III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES (Assets caption V)**

	Codes	Current period	Previous period
<b>A. GENERAL STATEMENT</b>	(10500)	69,445,153	90,696,553
<b>1. Bonds and securities issued by affiliated enterprises</b>	50301	33,246,250	33,380,193
<b>2. Bonds and securities issued by enterprises linked by participating interests</b>	50302		0
<b>3. Bonds and securities representing subordinated loans</b>	50303		
<b>4. Geographical breakdown of securities</b>			
a. Belgian public issuers	50304	14,692,319	
b. Foreign public issuers	50305	7,948,335	
c. Belgian issuers other than public bodies	50306	33,399,867	
d. Foreign issuers other than public bodies	50307	13,404,632	
<b>5. Listing</b>			
a. Book value of listed securities	50308	21,410,560	
b. Market value of listed securities	50309	23,155,435	
c. Book value of unlisted securities	50310	48,034,593	
<b>6. Maturities</b>			
a. Remaining maturity of up to one year	50311	2,569,786	
b. Remaining maturity of over one year	50312	66,875,367	
<b>7. Analysis by portfolio</b>			
a. Trading portfolio	50313	2,059,794	
b. Investment portfolio	50314	67,385,359	
<b>8. Trading portfolio</b>			
a. Difference between market value (if higher) and acquisition value (for securities valued at their market value)	50315	19,255	
b. Difference between market value (if higher) and book value (for securities valued in accordance with Art. 35ter §2 para. 2)	50316	3,406	
<b>9. Investment portfolio</b>			
a. Difference between redemption value (if higher) and book value	50317	150,055	
b. Difference between redemption value (if lower) and book value	50318	356,093	

	Codes	Current Period	Previous period
<b>B. DETAILED STATEMENT OF THE BOOK VALUE OF THE INVESTMENT PORTFOLIO AND OTHER FIXED-INCOME SECURITIES</b>			
<b>1. As at end of the previous financial year</b>	50323P	xxxxxxxxxxxxxxx	84,551,243
<b>2. Movements during the financial year</b>	50319	(17,042,450)	
a. Acquisitions	50320	9,002,366	
b. Transfers	50321	26,017,983	
c. Adjustments by application of Article 35ter §4 and 5	(+/-) 50322	(26,833)	
<b>3. Acquisition value as at end of financial year</b>	50323	67,508,794	
<b>4. Transfers between portfolios</b>			
a. Transfers from the investment portfolio to the trading portfolio	50324		
b. Transfers from the trading portfolio to the investment portfolio	50325		
c. Impact on result	50326		
<b>5. Write-Downs at the end of the previous financial year</b>	50332P	xxxxxxxxxxxxxxx	804,309
<b>6. Movements during the financial year</b>	50327	(680,873)	
a. Recorded	50328	513,272	
b. Excess written back	50329	518,531	
c. Cancellations	50330	675,614	
d. Transfers from one caption to another	(+/-) 50331	0	
<b>7. Write-downs at the end of the financial year</b>	50332	123,436	
<b>8. Net book value at the end of the financial year</b>	(50314)	67,385,359	

**IV. STATEMENT OF SHARES AND OTHER VARIABLE-YIELD SECURITIES (Assets caption VI)**

	Codes	Current Period	Previous Period
<b>A. GENERAL STATEMENT</b>	(10600)	645,189	752,451
<b>1. Geographical breakdown of the issuers of securities</b>			
a. Belgian issuers	50401	2,305	3,206
b. Foreign issuers	50402	642,884	749,245
<b>2. Listings</b>			
a. Bookvalue of listed securities	50403	2,506	
b. Market value of listed securities	50404	2,681	
c. Bookvalue of unlisted securities	50405	642,684	
<b>3. Analysis by portfolio</b>			
a. Trading portfolio	50406	108	
b. Investment portfolio	50407	645,081	
<b>4. Trading portfolio</b>			
a. difference between market value (if higher) and acquisition value (for securities valued at their marketvalue)	50408	0	
b. difference between market value (if higher) and carrying value (for securities valued in accordance with Article 35ter §2 paragraph 2)	50409	0	

	Codes	Current period	Previous period
<b>B. DETAILED STATEMENT OF THE BOOKVALUE OF INVESTMENT SECURITIES AND OTHER VARIABLE SECURITIES</b>			
<b>1. Acquisition value as at the end of the previous financial year</b>	5041P	xxxxxxxxxxxxxxx	957,489
<b>2. Movements during the financial year</b>	50410	(58,927)	
a. Acquisitions	50411	173,285	
b. Transfers	50412	226,169	
c. Other adjustments	(+/-) 50413	(6,043)	
<b>3. Acquisition value as at end of the financial year</b>	50414	898,562	
<b>4. Transfers between portfolios</b>			
a. Transfers from the investment portfolio to the trading portfolio	50415		
b. Transfers from the trading portfolio to the investment portfolio	50416		
c. Impact on result	50417		
<b>5. Write-downs as at the end of the previous financial year</b>	50423P	xxxxxxxxxxxxxxx	251,115
<b>6. Movements during the financial year</b>	50418	2,367	
a. Recorded	50419	66,058	
b. Excess written back	50420	34,957	
c. Cancellations	50421	28,735	
d. Transfers from one caption to another	(+/-) 50422	0	
<b>7. Write-downs as at end of the financial year</b>	50423	253,481	
<b>8. Net bookvalue as at end of the financial year</b>	(50407)	645,081	

**V. STATEMENT OF FINANCIAL FIXED ASSETS (Assets caption VII)**

	Codes	Current period	Previous period
<b>A. GENERAL STATEMENT</b>			
<b>1. Breakdown of Financial Fixed Assets by economic sector</b>			
a. Participating interests in affiliated enterprises that are credit institutions	50501	3,314,372	3,254,808
b. Participating interests in affiliated enterprises that are not credit institutions	50502	2,759,046	2,773,044
c. Participating interests in other enterprises linked by participating interests that are credit institutions	50503	0	0
d. Participating interests in other enterprises linked by participating interests that are not credit institutions	50504	2,386,514	2,657,688
e. Other shares held as financial fixed assets in enterprises that are credit institutions	50505	51	51
f. Other shares held as financial fixed assets in enterprises that are not credit institutions	50506	115,692	162,514
g. Subordinated loans on affiliated enterprises that are credit institutions	50507	346,782	167,706
h. Subordinated loans on affiliated enterprises that are not credit institutions	50508	0	0
i. Subordinated loans on other enterprises linked by participating interests that are credit institutions	50509	0	0
j. Subordinated loans on other enterprises linked by participating interests that are not credit institutions	50510	0	0
<b>2. Listings</b>			
a. Participating interests in affiliated listed enterprises	50511	369,755	
b. Participating interests in affiliated not listed enterprises	50512	5,703,663	
c. Participating interests in other enterprises linked by participating interests that are listed	50513	0	
d. Participating interests in other enterprises linked by participating interests that are not listed	50514	2,386,514	
e. Other shares held as financial fixed assets in enterprises that are listed	50515	103,728	
f. Other shares held as financial fixed assets in enterprises that are not listed	50516	12,015	
g. Amount of subordinated loans represented by listed securities.	50517	0	



	Codes	Current period	Previous period
<b>B. DETAILED STATEMENT OF THE BOOKVALUE OF FIXED FINANCIAL ASSETS IN AFFILIATED ENTERPRISES</b>			
<b>1. Acquisition value at the end of the previous financial year</b>	50522P	xxxxxxxxxxxxxxx	7,501,070
<b>2. Movements during the financial year</b>	50518	(941,442)	
a. Acquisitions	50519	329,142	
b. Sales and disposals	50520	1,270,584	
c. Transfers from one caption to another	(+)/(-) 50521	0	
<b>3. Acquisition value as at the end of the financial year</b>	50522	6,559,628	
<b>4. Surpluses at the end of the previous financial year</b>	50528P	xxxxxxxxxxxxxxx	113,023
<b>5. Movements during the financial year</b>	50523	0	
a. Recorded	50524	0	
b. Acquisitions from third parties	50525	0	
c. Cancellations	50526	0	
d. Transfers from one caption to another	(+)/(-) 50527	0	
<b>6. Surpluses as at the end of the financial year</b>	50528	113,023	
<b>7. Write-downs as at the end of the previous financial year</b>	50535P	xxxxxxxxxxxxxxx	1,586,241
<b>8. Movements during the financial year</b>	50529	(987,008)	
a. Recorded	50530	10,938	
b. Excess written back	50531	0	
c. Acquisitions from third parties	50532	0	
d. Cancellations	50533	997,946	
e. Transfers from one caption to another	(+)/(-) 50534	0	
<b>9. Write-downs as at end of the financial year</b>	50535	599,233	
<b>10. Net bookvalue as at the end of the financial year</b>	10710	6,073,418	

	Codes	Current period	Previous period
<b>C. DETAILED STATEMENT OF THE BOOKVALUE OF FINANCIAL FIXED ASSETS IN OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50540P	xxxxxxxxxxxxxxxx	2,963,573
<b>2. Movements during the financial year</b>	50536	739	
a. Acquisitions	50537	1,039	
b. Sales and disposals	50538	300	
c. Transfers from one caption to another	(+/-) 50539	0	
<b>3. Acquisition value as at end of the financial year</b>	50540	2,964,312	
<b>4. Surpluses at the end of the previous financial year</b>	50546P	xxxxxxxxxxxxxxxx	0
<b>5. Movements during the financial year</b>	50541	0	
a. Recorded	50542	0	
b. Acquisitions from third parties	50543	0	
c. Cancellations	50544	0	
d. Transfers from one caption to another	(+/-) 50545	0	
<b>6. Surpluses at the end of the financial year</b>	50546	0	
<b>7. Write-downs as at the end of the previous financial year</b>	50553P	xxxxxxxxxxxxxxxx	305,885
<b>8. Movements during the financial year</b>	50547	271,913	
a. Recorded	50548	276,790	
b. Excess written back	50549	4,771	
c. Acquisitions from third parties	50550	0	
d. Cancellations	50551	106	
e. Transfers from one caption to another	(+/-) 50552	0	
<b>9. Write-downs as at the end of the financial year</b>	50553	577,798	
<b>10. Net bookvalue as at end of the financial year</b>	10720	2,386,514	

	Codes	Current period	Previous period
<b>D. DETAILED STATEMENT OF THE BOOKVALUE OF OTHER SHARES HELD AS FINANCIAL FIXED ASSETS</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50558P	xxxxxxxxxxxxxxx	2,369,257
<b>2. Movements during the financial year</b>	50554	(1,478,553)	
a. Acquisitions	50555	649	
b. Sales and disposals	50556	1,479,202	
c. Transfers from one caption to another (+/-)	50557	0	
<b>3. Acquisition value as at end of the financial year</b>	50558	890,704	
<b>4. Surpluses at the end of the previous financial year</b>	50564P	xxxxxxxxxxxxxxx	0
<b>5. Movements during the financial year</b>	50559	(14)	
a. Recorded	50560	0	
b. Acquisitions from third parties	50561	0	
c. Cancellations	50562	14	
d. Transfers from one caption to another (+/-)	50563	0	
<b>6. Surpluses as at end of the financial year</b>	50564	(14)	
<b>7. Write-downs as at end of the previous financial year</b>	50571P	xxxxxxxxxxxxxxx	2,271,218
<b>8. Movements during the financial year</b>	50565	(1,496,271)	
a. Recorded	50566	0	
b. Excess written back	50567	1,431,680	
c. Acquisitions from third parties	50568	0	
d. Cancellations	50569	64,591	
e. Transfers from one caption to another (+/-)	50570	0	
<b>9. Write-downs as at end of the financial year</b>	50571	774,947	
<b>10. Net bookvalue as at end of the financial year</b>	10730	115,743	

	Codes	Current period	Previous period
<b>E. DETAILED STATEMENT OF THE BOOKVALUE OF SUBORDINATED LOANS TO AFFILIATED ENTERPRISES</b>			
<b>1. Net carrying value as at end of the previous financial year</b>	50579P	xxxxxxxxxxxxxxxx	167,706
<b>2. Movements during the financial year</b>	50572	179,076	
a. Additions	50573	271,244	
b. Reimbursements	50574	93,122	
c. Write-downs	50575	0	
d. Amounts written back	50576	0	
e. Realized exchange gains/losses	(+)/(-) 50577	953	
f. Other	(+)/(-) 50578	0	
<b>3. Net carrying value as at end of the financial year</b>	50579	346,782	
<b>4. Accumulated write-downs as at end of the financial year</b>	50580	0	

	Codes	Current period	Previous period
<b>F. DETAILED STATEMENT OF THE BOOKVALUE OF SUBORDINATED LOANS TO OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS</b>			
<b>1. Net carrying value as at end of the previous financial year</b>	50588P	xxxxxxxxxxxxxxxx	0
<b>2. Movements during the financial year</b>	50581		
a. Additions	50582		
b. Reimbursements	50583		
c. Write-downs	50584		
d. Amounts written back	50585		
e. Realized exchange gains/losses	(+)/(-) 50586		
f. Other	(+)/(-) 50587		
<b>3. Net carrying value as at end of the financial year</b>	50588	0	
<b>4. Accumulated write-downs as at end of the financial year</b>	50589		

## VI LIST OF ENTERPRISES IN WHICH THE INSTITUTION HOLDS A PARTICIPATING INTEREST

## A. PARTICIPATIONS AND SOCIAL RIGHTS IN OTHER ENTITIES

List enterprises in which the enterprise holds a participating interest within the meaning of the Royal Decree of 23 September 1992 and other enterprises in which the institution holds rights in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	Type	directly		via subsidiaries	Annual accounts as at	Currency code	Own funds	Net result
		Number	%	%			(+) or (-) (in thousands of monetary units)	
Ag Insurance Bruxelles BE 404.494.849		157,822	25.00		31-12-11	EUR	1,732,126	(384,324)
Alpha (Murcia) Holding B.V. Alpha Card S.C.R.L. Watermael-Boitsfort BE 463.926.551		78,000,000	100.00		31-12-12	EUR	77,423	(561)
Alpha Credit S.A. Bruxelles BE 445.781.316		1,146,937	100.00		31-12-11	EUR	32,020	19,879
Aslk-Cger Services (En Liquidation) Bruxelles BE 458.523.354		100	100.00			BEF		
Atrialis Dublin			100.00		30-06-11	EUR	38	-
Bancontact-Mistercash Bruxelles BE 884.499.499		5,123	20.00		31-12-11	EUR	2,528	(157)
Banking Funding Company S.A. Bruxelles BE 884.525.525		20,586	33.47		31-12-11	EUR	171	46
Bbof Iii Investors B.V. Amsterdam		24,300	12.13		31-12-10	EUR	36,998	4,143
Bedrijvencentrum Dendermonde N.V. Dendermonde BE 438.558.081		500	19.61		31-12-11	EUR	1,177	23
Bedrijvencentrum Regio Aalst N.V. Erembodegem BE 428.749.502		80	14.23		31-12-11	EUR	697	(2)
Bedrijvencentrum Vilvoorde N.V. Vilvoorde BE 434.222.577		400	10.18		31-12-11	EUR	1,387	32
Bedrijvencentrum Waasland N.V. Sint-Niklaas BE 427.264.214		400	16.03		31-12-11	EUR	618	(50)
Bedrijvencentrum Zaventem N.V. Zaventem BE 426.496.496		751	24.98		31-12-11	EUR	354	88
Belgolaise S.A. Bruxelles BE 403.200.294	(1) (2)	449,999 119,250	100.00		31-12-11	EUR	28,762	1,097

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			via subsidiaries	Annual accounts as at	Currency code	Own funds	Net result
	Type	Number	%	%			(+) or (-) (in thousands of monetary units)	
Bem li Bruxelles BE 832.115.686		2,000	15.04		31-12-11	EUR	720	(111)
Bem-Flemish Construction And Investment Company N.V. Bruxelles BE 461.612.904		2,793	12.05		31-12-11	EUR	3,973	(10)
Bgl Bnp Paribas Luxembourg		13,989,568	50.00		31-12-11	EUR	5,676,700	297,800
Bnp Paribas Bank Polska S.A. Warszawa		18,848,593	78.13	21.74	31-12-12	PLN	1,668,021	95,398
Bnp Paribas Fortis Factor Nv Turnhout BE 414.392.710		93,523	99.99	0.01	31-12-11	EUR	110,448	17,744
Bnp Paribas Fortis Funding S.A. Luxembourg		19,999	100.00		31-12-12	EUR	11,854	(108,763)
Bnp Paribas Fortis Yatirimlar Holding A.S. Istanbul		2,217,999,996	99.99	0.01	31-12-12	TRY	2,214,015	(262)
Bnp Paribas Investment Partners Paris		406,433	28.22	2.56	31-12-12	EUR	2,385,464	346,946
Bpost Banque Bruxelles BE 456.038.471		300,000	50.00		31-12-11	EUR	223,267	4,090
Certifimmo V S.A. Bruxelles BE 450.355.261		12,261	99.99	0.01	31-12-11	EUR	6,895	1,705
China-Belgium Direct Equity Investment Fund Beijing		10,000,000	10.00		31-12-11	CNY	1,450,247	867,789
Comptoir Agricole De Wallonie Namur BE 400.364.530		2,499	99.96		31-12-11	EUR	2,213	166
Cooperatieve H2 Equity Partners Fund Iii U.A. Amsterdam		7,012,843	24.07		31-12-11	EUR	55,450	13,220
Coppefjs Bruxelles BE 453.987.813		74	98.67	1.33	31-12-11	EUR	347	469
Credissimo Seraing BE 403.977.482		124,999	100.00		31-12-11	EUR	15,390	869
Credissimo Hainaut S.A. Tournai BE 402.495.065		465,570	99.72		31-12-11	EUR	3,297	49
Credit Pour Habitations Sociales - Krediet Voor Sociale Woningen Watermael-Boitsfort BE 402.204.461		70,629	77.56	5.02	31-12-11	EUR	13,761	48
Credit Social De La Province Du Brabant Wallon Nivelles BE 400.351.068		11,013	12.10	0.08	31-12-11	EUR	4,484	49

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			via subsidiaries	Annual accounts as at	Currency code	Own funds	Net result
	Type	Number	%	%			(+) or (-) (in thousands of monetary units)	
Demetris N.V. Groot-Bijgaarden BE 452.211.723		9,999	99.99	0.01	31-12-11	EUR	2,803	2,783
Dikodi B.V. Amsterdam		42	100.00		31-12-10	EUR	(17,494)	(499)
Discontokantoor Van Turnhout Turnhout BE 404.154.154		10,000	100.00		31-12-11	EUR	12	(10)
Distri-Invest S.A. Bruxelles BE 431.242.105		102	51.00		28-02-11	EUR	124	-
Dominet S.A. Piaseczno		25,615	100.00		31-12-12	PLN	284,553	(1,640)
Domus Flandria N.V. Antwerpen BE 436.825.642		22,500	11.22		31-12-11	EUR	19,475	1,691
Eiser Global Infrastructure Fund Ltd London			26.50		31-12-11	EUR	992,800	(13,826)
Es-Finance Sint-Agatha-Berchem BE 430.506.289		81,999	100.00		31-12-11	EUR	47,632	7,345
Europay Belgium Bruxelles BE 434.197.197		13,618	39.73	0.15	31-12-11	EUR	1,188	371
European Carbon Fund Luxembourg			10.53		31-12-10	EUR	74,534	8,909
Fb Transportation Capital Llc Wilmington. Usa		5,000,000	100.00		31-12-12	USD	188,331	101,721
Finest S.A. Bruxelles BE 449.082.680		14,793	99.99		12-11-11	EUR	(185)	(16)
Fintrimo S.A. Sint-Joost-Ten-Noode BE 874.308.807		300	50.00	12.50	31-12-11	EUR	259	(4)
Fortis Bank Escritorio De Representacao Ltda. São Paulo		450,000	75.00		31-12-11	BRL	673	30
Fortis Commercial Finance Holding Nv S-Hertogenbosch		91,449	100.00		31-12-12	EUR	116,508	64,875
Fortis Film Fund S.A. Bruxelles BE 893.587.655		99	99.00	1.00	31-12-11	EUR	203	89
Fortis Finance Belgium S.C.R.L. Bruxelles BE 879.866.412		599,998	100.00		31-12-11	EUR	653,188	60,734
Fortis Funding Llc New York			100.00		31-12-12	USD	(3,059)	1
Fortis Holding Malta B.V. Amsterdam		55,123,082	100.00		31-12-12	EUR	67,475	8,669
Fortis International Finance (Dublin) Dublin		209,368,065	100.00		31-03-12	EUR	212,000	500

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	Type	Number	%	%			(+) or (-) (in thousands of monetary units)	
Fortis Lease Iberia Barcelona		1,170,000	21.39	13.10	31-12-12	EUR	(14,544)	(8,902)
Fortis Private Equity Asia Fund S.A. Bruxelles BE 866.161.894		22,199	100.00		31-12-11	EUR	4,433	(899)
Fortis Private Equity Belgium N.V. Bruxelles BE 421.883.286		557,866	100.00		31-12-11	EUR	143,652	3,498
Fortis Private Equity France Fund Strasbourg		50,000,000	99.90		31-12-12	EUR	3,396	(1,188)
Fortis Private Real Estate Holding S.A. Luxembourg		700	100.00		31-12-11	EUR	20,414	219
Fpre Management (Belgium) Sa Bruxelles BE 871.937.750		148,501	99.58	0.42	31-12-11	EUR	1,232	602
Fscholen Sint-Joost-Ten-Noode BE 825.836.836		8,925	50.00	12.50	31-12-11	EUR	10,829	12
Fv Holding N.V. Etterbeek BE 810.422.825		17,504,600	40.00		31-12-11	EUR	13,122	(16,019)
Generale Branch (Nominees) Limited London		99	99.00	1.00	31-12-10	GBP	117	-
Genfinance International S.A. Bruxelles BE 421.429.267		19,999	99.99	0.01	31-12-11	EUR	1,240	18
German Equity Partners Iii. Gmbh & Co Francfort			14.49		31-12-10	EUR	42,468	22,398
Greenspring Global Partners Ii. L.P. Owings Mills			16.24		31-12-10	USD	115,597	26,756
Gudrun Xpert N.V. Bruxelles BE 477.315.315		5,200	26.00		31-12-11	EUR	667	(72)
Heracles S.C. Charleroi BE 427.178.892		4,500	13.55		31-12-11	EUR	342	122
Immo Kolonel Bourgstraat Bruxelles BE 461.139.139		1,250	50.00		31-12-11	EUR	(9,641)	(524)
Immo-Beaulieu Bruxelles BE 450.193.193		500	25.00		16-06-11	EUR	68	106
Immobilie Distri-Land N.V. Bruxelles BE 436.440.909		156	12.48		31-12-11	EUR	269	35
Immobilie Sauveniere S.A. Bruxelles BE 403.302.739		15,741	99.99	0.01	31-12-11	EUR	18,226	1,717
Immouneuve Bruxelles BE 416.030.426		1,000	50.00	12.50	31-12-11	EUR	101	33



NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			via subsidiaries	Annual accounts as at	Currency code	Own funds	Net result
	Type	Number	%	%			(+) or (-) (in thousands of monetary units)	
Innovation Et Developpement En Brabant Wallon Louvain La Neuve BE 460.658.938		3,500	16.32		31-12-11	EUR	2,284	6
Isabel S.A./N.V. Bruxelles BE 455.530.530		253,322	25.33		31-12-11	EUR	13,556	824
Landbouwkantoor Van Vlaanderen N.V. Kortrijk BE 405.460.460		499	99.80	0.20	31-12-11	EUR	4,961	275
Le Credit Social De Tubize S.A. Tubize BE 400.344.140		400	11.43		31-12-10	EUR	116	(125)
Le Credit Social Et Les Petits Proprietaires Reunis Châtelet BE 401.609.593		3,347	12.38		31-12-11	EUR	2,895	149
Le Petit Proprietaire S.A. Woluwe-Saint-Lambert BE 403.290.366		690	11.60		31-12-11	EUR	689	(7)
Margaret. Inc. Atlanta		500	100.00		31-12-11	USD	175,973	(74)
Meespierson Private Belgian Offices Cv Bruxelles BE 870.419.996		126	99.21	0.79	31-12-11	EUR	16,098	(950)
Microstart Saint-Gilles BE 829.081.071		9,500	78.51		31-12-11	EUR	559	(651)
Nueve-9 Barcelona		195,078	39.18			EUR	-	-
Park De Haan N.V. Bruxelles BE 438.533.436		300	15.00		31-12-11	EUR	180	(29)
Penta Fund 1 Ltd Partnership United Kingdom			12.28		31-12-10	GBP	35,162	877
Raskin Immobiliere Sa Heusy Verviers BE 450.678.678		450	30.00		31-12-11	EUR	113	10
Renoir Cdo B.V. Amsterdam		18	100.00		31-12-11	EUR	18	9
Robertsau Investissement Strasbourg		26,550	21.62	0.35	31-12-10	EUR	3,990	232
Rr 60 Bruxelles BE 508.867.938		80	80.00	5.00		EUR		
S.A. Berlaymont 2000 N.V. Bruxelles BE 441.629.617		150	14.85		31-12-11	EUR	17,822	4,241
Seavi Advent Equity V (Cayman) Lp Grand Cayman			23.58		31-12-11	USD	25,186	(537)

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			via subsidiaries	Annual accounts as at	Currency code	Own funds	Net result
	Type	Number	%	%			(+) or (-) (in thousands of monetary units)	
Secoya Private Equity Investments General Partner Luxembourg		250	100.00		31-12-11	EUR	25	7
Shenergy Group Finance Company Limited Shanghai		100,000,000	10.00		31-12-10	CNY	1,245,675	126,012
Sint-Jozefskredietmaatschappij N.V. Beringen BE 401.349.970		522	11.93		31-12-11	EUR	22,266	779
Societe Belge D'Investissement International S.B.I. - Belgische Maatschappij Voor Internationale Investerings B.M.I. Bruxelles BE 411.892.088		2,595	19.51		31-12-11	EUR	35,511	562
Sowo Invest S.A. / N.V. Bruxelles BE 877.279.282		875	87.50		31-12-11	EUR	533	(10)
Tous Proprietaires S.A. Erquelinnes BE 401.731.339		43,425	16.82		31-12-11	EUR	6,682	254
Via-Zaventem N.V. Bruxelles BE 892.742.742		5,100	51.00		31-12-11	EUR	115	(16)
Visa Belgium Srcl Bruxelles BE 435.551.551		44	24.58		30-09-11	EUR	258	73
Von Essen Gmbh & Co. Kg Bank Essen		1	100.00		31-12-11	EUR	133,344	32,541

**B. LIST OF ENTITIES FOR WHICH THE INSTITUTION HAS UNLIMITED LIABILITY IN ITS CAPACITY OF FULLY LIABLE PARTNER OR MEMBER**

The annual accounts of any enterprise to which the enterprise is unlimited liable will be added to the present financial statements and published jointly, unless the reason why the requirement is not met, is mentioned in the 2nd column referring to the appropriate code (A, B or C) explained hereafter.

The annual accounts of the enterprise:

- A. are published by deposit with the National Bank of Belgium;
- B. are effectively published in another Member State of the EEC as laid down in Article 3 of the Directive 2009/101/EC;
- C. are proportionally or fully consolidated in the reporting institution's accounts which have been prepared audited and published in accordance with the Royal Decree of September 23rd 1992 on the consolidated accounts of institutions, investment firms and management companies of collective investments.

Name and full address of the registered office and, for enterprises governed by Belgian law, the VAT number or national identification number	Code, if any
ASLK-CGER Services, rue du Fossé-aux-loups 48, 1000 Bruxelles BE 458.523.354	

## VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS (heading VIII of the assets)

	Codes	Current period	Previous period
<b>A. FORMATION EXPENSES</b>			
1. Net bookvalue as at the end of the previous financial year	50705P	xxxxxxxxxxxxxxx	
2. Movements during the financial year	50701		
a. New expenses incurred	50702		
b. Amortization	50703		
c. Other (+)/(-)	50704		
3. Net bookvalue as at the end of the financial year	50705		
4. Of which			
a. Expenses of formation or capital increase, loan issue expenses and other formation expenses	50706		
b. Reorganization costs	50707		

	Codes	Current period	Previous period
<b>B. GOODWILL</b>			
1. Acquisition value as at end of the previous financial year	50712P	xxxxxxxxxxxxxxx	95,924
2. Movements during the financial year	50708	(6,006)	
a. Acquisitions, including own construction	50709	0	
b. Sales and disposals	50710	6,006	
c. Transfers from one caption to another (+)/(-)	50711	0	
3. Acquisition value as at end of the financial year	50712	89,919	
4. Amortizations and write-downs as at the end of the previous financial year	50719P	xxxxxxxxxxxxxxx	54,591
5. Movements during the financial year	50713	11,824	
a. Recorded	50714	12,626	
b. Excess written back	50715	0	
c. Acquisitions from third parties	50716	3,200	
d. Cancellations	50717	6,000	
e. Transfers from one caption to another (+/-)	50718	1,997	
6. Amortizations and write-downs as at end of the financial year	50719	66,415	
7. Net bookvalue as at end of the financial year	50720	23,504	

	Codes	Current period	Previous period
<b>C. COMMISSIONS PAID FOR ATTRACTING NEW BUSINESS WITH CUSTOMERS</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50725P	xxxxxxxxxxxxxxxx	
<b>2. Movements during the financial year</b>	50721		
a. Acquisitions, including own construction	50722		
b. Sales and disposals	50710		
c. Transfers from one caption to another	(+)/(-) 50724		
<b>3. Acquisition value as at end of the financial year</b>	50725		
<b>4. Amortizations and write-downs as at end of the previous financial year</b>	50732P	xxxxxxxxxxxxxxxx	
<b>5. Movements during the financial year</b>	50726		
a. Recorded	50727		
b. Excess written back	50728		
c. Acquisitions from third parties	50729		
d. Cancellations	50730		
e. Transfers from one caption to another	(+)/(-) 50731		
<b>6. Amortizations and write-downs as at end of the financial year</b>	50732		
<b>7. Net bookvalue as at end of the financial year</b>	50733		

	Codes	Current period	Previous period
<b>D. OTHER INTANGIBLE FIXED ASSETS</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50738P	xxxxxxxxxxxxxxxx	90,034
<b>2. Movements during the financial year</b>	50734	(16,232)	
a. Acquisitions, including own construction	50735	12,633	
b. Sales and disposals	50736	28,888	
c. Transfers from one caption to another	(+)/(-) 50737	23	
<b>3. Acquisition value as at end of the financial year</b>	50738	73,802	
<b>4. Amortizations and write-downs as at end of the previous financial year</b>	50745P	xxxxxxxxxxxxxxxx	69,156
<b>5. Movements during the financial year</b>	50739	(7,723)	
a. Recorded	50740	8,895	
b. Excess written back	50741	3	
c. Acquisitions from third parties	50742	8,124	
d. Cancellations	50743	24,730	
e. Transfers from one caption to another	(+)/(-) 50744	(9)	
<b>6. Amortizations and write-downs as at end of the financial year</b>	50745	61,433	
<b>7. Net bookvalue as at end of the financial year</b>	50746	12,368	

**VIII. STATEMENT OF THE TANGIBLE FIXED ASSETS (Assets caption IX)**

		Codes	Current period	Previous period
<b>A. LANDS AND BUILDINGS</b>				
<b>1. Acquisition value as at end of the previous financial year</b>		50805P	xxxxxxxxxxxxxxx	1,618,430
<b>2. Movements during the financial year</b>	(+)/(-)	50801	90,154	
a. Acquisition, including own construction		50802	27,544	
b. Sales and disposals		50803	10,054	
c. Transfers from one caption to another	(+)/(-)	50804	72,664	
<b>3. Acquisition value as at end of the financial year</b>		50805	1,708,584	
<b>4. Capital gains as at end of the previous financial year</b>		50811P	xxxxxxxxxxxxxxx	199,945
<b>5. Movements during the financial year</b>	(+)/(-)	50806	(3,336)	
a. Recorded		50807		
b. Acquisitions from third parties		50808		
c. Cancellations		50809	957	
d. Transfers from one caption to another	(+)/(-)	50810	(2,379)	
<b>6. Capital gains as at end of the financial year</b>		50811	196,609	
<b>7. Amortizations and write-downs as at end of the previous financial year</b>		50818P	xxxxxxxxxxxxxxx	1,181,289
<b>8. Movements during the financial year</b>	(+)/(-)	50812	53,599	
a. Recorded		50813	59,924	
b. Excess written back		50814	296	
c. Acquisitions from third parties		50815	98	
d. Cancellations		50816	7,552	
e. Transfers from one caption to another	(+)/(-)	50817	833	
<b>9. Amortizations and write-downs as at end of the financial year</b>		50818	1,234,888	
<b>10. Net bookvalue as at end of the financial year</b>		50819	670,305	

	Codes	Current period	Previous period
<b>B. INSTALLATIONS, MACHINES AND EQUIPMENT</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50824P	xxxxxxxxxxxxxxx	307,837
<b>2. Movements during the financial year</b> (+)/(-)	50820	(51,559)	
a. Acquisition, including own construction	50821	56,588	
b. Sales and disposals	50822	58,651	
c. Transfers from one caption to another	50823	(49,496)	
<b>3. Acquisition value as at end of the financial year</b>	50824	256,278	
<b>4. Capital gains as at end of the previous financial year</b>	50830P	xxxxxxxxxxxxxxx	0
<b>5. Movements during the financial year</b> (+)/(-)	50825	0	
a. Recorded	50826	0	
b. Acquisitions from third parties	50827	0	
c. Cancellations	50828	0	
d. Transfers from one caption to another	50829	0	
<b>6. Capital gains as at end of the financial year</b>	50830	0	
<b>7. Amortization and write-downs as at end of the previous financial year</b>	50837P	xxxxxxxxxxxxxxx	232,952
<b>8. Movements during the financial year</b> (+)/(-)	50831	(26,037)	
a. Recorded	50832	26,259	
b. Excess written back	50833	0	
c. Acquisitions from third parties	50834	2,375	
d. Cancellations	50835	21,162	
e. Transfers from one caption to another	50836	(33,509)	
<b>9. Amortizations and write-downs as at end of the financial year</b>	50837	206,914	
<b>10. Net bookvalue as at end of the financial year</b>	50838	49,364	

	Codes	Current period	Previous period
<b>C. FURNITURE AND VEHICLES</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50843P	xxxxxxxxxxxxxxx	144,232
<b>2. Movements during the financial year</b> (+)/(-)	50839	54,875	
a. Acquisition, including own construction	50840	16,061	
b. Sales and disposals	50841	10,678	
c. Transfers from one caption to another	50842	49,492	
<b>3. Acquisition value as at end of the financial year</b>	50843	199,107	
<b>4. Capital gains as at end of the previous financial year</b>	50849P	xxxxxxxxxxxxxxx	0
<b>5. Movements during the financial year</b> (+)/(-)	50844		
a. Recorded	50845		
b. Acquisitions from third parties	50846		
c. Cancellations	50847		
d. Transfers from one caption to another	50848		
<b>6. Capital gains as at end of the financial year</b>	50849	0	
<b>7. Amortizations and write-downs as at end of the previous financial year</b>	50856P	xxxxxxxxxxxxxxx	80,449
<b>8. Movements during the financial year</b> (+)/(-)	50850	46,384	
a. Recorded	50851	18,880	
b. Excess written back	50852	5,397	
c. Acquisitions from third parties	50853	0	
d. Cancellations	50854	0	
e. Transfers from one caption to another	50855	32,901	
<b>9. Amortizations and write-downs as at end of the financial year</b>	50856	127,554	
<b>10. Net bookvalue as at end of the financial year</b>	50857	71,554	



	Codes	Current period	Previous period
<b>D. LEASING AND SIMILAR RIGHTS</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50862P	xxxxxxxxxxxxxxx	
<b>2. Movements during the financial year</b> (+)/(-)	50858		
a. Acquisition, including own construction	50859		
b. Sales and disposals	50860		
c. Transfers from one caption to another	(+)(-) 50861		
<b>3. Acquisition value as at end of the financial year</b>	50862		
<b>4. Capital gains as at end of the previous financial year</b>	50868P	xxxxxxxxxxxxxxx	
<b>5. Movements during the financial year</b> (+)/(-)	50863		
a. Recorded	50864		
b. Acquisitions from third parties	50865		
c. Cancellations	50866		
d. Transfers from one caption to another	(+)(-) 50867		
<b>6. Capital gains as at end of the financial year</b>	50868		
<b>7. Amortizations and write-downs as at end of the previous financial year</b>	50875P	xxxxxxxxxxxxxxx	
<b>8. Movements during the financial year</b> (+)/(-)	50869		
a. Recorded	50870		
b. Excess written back	50871		
c. Acquisitions from third parties	50872		
d. Cancellations	50873		
e. Transfers from one caption to another	(+)(-) 50874		
<b>9. Amortizations and write-downs as at end of the financial year</b>	50875		
<b>10. Net bookvalue as at end of the financial year</b>	50876		
<b>11. Of which</b>			
a. Land and buildings	50877		
b. Plant, machinery and equipment	50878		
c. Furniture and vehicles	50879		

		Codes	Current period	Previous period
<b>E. OTHER TANGIBLE FIXED ASSETS</b>				
<b>1. Acquisition value as at end of the previous financial year</b>		50884P	xxxxxxxxxxxxxxx	329,117
<b>2. Movements during the financial year</b>	(+)/(-)	50880	5,424	
a. Acquisition, including own construction		50881	3,829	
b. Sales and disposals		50882	146	
c. Transfers from one caption to another	(+)/(-)	50883	1,741	
<b>3. Acquisition value as at end of the financial year</b>		50884	334,540	
<b>4. Capital gains as at end of the previous financial year</b>		50890P	xxxxxxxxxxxxxxx	7,851
<b>5. Movements during the financial year</b>	(+)/(-)	50885	0	
a. Recorded		50886	0	
b. Acquisitions from third parties		50887	0	
c. Cancellations		50888	0	
d. Transfers from one caption to another	(+)/(-)	50889	0	
<b>6. Capital gains as at end of the financial year</b>		50890	7,851	
<b>7. Amortizations and write-downs as at end of the previous financial year</b>		50897P	xxxxxxxxxxxxxxx	181,459
<b>8. Movements during the financial year</b>	(+)/(-)	50891	5,560	
a. Recorded		50892	5,560	
b. Excess written back		50893		
c. Acquisitions from third parties		50894		
d. Cancellations		50895		
e. Transfers from one caption to another	(+)/(-)	50896		
<b>9. Amortizations and write-downs as at end of the financial year</b>		50897	189,690	
<b>10. Net bookvalue as at end of the financial year</b>		50898	152,702	

	Codes	Current period	Previous period
<b>F. FIXED ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS</b>			
<b>1. Acquisition value as at end of the previous financial year</b>	50903P	xxxxxxxxxxxxxxx	92,438
<b>2. Movements during the financial year</b> (+)/(-)	50899	2,627	
a. Acquisition, including own construction	50900	79,743	
b. Sales and disposals	50901		
c. Transfers from one caption to another	50902	(77,116)	
<b>3. Acquisition value as at end of the financial year</b>	50903	95,065	
<b>4. Capital gains as at end of the previous financial year</b>	50909P	xxxxxxxxxxxxxxx	0
<b>5. Movements during the financial year</b> (+)/(-)	50904		
a. Recorded	50905		
b. Acquisitions from third parties	50906		
c. Cancellations	50907		
d. Transfers from one caption to another	50908		
<b>6. Capital gains as at end of the financial year</b>	50909	0	
<b>7. Amortization and write-downs as at end of the previous financial year</b>	50916P	xxxxxxxxxxxxxxx	0
<b>8. Movements during the financial year</b> (+)/(-)	50910		
a. Recorded	50911		
b. Excess written back	50912		
c. Acquisitions from third parties	50913		
d. Cancellations	50914		
e. Transfers from one caption to another	50915		
<b>9. Amortizations and write-downs as at end of the financial year</b>	50916	0	
<b>10. Net bookvalue as at end of the financial year</b>	50917	95,065	

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F-estb 5.9

**IX. OTHER ASSETS (Assets caption XI)**

Breakdown of the assets caption XI (if the amount in this caption is significant)	Current period
Premiums paid in advance on derivatives & forex	4,798,705
Suspense accounts	985,363
Claims on invoices	239,896
Tax recovery	81,566
Social claim	26,193
Others	22,795
Property held for resale	5,956
Outstanding deposits in cash	3,053

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**X. DEFERRED CHARGES AND ACCRUED INCOME (Assets caption XII)**

	Codes	Current Period
1. Deferred charges	51001	69,785
2. Accrued income	51002	18,962,512

**X.bis REINVESTMENT OF SEGREGATED CUSTOMER FUNDS**

	Codes	Current period
Total	51003	

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F-estb 5.11

**XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS (Liabilities caption I)**

	Codes	Current Period	Previous period
1. Amounts owed to affiliated enterprises	51101	3,383,263	13,181,069
2. Amounts owed to other enterprises linked by participating interests	51102	0	0
3. Breakdown of debts other than on sight according to their remaining maturity			
a. Up to 3 months	51103	3,737,890	
b. Over 3 months up to 1 year	51104	1,674,825	
c. Over 1 year up to 5 years	51105	6,161,467	
d. Over 5 years	51106	565,457	
e. Indeterminate period	51107		

**XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS (Liabilities caption II)**

	Codes	Current Period	Previous period
<b>1. Amounts owed to affiliated enterprises</b>	51201	6,586,449	4,555,249
<b>2. Amounts owed to other enterprises linked by participating interests</b>	51202	2,361,740	2,366,733
<b>3. Breakdown according to their remaining maturity</b>			
a. At sight	51203	33,683,058	
b. Up to 3 months	51204	10,883,948	
c. Over 3 months up to 1 year	51205	2,601,039	
d. Over 1 year up to 5 years	51206	8,063,546	
e. Over 5 years	51207	5,878,362	
f. Indeterminate period	51208	57,931,591	
<b>4. Breakdown of debt owed to customers depending on the nature of the debtors</b>			
a. Debts owed to governments	51209	3,401,183	6,929,803
b. Debts owed to private persons	51210	61,268,818	58,144,927
c. Debts owed to enterprises	51211	54,371,543	67,208,610
<b>5. Geographical breakdown of debt owed to customers</b>			
a. Of Belgian origin	51212	97,076,975	
b. Of foreign origin	51213	21,964,569	

**XIII. STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES (Liabilities caption III)**

	Codes	Current period	Previous period
<b>1. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to affiliated companies.</b>	51301	190,375	2,000,814
<b>2. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to other companies linked by participating interests.</b>	51302	0	0
<b>3. Breakdown of debts represented by certificates in accordance to their remaining maturity.</b>			
a. Up to 3 months	51303	4,439,882	
b. Over 3 months up to 1 year	51304	5,567,993	
c. Over 1 year up to 5 years	51305	6,776,083	
d. Over 5 years	51306	431,725	
e. Indeterminate period	51307	66,603	

**XIV. STATEMENT OF OTHER DEBTS (Liabilities caption IV)**

	Codes	Current period
<b>1. Taxes, remuneration and social security charges due to the tax authorities:</b>	51401	54,955
a. Overdue debts	51402	
b. Unmatured debts	51403	54,955
<b>2. Taxes, remuneration and social security charges due to the National Social Security Office</b>	51404	123,084
a. Overdue debts	51405	
b. Unmatured debts	51406	123,084
<b>3. Taxes</b>		
a. Taxes payable	51407	
b. Estimated taxes payable	51408	1,261
<b>4. Other debts</b>		
<b>Breakdown if the amount in this caption is significant</b>		
Premiums received on financial derivatives		4,520,947
Suspense accounts		1,302,697
Debts - suppliers		39,952
Debts resulting from the allocation of profit		259,964
Revaluation of the funding of participations in foreign currency		0
Wage debts		453,884

**XV. ACCRUED CHARGES AND DEFERRED INCOME (Liabilities caption V)**

	Codes	Current period
<b>1. Accrued charges</b>	51501	15,806,910
<b>2. Deferred income</b>	51502	120,213

**XVI. PROVISIONS FOR OTHER RISKS AND CHARGES (Liabilities VI.A.3)**

	Current period
<b>Breakdown of Liabilities VI.A.3 if the amounts in this caption are significant</b>	
Provision for unsettled claims	187,569
Provision of commitments	75,951
Provision for personnel expenses	194,232

**XVII. STATEMENT OF SUBORDINATED DEBTS (Liabilities caption VIII)**

	Codes	Exercice	Exercice précédent
1. Subordinated debts due to affiliated enterprises	51701	1,878,438	2,132,936
2. Subordinated debts due to other enterprises linked by participating interests	51702	0	0

	Codes	Exercice
3. Charges as a result of subordinated debts and attributable to the financial year	51703	502,962

4. For each subordinated loan, the following data: the reference number, the currency code, the amount of the loan in the currency of the loan, the reimbursement modalities, the maturity date and, if there is no specified maturity date, the modalities for the term, where appropriate the circumstances when there is an early repayment, the conditions for subordination and where appropriate the conditions of converting to capital of another liability.

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital
1	EUR	7,165	4.60	1-01-13	
2	EUR	26,221	3.45	1-01-13	
3	EUR	4,882	4.60	1-02-13	
4	EUR	2,330	4.40	1-02-13	
5	EUR	19,768	3.45	1-02-13	
6	USD	16,918	1.74	19-02-13	
7	EUR	2,236	4.40	1-03-13	
8	EUR	3,271	4.15	1-03-13	
9	EUR	11,667	3.45	1-03-13	
10	EUR	2,395	4.15	1-04-13	
11	EUR	9,979	4.05	1-04-13	
12	EUR	2,304	3.45	1-04-13	
13	EUR	17,336	3.55	1-04-13	
14	EUR	1,476	4.05	1-05-13	
15	EUR	4,025	4.30	1-05-13	
16	EUR	565	3.55	1-05-13	
17	EUR	20,263	3.95	1-05-13	
18	EUR	100,000	5.13	16-05-13	
19	EUR	5,433	4.30	1-06-13	
20	EUR	1,612	3.95	1-06-13	
21	EUR	21,099	3.95	1-06-13	
22	EUR	545	3.95	1-07-13	
23	EUR	6,202	3.70	1-07-13	
24	EUR	458	3.50	1-07-13	
25	EUR	20,688	3.95	1-07-13	
26	EUR	210	3.70	1-08-13	
27	EUR	1,313	3.50	1-08-13	
28	EUR	2,053	3.80	1-08-13	
29	EUR	77	3.95	1-08-13	
30	EUR	35,170	4.20	1-08-13	
31	EUR	46	3.80	1-09-13	

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital
32	EUR	29,239	4.40	1-09-13	
33	EUR	13,253	4.50	1-09-13	
34	EUR	64,672	4.20	1-09-13	
35	EUR	136	4.40	1-10-13	
36	EUR	86,968	4.50	1-10-13	
37	EUR	5,606	4.20	1-10-13	
38	EUR	19,858	3.95	1-10-13	
39	EUR	38,291	4.50	1-11-13	
40	EUR	8,997	4.15	1-11-13	
41	EUR	12,804	4.40	1-11-13	
42	EUR	15,522	3.95	1-11-13	
43	EUR	65	4.15	1-12-13	
44	EUR	18,897	4.40	1-12-13	
45	EUR	21,162	3.95	1-12-13	
46	EUR	14,000	3.82	6-12-13	
47	EUR	38,070	4.40	1-01-14	
48	EUR	17,046	3.95	1-01-14	
49	EUR	13,000	3.78	5-01-14	
50	EUR	1,913	4.40	1-02-14	
51	EUR	8,312	4.10	1-02-14	
52	EUR	2,915	4.00	1-02-14	
53	EUR	11,562	3.95	1-02-14	
54	EUR	9,952	4.25	1-02-14	
55	EUR	10,000	3.63	6-02-14	
56	EUR	29	4.10	1-03-14	
57	EUR	6,523	4.00	1-03-14	
58	EUR	31	3.95	1-03-14	
59	EUR	25,392	4.25	1-03-14	
60	EUR	2,744	4.00	1-04-14	
61	EUR	5,299	3.90	1-04-14	
62	EUR	16,715	4.25	1-04-14	

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital.
63	EUR	16,620	4.10	1-04-14	
64	EUR	3,471	3.90	1-05-14	
65	EUR	12,084	4.10	1-05-14	
66	EUR	26	3.90	1-06-14	
67	EUR	9,577	4.20	1-06-14	
68	EUR	4,928	4.10	1-06-14	
69	EUR	10,505	4.30	1-06-14	
70	EUR	5,207	4.20	1-07-14	
71	EUR	8,837	4.40	1-07-14	
72	EUR	41	4.10	1-07-14	
73	EUR	5,044	4.30	1-07-14	
74	EUR	15,734	4.50	1-07-14	
75	EUR	8,518	4.40	1-08-14	
76	EUR	3,955	4.20	1-08-14	
77	EUR	3,934	4.50	1-08-14	
78	EUR	14,777	4.70	1-08-14	
79	EUR	7,671	4.20	1-09-14	
80	EUR	12,723	4.70	1-09-14	
81	EUR	8,713	4.55	1-09-14	
82	EUR	200,000	4.75	3-09-14	
83	EUR	100,000	4.63	1-10-14	
84	EUR	16,018	4.20	1-10-14	
85	EUR	16,963	4.55	1-10-14	
86	EUR	998,464	4.63	27-10-14	
87	EUR	3,133	4.20	1-11-14	
88	EUR	8,028	4.05	1-11-14	
89	EUR	18,214	4.55	1-11-14	
90	EUR	11,765	4.05	1-12-14	
91	EUR	27,273	4.55	1-12-14	
92	EUR	1,253	4.85	1-12-14	
93	EUR	159	4.85	1-12-14	
94	EUR	100,000	4.00	31-12-14	
95	EUR	5,643	4.05	1-01-15	
96	EUR	8,352	3.85	1-01-15	
97	EUR	220	4.55	1-01-15	
98	EUR	14,761	4.85	1-01-15	
99	EUR	618	4.70	1-01-15	
100	EUR	5,970	3.85	1-02-15	
101	EUR	19,969	4.70	1-02-15	
102	EUR	777	4.50	1-02-15	
103	EUR	4,064	3.85	1-03-15	
104	EUR	1,993	3.60	1-03-15	
105	EUR	1,361	3.50	1-03-15	
106	EUR	56	4.70	1-03-15	
107	EUR	6,976	4.50	1-03-15	
108	EUR	25,000	3.88	31-03-15	
109	EUR	188	3.60	1-04-15	
110	EUR	6,587	3.50	1-04-15	
111	EUR	13,911	4.50	1-04-15	
112	EUR	50,000	4.12	11-04-15	
113	EUR	50,000	0.42	20-04-15	

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital.
114	EUR	109	3.50	1-05-15	
115	EUR	14,031	3.85	1-05-15	
116	EUR	2,139	3.60	1-05-15	
117	EUR	3,898	4.50	1-05-15	
118	EUR	61	4.50	1-05-15	
119	EUR	2	4.95	1-05-15	
120	EUR	42	3.85	1-06-15	
121	EUR	6,213	3.60	1-06-15	
122	EUR	13	4.50	1-06-15	
123	EUR	250	4.50	1-06-15	
124	EUR	4,017	4.95	1-06-15	
125	EUR	24	4.95	1-06-15	
126	EUR	176	4.95	1-06-15	
127	EUR	1,863	4.95	1-06-15	
128	EUR	20	4.95	1-06-15	
129	EUR	20	4.95	1-06-15	
130	EUR	50,000	3.20	17-06-15	
131	EUR	10,000	3.58	1-07-15	
132	EUR	10,000	3.58	1-07-15	
133	EUR	6,460	3.60	1-07-15	
134	EUR	4,772	3.35	1-07-15	
135	EUR	303	4.95	1-07-15	
136	EUR	23	4.95	1-07-15	
137	EUR	839	4.95	1-07-15	
138	EUR	412	4.95	1-07-15	
139	EUR	250	4.95	1-07-15	
140	EUR	380	4.95	1-07-15	
141	EUR	22,000	3.74	29-07-15	
142	EUR	5,211	3.35	1-08-15	
143	EUR	137	4.95	1-08-15	
144	EUR	5,155	3.35	1-09-15	
145	EUR	104	4.95	1-09-15	
146	EUR	1	4.80	1-09-15	
147	USD	46,698	4.73	8-09-15	
148	EUR	7,109	3.35	1-10-15	
149	EUR	362	4.80	1-10-15	
150	EUR	4,633	3.35	1-11-15	
151	EUR	18	4.80	1-11-15	
152	EUR	240	4.80	1-11-15	
153	EUR	1,125	3.35	1-12-15	
154	EUR	5,022	3.65	1-12-15	
155	EUR	320	4.80	1-12-15	
156	EUR	23	4.10	1-12-15	
157	EUR	9,611	3.65	1-01-16	
158	EUR	48	4.10	1-01-16	
159	EUR	3	3.80	1-01-16	
160	EUR	7,080	3.65	1-02-16	
161	EUR	13	4.10	1-02-16	
162	EUR	149,510	6.38	16-02-16	
163	EUR	3,551	3.65	1-03-16	
164	EUR	352	5.00	1-03-16	



Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital.
165	EUR	499,575	4.25	23-03-16	
166	EUR	430	3.65	1-04-16	
167	EUR	4,478	3.70	1-04-16	
168	EUR	5,823	5.00	1-04-16	
169	EUR	3,049	4.80	1-04-16	
170	EUR	10,117	5.30	1-04-16	
171	EUR	374	3.70	1-05-16	
172	EUR	4,040	4.00	1-05-16	
173	EUR	10	4.80	1-05-16	
174	EUR	7,063	5.30	1-05-16	
175	EUR	11,373	5.50	1-05-16	
176	EUR	50,000	4.38	1-06-16	
177	EUR	3,791	4.00	1-06-16	
178	EUR	31,492	5.50	1-06-16	
179	EUR	10,343	4.80	1-06-16	
180	EUR	2,514	4.00	1-07-16	
181	EUR	11,914	4.80	1-07-16	
182	EUR	5,685	4.50	1-07-16	
183	EUR	50,000	4.25	11-07-16	
184	EUR	11	4.00	1-08-16	
185	EUR	8,724	4.40	1-08-16	
186	EUR	5,293	4.50	1-08-16	
187	EUR	6,908	4.35	1-08-16	
188	EUR	1,423	4.35	1-08-16	
189	EUR	50,000	4.63	29-08-16	
190	EUR	15,560	4.40	1-09-16	
191	EUR	36	4.35	1-09-16	
192	EUR	10,296	4.35	1-09-16	
193	EUR	1,241	4.40	1-10-16	
194	EUR	11,441	4.15	1-10-16	
195	EUR	15,744	4.35	1-10-16	
196	EUR	3,242	4.25	1-10-16	
197	EUR	49,700	4.25	25-10-16	
198	EUR	7,488	4.15	1-11-16	
199	EUR	23,993	4.25	1-11-16	
200	EUR	772	4.00	1-11-16	
201	EUR	49,610	4.25	28-11-16	
202	EUR	7,638	4.15	1-12-16	
203	EUR	9,699	4.00	1-12-16	
204	EUR	2,517	3.90	1-12-16	
205	USD	47,263	4.12	24-12-16	
206	EUR	49,950	4.20	29-12-16	
207	EUR	7,658	4.15	1-01-17	
208	EUR	6,665	3.90	1-01-17	
209	EUR	1,917	3.70	1-01-17	
210	EUR	6,651	4.15	1-02-17	
211	EUR	4,180	4.35	1-02-17	
212	EUR	3,532	3.70	1-02-17	
213	EUR	1,483	3.60	1-02-17	
214	EUR	49,860	4.40	21-02-17	
215	EUR	49,900	4.50	26-02-17	

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital.
216	EUR	97	4.15	1-03-17	
217	EUR	4,612	4.35	1-03-17	
218	EUR	1,287	3.60	1-03-17	
219	EUR	49,960	4.60	30-03-17	
220	EUR	1,983	4.35	1-04-17	
221	EUR	3,375	4.20	1-04-17	
222	EUR	2,819	4.20	1-05-17	
223	EUR	49,950	4.40	4-05-17	
224	EUR	956	4.20	1-06-17	
225	EUR	2,895	4.40	1-06-17	
226	EUR	5	4.20	1-07-17	
227	EUR	553	4.40	1-07-17	
228	EUR	4,511	4.60	1-07-17	
229	EUR	74,970	4.80	3-07-17	
230	EUR	725	4.60	1-08-17	
231	EUR	3,161	4.80	1-08-17	
232	EUR	3,095	4.80	1-09-17	
233	EUR	4,109	4.70	1-09-17	
234	EUR	49,950	5.00	28-09-17	
235	EUR	7,777	4.70	1-10-17	
236	EUR	1,000,000	5.76	4-10-17	
237	EUR	220,195	5.76	4-10-17	
238	EUR	5,842	4.70	1-11-17	
239	EUR	8,237	4.70	1-12-17	
240	EUR	263	5.05	1-12-17	
241	EUR	138	5.05	1-12-17	
242	EUR	251,800	0.19	5-12-17	
243	EUR	179,776	5.60	28-12-17	
244	EUR	26	4.70	1-01-18	
245	EUR	109	4.70	1-01-18	
246	EUR	8,086	5.05	1-01-18	
247	EUR	162	4.80	1-01-18	
248	EUR	10,000	1.22	2-01-18	
249	EUR	3,354	4.80	1-02-18	
250	EUR	290	4.70	1-02-18	
251	EUR	10,000	3.90	6-02-18	
252	EUR	799,476	0.44	14-02-18	
253	EUR	202	4.80	1-03-18	
254	EUR	2,628	4.70	1-03-18	
255	EUR	5,000	3.87	6-03-18	
256	EUR	202,092	5.65	26-03-18	
257	EUR	4,487	4.70	1-04-18	
258	EUR	151,598	5.75	30-04-18	
259	EUR	827	4.70	1-05-18	
260	EUR	2	4.70	1-05-18	
261	EUR	85	4.70	1-06-18	
262	EUR	179	4.70	1-06-18	
263	EUR	1,200	5.05	1-06-18	
264	EUR	1	5.05	1-06-18	
265	EUR	46	5.05	1-06-18	
266	EUR	245	5.05	1-06-18	

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital.
267	EUR	25,000	1.16	18-06-18	
268	EUR	50,548	5.75	27-06-18	
269	EUR	83	5.05	1-07-18	
270	EUR	10	5.05	1-07-18	
271	EUR	30	5.05	1-07-18	
272	EUR	262	5.05	1-07-18	
273	EUR	62	5.05	1-07-18	
274	EUR	51	5.05	1-07-18	
275	EUR	581	5.05	1-07-18	
276	EUR	25,000	2.23	2-07-18	
277	EUR	75,000	7.50	11-07-18	
278	EUR	314	5.05	1-08-18	
279	EUR	372	5.05	1-09-18	
280	EUR	250	4.90	1-09-18	
281	EUR	24,276	6.35	28-09-18	
282	EUR	21	5.05	1-10-18	
283	EUR	391	4.90	1-10-18	
284	EUR	181	4.90	1-11-18	
285	EUR	266	4.90	1-11-18	
286	EUR	286	4.90	1-12-18	
287	EUR	136	4.40	1-12-18	
288	EUR	149	4.40	1-01-19	
289	EUR	31	4.15	1-01-19	
290	EUR	101	4.15	1-02-19	
291	EUR	98	4.50	1-02-19	
292	EUR	334	4.50	1-03-19	
293	EUR	86	5.50	1-03-19	
294	EUR	1,693	5.50	1-04-19	
295	EUR	517	5.20	1-04-19	
296	EUR	2,518	5.70	1-04-19	
297	EUR	5	5.20	1-05-19	
298	EUR	2,054	5.70	1-05-19	
299	EUR	10,599	6.40	1-05-19	
300	EUR	29,595	6.40	1-06-19	
301	EUR	3,874	5.30	1-06-19	
302	EUR	7,983	5.30	1-07-19	
303	EUR	5,510	4.90	1-07-19	
304	EUR	3,698	4.90	1-08-19	
305	EUR	1,922	4.75	1-08-19	
306	EUR	601	4.75	1-08-19	
307	EUR	68	4.75	1-09-19	
308	EUR	6,903	4.75	1-09-19	
309	EUR	150	5.05	1-09-19	
310	EUR	12,176	4.75	1-10-19	
311	EUR	1,042	4.65	1-10-19	
312	EUR	9,698	4.65	1-11-19	
313	EUR	230	4.40	1-11-19	
314	EUR	5,034	4.40	1-12-19	
315	EUR	1,686	4.30	1-12-19	
316	EUR	4,413	4.30	1-01-20	
317	EUR	2,549	4.20	1-01-20	

Reference Number	Currency	Amount (in 000)	Interest Rates	Maturity date or conditions governing the maturity	a) circumstances in which the enterprise is required to repay the loan b) Conditions for the subordination c) Conditions for the conversion into capital.
318	EUR	4,363	4.20	1-02-20	
319	EUR	3,819	4.20	1-03-20	
320	EUR	10,500	0.47	29-06-21	
321	EUR	30,000	6.45	27-01-31	
322	EUR	22,890	1.68	31-12-49	
323	USD	26,547	1.52	31-12-49	
324	EUR	375,000	8.00	31-12-49	
325	USD	568,225	8.25	31-12-49	
326	EUR	1,111,750	0.18	19-12-72	
327	EUR	1	0.18	19-12-72	

**XVIII. STATEMENT OF CAPITAL AND SHAREHOLDERS STRUCTURE**

	Codes	Current period	Previous period
<b>A. CAPITAL STATEMENT</b>			
<b>1. SUBSCRIBED CAPITAL</b>			
a. Subscribed capital as at end of the previous financial year	20910P	xxxxxxxxxxxxxx	9,374,878
b. Subscribed capital as at end of the financial year	(20910)	9,374,878	
	Codes	Amounts	Number of shares
c. Changes during the financial year			
d. Structure of the capital			
e. Categories of shares			
Common		9,374,878	483,241,153
f. Registered shares	51801	xxxxxxxxxxxxxx	482,999,477
g. Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	241,676
<b>2. CAPITAL NOT PAID UP</b>			
a. Uncalled capital	(20920)		xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	
c. Shareholders still owing capital payment			
<b>3. OWN SHARES</b>			
a. Held by the reporting institution itself			
* Amount of capital held	51804		
* Corresponding number of shares	51805		
b. Held by its subsidiaries			
* Amount of capital held	51806		
* Corresponding number of shares	51807		
<b>4. SHARE ISSUANCE COMMITMENTS</b>			
a. Following the exercise of CONVERSION RIGHTS			
* Amount of convertible loans outstanding	51808		
* Amount of capital to be subscribed	51809		
* Maximum corresponding number of shares to be issued	51810		
b. Following the exercise of SUBSCRIPTION RIGHTS			
* Number of subscription rights outstanding	51811		
* Amount of capital to be subscribed	51812		
* Maximum corresponding number of shares to be issued	51813		
<b>5. AUTHORIZED CAPITAL NOT ISSUED</b>	51814	9,374,000	
<b>6. SHARES NOT REPRESENTING CAPITAL</b>			
a. Repartition			
* Number of parts	51815		
* Number of votes	51816		
b. Breakdown by shareholder			
* Number of parts held by the reporting institution itself	51817		
* Number of parts held by its subsidiaries	51818		

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**B. SHAREHOLDERS STRUCTURE OF THE INSTITUTION AT YEAR END ACCORDING TO THE NOTIFICATIONS RECEIVED BY THE INSTITUTION**

BNP Paribas Fortis SA holds its registered office at 1000 Brussels, Montagne du parc 3.

On 31 December 2012, subscribed called capital amounted to EUR 9,374,878,367.

BNP Paribas was holder of 362,115,778 capital shares of the 483,241,153 BNP Paribas Fortis shares which represents 74.93% of the shareholding.

The 'Société Fédérale de Participations et d'Investissement / Federale Participatie- en Investeringsmaatschappij NV' was owner of 120,810,289 BNP Paribas Fortis shares which represents 25% of the capital.

The remaining 315,086 shares, representing 0.07% of the shareholding are held by other minority shareholders.

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**XIX. BREAKDOWN OF BALANCE SHEET IF MORE THAN 15 MILLION EUROS, IN EUROS AND IN FOREIGN CURRENCY**

	Codes	Current Period
<b>1. Total Assets</b>		
a. In Euro	51901	185,620,122
b. In foreign currency (equivalent in EUR)	51902	16,324,916
<b>2. Total liabilities</b>		
a. In Euro	51903	187,969,003
b. In foreign currency (equivalent in EUR)	51904	13,976,035

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**XX. FIDUCIARY TRANSACTIONS ACCORDING TO ARTICLE 27TER §1 PARAGRAPH 3**

	Current Period
Concerned assets and liabilities items	

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**XXI. STATEMENT OF GUARANTEED DEBTS AND OBLIGATIONS**

	Current Period
<b>A. MORTGAGES (amount of enrollment or carrying amount of the collateralized buildings, if this is less)</b>	
<b>1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution</b>	
a. Liabilities	
b. Off-balance sheets	
<b>2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties</b>	

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F-estb 5.21.2

	Current Period
<b>B. PLEDGE OF THE TRADING FUND (total enrollment)</b>	
<b>1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution</b>	
<b>a. Liabilities</b>	
.....	
<b>b. Off-balance sheet</b>	
.....	
<b>2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties</b>	

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	Current Period
<b>C. PLEDGE OF OTHER ASSETS (book value of pledged assets)</b>	
<b>1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution</b>	
<b>a. Liabilities</b>	
Amount owed as a result of mobilizations and advances	13,660,014
<b>b. Off-balance sheet</b>	
.....	
<b>2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties</b>	

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F-estb 5.21.4

	Current Period
<b>D. COLLATERAL ON FUTURE ASSETS (amount of the related assets)</b>	
<b>1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution</b>	
<b>a. Liabilities</b>	
.....	
<b>b. Off-balance sheet</b>	
.....	
<b>2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties</b>	

**XXII. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS WITH POTENTIAL CREDIT RISK (off-balance-sheet I and II)**

	Codes	Current Period	Previous Period
<b>1. Total contingent liabilities on behalf of affiliated companies</b>	52201	0	0
<b>2. Total contingent liabilities on behalf of other companies linked by participating interests</b>	52202	0	0
<b>3. Total commitments with a potential credit risk to affiliated companies</b>	52203	22,539,302	18,536,729
<b>4. Total commitments with a potential risk with regard to companies linked by participating interests</b>	52204	32,479	310,091

**XXIII. OPERATING RESULTS (items I to XV of the income statement)**

	Codes	Current Period	Previous period
<b>1. Breakdown of operating income according to origin</b>			
a. Interest and similar income	(40100)	4,835,032	5,679,707
* Belgian sites	52301	4,688,973	5,453,112
* Foreign offices	52302	146,059	226,595
b. Income from variable-income securities: shares and other variable-yield securities	(40310)	73,796	64,754
* Belgian sites	52303	73,316	64,754
* Foreign offices	52304	480	0
c. Income from variable-income securities: investments in associated companies	(40320)	314,636	334,205
* Belgian sites	52305	303,315	334,205
* Foreign offices	52306	11,321	0
d. Income from variable-income securities: shares in other companies linked by participating interests	(40330)	9,793	52,618
* Belgian sites	52307	9,793	52,618
* Foreign offices	52308	0	0
e. Income from variable-income securities: other shares held as financial fixed assets	(40340)	1,791	1,241
* Belgian sites	52309	1,791	1,231
* Foreign offices	52310	0	10
f. Commissions received	(40400)	1,277,548	1,267,156
* Belgian sites	52311	1,166,528	1,096,166
* Foreign offices	52312	111,020	170,990
g. Profit on financial transactions	(40600)	255,043	19,918
* Belgian sites	52313	222,006	6,891
* Foreign offices	52314	33,037	13,027
h. Other operating income	(41400)	226,830	212,833
* Belgian sites	52315	215,347	193,671
* Foreign offices	52316	11,483	19,162
<b>2. Employees on the personnel register</b>			
a. Total number at the closing date	52317	19,733	20,453
b. Average number of employees in full-time equivalents	52318	18,471	18,671
* Management Personnel	52319	1,943	1,951
* Employees	52320	16,528	16,720
* Workers	52321		
* Other	52322		
c. Number of actual worked hours	52323	24,793,169	24,910,137
<b>3. Personnel expenses</b>			
a. Remuneration and direct social benefits	52324	1,157,743	1,168,398
b. Employers' contribution for social security	52325	319,118	323,081
c. Employers' premiums for extra statutory insurance	52326	163,122	119,060
d. Other personnel expenses	52327	51,527	40,081
e. Retirement and survivor's pensions	52328	2,253	1,917
<b>4. Provisions for pensions and similar obligations</b>			
a. Increase (+)	52329	43	0
b. Decrease (-)	52330	0	0

	Codes	Current Period	Previous period
<b>5. Breakdown of other operating income if this represents a significant amount</b>			
a. Rental income		11,944	12,731
b. Various recoveries		175,725	162,287
c. Inventory costs		9,987	14,170
d. Postage charges		13,658	13,210
e. Returns on receivable		13,292	11,811
f. Others		581	0
<b>6. Other operating expenses</b>			
a. Corporate taxes	52331	206,703	202,114
b. Other	52332	71,847	124,164
c. Analysis of other operating expenses if this represents a significant amount			
<b>7. Operating revenue from affiliated companies</b>	52333	1,769,317	1,859,144
<b>8. Operating costs relating to affiliated companies</b>	52334	1,218,421	925,072



**XXIV. STATEMENT OF FORWARD OFF-BALANCE SHEET TRANSACTIONS ON SECURITIES, FOREIGN CURRENCIES AND OTHER FINANCIAL INSTRUMENTS NOT INVOLVING COMMITMENTS CARRYING POTENTIAL CREDIT RISK ACCORDING TO HEADING II OF THE OFF-BALANCE SHEET ITEMS**

	Codes	Current Period
<b>A. TYPES OF TRANSACTION (amounts on the closing date of the accounts)</b>		
<b>1. Securities transactions</b>		
a. Forward purchases and sales of securities and marketable securities	52401	6,835
* of which: not intended for hedging purposes	52402	6,835
<b>2. Transactions on foreign currencies (amounts to be delivered)</b>		
a. Forward exchange operations	52403	4,227,381
* of which: not intended for hedging purposes	52404	4,227,381
b. Currency and interest rate swaps	52405	59,954,714
* of which: not intended for hedging purposes	52406	53,899,819
c. Currency futures	52407	0
* of which: not intended for hedging purposes	52408	0
d. Currency options	52409	3,636,677
* of which: not intended for hedging purposes	52410	3,636,677
e. Forward exchange contracts	52411	0
* of which: not intended for hedging purposes	52412	0
<b>3. Transactions on other financial instruments</b>		
<b>Forward interest rate transactions (nominal/notional reference amount)</b>		
a. Interest rate swap agreements	52413	1,011,874,928
* of which: not intended for hedging purposes	52414	972,017,546
b. Interest rate futures	52415	111,677,593
* of which: not intended for hedging purposes	52416	111,677,593
c. Forward Rate Agreements	52417	175,011,734
* of which: not intended for hedging purposes	52418	175,011,734
d. Interest rate options	52419	508,991,734
* of which: not intended for hedging purposes	52420	508,991,734
<b>Other forward purchases and sales (sale/purchase price agreed between parties)</b>		
e. Other option transactions	52421	1,636,235
* of which: not intended for hedging purposes	52422	1,636,235
f. Other futures transactions	52423	0
* of which: not intended for hedging purposes	52424	0
g. Other forward purchases and sales	52425	115,651
* of which: not intended for hedging purposes	52426	115,651

	Codes	Current Period
<b>B. QUANTIFICATION OF THE IMPACT ON THE RESULTS OF THE DEROGATION OF VALUATION RULE UNDER article 36bis, § 2 RELATING TO THE FORWARD INTEREST RATE TRANSACTIONS</b>		
<b>1. Forward Interest rate transactions in the context of the treasury management</b>		
a. Nominal/notional reference amount on the closing date of accounts	52427	14,040,154
b. Difference between market value and carrying value (+)/(-)	52428	141
<b>2. Forward Interest rate transactions regarding ALM</b>		
a. Nominal/notional reference amount on the closing date of accounts	52429	41,350,536
b. Difference between market value and carrying value (+)/(-)	52430	(367,955)
<b>3. Forward Interest rate transactions without the effect of risk reduction (LOCOM)</b>		
a. Nominal/notional reference amount on the closing date of accounts	52431	Nihil
b. Difference between market value and carrying value (+)/(-)	52432	Nihil

**XXV. EXTRAORDINARY RESULTS**

	Codes	Current Period
<b>1. Capital gains on the transfer of fixed assets to affiliated companies</b>	52501	32,261
<b>2. Capital losses on the transfer of fixed assets to affiliated companies</b>	52502	26,357
<b>3. Breakdown of other exceptional result if it comprises significant amounts</b>		
a. capital gain on disposal of participations		8
b. capital gain on disposal of foreign branches activities to entities of the group BNP Paribas SA		0
<b>4. Breakdown of the other extraordinary charges if they comprise significant amounts</b>		
a. reorganisation plan		6,365
b. indemnity payment to BNP Paribas following the tender offer launched by BNP Paribas on the cashes		69,551

**XXVI. INCOME TAXES**

	Codes	Current Period
<b>1. Income taxes for the year</b>	52601	31,726
a. Taxes and withholding taxes due or paid	52602	31,726
b. Excess of income tax prepayments or withholding taxes brought to assets	52603	0
c. Estimated additional charges for income taxes	52604	0
<b>2. Income taxes for previous years</b>	52605	(33,938)
a. Additional income taxes due or paid	52606	12,579
b. Additional charges for income taxes estimated or transferred to provisions	52607	(46,517)
<b>3. Main sources of differences between the profit before tax, as stated in the financial statements and estimated taxable income</b>		(2,747,432)
. Disallowed expenses		57,735
. Movements on reserves		(305,108)
. Capital loss/gain on securities portfolio		(2,212,799)
. Profits exempted by agreement		(239,055)
. Others		(48,205)
<b>4. Impact of extraordinary results on the amount of income taxes for the year</b>		(138,429)

	Codes	Current Period
<b>5. Sources of deferred taxes</b>		
<b>a. Deferred tax assets</b>	52608	9,350,128
* Accumulated tax losses deductible from future taxable profits	52609	9,350,128
* Other deferred tax assets		
For the current restructuring plans, differed tax assets have been booked		
<b>b. Deferred tax liabilities</b>	52610	
* Breakdown of the deferred tax liabilities		

**XXVII. VALUE ADDED TAXES AND TAXES BORNE BY THIRD PARTIES**

	Codes	Current period	Previous period
<b>1. Charged value added tax</b>			
a. To the reporting institution (deductible)	52701	71,919	82,524
b. By the reporting institution	52702	58,623	50,373
<b>2. Amounts withheld on behalf of third parties as</b>			
a. Payroll tax	52703	358,413	363,944
b. Withholding tax	52704	357,527	273,517

**XXVIII. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS AND TRANSACTIONS WITH RELATED PARTIES****A. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS**

	Codes	Current Period
<b>1. Substantial commitments to acquire fixed assets</b>		
<b>2. Substantial commitments to dispose of fixed assets</b>		
<b>3. Significant litigation and other significant commitments</b> BNP Paribas Fortis is involved as a defendant in various claims, disputes and legal proceedings in Belgium and in some foreign jurisdictions, arising in the ordinary course of its banking business and following the restructuring of Fortis (referring to both 'Fortis SA/NV and 'Fortis N.V. and currently 'Ageas SA/NV') at the end of September and beginning of October 2008, as further described in note 8j 'Contingent assets and liabilities' of the BNP Paribas Fortis Consolidated Financial Statements 2012.		
<b>4. Where appropriate, a brief description of the system of supplementary retirement or survivorship pension in the benefit of the personnel or the executives, stating the measures taken to cover the resulting charges</b>		

	Codes	Current Period
<b>5. Pensions that are borne by the institution itself: the estimated amount of obligations arising from past</b> Bases and methods of estimation	52801	

**6. Nature and business purpose of off-balance sheet arrangements**  
Provided that the risks or benefits of such arrangements are material and to the extent that disclosure of the risks or benefits is necessary for assessing the financial situation of the institution; where appropriate, the financial consequences of these operations for the facility must also be mentioned:

	Codes	Current Period
<b>7. Other off- balance sheet rights and commitments</b>		

**B. TRANSACTIONS WITH RELATED PARTIES OUTSIDE NORMAL MARKET CONDITIONS**

Indication of such transactions if they are significant, including the amount of these transactions, the nature of the relationship with the related party and any other information on transactions that would be required to obtain a better understanding of the financial situation of the institution:

Current Period



**XXX. POSITIONS ON FINANCIAL INSTRUMENTS**

	Codes	Current period
1. Financial instruments to be received by the institution on behalf of clients	53001	877,660
2. Financial instruments to be delivered by the institution to clients	53002	281,233
3. Financial instruments of clients held in custody by the institution	53003	111,548,247
4. Financial Instruments from clients given in custody by the institution	53004	117,586,529
5. Financial Instruments from clients held as collateral by the institution	53005	6,634,710
6. Financial Instruments from clients given as collateral by the institution	53006	0

**XXXI. DERIVATIVES NOT ESTIMATED AT FAIR VALUE**

The derivatives mentioned below are used for hedging purposes. The fair value of the whole transaction (fair value of hedged deals and of the hedged) has no material impact on the profit of the year.

	Current period
<b>Estimated fair value of each class of derivative instruments not measured at fair value, with information on the nature and volume of these instruments</b>	
ALM/IRS	229,582
ALM/CAP	(13,417)
(C)IRS	(1,205,906)
Other derivatives	(2)

**XXXII. DECLARATION ON CONSOLIDATED ACCOUNTS****A. To be completed by all credit institutions****Justification of compliance with the conditions set out in Article 4 of the Royal Decree of 23 September 1992:**

Name and full address of the registered office and, for enterprises governed by Belgian law, the enterprise number of the parent company publishing the consolidated accounts by virtue of which the exemption is granted

**B. To be completed by credit institutions which are solely or jointly-held subsidiaries**

**Name and full address of the registered office and, for enterprises governed by Belgian law, the enterprise number of the parent company or companies preparing and publishing the consolidated accounts in which the accounts of the reporting institution are consolidated \*\*:**

BNP PARIBAS SA - Boulevard des italiens, 16 à 75009 - Paris - France

**If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated accounts may be obtained \*\*:**

BANQUE NATIONALE DE FRANCE - Rue croix des petits champs, 31 à 75001 Paris - France

*\* Delete where inapplicable*

*\*\* If the accounts are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated accounts are prepared and published*

**C. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: STATEMENT IN ACCORDANCE WITH ARTICLE 133, PARAGRAPH 6 FROM THE COMPANY LAW**

	Codes	Current period
<b>D. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: STATEMENT IN ACCORDANCE WITH ARTICLE 134, PARAGRAPHS 4 AND 5 FROM THE COMPANY LAW</b>		
<b>1. Auditor's fees for carrying out an auditor's mandate on the level of the group led by the company that publishes the information</b>	53201	1,595
<b>2. Fees for exceptional services or special services provided to this group by the auditor(s)</b>		
a. Other audit services	53202	772
b. Tax consultancy services	53203	
c. Other non-audit services	53204	
<b>3. Fees for the people who are related to the auditor(s) for carrying out an auditor's mandate on the level of the group led by the company that publishes the information</b>	53205	1,844
<b>4. Fees for exceptional services or special services rendered to this group by the people who are related to the auditor(s)</b>		
a. Other audit services	53206	339
b. Tax consultancy services	53207	15
c. Other non-audit services	53208	1,730



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**UNCALLED AMOUNTS ON PARTICIPATING INTERESTS AND SHAREHOLDINGS  
(in implementation of Art. 29 § 1)**

Heading schema B	Company name	Uncalled amount
<b>VII. A</b>	FORTIS PRIVATE EQUITY BELGIUM	32,438
	ES FINANCE	930
	SOWO INVEST N.V	73
	FINTRIMO S.A	25
	FINTRIMO S.A	25
	FINTRIMO S.A	25
	VIA ZAVENTEM N.V.	144
	<b>Total</b>	<b>33,660</b>
<b>VII. B</b>	CREDIT SOC. DE BRABANT WALLON	16
	CREDIT SOC.PP. REUNIS LIB 90	4
	BEM II	375
	<b>Total</b>	<b>395</b>
<b>VII. C</b>	CREDIT HYPOTH. OSCAR BRICOULT	4
	CREDIT TRAVAILLEURS LIB 50 PC	1
	LANDWAARTS SOC. WOONKR LIB 36 %	80
	ONS EIGEN HUIS LIB 95 PC	1
	EIGEN HUIS - THUIS BEST	3
	UW EIGEN HUIS VLAAN. LIB 84 PC	6
	MAISON DE L'ENTREPR. LIB 25%	6
	MAISON DE L'ENTREPR. LIB 25%	9
	<b>Total</b>	<b>110</b>

**XXVIII. RIGHTS AND OBLIGATIONS NOT STATED ON THE BALANCE SHEET AND COVERED BY THE FOREGOING SECTION OR THE OFF-BALANCE SHEET ITEMS**

**C. Where appropriate, a brief description is given of the supplementary retirement and survival pension for employees or executives, stating the measures taken to cover the resultant costs.**

**I. Brief description of the pension systems**

Four pension systems are in operation within BNP Paribas Fortis.

**A. The first pension system applies for employees who joined the Bank before 1 January 2002 and who are not BNP Paribas Fortis executives (ex-ASLK, ex-Generale Bank and BNP Paribas Fortis). This system comprises :**

- 1) A basic defined benefit plan providing the following benefits :
  - retirement benefit payable at the retirement age (60 years), which takes into account the actual State pension of the member;
  - benefit payable on death before retirement age and orphan's benefit.
- 2) A supplementary plan (only for the category ex-ASLK) of the defined contribution type, with compulsory contributions by the member, providing additional retirement and death benefit.

**B. The second system applies for employees who joined the Bank on or after 1 January 2002 and who are not BNP Paribas Fortis executives (only the category BNP Paribas Fortis). This system, with compulsory contributions by the member, is a defined contribution system for the retirement pension and a defined benefit system for the death and orphan's benefit.**

**C. The third system applies for employees in the category ex-KN. It is a defined contribution system for the retirement benefit and a defined benefit system for the death and orphan's benefit.**

**D. The fourth system applies for BNP Paribas Fortis executives. It is a defined benefit system which provides the following benefits :**

- retirement benefit payable at the retirement age (65 years), with the pension capital varying according to job grade;
- benefit payable on death before retirement age and orphan's benefit.

**II. Brief description of the measures taken by the company to cover the resultant costs**

**A. The costs of the first pension system are covered by :**

- a collective insurance with AXA Belgium and Allianz for the accrued entitlements (for the employees contributions) as at 31 December 2001 for the categories ex-Generale Bank and BNP Paribas Fortis;
- a collective insurance with AG Insurance for the difference between the defined benefits and these accrued entitlements and for the benefit payable on death and the orphan's benefit.

- 1) For the commitments under I.A.1), the employer pays monthly contributions to the Financing Fund of the collective insurance (calculated as a fixed percentage of salaries);
- 2) For the commitments under I.A.2), the contributions are split equally between employees and the employer.

**B. The costs of the second system are covered by a collective insurance taken out with AG Insurance. Employees pay a monthly personal contribution withheld on their salary. The employer pays a monthly contribution to the Financing Fund of the collective insurance.**

**C. The costs of the third system are covered by a collective insurance with AG Insurance. The employer pays a monthly collective insurance premium.**

**D. The costs of the fourth system are covered by a collective insurance taken out with AXA Belgium. The employer pays a monthly collective insurance premium into the Financing Fund of the collective insurance, administered by AG Insurance.**

**SOCIAL REPORT (IN EURO)**

Numbers of joint industrial committees which  
are competent for the enterprise: 310

**STATEMENT OF THE PERSONS EMPLOYED****EMPLOYEES WHOM ARE RECORDED IN THE STAFF REGISTER**

During the current period	Codes	Total	1. Men	2. Women
<b>Average number of employees</b>				
Full-Time	1001	14,498	8,488	6,010
Part-Time	1002	5,452	1,420	4,032
Total of Full-Time equivalents (FTE)	1003	18,272	9,404	8,868
<b>Number of hours actually worked</b>				
Full-Time	1011	18,590,094	11,060,731	7,529,363
Part-Time	1012	5,917,444	1,840,826	4,076,618
Total	1013	24,507,538	12,901,557	11,605,981
<b>Personnel costs</b>				
Full-Time	1021	1,318,497,732	852,052,675	466,445,057
Part-Time	1022	311,289,328	88,008,501	223,280,827
Total	1023	1,629,787,060	940,061,176	689,725,884
<b>Advantages in addition to wages</b>	1033	0	0	
<b>During the previous period</b>				
	Codes	P. Total	1P. Men	2P. Women
Average number of employees in FTE	1003	18,672	9,773	8,899
Number of hours actually worked	1013	24,910,137	13,297,867	11,612,270
Personnel costs	1023	1,582,825,703	926,744,449	656,081,254
Advantages in addition to wages	1033	0	0	0

**EMPLOYEES WHOM ARE RECORDED IN THE STAFF REGISTER (continued)**

At the closing date of the current period	Codes	1. Full-Time	2. Part-Time	3. Total in Full-Time equivalents
<b>Number of employees</b>	105	14,215	5,313	17,905,1
<b>By nature of the employment contract</b>				
Contract for an unlimited duration	110	14,068	5,312	17,757,3
Contract for a definite period	111	147	1	147,8
Contract for the execution of a specifically assigned work	112	0	0	0,0
Replacement contract	113	0	0	0,0
<b>According to the gender and by level of education</b>				
<b>Male</b>	120	8,300	1,355	9,175,9
primary education	1200	0	0	0,0
secondary education	1201	1,763	753	2,229,4
higher education (non-university)	1202	3,272	400	3,543,8
university education	1203	3,265	202	3,402,7
<b>Female</b>	121	5,915	3,958	8,729,2
primary education	1210	0	0	0,0
secondary education	1211	1,067	1,607	2,152,0
higher education (non-university)	1212	2,486	1,574	3,634,7
university education	1213	2,362	777	2,942,5
<b>By professional category</b>				
Management staff	130	1,802	100	1,876,7
Employees	134	12,413	5,213	16,028,4
Workers	132	0	0	0,0
Other	133	0	0	0,0

**HIRED TEMPORARY STAFF AND PERSONNEL PUT AT THE ENTERPRISE'S DISPOSAL**

During the current period	Codes	1. Temporary personnel	2. Persons put at the disposal of the enterprise
Average number of employees	150	91	0
Number of hours actually worked	151	170,486	0
Charges of the enterprise	152	5,944,637	0

## TABLE OF PERSONNEL CHANGES DURING THE CURRENT PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
<b>Number of employees for which the institution filed a DIMONA declaration of whom were recorded on the personnel register during the financial year</b>	205	778	7	784
<b>By nature of the employment contract</b>				
Contract for an unlimited duration	210	654	6	659
Contract for a definite period	211	124	1	125
Contract for the execution of a specifically assigned work	212	0	0	0
Replacement contract	213	0	0	0
DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
<b>Number of employees for which the staff register shows a date during the financial year on which their employment contract was terminated</b>	305	1,081	629	1,444
<b>By nature of the employment contract</b>				
Contract for an unlimited duration	310	935	626	1,296
Contract for a definite period	311	146	3	148
Contract for the execution of a specifically assigned work	312	0	0	0
Replacement contract	313	0	0	0
<b>According to the reason for termination of the employment contract</b>				
Retirement	340	273	521	566
Early retirement	341	0	0	0
Dismissal	342	212	25	231
Other reason	343	596	83	647
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350	0	0	0

## INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE CURRENT PERIOD

	Codes	Male	Codes	Female
<b>Total number of official advanced professional training projects at company expense</b>				
Number of participating employees	5801	9,254	5811	9,404
Number of training hours	5802	200,504	5812	206,846
Costs for the company	5803	25,117,901.82	5813	25,525,043.09
of which gross costs directly linked to the training	58031	24,796,831.99	58131	25,198,768.97
of which paid contributions and deposits in collective funds	58032	321,069.83	58132	326,274.11
of which received subsidies (to be deducted)	58033	0	58133	0
<b>Total number of less official and unofficial advanced professional training projects at company expense</b>				
Number of participating employees	5821	3,876	5831	4,437
Number of training hours	5822	20,050	5832	20,684
Costs for the company	5823	1,341,946.50	5833	1,384,380.12
<b>Total number of initial professional training projects at company expense</b>				
Number of participating employees	5841	0	5851	0
Number of training hours	5842	0	5852	0
Costs for the company	5843	0	5853	0

# Summary of the accounting policies for the non-consolidated financial statements

## General principles

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The accounting policies of BNP Paribas Fortis comply with the rules laid down in the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The accounting policies of BNP Paribas Fortis are the same as last year.

The following summary gives further details of the accounting policies used for the major components in the balance sheet and income statement.

## Assets

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### Loans and advances from credit institutions and receivables from customers

Loans and advances granted to credit institutions and customers are recognised for the initial amount paid less subsequent repayments and related allowances. All expenses paid to third parties for bringing in transactions with customers are fully recognised in the income statement in the accounting period in which they are incurred.

Any difference between the nominal value of the loans and advances and the amounts originally granted is recognised on an accrual basis as interest income or charges in the income statement.

Other receivables are recognised at their nominal value.

Allowances for doubtful loans and for loans with an uncertain future are recognised in proportion to the part regarded as unrecoverable, based on objective sources of information. Once a loan has been classified as doubtful or uncertain, related interests are normally no longer included in the income statement.

The accounting policies provide the option of setting up an internal security fund to cover well-defined risks, possibly arising in the future, but which cannot yet be individualised.

### Debt securities and other fixed-income securities Shares and other variable-yield securities

Securities or receivables represented by marketable securities are included in the trading portfolio if they are acquired with

the intention of selling them back, based on their return over a period which normally does not exceed six months.

Trading securities are valued at market value if traded on a liquid market. In the absence of a liquid market, they are valued at cost (all costs included, provisions received deducted) or market value, whichever is lower.

The fixed-income securities in the investment portfolio are recognised on the basis of their yield-to-maturity. The difference between the acquisition cost (all costs included, provisions received deducted) and the redemption value is accrued in the income statement.

The gains and losses realised on the sale of fixed-income securities are immediately recognised in the income statement. If however they are realised on arbitrage transactions, they may be accrued, in accordance with the provisions of article 35ter §5 of the Royal Decree of 23 September 1992.

Shares in the investment portfolio are valued at cost (all costs included, provisions received deducted) or market value, whichever is the lower, with all differences recognised in the income statement.

If the debtor carries a risk of non-payment, write-downs are made as for doubtful loans or loans with an uncertain future.

## Financial fixed assets

Financial fixed assets are recognised at cost. A write-off is recorded where a decrease in value is permanent. Where financial fixed assets are financed with borrowed funds, the exchange differences on the borrowed funds are not recognised in the income statement.

Incremental costs are taken directly to the income statement.

## Formation expenses and intangible fixed assets

Start-up costs are capitalised and depreciated on a straight-line basis over five years.

Capital increase costs are charged directly to the income statement.

The issuing costs of subordinated loans are depreciated on a straight-line basis over the duration of the loan. The issuing costs of perpetual loans are depreciated on a straight-line basis over five years, or over the length of the period before the date of the first call, if this date is earlier.

Costs relating to software developed by the bank itself or relating to standard or specific software acquired from third parties are recognised directly on the income statement as general expenses. If it is certain that the economic life of specific software purchased from a third party is more than one year, the economic life being mainly determined by the risk of technological changes and commercial developments, this software can be capitalised and depreciated on a straight-line basis over the estimated useful life, with a maximum of five years.

The other intangible fixed assets are depreciated over maximum 10 years.

The Bank makes no use of the option to capitalise commission paid to third parties for bringing in transactions with clients with a contractual period exceeding one year.

## Tangible fixed assets

Tangible fixed assets are recognised at cost, including ancillary cost and non-recoverable indirect taxes, less depreciation.

Depreciation occurs on a straight-line basis over the estimated economic life of the asset.

Revaluation of tangible fixed assets is allowed, provided that the value clearly and durably exceeds the book value.

## Other assets

Among other items this heading includes deferred tax assets.

Deferred tax assets cannot be recognised. However, the NBB allows the recognition of deferred tax assets relating to restructuring costs, including in relation to redundancy plans.

The sum of the dirty fair value, including accrued interest, of interest rate swaps and interest and currency rate swaps that are entered into for trading purposes is reported on the balance sheet as a single amount. That amount is reported as an asset or a liability depending on whether the net amount is an amount to be received or paid.

The revalued amount of the premium of trading options is reported as an asset or a liability depending on whether the net amount is an amount to be received or paid.



## Liabilities

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### Amounts owed to credit institutions and customers

The amounts payable to credit institutions and customers are recognised for the initial amount received, less subsequent repayments. All expenses paid to third parties for bringing in deposits are fully recognised in the accounting period in which they are incurred.

### Debts evidenced by certificates

Debt securities issued with fixed capitalisation are recognised for the original amount plus capitalised interest.

### Other liabilities

Among other items this heading includes all debts to personnel related to salaries and other social security charges

incurred during the present accounting period and paid in the next accounting period.

Derivatives: see 'Other assets'

### Provisions for risks and charges

Provisions for pensions and similar social security obligations are recognised in accordance with Belgian legal requirements.

### Fund for general banking risks

Setting up the fund for general banking risks follows a defined method, approved by the Board of Directors, applied systematically and based on the weighted volume of credit and market risks for the banking business.

## Income Statement

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### Interest receivable and payable

Interest income and charges are recognised when earned or due. Once a loan has been classified as doubtful or uncertain, related interests are normally reserved and no longer included in the income statement. The actuarial depreciation of the difference between the acquisition cost and the redemption price of fixed-income securities from the investment portfolio is also included in interest revenues.

### Income from variable-yield securities

Revenues on shares and participations are recognised as from the moment the dividend distribution is communicated to the bank.

### Derivatives

The results on derivatives are recorded in various ways depending on the type of transaction.

#### a) Hedging transactions

Transactions that protect against the risk of fluctuation in exchange rates, interest rates or prices. Gains and losses are recorded in the income statement symmetrically with the results of the hedged components in order to neutralise, entirely or partially, their impact.

To be regarded as a hedge, transactions must comply with the following conditions:

- The hedged component or the hedged homogeneous set should expose the bank to a fluctuation risk of exchange rates, interest rates or prices.
- The hedge transactions must be specifically indicated from inception, as must also the hedged components.
- Sufficient correlation is required between the value fluctuations of the hedged component and the hedging transaction (or the underlying instrument).

As soon as a transaction does not meet the conditions to be deemed a hedge, it should be recognised at its fair value.

#### **b) Trading transactions**

All transactions made in connection with the current trading activities that do not meet the requirements to be classified as hedging are valued at market prices, with both gains and losses recognised in the income statement. If the market is not liquid, only the losses are recognised in the income statement.

#### **c) Some forward interest rate transactions are valued in accordance with other valuation methods, based on derogation from the NBB, in conformity with Article 18 of the Royal Decree of 23 September 1992:**

- Transactions concluded as part of the treasury management, with an initial maturity of maximum 1 year.
- Transactions concluded as part of balance sheet or off-balance sheet transactions, conducted with the objective of reducing the interest rate risk and documented as such.
- Transactions concluded as part of strategic ALM transactions in euros or a currency belonging to the European Monetary Union.

These three categories are valued by recording the related result on an accruals basis.

- Transactions concluded as part of overall management, without the objective of reducing the interest rate risk:
  - these transactions are valued on an accruals basis, with the condition that the potential losses resulting from the valuation at market value are recognised in the income statement.

## Specific Rules

### **Foreign currencies**

When valuing foreign currencies, a distinction is made between monetary and non-monetary items.

Monetary items are assets and liabilities, including accruals and deferrals, rights and commitments, which represent a specific amount of money in a foreign currency, plus shares and other non-fixed income securities in the trading portfolio. Monetary items are converted at the average rate (average of bid and ask rate on the spot exchange market) at the closing date. Items settled at specific currency rates must be valued at those specific average rates. The resulting exchange differences are recognised in the income statement (with the exception of exchange gains on foreign currencies for which no liquid market exists).

Tangible, intangible and financial fixed assets are considered to be non-monetary items and are recognised at cost based on the exchange rate at the date of acquisition. When non-monetary items, exposed to a foreign exchange risk, are financed on a permanent basis with borrowed funds in the same currency, the translation differences on the borrowed funds are not recognised in the income statement.

Profit and loss components in foreign currencies are converted into euros in the income statement, at the spot exchange rate at the time of recognition as income or charges.

### **Offsetting**

Offsetting between assets and liabilities and between income and expenses is performed in conformity with the Belgian Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

# Report of the accredited statutory auditors

## JOINT STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE ANNUAL FINANCIAL STATEMENTS OF BNP PARIBAS FORTIS SA/NV AS OF AND FOR THE YEAR ENDING 31 DECEMBER 2012

As required by law and the company's articles of association, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the Annual Financial Statements (non-consolidated) ("the Annual Financial Statements"), as defined below, for the year ended 31 December 2012, as well as our report on other legal and regulatory requirements.

### **Report on the Annual Financial Statements**

We have audited the Annual Financial Statements of BNP Paribas Fortis SA/NV ("the Company") for the year ended 31 December 2012, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of EUR (000) 201.945.038 and a profit for the year of EUR (000) 1.703.993.

### ***The Company's board of directors' responsibility for the preparation of the Annual Financial Statements***

The board of directors is responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

### ***Statutory auditor's responsibility***

Our responsibility is to express an opinion on these Annual Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Company's preparation and fair presentation of the Annual 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 Company'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 Annual Financial Statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

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

***Unqualified Opinion***

In our opinion, the Annual Financial Statements give a true and fair view of the company's net equity and financial position as at 31 December 2012 and of its results for the year then ended in accordance with the financial reporting framework applicable in Belgium.

***Emphasis of Matter regarding certain legal proceedings***

Without further qualifying our opinion, we draw the attention to the note XXVIII.A.3 to the Annual Financial Statements as of 31 December 2012 regarding significant litigations, in which is described that as a result of 2008 events having impacted the Fortis group to which the Company belonged, a number of claimants have initiated legal actions against the former Fortis group, including the Company and/or certain members of their boards of directors and management. The ultimate outcome of these matters and the potential consequences for the Company and its directors cannot presently be determined, and therefore no provisions have been recorded in the Annual Financial Statements.

**Report on other legal and regulatory requirements**

The board of directors is responsible for the preparation and the content of the annual report, for maintaining the company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Company's compliance with the Companies' Code and the Company's articles of association.

In the framework of our mandate our responsibility is to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional comments which do not modify our opinion on the Annual Financial Statements:

- The annual report includes the information required by the Companies' Code and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies' Code that we have to report to you.
- As indicated in the report of the board of directors, the board of directors has on 27 April 2012 and 13 December 2012 (a) decided to indemnify the liability of the directors A. d'Aspremont Lynden (27 April 2012) and H. Delwaide (13 December 2012) in all instances where they acted in good faith and in a manner they believed to be in the best interest of the Company, except where the liability of these directors would arise out of a fraud or wilful misconduct or where such liability would be covered by an insurance policy and (b) applied the article 523 of the Companies' Code as a result of the conflict of interest. Since the aforementioned directors were conflicted, we understand that they have not participated to the discussion and decision of the board of directors. Considering the fact that the indemnification of the liability is without limitation and depending on the occurrence of future events, if any, we are not in a position to evaluate the possible financial consequences of such a decision on the financial position of the Company.

Brussels, 15 March 2013

## The Joint Statutory Auditors

### **PwC Reviseurs d'Entreprises scrl/ Bedrijfsrevisoren bcvba**

Represented by

R. Jeanquart

Reviser d'Entreprises / Bedrijfsrevisor

### **Deloitte Reviseurs d'Entreprises sc sous forme d'une scrl / Bedrijfsrevisoren bv ovv cvba**

Represented by

Ph. Maeyaert

Reviser d'Entreprises / Bedrijfsrevisor

F. Verhaegen

Reviser d'Entreprises / Bedrijfsrevisor

# Other information

## Monthly high and low for Fortis Bank shares at the weekly auctions in 2012

The monthly highs and lows for BNP Paribas Fortis shares at the weekly auctions of Euronext Brussels in 2012 were as follows (in EUR):

Month	Low	High
January	16.43	20.57
February	18.60	19.25
March	21.18	26.00
April	21.06	26.00
May	16.50	20.00
June	16.20	18.25
July	17.82	18.70
August	17.90	19.10
September	18.05	21.45
October	20.20	21.20
November	20.20	20.20
December	20.50	22.55

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## External posts held by directors and effective leaders that are subject to a legal disclosure requirement

Pursuant to Article 27 of the Law of 22 March 1993 on the status and supervision of credit institutions and the regulations of the National Bank of Belgium of 6 December 2011 regarding the exercise of external functions by managers of regulated enterprises, the Bank's Board of Directors has adopted 'Internal rules governing the exercise of external functions by directors and effective managers of BNP Paribas Fortis'.

These regulations stipulate inter alia that external posts held by the Bank's effective managers and Directors in companies other than those falling within the scope of Article 27, § 3, 3rd indent, of the Law of 22 March 1993 must be disclosed in the annual management report.

The term 'Effective manager' refers to members of the Executive Board and persons in positions at a level immediately below the said Board, including the heads of foreign branches.

As regards 'external posts' – i.e. principally posts as director of a company – which are subject to disclosure, this involves posts held in companies other than family property companies, 'management companies', undertakings for collective investment or companies with which the Bank has close links as part of the Group.



Surname, forename (Post) Company	Business Activity (Post)	Listing
<b>Herman DAEMS</b>		
(Chairman of the Board of Directors)		
- Barco SA/NV	Technology (Chairman of the Board of Directors)	Euronext Brussels
- Vanbreda Risk and Benefits SA/NV	Insurance (Director)	-
- Domo Chemicals SA/NV	Chemicals (Director, acting as representative of Crossbow BVBA)	-
- Domo Investment Group SA/NV	Chemicals (Chairman of the Board of Directors, acting as representative of Crossbow BVBA)	-
- Uitgeverij Lannoo SA/NV	Publishing (Chairman of the Board of Directors, acting as representative of Crossbow BVBA)	-
<b>Georges CHODRON de COURCEL</b>		
(Vice-Chairman of the Board of Directors)		
- Alstom S.A.	Transport and Energy (Director)	Euronext Paris
- Bouygues S.A.	Construction and Telecommunication (Director)	Euronext Paris
- F.P.F. (Société Foncière, Financière et de Participations) S.A.	Portfolio Company (Director)	Euronext Paris
- Lagardère SCA	Media (Member of Supervisory Board)	Euronext Paris
- Nexans S.A.	Cabling (Director)	Euronext Paris
- Scor S.A.	Insurance (Censor)	Euronext Paris
- Erbé S.A.	Real Estate (Director)	-
- Scor Holding (Switzerland) AG	Holding (Director)	-
- Scor Global Life Rückversicherung Schweiz AG	Reinsurance (Director)	-
- Scor Switzerland AG	Insurance (Director)	-
- Groupe Bruxelles Lambert S.A.	Portfolio Company (Director)	Euronext Brussels
- CNP (Compagnie Nationale à Portefeuille) SA	Portfolio Company (Director)	-
<b>Maxime JADOT</b>		
(Chairman of the Executive Board)		
- Bekaert SA/NV	Steel Industry (Director)	Euronext Brussels

Surname, forename (Post) Company	Business Activity (Post)	Listing
<b>Filip DIERCKX</b>		
(Vice-Chairman of the Executive Board)		
- SD Worx for Society SCRL/CVBA	Management & Administrative Services (Chairman of the Board of Directors)	-
- IVD SA/NV	Administrative Services (Chairman of the Board of Directors acting as representative of GINGKO Associates BVBA)	-
- SD Diensten SA/NV	Training & Management Services (Chairman of the Board of Directors)	-
- ZENO SA/NV	Administrative Services (Chairman)	-
- HAZELHEARTWOOD SCRL/CVBA	Administrative Services (Director)	-
<b>Jean-Laurent BONNAFÉ</b>		
(Director)		
- Carrefour S.A.	Distribution (Director)	Euronext Paris
- Erbé S.A.	Real Estate (Director)	-
<b>Dirk BOGMANS</b>		
(Director)		
- P&V Verzekeringen SCRL/CVBA	Insurance (Director)	-
- Vivium SA/NV	Insurance (Director & Chairman of the Audit committee acting as representative of DAB Management)	-
- Caesar Real Estate Fund SA/NV	Real Estate investments (Chairman of the Board of Directors acting as representative of DAB Management)	-
- Vitrufin SA/NV	Insurance (Director, acting as representative of DAB Management)	-
- Colibra SA/NV	Software – IT (Director & Chairman of the Audit committee acting as representative of DAB Management)	-
- AIB Vinçotte International SA/NV	Inspection, control & certification services (Director)	-
- Vinçotte International SA/NV	Inspection, control & certification services (Director)	-
- THV Noriant	Infrastructure (Chairman of the Board of Directors)	-
- GIMV SA/NV	Investment company (Director)	Euronext Brussels
- Induss SA/NV	Utilities (Director, acting as representative of DAB Management)	-
- Tobius SA/NV	IT-consulting (Director)	-
- QAT GROUP SA	(Chairman of the Advisory Board)	-
- ASAP HR GROUP SA/NV	Human Resources (Director, acting as representative of DAB Management)	-

Surname, forename (Post) Company	Business Activity (Post)	Listing
<b>Antoinette d'ASPREMONT LYNDEN</b>		
(Director)		
- Groupe Bruxelles Lambert SA/NV	Portfolio Company (Director)	Euronext Brussels
<b>Jean STÉPHENNE</b>		
(Director)		
- BESIX Group SA/NV	Construction (Chairman of the Board of Directors, acting as representative of Innosté SA)	-
- GlaxoSmithKline Biologicals Manufacturing SA/NV	Pharmaceutical industry (Director)	-
- Groupe Bruxelles Lambert SA/NV	Portfolio Company (Director)	Euronext Brussels
- Ion Beam Applications SA/NV	Technology (Chairman of the Board of Directors acting as representative of Innosté SA)	Euronext Brussels
- Nanocyl SA/NV	Chemicals (Director)	-
- Vesalius Biocapital I SICAR (Luxembourg )	Risk capital (Chairman of the Board of Directors)	-
- Vesalius Biocapital II SICAR (Luxembourg )	Risk capital (Chairman of the Board of Directors)	-
- Uteron Pharma SA/NV	Pharmaceutical industry (Director)	
- BePharbel SA/NV	Pharmaceutical industry (Chairman of the Board of Directors)	
<b>François VILLEROY de GALHAU</b>		
(Director)		
- Villeroy & Boch Group AG	Interior & Decoration (Member of the Supervisory Board)	-
- Bayard Presse S.A.	Media (Member of the Supervisory Board)	-

Surname, forename (Post) Company	Business Activity (Post)	Listing
<b>Sophie DUTORDOIR</b>		
(Director)		
- Electrabel Customer Solutions SA/NV	Energy (Chairman of the Board of Directors)	-
- Electrabel SA/NV	Energy (Director - General Manager)	-
- Brussels Network Operations SCRL/CVBA	Energy (Vice Chairman of the Board of Directors)	-
- Sibelga SCRL/CVBA	Energy (Director)	-
- GDF Suez Energy Deutschland AG	Energy (Member of the Supervisory Board)	-
- Ores SCRL/CVBA	Energy (Vice Chairman)	-
<b>Koen GEENS</b>		
(Director)		
- Eubelius Law Firm SCRL/CVBA	Law (Founding Partner)	-
<b>Luc HAEGEMANS</b>		
(Member of the Executive Committee)		
- Fainfood SA/NV	Food (Director)	-
<b>Aymar de LIEDEKERKE BEAUFORT</b>		
(Germany)		
- Emifor Ste	(Liquidator)	-
<b>Roger RAMOS</b>		
(Spain)		
- Mermoz Jet Finance S.L.	Transport - Finance (Director)	-

As at 31 December 2012, BNP Paribas Fortis does not hold a stake of 5% of more in any of the above-mentioned companies.

## Abbreviations

<b>2OPC</b>	Oversight of Operational Permanent Control	<b>EDP</b>	Early Departure Plan
<b>ABS</b>	Asset backed security	<b>EFSF</b>	European Financial Stability Facility
<b>ACP</b>	Autorité de contrôle prudentiel	<b>EL</b>	Expected Loss
<b>AFS</b>	Available for sale	<b>Euribor</b>	Euro inter bank offered rate
<b>AGI</b>	AG Insurance	<b>GDP</b>	Gross Domestic Product
<b>AIRBA</b>	Advanced Internal Ratings Based Approach	<b>GNRC</b>	Governance, Nomination and Remuneration Committee
<b>ALCO</b>	Assets and Liabilities Committee	<b>GRM</b>	Group Risk Management
<b>ALM</b>	Asset and liability management	<b>GSIP</b>	Global Share-based Incentive plan
<b>AMA</b>	Advanced Measurement Approach	<b>HTM</b>	Held to maturity
<b>ARCC</b>	BNP Paribas Fortis SA/NV Audit, Risk and Compliance Committee	<b>IASB</b>	International Accounting Standards Board
<b>BGL</b>	Banque Générale de Luxembourg	<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>BNPP-IP</b>	BNP Paribas Investment Partners	<b>IFRS</b>	International Financial Reporting Standards
<b>BPLS</b>	BNP Paribas Leasing Solutions	<b>IIF</b>	Institute of International Finance
<b>CASHES</b>	Convertible and subordinated hybrid equity-linked securities	<b>IMF</b>	International Monetary Fund
<b>CBFA</b>	Banking, Finance and Insurance Commission	<b>IRBA</b>	Internal Ratings Based Approach
<b>CBO</b>	Collateralised bond obligation	<b>ISDA</b>	International Swaps and Derivatives Association
<b>CDS</b>	Credit default swap	<b>ISIS</b>	International Sustainability Incentive Scheme
<b>CDO</b>	Collateralised debt obligation	<b>FCF</b>	Fortis Commercial Finance
<b>CGU</b>	Cash generating unit	<b>FV</b>	Fair Value
<b>CIB</b>	BNP Paribas Fortis SA/NV Corporate and Investment Banking	<b>LGD</b>	Loss Given Default
<b>CLO</b>	Collateralised loan obligation	<b>MBS</b>	Mortgage-backed security
<b>CMBS</b>	Commercial mortgage-backed securities	<b>MCS</b>	Mandatory Convertible Securities
<b>CMS</b>	Constant Maturity Swap	<b>MtM</b>	Mark to Market
<b>CODM</b>	Chief Operating Decision Maker	<b>M&amp;A</b>	Mergers & Acquisitions
<b>CP</b>	Commercial paper	<b>NBB</b>	National Bank of Belgium / Nationale Bank van België
<b>CPBB</b>	Corporate & Public Banking, Belgium	<b>NPV</b>	Net present value
<b>CRM</b>	Central Risk Management	<b>OCI</b>	Other comprehensive income
<b>CRO</b>	Chief Risk Officer	<b>OMT</b>	Outright Monetary Transactions
<b>CSO</b>	Collateralised swap obligation	<b>OTC</b>	Over the counter
<b>CSR</b>	Corporate Social Responsibility	<b>PD</b>	Probability of Default
<b>CTBE</b>	Corporate and Transaction Banking Europe	<b>PFC</b>	Product and Financial Control Committee
<b>CVA</b>	Credit Value Adjustment	<b>RMBS</b>	Residential mortgage-backed securities
<b>DCF</b>	Discontinued cash flow	<b>RPB</b>	Retail & Private Banking
<b>EAD</b>	Exposure At Default	<b>RPN</b>	Relative Performance Note
<b>EaR</b>	Earnings at Risk	<b>RWA</b>	Risk Weighted Assets
<b>EBA</b>	European Banking Authority	<b>SCI</b>	Structured Credit Instruments
<b>ECB</b>	European Central Bank		

<b>SFPI/FPIM</b>	Société Fédérale de Participations et d'Investissement /Federale Participatie- en Investeringsmaatschappij
<b>SPE</b>	Special purpose entity
<b>SPV</b>	Special purpose vehicle

<b>SRI</b>	Socially Responsible Investment
<b>TEB</b>	Türk Ekonomi Bankasi
<b>VaR</b>	Value at Risk
<b>VRC</b>	Valuation Review Committee

## Glossary

### Active market

A market where homogeneous items are traded between willing buyers and sellers at any time and where the prices are available to the public.

### Amortised cost

The amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/increase of any premium/discount, and minus any write-down for impairment.

### Asset backed security (ABS)

Debt instrument that represents an interest in a pool of assets. The term 'ABS' is generally used to refer to securities in which underlying collateral consists of assets other than residential first mortgages, such as credit card and home equity loans, leases, or commercial mortgage loans.

### Associate

A company in which BNP Paribas Fortis SA/NV has significant influence but which it does not control.

### Basel 2.5

As from Q4-2011, European banks must also comply with Basel 2.5, a set of prudential measures published by the Basel Committee in July 2009 in order to respond to lessons learned from the financial crisis. Basel 2.5 is intended to enhance the Basel 2 framework in two major areas: trading book and securitisation, introducing a stressed VaR, an incremental risk capital charge for specific risk, a banking book capital charge for securitisation exposures held in the trading book, and a higher capital charge for re-securitisation.

### Basis point (bp)

One hundredth of a percentage point (0.01%).

### Cash flow hedge

A hedge to mitigate the exposure to variability in cash flows of a recognised asset or liability, or forecast transaction, which is attributable to changes in variable rates or prices.

### Clearing

Administrative settlement of securities, futures and options transactions through a clearing organisation and the financial institutions associated with it (clearing members).

### Collateralised Debt Obligation (CDO)

A type of asset-backed security and structured credit product that provides exposure to a portfolio of fixed income assets and divides the credit risk among different tranches with different credit ratings. CDOs can comprise 'Collateralized Loan Obligations' (CLOs), 'Collateralized Bond Obligations' (CBOs) and 'Collateralized Synthetic Obligations' (CSOs).

### Collateralised Loan Obligation (CLO)

A form of securitisation where payments from multiple middle sized and large business loans are pooled together and passed on to different classes of owners in various tranches.

### Commercial mortgage-backed security (CMBS)

A type of bond which is backed by commercial property such as retail or office property, hotels, schools, industrial property and other commercial sites.

### Controlled perimeter

The legal and regulatory consolidation scope of BNP Paribas Fortis SA/NV.

### Core capital

Total available capital at group level (based on the banking definition of Tier 1 capital).

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**Credit default swap (CDS)**

A credit derivative contract between two counterparties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the creditworthiness of the underlying financial instrument.

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**Credit spread**

The yield differential between a credit-risk-free benchmark security or reference rate (e.g. government bonds) and corporate bonds or credits.

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**Credit Value Adjustment**

Adjustment to the value of the trading book to take into account the counterparty risk.

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**Derivative**

A financial instrument such as a swap, a forward, a future contract or an option (both written and purchased). This financial instrument has a value that changes in response to changes in underlying variables. It requires little or no net initial investment, and is settled at a future date.

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**Discounted cash flow method (DCF model)**

An approach to valuation, whereby projected future cash flows are discounted at an interest rate that reflects the time value of money and a risk premium that reflects the extra return investors demand for the risk that the cash flow might not materialise.

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**Duration**

A general measure of the sensitivity of the price (the value of the principal) of a fixed-income instrument, expressed as a percentage change with a 100-basis-point change in yield. In the calculation of 'duration of equity', the term also refers to the weighted average timing of cash flows from an asset or a liability portfolio. It is computed on the basis of the net present values (NPV) of the cash flows (principal and interest).

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**Earnings at Risk**

A measure of the sensitivity of future net income to hypothetical adverse changes in interest rates or equity market prices. Earnings at Risk assesses the impact of stress tests on the projected IFRS net income before tax. EaR represents a possible deviation from expected (pre-tax) earnings due to an adverse event over the next 12 months at a chosen confidence level. EaR covers both loss realisation and failure to generate revenues.

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**Embedded derivative**

A derivative instrument that is embedded in another contract - the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract or a sale or purchase contract.

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**Employee benefits**

All forms of consideration given by an entity in exchange for service rendered by employees, including their pay or salary.

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**Expected Loss (EL)**

The Expected Loss is the expected annual level of credit losses over an economic cycle. Actual losses for any given year will vary from the EL, but EL is the amount that our bank should expect to lose on average over an economic cycle. Expected Loss should be viewed as a cost of doing business rather than as a risk in itself. Expected Loss is calculated as follows:

$$EL = EAD \times PD \times LGD$$

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**Exposure at Default (EAD)**

Gives an estimate of the amount to which the bank is exposed in the event that the borrower defaults. EAD is one of the parameters used to compute the Expected Loss (EL).

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**Factoring**

A form of corporate financing in which a company transfers outstanding debts to a factoring company that, for a fee, assumes responsibility for the debtor records, debt collection, risk coverage and financing.

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**Fair value**

The amount for which an asset (liability) can be bought (incurred) or sold (settled), between knowledgeable, willing parties in an arm's length transaction.

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**Fair value hedge**

A hedge of an exposure to changes in the fair value of a recognised asset or liability (or a portion thereof) or a firm commitment. The exposure is attributable to a particular risk and will affect reported net income.

---

**Finance lease**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

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**Goodwill**

This represents the excess of the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued over BNP Paribas Fortis SA/NV's interest in the fair value of assets acquired and liabilities and contingent liabilities assumed.

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**Hedge accounting**

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

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**IFRS**

International Financial Reporting Standards, used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.

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**Impairment**

A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

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**Intangible asset**

An identifiable non-monetary asset without physical substance which is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

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**Investment property**

Property held by BNP Paribas Fortis SA/NV to earn rental income or for capital appreciation.

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**Joint venture**

A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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**Loss given Default (LGD)**

The average amount to be lost in the event of default of the counterpart. LGD is a parameter used in the calculation of Expected Loss.

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**Macro hedge**

A hedge used to eliminate the risk of a portfolio of assets.

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**Net investment hedge**

A hedge used to reduce the financial risks of a reporting entity's share in the net assets of a foreign business activity by entering into transactions that provide an offsetting risk profile.

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**Notional amount**

Amount of currency units, number of shares, a number of units of weight or volume or other units specified in a derivative contract.

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**Novation**

Novation is the principle of either (a) replacing an obligation to perform with a new obligation, or (b) replacing a party to an agreement with a new party.

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**Nth-to-default credit derivatives**

Credit derivatives that provide credit protection only for the nth defaulting reference exposure in a group of reference exposures.

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**Operating lease**

A contract that allows the use of an asset against periodic payments, but does not convey rights similar to legal ownership of the asset and where the financial risks related to the asset are with the issuer of the lease contract.

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**Option**

A contract sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

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**Private equity**

Equity securities of companies that are not listed on a public exchange. Investors looking to sell their stake in a private company have to find a buyer in the absence of a marketplace.

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**Probability of Default (PD)**

The probability that the counterparty will default over a one-year time horizon. PD is a parameter used in the calculation of Expected Loss.

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**Provision**

Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the balance sheet date.

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**Qualifying capital**

The liability components that qualify as Tier 1 capital (equity) under banking supervision regulations.

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**Repurchase agreement (repo)**

Agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price.

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**Residential mortgage-backed security (RMBS)**

A type of bond which is backed by mortgages on residential rather than commercial real estate.

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**Reverse repurchase agreement (reverse repo)**

The purchase of securities with an agreement to resell them at a higher price at a specific future date.

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**Securities lending (borrowing) transaction**

A loan (borrowing) of a security from one counterparty to another, who must eventually return (be returned) the same security as repayment. The loan is often collateralised. Securities lending allows an entity in possession of a particular security to earn enhanced returns.

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**Settlement date**

The date that an asset is delivered to or by an entity.

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**Structured credit instruments (SCI)**

Securities created by repackaging cash flows from financial contracts. These instruments encompass asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDO). ABS are issues backed by loans (other than mortgages), receivables or leases, MBS are issues backed by mortgage loans and CDO are a class of asset-backed securities and another term for bonds backed by a pool of bonds (CBO), loans (CLO) or other assets such as swaps (CSO). Payment of the principal and interest of the CDO is financed with the cash flows generated by the underlying financial assets.

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**Subordinated bond (loan)**

A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

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**Subsidiary**

Any company, whose financial and operating policies BNP Paribas Fortis SA/NV, either directly or indirectly, has the power to govern, so as to obtain the benefits from its activities ('control').

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**Synthetic CDO**

a collateralised debt obligation (CDO) in which the underlying credit exposures are taken by entering into a credit default swap agreement instead of buying actual financial assets.

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**Tier 1 ratio**

Core capital of a bank expressed as a percentage of the risk-weighted balance sheet total.

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**Trade date**

The date when BNP Paribas Fortis SA/NV becomes a party to the contractual provisions of a financial asset.

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**Value at Risk (VaR)**

A technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount. For the assessment of the market risks related to its trading room activities, BNP Paribas Fortis SA/NV computes VaR using a 99% confidence interval over a 1 day time horizon. This calibration is designed to reflect the risks of trading activities under normal liquidity conditions.

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**Volatility swap**

A volatility swap is a forward contract that allows investors to trade the future volatility of a specified underlying.

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