INFORMATION STATEMENT
of BNP Paribas, a French incorporated company (*société anonyme*)
(the "Bank" or "BNP Paribas" and, together with its consolidated subsidiaries,
the "Group" or "BNP Paribas Group"),
for use in connection with the Bank's Warrant and Certificate Program, U.S. Medium-Term Note Program
and Programme for the Issuance of Debt Instruments

Dated as of June 3, 2013

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FORWARD-LOOKING STATEMENTS

This information statement contains forward-looking statements. The Group may also make forward-looking statements in its audited annual financial statements, in its interim financial statements, in its offering circulars, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Group's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Group undertakes no obligation to update publicly any of them in light of new information or future events.

INCORPORATION BY REFERENCE

We have "incorporated by reference" in this information statement certain information that we have made publicly available, which means that we have disclosed important information to you by referring you to those documents. The information incorporated by reference is an important part of this information statement.

The following documents are incorporated by reference into this information statement:

- Chapters 4 and 5 of the English-language version of our 2012 Registration Document (*Document de référence*) filed with the AMF (reference number D.13-0115) (the "2012 Registration Document");
- Chapter 2 of the English-language version of the First Update to the 2012 Registration Document (*Actualisation du document de référence*) filed with the AMF (reference number D.13-0115-A01);
- Chapter 4 of the English-language version of our 2011 Registration Document (*Document de référence*) filed with the AMF (reference number D.12-0145) (the "2011 Registration Document");
- Chapter 3 of the English-language version of the First Update to the 2011 Registration Document (*Actualisation du document de référence*) filed with the AMF (reference number D.12-0145-A01); and
- the press release entitled "2012 – Restated Quarterly Result Series" dated as of April 18, 2013 (the "Restatement Press Release").

Each Registration Document and the Restatement Press Release may also be consulted on our website at http://invest.bnpparibas.com. Other information contained on our website is not a part of this information statement.

EXCHANGE RATE AND CURRENCY INFORMATION

In this information statement, references to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. Most of the financial data presented in this information statement are presented in euros. References to "USD", "$", "U.S.$" and "U.S. dollars" are to United States dollars. References to "cents" are to United States cents. On May 24, 2013, the Noon Buying Rate was U.S. $1.29 per one euro.

The following table shows the period-end, average, high and low Noon Buying Rates for the euro, expressed in U.S. dollars per one euro, for the periods and dates indicated.

Month **U.S. dollar/Euro**	**Period End**	**Average Rate***	**High**	**Low**
May 2013	1.29	1.30	1.32	1.28
April 2013	1.32	1.32	1.37	1.28
March 2013	1.28	1.30	1.31	1.28
February 2013	1.31	1.33	1.37	1.31
January 2013	1.36	1.33	1.36	1.30
Year **U.S. dollar/Euro**				
2012	1.32	1.29	1.35	1.21
2011	1.30	1.39	1.49	1.29
2010	1.32	1.33	1.38	1.30
2009	1.43	1.39	1.51	1.25
2008	1.39	1.47	1.60	1.24
2007	1.47	1.38	1.49	1.29

* The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for year average; on each business day of the month (or portion thereof) for monthly average.

Fluctuations in exchange rates that have occurred in the past are not necessarily indicative of fluctuations in exchange rates that may occur at any time in the future. No representations are made herein that the euro or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or euros, as the case may be, at any particular rate.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements as of and for the years ended December 31, 2012, 2011 and 2010 have been prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union.

The Group's fiscal year ends on December 31, and references in this information statement to any specific fiscal year are to the twelve-month period ended December 31 of such year.

Due to rounding, the numbers presented throughout this information statement may not add up precisely, and percentages may not reflect precisely absolute figures.

RISK FACTORS

Risks Relating to the Bank and its Industry

Difficult market and economic conditions could have a material adverse effect on the operating environment for financial institutions and hence on the Bank's financial condition, results of operations and cost of risk.

As a global financial institution, the Bank's businesses are highly sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Bank has been and may continue to be confronted with a significant deterioration of market and economic conditions resulting, among other things, from crises affecting sovereign obligations, capital, credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices, currency exchange rates or interest rates, inflation or deflation, restructurings or defaults, corporate or sovereign debt rating downgrades or adverse geopolitical events (such as natural disasters, acts of terrorism and military conflicts). Market disruptions and sharp economic downturns, which may develop quickly and hence not be fully hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Bank's financial condition, results of operations or cost of risk.

European markets have experienced significant disruptions in recent years as a result of concerns regarding the ability of certain countries in the Euro-zone to refinance their debt obligations and the extent to which European Union member states or supranational organizations will be willing or able to provide financial support to the affected sovereigns. These disruptions contributed to tightened credit markets, increased volatility in the exchange rate of the euro against other major currencies, affected the levels of stock market indices and created uncertainty regarding the economic prospects of certain countries in the European Union as well as the quality of bank loans to sovereign debtors in the European Union.

The Bank holds and in the future may hold substantial portfolios of sovereign obligations issued by the governments of, and has and may in the future have substantial amounts of loans outstanding to borrowers in, certain of the countries that have been most significantly affected by the crisis in recent years. The Bank also participates in the interbank financial market and as a result, is indirectly exposed to risks relating to the sovereign debt held by the financial institutions with which it does business. More generally, the sovereign debt crisis has had, and may continue to have, an indirect impact on financial markets and, increasingly, economies, in Europe and worldwide, and therefore on the environment in which the Bank operates.

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

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

Legislation and regulations have been enacted or proposed in recent periods with a view to introducing a number of changes, some permanent, in the global financial environment. While the objective of these new measures is to avoid a recurrence of the recent financial crisis, the impact of the new measures could be to change substantially the environment in which the Bank and other financial institutions operate.

The new measures that have been or may be proposed and adopted include more stringent capital and liquidity requirements, taxes on financial transactions, restrictions and temporary or permanent taxes on employee compensation over specified levels, limits on the types of activities that commercial banks can undertake (particularly proprietary trading and, potentially, investment banking activities more generally), restrictions or prohibitions on certain types of financial products or activities, increased internal control and transparency requirements with respect to certain activities, more stringent conduct of business rules, increased regulation of certain types of financial products including mandatory reporting of derivative transactions, requirements either to mandatorily clear, or otherwise mitigate risks in relation to, over-the-counter derivative transactions, and the creation of new and strengthened regulatory bodies.

Certain measures that have been or are in the process of being adopted and will be applicable to the Bank, such as the Basel 3 and Capital Requirements Directive 4 prudential frameworks, the requirements in relation to them announced by the European Banking Authority and the designation of the Bank as a systemically important financial institution by the Financial Stability Board, will increase the Bank's regulatory capital and liquidity requirements and may limit its ability to extend credit or to hold certain assets, particularly those with longer maturities. The Bank implemented an adaptation plan in response to these requirements, including reducing its balance sheet and bolstering its capital base. Ensuring and maintaining compliance with further requirements of this type that may be adopted in the future may lead the Bank to take additional measures that could weigh on its profitability and adversely affect its financial condition and results of operations.

New measures such as the proposed French banking law or, at the E.U. level, the Liikanen proposal (if adopted) could require the Bank to ring-fence certain of its activities within a subsidiary that will be required to comply with prudential ratios and raise financing on a stand-alone basis. The Federal Reserve's proposed framework for the regulation of foreign banks may also require the Bank to create a new intermediate holding company for its U.S. activities, which would be required to comply with specific capital and liquidity requirements on a stand-alone basis. In addition, the proposed French banking law, as well as the proposed E.U. framework for a single supervisory mechanism and the proposed E.U. framework for the recovery and resolution of financial institutions, will grant increased powers to regulators (including the French banking regulator, the Financial Stability Board, the French deposit guarantee fund and, potentially, the European Central Bank) to prevent and/or resolve banks' financial difficulties, such as the power to require banks to adopt structural changes, issue new securities, cancel existing equity or subordinated debt securities, convert subordinated debt into equity, and, more generally, ensure that any losses are borne by banks' shareholders and creditors. These measures, if adopted, may restrict the Bank's ability to allocate and apply capital and funding resources, limit its ability to diversify risk and increase its funding costs, which could, in turn, have an adverse effect on its business, financial condition, and results of operations.

Some of the new regulatory measures are proposals that are under discussion and that are subject to revision, and would in any case need adapting to each country's regulatory framework by national legislators and/or regulators. It is therefore impossible to accurately predict which measures will be adopted or to determine the exact content of such measures and their ultimate impact on the Bank. Depending on the nature and scope of regulatory measures that are ultimately adopted, they could (in addition to having the effects noted above) affect the Bank's ability to conduct (or impose limitations on) certain types of activities, its ability to attract and retain talent (particularly in its investment banking and financing businesses) and, more generally, its competitiveness and profitability, which would in turn have an adverse effect on its business, financial condition, and results of operations.

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

The Euro-zone sovereign debt crisis as well as the general macroeconomic environment have at times adversely affected the availability and cost of funding for European banks. This was due to several factors, including a sharp increase in the perception of bank credit risk due to their exposure to sovereign debt in particular, credit rating downgrades of sovereigns and of banks, and debt market speculation. Many European banks, including the Bank, at various points experienced restricted access to wholesale debt markets and to the interbank market, as well as a general increase in their cost of funding. Accordingly, reliance on direct borrowing from the European Central Bank increased substantially. Were such adverse credit market conditions to reappear due to factors relating to the economy or the financial industry in general or to the Bank in particular, the effect on the liquidity of the European financial sector in general and the Bank in particular could be materially adverse.

The Bank's cost of funding may also be influenced by the credit rating on its long-term debt, which was downgraded by two of the principal rating agencies in 2012. Further downgrades in the Bank's credit ratings by any of the three rating agencies may increase the Bank's borrowing costs.

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

In connection with its lending activities, the Bank regularly establishes provisions for loan losses, which are recorded in its profit and loss account under "cost of risk". The Bank's overall level of provisions is based on its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Bank uses its best efforts to establish an appropriate level of provisions, its lending businesses may have to increase their provisions for loan losses substantially in the future as a result of deteriorating economic conditions or other causes. Any significant increase in provisions for loan losses or a significant change in the

Bank's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, could have a material adverse effect on the Bank's results of operations and financial condition.

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

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in unlisted securities, real estate and other asset classes. These positions could be adversely affected by volatility in financial and other markets, i.e., the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. There can be no assurance that the extreme volatility and market disruptions experienced during the height of the recent financial crisis will not return in the future and that the Bank will not incur substantial losses on its capital market activities as a result. Moreover, volatility trends that prove substantially different from the Bank's expectations may lead to losses relating to a broad range of other products that the Bank uses, including swaps, forward and future contracts, options and structured products.

To the extent that the Bank owns assets, or has net long positions, in any of those markets, a market downturn could result in losses from a decline in the value of its positions. Conversely, to the extent that the Bank has sold assets that it does not own, or has net short positions in any of those markets, a market upturn could expose it to potentially unlimited losses as it attempts to cover its net short positions by acquiring assets in a rising market. The Bank may from time to time have a trading strategy of holding a long position in one asset and a short position in another, from which it expects to gain based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that the Bank did not anticipate or against which it is not hedged, the Bank might realize a loss on those paired positions. Such losses, if significant, could adversely affect the Bank's results of operations and financial condition.

The Bank may generate lower revenues from brokerage and other commission and fee-based businesses during market downturns.

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

During recent market downturns (and particularly during the 2008/2009 period), the Bank experienced all of these effects and a corresponding decrease in revenues in the relevant business lines. There can be no assurance that the Bank will not experience similar trends in future market downturns, which may occur periodically and unexpectedly.

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

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

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

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

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

The Bank's ability to engage in funding, investment and derivative transactions could be adversely affected by the soundness of other financial institutions or market participants. Financial services institutions are interrelated as a result of trading, clearing, counterparty, funding or other relationships. As a result, defaults, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to further losses or defaults. The Bank has exposure to many counterparties in the financial industry, directly and indirectly, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients with which it regularly executes transactions. Many of these transactions expose the Bank to credit risk in the event of default of a group of the Bank's counterparties or clients. In addition, the Bank's credit risk may be exacerbated when the collateral held by it cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to the Bank.

In addition, misconduct by financial market participants can have a material adverse effect on financial institutions due to the interrelated nature of the financial markets. An example is the fraud perpetrated by Bernard Madoff, as a result of which numerous financial institutions globally, including the Bank, have announced losses or exposure to losses in substantial amounts. Potentially significant additional potential exposure is also possible in the form of litigation, claims in the context of the bankruptcy proceedings of Bernard Madoff Investment Services (BMIS) (a number of which are pending against the Bank), and other potential claims relating to counterparty or client investments made, directly or indirectly, in BMIS or other entities controlled by Bernard Madoff, or to the receipt of investment proceeds from BMIS.

There can be no assurance that any losses resulting from the risks summarized above will not materially and adversely affect the Bank's results of operations.

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

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

An interruption in or a breach of the Bank's information systems may result in lost business and other losses.

As with most other banks, BNP Paribas relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Bank's customer relationship management, general ledger, deposit, servicing and/or loan organization systems. The Bank cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. An increasing number of companies have recently experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage information systems change frequently and often are not recognized until launched against a target, the Bank may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures. The occurrence of any failures of or interruptions in the Bank's information systems resulting from such intrusions or from other causes could have an adverse effect on the Bank's reputation, financial condition and results of operations.

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

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

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

The Bank is exposed to regulatory compliance risk, such as the inability to comply fully with the laws, regulations, codes of conduct, professional norms or recommendations applicable to the financial services industry. This risk is exacerbated by the adoption by different countries of multiple and occasionally diverging legal or regulatory requirements. Besides damage to the Bank's reputation and private rights of action, non-compliance could lead to significant fines, public reprimand, enforced suspension of operations or, in extreme cases, withdrawal of operating licenses. This risk is further exacerbated by continuously increasing regulatory oversight. This is the case in particular with respect to money laundering, the financing of terrorist activities or transactions with countries that are subject to economic sanctions. For example, U.S. regulators and other government authorities have in recent years strengthened economic sanctions administered by the Office of Foreign Assets Control of the U.S. Department of Treasury ("OFAC") as well as the related legal and regulatory requirements (see "Note 8—Contingent Liabilities: Legal Proceedings and Arbitration" in the Bank's financial statements for more information in this respect).

More generally, the Bank is exposed to the risk of legislative or regulatory changes in all of the countries in which it operates, including, but not limited to, the following:

- monetary, liquidity, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions, in particular in the markets in which the Group operates;
- general changes in regulatory requirements applicable to the financial industry, such as rules relating to applicable capital adequacy and liquidity frameworks;
- general changes in securities regulations, including financial reporting and market abuse regulations;
- changes in tax legislation or the application thereof;
- changes in accounting norms;
- changes in rules and procedures relating to internal controls; and
- expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership.

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

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

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

The Bank's hedging strategies may not prevent losses.

If any of the variety of instruments and strategies that the Bank uses to hedge its exposure to various types of risk in its businesses is not effective, the Bank may incur losses. Many of its strategies are based on historical trading patterns and correlations. For example, if the Bank holds a long position in an asset, it may hedge that position by taking a short position in another asset where the short position has historically moved in a direction that would offset a change in the value of the long position. However, the hedge may only be partial, or the strategies used may not protect against all future risks or may not be fully effective in mitigating the Bank's risk exposure in all market environments or against all types of risk in the future. Unexpected market developments may also reduce the effectiveness of the Bank's hedging strategies. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Bank's reported earnings.

The Bank may experience difficulties integrating acquired companies and may be unable to realize the benefits expected from its acquisitions.

The Bank has in the past and may in the future acquire other companies. Integrating acquired businesses is a long and complex process. Successful integration and the realization of synergies require, among other things, proper coordination of business development and marketing efforts, retention of key members of management, policies for effective recruitment and training as well as the ability to adapt information and computer systems. Any difficulties encountered in combining operations could result in higher integration costs and lower savings or revenues than expected. There will accordingly be uncertainty as to the extent to which anticipated synergies will be achieved and the timing of their realization. Moreover, the integration of the Bank's existing operations with those of the acquired operations could interfere with the respective businesses and divert management's attention from other aspects of the Bank's business, which could have a negative impact on the business and results of the Bank. In some cases, moreover, disputes relating to acquisitions may have an adverse impact on the integration process or have other adverse consequences, including financial ones.

Although the Bank undertakes an in-depth analysis of the companies it plans to acquire, such analyses often cannot be complete or exhaustive. As a result, the Bank may increase its exposure to doubtful or troubled assets and incur greater risks as a result of its acquisitions, particularly in cases in which it was unable to conduct comprehensive due diligence prior to the acquisition.

Intense competition, especially in France where it has the largest single concentration of its businesses, could adversely affect the Bank's revenues and profitability.

Competition is intense in all of the Bank's primary business areas in France and the other countries in which it conducts a substantial portion of its business, including other European countries and the United States. Competition in the Bank's industry could intensify as a result of the ongoing consolidation of financial services that accelerated during the recent financial crisis. If the Bank is unable to respond to the competitive environment in France or in its other major markets by offering attractive and profitable product and service solutions, it may lose market share in key areas of its business or incur losses on some or all of its activities. In addition, downturns in the economies of its principal markets could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Bank and its competitors. In addition, new lower-cost competitors may enter the market, which may not be subject to the same capital or regulatory requirements or may have other inherent regulatory advantages and, therefore, may be able to offer their products and services on more favorable terms. It is also possible that the increased presence in the global marketplace of nationalized financial institutions, or financial institutions benefiting from State guarantees or other similar advantages, following the recent financial crisis or the imposition of more stringent requirements (particularly capital requirements and activity restrictions) on larger or systematically significant financial institutions could lead to distortions in competition in a manner adverse to large private-sector institutions such as the Bank.

SELECTED FINANCIAL DATA

The following tables present selected financial data concerning the Group as of December 31, 2012, 2011, 2010, 2009 and 2008 and for the years ended December 31, 2012, 2011, 2010, 2009 and 2008.

The selected financial data for the Group as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010 have been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Group as of December 31, 2012 and for the year ended December 31, 2012, and as of December 31, 2011 and for the year ended December 31, 2011, including comparative columns for the year ended December 31, 2010, incorporated by reference herein.

BNP Paribas Group	**Year ended December 31,** ***(in millions of euros, except share data)***				
Income Statement (EU-IFRS)	**2012**	**2011**	**2010**	**2009**	**2008**
Net interest income	21,745	23,981	24,060	21,021	13,498
Net commission income	7,532	8,419	8,486	7,467	5,859
Net gain on financial instruments at fair value through profit or loss	3,312	3,733	5,109	6,085	2,693
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	1,624	280	452	436	464
Net income from other activities	4,859	5,971	5,773	5,182	4,862
Revenues	**39,072**	**42,384**	**43,880**	**40,191**	**27,376**
Operating expense and depreciation	(26,550)	(26,116)	(26,517)	(23,340)	(18,400)
Gross operating income	**12,522**	**16,268**	**17,363**	**16,851**	**8,976**
Cost of risk	(3,941)	(6,797)	(4,802)	(8,369)	(5,752)
Operating income	**8,581**	**9,471**	**12,561**	**8,482**	**3,224**
Share of earnings of associates	489	80	268	178	217
Net gain on non-current assets	1,792	206	269	87	481
Change in value of goodwill	(490)	(106)	(78)	253	2
Income taxes	(3,059)	(2,757)	(3,856)	(2,526)	(472)
Minority interests	760	844	1,321	642	431
Net income attributable to equity holders	**6,553**	**6,050**	**7,843**	**5,832**	**3,021**
Basic earnings per share	5.16	4.82	6.33	5.20	2.99
Diluted earnings per share	5.15	4.81	6.32	5.20	2.97

BNP Paribas Group Balance Sheet (EU-IFRS)	At December 31, 2012	At December 31, 2011	At December 31, 2010	At December 31, 2009	At December 31, 2008
			(in millions of euros)		
Assets					
Cash and amounts due from central banks and post office banks	103,190	58,382	33,568	56,076	39,219
Financial assets at fair value through profit or loss					
Trading securities	143,465	157,624	222,347	206,074	232,950
Loans and repurchase agreements	146,899	153,799	211,629	209,668	350,747
Assets designated at fair value through profit or loss	62,800	57,073	51,186	49,337	41,654
Derivative financial instruments	410,635	451,967	347,783	363,705	566,920
Derivatives used for hedging purposes	14,267	9,700	5,440	4,952	4,555
Available-for-sale financial assets	192,506	192,468	219,958	221,425	130,725
Loans and receivables due from credit institutions	40,406	49,369	62,718	88,920	69,153
Loans and receivables due from customers	630,520	665,834	684,686	678,766	494,401
Remeasurement adjustment on interest-rate risk hedged portfolios	5,836	4,060	2,317	2,407	2,541
Held-to-maturity financial assets	10,284	10,576	13,773	14,023	14,076
Current and deferred tax assets	8,661	11,570	11,557	12,117	6,055
Accrued income and other assets	99,359	93,540	83,124	103,361	82,457
Policyholders' surplus reserve	-	1,247	-	-	531
Investments in associates	7,040	4,474	4,798	4,761	2,643
Investment property	927	11,444	12,327	11,872	9,920
Property, plant and equipment	17,319	18,278	17,125	17,056	14,807
Intangible assets	2,585	2,472	2,498	2,199	1,810
Goodwill	10,591	11,406	11,324	10,979	10,918
Total Assets	**1,907,290**	**1,965,283**	**1,998,158**	**2,057,698**	**2,075,551**
Liabilities and Shareholders' Equity					
Due to central banks and post office banks	1,532	1,231	2,123	5,510	1,047
Financial liabilities at fair value through profit or loss					
Trading securities	52,432	100,013	102,060	83,214	83,736
Borrowings and repurchase agreements	203,063	173,271	224,532	211,177	370,591
Assets designated at fair value through profit or loss	43,530	42,044	53,021	58,794	55,441
Derivative financial instruments	404,598	447,467	345,492	356,152	545,034
Derivatives used for hedging purposes	17,286	14,331	8,480	8,108	6,172
Due to credit institutions	111,735	149,154	167,985	220,696	186,187
Due to customers	539,513	546,284	580,913	604,903	413,955
Debt securities	173,198	157,786	208,669	211,029	157,508
Remeasurement adjustment on interest-rate risk hedged portfolios	2,067	356	301	356	282
Current and deferred tax liabilities	3,046	3,489	3,745	4,762	3,971
Accrued expenses and other liabilities	86,691	81,010	65,229	72,425	83,434
Technical reserves of insurance companies	147,992	133,058	114,918	101,555	86,514
Provisions for contingencies and charges	10,962	10,480	10,311	10,464	4,388
Subordinated debt	15,223	19,683	24,750	28,209	18,323
Minority interests in consolidated subsidiaries	8,536	10,256	10,997	10,843	5,740
Shareholders' equity (group share)	85,886	75,370	74,632	69,501	53,228
Total Liabilities and Shareholders' Equity	**1,907,290**	**1,965,283**	**1,998,158**	**2,057,698**	**2,075,551**

BNP Paribas Group Capital Ratios (EU-IFRS)[1]	At December 31,			
	2012	2011	2010	2009
Total ratio	15.6%	14.0%	14.5%	14.2%
Tier 1 ratio	13.6%	11.6%	11.4%	10.1%
Risk-weighted assets (in billions of euros)	552	614	601	621

[1] The ratios included in this table are calculated on the basis of the capital adequacy regulations in effect at the end of the relevant fiscal year (i.e., ratios at December 31, 2011 were calculated in accordance with Basel 2.5, whereas ratios for all previous years were calculated in accordance with Basel 2). See "Capitalization of the Group".

CAPITALIZATION OF THE GROUP

The following table sets forth the consolidated capitalization of the Group as of March 31, 2013 and December 31, 2012.

Except as set forth in this section, there has been no material change in the capitalization of the Group since March 31, 2013.

(in millions of euros)	**As of March 31, 2013**	**As of December 31, 2012**
Medium- and Long-Term Debt (of which the unexpired term to maturity is more than one year)[1]		
Debt securities at fair value through profit or loss	36,052	34,334
Other debt securities	72,537	72,704
Subordinated debt	9,810	10,978
Total Medium- and Long-Term Debt	**118,399**	**118,016**
Shareholders' Equity and Equivalents		
Issued capital[2]	2,489	2,485
Additional paid-in capital	24,347	24,229
Preferred shares and equivalent instruments[3]	7,241	7,241
Retained earnings	47,637	46,843
Unrealized or deferred gains and losses attributable to Shareholders	3,505	3,231
Undated participating subordinated notes[4]	222	222
Undated subordinated FRNs[5]	2,663	2,628
Total Shareholders' Equity	**88,104**	**86,879**
Minority interests[6]	7,758	8,394
Total Capitalization	**214,261**	**213,289**

Notes:

1) Medium- and long-term debt does not include the following items: interbank items and customer term deposits. All medium- and long-term senior debt of the Bank ranks equally with deposits. The subordinated debt of the Bank is subordinated to all other debt with the exception of undated participating subordinated notes (*titres participatifs*). The Bank and its subsidiaries issue medium- to long-term debt on a continuous basis, particularly through private placements in France and abroad.

Euro against foreign currency as of December 31, 2012, CAD = 1.312, GBP = 0.812, CHF = 1.207, HKD = 10.231, JPY = 114.283, USD = 1.320

Euro against foreign currency as March 31, 2013, CAD = 1.305, GBP = 0.844, CHF = 1.217, HKD = 9.954, JPY = 120.812, USD = 1.282

2) At December 31, 2012, the Bank's share capital stood at €2,484,523,922 divided into 1,242,261,961 shares with a par value of €2 each.

3) In June 2005, BNP Paribas SA issued $1,350 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.186% semi-annually for a period of ten years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month USD LIBOR plus a margin equal to 1.68% per annum. In the fourth quarter of 2011, the Bank launched an offer to exchange these notes for new unsubordinated bonds. Following completion of this tender offer, $1,070 million of the undated deeply subordinated non-cumulative notes remain outstanding.

In October 2005, BNP Paribas SA issued $400 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 6.25% per annum. As from October 17, 2011, BNP Paribas SA may redeem the notes at par on each interest payment date.

In October 2005, BNP Paribas SA issued €1 billion of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 4.875% per annum. As from October 17, 2011, BNP Paribas SA may redeem the notes at par on each interest payment date.

In April 2006, BNP Paribas SA issued €750 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 4.73% per annum from and including April 12, 2006 to but excluding April 12, 2016, payable annually in arrears on a non-cumulative basis on April 12 of each year, commencing on April 12, 2007, and thereafter at a floating rate equal to three-month Euribor plus a margin equal to 1.69% per annum, payable quarterly in arrears on January 12, April 12, July 12 and October 12 of each year commencing on July 12, 2016. As from April 12, 2016, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month USD LIBOR plus a margin equal to 1.68% per annum. In the fourth quarter of 2011, the Bank launched a cash tender offer for these notes. Following completion of this tender offer, €549 million of the notes remain outstanding.

In April 2006, BNP Paribas SA issued £450 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.945% per annum from and including April 19, 2006 to but excluding April 19, 2016, payable annually in arrears on a non-cumulative basis on April 19 of each year, commencing on April 19, 2007, and thereafter at a floating rate equal to three-month GBP LIBOR plus a margin equal to 1.13% per annum, payable quarterly in arrears on January 19, April 19, July 19 and October 19 of each year commencing on July 19, 2016. As from July 19, 2016, BNP Paribas SA may redeem the notes at par on each interest payment date.

In July 2006, BNP Paribas SA issued €150 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.45% per annum from and including July 13, 2006 to but excluding July 13, 2026, payable annually in arrears on a non-cumulative basis on July 13, 2007, and thereafter at a floating rate equal to three-month Euribor plus a margin equal to 1.92% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on October 13, 2026.

Also in July 2006, BNP Paribas SA issued £325 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.945% per annum from and including July 13, 2006 to but excluding July 13, 2016, payable annually in arrears on a non-cumulative basis on July 13 of each year, commencing on July 13, 2007, and thereafter at a floating rate equal to three-month GBP LIBOR plus a margin equal to 1.81% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on October 13, 2016. In the fourth quarter of 2011, the Bank launched a cash tender offer for these notes. Following completion of this tender offer, £163 million of the notes remain outstanding.

In April 2007, BNP Paribas SA issued €750 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 5.019% per annum from and including April 13, 2007 to but excluding April 13, 2017, payable annually in arrears on a non-cumulative basis on April 13 of each year, commencing on April 13, 2008, and thereafter at a floating rate equal to three-month Euribor plus a margin equal to 1.72% per annum, payable quarterly in arrears on January 13, April 13, July 13 and October 13 of each year commencing on July 13, 2017. In the fourth quarter of 2011, the Bank launched a cash tender offer for these notes. Following completion of this tender offer, €638 million of the notes remain outstanding.

In June 2007, BNP Paribas SA issued $600 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 6.500% payable quarterly in arrears for a period of five years. As from June 2012, BNP Paribas SA may redeem the notes at par on each interest payment date.

In June 2007, BNP Paribas SA issued $1,100 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.195% payable semi-annually for a period of thirty years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month USD LIBOR plus a margin equal to 1.29% per annum.

In October 2007, BNP Paribas SA issued £200 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.436% per annum for a period of ten years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month GBP LIBOR plus a margin equal to 1.85% per annum.

In June 2008, BNP Paribas SA issued €500 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.781% per annum for a period of ten years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month Euribor plus a margin equal to 3.75% per annum.

In September 2008, BNP Paribas SA issued €650 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 8.667% per annum for a period of five years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month Euribor plus a margin equal to 4.05% per annum.

In September 2008, BNP Paribas SA issued €100 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.57% per annum for a period of ten years. Thereafter, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month Euribor plus a margin equal to 3.925% per annum.

In December 2009, BNP Paribas SA issued €2 million of undated deeply subordinated non-cumulative notes. They bear interest at a floating rate equal to three-month Euribor plus a margin equal to 3.75% per annum, payable quarterly in arrears for a period of ten years. As from December 2019, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month EURIBOR plus a margin equal to 4.75% per annum.

In December 2009, BNP Paribas SA issued €17 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.028% per annum for a period of ten years. As from December 2019, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month EURIBOR plus a margin equal to 4.75% per annum.

In December 2009, BNP Paribas SA issued $70 million of undated deeply subordinated non-cumulative notes. They bear interest at a floating rate equal to three-month USD LIBOR plus a margin equal to 3.750% per annum, payable quarterly in arrears for a period of ten years. As from December 2019, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month USD LIBOR plus a margin equal to 4.75% per annum.

In December 2009, BNP Paribas SA issued $0.5 million of undated deeply subordinated non-cumulative notes. They bear interest at a fixed rate of 7.384% per annum for a period of ten years. As from December 2019, BNP Paribas SA may redeem the notes at par on each interest payment date and until redeemed the notes will pay interest indexed to three-month USD LIBOR plus a margin equal to 4.75% per annum.

4) Undated participating subordinated notes issued by BNP SA between 1984 and 1988 for a total amount of €337 million are redeemable only in the event of the liquidation of the Bank, but may be redeemed in accordance with the terms specified in the French law of January 3, 1983. Under this option, 32,000 of the 2,212,761 notes originally issued were redeemed and subsequently cancelled in 2012. Payment of interest is obligatory, but the Board of Directors may postpone interest payments if the Ordinary General Meeting of shareholders held to approve the financial statements notes that there is no income available for distribution.

5) Subordinated debt comprises an issue of Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) made by Fortis Bank SA/NV (now acting in Belgium under the commercial name BNP Paribas Fortis) in December 2007, for a nominal amount of €3 billion and a market value of €1,025 million at December 31, 2011. They bear interest at a floating rate equal to three-month Euribor plus a margin equal to 2% paid quarterly in arrears. The CASHES are undated but may be exchanged for twinned Fortis SA/NV and Fortis N.V. (now named ageas SA/NV and ageas N.V., hereafter together referred to as "Ageas") shares (such twinned shares, "Fortis Units") at the holder's sole discretion at a price per Fortis Unit of €23.94. The CASHES will be automatically exchanged into Fortis Units on December 19, 2014 if the price of the Fortis Units is higher than or equal to €35.91 for twenty consecutive trading days. The principal amount will never be redeemed in cash and may not be bought back by the issuer Fortis Bank SA/NV or the co-obligor Ageas. The rights of the CASHES holders are limited to 46,439,042 Fortis Units held by Fortis Bank SA/NV and pledged for the benefit of the CASHES holders (*i.e.*, the remainder, following the conversion of the CASHES acquired by the Bank as described below, of the 125,313,283 Fortis Units that Fortis Bank SA/NV acquired on the date of issuance of the CASHES).

In 2007, Fortis SA/NV and Fortis Bank SA/NV entered into a Relative Performance Note (RPN) contract, the value of which varies contractually so as to offset the impact on Fortis Bank SA/NV of the relative difference between changes in the value of the CASHES and changes in the value of the Fortis Units. In addition, pursuant to the RPN(i) entered into in 2009, Fortis Bank SA/NV makes, or receives, quarterly payments to, or from, Ageas. Each quarterly interest payment (a three-month EURIBOR plus a margin equal to 20 bps) is made over a reference amount under the RPN. The net balance represented a subordinated liability of €651 million that is permitted for inclusion in Tier 1 capital.

On January 25, 2012, the Bank, Ageas and Fortis Bank SA/NV signed an agreement concerning partial settlement of the RPN and RPN(i) (by means of the acquisition of CASHES by the Bank through a tender offer and their subsequent exchange for the underlying Fortis Units) and the redemption by Fortis Bank SA/NV of the outstanding Redeemable Perpetual Cumulative Coupon Debt Securities (ISIN BE0117584202) issued by Fortis Bank SA/NV in 2001 for a nominal amount of €1,000 million (recognized as debt at amortized cost), of which Ageas held €953 million. The parties agreed that the Bank would launch a cash offer for the CASHES, and that, in a second step, the Bank would convert the CASHES acquired into underlying Fortis Units, with an undertaking not to sell them for a period of six months. The Bank would further receive a compensation from Ageas and Fortis Bank, and the RPN and RPN (i) mechanism would automatically cease to apply proportionally to the CASHES converted. The Bank announced on January 31, 2012 that the offer had closed on January 30 with a success rate of 63% at a price of 47.5% of the principal amount per CASHES. As a result, on February 2, 2012, the Bank acquired 7,553 CASHES, which it exchanged for 78,874,241 Fortis Units on February 6, 2012. The remainder of the CASHES has been maintained on the balance sheet and is included in Tier 1 capital in an amount of €241 million.

As of December 31, 2012, the remaining subordinated debt included €461 million of undated floating-rate subordinated notes (TSDIs), €1,000 million of other undated subordinated notes and €926 million of undated subordinated debt.

6) In January 2003, BNP Paribas Capital Preferred VI LLC, a wholly owned subsidiary of BNP Paribas, issued €700 million of noncumulative preferred shares, via BNP Paribas Capital Trust VI. They pay a contractual dividend of 5.868% for a period of 10 years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR plus a margin equal to 2.48%.

During 2011 and 2012, €500 million and €660 million of undated noncumulative preferred shares were redeemed.

In March 2003, the LaSer-Cofinoga sub-group, which is partially consolidated into the Group, issued €100 million (before application of the proportionate consolidation rate) of noncumulative preferred securities, via Cofinoga Funding Trust I. They pay a non-cumulative preferred dividend of 6.82% for a period of 10 years. Thereafter, the issuer may redeem the securities at par on each dividend payment date and until redeemed the securities will pay a dividend indexed to three-month EURIBOR plus a margin equal to 3.75%.

In January and May 2004, the LaSer-Cofinoga sub-group, which is partially consolidated into the Group, issued €80 million (before application of the proportionate consolidation rate) of noncumulative preferred securities, via Cofinoga Funding Trust II. They pay a non-cumulative preferred dividend of TEC 10[2] plus a margin equal to 1.35% for a period of 10 years. As from January and May 2014, respectively, the issuer may redeem the securities at par on each dividend payment date.

[2] TEC 10 is the daily long-term government bond index, corresponding to the yield-to-maturity of a fictitious 10-year Treasury note.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis relates to the results of operations and financial condition of the Group for the year ended and as of December 31, 2012 as compared to the year ended and as of December 31, 2011, and for the year ended and as of December 31, 2011 as compared to the year ended December 31, 2010. It should be read in conjunction with "Selected Financial Data" and the audited consolidated financial statements of the Group as of and for the years ended December 31, 2012 and 2011 and as of and for the years ended December 31, 2011 and 2010.

Economic Conditions

The continuing effects of the global financial and economic crisis that commenced in 2007/2008 have significantly affected the world economy and the Bank's operating environment over the last three years.

Beginning in the summer of 2007 with the collapse of several U.S. subprime lending institutions, the global financial system experienced difficult credit and liquidity conditions, greater volatility and general widening of spreads. These adverse trends accelerated sharply following the bankruptcy filing of Lehman Brothers in September 2008. Financial institutions lost faith in one another, making it more difficult for them to access liquidity. Central banks had to step in for the interbank market and expanded their balance sheets by relaxing the criteria on financial or banking assets they accepted as collateral. Spreads on medium-term debt also widened sharply. Banks were forced to recognize sizable write-downs, thus weakening their balance sheets and resulting in a need for fresh equity – at a time when investors had become averse to banking risk.

The crisis soon spread beyond the financial sector and into the broader economy. Business activity began slowing in developed countries during the first half of the year, and the slowdown spread to all corners of the globe with alarming speed. Every major developed region plunged into a recession. As companies' financial health deteriorated, more and more of them were unable to meet their payment obligations or found themselves facing bankruptcy.

In response to such developments, legislators and financial regulators in many jurisdictions, including France, implemented a number of policy measures designed to bring stability to the financial markets. Central banks around the world also coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions and lowering interest rates. This intervention helped temper the consequences of the crisis in 2009.

Growth gradually returned to the global economy in 2010, although not uniformly. While the equity markets strengthened and bank lending conditions became more favorable, concerns over unemployment and sovereign risk weighed on the financial and foreign exchange markets.[3] The European markets, in particular, experienced significant downside as a result of concerns regarding the ability of certain countries in the Euro-zone to refinance their debt obligations as well as the inability of certain European banks to withstand stress tests. A "two-speed recovery" was used to describe this economic context, with advanced economies demonstrating a slower return to growth than emerging and developing economies, where growth generally remained strong.[4]

Over the course of 2011, signs of recovery were overshadowed by concerns over a second economic downturn. 2011 was characterized by continued turbulence in the global markets, prompted to a certain extent by concerns relating to the Euro-zone and the possibility of a disorderly default by one or several of its members. Attempts to create a European rescue package experienced many false starts, while the United States witnessed political deadlock over the national debt ceiling and policies for economic reform and stimulus. Consequently, 2011 saw tightened credit markets, increased volatility in the exchange rate of the euro against other major currencies, volatility in the equity markets and uncertainty regarding the near-term economic prospects of countries in the European Union as well as the quality of bank loans to sovereign debtors in the European Union. The effects of this, along with a decline in consumer demand, increased unemployment and austerity measures, left much of Western Europe on the verge of an economic recession. This economic climate also contributed to a shifting political landscape with opposition parties winning elections based on anti-austerity platforms.

While global economic conditions generally improved over the course of 2012, growth prospects diverge for advanced and developing economies in 2013 and going forward. In the Euro-zone, sovereign

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[3] Source: IMF World Economic Outlook Update, January 2011.

[4] Source: IMF World Economic Outlook Update, January 2011.

spreads came down in 2012 from historically high levels, although uncertainty remains over the solvability of certain sovereigns and they extent to which E.U. member states are willing to provide additional financing.

The Group's revenues are influenced by exchange rate trends due to the international scope of its operations and in particular its significant dollar-based revenues from its operations in the United States. The effect on net income is mitigated, however, by the fact that the U.S. cost base is largely in dollars. The dollar strengthened in 2011, ending at 1.30 dollars per one euro, and remained generally steady in 2012 with a close of 1.32 dollars per one euro. The average rate in 2012 was 1.29 per one euro.

Basis of Presentation

General

Results of operations for each of the periods under review have been presented both by division and by income statement line item. It should be noted that the divisional analysis is analytic in nature. The Group's business divisions are not fully accounted for as segments in its consolidated financial statements. Rather, only selected line items have been prepared on a divisional basis. See Note 3 to the Group's audited consolidated financial statements as of and for the year ended December 31, 2012 for further segment information.

The divisional analysis is prepared on a basis that ensures the comparability of results across the Group's divisions by assuming a consistent allocation of Group capital across those divisions. Imputed revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division generally corresponds to the amount required to comply with the European Solvency Ratio requirements under Basel II, and is based on 7% of risk-weighted assets. The risk-weighted assets are calculated as the sum of:

- the risk-weighted assets for credit and counterparty risk, calculated using the standardized approach or the internal ratings based approach (IRBA) depending on the particular entity; and
- the regulatory capital requirement for market and operational risks, multiplied by 12.5. The capital requirement for operational risk is calculated using the basic indicator approach, standardized approach, or advanced measurement approach (AMA), depending on the particular entity.

Each division is allocated the share of capital deducted prudentially from Tier 1 capital, which corresponds to 100% of the net asset value of investments in credit and financial institutions. The capital allocated to the Insurance business is equal to the solvency requirement calculated according to insurance regulations.

In the discussion below, percent changes from period to period have been calculated based on figures in millions of euros, where appropriate, although some of these figures are presented here in billions of euros.

Year Ended December 31, 2012 as Compared with Year Ended December 31, 2011

Overview

In millions of euros	**2012**	**2011**	**2012/2011**
Revenues	**39,072**	**42,384**	**-7.8%**
Operating Expenses and Dep.	(26,550)	(26,116)	+1.7%
Gross Operating Income	**12,522**	**16,268**	**-23.0%**
Cost of Risk	(3,941)	(6,797)	-42.0%
Operating Income	**8,581**	**9,471**	**-9.4%**
Share of Earnings of Associates	489	80	n.s.
Other Non Operating Items	1,302	100	n.s.
Non Operating Items	**1,791**	**180**	**n.s.**
Pre-Tax Income	**10,372**	**9,651**	**+7.5%**
Corporate Income Tax	(3,059)	(2,757)	+11.0%
Net Income Attributable to Minority Interests	(760)	(844)	-10.0%
Net Income Attributable to Equity Holders	**6,553**	**6,050**	**+8.3%**
Cost/Income	**68.0%**	**61.6%**	**+6.4 pt**

This year, the Group completed its plan to adapt to new regulations ahead of the schedule announced: CIB's funding needs in US dollars were reduced by $65 billion by April 2012 and the Group surpassed its goal of increasing the fully-loaded Basel 3 common equity Tier 1 ratio[5] by 100 basis points by the end of September 2012. The ratio was 9.9% as at December 31, 2012, illustrating the Group's high level of solvency. The risk-weighted assets were cut by €62 billion since December 31, 2011.

BNP Paribas achieved this year solid results in a challenging economic environment: the eurozone slid back into recession (GDP: -0.4%) and the crisis in the capital markets carried on throughout most of the year. Against this backdrop, revenues totaled €39,072 million, down 7.8% compared to 2011. It includes this year the impact of four significant exceptional items, which total €-1,513 million: losses from the sale of sovereign bonds (€-232 million), losses from the sale of loans (€-91 million), own credit adjustment (€-1,617 million) and a one-off amortization of a part of Fortis PPA due to early redemptions (€+427 million). The revenues of the operating divisions edged up 0.8%, showing their good resilience, with a rise of 0.4% for Retail Banking, 4.8% for Investment Solutions and a 1.8% drop for CIB.

Operating expenses, which totaled €26,550 million, were under control, up slightly 1.7%. They were down 0.1% in Retail Banking[6], up 1.4% in Investment Solutions and 2.4% at CIB (-1.1% at constant scope and exchange rates).

Gross operating income was thus down 23.0% during the period to €12,522 million. It was up however 0.8% in the operating divisions.

The Group's cost of risk, which came to €3,941 million or 58 basis points of outstanding customer loans, was down 42.0% compared to 2011 which included the €3,241 million impact due to the Greek assistance program. Excluding the impact of provisions set aside for Greek bonds, the cost of risk was up moderately 9.2%.

Non operating items came to €1,791 million. They include the impact of two exceptional items to the tune of €1,445 million: the €1,790 million capital gain booked in connection with the sale of a 28.7% stake in Klépierre S.A. and €345 million in impairments, of which €298 million was an impairment of BNL bc's goodwill due to the expected increase in the Bank of Italy's capital requirements (local common equity Tier 1 ratio increased from 7% to 8%).

Pre-tax income totaled €10,372 million, up 7.5% compared to last year with a negligible net impact of exceptional items: €-68 million. The operating divisions posted €11,574 million in pre-tax income, up 0.8% compared to 2011.

In a still unfavorable environment, BNP Paribas generated this year €6,553 million in net income, up from the 2011 level (€6,050 million), thanks to the broad diversification of its businesses. At 8.9%, return on equity was virtually flat compared to last year when it was 8.8%.

Net earnings per share was €5.16 compared to €4.82 in 2011. The net book value per share[7] was €60.8, up 4.5% compared to last year and its compounded annualized growth rate was 6.5% since December 31, 2008, demonstrating BNP Paribas' ability to continue to grow the net asset value per share throughout the cycle.

The Board of Directors proposed to shareholders at the Shareholders' Meeting on May 15, 2013 to pay out a dividend of €1.50 per share, which equates to a 29.7% pay-out ratio, to be paid out in cash. This allocation of earnings will enable the Group to reinvest over two-thirds of its profits in business development initiatives and in efforts to support its clients.

Capital Allocation

Revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division corresponds to the amount required to comply with European Solvency Ratio requirements under CRD 3 regulation, also known as Basel 2.5, and is based on 9% of risk-weighted assets. Risk-weighted assets are calculated as the sum of:

- the risk-weighted assets for credit and counterparty risk, calculated using the standardized approach or the internal ratings based approach (IRBA) depending on the particular entity;

[5] Common equity Tier 1 ratio, taking into account all the rules of the CRD 4 directives with no transitory provisions, which will only enter into force on January 1, 2019, and as anticipated by BNP Paribas.

[6] Including 100% of Private Banking of the domestic markets, excluding PEL/CEL effects.

[7] Not revaluated.

- the regulatory capital requirement for market and operational risks, multiplied by 12.5. The capital requirement for operational risk is calculated using the basic indicator approach, standardized approach, or Advanced Measurement Approach (AMA), depending on the particular entity.

Each division is allocated the share of capital deducted prudentially from Tier 1 capital, in particular 100% of the net asset value of investments in credit and financial institutions.

The capital allocated to the Insurance business is equal to the solvency requirement calculated according to insurance regulations.

Results of Operations by Division

Retail Banking

In millions of euros	2012	2011	2012/2011
Revenues	**24,911**	**24,806**	**+0.4%**
Operating Expenses and Dep.	(15,088)	(15,098)	-0.1%
Gross Operating Income	**9,823**	**9,708**	**+1.2%**
Cost of Risk	(3,505)	(3,568)	-1.8%
Operating Income	**6,318**	**6,140**	**+2.9%**
Associated Companies	192	165	+16.4%
Other Non Operating Items	98	98	+0.0%
Pre-Tax Income	**6,608**	**6,403**	**+3.2%**
Income Attributable to Investment Solutions	(209)	(206)	+1.5%
Pre-Tax Income of Retail Banking	**6,399**	**6,197**	**+3.3%**
Cost/Income	60.6%	60.9%	-0.3 pt
Allocated Equity *(€ bn)*	33.7	32.9	+2.4%

Including 100% of Private Banking of the domestic markets in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg for the Revenues to Pre-Tax Income line items.

Domestic Markets

In millions of euros	2012	2011	2012/2011
Revenues	**15,730**	**15,795**	**-0.4%**
Operating Expenses and Dep.	(9,981)	(10,160)	-1.8%
Gross Operating Income	**5,749**	**5,635**	**+2.0%**
Cost of Risk	(1,573)	(1,405)	+12.0%
Operating Income	**4,176**	**4,230**	**-1.3%**
Associated Companies	40	20	+100.0%
Other Non Operating Items	(1)	12	n.s.
Pre-Tax Income	**4,215**	**4,262**	**-1.1%**
Income Attributable to Investment Solutions	(209)	(206)	+1.5%
Pre-Tax Income of Domestic Markets	**4,006**	**4,056**	**-1.2%**
Cost/Income	63.5%	64.3%	-0.8 pt
Allocated Equity *(€ bn)*	21.2	21.0	+1.1%

Including 100% of Private Banking of the domestic markets in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg for the Revenues to Pre-Tax Income line items.

For the whole of 2012, the strong sales and marketing drive in Domestic Markets translated into growth in deposits in all the networks. With €275 billion, Domestic Markets' deposits grew 4.7% compared to 2011. Outstanding loans rose 1.2% even if a gradual slowdown in demand for loans was observed during the course of the year.

At €15,730 million, revenues[8] were virtually flat (-0.1%[9]) compared to 2011 despite a persistently low interest rate environment and a slowdown in volumes of activity during the year. Operating expenses[8] were down 1.5%9 compared to 2011, reflecting very good cost control across all the business units and helped improve the cost/income ratio[9] in each of the four domestic markets.

Gross operating income therefore came to €5,749 million, up 2.5%[9] compared to 2011.

With a moderate overall cost of risk and after allocating one-third of Private Banking's net income from Domestic Markets to the Investment Solutions division, pre-tax income[10] came to €4,006 million, down 1.0%[9] compared to 2011. Thanks to improved operating efficiency, Domestic Markets delivered solid results at a high level.

French Retail Banking (FRB)

In millions of euros	**2012**	**2011**	**2012/2011**
Revenues	**6,939**	**7,037**	**-1.4%**
Incl. Net Interest Income	*4,128*	*4,166*	*-0.9%*
Incl. Commissions	*2,811*	*2,871*	*-2.1%*
Operating Expenses and Dep.	(4,496)	(4,573)	-1.7%
Gross Operating Income	**2,443**	**2,464**	**-0.9%**
Cost of Risk	(315)	(315)	+0.0%
Operating Income	**2,128**	**2,149**	**-1.0%**
Non Operating Items	4	3	+33.3%
Pre-Tax Income	**2,132**	**2,152**	**-0.9%**
Income Attributable to Investment Solutions	(122)	(124)	-1.6%
Pre-Tax Income of French Retail Banking	**2,010**	**2,028**	**-0.9%**
Cost/Income	64.8%	65.0%	-0.2 pt
Allocated Equity *(€ bn)*	7.7	7.6	+1.4%
Including 100% of French Private Banking for the Revenues to Pre-Tax Income line items.			

For the whole of 2012, FRB's active efforts to support its clients resulted in a good sales and marketing drive in deposits (up 4.7% compared to 2011), in particular thanks to strong growth in savings accounts (+9.6%). Despite a deceleration in demand for loans at the end of the year, outstanding loans rose on average by 1.5% compared to 2011. The continued support of VSEs & SMEs and the success of the Small Business Centers were reflected in particular by increased outstanding loans in this customer segment (+2.7%[11]). The sales and marketing drive is also illustrated by 10.5% growth in the number of protection insurance policies during the year as well as the number of mobile service users, which increased 42% to over 630,000 monthly users.

Revenues[12] were €6,939 million (-1.4% compared to 2011). In an environment with persistently low interest rates and given the slowdown in demand for loans, net interest income declined by 0.9%. Fees were down 2.1% in line with unfavorable financial markets.

Thanks to continued effort to improve operating efficiency, operating expenses[12] contracted by 1.7% compared to 2011 and the cost/income ratio[12] improved by 0.2 points to 64.8%.

Gross operating income[11] thereby came to €2,443 million, down 0.9% compared to last year.

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8 Including 100% of Private Banking of the domestic markets in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg.

9 At constant scope and exchange rates.

10 Excluding PEL/CEL effects.

11 Source: Banque de France (independent VSEs & SMEs) on a sliding annual basis.

12 Excluding PEL/CEL effects, with 100% of French Private Banking.

The cost of risk[12], at €315 million, or 21 basis points of outstanding customer loans, remained at a low level.

After allocating one-third of French Private Banking's net income to the Investment Solutions division, FRB posted €2,010 million in pre-tax income[10], down 0.9% compared to 2011, a good performance in a context of economic slowdown.

BNL Banca Commerciale (BNL BC)

In millions of euros	2012	2011	2012/2011
Revenues	**3,273**	**3,202**	**+2.2%**
Operating Expenses and Dep.	(1,804)	(1,829)	-1.4%
Gross Operating Income	**1,469**	**1,373**	**+7.0%**
Cost of Risk	(961)	(795)	+20.9%
Operating Income	**508**	**578**	**-12.1%**
Non Operating Items	1	0	n.s.
Pre-Tax Income	**509**	**578**	**-11.9%**
Income Attributable to Investment Solutions	(18)	(14)	+28.6%
Pre-Tax Income of BNL bc	**491**	**564**	**-12.9%**
Cost/Income	55.1%	57.1%	-2.0 pt
Allocated Equity *(€ bn)*	6.4	6.4	+0.7%
Including 100% of Italian Private Banking for the Revenues to Pre-Tax Income line items.			

For the whole of 2012, in an unfavorable economic environment, BNL bc's business activity was impacted by 4.3% growth in deposits, driven by loans to corporates and local public entities. Outstanding loans grew on average by 0.7% despite a deceleration during the year in line with the market.

At €3,273 million, revenues[13] rose 2.2% compared to 2011. Net interest income was up, in particular for loans to small businesses and corporates and margins held up well. Fees decreased driven by a decline in new loan production and the impact of new regulations.

Thanks to cost-cutting measures, in particular in IT and real estate, operating expenses[13] were down 1.4% compared to 2011, at €1,804 million, helping BNL bc achieve a further 2 point improvement in its cost/income ratio[13] at 55.1%. Gross operating income[13] thereby came to €1,469 million, up 7.0% compared to last year.

The cost of risk[13], which was 116 basis points of outstanding customer loans, was up 18 basis points compared to last year due to the economic environment. After allocating one-third of Italian Private Banking's net income to the Investment Solutions division, BNL bc's pre-tax income was €491 million, down 12.9% compared to 2011. BNL bc thus achieved good operating performance in a challenging risk environment.

Belgian Retail Banking (BRB)

In millions of euros	2012	2011	2012/2011
Revenues	**3,328**	**3,238**	**+2.8%**
Operating Expenses and Dep.	(2,412)	(2,402)	+0.4%
Gross Operating Income	**916**	**836**	**+9.6%**
Cost of Risk	(157)	(137)	+14.6%
Operating Income	**759**	**699**	**+8.6%**
Non Operating Items	18	12	+50.0%
Pre-Tax Income	**777**	**711**	**+9.3%**
Income Attributable to Investment Solutions	(66)	(64)	+3.1%
Pre-Tax Income of Belgian Retail Banking	**711**	**647**	**+9.9%**
Cost/Income	72.5%	74.2%	-1.7 pt

13 With 100% of Italian Private Banking.

Allocated Equity *(€ bn)*	3.7	3.5	+5.8%
Including 100% of Belgian Private Banking for the Revenues to Pre-Tax Income line items.			

For the whole of 2012, BRB maintained a good sales and marketing drive. Deposits grew by 3.5% compared to last year due in particular to growth in current accounts and savings accounts. Loans grew 3.4%[14] due in part by the growth in loans to individual customers (+5.5%) and to the fact that loans to SMEs held up well. The sales and marketing drive was also reflected in the successful launch of the Easy Banking offering for the iPhone, iPad and Android and in the good growth of cross-selling with CIB.

Revenues[15] totaled €3,328 million, up 2.1%[14] compared to 2011 due to higher net interest income as a result of growth in volumes, despite a deceleration at the end of the year. For their part, fees were flat.

Operating expenses[16], which came to €2,412 million, were down 0.3%[14], helping BRB continue to improve its cost/income ratio, down 1.7 points[14] to 72.5%. Gross operating income[15] thereby came to €916 million, up 9.0%[14] compared to 2011.

The cost of risk[15], which was 18 basis points of outstanding customer loans, remained at a moderate level. Therefore, after allocating one-third of Belgian Private Banking's net income to the Investment Solutions division, BRB's pre-tax income was €711 million, up 8.4%[14] compared to 2011.

Luxembourg Retail Banking

For the whole of 2012, outstanding loans grew by 2.4% compared to 2011, thanks to a rise in volumes in the corporate and individual customer segments with good growth in mortgages. There was also strong growth in deposits (+10.5%) due in particular to very good asset inflows from corporate clients. Off balance sheet savings were up significantly, driven by increased demand for life insurance products. LRB's revenues grew in line with volumes, the good control of operating expenses helping to significantly improve the cost/income ratio.

Personal Investors

For the whole of 2012, assets under management grew by 10.7% compared to 2011, driven by positive volume and performance effects. Deposits grew sharply during the year, to €9.1 billion (+13.3%). Revenues were, however, down due to a contraction in the brokerage business as a result of clients' cautious stance in an uncertain environment.

Arval

For the whole of 2012, the financed fleet grew by 1.6% compared to last year, to 689,000 vehicles. At constant scope and exchange rates (in particular excluding the impact of the sale of the fuel card business in the UK in December 2011), Arval's revenues were up slightly compared to last year due to the fact that margins held up well.

Leasing Solutions

For the whole of 2012, outstandings declined by 9.5% compared to last year, in line with the adaptation plan regarding the noncore portfolio. The impact on revenues was, however, further limited due to the selective policy in terms of profitability of transactions.

Europe-Mediterranean

In millions of euros	**2012**	**2011**	**2012/2011**
Revenues	**1,796**	**1,639**	**+9.6%**
Operating Expenses and Dep.	(1,319)	(1,277)	+3.3%
Gross Operating Income	**477**	**362**	**+31.8%**
Cost of Risk	(290)	(268)	+8.2%
Operating Income	**187**	**94**	**+98.9%**
Associated Companies	65	50	+30.0%

[14] At constant scope.

[15] With 100% of Belgian Private Banking.

Other Non Operating Items	2	20	-90.0%
Pre-Tax Income	**254**	**164**	**+54.9%**
Cost/Income	73.4%	77.9%	-4.5 pt
Allocated Equity *(€ bn)*	3.5	3.3	+5.9%

For the whole of 2012, Europe-Mediterranean enjoyed a very strong sales and marketing drive. Deposits rose by 12.8% compared to 2011 and were growing in most countries, especially in Turkey (+34.3%[9]). Loans grew by 3.5%[9] with good performances in Turkey (+17.1%[9]) and a continued decline in Ukraine (-29.0%[9]).

Revenues rose 7.0%[9] to €1,796 million, due in part to a fast-paced growth in Turkey (+35%[9]) and declined in Ukraine in line with outstandings. Excluding Ukraine, revenues grew 14.8%[9].

Operating expenses were up 2.1%[9] compared to 2011 due, in particular, to the bolstering of the commercial set up in the Mediterranean during the year with the opening of 30 branches, in particular in Morocco. In Turkey, TEB significantly improved its cost/income ratio which was down 18 points in 2012, at 64.6%[9], thanks to the streamlining of the network carried out in 2011.

The cost of risk, which was €290 million, or 117 basis points of outstanding customer loans, was up slightly compared to 2011. Europe-Mediterranean thus posted €254 million in pre-tax income, up sharply compared to 2011 (+52.7%[9]).

Bancwest

In millions of euros	**2012**	**2011**	**2012/2011**
Revenues	**2,403**	**2,230**	**+7.8%**
Operating Expenses and Dep.	(1,401)	(1,241)	+12.9%
Gross Operating Income	**1,002**	**989**	**+1.3%**
Cost of Risk	(145)	(256)	-43.4%
Operating Income	**857**	**733**	**+16.9%**
Associated Companies	0	0	n.s.
Other Non Operating Items	2	1	+100.0%
Pre-Tax Income	**859**	**734**	**+17.0%**
Cost/Income	58.3%	55.7%	+2.6 pt
Allocated Equity *(€ bn)*	4.1	3.8	+8.8%

For the whole of 2012, BancWest had a good sales and marketing drive in a more favorable environment. Deposits grew by 8.3%[9] compared to 2011, driven by the strong growth of current accounts and savings accounts. Loans were up 3.5%[9] due to good growth in corporate loans (+14.7%[9]) and the success of business investments in the SME segment. The sales and marketing drive was also reflected in the revving up of the Private Banking expansion, the modernization of the branch network and an expanded Mobile Banking offering.

Revenues edged down 0.6%[9] compared to 2011 as a result of the negative impact of regulatory changes on fees. Excluding this impact, revenues were up 0.8%[9], the effect of higher volumes being offset by lower interest rates.

Operating expenses rose by 4.5%[9] compared to 2011, due to the strengthening of the corporate and small business as well as Private Banking set up.

The cost of risk was down at 35 basis points of outstanding customer loans, which equates to a 47.8%[9] decline compared to 2011.

With €859 million in pre-tax income, up 7.1%[8] compared to 2011, BancWest demonstrated its strong profit-generation capacity, whilst expanding the product offering.

Personal Finance

In millions of euros	2012	2011	2012/2011
Revenues	**4,982**	**5,142**	**-3.1%**
Operating Expenses and Dep.	(2,387)	(2,420)	-1.4%
Gross Operating Income	**2,595**	**2,722**	**-4.7%**
Cost of Risk	(1,497)	(1,639)	-8.7%
Operating Income	**1,098**	**1,083**	**+1.4%**
Associated Companies	87	95	-8.4%
Other Non Operating Items	95	65	+46.2%
Pre-Tax Income	**1,280**	**1,243**	**+3.0%**
Cost/Income	47.9%	47.1%	+0.8 pt
Allocated Equity *(€ bn)*	5.0	4.9	+0.6%

For the whole of 2012, Personal Finance continued to develop engines of growth with, in particular, the successful joint venture with Commerzbank in Germany, the implementation of the agreement with Sberbank in Russia, and the signing of new partnership agreements (for instance, with the Cora hypermarkets in France and with Sony in Germany in e-commerce). Outstanding loans were down 0.5% compared to 2011, at €89.9 billion. Outstanding consumer loans rose by 0.5% with, in particular, a good sales and marketing drive in Germany and Belgium. As for mortgages, the implementation of the adaptation plan under Basel 3 has resulted in a continued decline in outstandings (-1.8%). These combined effects and in particular the impact of new regulations in France on margins drove revenues down 3.1% compared to 2011 at €4,982 million.

Operating expenses were down 1.4% compared to 2011, at €2,387 million. Excluding adaptation costs (€95 million in 2012), they were 3.8% lower.

With risks under control, the cost of risk, which was €1,497 million, or 167 basis points of outstanding customer loans, was down €142 million compared to 2011.

Pre-tax income totaled €1,280 million, up 3.0% compared to last year, demonstrating the business unit's good profit-generation capacity in a challenging environment.

Investment Solutions

In millions of euros	2012	2011	2012/2011
Revenues	**6,204**	**5,922**	**+4.8%**
Operating Expenses and Dep.	(4,319)	(4,258)	+1.4%
Gross Operating Income	**1,885**	**1,664**	**+13.3%**
Cost of Risk	54	(64)	n.s.
Operating Income	**1,939**	**1,600**	**+21.2%**
Associated Companies	136	(134)	n.s.
Other Non Operating Items	23	58	-60.3%
Pre-Tax Income	**2,098**	**1,524**	**+37.7%**
Cost/Income	69.6%	71.9%	-2.3 pt
Allocated Equity *(€ bn)*	8.1	7.5	+7.8%

For the whole of 2012, Investment Solutions posted, in all of the business units, a good rise in assets under management[16], up 5.6% compared to December 31, 2011, at €889 billion (€842 billion as at December 31, 2011). This growth comes primarily from a favorable performance effect driven by the rise in financial markets, especially in the second half of the year. Net asset outflows for the year were €-6.1 billion, but was penalized in the third quarter by a client's (fund manager) decision to insource a distribution contract. Excluding this effect, net asset inflows were €+5.2 billion in 2012.

[16] Including assets under advisory on behalf of external clients, distributed assets and Personal Investors.

Thus, asset flows were positive in all the business units in 2012, save Asset Management: Wealth Management had good asset inflows, especially in the domestic markets and in Asia, good contributions from Insurance outside of France, in particular in Asia (Taiwan, South Korea), as well as from Personal Investors, especially in Germany. Asset inflows into Asset Management's money market and bond funds were more than offset by asset outflows in all other asset classes.

As at December 31, 2012, Investment Solutions' assets under management[16] broke down as follows: €405 billion for Asset Management, €266 billion for Wealth Management, €170 billion for Insurance, €35 billion for Personal Investors, and €13 billion for Real Estate Services.

Investment Solutions' revenues, which totaled €6,204 million, were up 4.8% compared to 2011. Wealth and Asset Management's revenues were down 4.1% due in particular to Asset Management's lower average outstandings and despite good growth by Wealth Management. Insurance's revenues rose 21.2% (+13.4% at constant scope and exchange rates) due to the strong growth of protection insurance and savings outside of France. Securities Services' revenues grew by 4.4% compared to 2011 as a result of a rise in asset under custody and under administration.

Operating expenses, which totaled €4,319 million, were up 1.4% compared to 2011 but were down 0.6% at constant scope and exchange rates. Operating expenses were down 10.1%[9] in Asset Management as a result of the adaptation plan whilst investments in the business development of Insurance, Wealth Management and Securities Services continued, especially in Asia. The business unit's cost/income ratio thus improved by 1.6 point[9] compared to last year, to 69.6%.

After receiving one-third of the net income of domestic private banking, the Investment Solutions division therefore generated €2,098 million in pre-tax income, up 16.3%[17] compared to 2011, reflecting very good overall performance and improved operating efficiency.

[17] Excluding the impact of Greek sovereign debt provisions on the Insurance business unit.

Wealth and Asset Management

In millions of euros	2012	2011	2012/2011
Revenues	**2,836**	**2,957**	**-4.1%**
Operating Expenses and Dep.	(2,129)	(2,220)	-4.1%
Gross Operating Income	**707**	**737**	**-4.1%**
Cost of Risk	52	6	n.s.
Operating Income	**759**	**743**	**+2.2%**
Associated Companies	32	33	-3.0%
Other Non Operating Items	16	61	-73.8%
Pre-Tax Income	**807**	**837**	**-3.6%**
Cost/Income	75.1%	75.1%	+0.0 pt
Allocated Equity *(€ bn)*	1.8	1.7	+6.4%

Insurance

In millions of euros	2012	2011	2012/2011
Revenues	**1,970**	**1,626**	**+21.2%**
Operating Expenses and Dep.	(1,001)	(912)	+9.8%
Gross Operating Income	**969**	**714**	**+35.7%**
Cost of Risk	(6)	(71)	-91.5%
Operating Income	**963**	**643**	**+49.8%**
Associated Companies	100	(166)	n.s.
Other Non Operating Items	0	(3)	n.s.
Pre-Tax Income	**1,063**	**474**	**n.s.**
Cost/Income	50.8%	56.1%	-5.3 pt
Allocated Equity *(€ bn)*	5.7	5.3	+9.0%

Securities Services

In millions of euros	2012	2011	2012/2011
Revenues	**1,398**	**1,339**	**+4.4%**
Operating Expenses and Dep.	(1,189)	(1,126)	+5.6%
Gross Operating Income	**209**	**213**	**-1.9%**
Cost of Risk	8	1	n.s.
Operating Income	**217**	**214**	**+1.4%**
Non Operating Items	11	-1	n.s.
Pre-Tax Income	**228**	**213**	**+7.0%**
Cost/Income	85.1%	84.1%	+1.0 pt
Allocated Equity *(€ bn)*	0.5	0.5	+0.2%

Corporate and Investment Banking (CIB)

In millions of euros	2012	2011	2012/2011
Revenues	**9,715**	**9,897**	**-1.8%**
Operating Expenses and Dep.	(6,272)	(6,126)	+2.4%
Gross Operating Income	**3,443**	**3,771**	**-8.7%**
Cost of Risk	(493)	(75)	n.s.
Operating Income	**2,950**	**3,696**	**-20.2%**
Associated Companies	39	38	+2.6%
Other Non Operating Items	(3)	42	n.s.
Pre-Tax Income	**2,986**	**3,776**	**-20.9%**
Cost/Income	64.6%	61.9%	+2.7 pt
Allocated Equity *(€ bn)*	16.3	16.9	-3.5%

For the whole of 2012, CIB held up well in the context of the adaptation plan, which the division completed ahead of the schedule announced. Thus, compared to mid-2011, CIB’s funding needs in U.S. dollars were reduced by $65 billion by April 2012 and risk-weighted assets by €45 billion by the end of September 2012. The total net cost of the sale of assets under the plan was substantially lower than expected, at about €250 million.

Against this backdrop, CIB’s revenues were down 1.8% compared to 2011, at €9,715 million. Excluding the impact of losses from sales of assets and sovereign bonds (€91 million in 2012 and €1,024 million in 2011), the decline was 10.2%, or a decrease of about €1.1 billion, €800 million of which was in Corporate Banking, which is in line with the announced impact of the adaptation plan.

CIB’s operating expenses, which were €6,272 million, rose 2.4% compared to 2011. At constant scope and exchange rates, they were down 1.1%, due in particular to the workforce adaptation (1,400 people) provided for in the plan and completed in full by the end of 2012, and despite selected investments in Cash Management and the gathering of deposits. The cost/income ratio thus came to 62.3%, excluding the adaption plan and the impact of sales of loans, illustrating the good level of operating efficiency.

The cost of risk was €493 million, up €418 million compared to 2011 when it was particularly low due to substantial write-backs.

CIB pre-tax income thus came to €2,986 million, down 20.9% compared to 2011.

Advisory and Capital Markets

In millions of euros	2012	2011	2012/2011
Revenues	**6,182**	**5,665**	**+9.1%**
Incl. Equity and Advisory	*1,628*	*2,077*	*-21.6%*
Incl. Fixed Income	*4,554*	*3,588*	*+26.9%*
Operating Expenses and Dep.	(4,574)	(4,377)	+4.5%
Gross Operating Income	**1,608**	**1,288**	**+24.8%**
Cost of Risk	(61)	21	n.s.
Operating Income	**1,547**	**1,309**	**+18.2%**
Associated Companies	12	17	-29.4%
Other Non Operating Items	(6)	13	n.s.
Pre-Tax Income	**1,553**	**1,339**	**+16.0%**
Cost/Income	74.0%	77.3%	-3.3 pt
Allocated Equity *(€ bn)*	7.9	6.7	+17.4%

Advisory and Capital Markets' revenues were resilient in a challenging environment. They totaled €6,182 million, down 5.4%[18] compared to 2011, due to an environment that was not very favorable in Europe, the adaptation to Basel 3 and low client business at the end of the year. In 2012, the average VaR remained very low.

Fixed Income's revenues, which were €4,554 million, rose 2.2%[18] compared to 2011, due to the good performance of flow business in Rate, Forex and Credit, with particularly strong growth in bond secondary markets. The business unit also maintained its leading positions on bond issues: number 1 in euro and number 8 for all international issues.

Equities and Advisory's revenues, at €1,628 million, decreased 21.6% compared to last year due in part to low transaction volumes and limited investor demand. The business did, however, maintain solid positions, ranking number 3 as bookrunner for equity-linked products in Europe.

Corporate Banking

In millions of euros	2012	2011	2012/2011
Revenues	**3,533**	**4,232**	**-16.5%**
Operating Expenses and Dep.	(1,698)	(1,749)	-2.9%
Gross Operating Income	**1,835**	**2,483**	**-26.1%**
Cost of Risk	(432)	(96)	n.s.
Operating Income	**1,403**	**2,387**	**-41.2%**
Non Operating Items	30	50	-40.0%
Pre-Tax Income	**1,433**	**2,437**	**-41.2%**
Cost/Income	48.1%	41.3%	+6.8 pt
Allocated Equity *(€ bn)*	8.4	10.1	-17.3%

Corporate Banking performed well this year amidst the process of adapting the business model. Revenues totaled €3,533 million, down 17.3%[19] compared to 2011, in line with the reduction of outstanding loans, which decreased by 18.2%, compared to the level as at December 31, 2011, to €106 billion.

In the field of financing, the process of adapting the business model continued with the implementation of the Originate to Distribute approach. Corporate Banking maintained solid positions in new loan production, positioning itself as the number 1 bookrunner for syndicated loans in Europe by number and number 2 by volume and ranking second best trade finance provider worldwide. The business unit's expertise was largely recognized, receiving this year, for example, *IFR*'s Loan of the Year award.

[18] Excluding losses from the sale of sovereign bonds in 2011.

[19] Excluding losses from the sale of loans: €152 million in 2011, €91 million in 2012.

The business unit grew its deposit base 18.2% at the end of 2012, compared to the level as at December 31, 2011, at €55 billion, thanks in particular to significant gathering of client deposits in all regions and the expansion of Cash Management which won several significant mandates, confirming its global position as number 5.

Corporate Center

In millions of euros	**2012**	**2011**
Revenues	**(1,419)**	**2,204**
Operating Expenses and Dep.	(1,093)	(854)
incl. restructuring costs	*(409)*	*(603)*
Gross Operating income	**(2,512)**	**1,350**
Cost of Risk	3	(3,093)
Operating Income	**(2,509)**	**(1,743)**
Share of earnings of associates	123	12
Other non operating items	1,184	(98)
Pre-Tax Income	**(1,202)**	**(1,829)**

For the whole of 2012, Corporate Center revenues were €-1,419 million compared to €2,204 million in revenues in 2011. They factor in €-1,617 million of own credit adjustment (compared to €+1,190 million in 2011), a purchase price accounting one-off amortization of €+427 million of a part of Fortis banking book due to early redemptions (compared to €+168 million in 2011), a mechanical purchase price accounting amortization of the Fortis and Cardif Vita banking books of €+606 million (compared to €+644 million in 2011), €-232 million in losses from sales of sovereign bonds (negligible in 2011), the €-68 million impact of the exchange of Convertible & Subordinated Hybrid Equity-linked Securities (CASHES) in the first quarter 2012 and the impact of the LTRO cost and of surplus deposits placed with Central Banks. The Corporate Center's revenues in 2011 also included €+516 million in revenues from BNP Paribas Principal Investment (€+48 million in 2012) and a €-299 million impairment of the equity investment in AXA.

Operating expenses rose to €1,093 million compared to €854 million in 2011, when there was a reversal of €253 million provision due to the favorable outcome of litigation. Excluding this effect, they were down 1.3%, the reduction of restructuring costs this year (€409 million compared to €603 million) being almost offset by the increase in the French systemic tax (€122 million), the increase in the corporate social contribution ("forfait social") (€33 million) and increased tax on wages (€19 million) as well as the accelerated €25 million depreciation of works on buildings.

The cost of risk reflects a net €+3 million in write-backs compared to €-3,093 million in 2011, which included a €3,161 million impairment of Greek sovereign debt.

Other items total €1,307 million (compared to €-86 million in 2011) due, for the most part, to the €1,790 million capital gain from the sale of a 28.7% stake in Klépierre SA, which was partially offset by a €-406 million goodwill impairment (compared to €-152 million in 2011), of which €298 million was an impairment of BNL bc's goodwill due to the expected increase in the Bank of Italy's capital requirements (local common equity Tier 1 ratio increased from 7% to 8%), and the €-47 million depreciation of an equity investment.

Pre-tax losses totaled €-1,202 million compared to €-1,829 million in losses in 2011.

Results of Operations by Nature of Income or Expense

Revenues

In millions of euros	2012	2011	Change (2012/2011)
Net interest income	21,745	23,981	-9%
Net commission income	7,532	8,419	-11%
Net gain on financial instruments at fair value through profit or loss	3,312	3,733	-11%
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	1,624	280	x 5.8
Net income from other activities	4,859	5,971	-19%
REVENUES	**39,072**	**42,384**	**-8%**

General. The 8% decline in the Group's revenues in 2012 mainly reflects a 9% fall in net interest income and an 11% fall in net commission income, which was partially offset by an increase in net gains on available-for-sale financial assets.

Net interest income. The "Net interest income" line item includes net interest income and interest expenses related to customer items, interbank items, bonds issued by the Group, cash flow hedging instruments, interest rate portfolio hedging instruments, the trading book (fixed-income securities, repurchase agreements, loans and borrowings, and debt securities), available-for-sale financial assets, and held-to-maturity financial assets.

More specifically, the "Net interest income" line item includes:

- net interest income from loans and receivables, including the interest, transaction costs, fees, and commissions included in the initial value of the loan; these items are calculated using the effective interest method and recognized in the profit and loss account over the life of the loan;
- net interest income from fixed-income securities held by the Group which are classified as "Financial assets at fair value through profit or loss" (for the contractual accrued interest) and "Available-for-sale financial assets" (for the interest calculated using the effective interest method;
- interest income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity; and
- net interest income from cash flow hedges, which are used in particular to hedge interest rate risk on variable-rate assets and liabilities. Changes in the fair value of cash flow hedges are recorded in shareholders' equity. The amounts recorded in shareholders' equity over the life of the hedge are transferred to "Net interest income" as and when the cash flows from the hedged item are recognized as profit or loss in the income statement.

Interest income and expenses on hedging derivatives at value are included with the interest generated by the hedged item. Similarly, interest income and expenses arising from hedging derivatives used for transactions designated as at fair or model value through profit or loss are allocated to the same line items as the interest income and expenses relating to the underlying transactions.

The main factors affecting the level of net interest income are the relative volumes of interest-earning assets and interest-bearing liabilities and the spread between lending and funding rates. Net interest income is also affected by the impact of hedging transactions, and, to a lesser extent, exchange rate fluctuations.

Volumes of interest-earning assets and interest-bearing liabilities can be affected by various factors, in addition to general economic conditions and growth in the Group's lending activities (either organically or through acquisitions). One such factor is the Group's business mix, such as the relative proportion of capital allocated to interest-generating as opposed to fee-generating businesses.

The other principal factor affecting net interest income is the spread between lending and funding rates, which itself is influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower interest rates on regulated savings accounts, the competitive environment, the relative weight of the Group's various interest-bearing products, which have different margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions.

Net interest income fell by 9% year-on-year to €21,745 million in 2012. This decline mainly reflects a 41% reduction in income from fixed-income securities measured at fair value through profit or loss to €1,438 million in 2012 from €2,435 million in 2011, and to a decrease in net income from customer items, to €19,718 million in 2012 from €20,406 million in 2011.

Net interest on debt securities issued by the Group fell 14%, from €4,025 million in 2011 to €3,445 million in 2012.

The decline in net interest income in 2012 was due to the general climate of low interest rates and decelerating business volumes, coupled with the effects of adaptation plans instituted for certain businesses in 2011 (mainly Corporate & Investment Banking, Leasing and Personal Finance). These factors contributed to a decrease in net interest income.

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments, and financial services. Net commission income fell to €7,532 million in 2012 from €8,419 million in 2011. This mainly reflects a fall in commission income from trusts and similar activities, to €2,298 million in 2012 from €2,454 million in 2011, and a decline of €330 million in commissions from financial assets and liabilities not measured at fair or model value through profit or loss to €2,657 million in 2012 from €2,987 million in 2011.

Commissions receded in 2012 owing to unfavorable financial market conditions.

Net gain on financial instruments at fair or model value through profit or loss. This line item includes all profit and loss items (other than interest income and expenses, which are recognized under "Net interest income" as discussed above) relating to financial instruments managed in the trading book and to financial instruments designated as fair or model value through profit or loss by the Group under the fair value option of IAS 39. This includes both capital gains and losses on the sale and the marking to fair or model value of these instruments, along with dividends from variable-income securities.

This line item also includes gains and losses due to the ineffectiveness of fair value hedges, cash flow hedges, and net foreign currency investment hedges.

The net gain on financial instruments at fair or model value through profit or loss was €3,312 million in 2012, down 11% from €3,733 million in 2011. The gains and losses resulting from cash flows and the remeasurement of financial instruments, either cash or derivatives, must be appreciated as a whole in order to give a fair representation of the profit or loss resulting from trading activities.

The decrease in this line item is primarily due to the change in the net gain on financial instruments at fair or model value through profit or loss under the IAS 39 option, essentially attributable to the BNP Paribas Group's issue risk (which fell from a gain of €1,190 million in 2011 to a loss of €1,617 million in 2012). The other components of income from items at fair value through profit or loss under the IAS 39 option are offset by changes in the value of the equity instruments covering these assets.

The residual change in net gains on portfolios of financial assets and financial liabilities at fair value through profit or loss is due to a €2,363 million increase in net gains on debt instruments combined with a €499 million decrease in other derivatives.

The remeasurement of currency positions increased by €602 million.

Net gain on available-for-sale financial assets and other financial assets not measured at fair or model value. This line item relates to assets classified as available-for-sale. Changes in fair value (excluding interest due) of these assets are initially recognized under "Change in assets and liabilities recognized directly in shareholders' equity". Upon the sale of such assets or the recognition of an impairment loss, these unrealized gains or losses are recognized in the profit and loss account under "Net gain on available-for-sale financial assets and other financial assets not measured at fair value".

This line item also includes gains and losses on the sale of other financial assets not measured at fair or model value.

The net gain on available-for-sale financial assets and other financial assets not measured at fair or model value increased €1,344 million between December 31, 2011 and December 31, 2012. This increase can be attributed to a €1,247 million rise in the net gain on fixed-income financial assets and a €97 million increase in the net gain on variable-income financial assets.

In 2012, this line item included significant exceptional items, such as a one-off amortization of the fair value remeasurement of part of the BNP Paribas Fortis banking book due to prepayments (+ €427 million).

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, and property development activities, as well as other net income. Net income from other activities declined by 19%, from €5,971 million in 2011 to €4,859 million in 2012, due primarily to decreases of €390 million in net income from insurance activities and of €604 million in net income from investment properties following the disposal of the Klépierre group.

The principal components of net income from insurance activities are gross premiums written, movements in technical reserves, claims and benefit expenses, and changes in the value of admissible investments related to unit-linked contracts. Claims and benefits expenses include expenses arising from surrenders, maturities, and claims relating to insurance contracts, as well as changes in the value of financial contracts (in particular unit-linked contracts). Interest paid on such contracts is recognized under "Interest and related expenses".

The decrease in net income from insurance activities in 2012 is attributable mainly to a fall in technical reserves, which dropped from a positive €1,572 million in 2011 to a negative €4,246 million in 2012. This change is primarily due to an increase in the value of admissible investments related to unit-linked contracts, which went from a net loss of €1,597 million in 2011 to a net gain of €3,361 million in 2012. Gross premiums written increased from €16,288 million in 2011 to €19,813 million in 2012. The claims and benefits expense rose from €12,484 million in 2011 to €15,267 million in 2012.

Operating Expenses, Depreciation, and Amortization

In millions of euros	2012	2011	Change (2012/2011)
Operating expenses	(25,007)	(24,608)	2%
Depreciation, amortization, and impairment of property, plant and equipment and intangible assets	(1,543)	(1,508)	2%
Total Operating Expenses, Depreciation, and Amortization	**(26,550)**	**(26,116)**	**2%**

Operating expenses, depreciation and amortization registered a controlled increase of 2%, rising from €26,116 million in 2011 to €26,550 million in 2012.

Gross Operating Income

The Group's gross operating income declined 23% to €12,522 million in 2012 (from €16,268 million in 2011), primarily owing to an 8% fall in revenues and a 2% increase in operating expenses.

Cost of Risk

In millions of euros	2012	2011	Change (2012/2011)
Net allowances to impairment	(4,111)	(3,510)	+17%
Recoveries on loans and receivables previously written off	714	514	+39%
Irrecoverable loans and receivables not covered by impairment provisions	(482)	(560)	-14%
Loss on Greek sovereign debt	(62)	(3,241)	-98%
Total cost of risk for the period	**(3,941)**	**(6,797)**	**-42%**

This line item represents the net amount of impairment losses recognized for credit risks inherent in the Group's intermediation activities, as well as any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

The Group's cost of risk was €3,941 million, 42% lower than in 2011, which included the €3,241 million impact of the support plan for Greece. Excluding the impact of provisions for Greek bonds, the cost of risk rose by a moderate 9.2%.

Excluding Greek sovereign debt, the increase in the cost of risk from 2011 to 2012 was due mainly to a €418 million rise in provisions for Corporate & Investment Banking (including a €336 million increase for Corporate Banking), which were unusually low in 2011 owing to substantial reversals. Moreover, provisions for the Retail Banking business fell 2% to €3,505 million in 2012 (from €3,565 million in 2011), including a 43% decrease in provisions at BancWest (€145 million in 2012 vs. €256 million in 2011) and a 9% decrease in provisions for the Personal Finance business (€1,497 million in 2012 vs. €1,639 million in 2011).

At December 31, 2012, doubtful loans and commitments net of guarantees totaled €33 billion, down from €37 billion a year earlier, and provisions totaled €28 billion, compared with €30 billion a year earlier. The coverage ratio was 83% at December 31, 2012, compared with 80% at December 31, 2011.

For a more detailed discussion of the net additions to provisions for each business, see the section titled "Core business results".

Net income attributable to equity holders

In millions of euros	**2012**	**2011**	**Change (2012/2011)**
Operating Income	**8,581**	**9,471**	**-9%**
Share of earnings of associates	489	80	x6.1
Net gain on non-current assets	1,792	206	x8.7
Goodwill	(490)	(106)	x4.6
Corporate income tax	(3,059)	(2,757)	+11%
Net income attributable to minority interests	(760)	(844)	-10%
Net Income Attributable to Equity Holders	**6,553**	**6,050**	**+8%**

General. Net income attributable to equity holders rose by 8% in 2012 as compared to 2011.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies accounted for under the equity method) increased from €80 million in 2011 to €489 million in 2012, mainly as a result of the €213 million negative impact of the Greek sovereign debt provision recognized at insurance companies in 2011.

Net gain on non-current assets. This line item includes net realized gains and losses on sales of property, plant, equipment, and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. The net gain on non-current assets increased from €206 million in 2011 to €1,792 million in 2012, including the gain on the sale of a 28.7% interest in Klépierre SA for €1.7 billion.

Change in value of goodwill. The change in the value of goodwill amounted to a negative €490 million in 2012 compared with a negative €106 million in 2011, including a negative €298 million adjustment in the goodwill of BNL Banca Commerciale due to the anticipated increase in capital requirements by the Bank of Italy.

Income tax. The Group's income tax expense for 2012 totaled €3,059 million, up from €2,757 million in 2011.

Minority interests. The share of earnings attributable to minority interests in consolidated companies fell to €760 million in 2012 from €844 million in 2011, mainly due to the loss of control over the Klépierre group, which is now consolidated under the equity method.

Financial condition

Assets

General. The Group's consolidated assets amounted to €1,907.3 billion at December 31, 2012, down 3% from €1,965.3 billion at December 31, 2011. The main components of the Group's assets are financial assets at fair value through profit or loss, loans and receivables due from customers, available-for-sale financial assets, loans and receivables due from credit institutions, and accrued income and other assets, which together accounted for 91% of total assets at December 31, 2012 (vs. 93% at December 31, 2011). The 3% decrease in assets at December 31, 2012 is due to:

- a 7%, decline in financial instruments at fair value through profit or loss, due mainly to a fall in derivatives;
- a 5%, or €35.3 billion, decline in loans and receivables due from customers to €630.5 billion;
- a 92%, or €10.5 billion, decline in investment property to €0.9 billion, following the sale of a 28.7% interest in Klépierre SA.

These changes were partially offset by a 77%, or €44.8 billion, increase in the amounts deposited with central banks to €103.2 billion.

Financial assets at fair or model value through profit or loss. Financial assets at fair or model value through profit or loss consist of trading account transactions, derivatives and certain assets designated by the Group as at fair or model value through profit or loss at the time of acquisition. Financial assets carried in the trading book mainly include securities, loans and repurchase agreements. Assets designated by the Group as at fair or model value through profit or loss include admissible investments related to unit-linked insurance contracts, and, to a lesser extent, assets with embedded derivatives that have not been separated from the host contract.

These assets are remeasured at fair or model value at each balance sheet date.

Total financial assets at fair value through profit or loss were down 7% compared to December 31, 2011. This decrease mainly reflects a 9%, or €41.3 billion, decline in the replacement value of derivatives to €410.6 billion at December 31, 2012. The decline was particularly pronounced for credit derivatives, which dropped by 51% or €23.7 billion at December 31, 2012.

Loans and receivables due from credit institutions. Loans and receivables due from credit institutions totaled €40.4 billion at December 31, 2012, down 18% from €49.4 billion at December 31, 2011, and are comprised of demand accounts, interbank loans, and repurchase agreements.

Most of this decrease is due to a reduction in loans to credit institutions, which fell 20% to €28.3 billion at December 31, 2012, down from €35.1 billion at December 31, 2011. Demand accounts also declined 28% to €8.7 billion at December 31, 2012, down from €12.1 billion a year earlier. Impairment provisions edged down slightly, from €0.7 billion at year-end 2011 to €0.5 billion at year-end 2012.

Loans and receivables due from customers. Loans and receivables due from customers consist of demand accounts, loans to customers, repurchase agreements, and finance leases.

Loans and receivables due from customers (net of impairment provisions) amounted to €630.5 billion at December 31, 2012, down 5% from €665.8 billion at December 31, 2011. This decline can be attributed to a 7% decrease in loans to customers, from €624.3 billion at year-end 2011 to €583.4 billion at year-end 2012, while demand accounts increased by 13% over the year to €43.4 billion at December 31, 2012. Finance leases declined 6% to €28.0 billion at December 31, 2012 and repurchase agreements rose 53% to €2.2 billion at December 31, 2012. Impairment provisions fell 5% to €26.5 billion at December 31, 2012 from €28.0 billion a year earlier.

Available-for-sale financial assets. Available-for-sale financial assets are fixed-income and variable-income securities that are not managed in the same way as financial assets at fair or model value through profit or loss and, with respect to fixed-income instruments, are not intended to be held until maturity. These assets are remeasured at market or similar value through equity at each balance sheet date.

Available-for-sale financial assets remained stable between December 31, 2011 and December 31, 2012, at €192.5 billion (net of provisions).

Provisions on available-for-sale financial assets fell by €0.9 billion to €4.3 billion at December 31, 2012 from €5.2 billion at December 31, 2011. Impairment provisions on available-for-sale financial assets are calculated at each balance sheet date. The unrealized gain on available-for-sale financial assets totaled €9.3 billion at December 31, 2012, compared with an unrealized loss of €3.5 billion at December 31, 2011, due to an increase in the value of fixed-income securities issued by certain Eurozone governments and a rise in the market price of listed variable-income securities due to the upturn in equity markets. This €12.8 billion increase therefore reflects a €11.5 billion rise in the unrealized gain on fixed-income securities and a €1.2 billion rise in the unrealized gain on variable-income securities.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and a fixed maturity that the Group has the intention and the ability to hold until maturity. They are recognized in the balance sheet at amortized cost using the effective interest method, and are divided into two categories: government bonds and Treasury bills, and other fixed-income securities.

Held-to-maturity financial assets shrank 3% in 2012, from €10.6 billion at year-end 2011 to €10.3 billion at year-end 2012, principally due to securities sold at maturity.

Accrued income and other assets. Accrued income and other assets consist of the following: guarantee deposits and bank guarantees paid; settlement accounts related to securities transactions; collection accounts; reinsurers' share of technical reserves; accrued income and prepaid expenses; and other debtors and miscellaneous assets.

Accrued income and other assets totaled €99.4 billion at December 31, 2012, up 6% from €93.5 billion at December 31, 2011. This growth reflects a 17%, or €7.8 billion, increase in guarantee deposits and bank guarantees paid.

Cash and amounts due from central banks. Cash and amounts due from central banks totaled €103.2 billion at year-end 2012, up 77% from €58.4 billion at year-end 2011, due to an increase in short-term investments.

Liabilities

General. The Group's consolidated liabilities stood at €1,812.9 billion at December 31, 2012, down 4% from €1,879.7 billion at December 31, 2011. The main components of the Group's liabilities are financial liabilities at fair or model value through profit or loss, amounts due to credit institutions, amounts due to customers, debt securities, accrued expenses and other liabilities, and technical reserves of insurance companies. These items together accounted for 97% of the Group's total liabilities at December 31, 2012 (the same percentage as a year earlier). The 4% decrease in liabilities in 2012 can be attributed to:

- an 8% decrease in financial liabilities at fair value through profit of loss;
- a 25%, or €37.4 billion, fall in amounts due to credit institutions to €111.7 billion at December 31, 2012.

The above were partially offset by:

- a 10%, or €15.4 billion, increase in debt securities to €173.2 billion at year-end 2012;
- an 11%, or €14.9 billion, rise in technical reserves of insurance companies to €148.0 billion at December 31, 2012.

Financial liabilities at fair or model value through profit or loss. The trading book consists primarily of short sales of borrowed securities, repurchase agreements, and derivatives. Financial liabilities at fair or model value through profit or loss consist mainly of originated and structured issues, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in value are cancelled out by changes in the value of the hedging instrument.

The total value of financial liabilities at fair or model value through profit or loss was down 8% compared to December 31, 2011, due mainly to the decrease in the replacement value of derivatives, which fell 10%, or €42.9 billion, to €404.6 billion at December 31, 2012, with credit derivatives declining sharply to €23.8 billion at December 31, 2012, down 51% from a year earlier.

Amounts due to credit institutions. Amounts due to credit institutions consist primarily of borrowings, and, to a lesser extent, demand deposits and repurchase agreements.

Amounts due to credit institutions shrank 25%, or €37.4 billion, to €111.7 billion at December 31, 2012. This decline mainly reflects a 21%, or €25.5 billion, decrease in borrowings from credit institutions to €93.9 billion at year-end, as well as a 30% or €3.5 billion, fall in repurchase agreements to €8.0 billion at December 31, 2012 and a 46% or €8.5 billion reduction in current accounts to 9.8 billion at December 31, 2012.

Amounts due to customers. Amounts due to customers consist primarily of demand deposits, term accounts, regulated savings accounts, and repurchase agreements.

Amounts due to customers stood at €539.5 billion at December 31, 2012, down 1%, or €6.8 billion, from €546.3 billion a year earlier. This decrease was due to a 68%, or €15.9 billion, reduction in repurchase agreements to €7.3 billion at December 31, 2012, partly offset by increases of 2% (€5.2 billion) in demand deposits to €259.8 billion and of 11% (€5.8 billion) in regulated savings accounts to 60.4 billion at December 31, 2012.

Debt securities. Debt securities consist of negotiable certificates of deposit and bond issues. They do not include debt securities classified as financial liabilities at fair or model value through profit or loss (see note 5.a to the consolidated financial statements).

Debt securities totaled €173.2 billion at December 31, 2012, up 10% from €157.8 billion at December 31, 2011. This net increase is due to a 15% rise in negotiable certificates of deposit to €155.9 billion, partially offset by a 24% decrease in bond issues to €17.3 billion at December 31, 2012.

Subordinated debt. Subordinated debt totaled €15.2 billion at December 31, 2012, down 23% from €19.7 billion a year earlier.

Technical reserves of insurance companies. Technical reserves of insurance companies amounted to €148.0 billion at December 31, 2012, up 11% from €133.1 billion at December 31, 2011. This increase is primarily due to higher technical reserves at the life insurance business.

Accrued expenses and other liabilities. Accrued expenses and other liabilities consist of guarantee deposits received, settlement accounts related to securities transactions, collection accounts, accrued expenses and deferred income, and other creditors and miscellaneous liabilities. Accrued expenses and other liabilities increased 7%, from €81.0 billion at December 31, 2011 to €86.7 billion at December 31, 2012.

Minority Interests

Minority interests contracted to €8.5 billion at December 31, 2012, down from €10.3 billion at December 31, 2011. This decrease mainly reflects a €0.8 billion contribution to net income, less €2.0 billion from the change in the method of accounting for Klépierre, which is now treated as an associate, a €0.7 billion redemption of preferred shares, €0.3 billion for partial reimbursement of shares held by a minority shareholder, and €0.2 billion of dividend payouts.

Changes in assets and liabilities recognized directly in equity amounted to €0.9 billion.

Consolidated Shareholders' Equity Attributable to the Group

Consolidated shareholders' equity attributable to the BNP Paribas Group (before dividend payout) stood at €85.9 billion at December 31, 2012 compared with €75.4 billion at December 31, 2011. The €10.5 billion increase is attributable to €6.6 billion of net income attributable to the Group for 2012 and €1.2 billion of capital increases conducted out in 2012, less a €1.4 billion dividend payout for the 2011 financial year. The change in assets and liabilities recognized directly in equity amounted to €4.6 billion in 2012, mainly as a result of changes in the value of available-for-sale financial assets recognized directly in equity.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given to customers consist mostly of documentary credits and other confirmed letters of credit, and commitments relating to repurchase agreements between the transaction date and the value date. These commitments fell 5% to €215.7 billion at December 31, 2012.

Financing commitments given to credit institutions increased 78% to €48.6 billion at December 31, 2012, owing mainly to the rise in repurchase agreements recognized in financing commitments received at the trade date.

Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. Financing commitments received contracted 1% to €125.8 billion at December 31, 2012, down from €126.5 billion a year earlier, reflecting an 11% fall in commitments received from customers to €6.0 billion at December 31, 2012. The share of commitments received from credit institutions remained stable, at €119.7 billion at year-end 2012.

Guarantee Commitments

Guarantee commitments fell 14% to €91.7 billion at December 31, 2012 from €106.1 billion a year earlier. This decrease is mainly attributable to a 12% fall in commitments given to customers to €79.9 billion at December 31, 2012, coupled with a 21% decline in commitments given to credit institutions to €11.8 billion at December 31, 2012.

For further information concerning the Group's financing and guarantee commitments, see note 6 to the consolidated financial statements.

Year Ended December 31, 2011 as Compared with Year Ended December 31, 2010

Overview

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**42,384**	**43,880**	**-3.4%**
Operating expenses and depreciation	(26,116)	(26,517)	-1.5%
Gross operating income	**16,268**	**17,363**	**-6.3%**
Cost of risk	(6,797)	(4,802)	+41.5%
Operating income	**9,471**	**12,561**	**-24.6%**
Share of earnings of associates	80	268	-70.1%
Other non-operating items	100	191	-47.6%
Non-operating items	**180**	**459**	**-60.8%**
Pre-tax income	**9,651**	**13,020**	**-25.9%**
Corporate income tax	(2,757)	(3,856)	-28.5%
Net income attributable to minority interests	(844)	(1,321)	-36.1%
Net income attributable to equity holders	**6,050**	**7,843**	**-22.9%**
Cost/income ratio	61.6%	60.4%	+1.2%

The second half of 2011 was marked by the European authorities' decision not to cover the full amount of Greek sovereign debt, the sovereign debt crisis of certain Euro-zone countries, plummeting equity markets, liquidity and refinancing tensions as well as the more stringent solvency requirements of the European Banking Authority (EBA). In these circumstances, the Group increased the provision covering its Greek sovereign debt to 75% and substantially reduced its sovereign debt outstandings (-29%), taking a €872 million loss in the latter respect. It also contracted its medium- and long-term funding needs in dollars (-$53 billion) and grew its medium- and long-term debt issuances (€43 billion as compared to €35 billion planned). Lastly, the Group has introduced a plan to deleverage its balance sheet and downsize its business operations in order to generate a further +100 basis points in common equity Tier 1 ratio by the end of 2012. One-third was completed as of December 31, 2011.

In this exceptional environment, the Group generated €42,384 million in revenues[20], down 3.4% compared to 2010. Operating expenses came to €26,116 million (-1.5%)[21] and gross operating income was down 6.3% to €16,268 million. Due to the Greek sovereign debt provision (-€3,241 million), the cost of risk was up 41.5% to €6,797 million. Excluding this effect, it was down 25.9% to €3,556 million. After the impact of the Greek sovereign debt impairment in the insurance partnerships (-€213 million), pre-tax income was down 25.9% to €9,651 million. After the corporate tax charge (-€2,757 million) and minority interests (-€844 million), net income attributable to equity holders came to €6,050 million, down 22.9% compared to 2010.

Despite this exceptionally challenging environment, the Group has confirmed its expertise in corporate integration. The successful integration of BNP Paribas Fortis and BGL BNP Paribas with the Group due to the dedication of teams in all of the Bank's territories and business units produced €1,127 million in synergies in

[20] Exceptional revenue items offset one another, save for €35 million: losses from sovereign bond sales (-€872 million), losses from loan sales (-€152 million), the impairment of the equity investment in AXA (-€299 million), own debt revaluation (+€1,190 million) and a one-off amortization of Fortis purchase price accounting (+€168 million).

[21] Exceptional operating expense items offset each other, save for €14 million: cost of the adaptation plan (-€239 million), reversal of provision due to the favorable outcome of litigation (+€253 million).

2011, an amount close to the €1,200 million target set for 2012. An additional €300 million per year planned to be achieved starting in 2012 should bring the total amount of synergies to €1,500 million compared to €900 million initially planned. The corresponding residual restructuring costs are expected to total €300 million in 2012.

Return on equity was 8.8% compared to 12.3% in 2010.

Net earnings per share was €4.82 compared to €6.33 in 2010. Net book value per share, which totaled €58.2, was up 5.0% compared to 2010. It has increased 35.7% since 2006, the last year before the crisis began. Accordingly, the Bank's business model generated robust growth in net book value per share throughout the cycle.

Results of Operations by Division

Retail Banking

All of the retail banking business units had very strong business performances, driven in part by deposit and loan volume growth. The cost of risk contraction in all the business units enabled Retail Banking to generate pre-tax income[10] increasing by 22.8% compared to 2010, after allocating one-third of French, Italian and Belgian Private Banking's net income to the Investment Solutions division, which equates to a 23% pre-tax return on equity, a four point jump for the period.

French Retail Banking (FRB)

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**6,968**	**6,849**	**+1.7%**
Incl. net interest income	*4,097*	*4,003*	*+2.3%*
Incl. commissions	*2,871*	*2,846*	*+0.9%*
Operating expenses and depreciation	(4,573)	(4,514)	+1.3%
Gross operating income	**2,395**	**2,335**	**+2.6%**
Cost of risk	(315)	(482)	-34.6%
Operating income	**2,080**	**1,853**	**+12.3%**
Non-operating items	3	4	-25.0%
Pre-tax income	**2,083**	**1,857**	**+12.2%**
Income attributable to Investment Solutions	(124)	(116)	+6.9%
Pre-tax income of FRB	**1,959**	**1,741**	**+12.5%**
Cost/income ratio	65.6%	65.9%	-0.3 pt
Allocated equity (in billions of euros)	6.0	5.8	+4.0%
Including 100% of French Private Banking for revenues to pre-tax income line items			

In 2011, FRB continued to improve its customer relations organization: 46 Small Business Centers are now open and the BNP Paribas Mobile service offering has been successfully launched. This organization, combined with the dedication of staff in actively supporting customers in financing their projects, helped FRB generate sustained business activity: outstanding loans were up 5.2% compared to 2010, driven by strong growth in loans to individuals (+7.0%), which slowed down at the end of the year in mortgage lending, while outstanding corporate loans (+3.1%) marked an acceleration. The successful initiatives rolled out for the benefit of small businesses, VSEs and SMEs, originated €9.2 billion in new loans in 2011.

Growth in outstanding deposits, at €113.6 billion, was vigorous and outpaced loan growth: +8.4% on average compared to 2010. There was also a favorable structural effect with strong demand deposit growth (+7.2%) and savings account growth (+10.6%), while market rate deposits declined at the end of the year.

Thanks to these solid sales and marketing efforts, revenues[12] grew to €6,968 million (+1.7% compared to 2010): net interest income (+2.3%) was driven by volume growth and the favorable structural trend in deposits while fee growth was limited to 0.9%.

At €4,573 million, operating expenses[12] edged up 1.3%, affected by exceptional profit-sharing and bank levies. Excluding this effect, their growth was contained at 0.4%. This good operating performance helped FRB generate 2.6% gross operating income[12] growth and a further 0.3 point improvement in cost/income ratio, bringing it to 65.6%. The cost of risk[12], at 22 basis points of outstanding customer loans, was particularly low for the whole year, down 13 basis points compared to 2010.

After allocating one-third of French Private Banking's net income to the Investment Solutions division, pre-tax income, which totaled €1,959 million, was up 12.5% compared to 2010.

BNL Banca Commerciale (BNL bc)

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**3,140**	**3,060**	**+2.6%**
Operating expenses and depreciation	(1,829)	(1,798)	+1.7%
Gross operating income	**1,311**	**1,262**	**+3.9%**
Cost of risk	(795)	(817)	-2.7%
Operating income	**516**	**445**	**+16.0%**
Non-operating items	(0)	(2)	n.s.
Pre-tax income	**516**	**443**	**+16.5%**
Income attributable to Investment Solutions	(14)	(11)	+27.3%
Pre-tax income of BNL bc	**502**	**432**	**+16.2%**
Cost/income ratio	58.2%	58.8%	-0.6 pt
Allocated equity (in billions of euros)	5.0	4.8	+3.8%
Including 100% of Italian Private Banking for revenues to pre-tax income line items			

In 2011, in a challenging economic environment, BNL bc continued to upgrade its customer relations organization with the opening of 27 new branches, bringing the total number of branches opened in four years to 180 and 19 Small Business Centers. As a result of the "One bank for corporate in Europe" campaign, the number of accounts opened by Italian companies worldwide in the Bank's global networks grew 41%.

Loan growth (+4.7%) is due to the rise in corporate loans (+6.4%) driven by factoring, while the trend in loans to individuals (+2.6%) was affected by a slowdown in mortgage growth (+1.4%). Deposits were down 3.0% for the period due to strong competitive rates on term deposits that BNL bc faces in Italy and households switch, especially in the fourth quarter, to Italian government bonds.

Revenues[13], at €3,140 million, were up 2.6% compared to 2010, with a balanced contribution of net interest revenues (+2.4%) driven by volumes, and fee growth (+2.9%), due to solid business with individuals and companies, especially flow products (cash management, factoring, fixed income).

Even though 27 new branches and 19 Small Business Centers were opened in 2011, operating expenses[13] rose only 1.7%. Excluding bank levies, the growth was contained at +0.9%. This excellent operating performance is reflected in 3.9% gross operating income[13] growth at €1,311 million and a further 0.6 point improvement in the cost/income ratio at 58.2%. Since BNL bc was integrated into the Bank in 2006, the Italian network has regularly improved its operating efficiency, positioning it now among the best comparable banks.

In a challenging economic environment, the cost of risk[13] remained stable throughout the period at a high level (98 basis points). As a proportion of outstandings, it was down 9 basis points compared to 2010.

BNL bc thereby generated €502 million in pre-tax income, after allocating one-third of Italian Private Banking's net income to the Investment Solutions division, up 16.2% compared to 2010.

BeLux Retail Banking (BeLux RB)

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)[14]**
Revenues	**3,555**	**3,388**	**+4.9%**
Operating expenses and depreciation	(2,509)	(2,420)	+3.7%
Gross operating income	**1,046**	**968**	**+8.1%**
Cost of risk	(170)	(219)	-22.4%
Operating income	**876**	**749**	**+17.0%**
Non-operating items	12	4	n.s.
Pre-tax income	**888**	**753**	**+17.9%**
Income attributable to Investment Solutions	(69)	(64)	+7.8%
Pre-tax income of BeLux Retail Banking	**819**	**689**	**+18.9%**
Cost/income ratio	70.6%	71.4%	-0.8 pt
Allocated equity (in billions of euros)	3.1	2.9	+7.8%
Including 100% of Belgian Private Banking for revenues to pre-tax income line items			

In 2011, due to the dedication of teams actively working with customers to finance their projects, outstanding loans grew 5.5% compared to 2010, driven by the increase in loans to individuals (+7.2%). Corporate loans grew on average by 2.3%, the decline in large corporations' financing needs being more than offset by the rise in loans to SMEs. Deposit outstandings, which totaled €102 billion, grew at a fast pace (+7.5%) with a favorable structural effect, the gathering of demand deposits (+8.9%) and savings accounts (+7.5%) being greater than term deposits gathered (+5.2%).

Through the acquisition of Fortis Commercial Finance, number one in factoring in Belgium, BeLux Retail Banking continued to improve its customer relations organization.

Revenues[15], which came to €3,555 million, were up 4.9% compared to 2010, driven by net interest income growth as a result of volume growth.

With the hiring of sales and marketing staff, operating expenses[15] were up 3.7% compared to 2010. As a result, BeLux Retail Banking posted gross operating income[15] up 8.1% for the period at €1,046 million, and the cost/income ratio improved a further 0.8 point to 70.6%.

The cost of risk[15], at 19 basis points of outstanding customer loans, was maintained at an especially low level throughout 2011, down 7 basis points compared to 2010.

After allocating one-third of Belgian Private Banking's net income to the Investment Solutions division, BeLux Retail Banking's pre-tax income, which totaled €819 million, was up 18.9% for the period.

Europe-Mediterranean

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**1,586**	**1,682**	**-5.7%**
Operating expenses and depreciation	(1,277)	(1,303)	-2.0%
Gross operating income	**309**	**379**	**-18.5%**
Cost of risk	(268)	(346)	-22.5%
Operating income	**41**	**33**	**+24.2%**
Share of earnings of associates	50	51	-2.0%
Other non operating items	20	2	n.s.

Pre-tax income	**111**	**86**	**+29.1%**
Cost/income ratio	80.5%	77.5%	+3.0 pts
Allocated equity (in billions of euros)	2.6	2.5	+6.9%

In 2011, Europe-Mediterranean continued its selective business development as illustrated by the solid deposit growth (+11.6%[9]) achieved in most countries, especially in Turkey, and loan growth (+7.3%[9]). In Turkey, the integration of the two entities is ahead of the schedule announced: the operational merger was successfully achieved and the streamlining of the network has been completed.

Revenues totaled €1,586 million, up slightly (+0.7%[9]) compared to 2010. Excluding Ukraine, revenues rose 2.1%[9] as growth in the Mediterranean was vigorous (+10.6%[9]).

Operating expenses rose 4.5%[9] to reach €1,277 million after the opening of 46 branches in the Mediterranean, of which 32 were in Morocco. Thanks to cost of risk contraction, at 115 basis points compared to 146 basis points in 2010, operating income was €41 million.

As a result of capital gains (+€25 million) from the sale of the Madagascar network in the third quarter of the year, Europe-Mediterranean posted €111 million in pre-tax income, up 66.5%[9] compared to 2010.

BancWest

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**2,187**	**2,284**	**-4.2%**
Operating expenses and depreciation	(1,241)	(1,250)	-0.7%
Gross operating income	**946**	**1,034**	**-8.5%**
Cost of risk	(256)	(465)	-44.9%
Operating income	**690**	**569**	**+21.3%**
Share of earnings of associates	0	0	n.s.
Other non operating items	1	4	-75.0%
Pre-tax income	**691**	**573**	**+20.6%**
Cost/income ratio	56.7%	54.7%	+2.0 pts
Allocated equity (in billions of euros)	2.9	3.2	-9.0%

In 2011, BancWest benefited from the gradual improvement of the U.S. economy. It managed to grow its core deposits substantially and on a regular basis, thereby achieving an average growth of +10.6%[22] compared to 2010 and bringing the growth of all deposits to +6.6%[22]. Loans were down 0.8%[22] on average compared to 2010 due to lower outstanding mortgages (-6.7%[22]), but up in the second half of the year due to a rebound in corporate loans (+3.3%[22] in the fourth quarter of 2011 compared to the previous quarter).

Revenues, which totaled €2,187 million, were down 4.2% compared to 2010. At constant exchange rates, they were up only 0.5%, affected in part by regulatory changes affecting interchange and overdraft fees.

Operating expenses were down 0.7% (+3.4% at constant scope and excluding bank levies) compared to a base in 2010 after the 2009 cost-cutting program. They include the cost to bolster the sales and marketing organization in the corporate segment and to roll out the Private Banking offering; they were also adversely affected by expenses undertaken as a result of the new regulations.

As a result, the cost/income ratio was 56.7%, up two points during the period, and remained quite competitive. Gross operating income, which came to €946 million, was down -8.5% compared to 2010 (-3.9%[22]).

The cost of risk benefited from the improved economic environment and continued its sharp decline which began in 2010. It was 69 basis points compared to 119 basis points in 2010. The doubtful loan rate decreased in each quarter of 2011 and was 1.83% in the fourth quarter of 2011 compared to 2.96% in the fourth quarter of 2010.

[22] At constant exchange rates. The average value of the dollar in relation to the euro in 2011 was 4.8% below its average value in 2010.

Accordingly, despite the impact of the new regulations on operating performance, BancWest's pre-tax income soared to €691 million (+26.7%[22] compared to 2010).

Personal Finance

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**5,092**	**5,021**	**+1.4%**
Operating expenses and depreciation	(2,420)	(2,311)	+4.7%
Gross operating income	**2,672**	**2,710**	**-1.4%**
Cost of risk	(1,639)	(1,913)	-14.3%
Operating income	**1,033**	**797**	**+29.6%**
Share of earnings of associates	95	83	+14.5%
Other non operating items	65	11	n.s.
Pre-tax income	**1,193**	**891**	**+33.9%**
Cost/income ratio	47.5%	46.0%	+1.5 pts
Allocated equity (in billions of euros)	4.0	3.9	+2.3%

In 2011, in a business and regulatory environment undergoing radical changes, Personal Finance (PF) continued to adapt its business model and pursued its selective growth and industrialization strategy. In particular, PF signed a partnership deal in December with Sberbank, Russia's leading bank, to expand consumer lending at points of sale; developed Cetelem Bank by gathering savings and selling protection insurance products; and implemented adaptation plans in mortgage lending. In addition, as part of its pledge to be a socially-responsible lender, the business unit eased access to credit for persons on short-term employment contracts and developed preventive solutions for customers experiencing temporary hardship.

Revenues, adversely affected by more stringent consumer lending regulations, particularly in France and Italy, were up only 1.4% compared to 2010, at €5,092 million, despite the 5.4% growth in consolidated outstandings.

Operating expenses rose 4.7% (+4.3% excluding bank levies). They were affected by costs (€40 million) associated with the implementation of measures to adapt to the new regulations. Continued massive upgrade and business development investments will make it possible, specifically in connection with the partnership with BPCE, to create a state-of-the-art shared IT platform to manage consumer loans.

As a result, gross operating income, at €2,672 million, was down 1.4% and the cost/income ratio, which came to 47.5%, was up 1.5 points for the period.

The cost of risk, which totaled €1,639 million (or 183 basis points of outstandings), was down 14.3% compared to 2010 (-43 basis points). The trend was positive in all countries with the exception of Laser Cofinoga.

Operating performance withstood an environment undergoing radical changes, while cost of risk contracted and €63 million in capital gains from the sale of a building helped Personal Finance generate €1,193 million in pre-tax income, up 33.9% compared to 2010.

Equipment Solutions

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**1,571**	**1,465**	**+7.2%**
Operating expenses and depreciation	(832)	(783)	+6.3%
Gross operating income	**739**	**682**	**+8.4%**
Cost of risk	(125)	(255)	-51.0%
Operating income	**614**	**427**	**+43.8%**
Share of earnings of associates	10	(31)	n.s.
Other non operating items	5	1	n.s.
Pre-tax income	**629**	**397**	**+58.4%**
Cost/income ratio	53.0%	53.4%	-0.4 pt
Allocated equity (in billions of euros)	2.2	2.1	+6.0%

In 2011, Equipment Solutions' revenues, at €1,571 million, were up 7.2% compared to 2010 due to the fact that used-vehicle prices and Leasing Solutions' revenues held up well. As a result of refocusing of the leasing business to comply with Basel 3, accomplished by reducing real estate leasing, among other things, operating expenses incorporated €15 million in adaptation costs, growing 6.3% during the period (+5.1% excluding bank levies). As a result, Equipment Solutions' gross operating income was up 8.4%. This operating performance, combined with the substantial cost of risk contraction (-51.0%), the case in all of Europe, including in associated consolidated companies, helped Equipment Solutions generate €629 million in pre-tax income, up 58.4% compared to 2010.

Investment Solutions

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**6,265**	**6,096**	**+2.8%**
Operating expenses and depreciation	(4,554)	(4,297)	+6.0%
Gross operating income	**1,711**	**1,799**	**-4.9%**
Cost of risk	(64)	21	n.s.
Operating income	**1,647**	**1,820**	**-9.5%**
Share of earnings of associates	(134)	101	n.s.
Other non operating items	60	61	-1.6%
Pre-tax income	**1,573**	**1,982**	**-20.6%**
Cost/income ratio	72.7%	70.5%	+2.2 pts
Allocated equity (in billions of euros)	7.3	6.5	+12.2%

As at December 31, 2011, assets under management, which totaled €842 billion, were down 6.5% compared to December 31, 2010 and down 1.0% compared to September 30, 2011: plummeting equity markets in the second half of the year reduced the value of the portfolio and amplified the effects of the substantial asset outflows in Asset Management (-€35.7 billion) in a general context of asset outflows in Continental Europe. In all of the other business units, there were asset inflows: +€3.5 billion in Private Banking, essentially in domestic markets and in Asia; +€1.7 billion at Personal Investors, especially in Germany, and +€2.4 billion in Insurance due to solid asset inflows in Belgium, Luxembourg and Asia.

In 2011, in an environment unfavorable to financial savings, the division's revenues, sustained by a diversified business mix, grew 2.8% compared to 2010 to €6,265 million, the decline in revenues in Asset Management (-9.9%) being more than offset by increases in the other business units (+5.9%). Revenues from Wealth and Asset Management, excluding Asset Management, grew 3.9% due to the resilience of Wealth Management, Personal Investors and Real Estate Services. Despite the contraction of the life insurance market in France, revenues from Insurance were up 4.7% driven in part by good growth in the protection insurance business outside France. Revenues from Securities Services jumped 11.0%, as a result of the combined effect of growth in assets under administration (+7.4%) associated with the winning of new mandates, higher transaction volumes (+4.4%) and higher short-term interest rates in the first half of the year.

Operating expenses, which came to €4,554 million, were up 6.0% compared to 2010, driven by business development investments in Insurance (+9.0%) and Securities Services (+9.3%). Wealth and Asset Management's operating expenses (+3.5%) were adversely affected by the cost of implementing the adaptation plan in Asset Management (€46 million in the fourth quarter). Excluding this effect, their growth was limited to 1.6%.

The Greek sovereign debt provision weighed on Insurance's results—specifically, -€80 million on cost of risk and -€213 million on the contribution of associated companies.

As a result, after receiving one-third of the net income of domestic private banking, the Investment Solutions division generated €1,573 million in pre-tax income, down 20.6% compared to 2010.

Excluding the effect of Greek sovereign debt provisions, the decline was limited to 5.8%. Pre-tax return on equity was 22%. Excluding the Greek sovereign debt provisions, it reached 26%.

Wealth and Asset Management

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**3,304**	**3,340**	**-1.1%**
Operating expenses and depreciation	(2,521)	(2,435)	+3.5%
Gross operating income	**783**	**905**	**-13.5%**
Cost of risk	6	24	-75.0%
Operating income	**789**	**929**	**-15.1%**
Share of earnings of associates	33	28	+17.9%
Other non operating items	63	40	+57.5%
Pre-tax income	**885**	**997**	**-11.2%**
Cost/income ratio	76.3%	72.9%	+3.4 pts
Allocated equity (in billions of euros)	1.6	1.6	+2.0%

Insurance

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**1,626**	**1,553**	**+4.7%**
Operating expenses and depreciation	(910)	(835)	+9.0%
Gross operating income	**716**	**718**	**-0.3%**
Cost of risk	(71)	(3)	n.s.
Operating income	**645**	**715**	**-9.8%**
Share of earnings of associates	(166)	73	n.s.
Other non operating items	(3)	21	n.s.
Pre-tax income	**476**	**809**	**-41.2%**
Cost/income ratio	56.0%	53.8%	+2.2 pts
Allocated equity (in billions of euros)	5.3	4.6	+13.8%

Securities Services

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**1,335**	**1,203**	**+11.0%**
Operating expenses and depreciation	(1,123)	(1,027)	+9.3%
Gross operating income	**212**	**176**	**+20.5%**
Cost of risk	1	0	n.s.
Operating income	**213**	**176**	**+21.0%**
Other non operating items	(1)	0	n.s.
Pre-tax income	**212**	**176**	**+20.5%**
Cost/income ratio	84.1%	85.4%	-1.3 pt
Allocated equity (in billions of euros)	0.4	0.3	+38.1%

Corporate and Investment Banking (CIB)

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**9,731**	**12,136**	**-19.8%**
Operating expenses and depreciation	(6,126)	(6,500)	-5.8%
Gross operating income	**3,605**	**5,636**	**-36.0%**
Cost of risk	(75)	(350)	-78.6%
Operating income	**3,530**	**5,286**	**-33.2%**
Share of earnings of associates	38	75	-49.3%
Other non operating items	42	19	n.s.
Pre-tax income	**3,610**	**5,380**	**-32.9%**
Cost/income ratio	63.0%	53.6%	+9.4 pts
Allocated equity (in billions of euros)	13.2	14.5	-8.9%

In 2011, CIB's revenues totaled €9,731 million, down 19.8% compared to 2010. Revenues were adversely affected by the Euro-zone crisis starting in the summer, in addition to one-off losses from sales of sovereign bonds in the treasury portfolio (-€872 million) and loan sales by the financing businesses (-€152 million) as part of the adaptation plan. Excluding these one-off losses, CIB's revenues were down 11.4% compared to 2010.

The division's operating expenses, at €6,126 million, were down 5.8% compared to 2010. If one excludes bank levies (€93 million) and the costs of the adaptation plan (€184 million), the decrease was 10%, demonstrating the cost flexibility of capital market activities. The workforce adaptation plan is under way and was 40% already completed as of December 31, 2011.

The cost/income ratio was thus 63%, still one of the best in the sector.

The division's cost of risk was €75 million, down considerably compared to 2010 (€350 million). CIB's pre-tax income was thus €3,610 million, down 32.9% compared to 2010 in a particularly unfavorable market environment in the second half of the year.

This performance illustrates again this year the quality of the CIB franchise, its robust client activity and its operating efficiency maintained at the highest level.

The division has continued to rapidly adapt to the new regulatory environment by downsizing its business. Funding needs in US dollars were reduced by $57 billion in the second half of the year, significantly ahead of the target to reduce funding needs by $60 billion by the end of 2012; the target has now been raised to $65 billion. Risk-weighted assets have been reduced by €22 billion and allocated equity by €1.3 billion, which equates to an 8.9% reduction compared to 2010. Thus, pre-tax return on equity came to 27%.

Advisory and Capital Markets

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**5,598**	**7,641**	**-26.7%**
Incl. Equity and Advisory	*2,067*	*2,222*	*-7.0%*
Incl. Fixed Income	*3,531*	*5,419*	*-34.8%*
Operating expenses and depreciation	(4,377)	(4,770)	-8.2%
Gross operating income	**1,221**	**2,871**	**-57.5%**
Cost of risk	21	(302)	n.s.
Operating income	**1,242**	**2,569**	**-51.7%**
Share of earnings of associates	17	32	-46.9%
Other non operating items	13	13	+0.0%
Pre-tax income	**1,272**	**2,614**	**-51.3%**
Cost/income ratio	78.2%	62.4%	+15.8 pts
Allocated equity (in billions of euros)	5.3	5.9	-10.3%

Revenues from Capital Markets, at €5,598 million, were down 26.7% for the year. Excluding losses from sovereign bond sales, the decline was 15.3%, illustrating the resilience of client activity in very unfavorable markets in the second half of the year.

Fixed Income's revenues were down 18.8%, excluding losses from sovereign bond sales, due in part to the reduced level of activity and high volatility in the markets because of concerns over the Euro-zone in the second half of the year. Against this backdrop, the business unit is pursuing its strategy to service its client in the markets, confirming its leading position in bond issues in euros and being ranked fourth for international bonds in all currencies.[23]

Revenues from the Equities and Advisory business unit, at €2,067 million, were down 7.0% compared to 2010 and the client activity held up well despite falling equity markets. Serving its clients in the markets, the Bank ranked number two in the Europe, Middle East and Africa (EMEA) region in equity-linked product issues. In a difficult year for mergers and acquisitions, the Bank ranked ninth in Europe in terms of completed deals.

Corporate Banking

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Revenues	**4,133**	**4,495**	**-8.1%**
Operating expenses and depreciation	(1,749)	(1,730)	+1.1%
Gross operating income	**2,384**	**2,765**	**-13.8%**
Cost of risk	(96)	(48)	+100.0%
Operating income	**2,288**	**2,717**	**-15.8%**
Other non operating items	50	49	+2.0%
Pre-tax income	**2,338**	**2,766**	**-15.5%**
Cost/income ratio	42.3%	38.5%	+3.8 pts
Allocated equity (in billions of euros)	7.9	8.6	-7.9%

Revenues from the Corporate Banking were €4,133 million, down 8.1% compared to 2010. Excluding the impact of loan sales, the decline was 4.7% in the context of an average 4.8% depreciation of the U.S. dollar during the period and a reduction of the origination business to adapt to the new regulatory environment.

[23] Thomson Reuters Bookrunner Rankings, 2011.

Corporate Center

(in millions of euros)	**2011**	**2010**
Revenues	**2,725**	**2,309**
Operating expenses and depreciation	(965)	(1,537)
Incl. Restructuring Costs	(603)	(780)
Gross operating income	**1,760**	**772**
Cost of risk	(3,093)	26
Operating income	**(1,333)**	**798**
Share of earnings of associates	12	(14)
Other non operating items	(98)	90
Pre-tax income	(1,419)	874

Corporate Center revenues in 2011 were €2,725 million compared to €2,309 million in 2010. They factor in fair value changes of the Group's own debt (+€1,190 million compared to +€95 million in 2010), the impairment of the equity investment in AXA (-€299 million compared to -€534 million in 2010), a one-off amortization of purchase price accounting at Fortis due to disposals and early redemptions (+€168 million compared to +€630 million in 2010) and they also include a regular amortization of the purchase price accounting in the Fortis banking book of +€658 million (compared to +666 million in 2010).

Operating expenses dropped to -€965 million compared to -€1,537 million in 2010, due to lower restructuring costs (-€603 million compared to -€780 million) and the reversal of provision due to the favorable outcome of litigation (+€253 million in the fourth quarter 2011). The cost of risk reflects the provision to cover the Greek sovereign debt (-€3 161 million) and came to -€3,093 million compared to a write-back of +€26 million in 2010.

After €152 million in goodwill impairments in the fourth quarter of the year, Corporate Center's pre-tax income came to -€1,419 million compared to +€874 million in 2010.

Results of Operations by Nature of Income or Expense

Revenues

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Net interest income	23,981	24,060	0%
Net commission income	8,419	8,486	-1%
Net gain on financial instruments at fair value through profit or loss	3,733	5,109	-27%
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	280	452	-38%
Net income from other activities	5,971	5,773	+3%
Total revenues	**42,384**	**43,880**	**-3%**

General. The 3% decline in the Group's 2011 revenues mainly reflects a 27% decrease in the net gain on financial instruments at fair or model value through profit or loss, partially offset by a 3% increase in net income from other activities. Net interest income was largely unchanged from 2010.

Net interest income. The "Net interest income" line item includes net income and expenses related to customer items, interbank items, bonds issued by the Group, cash flow hedging instruments, interest rate portfolio hedging instruments, the trading book (fixed-income securities, repurchase agreements, loans and borrowings, and debt securities), available-for-sale financial assets, and held-to-maturity financial assets.

More specifically, under IFRS, the “Net interest income” line item includes:

- net interest income from loans and receivables, including the interest, transaction costs, fees, and commissions included in the initial value of the loan; these items are calculated using the effective interest method and recognized in the profit and loss account over the life of the loan;
- net interest income from fixed-income securities held by the Group which are classified as “Financial assets at fair value through profit or loss” (for the contractual accrued interest) and “Available-for-sale financial assets” (for the interest calculated using the effective interest method);
- interest income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity; and
- net interest income from cash flow hedges, which are used in particular to hedge interest rate risk on variable-rate assets and liabilities. Changes in the fair value of cash flow hedges are recorded in shareholders’ equity. The amounts recorded in shareholders’ equity over the life of the hedge are transferred to “Net interest income” as and when the cash flows from the hedged item are recognized as profit or loss in the income statement.

Interest income and expenses on hedging derivatives at value are included with the interest generated by the hedged item. Similarly, interest income and expenses arising from hedging derivatives used for transactions designated as at fair or model value through profit or loss are allocated to the same line items as the interest income and expenses relating to the underlying transactions.

Net interest income was relatively unchanged in 2011 from the prior year, coming in at €23,981 million. The slight decrease in 2011 mainly reflects a 17% increase in income from interest rate portfolio hedging instruments to €1,519 million (up from €1,299 million in 2010), offset by a reduction in the interest expense on interest rate portfolio hedging instruments to €2,712 million (down from €2,822 million in 2010).

Net interest income from the trading book grew by €191 million in 2011 to reach €2,008 million (up from €1,817 million in 2010), due primarily to a €308 million decrease in the net interest expense on debt securities to €206 million (as compared to €514 million in 2010) and a €79 million decrease in the net interest expense on repurchase agreements to €50 million (as compared to €129 million in 2010). The reduction in these expenses was partially offset by a €151 million decline in net interest income from fixed-income securities to €2,435 million and a €45 million decrease in interest income from loans and borrowings to negative €171 million (as compared to negative €126 million in 2010).

The net interest expense on interbank transactions fell 19% in 2011 to €519.0 million (as compared to €644 million in 2010), mainly as a result of a 51% decrease in the net interest expense on loans and borrowings.

Therefore the growth in the Group’s 2011 interest income was partially offset by a 21% increase in the interest expense on the Group’s borrowings, which rose from €3,320 million in 2010 to €4,025 million in 2011.

The main factors affecting the level of net interest income are the relative volumes of interest-earning assets and interest-bearing liabilities and the spread between lending and funding rates. Net interest income is also affected by the impact of hedging transactions, and, to a lesser extent, exchange rate fluctuations.

Interest-earning assets primarily include loans and receivables due from customers, loans and receivables due from credit institutions, and fixed-income securities classified as “Financial assets at fair value through profit or loss” and “Available-for sale financial assets”. The change in these assets between December 31, 2010 and December 31, 2011 is described in the following discussion of the Group’s balance sheet.

Volumes of interest-earning assets and interest-bearing liabilities can be affected by various factors, in addition to general economic conditions and growth in the Group’s lending activities (either organically or through acquisitions). One such factor is the Group’s business mix, such as the relative proportion of capital allocated to interest-generating as opposed to fee-generating businesses. In addition, the ratio of interest-earning assets to interest-bearing liabilities is affected by the funding of non-interest income by way of interest-bearing loans (i.e., the cost of carry of the Group’s trading portfolio), which increases the interest-bearing liabilities without a corresponding increase in the interest-earning assets.

The other principal factor affecting net interest income is the spread between lending and funding rates, which itself is influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower interest rates on regulated savings accounts, the competitive environment, the relative weights of the Group’s various interest-bearing products, which have different margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions.

Net commission income. Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments, and financial services. Net commission income fell slightly in 2011 to €8,419 million (as compared to €8,486 million in 2010). This mainly reflects stable commission income from trusts and similar activities (€2,454 million in 2011 and €2,451 million in 2010), and a slight increase of €103 million in commissions from financial assets and liabilities not measured at fair or model value through profit or loss (€2,987 million in 2011 and €2,884 million in 2010).

Net gain on financial instruments at fair or model value through profit or loss. This line item includes all profit and loss items (other than interest income and expenses, which are recognized under "Net interest income" as discussed above) relating to financial instruments managed in the trading book and to financial instruments designated as fair or model value through profit or loss by the Group under the fair value option of IAS 39. This includes both capital gains and losses on the sale and the marking to fair or model value of these instruments, along with dividends from variable-income securities.

This line item also includes gains and losses due to the ineffectiveness of fair value hedges, cash flow hedges, and net foreign currency investment hedges.

The net gain on financial instruments at fair or model value through profit or loss was €3,733 million in 2011, down 27% from €5,109 million in 2010. The gains and losses resulting from cash flows and the remeasurement of financial instruments, either cash or derivatives, must be appreciated as a whole in order to give a fair representation of the profit or loss resulting from trading activities. The decrease in this line item is primarily due to a 66% decrease in the net gain on the trading book to €1,248 million, and a 99% decrease in the net gain on the remeasurement of foreign exchange positions to €7 million (as compared to €888 million in 2010), only partially offset by an increase in the net gain on financial instruments at fair or model value through profit or loss under the IAS 39 option, which rose from €524 million in 2010 to €2,891 million in 2011.

The decrease in the net gain on the trading book mainly reflects a decline in income from debt instruments from €1,657 million in 2010 to -€297 million in 2011, and a 65% decrease in income from capital instruments to €455 million.

Net gain on available-for-sale financial assets and other financial assets not measured at fair or model value. This line item relates to assets classified as available-for-sale. Changes in fair value (excluding interest due) of these assets are initially recognized under "Change in assets and liabilities recognized directly in shareholders' equity". Upon the sale of such assets or the recognition of an impairment loss, these unrealized gains or losses are recognized in the profit and loss account under "Net gain on available-for-sale financial assets and other financial assets not measured at fair value".

This line item also includes gains and losses on the sale of other financial assets not measured at fair or model value.

The net gain on available-for-sale financial assets and other financial assets not measured at fair or model value fell 38%, or €172 million, in 2011. This decrease can be attributed to a €780 million decline in the net gain on fixed-income financial assets, partially offset by a €608 million increase in the net gain on variable-income financial assets.

Net income from other activities. This line item consists of net income from insurance activities, investment property, assets leased under operating leases, and property development activities, as well as other net income. Net income from other activities totaled €5,971 million in 2011, up 3% from €5,773 million in 2010. This growth is primarily due to a €236 million increase in net income from insurance activities, partially offset by a €102 million decrease in net income from assets held under operating leases.

The principal components of net income from insurance activities are gross premiums written, movements in technical reserves, claims and benefit expenses, and changes in the value of admissible investments related to unit-linked contracts. Claims and benefits expenses include expenses arising from surrenders, maturities, and claims relating to insurance contracts, as well as changes in the value of financial contracts (in particular unit-linked contracts). Interest paid on such contracts is recognized under "Interest expense".

The growth in net income from insurance activities in 2011 can mainly be attributed to an increase in technical reserves, which shifted from a negative €7,608 million in 2010 to a positive €1,572 million in 2011.

This primarily reflects a decline in the value of admissible investments related to unit-linked contracts, which swung from a net gain of €1,412 million in 2010 to a net loss of €1,597 million in 2011. Gross premiums written fell from €18,691 million in 2010 to €16,288 million in 2011. The claims and benefits expense rose from €8,996 million in 2010 to €12,484 million in 2011.

Operating Expenses, Depreciation and Amortization

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Operating expenses	(24,608)	(24,924)	-1%
Depreciation, amortization, and impairment of property, plant, and equipment and intangible assets	(1,508)	(1,593)	-5%
Total operating expenses, depreciation and amortization	**(26,116)**	**(26,517)**	**-1%**

Operating expenses, depreciation, and amortization totaled €26,116 million in 2011, down 1% from €26,517 million in 2010.

Gross Operating Income

The Group's gross operating income declined 6% to €16,268 million in 2011 (from €17,363 million in 2010) as a result of a 3% fall in revenues only partially offset by a 1% decrease in operating expenses.

Cost of Risk

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Net additions to impairment provisions	(3,510)	(4,594)	-23.6%
Recoveries on loans and receivables previously written off	514	393	+30.8%
Irrecoverable loans and receivables not covered by impairment provisions	(560)	(601)	-6.8%
Loss on Greek sovereign debt holdings	(3,241)	-	
Total net additions to provisions	**(6,797)**	**(4,802)**	**+41.5%**

This line item represents the net amount of impairment losses recognized for credit risks inherent in the Group's intermediation activities, plus any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

The increase in the cost of risk in 2011 can be attributed to a €3,241 million impairment loss recognized on the Group's Greek sovereign debt holdings.

Excluding this impairment loss, the cost of risk actually decreased over the year as a result of lower impairment provisions, most notably a 79% decline in provisions at CIB to €75 million (as compared to €350 million in 2010). This decline includes a €323 million reduction in provisions at the Advisory and Capital Markets businesses, which recognized a €21 million provision reversal in 2011 (as compared to a €302 million provision allocation in 2010). Provisions at the Retail Banking business fell 21% to €3,565 million in 2011 (down from €4,497 million in 2010), including a 45% decrease in provisions at BancWest (€256 million in 2011 as compared to €465 million in 2010) and a 14% reduction in provisions at the Personal Finance business (€1,639 million in 2011 as compared to €1,913 million in 2010).

Doubtful loans and commitments net of guarantees totaled €37 billion in 2011, up from €36 billion a year earlier, and provisions totaled €30 billion (including the effect of the Greek sovereign debt provision), up from €29 billion a year earlier. The Group's coverage ratio was 80% at December 31, 2011, down from 81% a year earlier amid an overall improved risk environment.

For a more detailed discussion of the net additions to provisions for each business, see the section titled "Core business results".

Net Income Attributable to Equity Holders

(in millions of euros)	**2011**	**2010**	**Change (2011/2010)**
Operating income	**9,471**	**12,561**	**-25%**
Share of earnings of associates	80	268	-70%
Net gain on non-current assets	206	269	-23%
Change in value of goodwill	(106)	(78)	+36%
Income tax expense	(2,757)	(3,856)	-29%
Minority interests	(844)	(1,321)	-36%
Net income attributable to equity holders	**6,050**	**7,843**	**-23%**

General. Net income attributable to equity holders fell 23% in 2011.

Share of earnings of associates. The Group's share of earnings of associates (i.e., companies accounted for under the equity method) decreased from €268 million in 2010 to €80 million in 2011, mainly as a result of a €213 million Greek sovereign debt provision recognized at insurance companies.

Net gain on non-current assets. This line item includes net realized gains and losses on sales of property, plant, equipment, and intangible assets used in operations, and on sales of investments in consolidated undertakings still included in the scope of consolidation at the time of sale. The net gain on non-current assets fell from €269 million in 2010 to €206 million in 2011.

Change in value of goodwill. The change in the value of goodwill decreased from a negative €78 million in 2010 to a negative €106 million in 2011.

Income tax. The Group's income tax expense for 2011 totaled €2,757 million, down from €3,856 million in 2010 as a result of lower pre-tax net income.

Minority interests. The share of earnings attributable to minority interests in consolidated companies fell from €1,321 million in 2010 to €844 million in 2011, primarily due to impairment losses on Greek sovereign debt holdings at three Group subsidiaries with minority interests (BNP Paribas Fortis, BGL BNP Paribas, and Cardif Assurances Vie).

Financial Condition

The following discussion analyzes the financial condition of the Group as of December 31, 2011, as compared to its financial condition as of December 31, 2010.

Assets

General. The Group's consolidated assets amounted to €1,965.3 billion at December 31, 2011, down 2% from €1,998.2 billion at December 31, 2010. The main components of the Group's assets are financial assets at fair value through profit or loss, loans and receivables due from customers, available-for-sale financial assets, loans and receivables due from credit institutions, and accrued income and other assets, which together accounted for 93% of total assets at December 31, 2011 (as compared to 94% at December 31, 2010). The 2% decrease in assets in 2011 is due to:

- a 12%, or €27.5 billion, reduction in available-for-sale financial assets to €192.5 billion, due mainly to disposals of sovereign debt holdings;
- a 3%, or €18.9 billion, decline in loans and receivables due from customers to €665.8 billion;
- a 21%, or €13.3 billion, reduction in loans and receivables due from credit institutions to €49.4 billion;
- a 1%, or €12.5 billion, decrease in financial assets at fair value through profit or loss to €820.5 billion, reflecting a decline in securities trading positions and repurchase agreements, partly offset by an increase in the replacement value of trading book derivatives due to changes in market parameters.

The above were partially offset by:

- an increase in other Group assets, most notably a 74%, or €24.8 billion, jump in cash and amounts due from central banks and post office banks to €58.4 billion as result of an increase in the amounts deposited with central banks;
- a 13%, or €10.4 billion, rise in accrued income and other assets to €93.5 billion.

Financial assets at fair or model value through profit or loss. Financial assets at fair or model value through profit or loss consist of trading account transactions (including derivatives) and certain assets designated by the Group as at fair or model value through profit or loss at the time of acquisition. Financial assets carried in the trading book include mainly securities, repurchase agreements, and derivatives. Assets designated by the Group as at fair or model value through profit or loss include admissible investments related to unit-linked insurance contracts, and, to a lesser extent, assets with embedded derivatives that have not been separated from the host contract. Specifically, financial assets at fair value through profit or loss are divided into the following categories on the balance sheet: negotiable certificates of deposit; bonds; equities and other variable-income securities; repurchase agreements; loans to credit institutions, individuals, and corporate customers; and trading book derivatives. These assets are remeasured at fair or model value at each balance sheet date.

Total financial assets at fair value through profit or loss amounted to €820.5 billion at December 31, 2011, down 1% from €832.9 billion at December 31, 2010. This decrease reflects a voluntary 27%, or €57.7 billion, reduction in repurchase agreements to €153.3 billion; an 18%, or €19.7 billion, decline in bond trading positions to €89.7 billion, and a 31%, or €34.8 billion, reduction in equities and other variable-income securities to €76.4 billion. Due to changes in market parameters, especially yield curves, the replacement value of trading book derivatives rose 30%, or €104.2 billion, in 2011 to reach €452.0 billion at year-end. The increase was particularly sharp for interest rate derivatives, which shot up 39%, or €93 billion.

Financial assets at fair or model value through profit or loss accounted for 42% of the Group's total assets at December 31, 2011, unchanged from the previous year.

Loans and receivables due from credit institutions. Loans and receivables due from credit institutions totaled €49.4 billion at December 31, 2011, down 21% from €62.7 billion at December 31, 2010, and are comprised of demand accounts, interbank loans, and repurchase agreements.

Most of this decrease is due to a reduction in loans to credit institutions, which fell 23% to €35.1 billion at December 31, 2011, down from €45.4 billion at December 31, 2010, as a result of a decrease in interbank transactions. Repurchase agreements declined 60% to €2.8 billion, down from €7.1 billion a year earlier. Impairment provisions edged down slightly, from €1.0 billion at year-end 2010 to €0.7 billion at year-end 2011.

Loans and receivables due from customers. Loans and receivables due from customers consist of demand accounts, loans to customers, repurchase agreements, and finance leases.

Loans and receivables due from customers (net of impairment provisions) amounted to €665.8 billion at December 31, 2011, down 3% from €684.7 billion at December 31, 2010. This decline can be attributed to a 1% decrease in loans to customers, from €633.6 billion at year-end 2010 to €624.3 billion at year-end 2011, together with a 91% decrease in repurchase agreements, from €16.5 billion at year-end 2010 to €1.4 billion at year-end 2011. Demand accounts rose 36% to €38.4 billion, while finance leases declined 10% to €29.7 billion. Impairment provisions rose 5% to €28 billion, up from €26.7 billion a year earlier.

Available-for-sale financial assets. Available-for-sale financial assets are fixed- and variable-income securities that cannot be classified as financial assets at fair or model value through profit or loss, as well as fixed-income securities that cannot be classified as held-to-maturity financial assets. These assets are remeasured at market or similar value through equity at each balance sheet date.

Available-for-sale financial assets (net of impairment provisions) totaled €192.5 billion at December 31, 2011, down 12% from €220.0 billion at December 31, 2010. This decrease is attributable to a 13% decline in bonds, from €170.1 billion at year-end 2010 to €146.6 billion at year-end 2011, combined with a 13% fall in negotiable certificates of deposit, from €32.4 billion at year-end 2010 to €28.4 billion at year-end 2011, due mainly to disposals of sovereign debt holdings.

The Group recognized an additional €1.5 billion of impairment provisions on available-for-sale financial assets in 2011, bringing the total from €3.7 billion at December 31, 2010 to €5.2 billion at December 31, 2011. Impairment provisions on available-for-sale financial assets are calculated at each balance sheet date. The unrealized loss on available-for-sale financial assets totaled €3.5 billion at December 31, 2011, compared with an unrealized gain of €0.4 billion as at December 31, 2010, due to a decrease in the value of fixed-income securities issued by certain Euro-zone governments and a decline in the market price of listed variable-income securities on the back of a fall in equity markets. This €3.9 billion decrease therefore reflects a €2.6 billion decline in the unrealized gain on fixed-income securities and a €1.3 billion decline in the unrealized gain on variable-income securities.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and a fixed maturity that the Group has the intention and the ability to hold until maturity. They are recognized in the balance sheet at amortized cost using the effective interest method, and are divided into two categories: negotiable certificates of deposit and bonds.

Held-to-maturity financial assets shrank 23% in 2011, from €13.8 billion at year-end 2010 to €10.6 billion at year-end 2011, following the sale of Italian sovereign debt holdings.

Accrued income and other assets. Accrued income and other assets consist of the following: guarantee deposits and bank guarantees paid; settlement accounts related to securities transactions; collection accounts; reinsurers' share of technical reserves; accrued income and prepaid expenses; and other debtors and miscellaneous assets.

Accrued income and other assets totaled €93.5 billion at December 31, 2011, up 13% from €83.1 billion at December 31, 2010. This growth reflects a 37%, or €12.1 billion, increase in guarantee deposits and bank guarantees paid.

Cash and amounts due from central banks and post office banks. Cash and amounts due from central banks and post office banks totaled €58.4 billion at year-end 2011, up 74% from €33.6 billion at year-end 2010.

Liabilities (excluding shareholders' equity)

General. The Group's consolidated liabilities stood at €1,879.7 billion at December 31, 2011, down 2% from €1,912.5 billion at December 31, 2010. The main components of the Group's liabilities are financial liabilities at fair or model value through profit or loss, amounts due to credit institutions, amounts due to customers, debt securities, accrued expenses and other liabilities, and technical reserves of insurance companies. These items together accounted for 97% of the Group's total liabilities at December 31, 2011 (the same percentage as a year earlier). The 2% decrease in liabilities in 2011 can be attributed to:

- a 24%, or €50.9 billion, decline in debt securities to €157.8 billion;
- a 6%, or €34.6 billion, decrease in amounts due to customers to €546.3 billion;
- an 11%, or €18.8 billion, fall in amounts due to credit institutions to €149.2 billion.

The above were partially offset by:

- a 69%, or €5.9 billion, increase in derivatives used for hedging purposes to €14.3 billion;
- a 5%, or €37.7 billion, increase in financial liabilities at fair value through profit of loss to €762.8 billion;
- a 16%, or €18.1 billion, increase in technical reserves of insurance companies to €133.1 billion.

Financial liabilities at fair or model value through profit or loss. The trading book consists primarily of securities borrowing and short-selling transactions, repurchase agreements, and derivatives. Financial liabilities at fair or model value through profit or loss consist mainly of originated and structured issues, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in value are cancelled out by changes in the value of the hedging instrument.

The total value of financial liabilities at fair or model value through profit or loss was €762.8 billion at year-end 2011, up 5% from €725.1 billion at year-end 2010. Due to changes in market parameters, especially yield curves, the replacement value of trading book derivatives rose 30%, or €102 billion, in 2011 to reach €447.5 billion at year-end. The increase was particularly sharp for interest rate derivatives, which shot up 40%, or €94 billion. However this was partially offset by a 23%, or €52 billion, decrease in repurchasing agreements to €171.4 billion.

Amounts due to credit institutions. Amounts due to credit institutions consist primarily of borrowings, but also include demand deposits and repurchase agreements.

Amounts due to credit institutions shrank 11%, or €18.8 billion, to €149.2 billion at December 31, 2011. This decline reflects a 9.5%, or €12.6 billion, decrease in borrowings from credit institutions to €119.3 billion at year-end and a 37.9%, or €7.0 billion, decrease in repurchase agreements to €11.5 billion.

Amounts due to customers. Amounts due to customers consist primarily of demand deposits, term accounts, regulated savings accounts, and repurchase agreements.

Amounts due to customers stood at €546.3 billion at December 31, 2011, down 6%, or €34.6 billion, from €580.9 billion a year earlier. This decrease can be attributed to an 11%, or €27.4 billion, reduction in term accounts and short-term notes to €214.1 billion, and, to a lesser extent, a 3%, or €7.8 billion, decline in demand deposits to €254.5 billion.

Debt securities. Debt securities consist of negotiable certificates of deposit and bond issues. They do not include debt securities classified as financial liabilities at fair or model value through profit or loss (see Note 5.a to the Group's consolidated financial statements).

Debt securities totaled €157.8 billion at December 31, 2011, down 24% from €208.7 billion at December 31, 2010. This decrease is due to a 28% decline in negotiable certificates of deposit to €135 billion, partially offset by a 4% increase in bond issues to €22.8 billion.

Subordinated debt. Subordinated debt totaled €19.7 billion at December 31, 2011, down 20% from €24.7 billion a year earlier.

Technical reserves of insurance companies. Technical reserves of insurance companies amounted to €133.1 billion at December 31, 2011, up 16% from €114.9 billion at December 31, 2010. This increase is primarily due to higher technical reserves at the life insurance business.

Accrued expenses and other liabilities. Accrued expenses and other liabilities consist of guarantee deposits received, settlement accounts related to securities transactions, collection accounts, accrued expenses and deferred income, and other creditors and miscellaneous liabilities.

Accrued expenses and other liabilities totaled €81.0 billion at December 31, 2011, up 24% from €65.2 billion a year earlier. This increase reflects a 58% increase in guarantee deposits received to €40.7 billion, together with a 15% decline in settlement accounts related to securities transactions to €16.6 billion.

Minority interests.

Minority interests shrank to €10.3 billion at December 31, 2011, down slightly from €11 billion at December 31, 2010. This decrease mainly reflects a €0.8 billion contribution to net income less €0.5 billion of dividend payouts and a €0.5 billion redemption of preferred shares.

Consolidated Shareholders' Equity Attributable to the Group

Consolidated shareholders' equity attributable to the Group (before the dividend payout) stood at €75.4 billion at December 31, 2011, up from €74.6 billion a year earlier. This €0.8 billion increase is attributable to €6 billion of net income for 2011, less a €2.5 billion dividend payout for the 2010 financial year and €1.1 billion of movements carried out on equity.

Assets and liabilities recognized directly in equity fell by €1.6 billion in 2011, mainly as a result of changes in the value of available-for-sale financial assets recognized directly in equity.

Off-Balance Sheet Items

Financing Commitments

Financing commitments given to customers consist mostly of documentary credits, other confirmed letters of credit, and commitments relating to repurchase agreements. These commitments fell 16% to €226.0 billion at December 31, 2011.

Commitments to credit institutions also declined by 40% to reach €27.3 billion at year-end 2011.

Financing commitments received consist primarily of stand-by letters of credit and commitments relating to repurchase agreements. Financing commitments received shrank 2% to €126.5 billion at December 31, 2011, down from €129.5 billion a year earlier. This decrease reflects a 14% growth in commitments received from credit institutions to €119.7 billion, more than offset by a 73% decrease in commitments received from customers to €6.8 billion.

Guarantee Commitments

Guarantee commitments rose 3% to €106.1 billion at December 31, 2011, up from €102.6 billion a year earlier. This increase reflects a 41% jump in commitments to credit institutions to €14.9 billion, partially offset by a 1% decline in commitments to customers to €91.2 billion.

For further information concerning the Group's financing and guarantee commitments, see Note 6 to the Group's consolidated financial statements.

Selected Exposures Based on Financial Stability Board Recommendations

Funding Through Proprietary Securitization

Cash securitization as at December 31, 2012 *In billions of euros*	**Amount of securitized assets**	**Amount of notes**	**Securitized positions held**	
			First losses	**Others**
Personal Finance	**6.0**	**5.9**	**0.2**	**1.9**
o/w Residential loans	4.6	4.6	0.2	1.6
o/w Consumer loans	1.1	1.1	0.0	0.2
o/w Lease receivables	0.3	0.2	0.0	0.1
BNL	**2.2**	**2.1**	**0.1**	**0.2**
o/w Residential loans	2.2	2.1	0.1	0.2
o/w Consumer loans	-	-	-	-
o/w Lease receivables	-	-	-	-
o/w Public sector	-	-	-	-
Total	**8.2**	**8.0**	**0.3**	**2.1**

€8.2 billion of loans had been refinanced through securitization at December 31, 2012, compared to €8.1 billion at December 31, 2011.

€2.1 billion of securitized positions were held at the end of 2012 (excluding first loss tranches).

Following the transition to IFRS in 2005, SPVs are consolidated in the BNP Paribas balance sheet whenever the Bank holds the majority of the corresponding risks and returns.

Sensitive Loan Portfolios

Personal Loans

At December 31, 2012			Gross outstanding					Allowances		
			First Mortgage							
In billions of euros		Consumer	Full Doc	Alt A	Home Equity Loans	Total	Portfolio	Specific	Net exposure
US		9.8	6.8	0.2	2.6	19.4	(0.3)	(0.1)	19.1
Super Prime	FICO* > 730	7.5	4.3	0.1	1.8	13.7			13.7
Prime	600<FICO*<730	2.3	2.1	0.1	0.8	5.3			5.3
Subprime	FICO* < 600	0.1	0.3	0.0	0.0	0.4			0.4
UK		0.9	0.4	-	-	1.3	(0.0)	(0.1)	1.2
Spain		3.9	5.8	-	-	9.7	(0.2)	(1.1)	8.4

(*) At origination.

The Group's personal loan portfolio classified as sensitive was characterized at December 31, 2012 by:

- the good quality of the US portfolio, which represented net exposure of €19.1, stable compared with December 31, 2011. The quality of the consumer loan portfolio remains good;
- moderate exposure to the UK market (€1.3 billion);
- well-secured exposure to risks in Spain through property collateral on the mortgage portfolio and a large proportion of auto loans in the consumer loan portfolio.

Commercial Real Estate

At December 31, 2012	Gross exposure					Allowances		
In billions of euros	Home Builders	Non residential developers	Property companies	Others[1]	Total	Portfolio	Specific	Net exposure
US	0.4	0.4	0.2	4.8	5.7	(0.0)	(0.0)	5.7
BancWest	0.4	0.3	-	4.8	5.5	(0.0)	(0.0)	5.5
CIB	-	0.1	0.2	-	0.2	-	-	0.2
UK	0.1	0.3	0.9	0.5	1.7	(0.0)	(0.3)	1.4
Spain	-	0.0	0.2	0.7	0.9	(0.0)	(0.0)	0.8

(1) Excluding owner-occupied and real estate backed loans to corporates.

The Group's commercial real estate loan portfolio was characterized at December 31, 2012 by:

- granular, diversified exposure to the US, stable compared with December 31, 2011 (+€0.1 billion), including an exposure of €4.8 billion to the other sectors of commercial real estate (+€0.2 billion compared with December 31, 2011) corresponding to highly granular and well diversified financing of smaller property companies on a secured basis (mainly office, retail and residential);
- exposure to the UK concentrated on large property companies and down €0.5 billion compared with December 31, 2011;
- limited exposure to commercial real estate risk in Spain due in particular to the good quality of the commercial mortgage loan portfolio.

Real-Estate Related ABS and CDO Exposures

Banking and Trading Books

Net exposure	**December 31, 2011**			**December 31, 2012**
In billions of euros	**Net exposure**	**Gross exposure***	**Allowances**	**Net exposure**
Total RMBS	**12.1**	**7.0**	**(0.1)**	**6.8**
US	0.4	0.1	(0.0)	0.0
Subprime	0.0	0.0	(0.0)	0.0
Mid-prime	0.0	0.0	-	0.0
Alt-A	0.1	-	-	-
Prime**	0.2	0.0	(0.0)	0.0
UK	1.3	1.1	(0.0)	1.0
Conforming	0.2	0.1	-	0.1
Non conforming	1.1	0.9	(0.0)	0.9
Spain	1.1	0.9	(0.0)	0.9
The Netherlands	8.3	4.2	(0.0)	4.2
Other countries	1.0	0.7	(0.1)	0.7
Total CMBS	**2.5**	**1.9**	**(0.0)**	**1.8**
US	1.1	0.9	(0.0)	0.9
Non US	1.4	1.0	(0.0)	0.9
Total CDOs (cash and synthetic)	**1.1**	**1.0**	**(0.0)**	**1.0**
RMBS	0.6	0.7	(0.0)	0.6
US	0.1	0.1	-	0.1
Non US	0.5	0.5	(0.0)	0.5
CMBS	0.4	0.3	(0.0)	0.3
CDO of TRUPs	0.0	0.0	-	0.0
TOTAL	**15.6**	**9.8**	**(0.2)**	**9.6**
o/w Trading Book	0.2	-	-	0.3
Total Subprime, Alt-A, US CMBS and related CDOs	**1.2**	**0.9**	**(0.0)**	**0.9**

(*) Entry price + accrued interests – amortization.
(**) Excluding Government Sponsored Entity backed securities.

Real estate ABS and CDO exposure now include the ABS portion of the former BNP Paribas Fortis "IN" portfolio (€1.8 billion at December 31, 2012 compared with €2.9 billion at December 31, 2011) due to the early cancellation of the Belgian government's guarantee of the second loss tranche.

As at December 31, 2012, the banking book's net real estate ABS and CDO exposure decreased by €6.0 billion to €9.6 billion, due notably to amortizations and sales and a reduction in the Dutch RMBS portfolio following repurchases on the call date. 59% of the banking book assets are rated AA or better[24].

The assets are booked at amortized cost with the appropriate provision in case of prolonged impairment.

24 Based on the lowest of the S&P, Moody's & Fitch ratings.

Monoline counterparty exposure

In billions of euros	December 31, 2011 Notional	December 31, 2011 Gross counterparty exposure	December 31, 2012 Notional	December 31, 2012 Gross counterparty exposure
CDOs of US RMBS subprime	0.70	0.60	0.00	0.00
CDOs of european RMBS	0.26	0.04	0.24	0.02
CDOs of CMBS	0.71	0.22	0.67	0.19
CDOs of corporate bonds	6.40	0.16	4.40	0.04
CLOs	4.96	0.16	4.58	0.07
Non credit related	n.s	0.00	n.s	0.00
Total Gross Counterparty Exposure	**N.S**	**1.18**	**N.S**	**0.33**

In billions of euros	December 31, 2011	December 31, 2012
Total gross counterparty exposure	**1.18**	**0.33**
Credit derivatives bought from banks or other collateralized third parties	(0.24)	(0.14)
Total unhedged gross counterparty exposure	**0.93**	**0.19**
Credit adjustments and allowances	(0.83)	(0.17)
Net Counterparty Exposure	**0.10**	**0.03**

At December 31, 2012, gross exposure to counterparty risk stood at €0.33 billion, down €0.85 billion compared with December 31, 2011. Exposure to US RMBS CDOs was zero following commutations during the second half of 2012.

Exposure to Supported Countries as of December 31, 2012

Banking Book Exposure to Greece

In billions of euros	Total[a]	Sovereign	Corporates	Other[b]
Exposure net of collateral and provisions	**1.0**	**0.0**	**0.7**	**0.4**

(a) Excluding exposure to companies related to Greek interests (e.g. shipping) that are not dependent on the country's economic situation (€1.6 bn).
(b) Including Personal Finance, Arval, Leasing Solutions, Wealth Management.

Exposure to Ireland

In billions of euros	Total[a]	Sovereign	Corporates	Other[b]
Exposure net of collateral and provisions	**2.1**	**0.2**	**1.6**	**0.3**

(a) Excluding exposure to companies related to Irish interests that are not dependent on the country's position (€0.1 bn) and exposure to Irish law companies that are not dependent on the country's economic position.
(b) Including Retail Banking, Wealth Management.

Exposure to Portugal

In billions of euros	Total[a]	Sovereign	Corporates	Other[b]
Exposure net of collateral and provisions	**5.7**	**0.6**	**2.2**	**2.8**

(a) Excluding exposure to companies related to Portuguese interests that are not dependent on the country's economic situation (€0.6 bn).
(b) Including Personal Finance, Arval, Leasing Solutions, Wealth Management.

Trading Book

	Securities			Derivatives			Total net position
In millions of euros	Long positions	Short positions	Net position	Long positions	Short positions	Net position	at December 31, 2012
Greece	30	(21)	9	0	0	0	9
Ireland	41	(51)	(9)	203	(219)	(16)	(25)
Portugal	145	(123)	22	178	(181)	(3)	18
Total	**215**	**(195)**	**21**	**381**	**(400)**	**(19)**	**1**

RECENT DEVELOPMENTS

First Quarter 2013 Results (Unaudited)

€1.6 billion in Net Income Attributable to Equity Holders in a Challenging Economic Environment

In a lackluster economic environment in Europe, the Group's revenues totaled €10,055 million, up 1.7% compared to the first quarter 2012. It included this quarter the positive impact of two exceptional items for a net total of €149 million: €-215 million in own credit adjustment and €+364 million as a result of the first-time adoption of Debit Value Adjustment (DVA) under IFRS 13. The revenues of the operating divisions dropped 5.9%, although Retail Banking[25] (+0.2%[9]) and Investment Solutions (+3.4%[9]) held up well, while this quarter was a transition for CIB after the end of the adaptation plan (-20.2%[9]).

Operating expenses, which came to €6,514 million, improved 4.8%, showing very good cost control. They included this quarter a one-off €155 million transformation cost associated with Simple & Efficient. Retail Banking's[25] operating expenses edged down 1.9%[2], Investment Solutions' inched up 1.5%[9], while CIB's declined 15.2%[9].

Gross operating income rose 16.4% during the period to €3,541 million. It was down, however, 5.3% for the operating divisions.

The Group's cost of risk, at €978 million or 60 basis points of outstanding customer loans, rose only 3.5% compared to the first quarter 2012 and still remained low, illustrating the good control of risks.

Non-operating items totaled €52 million this quarter. They were €1,844 million in the first quarter of 2012 due to €1,790 million in one-off income booked after the Group sold its 28.7% stake in Klépierre SA.

The Group thus posted €2,615 million in pre-tax income, down 33.6% compared to the same quarter a year earlier. The pre-tax income of the operating divisions was down only 8.1%.

BNP Paribas thus reported €1,584 million in net income (attributable to equity holders), 44.8% lower compared to the first quarter 2012. Exceptional items had no impact this quarter on net income (€-6 million). Their impact in the first quarter 2012, after factoring in taxes and minority interests, was €+829 million.

The Group's solvency was very high with a Basel 2.5 common equity Tier 1 (CRD3) ratio at 11.7% and a fully loaded Basel 3 common equity Tier 1 ratio[26] at 10.0%, confirming BNP Paribas as one of the world's best capitalized global banks.

Net book value per share[27] was 61.7 euros, with a compounded annual growth rate of 6.5% since December 31, 2008, demonstrating BNP Paribas' capacity to continue to grow the net book value per share throughout the cycle.

Lastly, Simple & Efficient, the ambitious program to simplify the Group's way of functioning and improve operating efficiency, got off to a quick start. One hundred and fifty five million euros in transformation costs were booked this quarter and many projects are in the process of being launched, such as early retirement plans already initiated at BNPP Fortis and BNL, plans to streamline the total number of software programs and to industrialize computer program development and plans to go paperless (using electronic documents and archiving).

The Group is set to launch BNP Paribas' European digital bank, a pure mobile and online banking player, as part of its 2014-2016 business development plan.

Retail Banking

Domestic Markets

Domestic Markets' business activity resulted this quarter in a 6.1% rise in deposits compared to the first quarter 2012, with continued growth trend in all the networks. Outstanding loans were down 1.6% due to

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25 Including 100% of Private Banking in the domestic networks, excluding PEL/CEL effects.

26 Common equity tier 1 ratio taking into account all the CRD4 rules with no transitory provision that will enter into force only on January 1, 2019, and as expected by BNP Paribas.

27 Not reevaluated.

the continued slowdown in demand. In the corporate segment, the continued development of Cash Management was reflected in the alignment of the offering in all countries and number 1 positions in France and Belgium and number 3 in Italy. For the individual customer segment, Domestic Markets has rallied support for the impending launch of BNP Paribas' European digital bank, a pure mobile and online banking player, in Belgium, Germany, France and Italy.

Revenues[28], which totaled €3,989 million, were down slightly (-0.8%) compared to the first quarter 2012 due to an environment of persistently low interest rates and the deceleration in loan volumes. Given this situation, Domestic Markets is rapidly adjusting its operating expenses[28] which were down 1.4% at €2,433 million, thereby improving the cost/income ratio by 0.3 point to 61.0%[28].

Gross operating income[28] thus came to €1,556 million, stable compared to the same quarter a year earlier.

Given the rise in the cost of risk in Italy, and after allocating one-third of Private Banking's net income from Domestic Markets to the Investment Solutions division, pre-tax income[10] was resilient in a challenging environment: it totaled €1,089 million, down 5.2% compared to the first quarter 2012.

French Retail Banking (FRB)

The active support of FRB customers was reflected in a good sales and marketing drive in deposits (up 5.6% compared to the first quarter 2012), thanks in particular to strong growth in savings accounts (+8.3%). Outstanding loans decreased by 2.7% due to the continued deceleration in demand for loans. The support of VSEs and SMEs and the success of the "€5bn and 40,000 projects" operation launched in July 2012 translated, though, into a rise in outstanding loans in this customer segment (+2.1%[29]). FRB's business activity and innovative capacity are also illustrated by a 33% growth in the number of mobile Internet users, compared to the number as at March 31, 2012, to over 665,000 monthly users.

Revenues[12] were €1,776 million, down 2.0% compared to the first quarter 2012. In an environment of persistently low interest rates and lower loan volumes, net interest income was down 1.6%. Fees were down 2.6% in line with the decrease in the customer business of some retailers and corporates.

Thanks to the continued efficiency improvement, operating expenses[12] moved down 1.8% compared to the first quarter 2012 and the cost/income ratio was 60.9%[12].

Gross operating income[12] thus came to €695 million, down 2.4% compared to the same quarter a year earlier.

The cost of risk[12] was stable compared to the first quarter 2012 and still at a low level, at 22 basis points of outstanding customer loans.

After allocating one-third of French Private Banking's net income to the Investment Solutions division, FRB posted €582 million in pre-tax income[10], down 2.2% compared to the same quarter a year earlier, a solid performance against a backdrop of a slowdown in the economy.

BNL Banca Commerciale (BNL bc)

BNL bc's business activity resulted in a 9.6% growth in deposits compared to the first quarter 2012, reflecting a strong overall performance with individuals, corporates and local public entities. Outstanding loans were down on average 2.5% due to a slowdown in demand for loans in line with the market.

Revenues[13] edged up 0.9% compared to the first quarter 2012 to €823 million. Net interest income was down slightly by 0.4% due to lower loan volumes and despite the fact that margins held up well. Fees were up by 3.3% thanks to the good performance of off balance sheet savings and despite a decline in new loan production and the impact of new regulations.

Thanks to cost-cutting measures, in particular with respect to IT and real estate, operating expenses[13] were 1.6% lower compared to the first quarter 2012 at €438 million enabling BNL bc to improve its cost/income[13] by a further 1.3 point at 53.2%.

Gross operating income[13] came to €385 million, up 3.8% compared to the same quarter a year earlier.

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28 Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg.

29 Source: Banque de France (independent VSEs and SMEs), on a sliding annual basis.

The cost of risk[13] rose 35.2% compared to the first quarter 2012 and 4.6% compared to the fourth quarter 2012, coming in at 145 basis points of outstanding customer loans.

BNL bc therefore managed to further improve its operating efficiency but, after allocating one-third of Italian Private Banking's net income to the Investment Solutions division, posted €84 million in pre-tax income, down 42.9% compared to the same quarter a year earlier due to the rise in the cost of risk against a backdrop of economic recession in Italy.

Belgian Retail Banking

BRB had an overall good performance this quarter. Deposits rose 4.3% compared to the first quarter of 2012 due to good growth in current accounts and savings accounts. Loans rose by 2.1% during the same period, due in particular to growth in loans to individuals (+3.6%) and the fact that loans to SMEs held up well. Their growth rate was, however, decelerating.

BRB rallied around the "Bank for the future", an ambitious 3-year plan to anticipate changes in consumer behavior by expanding online banking and adapting the network and the workforce to these changes, enabling to improve the cost/income ratio.

Revenues[15] were down 0.4% compared to the first quarter 2012 at €838 million. Net interest income fell by 1.0%, due to the environment of persistently low interest rates and fees were up 1.9% thanks to the good performance of off balance sheet savings.

Because of the positive impact of the operating efficiency measures, operating expenses[15] were 1.0% lower than in the first quarter 2012 at €598 million, enabling BRB to generate 1.3% more gross operating income[15]. The cost/income ratio[15] thus improved by 0.4 point compared to the same quarter a year earlier at 71.4%.

The cost of risk[15] was down €16 million compared to the first quarter 2012. At 10 basis points of outstanding customer loans, it was particularly low this quarter. After allocating one-third of Belgian Private Banking's net income to the Investment Solutions division, BRB posted €205 million in pre-tax income, up 7.3% compared to the same quarter a year earlier.

Luxembourg Retail Banking: outstanding loans grew by 4.0% this quarter compared to the first quarter 2012, thanks to good growth in loans to corporates and mortgages. There was also strong growth in deposits (+10.8%) due in particular to strong asset inflows, in the corporate client segment. LRB's revenues grew with the volumes and good efforts to control operating expenses significantly increased the cost/income ratio.

Personal Investors: the growth of assets under management was 8.5% compared to the first quarter 2012, due to very good net asset inflows. The good level of new clients also contributed to strong deposit growth, up sharply (+15.9%) at €10.0 billion. Revenues, though, were down compared to the same quarter a year earlier due to lower brokerage volumes, but rebounded compared to the previous quarter. The sharp decrease in operating expenses pushed gross operating income up this quarter.

Arval: consolidated outstandings grew by 2.6% this quarter compared to the first quarter 2012 and revenues rose as a result of margins holding up well. With the good control of operating expenses, the cost/income ratio improved compared to the first quarter 2012.

Leasing Solutions: outstandings declined 8.1% compared to the same quarter a year earlier, in line with the adaptation plan regarding the non-core portfolio. The impact on revenues was more limited due to a selective policy in terms of profitability of transactions. The cost/income ratio was stable this quarter due to good cost control.

On the whole, the contribution by these four business units to Domestic Markets' pre-tax income, after allocating one-third of Luxembourg Private Banking's net income to the Investment Solutions division, was up slightly compared to last year, at €218 million (+0.9%).

Europe-Mediterranean

Europe-Mediterranean enjoyed a strong sales and marketing drive. Deposits grew by 14.5%[9] compared to the first quarter 2012 and were up in most countries, especially in Turkey (+30.4%[9]). Loans grew by 6.0%[9], driven in part by good performances in Turkey (+20.4%[9]). The sales and marketing drive was also reflected, for example, in the roll-out of multichannel offering in Morocco and Tunisia and by the good growth in cross-selling with CIB and Investment Solutions in Turkey.

At €474 million, revenues grew by 15.9%[9] compared to the first quarter 2012, driven in particular by strong revenue growth in Turkey (+36.1%[9]).

Operating expenses grew by 3.7%[9] compared to the same quarter a year earlier at €327 million. They were up 15.4%[9]in Turkey as a result of the opening of 23 branches during the period. Europe-Mediterranean continued a year-long effort to rightsize various networks with the opening of 23 branches in Morocco but the closure of 41 branches in Ukraine.

The cost of risk, which was €71 million, at 115 basis points of outstanding customer loans, was down €19 million compared to the first quarter 2012. Europe-Mediterranean thus posted €96 million in pre-tax income this quarter, a sharp rebound compared to last year (3.3x[9]).

BancWest

BancWest reported good business performance this quarter. Deposits grew by 4.4%[9] compared to the first quarter 2012, driven by growth in deposits in current and savings accounts. Loans grew 3.9%[9] due to a strong growth in corporate loans (+11.8%[9]) and to the success of the sales and marketing efforts focusing on SMEs. These good business performances were also reflected in the revving up of the Private Banking expansion, with $5.7 billion of assets under management as at March 31, 2013 and expanded Mobile Banking services which already has 140,000 users. At €559 million, revenues fell, however, by 3.1%[9] compared to the first quarter 2012, given the impact of the decrease in interest rates more than offsetting volume growth and also a lesser contribution of securities sales.

Operating expenses, which were €346 million, grew 2.4%[9] compared to the first quarter 2012 as a result of the strengthening of the corporate and small business customers as well as the Private Banking set up.

The cost of risk was still low this quarter and came to 25 basis points of outstanding customer loans (€-20 million compared to the first quarter 2012).

BancWest thus confirmed its strong profit-generation capacity, generating €190 million in pre-tax income, down 2.1%[9] compared to the first quarter 2012.

Personal Finance

Personal Finance's outstanding loans declined 2.4%[9] compared to the first quarter 2012 at €87.5 billion. Consumer loan outstandings were down only slightly by 0.1%[9] but mortgage loan outstandings decreased by 5.3%[9] in line with the Basel 3 adaptation plan. Personal Finance continued to develop engines of growth with in particular the success of the joint venture with Commerzbank in Germany (12.7% rise in average outstandings compared to the first quarter 2012). Asset inflows continued to grow with already over 100,000 accounts and €1.2 billion in total outstandings, primarily in Germany.

Revenues were down 4.3% compared to the first quarter 2012 at €1,178 million due to the reduction of mortgage loan outstandings. Consumer loan revenues were stable as a result of the combined effect of a good drive in Belgium, Turkey and Central Europe and the adverse impact of new regulations in France on margins and volumes.

Operating expenses fell by 15.2% compared to the first quarter 2012 at €547 million, thanks to the impact of the adaptation plan. Personal Finance thus significantly increased its operating profitability this quarter with a cost/income ratio down 6.0 points.

The cost of risk was stable compared to the average level in 2012 at €377 million or 171 basis points of outstanding customer loans. It was, however, up compared to the level in the first quarter 2012 (€327 million), in which there were one-off write-backs.

Personal Finance's pre-tax income therefore came to €272 million (-3.9% compared to the first quarter 2012).

Investment Solutions

Investment Solutions grew this quarter its assets under management[16] by 1.9% compared to December 31, 2012 and 2.9% compared to March 31, 2012 at €906 billion. The rise was due primarily to a positive performance effect driven by the rise in the financial markets.

Net asset inflows were €3.1 billion this quarter with very good inflows at Wealth Management, especially in Asia and in the domestic markets. Insurance in France, Asia and Latin America also had strong asset inflows, just like Personal Investors, especially in Germany. Asset Management had asset outflows, in particular in money market funds, but good asset inflows in emerging markets.

As at March 31, 2013, Investment Solutions' assets under management[16] broke down as follows: Asset Management: €404 billion; Wealth Management: €277 billion; Insurance: €175 billion; Personal Investors: €37 billion; Real Estate Services: €13 billion.

Investment Solutions' revenues, which totaled €1,563 million, were up 2.8% compared to the first quarter 2012. Insurance's revenues were up 13.3% thanks to strong growth in savings and protection insurance, especially in Asia and Latin America. Wealth and Asset Management's revenues were down 0.6% due to Asset Management's lower average outstandings and despite Wealth Management's good growth drive. Securities Services' revenues were down 5.0% due to a persistently low interest rate environment and a decrease in the number of market transactions.

Investment Solutions' operating expenses, at €1,054 million, were up only 0.8% compared to the first quarter 2012 with a rise in Insurance due to the growth in business, a 2.5% decline in Wealth and Asset Management due, in particular, to the impact of the adaptation plan in Asset Management and a slight decrease in Securities Services. Investments Solutions' cost/income ratio thus improved 1.4 point at 67.4%.

The division's gross operating income, at €509 million, was up 7.2% compared to the same period a year earlier.

After receiving one-third of the net income of Private Banking of the domestic markets, pre-tax income rose 12.7% compared to the first quarter 2012, to €541 million, reflecting Investment Solutions' good operating performance.

Corporate and Investment Banking (CIB)

In a lackluster environment in Europe this quarter, CIB's revenues totaled €2,461 million, down 21.1% compared to the first quarter 2012.

Revenues from Advisory and Capital Markets, at €1,682 million, were down 25.2% compared to a high level in the first quarter 2012 (when European markets were boosted by a favorable context due to the effect of the LTRO) and rose 46.3% compared to the last quarter. Business was uneven due to occasional renewed tensions in Europe, but the business unit grew its revenues in Asia. At €32 million, VaR was still at a very low level, illustrating a cautious risk policy.

Fixed Income's revenues, at €1,287 million, were down 26.8% compared to the first quarter 2012 but increased 55.4% compared to the fourth quarter 2012. Business in rates and credit was down this quarter but forex performed well. The business unit confirmed its strong global position in bond issues where it was number 8 for all international bonds and maintained its number 1 position for all corporate bonds in euros.

Revenues from the Equities and Advisory business unit, at €395 million, were down 19.7% compared to the first quarter 2012 but were up 22.7% compared to last quarter 2012 with limited investor transaction volumes and an upswing in the structured products business, more particularly in Europe and in Asia. The business unit had a strong performance in Equity Linked issues, ranking number 1 bookrunner in Europe by number of deals and number 2 by volume.

Revenues from Corporate Banking were still affected this quarter by the adaptation plan, down 10.7% to €779 million compared to the same quarter a year earlier. Excluding the non-recurring impact of sales of loans in the first quarter 2012, revenues declined 17.7% in line with the reduction of average outstandings and outstanding loans totaled €105 billion as at March 31, 2013.

The business saw the gradual resumption of loan origination in a context though of weak demand due to a lackluster environment in Europe. There was a gradual increase of deals in the pipeline: outstandings and revenues started to pick up at the end of the quarter and the business unit strengthened its solid positions in loan origination, ranking number 1 bookrunner in syndicated loans for Europe by volume and number of deals this quarter.

Corporate Banking also grew its deposit base by 14%[30] compared to the first quarter 2012 to €57 billion with strong growth in deposits in US dollars. Cash Management continued its business development and gained new significant pan-European mandates.

CIB's operating expenses, which totaled €1,590 million, were down 16.4% compared to the first quarter 2012. The decrease in the fixed costs due to the adaptation plan was offset in part by business development investments (Asia, Cash Management). The division's cost/income ratio was 64.6%.

CIB's cost of risk, at €80 million, was up slightly compared to the first quarter 2012 (+2.6%). For Corporate Banking, it was 26 basis points of outstanding customer loans, down compared to the last quarter that saw the impact of a specific loan.

CIB thus generated €806 million in pre-tax income, down 30.4% compared to the first quarter 2012. The division maintained however pre-tax return on equity at 22.0% with the decrease of its allocated equity (-19.3%) permitted by the decline in outstanding loans and a cautious management of market risks.

Corporate Center

Corporate Center revenues were €-63 million compared to €-871 million in the first quarter 2012. This includes in particular a €-215 million own credit adjustment (compared to €-843 million in the first quarter 2012), the first-time adoption of Debit Value Adjustment (DVA) under IFRS 13 for €+364 million and the impact of surplus deposits placed with central banks.

Operating expenses totaled €273 million compared to €180 million in the first quarter 2012 and include €155 million in transformation costs as a result of the Simple & Efficient program. Operating expenses in the first quarter 2012 included only €65 million in restructuring costs.

The cost of risk reflects a negligible net write-back (€4 million). It was €-29 million in the first quarter 2012, which included the residual impact of the Greek sovereign bond exchange.

Share of earnings of associates was €-65 million due to the one-off impact this quarter of an impairment charge in the accounts of an associated company. This share was €76 million in the first quarter 2012 given, in particular, a €40 million impact from the Group's sale of its 28.7% stake in Klépierre SA. The main impact of this sale was reflected in other non-operating items in the first quarter 2012 (€+1,750 million).

The Corporate Center's pre-tax income was €-388 million compared to €672 million during the same period a year earlier.

Liquidity and Financing

The Group's liquidity situation is very favorable.

The Group's cash balance sheet[31] totaled €968 billion as at March 31, 2013. The total of equity, client deposits and medium/long-term funding came to a €79 billion (of which 57 billion in US dollars) surplus of stable funding compared to the funding needs of customer activity and to tangible and intangible assets. This surplus was €10 billion higher than what it was on December 31, 2012. The stable funding thus amounts to 111% of funding needs of customer activity, including tangible and intangible assets.

The Group's liquid and asset reserve immediately available totaled €231 billion (compared to €221 billion as at December 31, 2012), amounting to 137% of short-term wholesale funding.

The Group's 2013 medium/long-term funding program is €30 billion. By mid-April 2013, €19 billion were already raised[32] with an average maturity of 5.7 years and an average spread of 76 basis points above mid-swap. The Group thus completed close to two-thirds of its medium/long-term funding program for the year, at competitive conditions.

Solvency

The Group has very high solvency.

[30] Average of outstandings.

[31] Based on the banking prudential scope and after netting amounts for derivatives, repos, securities lending/borrowing and payables/receivables.

[32] Including issues at the end of 2012 on top of the €34 billion completed under the 2012 program.

As at March 31, 2013, the common equity Tier 1 ratio, which includes the European Capital Requirements Directive 3 (CRD3) regulatory regime that came into force at the end of 2011, was 11.7%, down 10 basis points compared to December 31, 2012 mainly driven by three factors: the first quarter's net income after dividend pay-out assumption (+20 basis points), the effect of changes in regulation related to equity investments in insurance companies in anticipation of CRD4 (-20 basis points) and the change in the accounting rule[33] on employee benefits (-10 basis points).

The Basel 3 common equity Tier 1 ratio taking into account all the CRD4[34] rules without transitional arrangements (Basel 3 fully loaded that will come into force only on January 1, 2019) was 10.0% as at March 31, 2013, up 10 basis points compared to December 31, 2012 due to the taking into account of the first quarter's net income after dividend pay-out assumption (+20 basis points) and a change in the accounting rule[33] on employee benefits (-10 basis points). It illustrates the Group's very high solvency with the new regulations.

Consolidated Profit and Loss Account

€m	**1Q13**	**1Q12**	**1Q13 / 1Q12**	**4Q12**	**1Q13/ 4Q12**
Revenues	10,055	9,886	+1.7%	9,395	+7.0%
Operating Expenses and Dep.	-6,514	-6,845	-4.8%	-6,801	-4.2%
Gross Operating Income	3,541	3,041	+16.4%	2,594	+36.5%
Cost of Risk	-978	-945	+3.5%	-1,199	-18.4%
Operating Income	2,563	2,096	+22.3%	1,395	+83.7%
Share of Earnings of Associates	35	154	-77.3%	128	-72.7%
Other Non Operating Items	17	1,690	-99.0%	-377	n.s.
Non Operating Items	52	1,844	-97.2%	-249	n.s.
Pre-Tax Income	2,615	3,940	-33.6%	1,146	n.s.
Corporate Income Tax	-821	-928	-11.5%	-481	+70.7%
Net Income Attributable to Minority Interests	-210	-143	+46.9%	-146	+43.8%
Net Income Attributable to Equity Holders	1,584	2,869	-44.8%	519	n.s.
Cost/Income	64.8%	69.2%	-4.4 pt	72.4%	-7.6 pt

33 IAS 19R

34 As expected by BNP Paribas, some CRD4 directives remaining subject to interpretation.

First Quarter 2013 – Results by Core Businesses

€m		Retail Banking	Investment Solutions	CIB	Operating Divisions	Other Activities	Group
Revenues		6,094	1,563	2,461	10,118	-63	10,055
	%Change/1Q12	-0.3%	+2.8%	-21.1%	-5.9%	-92.8%	+1.7%
	%Change/4Q12	-1.1%	-2.4%	+24.1%	+3.8%	-81.9%	+7.0%
Operating Expenses and Dep.		-3,597	-1,054	-1,590	-6,241	-273	-6,514
	%Change/1Q12	-3.3%	+0.8%	-16.4%	-6.4%	+51.7%	-4.8%
	%Change/4Q12	-5.5%	-7.2%	+4.3%	-3.5%	-18.0%	-4.2%
Gross Operating Income		2,497	509	871	3,877	-336	3,541
	%Change/1Q12	+4.2%	+7.2%	-28.6%	-5.3%	-68.0%	+16.4%
	%Change/4Q12	+6.1%	+9.5%	+90.2%	+18.3%	-50.7%	+36.5%
Cost of Risk		-895	-7	-80	-982	4	-978
	%Change/1Q12	+8.2%	-36.4%	+2.6%	+7.2%	n.s.	+3.5%
	%Change/4Q12	-12.7%	n.s.	-61.2%	-15.9%	n.s.	-18.4%
Operating Income		1,602	502	791	2,895	-332	2,563
	%Change/1Q12	+2.0%	+8.2%	-30.7%	-8.8%	-69.3%	+22.3%
	%Change/4Q12	+20.6%	-5.1%	n.s.	+37.3%	-53.5%	+83.7%
Share of Earnings of Associates		50	35	15	100	-65	35
Other Non Operating Items		4	4	0	8	9	17
Pre-Tax Income		1,656	541	806	3,003	-388	2,615
	%Change/1Q12	+1.6%	+12.7%	-30.4%	-8.1%	n.s.	-33.6%
	%Change/4Q12	+15.8%	-6.9%	n.s.	+32.4%	-65.4%	n.s.

€m		Retail Banking	Investment Solutions	CIB	Operating Divisions	Other Activities	Group
Revenues		6,094	1,563	2,461	10,118	-63	10,055
	1Q12	6,115	1,521	3,121	10,757	-871	9,886
	4Q12	6,160	1,601	1,983	9,744	-349	9,395
Operating Expenses and Dep.		-3,597	-1,054	-1,590	-6,241	-273	-6,514
	1Q12	-3,718	-1,046	-1,901	-6,665	-180	-6,845
	4Q12	-3,807	-1,136	-1,525	-6,468	-333	-6,801
Gross Operating Income		2,497	509	871	3,877	-336	3,541
	1Q12	2,397	475	1,220	4,092	-1,051	3,041
	4Q12	2,353	465	458	3,276	-682	2,594
Cost of Risk		-895	-7	-80	-982	4	-978
	1Q12	-827	-11	-78	-916	-29	-945
	4Q12	-1,025	64	-206	-1,167	-32	-1,199
Operating Income		1,602	502	791	2,895	-332	2,563
	1Q12	1,570	464	1,142	3,176	-1,080	2,096
	4Q12	1,328	529	252	2,109	-714	1,395
Share of Earnings of Associates		50	35	15	100	-65	35
	1Q12	55	9	14	78	76	154
	4Q12	42	51	4	97	31	128
Other Non Operating Items		4	4	0	8	9	17
	1Q12	5	7	2	14	1,676	1,690
	4Q12	60	1	1	62	-439	-377
Pre-Tax Income		1,656	541	806	3,003	-388	2,615
	1Q12	1,630	480	1,158	3,268	672	3,940
	4Q12	1,430	581	257	2,268	-1,122	1,146
Corporate Income Tax							-821
Net Income Attributable to Minority Interests							-210
Net Income Attributable to Equity Holders							1,584

Quarterly Series

€m	1Q13	4Q12	3Q12	2Q12	1Q12
GROUP					
Revenues	10,055	9,395	9,693	10,098	9,886
Operating Expenses and Dep.	-6,514	-6,801	-6,562	-6,335	-6,845
Gross Operating Income	3,541	2,594	3,131	3,763	3,041
Cost of Risk	-978	-1,199	-944	-853	-945
Operating Income	2,563	1,395	2,187	2,910	2,096
Share of Earnings of Associates	35	128	88	119	154
Other Non Operating Items	17	-377	31	-42	1,690
Pre-Tax Income	2,615	1,146	2,306	2,987	3,940
Corporate Income Tax	-821	-481	-737	-915	-928
Net Income Attributable to Minority Interests	-210	-146	-243	-222	-143
Net Income Attributable to Equity Holders	1,584	519	1,326	1,850	2,869
Cost/Income	64.8%	72.4%	67.7%	62.7%	69.2%

€m	1Q13	4Q12	3Q12	2Q12	1Q12
RETAIL BANKING (including 100% of Private Banking in France, Italy, Belgium and Luxembourg)* Excluding PEL/CEL Effects					
Revenues	6,200	6,154	6,212	6,246	6,248
Operating Expenses and Dep.	-3,653	-3,865	-3,801	-3,763	-3,772
Gross Operating Income	2,547	2,289	2,411	2,483	2,476
Cost of Risk	-897	-1,024	-822	-832	-827
Operating Income	1,650	1,265	1,589	1,651	1,649
Non Operating Items	54	103	76	51	60
Pre-Tax Income	1,704	1,368	1,665	1,702	1,709
Income Attributable to Investment Solutions	-57	-51	-48	-53	-56
Pre-Tax Income of Retail Banking	1,647	1,317	1,617	1,649	1,653
Allocated Equity (€bn, year to date)	33.1	33.7	33.7	33.7	34.0

€m	1Q13	4Q12	3Q12	2Q12	1Q12
RETAIL BANKING (including 2/3 of Private Banking in France, Italy, Belgium and Luxembourg)					
Revenues	6,094	6,160	6,162	6,084	6,115
Operating Expenses and Dep.	-3,597	-3,807	-3,746	-3,707	-3,718
Gross Operating Income	2,497	2,353	2,416	2,377	2,397
Cost of Risk	-895	-1,025	-820	-833	-827
Operating Income	1,602	1,328	1,596	1,544	1,570
Non Operating Items	54	102	76	51	60
Pre-Tax Income	1,656	1,430	1,672	1,595	1,630
Allocated Equity (€bn, year to date)	33.1	33.7	33.7	33.7	34.0

€m	1Q13	4Q12	3Q12	2Q12	1Q12
DOMESTIC MARKETS (including 100% of Private Banking in France, Italy, Belgium and Luxembourg)* Excluding PEL/CEL Effects					
Revenues	3,989	3,845	3,901	3,961	4,023
Operating Expenses and Dep.	-2,433	-2,593	-2,532	-2,494	-2,468
Gross Operating Income	1,556	1,252	1,369	1,467	1,555
Cost of Risk	-423	-470	-358	-381	-364
Operating Income	1,133	782	1,011	1,086	1,191
Associated Companies	12	8	11	10	11
Other Non Operating Items	1	-5	1	0	3
Pre-Tax Income	1,146	785	1,023	1,096	1,205
Income Attributable to Investment Solutions	-57	-51	-48	-53	-56
Pre-Tax Income of Domestic Markets	1,089	734	975	1,043	1,149
Allocated Equity (€bn, year to date)	20.6	21.2	21.2	21.3	21.5

€m	1Q13	4Q12	3Q12	2Q12	1Q12
DOMESTIC MARKETS (including 2/3 of Private Banking in France, Italy, Belgium and Luxembourg)					
Revenues	3,883	3,851	3,851	3,799	3,890
Operating Expenses and Dep.	-2,377	-2,535	-2,477	-2,438	-2,414
Gross Operating Income	1,506	1,316	1,374	1,361	1,476
Cost of Risk	-421	-471	-356	-382	-364
Operating Income	1,085	845	1,018	979	1,112
Associated Companies	12	7	11	10	11
Other Non Operating Items	1	-5	1	0	3
Pre-Tax Income	1,098	847	1,030	989	1,126
Allocated Equity (€bn, year to date)	20.6	21.2	21.2	21.3	21.5

** Including 100% of Private Banking for Revenues down to Pre-tax income line items.*

€m	1Q13	4Q12	3Q12	2Q12	1Q12
FRENCH RETAIL BANKING (including 100% of Private Banking in France)*					
Revenues	1,785	1,757	1,767	1,716	1,790
Incl. Net Interest Income	*1,085*	*1,065*	*1,063*	*1,020*	*1,071*
Incl. Commissions	*700*	*692*	*704*	*696*	*719*
Operating Expenses and Dep.	-1,081	-1,170	-1,158	-1,108	-1,101
Gross Operating Income	704	587	609	608	689
Cost of Risk	-80	-80	-66	-85	-84
Operating Income	624	507	543	523	605
Non Operating Items	2	2	1	1	0
Pre-Tax Income	626	509	544	524	605
Income Attributable to Investment Solutions	-35	-29	-29	-30	-33
Pre-Tax Income of French Retail Banking	591	480	515	494	572
Allocated Equity (€bn, year to date)	7.5	7.7	7.8	7.8	7.9

€m	1Q13	4Q12	3Q12	2Q12	1Q12
FRENCH RETAIL BANKING (including 100% of Private Banking in France)* Excluding PEL/CEL Effects					
Revenues	1,776	1,644	1,712	1,770	1,813
Incl. Net Interest Income	*1,076*	*952*	*1,008*	*1,074*	*1,094*
Incl. Commissions	*700*	*692*	*704*	*696*	*719*
Operating Expenses and Dep.	-1,081	-1,170	-1,158	-1,108	-1,101
Gross Operating Income	695	474	554	662	712
Cost of Risk	-80	-80	-66	-85	-84
Operating Income	615	394	488	577	628
Non Operating Items	2	2	1	1	0
Pre-Tax Income	617	396	489	578	628
Income Attributable to Investment Solutions	-35	-29	-29	-30	-33
Pre-Tax Income of French Retail Banking	582	367	460	548	595
Allocated Equity (€bn, year to date)	7.5	7.7	7.8	7.8	7.9

€m	1Q13	4Q12	3Q12	2Q12	1Q12
FRENCH RETAIL BANKING (including 2/3 of Private Banking in France)					
Revenues	1,721	1,700	1,709	1,658	1,730
Operating Expenses and Dep.	-1,053	-1,141	-1,130	-1,079	-1,074
Gross Operating Income	668	559	579	579	656
Cost of Risk	-79	-80	-65	-86	-84
Operating Income	589	479	514	493	572
Non Operating Items	2	1	1	1	0
Pre-Tax Income	591	480	515	494	572
Allocated Equity (€bn, year to date)	7.5	7.7	7.8	7.8	7.9

** Including 100% of Private Banking for Revenues down to Pre-tax income line items.*

€m	1Q13	4Q12	3Q12	2Q12	1Q12
BNL banca commerciale (Including 100% of Private Banking in Italy)*					
Revenues	823	834	810	813	816
Operating Expenses and Dep.	-438	-485	-440	-448	-445
Gross Operating Income	385	349	370	365	371
Cost of Risk	-296	-283	-229	-230	-219
Operating Income	89	66	141	135	152
Non Operating Items	0	1	0	0	0
Pre-Tax Income	89	67	141	135	152
Income Attributable to Investment Solutions	-5	-3	-3	-7	-5
Pre-Tax Income of BNL bc	84	64	138	128	147
Allocated Equity (€bn, year to date)	6.4	6.4	6.4	6.3	6.4

€m	1Q13	4Q12	3Q12	2Q12	1Q12
BNL banca commerciale (Including 2/3 of Private Banking in Italy)					
Revenues	811	824	800	801	805
Operating Expenses and Dep.	-431	-478	-433	-443	-439
Gross Operating Income	380	346	367	358	366
Cost of Risk	-296	-283	-229	-230	-219
Operating Income	84	63	138	128	147
Non Operating Items	0	1	0	0	0
Pre-Tax Income	84	64	138	128	147
Allocated Equity (€bn, year to date)	6.4	6.4	6.4	6.3	6.4

€m	1Q13	4Q12	3Q12	2Q12	1Q12
BELGIAN RETAIL BANKING (Including 100% of Private Banking in Belgium)*					
Revenues	838	817	833	837	841
Operating Expenses and Dep.	-598	-613	-612	-621	-604
Gross Operating Income	240	204	221	216	237
Cost of Risk	-21	-51	-28	-41	-37
Operating Income	219	153	193	175	200
Associated Companies	1	4	4	4	5
Other Non Operating Items	1	-5	1	2	3
Pre-Tax Income	221	152	198	181	208
Income Attributable to Investment Solutions	-16	-18	-15	-16	-17
Pre-Tax Income of Belgian Retail Banking	205	134	183	165	191
Allocated Equity (€bn, year to date)	3.6	3.7	3.6	3.6	3.6

€m	1Q13	4Q12	3Q12	2Q12	1Q12
BELGIAN RETAIL BANKING (Including 2/3 of Private Banking in Belgium)					
Revenues	802	780	798	801	804
Operating Expenses and Dep.	-579	-593	-593	-601	-584
Gross Operating Income	223	187	205	200	220
Cost of Risk	-20	-52	-27	-41	-37
Operating Income	203	135	178	159	183
Associated Companies	1	4	4	4	5
Other Non Operating Items	1	-5	1	2	3
Pre-Tax Income	205	134	183	165	191
Allocated Equity (€bn, year to date)	3.6	3.7	3.6	3.6	3.6

* *Including 100% of Private Banking for Revenues down to Pre-tax income line items.*

€m	1Q13	4Q12	3Q12	2Q12	1Q12
PERSONAL FINANCE					
Revenues	1,178	1,267	1,240	1,244	1,231
Operating Expenses and Dep.	-547	-571	-589	-595	-645
Gross Operating Income	631	696	651	649	586
Cost of Risk	-377	-432	-364	-374	-327
Operating Income	254	264	287	275	259
Associated Companies	17	18	21	24	24
Other Non Operating Items	1	67	24	4	0
Pre-Tax Income	272	349	332	303	283
Allocated Equity (€bn, year to date)	4.8	5.0	5.0	5.0	5.1

€m	1Q13	4Q12	3Q12	2Q12	1Q12
EUROPE-MEDITERRANEAN					
Revenues	474	481	454	448	413
Operating Expenses and Dep.	-327	-345	-323	-333	-318
Gross Operating Income	147	136	131	115	95
Cost of Risk	-71	-89	-66	-45	-90
Operating Income	76	47	65	70	5
Associated Companies	21	17	15	13	20
Other Non Operating Items	-1	1	1	-1	1
Pre-Tax Income	96	65	81	82	26
Allocated Equity (€bn, year to date)	3.5	3.5	3.5	3.4	3.3

€m	1Q13	4Q12	3Q12	2Q12	1Q12
BANCWEST					
Revenues	559	561	617	593	581
Operating Expenses and Dep.	-346	-356	-357	-341	-341
Gross Operating Income	213	205	260	252	240
Cost of Risk	-26	-33	-34	-32	-46
Operating Income	187	172	226	220	194
Non Operating Items	3	-3	3	1	1
Pre-Tax Income	190	169	229	221	195
Allocated Equity (€bn, year to date)	4.1	4.1	4.1	4.0	4.0

€m	1Q13	4Q12	3Q12	2Q12	1Q12
INVESTMENT SOLUTIONS					
Revenues	1,563	1,601	1,516	1,566	1,521
Operating Expenses and Dep.	-1,054	-1,136	-1,077	-1,069	-1,046
Gross Operating Income	509	465	439	497	475
Cost of Risk	-7	64	4	-3	-11
Operating Income	502	529	443	494	464
Associated Companies	35	51	41	35	9
Other Non Operating Items	4	1	14	1	7
Pre-Tax Income	541	581	498	530	480
Allocated Equity (€bn, year to date)	8.3	8.1	8.0	7.9	7.9

€m	1Q13	4Q12	3Q12	2Q12	1Q12
WEALTH AND ASSET MANAGEMENT					
Revenues	702	738	682	710	706
Operating Expenses and Dep.	-509	-561	-523	-529	-522
Gross Operating Income	193	177	159	181	184
Cost of Risk	-3	54	3	1	-6
Operating Income	190	231	162	182	178
Associated Companies	7	7	6	12	7
Other Non Operating Items	0	0	10	1	5
Pre-Tax Income	197	238	178	195	190
Allocated Equity (€bn, year to date)	1.8	1.8	1.8	1.8	1.9

€m	1Q13	4Q12	3Q12	2Q12	1Q12
INSURANCE					
Revenues	538	525	495	475	475
Operating Expenses and Dep.	-257	-274	-253	-241	-234
Gross Operating Income	281	251	242	234	241
Cost of Risk	-4	2	1	-4	-5
Operating Income	277	253	243	230	236
Associated Companies	28	41	35	23	1
Other Non Operating Items	4	0	-2	1	1
Pre-Tax Income	309	294	276	254	238
Allocated Equity (€bn, year to date)	6.0	5.7	5.6	5.6	5.5

€m	1Q13	4Q12	3Q12	2Q12	1Q12
SECURITIES SERVICES					
Revenues	323	338	339	381	340
Operating Expenses and Dep.	-288	-301	-301	-299	-290
Gross Operating Income	35	37	38	82	50
Cost of Risk	0	8	0	0	0
Operating Income	35	45	38	82	50
Non Operating Items	0	4	6	-1	2
Pre-Tax Income	35	49	44	81	52
Allocated Equity (€bn, year to date)	0.5	0.5	0.6	0.6	0.5

€m	1Q13	4Q12	3Q12	2Q12	1Q12
CORPORATE AND INVESTMENT BANKING					
Revenues	2,461	1,983	2,381	2,230	3,121
Operating Expenses and Dep.	-1,590	-1,525	-1,476	-1,407	-1,901
Gross Operating Income	871	458	905	823	1,220
Cost of Risk	-80	-206	-190	-19	-78
Operating Income	791	252	715	804	1,142
Associated Companies	15	4	15	6	14
Other Non Operating Items	0	1	-7	1	2
Pre-Tax Income	806	257	723	811	1,158
Allocated Equity (€bn, year to date)	14.6	16.3	16.7	17.2	18.1

€m	1Q13	4Q12	3Q12	2Q12	1Q12
ADVISORY AND CAPITAL MARKETS					
Revenues	1,682	1,150	1,576	1,207	2,249
Operating Expenses and Dep.	-1,179	-1,083	-1,068	-962	-1,474
Gross Operating Income	503	67	508	245	775
Cost of Risk	-14	13	-17	-94	37
Operating Income	489	80	491	151	812
Associated Companies	9	-1	2	2	9
Other Non Operating Items	0	-2	-7	1	2
Pre-Tax Income	498	77	486	154	823
Allocated Equity (€bn, year to date)	7.0	7.9	8.1	8.3	8.8

€m	1Q13	4Q12	3Q12	2Q12	1Q12
CORPORATE BANKING					
Revenues	779	833	805	1,023	872
Operating Expenses and Dep.	-411	-442	-408	-445	-427
Gross Operating Income	368	391	397	578	445
Cost of Risk	-66	-219	-173	75	-115
Operating Income	302	172	224	653	330
Non Operating Items	6	8	13	4	5
Pre-Tax Income	308	180	237	657	335
Allocated Equity (€bn, year to date)	7.6	8.4	8.6	8.9	9.3

€m	1Q13	4Q12	3Q12	2Q12	1Q12
CORPORATE CENTRE (Including Klépierre)					
Revenues	-63	-349	-366	218	-871
Operating Expenses and Dep.	-273	-333	-263	-152	-180
Incl. Restructuring Costs	*-155*	*-174*	*-66*	*-104*	*-65*
Gross Operating Income	-336	-682	-629	66	-1,051
Cost of Risk	4	-32	62	2	-29
Operating Income	-332	-714	-567	68	-1,080
Associated Companies	-65	31	-15	31	76
Other Non Operating Items	9	-439	-5	-48	1,676
Pre-Tax Income	-388	-1,122	-587	51	672

Balance Sheet as at March 31, 2013

in millions of euros	31 March 2013	31 December 2012 (restatement)
ASSETS		
Cash and amounts due from central banks	78,904	103,190
Financial instruments at fair value through profit or loss		
Trading securities	165,567	143,465
Loans and repurchase agreements	171,364	146,899
Instruments designated at fair value through profit or loss	65,764	62,800
Derivative financial instruments	388,197	410,635
Derivatives used for hedging purposes	12,413	14,267
Available-for-sale financial assets	198,520	192,506
Loans and receivables due from credit institutions	49,456	40,406
Loans and receivables due from customers	634,337	630,520
Remeasurement adjustment on interest-rate risk hedged portfolios	7,110	5,836
Held-to-maturity financial assets	10,265	10,284
Current and deferred tax assets	8,512	8,732
Accrued income and other assets	134,036	99,207
Policyholders' surplus reserve	0	0
Investments in associates	7,061	7,031
Investment property	919	927
Property, plant and equipment	17,095	17,319
Intangible assets	2,580	2,585
Goodwill	10,626	10,591
TOTAL ASSETS	**1,962,727**	**1,907,200**
LIABILITIES		
Due to central banks	947	1,532
Financial instruments at fair value through profit or loss		
Trading securities	72,321	52,432
Borrowings and repurchase agreements	233,637	203,063
Instruments designated at fair value through profit or loss	45,698	43,530
Derivative financial instruments	385,555	404,598
Derivatives used for hedging purposes	15,765	17,286
Due to credit institutions	92,427	111,735
Due to customers	550,392	539,513
Debt securities	176,624	173,198
Remeasurement adjustment on interest-rate risk hedged portfolios	3,571	2,067
Current and deferred tax liabilities	2,973	2,944
Accrued expenses and other liabilities	111,740	86,691
Technical reserves of insurance companies	150,163	147,992
Provisions for contingencies and charges	11,264	11,379
Subordinated debt	14,184	15,223
TOTAL LIABILITIES	**1,867,258**	**1,813,183**
CONSOLIDATED EQUITY		
Share capital, additional paid-in capital and retained earnings	*82,435*	*75,654*
Net income for the period attributable to shareholders	*1,584*	*6,564*
Total capital, retained earnings and net income for the period attributable to shareholders	84,019	82,218
Change in assets and liabilities recognised directly in equity	3,505	3,226
Shareholders' equity	87,524	85,444
Retained earnings and net income for the period attributable to minority interests	7,500	8,161
Changes in assets and liabilities recognised directly in equity	445	412
Total minority interests	7,944	8,573
TOTAL CONSOLIDATED EQUITY	**95,469**	**94,017**
TOTAL LIABILITIES AND EQUITY	**1,962,727**	**1,907,200**

December 31, 2012 data restated following application of the IAS 19 amendment.

BUSINESS OF THE GROUP

Legal Status and Form of BNP Paribas

BNP Paribas is a French *société anonyme* registered with the *Registre du Commerce et des Sociétés* in Paris under number 662 042 449 (APE business identifier code: 651 C), licensed to conduct banking operations under the Monetary and Financial Code (*Code Monétaire et Financier, Livre V, Titre 1er*). BNP Paribas is domiciled in France; its registered office is located at 16, boulevard des Italiens - 75009 Paris, France (telephone number: +33 1 40 14 45 46). BNP Paribas is governed by banking regulations, the provisions of the Commercial Code applicable to trading companies and by its Articles of Association. The Bank's purpose (Article 3 of the Articles of Association) is to provide and conduct the following services with any legal entity or individual, in France and abroad, subject to compliance with the laws and regulations applicable to credit institutions licensed by the *Comité des Établissements de Crédit et des Entreprises d'Investissement*: any investment services, any services related to investment activities, any banking activities, any transactions related to banking activities, any purchase of an ownership interest, within the meaning of Book III, Title 1 relating to bank transactions, and Title II relating to investment services and their ancillary services, of the Monetary and Financial Code. The Bank was founded pursuant to a decree dated May 26, 1966, its duration has been extended to a period of 99 years as from September 17, 1993. Each financial year begins on January 1 and ends on December 31.

Business Overview

BNP Paribas, Europe's leading provider of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It is present in 78 countries and has almost 190,000 employees, including over 145,000 in Europe. BNP Paribas holds key positions in its three activities:

- Retail Banking, which includes:
  - a set of Domestic Markets, comprising
    - French Retail Banking (FRB),
    - BNL banca commerciale (BNL bc), Italian retail banking,
    - Belgian Retail Banking (BRB),
    - Other Domestic Markets activities, including Luxembourg Retail Banking (LRB);
  - International Retail Banking, comprising:
    - Europe-Mediterranean,
    - BancWest;
  - Personal Finance;
- Investment Solutions; and
- Corporate and Investment Banking (CIB).

BNP Paribas SA is the parent company of the BNP Paribas Group.

As at December 31, 2012, the Group had consolidated assets of €1,907.3 billion (compared to €1,965.3 billion at December 31, 2011), consolidated loans and receivables due from customers of €630.5 billion (compared to €665.8 billion at December 31, 2011), consolidated items due to customers of €539.5 billion (compared to €546.3 billion at December 31, 2011) and shareholders' equity (Group share including income for 2011) of €85.9 billion (compared to €75.4 billion at December 31, 2011). Pre-tax income for the year ended December 31, 2012 was €10.4 billion (compared to €9.7 billion for the year ended December 31, 2011). Net income, Group share, for the year ended December 31, 2012 was €6.6 billion (compared to €6.1 billion for the year ended December 31, 2011).

Except where otherwise specified, all financial information and operating statistics included herein are presented as of December 31, 2012.

Strategy

Group Outlook

In 2013, the Group will prepare a 2014-2016 business development plan based on the road maps of the various divisions with the goal of unveiling a comprehensive plan early in 2014.

The first phase of the plan is the launch of Simple and Efficient, an ambitious initiative to simplify the way the Group functions and improve operating efficiency.

The second phase will include specific business development plans by region and business unit. The first unveiled plan covers the Asia Pacific region.

Simple & Efficient: An Ambitious Plan to Simplify the Way the Group Functions and Improve Operating Efficiency

In 2013, the Group will launch a three-year €1.5 billion investment program designed to simplify the way it functions and improve its operating efficiency.

The Group is aiming to improve operating efficiency in order to achieve cost savings starting in 2013 and which are expected to reach €2 billion a year as of 2015. About half of these savings are expected to come from Retail Banking, a third from CIB and a sixth from Investment Solutions. This will be achieved without closing down any businesses and with the dedication of the entire Group.

In order to maximize the benefits, General Management will head the program and a specially-dedicated team will provide across-the-board monitoring, facilitating project management across several business units and functions.

The program will include five areas for transformation (process review, system streamlining, operating simplification, customer service and cost optimisation) and across-the-board approaches to improving operating efficiency (digitization of business processes, increased delegation, simplified internal reporting, etc.). Over 1,000 initiatives have already been identified in the Group.

Asia Pacific: A Region for the Group to Focus its Business Development

With a workforce of nearly 8,000 persons[35] working for CIB and Investment Solutions, and a presence in 14 markets, the Group believes it is one of the best positioned international banks in Asia Pacific where it has had a long-standing presence. CIB and Investment Solutions currently make about 12.5% of their revenues there, or €2 billion.

In the fast-growing region, the Group has recognized franchises especially in Trade Finance (with 25 trade centers), Cash Management (number 5 in Asia), Fixed Income (number 1 for FX Derivatives and number 1 Interest Derivative Dealer), Equities and Advisory (number 2 Equity Derivatives Dealer), Private Banking (number 8 with 30 billion in assets under management in 2012), Insurance (7th among non-Asian insurers), and has a strong presence in the petroleum and gas, metals and mining products sectors as well as air transport. The Group also has successful partnerships with a number of leading domestic players.

By leveraging its solid platforms, the Group's goal is to grow CIB's and Investment Solutions' revenues in Asia to over €3 billion by 2016, or a compounded annualized growth rate on the order of 12%.

The Group expects to grow its financed assets by the same magnitude and, likewise, to grow the gathering of deposits in the region. Within the next three years, the Group also expects to hire about 1,300 people in the region to work in Investment Solutions and CIB.

For corporate clients, the Group will bolster the commercial organisation geared to multinational corporations as well as local large and medium-sized businesses. Thereby, it will expand its domestic client base, service global clients in Asia Pacific and its Asian clients as they take their businesses global. It will hence step up the effort with respect to Trade Finance and Cash Management and, in Fixed Income, speed up the roll out of bonds, flow products, and hedging instruments. At the same time, the Group will heighten its presence with investors rolling out Originate to Distribute, developing Asset Management and Securities Management, expanding the Private Banking client base and stepping up cross-selling between CIB and Investment Solutions. Lastly, the Group will forge new partnerships, especially in Insurance with the objective of developing business in China and Indonesia.

A member of the Executive Committee, already based in the region, will oversee the Group's business and development.

35 Excluding partnerships.

Retail Banking

The Bank's strategy for 2013 is summarized below according to its three principal activities.

Domestic Markets

In 2013, Domestic Markets will continue its strong commitment to its clients, invest in innovation and pursue its effort to streamline operations.

It will thus prepare the retail bank of the future. For individual customers, it will expand innovative online banking services, in particular for mobile phones and continue to develop new payment solutions. For corporate customers, it will continue to expand One Bank for Corporates in association with CIB whilst continuing to acquire new customers (already 2,600 new accounts by year-end 2012) and bolstering the service offering, in particular in Cash Management, leveraging on its leading position in the eurozone. With respect to VSEs & SMEs, Domestic Markets will capitalize on the network of Small Business Centers (59 in France, 42 in Italy) and focus on developing synergies with Leasing Solutions and Arval. Private Banking will leverage its leadership position in the eurozone to grow its business in Italy and to pursue synergies with corporates and small businesses.

In Domestic Markets as a whole, the business unit will upgrade its networks based on the needs of its customers with more advisory and less transaction related services and more diversified formats.

An ambitious plan was thus unveiled in Belgium in December 2012 (Bank for the Future) designed to anticipate new customer behaviors (mobile banking, customer relations centers, less in-branch teller business and increased commercial meetings with clients) and to improve operating efficiency.

International Retail Banking

The retail banking networks outside the eurozone will roll out the Group's integrated business model whilst adapting themselves to local specificities.

Europe-Mediterranean will continue its selected business development with the opening of branches in regions with fast-paced growth (such as Morocco); adapt the set up and offering to online banking; develop business with institutional customers and grow cash management. With respect to Turkey, TEB will continue to grow its business, in particular by continuing to step up cross-selling with Investment Solutions and CIB.

At BancWest, in a more favorable economic context, the commercial offering will be expanded, in particular by developing Private Banking, closer cooperation with CIB and enhancing the Cash Management offering. Lastly, BancWest will continue to upgrade and streamline the branch network.

Personal Finance

Personal Finance will continue to adapt to the new environment.

In France, the business unit will continue to transform its business model whilst growing Cetelem Banque's business (gathering of savings and sale of protection insurance products), implementing the process of assisting clients in a difficult position and leveraging its business alliance with BPCE (joint venture up and running on January 1, 2013) to share certain development costs.

In Italy, Personal Finance will roll out Findomestic Banca (marketing of deposit accounts and insurance products) and continue product innovation.

Lastly, the business unit will continue to develop engines of growth: in Russia by implementing the strategic alliance with Sberbank; in the automobile sector, through partnerships with European manufacturers and distributors; in the Group's retail banking networks in emerging countries, by rolling out PF Inside; and, lastly, by expanding the Internet offering.

Investment Solutions

In 2013, Investment Solutions will continue to strengthen its leadership positions in Europe with targeted clientele, in particular Ultra High Net Worth Individuals in Private Banking and institutional clients.

The business unit will continue to innovate and expand its product offering: in Securities Services, by capitalizing on changes in regulations in the field of market infrastructure; in Asset Management, by developing high value added products; in all the business units, by rolling out the online banking service offering.

Investment Solutions will continue international business development in fast growing countries, in particular by bolstering platforms in Asia Pacific, Latin America and the Gulf countries. Lastly, Insurance will continue to be a powerful driver of growth within the business unit.

Corporate and Investment Banking

In 2013, CIB will continue transforming the business model, whilst bolstering its operations in Asia and North America.

Advisory and Capital Markets will continue to expand the product offering whilst strengthening flow product platforms, developing market infrastructure access and collateral management services and continuing to grow the bond origination businesses.

Corporate Banking will continue its transformation, further increasing client deposits by expanding Cash Management whilst developing a regional approach to be closer to clients.

The roll out of Originate to Distribute will be stepped up by leveraging on already strong positions in syndication, securitization and bond issues and by developing innovative distribution channels (debt funds).

History

BNP was formed in 1966 through the merger of Comptoir National d'Escompte de Paris ("CNEP") and Banque Nationale pour le Commerce et l'Industrie ("BNCI"). CNEP, which was organized in 1848 and was initially involved primarily in business financing in Paris, grew its French network over the years and actively participated in the industrial development of France, financing such projects as railroad and industrial construction. BNCI, which succeeded Banque Nationale du Commerce in 1932, focused on a dual strategy of expansion within France by acquiring several regional banks and establishing operations abroad. At the time of their nationalization in 1945, BNCI and CNEP were, respectively, the third and fourth largest French banks in terms of assets.

The French government owned over 80% of the voting stock of BNP and its predecessor banks until 1982 and owned 100% of the voting stock of BNP from 1982 until 1993. In October 1993, BNP was privatized through the offering of shares to the public in France and internationally. During the 1990s, BNP launched new banking products and services and expanded its presence in France and internationally, while positioning itself to benefit fully from the introduction of the euro. Privatization also significantly boosted BNP's profitability – in 1998, it led the French banking industry in terms of return on equity.

Banque Paribas was founded in 1872 under the name of Banque de Paris et des Pays-Bas, as a result of a merger between a Dutch bank, Banque de Crédit et de Dépôts des Pays-Bas, and a French bank, Banque de Paris. In 1968, a holding company called Compagnie Financière de Paris et des Pays-Bas was created and all banking activities were transferred to a subsidiary also called Banque de Paris et des Pays-Bas. In June 1982, when it was nationalized, the name of the holding company was changed to Compagnie Financière de Paribas and the name of the bank was changed to Banque Paribas.

Compagnie Financière de Paribas was privatized in 1987, resulting in the effective privatization of Banque Paribas. In 1998, Banque Paribas was merged with the holding company and certain of the holding company's subsidiaries, and the surviving entity was renamed Paribas.

In 1999, following a public tender offer without precedent in the French banking industry and a six-month stock market battle, BNP and Paribas effected a merger of equals. 2000 was the first full year of operation of the BNP Paribas Group in its new configuration, following approval of the merger at the extraordinary general meeting on May 23, 2000.

In the first half of 2006, BNP Paribas acquired BNL, Italy's sixth largest bank. This acquisition transformed BNP Paribas, providing it with access to a second domestic market in Europe. All of the Group's businesses have since been able to draw on a national banking network in both Italy and France to develop their business.

In 2009, BNP Paribas acquired Fortis Bank and BGL (Banque Générale du Luxembourg), thereby creating a European leader in retail banking, with four domestic markets.

Retail Banking

With 7,150 branches in 41 countries, 22 million individual, professional and small business customers, 216,000 corporate clients and institutions and over 12 million active customers at Personal Finance, BNP Paribas generated more than half of its revenues from retail banking activities in 2012. Retail banking activities employ 135,000 people, representing 71% of the Group's headcount.

Retail Banking comprises Domestic Markets, International Retail Banking (IRB) and Personal Finance (PF).

Domestic Markets

Domestic Markets comprises the retail banking networks of BNP Paribas in France (FRB), Italy (BNL bc), Belgium (BRB operating under the BNP Paribas Fortis brand) and Luxembourg (LRB operating under the BGL BNP Paribas brand), together with three specialist activities: Arval (multi-brand full service vehicle leasing), BNP Paribas Leasing Solutions (leasing and rental solutions ranging from equipment financing to fleet management services) and BNP Paribas Personal Investors (online savings and brokerage). In addition, Wealth Management develops its private banking model in the domestic markets. Lastly, Cash Management and Factoring complete the services provided to corporate clients, deployed under the "One Bank for Corporates in Europe and Beyond" concept, in synergy with CIB's Corporate Banking unit.

Domestic Markets has a total of 4,150 branches, more than 15 million retail clients, 268,500 private banking clients and 176,000 corporate clients. It employs a total of 76,000 people, including 66,000 in the four domestic networks. Through its three specialist activities, Domestic Markets operates in a total of 26 countries.

Domestic Markets plays a strategic role for the Group, by providing a large base of deposits and off-balance sheet savings, supporting both retail and corporate clients, financing the economy and preparing the retail banking business of the future. Five transversal missions – Business Development, IT, Operations, Human Resources and Communications – provide the business lines with their expertise.

With Domestic Markets, BNP Paribas is no. 1 in Cash Management in Belgium, Italy and France (according to *Euromoney*), leading private bank in France (according to *Professional Wealth Management* and *The Banker*) as well as in Luxembourg (according to *Euromoney*) and no. 1 in Europe in equipment financing for professionals (according to *Leaseurope* 2011 rankings).

French Retail Banking (FRB)

French Retail Banking (FRB) employs 31,500 people to support all its clients with their plans and projects. It has a client base made up of 6.9 million individual and private banking clients, 639,000 small business and professional clients and more than 80,000 corporate and institutional clients. The division offers a broad line-up of products and services, ranging from current account services to the most innovative financial engineering services in the areas of corporate financing and asset management.

During 2012, FRB acquired more than 430,000 new clients. FRB continues to invest in its branch network, which already forms part of a much broader multi-channel structure, with a view to providing its clients with an ever closer service. The network is organized by client category:

- 2,200 branches and 5,934 ATMs operating under the BNP Paribas and BNP Paribas - Banque de Bretagne brands. More than 75% of the branches have now been refurbished to the "Welcome & Services" standard. New generation branches have also been tested in the Paris region and the Drôme department;
- 217 Wealth Management centers, making BNP Paribas the no. 1 private bank in France (based on assets under management)[36];
- 58 Small Business Centers which help small businesses and SMEs to manage their wealth planning projects or projects related to their company's life cycle;
- a unique network of 28 Business Centers dedicated to corporate customers across the length and breadth of the country, as well as a professional assistance service – *Service Assistance Enterprise* (SAE) – and Cash Customer Services (CCS);
- specialist subsidiaries including factoring company BNP Paribas Factor, BNP Paribas Développement, a private equity provider, and Protection 24, a remote surveillance firm;

[36] Source: Décideurs Stratégie Finances Droit 2012.

- 54 production and sales support branches, back offices that handle all the transaction processing operations.

FRB also provides its clients with a full online relationship capability, based on:

- the bnpparibas.net website, offering services used by more than 2.5 million clients;
- 3 Client Relationship Centers in Paris, Lille and Orléans, which handle all requests received by e-mail, telephone or instant messaging, and 2 specialist contact centers "*Net Crédit*" and "*Net Épargne*";
- the NET Agence online bank, offering prospective clients all the services and products of a large bank available online with a dedicated adviser.

This online offering was elected client service of the year 2013[37], demonstrating BNP Paribas' aim of continuously adapting its capability, for example by integrating new forms of contact: SAV Twitter and the Facebook page already have more than 220,000 members.

BNL Banca Commerciale

BNL bc is Italy's 6th largest bank in terms of total assets and loans to customers[38] It provides a comprehensive range of banking, financial and insurance products and services to meet the needs of its diversified client base consisting of:

- around 2.2 million[39] individual and 28,100[39] private banking clients (number of households);
- 144,800[39] small business clients;
- over 26,200[39] medium and large companies, including Large Relationships consisting of around 455 groups and 1,800 operating companies;
- 16,000[39] local authorities and non-profit organizations.

In retail and private banking, BNL bc has a strong position in lending, especially residential mortgages (market share of around 7%[40]), and a growing deposit base (market share of 3.9%[40] for current accounts) well ahead of its network penetration (2.7%[40] in terms of branch numbers).

BNL bc also has a long-standing tradition in supporting large companies and local authorities (with market shares for loans to corporates of over 4%[40] and 1.2%[41] for loans to local authorities) with a well-established reputation in cross-border payments, project financing and structured finance, as well as factoring through its specialized subsidiary Ifitalia (which ranks 3rd in the market in terms of annual turnover[42]).

BNL bc has adopted a multi-channel distribution approach, organized into regions (*"direzioni territoriali")* with the Retail & Private Banking and Corporate Banking activities being run as separate structures:

- close to 890 branches;
- 33 Private Banking Centers;
- 42 Small Business Centers;
- 53 branches dealing with small and medium enterprises, large corporates, local authorities and public sector organizations;
- 5 Trade Centers in Italy for its clients' cross-border activities, complementing BNP Paribas' international network;
- a network of 10 Italian Desks, mainly located in the Mediterranean area, to assist Italian companies in their operations abroad as well as multinational companies with direct investments in Italy.

The multi-channel offering is complemented by some 1,950 ATMs and 38,000 POS terminals, as well as telephone and online banking for both retail and corporate clients.

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[37] Source: Cabinet Viséo Conseil.

[38] Source: annual and interim reports of BNL and its peers.

[39] Active clients.

[40] Source: Bank of Italy.

[41] Source: Bank of Italy. Since 2012, the Bank of Italy's statistics have included Cassa Depositi e Prestiti (CDP), a state-owned financial institution operating in the local authorities segment. Excluding CDP, BNL bc's market share is about 5%.

[42] Source: Assifact.

Belgian Retail Banking (BRB)

Retail & Private Banking (RPB)

- BNP Paribas Fortis is no. 1 in personal and small business banking in Belgium, with 3.6 million clients and high-ranking positions in all banking products[43] .BNP Paribas Fortis serves its clients and finances the economy through various networks forming part of a multi-channel distribution strategy. The branch network comprises 938 branches (of which 277 are independent), plus 680 customer service points under the partnership with Bpost Bank and 310 Fintro franchise outlets[44].
- RPB's Client Relationship Management (CRM) center manages a network of 4,382 cash dispensers, as well as online and mobile banking services via the easy banking app (1.2 million users).
- A Client Contact Center is also available and handles up to more than 10,000 calls daily.

Since July 1, 2012, the network has been reorganized into seven rather than nine regions and from January 1, 2013, the 938 branches will be organized into 164 branch groups, which will report to 29 regional Head Offices. This new structure is designed to deliver further improvement in client service.

BNP Paribas Fortis is a major player in the Belgian private banking market. Its services are aimed at individual customers with assets of more than €250,000. Wealth Management caters to clients with assets of more than €4 million. Clients are served through 37 Private Banking centers and two Wealth Management centers.

Corporate & Public Bank Belgium (CPBB)

CPBB offers a comprehensive range of financial services to corporates, public entities and local authorities. With more than 600 corporate clients and 12,500 midcap clients, it is the market leader[45] in both categories and a challenger in public banking with 710 clients. CPBB keeps very close to the market through its team of more than 40 corporate bankers and 210 relationship managers operating out of 22 Business Centers, supported by specialists in specific areas.

Luxembourg Retail Banking (LRB)

BGL BNP Paribas provides a broad range of financial products and services to personal, small business and corporate clients through a network of 38 branches and its departments dedicated to corporate clients. It is the 2nd-largest retail bank in Luxembourg in terms of personal banking, with a total of 206,719 customers representing a market share of 16%[46]. It is the leading commercial bank with 39,802 corporate clients representing a market share of 35%[46].

BGL BNP Paribas' private banking teams provide tailored, integrated wealth management and planning solutions. They are proposed mainly as a complement to daily banking services in the six private banking sites backed by the branch network.

Arval

Specialist in multi-brand full service vehicle leasing, Arval offers its customers tailored solutions that optimize their employee's mobility and outsource the risks associated with fleet management. Expert advice and service quality are delivered by more than 4,000 employees in 25 countries. Arval is also supported by strategic partnerships in 14 countries. It also benefits from the solid infrastructure and far-reaching network of the BNP Paribas Group.

At the end of December 2012, Arval's leased vehicle fleet was stable compared with 2011.

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[43] Source: Benchmarking Monitor September 2012 and Strategic Monitor Small Professionals 2011.

[44] In December 2012, Fintro had 312 branches, more than 1,000 employees and €9.22 billion in assets under management (excluding insurance) and 268,000 active customers.

[45] Source: TNS survey, 2012.

[46] Source: ILRES survey, October 2012.

At the same date, Arval had a total leased fleet of 689,000 vehicles. Arval is a major European player in full service vehicle leasing and no. 1 in multi-brand leasing in France[47] and Italy[48] and no. 2 in Poland[49] in terms of leased vehicles.

BNP Paribas Leasing Solutions

BNP Paribas Leasing Solutions uses a multi-channel approach (direct sales, sales via referrals, partnerships and banking networks) to offer corporate and small business clients an array of leasing and rental solutions, ranging from equipment financing to fleet outsourcing.

To deliver optimum service to its clients, BNP Paribas Leasing Solutions has chosen to adopt an organization structure specialized by markets, with integrated sales and operating teams:

- Equipment & Logistics Solutions for farming machinery, construction and public works equipment, light commercial and industrial vehicles;
- Technology Solutions for office, IT and telecoms equipment;
- Bank Leasing Services for leasing products to BNP Paribas bank network customers.

For the third year running, BNP Paribas Leasing Solutions remains the European leader in equipment financing with Arval[50] and has consolidated on its contribution to financing the economy.

BNP Paribas Leasing Solutions arranged more than 282,140 financing deals in 2012. Its total outstandings under management exceed €19.4 billion[51].

BNP Paribas Personal Investors

BNP Paribas Personal Investors provides independent financial advice and a wide range of investment services to individual clients. It comprises three players:

- Cortal Consors is the European specialist in online savings and brokerage for individuals, providing online trading services and personal investment advice via Internet, telephone and face-to-face to over one million clients in Germany, France and Spain. Its broad range of independent products and services includes short-term investment solutions, mutual funds and life insurance;
- B*capital, an investment company, offers to its clients in France direct access to a complete range of markets (equities, bonds, derivatives), providing financial analysis as well as customized advice and active portfolio management. B*capital is the majority shareholder in stockbroker Portzamparc, specialized in small and mid-cap businesses;
- Geojit BNP Paribas is one of the leading retail brokers in India. It provides brokerage services for equities, derivatives and financial savings products by phone, online and via a network of around 500 branches throughout India. Geojit BNP Paribas also operates in the United Arab Emirates, Saudi Arabia, Oman, Bahrain and Kuwait, where it targets mainly a non-resident Indian clientele.

BNP Paribas Personal Investors manages TEB Investment activities in Turkey, which include brokerage services for retail investors via Internet and a network of 34 branches.

At December 31, 2012, BNP Paribas Personal Investors[52] had 1.5 million customers and €35.1 billion in assets under management, of which 39% was invested in equity assets, 34% in savings products or mutual funds and 27% in cash. BNP Paribas Personal Investors employs 2,171 staff.

International Retail Banking (IRB)

IRB comprises the Bank's retail banking activities in 15 countries outside the euro zone.

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[47] Source: Syndicat National des Loueurs de Voitures Longue Durée, France 4th quarter 2012.

[48] Source: FISE ANIASA (*Federazione Imprese di Servizi - Associazione Nazionale Industria dell'Autonoleggio e Servizi Automobilistici*), Italy, December 2012.

[49] Source: PZWLP, Poland, 4th quarter 2012.

[50] Source: Leaseurope 2011 league tables published in August 2012.

[51] Amounts after servicing transfer, including short-term outstandings.

[52] Including 34% of Geojit BNP Paribas.

It has three business lines:

- Retail Banking, serving close to 7 million clients through a multi-channel distribution network (including 3,000 branches);
- Wealth Management, in cooperation with Investment Solutions;
- services for corporate clients, providing local access to all BNP Paribas products and services, as well as support in all the Group's countries through a network of 83 Business Centers, 22 Trade Centers and 16 MNC Desks.

BancWest

In the United States, the retail banking business is conducted through Bank of the West and First Hawaiian Bank, subsidiaries of BancWest Corporation since 1998, wholly-owned by BNP Paribas since the end of June 2001.

Until 2006, BancWest pursued a policy of acquisitions to develop its franchise in western America. In the past six years, it has focused on organic growth, by strengthening its infrastructure and, more recently, developing its sales and marketing capability, especially in the corporate segment and in Wealth Management.

Bank of the West markets a very broad range of retail banking products and services to individuals, small businesses and corporate clients in 19 States in western and mid-western America. It also has strong positions across the USA in certain niche lending markets, such as marine, recreational vehicles, church lending, small business and agribusiness.

With a local market share of more than 42% in deposits[53], First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and corporates.

BancWest currently serves some 1.5 million households. In total, it has 11,766 employees, close to 800 branches and corporate offices, and total assets close to $80 billion at December 31, 2012. It ranks as the 7th-largest commercial bank in the western United States by deposits[53].

In 2012, for the second year running, Bank of the West came top of the regional banks in the *Market Probe* awards for its "Customer Advocacy score", demonstrating the excellent customer satisfaction levels it has achieved.

Europe-Mediterranean

Europe-Mediterranean (EM) operates a network of 2,046 branches in 14 geographical areas. It is present in Turkey, Central and Eastern Europe (Poland and Ukraine), the southern Mediterranean Basin (Morocco, Algeria and Tunisia), sub-Saharan Africa and in Asia through partnerships.

EM is gradually rolling out the BNP Paribas Group's integrated Retail Banking model which has proved so successful in its domestic markets by providing local customers with the expertise for which the Group has a strong competitive position in the market (dynamic customer segmentation, Cash Management, Trade Finance, multi-channel distribution, specialized financing, wealth management, mobile banking, etc.).

In December 2012, Emirates NBD and BNP Paribas announced that they had signed a definitive agreement whereby BNP Paribas will sell its entire stake in BNP Paribas Egypt S.A.E. (BNP Paribas Egypt) to Emirates NBD, subject to Central Bank of Egypt approval and other regulatory approvals in Egypt and the United Arab Emirates.

Personal Finance

BNP Paribas Personal Finance, European no. 1 in personal loans[54]

BNP Paribas Personal Finance (PF) is the Group's consumer credit specialist, with over 12 million active customers. It also has a residential mortgage lending business. With more than 16,000[55] employees in around 20 countries, BNP Paribas Personal Finance ranks as the leading player in France and in Europe[54].

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53 Source: SNL Financial, June 30, 2012.

54 Source: annual reports of companies specialized in consumer credit.

55 Excluding LaSer staff.

Through brands such as Cetelem, Findomestic and AlphaCredit, BNP Paribas Personal Finance provides a comprehensive range of consumer loans at point of sale (retail stores and car dealerships) and directly to clients either online or through its customer relation centers. The consumer credit business also operates within the Group's retail banking network in the emerging countries, through the "PF Inside" set-up. In France and Italy, Personal Finance's offer was complemented with insurance and savings products.

It is also developing an active strategy of partnerships with retail chains, web merchants and other financial institutions (banking and insurance) drawing on its experience in the lending market and its ability to provide integrated services tailored to the activity and commercial strategy of its partners. It is also a leading player in responsible lending and financial literacy.

Core Commitment to Responsible Lending

BNP Paribas Personal Finance has made responsible lending the basis of its commercial strategy as a means of ensuring sustainable growth. At each stage of the customer relationship, from preparing an offer through to granting and monitoring a loan, responsible lending criteria are applied. These criteria are based on needs of customers – who are central to this approach – and customer satisfaction, which is assessed regularly.

This cross-company approach is implemented according to the specific characteristics of each country. In addition, structural measures such as the design and distribution of accessible and responsible products and services, as well as the "Debt Collection Charter", are rolled out and implemented in all countries.

France has the most comprehensive Personal Finance offering, including identifying and assisting clients in a potentially difficult financial position, access to independent business mediation and, since 2004, monitoring of three responsible lending criteria which are disclosed on a yearly basis: refusal rate, repayment rate and risk rate.

Since 2007, BNP Paribas Personal Finance has supported the development of personal microfinance guaranteed by the *Fonds de Cohésion Sociale*. At the end of 2012, it had granted more than 355 micro-loans totaling €724,155.

Investment Solutions

Combining BNP Paribas' activities related to the collection, management, development, protection and administration of client savings and assets, Investment Solutions offers a broad range of high value-added products and services around the world, designed to meet all the requirements of individual, corporate and institutional investors.

Investment Solutions comprises 5 business lines, with highly complementary expertise:

- Insurance: BNP Paribas Cardif (7,540 employees, 38 countries, €170 billion in assets under management);
- Securities Services: BNP Paribas Securities Services (7,830 employees, 32 countries, €1,010 billion in assets under administration, €5,524 billion in assets under custody);
- Private Banking: BNP Paribas Wealth Management (6,070 employees, 28 countries, €265 billion in assets under management);
- Asset Management: BNP Paribas Investment Partners (3,340 employees, 40 countries, €405 billion in assets under management);
- Real Estate: BNP Paribas Real Estate (3,120 employees, 36 countries, €13 billion in assets under management).

In total, Investment Solutions is present in 70 countries with around 25,650[56] employees.

All the Investment Solutions businesses hold leading positions in Europe, where they operate in the key domestic markets of the BNP Paribas Group (France, Italy, Belgium, Luxembourg) and in Switzerland, the United Kingdom and Germany. Investment Solutions is also actively working to further its international development in high growth regions such as Asia-Pacific, Latin America and the Middle East, where the businesses are expanding their activities through new operations, acquisitions, joint ventures and partnership agreements.

56 Including share of BNP Paribas Wealth Management employees.

BNP Paribas Cardif

BNP Paribas Cardif insures people, their families and their property. It has operations in 38 countries, nearly 90 million customers and strong positions in Europe, Asia and Latin America.

As a global player in personal insurance, BNP Paribas Cardif develops savings and protection products and services that comply with its Social and Environmental Responsibility policy.

It provides savings solutions for setting aside and building up a retirement provision through multi-fund life insurance contracts, guaranteed capital products and unit-linked funds.

In addition to its flagship loan insurance business, BNP Paribas Cardif has expanded its protection offering to encompass health insurance, budget, income and payment means protection, extended warranty, property and casualty insurance, and back-to-work assistance.

BNP Paribas Cardif sells its products through a multi-channel distribution network:

- Retail Banking channel, which sells insurance products through the BNP Paribas branch networks in France, Italy, Belgium, Luxembourg, Poland, Turkey and Ukraine;
- Partnerships channel, which distributes insurance products through partners worldwide, including banks, financial institutions, consumer credit companies, credit subsidiaries of car manufacturers and major retail groups;
- Digital & Brokers channel, encompassing BNP Paribas Cardif's digital capability, which is essential to its partners' distribution strategy, and its brokerage capability (Belgium, Luxembourg, Netherlands and United Kingdom).

All in all, more than half of BNP Paribas Cardif's operations are international. It has over 7,500 employees, of which 70% outside France.

BNP Paribas Cardif aims to be the world leader in insurance partnerships and leader in personal insurance solutions.

BNP Paribas Securities Services

BNP Paribas Securities Services is one of the major global players in securities services[57]. In 2012, assets under custody grew by +22.3% compared with 2011 to stand at €5,524 billion. Assets under administration grew by +22% to €1,010 billion and the number of funds declined by -0.9% to 6,979. The number of transactions settled fell by -7.7% to 45 million, in a context of weaker activity in the financial markets.

BNP Paribas Securities Services provides integrated solutions for all actors involved in the investment cycle: sell side, buy side and issuers:

- sell-side operators such as investment banks, broker-dealers, banks and market infrastructures are offered customized solutions in execution services, derivatives clearing, local and global clearing, settlement and custody for all asset classes worldwide. Outsourcing solutions for middle and back-office activities are also provided;
- buy-side institutional investors such as asset managers, alternative fund managers, sovereign wealth funds, insurance companies, pension funds, fund distributors and promoters, have access to a broad range of services. These include global custody, depository bank and trustee services, transfer agency and fund distribution support, fund administration and middle-office outsourcing, investment reporting and risk and performance measurement;
- issuers (originators, arrangers and corporates) are provided with a wide range of corporate trust solutions: securitization and structured finance services, debt agency services, issuer advisory, stock option and employee stock plans, shareholder services and management of Annual General Meetings;
- market and financing services are provided across all client types. These include securities lending and borrowing, foreign exchange, credit and collateral management, outsourced trading service and cash financing.

[57] Source: BNP Paribas Securities Services figures at December 31, 2012 for assets under custody; financial releases of Top 10 competitors.

Wealth Management

BNP Paribas Wealth Management encompasses BNP Paribas' private banking activities and serves a clientele of wealthy individuals, shareholder families and entrepreneurs seeking a one-stop shop for all their wealth management and financial needs. This global approach is based on a high value-added offering that includes:

- wealth planning services;
- financial services (advisory services in asset allocation, selection of investment products, discretionary portfolio management);
- customized financing;
- expert diversification advice (vineyards, art, real estate and philanthropy).

The business is organized in a way that aims to consolidate the Group's positioning in retail banking, by providing the branch networks in the domestic markets with private banking capability, and to strengthen Wealth Management's positioning as a leading player in fast growing markets, particularly in Asia and the emerging markets.

This growth is supported by increased cross-functionality between geographies and support functions, developing new talent through the Wealth Management University and optimizing processes and tools.

With €265 billion in assets under management in 2012 and about 6,100 professionals in close to 28 countries, BNP Paribas Wealth Management ranks "Best Private Bank in Europe[58]", equal "Second Best Global Private Bank[58]" , "Best Foreign Private Bank" in Hong Kong[59], no. 1 in France[60] and no. 1 for philanthropy services[60]. Other distinctions include "Best Private Bank in Alternative Investment[61]" and "Best Private Bank in Taiwan[61]".

These numerous awards reflect the robustness of BNP Paribas Wealth Management's positioning as a responsible, innovative bank, committed to delivering superior customer service.

BNP Paribas Investment Partners

BNP Paribas Investment Partners (BNPP IP) is the asset management arm of the BNP Paribas Group and is comprised of a network of 22 specialized companies worldwide.

A global investment solution provider, BNPP IP has three main distinct groups of investment expertise:

- *Multi-expertise investment capabilities*: BNP Paribas Asset Management, the largest entity in terms of assets under management, manages the major asset classes with investment teams operating in key markets;
- *Specialist Investment Partners*: specialists in a particular asset class or field (mainly alternative and multi-management), operating as boutique-like structures. THEAM is the most representative example;
- *Local and regional solution providers*: local asset managers covering a specific geographical region and/or clientele, the majority in emerging markets.

With €405 billion in assets under management and advisory on behalf of external clients[62] and over 3,300 staff operating in 40 countries, BNPP IP offers a full range of investment management services to both institutional clients and distributors in 70 countries.

BNPP IP has offices in the world's major financial centers, including Brussels, Hong Kong, London, Milan, New York, Paris and Tokyo. It has a strong presence in a large number of emerging markets with local teams in Brazil, China, India, Indonesia, Russia and Turkey, enabling it to adapt its offering to the local needs of each market. This is why BNPP IP can be considered both a global investor and a local partner.

BNPP IP is the sixth largest player in Europe and among the top twenty asset managers worldwide[63].

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[58] Source: Private Banker International 2012.

[59] Source: Private Banker International 2012 Greater China Awards.

[60] Source: Professional Wealth Management and The Banker.

[61] Source: Asian Private Banker 2012.

[62] Including distributed assets.

[63] Source: IPE magazine July 2012 based on assets managed at December 2011.

BNP Paribas Investment Partners combines the financial strength, distribution network and disciplined management of the BNP Paribas Group with the reactivity, specialization and entrepreneurial spirit of investment boutiques.

BNP Paribas Real Estate

With 3,120 employees, BNP Paribas Real Estate ranks as continental Europe's no. 1 provider of real estate services to corporates[64] and as one of France's leading players in residential property.[65]

Clients are the focus of its business strategy and its commercial organization. Its clients comprise businesses, institutional investors, private individuals, property developers and public entities. BNP Paribas Real Estate can meet their needs at every stage in a property's life cycle, through its comprehensive range of services.

- Property development - no. 1 in commercial property in France[65];
- Advisory (Transaction, Consulting, Valuation) - no. 2 in France and no. 1 in Germany[66];
- Property Management - no. 1 in France[67] and Belgium[68];
- Investment Management – no. 1 in Italy and no. 3 in France[66].

This integrated offering is built around international business lines.

In commercial property, BNP Paribas Real Estate supports its clients in 36 countries, through a direct presence (16 countries) or via alliances with local partners in 20 countries.

In residential real estate, BNP Paribas Real Estate's activities are chiefly based in France (Paris region and a few other big regional city areas).

As a responsible corporate citizen, BNP Paribas Real Estate is engaged in a number of programs promoting environmental protection, architecture and training for young people.

Corporate and Investment Banking

BNP Paribas Corporate & Investment Banking (CIB) employs just over 19,000 people in nearly 45 countries. BNP Paribas CIB provides its clients with corporate banking, advisory and capital markets services. In 2012, BNP Paribas CIB contributed 25% of the BNP Paribas Group's revenues and 29% of its pre-tax income.

BNP Paribas CIB's 15,000 clients, consisting of corporates, financial institutions and investment funds, are central to its strategy and business model. Staff's main aim is to develop and maintain long-term relationships with clients, support them in their expansion or investment strategy and provide global solutions to meet their financing, advisory and risk management needs. With a strong base in Europe and far-reaching ambitions in Asia and North America, BNP Paribas CIB is the European partner of choice for corporates and financial institutions worldwide.

In preparation for future regulatory changes and new capital requirements, at the end of 2011 BNP Paribas CIB implemented an adaptation plan to reduce its dollar funding needs and its asset base. In parallel, it embarked on the transformation of its business model to enable it to continue supporting its clients in their growth. As one of its transformative initiatives, BNP Paribas has developed an "originate to distribute" model combining its strong origination and distribution capacities, in order to bridge the gap between borrowers' expectations in terms of financing and those of investors in terms of yield, by creating a differentiated investment offer.

By the end of 2012, BNP Paribas CIB had successfully completed its adaptation plan and was one of the leading players in the market, thanks to its diversified product range and geographic reach. In recognition of this success, BNP Paribas was awarded the prestigious "Bank of the Year" award in December 2012 by *IFR* (*International Financing Review*).

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[64] Source: Property Week, June 2012.

[65] Source: Innovapresse property developer league tables, June 2012.

[66] Source: Euromoney, September 2012.

[67] Source: Lettre M2.

[68] Source: Expertise, October 2012.

Corporate Banking

Corporate Banking (CB) has two main goals: to deliver superior service to its clients through a closer relationship and comprehensive product offering, and to increase its self-funding capacity.

Corporate Banking comprises all financing products and services for corporate clients, from transaction banking to specialized financing solutions, including vanilla lending, specialized financing (energy and commodities, aircraft, shipping, real estate, export, leveraged financing, project, corporate acquisition financing and media telecom), cash management and international trade finance. The Corporate Banking offer has recently been expanded with a line of products dedicated to the gathering of corporate deposits ("Corporate Deposit" business line).

Corporate Banking is organized on a regional basis, particularly in Europe, Asia and North America, in order to strengthen its local relationships and to respond to specific geographic needs of local clients.

In Europe, Corporate Banking Europe (CBE) provides an integrated and homogeneous offering to its European corporate clientele, thus strengthening the "One Bank for Corporates in Europe and Beyond" concept developed in conjunction with the Group's four domestic markets. CBE has a team of 1,900 people serving 3,300 clients across 18 countries through 29 Business Centers and three specialist platforms (Brussels, Paris and Geneva), an unrivalled geographic reach and local presence.

In Asia, the business can build on its recognized franchises, particularly in Trade Finance with its 25 Trade Centers and in cash management where it is ranked no. 5 (*Euromoney*). In the Americas, Corporate Banking is a market leader in its various businesses operating from integrated hubs in New York and São Paulo with support in 7 other offices throughout the region.

In its ambition to provide clients with a balanced regional and global view of the clients' business activity, Corporate Banking has organized its business lines in line with their specific characteristics.

In 2012, BNP Paribas once again enjoyed an unrivalled position in the corporate market and remains a European leader with worldwide strengths:

- No. 2 Worldwide Trade Finance Provider (*Euromoney*, 2012);
- No. 5 in Cash Management Worldwide (*Euromoney Cash Management Survey* 2012);
- No. 1 Bookrunner in EMEA Syndicated Loans by number and volume of deals (*Bloomberg* FY2012);
- No. 1 Bookrunner in EMEA Media Telecom Loans by number and volume of deals (*Dealogic* FY2012);
- Aircraft Leasing Innovator of the Year (*Global Transportation Finance* – November 2012);
- Best Debt House in Western Europe (*Euromoney* – July 2012).

Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions and primary equity capital market transactions. The M&A teams advise both buyers and targets and also offer advice on other strategic financial issues and privatizations. Primary capital market services include IPOs, equity issues, secondary issue placements, and convertible/exchangeable bond issues.

Corporate Finance employs around 400 professionals across a global network based on two main platforms, one in Europe and one in Asia, and a growing presence in the Middle East, Africa and the Americas.

In M&A, BNP Paribas consolidated its Top 10 ranking in several European countries. It remained no. 1 in France in 2012 on both deal numbers and volumes (*Thomson Reuters*, announced and completed deals). It also won *Euromoney's* "Best M&A House in France" again.

In the primary equity market, BNP Paribas maintained its leadership in the Europe/Middle East/Africa region in 2012, ranking no. 3 bookrunner for EMEA equity-linked issues and placed in the Top 10 bookrunners for equity capital markets issues, all categories combined, according to *Dealogic*.

Fixed Income

Fixed Income is a global player in credit, currency and interest-rate products. With its headquarters in London, seven other trading floors in Paris, Brussels, New York, São Paulo, Hong Kong, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, the business has more than 2,200 staff globally.

It covers a broad range of products and services extending from origination to sales and trading via structuring, syndication, research and electronic platforms. The division's global network of Fixed Income experts has built a large and diversified client base of asset managers, insurance companies, banks, corporates, governments and supranational organizations.

Teams of dedicated experts in each region help to finance the economy by meeting client needs through financing solutions such as bond issues. Fixed Income also offers its institutional client base new investment opportunities and solutions to manage various types of risk, such as interest rate, inflation, foreign exchange and credit risk. In 2012, Fixed Income added real value for its clients, as illustrated by its rankings in the official league tables and awards won:

2012 Rankings

- No. 1 bookrunner for euro bond issues, no. 8 bookrunner for international bond issues in all currencies (*Thomson Reuters Bookrunner Rankings* 2012);
- No. 2 in credit research in the "banking sector" and no. 2 in the consumer "products and retailing sector" (*Euromoney Fixed Income Research Poll* 2012);
- No. 1 on market share in euro fixed income derivatives for corporates (*Euromoney Rates Survey* 2012);
- N° 4 overall European Fixed Income - 6.2% Market Share (*Greenwich Survey* 2012).

2012 Awards

- Euro Bond House (*IFR December* 2012);
- EMEA Investment Grade Corporate Bond House (*IFR December* 2012);
- Best Debt House in Western Europe (*Euromoney Awards for Excellence* 2012);
- Most Innovative for Corporates (*The Banker* 2012);
- Structured Products House of the Year (*Structured Products Europe* 2012);
- Interest Rates House of the Year (*Structured Products Europe* 2012);
- Best Bank for Corporate DCM in €(*EuroWeek Awards* 2012)
- Structured Products House of the Year (*Risk Magazine* 2012).

Global Equities & Commodity Derivatives

BNP Paribas CIB's Global Equities & Commodity Derivatives (GECD) division offers equity, commodity, index and fund derivatives, as well as financing solutions and an integrated equity brokerage platform. It employs 1,400 front-office professionals operating in three major regions (Europe, Americas and Asia-Pacific).

GECD encompasses three complementary businesses:

- Structured Equity provides a clientele of individuals, corporates, banking networks, insurance companies and pension funds with customized or exchange-traded structured products to meet their capital protection, yield and diversification requirements;
- Flow & Financing caters to the needs of institutional investors and asset managers, delivering appropriate and innovative investment and hedging strategies, access to various financing solutions and services;
- Commodity Derivatives provides a range of risk hedging solutions to corporate clients whose businesses are highly correlated with commodity prices (producers, refineries and transport companies, for example). It also provides investors with access to commodities via a variety of investment strategies and structured solutions.

Selection of Awards Won in 2012

- Structured Products House of the Year (*Risk Magazine*);
- House of the Year (Structured Products Europe Awards);
- Derivatives House of the Year (*The Asset Awards*);
- Commodities Research House of the Year (*Energy Risk Magazine*);
- Oil and Products House of the Year (*Energy Risk Magazine*);

- Commodity Finance & Structured Products (*Commodity Business Awards*);
- Corporate and Social Responsibility (*Commodity Business Awards*).

Corporate Center

BNP Paribas "Principal Investments"

BNP Paribas Principal Investments manages the Group's portfolio of listed and unlisted investments with a view to extracting value over the medium term.

The Listed Investment Management unit acquires and manages minority interests in listed companies, predominantly French large caps.

The Private Equity Investment Management unit acquires and manages minority equity interests or mezzanine investments in unlisted companies in its domestic markets, either directly or indirectly through funds, thereby contributing to finance the economy.

Klépierre

Klépierre is a major player in retail real estate in Europe, with expertise in development, rental management and asset management. BNP Paribas was the majority shareholder of Klépierre until March 8, 2012, when it sold a 28.7% interest in Klépierre S.A. to Simon Property Group.

At December 31, 2012, BNP Paribas was Klépierre's second largest shareholder behind Simon Property Group, with a 22.0% interest.

LEGAL PROCEEDINGS

Following discussions with the U.S. Department of Justice and the New York County District Attorney's Office, among other U.S. regulators and law enforcement and other governmental authorities, the Bank is conducting an internal review of certain U.S. dollar payments involving countries, persons and entities that could be subject to economic sanctions under U.S. law in order to determine whether the Bank has, in the conduct of its business, complied with such laws. The review covers a significant volume of transactions that, even though they may not have been prohibited by the laws of the countries of the Bank entities that initiated them, may be considered impermissible under U.S. regulations (and, in particular, those of the Office of Foreign Assets Control). When the Bank completes this review, it will present its findings and arguments to the U.S. authorities. The Bank is not currently able, on the basis of the transactions identified to date, to estimate without a substantial degree of uncertainty the specific amount or even the general magnitude of the possible consequences of this review (including in terms of fines or penalties) on its results of operation and financial condition. The timing of completion of the review process and subsequent discussions with the U.S. authorities is also uncertain. It should be noted that similar reviews conducted by numerous other financial institutions have often resulted in settlements involving in particular the payment of significant fines and/or penalties depending on the circumstances of each matter.

Legal action has been taken against several Algerian and international banks, including BNP Paribas El Djazair, a BNP Paribas SA subsidiary, for administrative errors in processing international trade financing applications. BNP Paribas El Djazair has been accused of non-compliance with foreign exchange regulations in seven cases before Algerian courts. BNP Paribas El Djazair was ordered by a lower court to pay fines of approximately €200 million. Three of these cases were subsequently overturned on appeal, including the case involving the most significant amount (€150 million). Two other appeals rulings have upheld fines totaling €52 million. All of these rulings have been appealed before the Cassation Court, and execution has been suspended pending the outcome of these appeals pursuant to Algerian law. BNP Paribas El Djazair will continue to vigorously defend itself before the Algerian courts with a view to obtaining recognition of its good faith towards the authorities, which suffered no actual damage.

On June 27, 2008, the Republic of Iraq filed a lawsuit in New York against approximately 90 international companies that participated in the oil-for-food ("OFF") program and against BNP Paribas as holder of the OFF account on behalf of the United Nations. The complaint alleges, notably, that the defendants conspired to defraud the OFF program, thereby depriving the Iraqi people of more than $10 billion in food, medicine and other humanitarian goods. The complaint also contends that BNP Paribas breached purported fiduciary duties and contractual obligations created by the banking services agreement binding BNP Paribas and the United Nations. The complaint is pleaded under the US Racketeer Influenced and Corrupt Organizations Act ("RICO") which allows treble damages if damages are awarded. The complaint has been served and the defendants, including BNP Paribas, moved to dismiss the action in its entirety on a number of different legal grounds. Oral arguments took place in October 2012. On February 6, 2013, the complaint was dismissed by the United States District Court Southern District of New York (which means that the plaintiff does not have the opportunity to re-file an amended complaint). On February 15, 2013, the Republic of Iraq filed a notice of appeal before the United States Court of Appeals for the Second Circuit.

The Bank and certain of its subsidiaries are defendants in several actions pending before the United States Bankruptcy Court Southern District of New York brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS"). These actions, known generally as "clawback claims", are similar to those brought by the BLMIS Trustee against numerous institutions, and seek recovery of amounts allegedly received by the BNP Paribas entities from BLMIS or indirectly through BLMIS-related "feeder funds" in which BNP Paribas entities held interests. The BLMIS Trustee claims in these actions that the amounts which BNP Paribas entities received are avoidable and recoverable under the U.S. Bankruptcy Code and New York state law. In the aggregate, the amounts sought to be recovered in these actions approximates $1.2 billion. BNP Paribas has substantial and credible defenses to these actions and is defending against them vigorously.

Various legal disputes and enquiries are ongoing relating to the restructuring of the Fortis Group, now Ageas, of which BNP Paribas Fortis is no longer part, and to events having occurred before BNP Paribas Fortis became part of the BNP Paribas Group. Among these disputes are litigations brought by shareholder groups in The Netherlands and Belgium against (among others) Ageas and BNP Paribas Fortis, in the context of the capital increase of Fortis (now Ageas) completed in October 2007 in connection with the acquisition of ABN Amro Bank N.V.. The Bank is vigorously defending itself in these proceedings.

There are no other government, legal or arbitration proceedings of which the Company is aware that are likely to have or have had within the last 12 months a significant impact on the financial position or profitability of the Company and/or Group.

MAIN SHAREHOLDERS OF BNP PARIBAS

As of December 31, 2012, the SFPI (*Société Fédérale de Participation et d'Investissement*) a public-interest *société anonyme* (public limited company) acting on behalf of the Belgian government held 10.3% of the Bank's share capital and the Grand Duchy of Luxembourg held 1.0% of the Bank's share capital.

At December 31, 2012, AXA held 5.3% of the share capital, or approximately 65.74 million shares, of BNP Paribas 5.3% of voting rights).

On August 5, 2010, and after authorization by the AXA Board of Directors on August 3, 2010, the AXA Group and the BNP Paribas Group entered into an agreement that replaces a prior agreement between them dated December 15, 2005. The 2010 agreement maintains the option for each party to repurchase its shares in the event of a hostile change of control of the other party. In force for a period of three years starting from August 5, 2010, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate the agreement earlier, in which case the terminating party is required to give three months notice prior to the next renewal date. The agreement was made public by the AMF on August 9, 2010.

As of December 31, 2012, to the knowledge of the Board of Directors of BNP Paribas, no shareholder other than SFPI or AXA owns more than 5% of the Bank's share capital or voting rights.

RISK MANAGEMENT

Risk Management Organization

Role of Risk Management

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organization are geared towards effectively addressing this matter. The entire process is supervised by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the core businesses, business lines and territories and reports directly to Group Executive Management. The Group Compliance (GC) function monitors operational risk under the authority of GRM and reputation risk as part of its permanent control responsibilities. GRM, and GC for operational and reputation risk, perform continuous, generally ex-ante controls that are fundamentally different from the periodic, ex-post examinations of the Internal Auditors.

General Responsibilities of Risk Management

Front-line responsibility for managing risks lies with the divisions and business lines that propose the underlying transactions. GRM continuously performs a second-line control over the Group's credit, market, liquidity and insurance risks. As part of this role, it must ascertain the soundness and sustainability of the business plans and their overall alignment with the risk profile target set by Executive Management. GRM's remit includes formulating recommendations on risk policies, analyzing the risk portfolio on a forward-looking basis, approving corporate loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures, and defining and/or validating risk measurement methods. GRM is also responsible for ensuring that all the risk implications of new businesses or products have been adequately evaluated.

GC has identical responsibilities as regards operational and reputation risk. It plays an important oversight and reporting role in the process of validating new products, new business activities and exceptional transactions.

Risk Management Organization

Approach

Whether in its advisory role in business development, in the development of methods, policies and procedures, in the decision-making process or the deployment of monitoring and control systems, GRM must have a perfect grasp of the banking business and be aware of market constraints and the complexity and urgency of transactions.

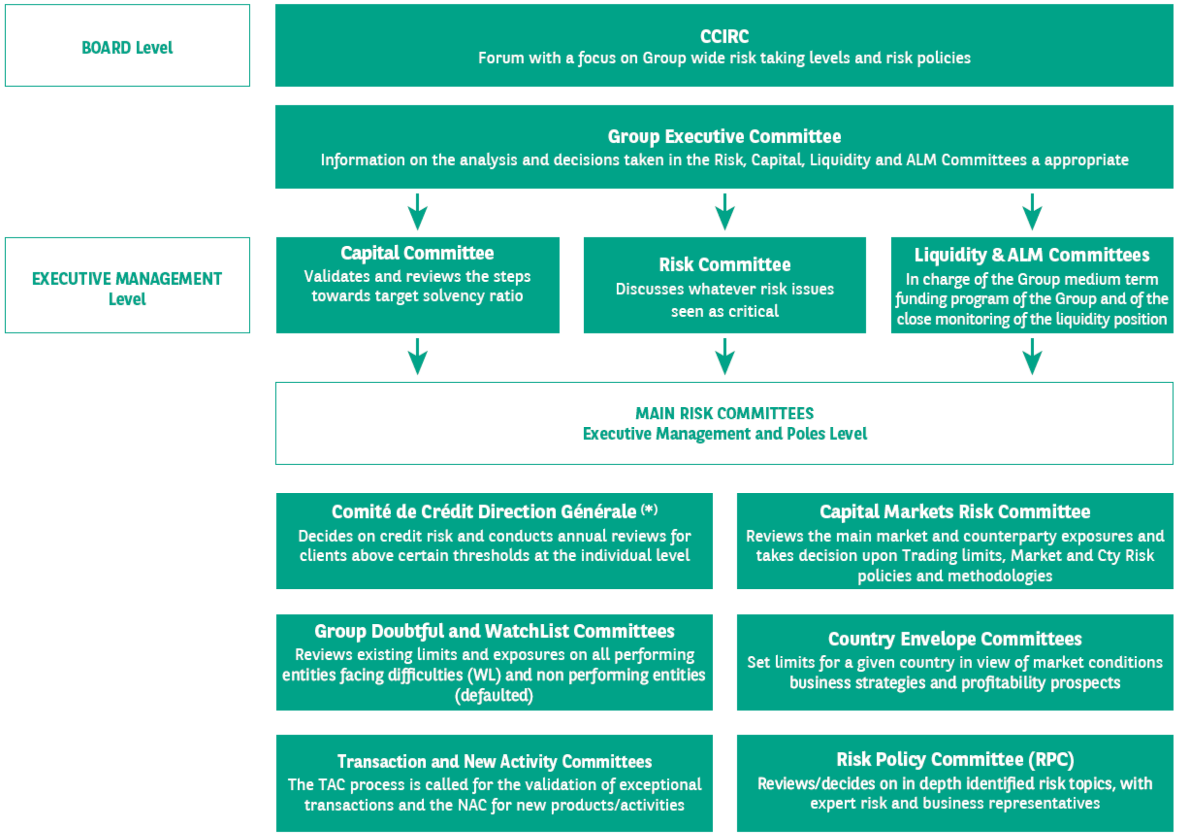
These objectives have led GRM to position its teams as close as possible to the Business lines and Countries while preserving their independence by placing them under the exclusive and direct authority of GRM and by providing impetus and leadership. It is therefore supported by teams located within the main centers of activity throughout the organization, and who do not report to the heads of Core businesses and Business lines, nor to Head of territory. However, GRM's supervision can also be indirect, and the Risk Management function can be performed through a joint relationship between the Core businesses and GRM when the subordination relationship is not desirable in terms of effectiveness – for example, in situations where risks are diverse or very specific – and this situation is acceptable in terms of the degree of risk.

Role of the Chief Risk Officer

The Group Chief Risk Officer directly reports to the Chief Executive Officer and sits on the Executive Committee of BNP Paribas. He has line authority over all GRM employees. He can veto the risk – related decisions made by the Group, and has no connection, in terms of authority, with the Heads of Core businesses, Business lines and territories. Such a positioning serves the following purposes:

- ensuring the objectivity of risk control, by removing any involvement in commercial interests;
- making sure senior management is warned of any deterioration in risk and is rapidly provided with objective and comprehensive information on the status of risks;
- enabling the uniform dissemination, throughout the Bank, of high risk management standards and the implementation of best practices;
- ensuring the quality of risk assessment methods and procedures by calling on professional risk managers in charge of evaluating and enhancing these methods and procedures in light of the best practices implemented by international competitors.

Risk Committees



(*) General Management Credit Committee.

Risk Culture

One of the Group's Core Founding Principles

The BNP Paribas Group has a strong risk culture.

Front-line responsibility for managing risks lies with the divisions, business lines and functions that propose the underlying transactions. They are expected to develop a sense of risk among their employees and to be fully aware of and understand both current and potential future trends in their risks.

Executive Management has chosen to include the risk culture in two of its key corporate culture documents:

Responsibility Charter

In 2012, Executive Management drew up a formal Responsibility Charter based on four strong commitments, inspired by the Group's core values, management principles and code of conduct. One of the four commitments is "Being prepared to take risks, while ensuring close risk control".

Financing the economy, supporting projects, helping clients to manage their currency or interest rate exposure – all this means accepting a degree of risk. One of BNP Paribas' great strengths is precisely this expertise in managing risk.

The Group believes that tight risk control is its clear responsibility, not only towards its clients but also towards the financial system as a whole. The Bank's decisions on the commitments it makes are reached after a rigorous and concerted process, based on a strong shared risk culture which is present across all levels of the Group. This is true both for credit risk arising from lending activities, where loans are granted only after in-depth analysis of the borrower's position and the project to be financed, and for market risks arising from transactions with clients, which are assessed on a daily basis, tested against stress scenarios and governed by a system of limits.

As a highly diversified Group, both in terms of geography and business activity, BNP Paribas is able to balance risks and their consequences as soon as they materialize. The Group is organized and managed in such a way that any difficulties arising in one business area will not jeopardize the Bank's other business activities.

Management Principles

One of the Group's four key management principles is «Risk-Aware Entrepreneurship», which highlights the importance of the risk culture:

Risk-aware entrepreneurship means:

- being fully accountable,
- acting interdependently and cooperatively with other entities to serve the global interest of the Group and its clients,
- being constantly aware of the risks involved in our area of responsibility,
- and empowering our people to do the same.

Spreading the Risk Culture

Strict risk management is an integral part of the Bank's makeup. A culture of risk management and control has always been one of its top priorities.

The Group is striving to spread this culture yet further given its strong growth over the past few years and the current climate of crisis. In May 2010, BNP Paribas launched the Risk Academy, a cross-functional Group initiative, to help spread and promote its risk management culture.

The Risk Academy is an open, group-wide venture, involving all business lines and functions and sponsored by the Bank's Executive Committee. Designed for the benefit of all staff and organized around a progressive, participative framework, its main aims are:

- help strengthen and spread the risk culture within the Group;
- promote training and professional development in the area of risk management;
- run the Bank's risk management communities.

The Risk Academy therefore offers the following products and services under a single umbrella:

- Core Risk Practices, the basic principles forming the underlying theme of the Risk Academy, advocating sound risk management practices;
- e-learning risk awareness module, providing an introduction to the various risks managed by the Bank;
- risk training catalogue for employees involved in risk-related activities;
- online library of documents to help share knowledge about risk management;
- interactive presentations by BNP Paribas risk's experts, implemented in main sites of the Group.
- Lastly, the risk culture is also spread throughout the Group by linking compensation to performance and risk.

Risk Profile

Definition and Objectives

The Risk Profile policy aims to define the medium to long-term risk profile sought by BNP Paribas. It is reviewed by Executive Management and validated by the Board of Directors.

The policy embodies within a single coherent system all the risk management tools, processes principles and guidelines used broadly by the Group to guide its risk-taking, within defined limits. It therefore contributes to promoting more consistent risk practices within the Group.

The policy sets out the broad outlines of the system at Group level and is used as a basis for establishing the target Risk Profile at more granular and entity-specific levels.

Principles

The principles of the Risk Profile aims to define the types of risk the Group is prepared to accept in its business activities. They are intended to remain stable over time.

These principles are:

- return adjusted for risk and earnings volatility;
- capital adequacy;
- financing and liquidity;
- concentrations;
- insurance activities;
- non-quantifiable risks.
  - These principles are completed by qualitative guidelines resulting from decisions taken by the risk strategy committee. They should be considered as an integral part of the policy:
- portfolio decisions;
- decisions regarding counterparties;
- decisions on new products or business activities;
- transversal policies

Governance

In line with the Group's Risk Profile policy, Executive Management is responsible for the major guidelines based on three key dimensions – Risk, Capital and Liquidity – through the following committees that report to the Group's Executive Committee:

- Risk Management Committee;
- Capital Committee;
- ALM Committee;

- Liquidity Committee.

The target Risk Profile, i.e. the translation of the Risk Profile principles and guidelines into the Bank's business activities and risk-taking, is disseminated and deployed through two complementary, interconnected processes:

- strategic planning and budget process;
- risk taking process (e.g. strategic risk forums), which enables Executive Management's guidance and decisions to be relayed broadly to the relevant staff.

Supervision of Risk Profile Indicators

Executive Management translates the Risk Profile policy into a series of indicators and limits in order to compare the Group's actual Risk Profile with the target Risk Profile on a quantitative basis ("Risk Profile Indicators"). These indicators are monitored quarterly in the risk management dashboards.

Risk Categories

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

All the risk categories discussed below are managed by BNP Paribas. However, no specific capital requirement is identified for reputation and strategy risk as these are risks that may lead to a change in share price which is borne directly by the shareholders and cannot be protected by the Bank's capital.

Reputation risk is thus contingent on other risks and, apart from market rumors leading to a change in share price, its impacts are included in estimated losses incurred for other risk categories.

Similarly, strategy risk arising from the strategic decisions published by the Bank, which could give rise to a change in share price, is a matter for the highest level of governance and is the shareholder's responsibility.

The implementation of regulatory definitions in accordance with the Basel Accord (International Convergence of Capital Measurement and Capital Standard), is discussed in "Credit Risk", "Securitization in the Banking Book", "Counterparty Risk", "Market Risk" and "Operational Risk".

Credit Risk

Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. 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.

Counterparty Risk

Counterparty risk is the translation of the credit risk embedded in the market, investment and/or payment transactions. Those transactions include bilateral contracts (i.e. Over-The-Counter – OTC) which potentially expose the Bank to the risk of default of the counterparty faced. The amount of this risk (referred as "exposure" in the rest of the document) may vary over time in line with market parameters which impact the value of the relevant market transactions.

Securitization

Securitization means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics:

- there is a significant transfer of risk;
- payments made in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- the subordination of tranches determines the distribution of losses during the ongoing risk transfer of the transaction or scheme.

As a consequence, any commitment (including derivatives and liquidity lines) granted to a securitization operation must be treated as a securitization exposure.

Market Risk

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

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

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non confirmed by market information.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

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

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 reputation and compliance risks.

Compliance and Reputation Risk

According to French regulation, 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 application of guidelines issued by a supervisory body).

By definition, this 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.

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

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

Additional Information About Risk Definitions

Although much has been written on the classification of banking risks, and industry regulations have produced a number of widely accepted definitions, there is still no comprehensive account of all of the risks to which banks are exposed. Significant progress has nevertheless been made in understanding the precise nature of risks and how they interact. The interaction between these risks has not yet been quantified, but is captured by global stress scenarios. The following comments review the Group's latest conceptual developments.

Market Risk and Credit/Counterparty Risk

In Fixed Income trading books, credit instruments are valued on the basis of bond yields and credit spreads, which represent market parameters in the same way as interest rates or foreign exchange rates. The credit risk arising on the issuer of the debt instrument is therefore a component of market risk known as issuer risk.

Issuer risk is different from counterparty risk. In the case of credit derivatives, issuer risk corresponds to the credit risk on the underlying asset, whereas counterparty risk represents the credit risk on the third party with whom the derivative was contracted. Counterparty risk is a credit risk, while issuer risk is a component of market risk.

Operational Risk, Credit Risk and Market Risk

Operational risk arises from inadequate or failed internal processes of all kinds, ranging from loan origination and market risk-taking to transaction execution and risk oversight.

However, human decisions taken in compliance with applicable rules and regulations cannot give rise to operational risk, even when they involve an error of judgment.

Residual risk, defined by internal control regulations as the risk that credit risk mitigation techniques prove less efficient than expected, is considered to derive from an operational failure and is therefore a component of operational risk.

Concentration Risk

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

It is assessed at consolidated Group level and at financial conglomerate level.

Asset-Liability Management Risk

Asset-liability management risk is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. For banking activities, asset-liability management risk arises in non-trading portfolios and primarily relates to global interest rate risk. For insurance activities, it also includes the risk of mismatches arising from changes in the value of shares and other assets (particularly property) held by the general insurance fund.

Breakeven Risk

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

Strategy Risk

Strategy risk is the risk that the Bank’s share price may fall because of its strategic decisions.

Liquidity and Refinancing Risk

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

Insurance Subscription Risk

Insurance subscription risk corresponds to the risk of a financial loss caused by an adverse trend in insurance claims. Depending on the type of insurance business (life, personal risk or annuities), this risk may be statistical, macro-economic or behavioral, or may be related to public health issues or natural disasters. It is not the main risk factor arising in the life insurance business, where financial risks are predominant.

Summary of Risks

Risks Monitored by the BNP Paribas Group

		Pillar 1		ICAAP[5] (Pillar 2)		
Risks affecting the Group's capital adequacy	**Risks affecting the Group's value (share price)**	**Risk covered**	**Measurement and management method[4]**	**Risk covered**	**Measurement and management method[4]**	**Additional risk identified by BNP Paribas**
Credit risk		✓	Basel 2.5	✓	Basel 2.5	
Counterparty risk		✓	Basel 2.5	✓	Basel 2.5	
Securitization		✓	Basel 2.5	✓	Basel 2.5	
Market risk		✓	Basel 2.5	✓	Basel 2.5	
Equity risk		✓	Basel 2.5	✓	Basel 2.5	
Operational risk		✓	Basel 2.5	✓	Basel 2.5	
Concentration risk[1]				✓	Internal Model	
Asset & liability management risk[2]				✓	Internal Model	
Breakeven risk				✓	Internal Model	
	Strategy risk			✓	Procedures	
Liquidity and Refinancing risk				✓	Quantitative and qualitative rules; stress tests	
	Reputation risk			✓	Procedures	
Insurance risks[3], including insurance subscription risks					Internal Model	✓

(1) Concentration risk is managed within credit risk at BNP Paribas.
(2) Asset & liability management risk comes under what the banking supervisors call global interest rate risk.
(3) Insurance risks are not included in the scope of banking activities; insurance businesses are exposed to market risk, operational risk and insurance subscription risk.
(4) The CRD 3, transposed in French law by the Decree of the February20, 2007 amended, implements the Basel 2.5 regulation for securitization and market risk. Modifications introduced by CRD 3 are described in the corresponding sections hereafter. The measurement methods for other types of risks remain unchanged.
(5) Internal Capital Adequacy Assessment Process.

Stress Testing

Overall Architecture

To ensure dynamic risk supervision and management, the Group has implemented a comprehensive stress testing framework in line with the guidance issued by the European Banking Authority (EBA) in 2010, as described below.

Stress Testing Framework

Stress testing forms an integral part of the risk management system and is used in three main areas: forward-looking risk management, capital planning, and regulatory requirements, mainly through the Group's and its main entities' ICAAP:

- forward-looking risk management: the results of stress tests carried out using a top down approach are used to build the Bank's risk profile and are periodically submitted to Group Executive Management, including the Board's Internal Control, Risk Management and Compliance Committee through the quarterly Group Risk Dashboard. Additionally, ad hoc stress testing is performed, when appropriate, within Risk Policy Committees or Country Strategic Committees so as to identify and assess areas of vulnerability within the Group's portfolios;
- budgeting and capital planning: stress tests are carried out annually as part of the budget process and included in the ICAAP. They are reviewed at divisional and business line level before being consolidated at Group level to provide a synoptic view of the impact on the Bank's capital and earnings, thus following a bottom up approach;
- regulatory requirements or requests: mainly ad hoc requests from the EBA, IMF or any other supervisor[69].

[69] http://www.acp.banque-france.fr/uploads/media/201301-stress-tests-systeme-bancaire-et-organismes-assurance-en-france.pdf http://www.imf.org/external/pubs/ft/scr/2012/cr12341.pdf

This system has an established governance framework with responsibilities clearly divided between operational entities – to encourage operational integration and relevance – and the Group Finance, Risk Management and ALM Departments, which ensure overall coherence.

Stress testing methodologies (sensitivity analyses or analyses based on macroeconomic scenarios) are tailored to the main categories of risk and subject to independent review by GRM.

Stress testing may be done at Group, business line or portfolio level, based on one or more risk types and on a larger or smaller number of variables depending on the desired objective. Where appropriate, results of quantitative models may be adjusted on the basis of expert judgment.

The scenarios used, stress test outcomes and any recommended corrective actions (reducing exposures to a sub-segment, revising the financing or liquidity policy, etc.) are reviewed by GRM and/or Executive Management.

Since its creation, the Group's stress testing framework has evolved continuously in order to integrate the most recent developments in stress testing, whether in terms of methodologies or improved operational integration in the Group's management processes. The budget stress tests presented below are provided as an illustration.

Budget Stress Testing: A Joint GRM, Finance and ALM Approach

The purpose of stress testing in the budget process is to assess the impact of an adverse macroeconomic scenario on the Group and its activities. Stress tests are run in parallel with the annual budget process, based on the central economic scenario.

The impact of the adverse scenario is measured through:

- P&L (NBI, cost of risk, etc.);
- risk-weighted assets;
- equity;
- liquidity and funding needs.

The expected final output of the stress testing exercise is a Group stressed solvency ratio, as well as possible adjustment measures, which might be decided by businesses or at Group central level.

Several teams are involved in preparing and managing the stress tests: divisions/operational entities, business lines, in liaison with the Finance Department's unit dedicated to capital, ALM and GRM.

Stress Test Scenario Definition

To be more relevant, consistent, and to rely on more thoroughly prepared scenarii, the analyses use a small number of global scenarii considered as relevant (one central scenario and one or sometimes two alternative scenarii).

The starting point of the analysis is a "global central economic scenario", which describes the future state of the economy over a horizon of up to 2 years in addition to the current year. In 2012, a global scenario combined several consistent regional scenarii, covering the United States, France, Italy and Belgium. Each regional scenario is captured by economic or financial variables[70] plus the price of oil and the EUR/$exchange rate, which are common to all regional scenarii. Projections are made on a quarterly basis. The Group Economic Research Department, in connection with ALM and the Equity Derivatives business line, elaborate the central scenario, on the basis of which GRM designs the stress scenario(s).

It is important to note that these economic and financial variables are also used to build the Group's budget scenario (over a 1-year horizon only). This set of variables is key to ensuring the convergence of two major processes of the Group, i.e. risk management and financial management.

The budget scenarii are validated by the General Management.

The scenarii are then used to calculate expected losses (or P&L impact in the case of market risks) over the year for all Group portfolios:

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[70] The economic and financial variables are GDP and its components (consumer spending, investment, etc.), prices indices, unemployment rates, three-month interest rates, and 10-year government bond yields.

- for portfolios exposed to credit or counterparty risk and for the equity portfolio of the banking book: this calculation measures the impact of the scenario on cost of risk due to events of default or adverse equity price moves;
- for market portfolios: the changes in value and their P&L impact are calculated by simulating a one-time shock, which is consistent with the overall scenario.

The above calculations and related methodologies for stress tests on credit and market risks are coordinated centrally at Group level by GRM teams. They also involve in their implementation and design various teams of experts at Group and territory's levels.

Credit Risk

Exposure to Credit Risk [AUDITED][71]

The following table shows all of BNP Paribas Group's 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 Group in its lending business or purchases of credit protection. It is based on the carrying value of financial assets before re-evaluation recognized on the balance sheet.

Exposure to Credit Risk* by Basel Asset Class and Approach

	December 31, 2012				**December 31, 2011**				**Variation**	
In millions of euros	**IRBA**	**Standardized Approach**	**Total**	**2012 Average Exposure**	**IRBA**	**Standardized Approach**	**Total**	**2011 Average Exposure**	**Total**	**Average Exposure**
Central governments and central banks	177,612	18,825	196,437	186,526	155,605	21,011	176,616	185,298	19,821	1,228
Corporates	360,242	154,986	515,228	540,804	406,617	159,762	566,379	583,601	(51,151)	(42,797)
Institutions**	61,814	26,765	88,579	98,092	80,575	27,031	107,606	117,463	(19,027)	(19,371)
Retail	195,891	166,865	362,756	367,990	199,570	173,654	373,224	373,769	(10,469)	(5,779)
Other non credit-obligation assets***	333	120,467	120,800	119,408	134	117,882	118,016	103,735	2,784	15,673
Total Exposure	**795,892**	**487,908**	**1,283,800**	**1,312,820**	**842,501**	**499,340**	**1,341,841**	**1,363,866**	**(58,041)**	**(51,046)**

(*) Securitization is discussed in "Securitization in the Banking Book".
(**) Institutions asset class comprises credit institutions and investment firms, including those recognized 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, payables/receivables and residual values.

In the prudential balance sheet at December 31, 2012, credit risk exposures include the following amounts, net of impairment: deposits with central banks (€103 billion), loans to customers (€630 billion), loans to credit institutions (€39 billion), available for sale assets (€113 billion), held-to-maturity financial assets (€0.4 billion), assets designated as at fair value through profit and loss (€2 billion), remeasurement adjustment on interest-rate risk hedged portfolios (€6 billion), property, plant & equipment and investment property (€18 billion), accruals, prepayments and other assets (€93 billion), current and deferred tax assets (€9 billion) and financing and guarantee commitments given excluding repurchase agreements (€305 billion).

These prudential balance sheet amounts are net of impairments. Once adjusted for impairments (+€31 billion including €3 billion for variable-income available for sale assets), risk exposures other than credit risk (securitization, counterparty and market risks), revaluations and other items deducted from own funds (-€65 billion), these amounts lead to a credit risk exposure of €1,284 billion.

In the rest of this section, references to credit risk exposure do not include other non-credit obligation assets (payables and receivables, tangible assets and residual value).

Trends in Credit Risk Exposure in 2012

The Group's gross credit risk exposure fell by €58 billion in 2012 (€61 billion excluding other non-credit obligation assets). The reduction mainly concerned exposure to corporates and institutions following the

[71] Information identified herein with the designation "Audited" is information that forms an integral part of the notes to the consolidated financial statements under IFRS 7, IFRS 4 and IAS 1. This information is covered by the opinion of the Bank's Statutory Auditors on the consolidated financial statements.

adjustment plan pursued by the Group from September 2011 to September 2012 to prepare for the new Basel 3 liquidity and solvency requirements.

The €51 billion reduction in exposure to corporates is mainly explained by the adjustment plan of CIB's Corporate Banking activities (€45 billion on the whole CIB division). Exposure to retail clients decreased by €10 billion, mainly in Personal Finance (€9 billion). In parallel, exposure to central governments rose by €20 billion due to the increase in central bank deposits offset by a decline in sovereign debt.

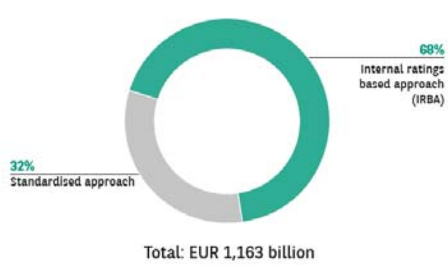
Approaches Used to Calculate Risk-Weighted Assets

BNP Paribas has opted for the most advanced approaches allowed under Basel II. In accordance with the EU Directive and its transposition into French law, in 2007 the French banking supervisor (Autorité de Contrôle Prudentiel) allowed the Group to use internal models to calculate capital requirements starting on January 1, 2008. The use of these methods is subject to conditions regarding progress and deployment. The Group committed itself to comply with those conditions under the supervision of the French supervisor. Prior to its acquisition, the Fortis Group had been authorized by Belgian banking and insurance supervisor, the National Bank of Belgium, to use the most advanced approach to assess its regulatory capital requirement. The internal rating policies and systems of the BNP Paribas Fortis and BGL BNP Paribas subgroups on the one hand and BNP Paribas on the other are set to converge to a single methodology used uniformly across the entire Group. The review being conducted for this purpose has shown the compatibility of the concepts developed in each of the two perimeters and allowed a harmonization of the ratings of the key counterparties. Model convergence is nevertheless not yet fully completed. Several applications for approval of common methodologies have been submitted to the Autorité de Contrôle Prudentiel. An approach based on methods that have been approved by the French, Belgian or Luxembourg supervisors for each of the non-convergent perimeters is implemented at December 31, 2012.

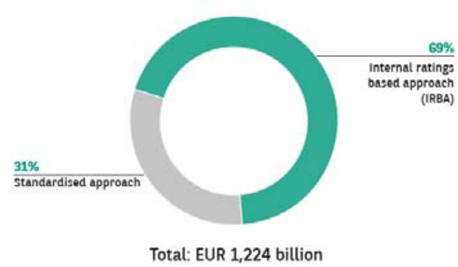
For credit risk (excluding other non credit-obligation assets), the share of exposures under the IRB approach represents 68% at December 31, 2012, compared with 69% at December 31, 2011. This significant scope includes in particular Corporate and Investment Banking (CIB), French Retail Banking (FRB), a part of the BNP Paribas Personal Finance business (Cetelem), BNP Paribas Securities Services (BP2S) and the entities of the subgroups BNP Paribas Fortis and BGL BNP Paribas. BNL's transition to IRBA is currently undergoing the approval process by the Bank of Italy. However, some entities, such as BancWest, are temporarily excluded from the IRBA scope. Other smaller entities, such as the subsidiaries in emerging countries, will use the Group's advanced methods only at a later stage.

Credit Risk Exposure by Approach*

at December 31, 2012



at December 31, 2011



(*) Excluding other non credit-obligation assets and securitization.

Credit Risk Management Policy [AUDITED]

General Credit Policy and Control and Provisioning Procedures

The Bank's lending activities are governed by the Global Credit Policy approved by the Risk Committee, chaired by the Chief Executive Officer. The policy is underpinned by core principles related to compliance with the Group's ethical standards, clear definition of responsibilities, the existence and implementation of procedures and thorough analysis of risks. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

Decision-Making Procedures - Corporates

A system of discretionary lending limits has been established, under which all lending decisions must be approved by a formally designated member of GRM. Approvals are systematically evidenced 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. Certain types of lending commitments, such as loans to banks, sovereign loans and loans to customers operating in certain industries are subject to specific authorization procedures and require the sign-off of an industry expert or designated specialist. In retail banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications 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. In particular, before making any commitments BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The Group Credit Committee, chaired by one of the Chief Operating Officers or the Head of GRM, has ultimate decision-making authority for all credit and counterparty risks.

Decision-Making Procedures – Retail

The decision-making system for Retail Banking exposures is based on a system of discretionary limits whereby the Regional Risk Officers decide jointly with the Head of the FRB branch Network (or his deputy) on all commitments to Business clients that exceed the powers of the Business Center managers and on large retail commitments that exceed the powers of the Group FRB branch managers. They have a right of veto, subject to appeal to the next authority level up.

As regards ex post control over lending transactions, a GRM team is responsible for:

- ex-post control over transactions approved at Retail Banking level only and over compliance with procedures;
- monitoring the Branch Network's credit risk.

Monitoring and Portfolio Management Procedures

Monitoring Exposures

A comprehensive risk monitoring system is organized around Control 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. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. The various monitoring levels, which generally reflect the organization of discretionary lending authorities, are carried out up to the Group Doubtful and WatchList Committee, under the supervision of GRM. This committee regularly examines all loans in excess of a given threshold, for which it decides on the amount of impairment losses to be recognized or reversed, based on a recommendation from the business lines, with GRM's approval. In addition, a quarterly committee reviews sensitive or non-performing loans.

Collective Portfolio Management and Monitoring

The selection and careful evaluation of individual exposures is supported by a reporting system based on more aggregated portfolio levels in terms of division/business line, country, sector, business/product.

The collective portfolio management policy, including concentration of risk by borrower, sector and country, is based on this reporting system and Group risk committees review all reports and analyses produced.

1) For risk concentration by country, country risk limits are set at the appropriate level of delegated authority for each country. The Group, which is present in most economically active areas, in accordance with its vocation, strives to avoid excessive concentrations of risk in countries whose political and economic infrastructure is acknowledged to be weak or whose economic position has been undermined.
2) Diversification of the portfolio by counterparty is monitored on a regular basis, notably under the Group's individual risk concentration policies. The risk concentration ratio also ensures that the

aggregate exposure to each beneficiary[72] does not exceed 25% of the Group's net consolidated shareholders' equity. BNP Paribas remains well below the concentration limits set out in the European Directive on Large Exposures.

3) The breakdown of exposure by business sector is also monitored carefully and regularly. It is supported by a forward-looking analysis for dynamic management of the Bank's exposure. This analysis is based on the in-depth knowledge of independent sector experts who express an opinion on trends in the sectors they follow and identify the factors underlying the risks faced by the main components. This process is adjusted by sector according to its weighting in the Group's exposure, the technical knowledge required to understand the sector, its cyclicality and degree of globalization and the existence of any particular risk issues.

In addition, stress tests are used to identify vulnerable areas of the Group's portfolios and analyze any concentrations.

Lastly, BNP Paribas may use credit risk transfer instruments, such as securitization programs or credit derivatives, to hedge individual risks, reduce portfolio concentration or cap potential losses arising from crisis scenarios.

Scope and Nature of Risk Reporting and Measurement Systems

All the processes and information systems used by the Credit Risk Reporting Function were submitted for review to the French banking regulator (Autorité de Contrôle Prudentiel).

For BNP Paribas Fortis and BGL BNP Paribas, following convergence work carried out between end-2010 and Autumn 2012, the entities in these sub-scopes are now included in the Group systems for producing credit risk calculations.

Rating System

The BNP Paribas Group uses an advanced Internal Ratings-Based Approach (IRBA) to credit risk for the retail, sovereign, institutions, corporate and equity asset classes to calculate the regulatory capital requirements for Corporate and Investment Banking, French Retail Banking, part of BNP Paribas Personal Finance, BNP Paribas Fortis, BGL and BNP Paribas Securities Services (BP2S). For other businesses, the standardized approach is used to calculate regulatory capital based on external ratings. Each counterparty is rated internally by the Group using the same methods, regardless of the approach used to calculate regulatory capital requirements.

The Bank has a comprehensive internal rating system compliant with regulatory requirements regarding capital adequacy. A periodic assessment and control process has been deployed within the Bank to ensure that the system is appropriate and correctly implemented. The system was formally validated by the French banking supervisor (Autorité de Contrôle Prudentiel) in December 2007. For corporate loans, the system is based on three parameters: the counterparty's probability of default expressed via a rating, the Global Recovery Rate (or Loss Given Default), which depends on the structure of the transaction, and the Credit Conversion Factor (CCF), which estimates the off-balance sheet exposure at risk.

There are twelve counterparty ratings. Ten cover performing clients with credit assessments ranging from "excellent" to "very concerning", and two relate to clients classified as in default, as per the definition by the banking supervisor.

For Corporate counterparties, the rating parameters and GRR applicable to each exposure are reviewed at least once a year as part of the loan approval process or annual credit review, drawing on the combined expertise of business line staff and, as a second pair of eyes, the GRM representatives (who have the final say in case of disagreement). 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. For Retail counterparties, rating methods are applied automatically to determine the loan parameters.

Indicative Mapping of Internal Counterparty Rating with Agency Rating Scale

	Internal BNPP Rating	LT Issuer/Unsecured issuer rating

[72] Large Exposures are exposures that individually exceed 10% of shareholders' equity, with a disclosure threshold set by the ACP at €300 million.

		S&P/Fitch
Investment Grade	**1+**	AAA
	1	AA+
	1-	AA
	2+	AA-
	2	A+/A
	2-	A-
	3+/3/3-	BBB+
	4+/4/4-	BBB
	5+/5/5-	BBB-
Non Investment Grade	**6+**	BB+
	6/6-	BB
	7+/7	BB-
	7-	B+
	8+/8/8-	B
	9+/9/9-	B-
	10+	CCC
	10	CC
	10-	C
Default	**11**	D
	12	D

The Group has developed an indicative equivalence between the Bank's internal ratings and the long-term issuer ratings assigned by the major rating agencies. The Bank has a much broader clientele than just those counterparties rated by an external agency. An indicative equivalence is not relevant in retail banking. It is used when the internal ratings are assigned or reviewed in order to identify any differences between the Bank's assessment of a borrower's probability of default and that of one or more of the rating agencies. However, the internal ratings do not aim to reproduce or even approximate the external ratings. There are significant variances in both directions within the portfolio. Some counterparties rated 6 or 7 by BNP Paribas could be considered Investment Grade by the rating agencies.

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. GRM has overall responsibility for the quality of the entire system. This responsibility is fulfilled by either defining the system directly, validating it or verifying its performance. The teams responsible for verifying performance are not the same as those who build the models. At BNP Paribas, a special Steering Center has been set up for this purpose.

Loss Given Default is determined either using statistical models for books with the highest degree of granularity or using expert judgment based on indicative values, in line with a process similar to the one used to determine the counterparty rating for corporate books[73]. Loss Given Default is defined as the loss that the Bank would suffer in the event of the counterparty's default in times of economic slowdown, as required by regulations.

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 conservative basis and haircuts are applied for realizing security in a stressed environment.

Various Credit Conversion Factors have been modeled by the Bank where permitted (i.e. excluding high-risk transactions where the conversion factor is 100% and provided there was a detailed enough track record to be statistically exploitable), either using 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

[73] Within the Group, the Corporate book includes institutions, corporates, specialized financing and sovereign states.

the event of borrower default. Unlike rating and recovery rate, this parameter is assigned automatically depending on the transaction type and is not determined by the Credit Committee.

Each of the three credit risk parameters are backtested and probability of default benchmarked annually to check the system's performance for each of the Bank's business segments. Backtesting consists of comparing estimated and actual results for each parameter. Benchmarking consists of comparing the parameters estimated internally with those of external organizations.

For the Corporate IRBA scope, all ratings, including default ratings 11 and 12, for all counterparties to which the Bank has a credit risk exposure, have been recorded in a database since 2002. Likewise, Global Recovery Rates on defaulting exposures at a given time during the period are also archived. Backtesting is performed on the basis of this information for each of the risk inputs, both globally and across the scope of each rating method. These exercises aim to measure overall performance and the performance of each rating method, and in particular, to verify the model's discriminatory power (i.e. the less well rated counterparties ought to default more often than the better rated ones) as well as the predictive, conservative nature of the inputs. For this purpose, actual Global Recovery Rates (GRR) and default rates are compared with estimated Global Recovery Rates and default rates for each rating. The "through the cycle" or "downturn" nature of the ratings and GRRs respectively are also verified.

This backtesting work revealed that actual default rates on IRBA corporate scope are significantly lower than estimated default rates across the entire cycle (average annual default rate of 1.03% between 2001 and 2011 compared with an estimated rate of 1.82%). An analysis of default rates during crisis periods shows that annual default rates are always lower than estimated rates.

Performance measurements are also carried out on sub-scopes of homogeneous asset classes. If the predictive power of a model deteriorates, it is recalibrated or redeveloped as appropriate. These changes are submitted to the regulator for approval in line with the regulations.

For benchmarking work on non-retail exposures, internal ratings are compared with the external ratings of several agencies based on the mapping between internal and external rating scales. Some 10% to 15% of the Group's corporate clients have an external rating and the benchmarking studies reveal a conservative approach to internal ratings.

Backtesting of Global Recovery Rates is based mainly on analyzing 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 taken is used as a proxy for future recoveries. The recovery rate determined in this way is then compared with the initially forecasted rate one year before default occurred. As with ratings, recovery rates are analyzed on an overall basis and by rating policy and geographical area. Variances on an item by item and average basis are analyzed taking into account the bimodal distribution of recovery rates. The results of these tests show that the Group's estimates are relevant in economic downturns and are conservative on an average basis. Benchmarking of recovery rates is based on data pooling initiatives in which the Group takes part.

The result of all backtesting and benchmarking work is presented annually to the Chief Risk Officer and the Bank's governing bodies. These results and ensuing discussions are used to help set priorities in terms of developing methodology and deploying tools. Backtesting is also certified internally by an independent team and the results sent to the ACP.

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

Credit Risk Diversification [AUDITED]

The Group's gross exposure to credit risk stands at €1,163 billion at December 31, 2012, compared with €1,224 billion at December 31, 2011. This portfolio, which is analyzed below in terms of its diversification, comprises all exposures to credit risk shown in table "Exposure to credit risk by Basel asset class" excluding other non credit-obligation assets[74]. "Securitization in the Banking Book" describes banking book securitizations exposures.

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[74] The scope covered includes loans and receivables due from customers, amounts due from credit institutions and central banks, the Group's credit accounts with other credit institutions and central banks, financing and guarantee

No single counterparty gives rise to an excessive concentration of credit risk, due to the size of the business and the high level industrial and geographical diversification of the client base. The breakdown of credit risks by industry and by region is presented in the tables below.

Geographic Diversification

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

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

Geographic Breakdown of Credit Risk by Counterparty's Country of Business at December 31, 2012

						December 31, 2012
In millions of euros	**Central governments and central banks**	**Corporates**	**Institutions**	**Retail**	**Total**	**%**
Domestic markets	**103,721**	**233,692**	**40,498**	**277,040**	**654,951**	**56%**
France	*58,376*	*116,244*	*20,248*	*159,182*	*354,050*	*30%*
Belgium	*28,128*	*42,978*	*8,069*	*60,722*	*139,897*	*12%*
Luxembourg	*4,429*	*8,970*	*940*	*5,541*	*19,880*	*2%*
Italy	*12,788*	*65,500*	*11,241*	*51,595*	*141,124*	*12%*
Other Europe	**26,931**	**110,834**	**17,648**	**45,688**	**201,101**	**17%**
Africa & Mediterranean	**7,931**	**38,006**	**5,964**	**13,054**	**64,955**	**6%**
Americas	**37,972**	**91,907**	**16,282**	**26,534**	**172,695**	**15%**
Asia & Pacific	**19,882**	**40,789**	**8,187**	**440**	**69,298**	**6%**
Total	**196,437**	**515,228**	**88,579**	**362,756**	**1,163,000**	**100%**

commitments given (excluding repos) and fixed-income securities in the banking book.

In millions of euros	Central governments and central banks	Corporates	Institutions	Retail	Total	%
						December 31, 2011
Domestic markets	**87,107**	**248,988**	**47,374**	**284,412**	**667,881**	**55%**
France	*38,190*	*118,093*	*26,972*	*166,135*	*349,390*	*29%*
Belgium	*33,270*	*51,939*	*10,979*	*60,295*	*156,483*	*12%*
Luxembourg	*2,018*	*10,420*	*1,909*	*5,523*	*19,870*	*2%*
Italy	*13,629*	*68,536*	*7,514*	*52,459*	*142,138*	*12%*
Other Europe	**27,264**	**127,488**	**19,580**	**48,157**	**222,489**	**18%**
Africa & Mediterranean	**7,853**	**41,679**	**7,331**	**12,115**	**68,978**	**5%**
Americas	**40,080**	**103,487**	**22,969**	**28,178**	**194,714**	**16%**
Asia & Pacific	**14,312**	**44,737**	**10,352**	**362**	**69,763**	**6%**
TOTAL	**176,616**	**566,379**	**107,606**	**373,224**	**1,223,825**	**100%**

The geographic breakdown of the portfolio's exposure is balanced and globally stable. The Group maintains its predominantly European dimension at 73% of total exposures (unchanged compared with December 31, 2011). In Europe, French exposures were reinforced.

Industry Diversification

Breakdown of Credit Risk Corporate Asset Class by Industry at December 31, 2012

	December 31, 2012		**December 31, 2011**	
In millions of euros	**Exposition**	**%**	**Exposition**	**%**
Agriculture, Food, Tobacco	25,325	5%	23,707	4%
Insurance	8,810	2%	10,374	2%
Chemicals excluding Pharmaceuticals	10,329	2%	11,271	2%
Construction	27,771	5%	30,973	6%
Retailers	23,159	5%	22,628	4%
Energy Excluding Electricity	28,920	6%	36,345	6%
Equipment excluding IT Electronic	27,532	5%	29,452	5%
Finance	37,716	7%	40,819	7%
Real estate	47,982	9%	51,274	9%
IT & electronics	11,504	2%	11,930	2%
Metal & mining	27,112	5%	29,849	5%
Wholesale & trading	53,806	11%	62,008	11%
Healthcare & Pharmaceuticals	9,191	2%	8,725	2%
B to B services	52,784	10%	57,045	10%
Communication services	11,949	2%	15,599	3%
Transportation & logistics	35,484	7%	41,909	7%
Utilities (electricity, gas, water, etc.)	30,705	6%	34,303	6%
Other	45,150	9%	48,169	9%
Total	**515,228**	**100%**	**566,379**	**100%**

Risk-Weighted Assets

Credit Risk-Weighted Assets

In millions of euros	Risk-weighted assets Credit risk December 31, 2012	December 31, 2011	Variation
Credit risk - IRBA approach	**172,409**	**192,852**	**(20,443)**
Central governments and central banks	3,244	4,310	(1,066)
Corporates	121,986	136,889	(14,903)
Institutions	10,326	13,391	(3,065)
Retail	36,749	38,127	(1,378)
Real estate loans	*10,772*	*10,311*	*461*
Revolving exposures	*5,851*	*6,530*	*(679)*
Other exposures	*20,126*	*21,286*	*(1,160)*
Other non credit-obligation assets	104	134	(30)
Credit risk - Standardized approach	**238,742**	**253,822**	**(15,080)**
Central governments and central banks	3,742	3,458	284
Corporates	112,909	117,083	(4,174)
Institutions	8,508	7,282	1,226
Retail	80,589	82,922	(2,333)
Real estate loans	*26,276*	*26,818*	*(542)*
Revolving exposures	*3,137*	*4,295*	*(1,158)*
Other exposures	*51,176*	*51,810*	*(634)*
Other non credit-obligation assets	32,994	43,077	(10,083)
Total Credit Risk	**411,151**	**446,674**	**(35,523)**

The change in risk-weighted assets can be broken down into the following effects:

- currency effect: contribution of changes in foreign exchange rates;
- volume effect: contribution of changes in exposures (EAD);
- parameter effect: contribution of changes in risk parameters;
- method effect: impact of the change in method of calculating capital requirement between two reporting dates (transition to advanced model or change of method at the supervisor’s request);
- scope effect: impact of a change in scope of consolidation.

Credit Risk-Weighted Assets Movements by Key Driver

In millions of euros	Risk-weighted assets Credit risk
DECEMBER 31, 2011	**446,674**
Currency effect	(1,479)
Volume effect	(15,822)
Parameter effect	(336)
Scope effect	(12,154)
Method effect	(4,183)
Other	(1,549)
Total variations	***(35,523)***
DECEMBER 31, 2012	**411,151**

Risk-weighted credit exposures fell by €-36 billion, mainly as a result of the deleveraging policy adopted by the Group ahead of the new CRD 4 regulation. Most of the €16 billion negative volume effect stemmed from CIB’s Corporate Banking activities, mainly due to the adjustment plan pursued during the first nine months of 2012 (€3 billion of asset sales and €7 billion reduction in loan at origination). The disposal of

Klépierre accounted for most of the scope effect and the residual interest has been weighted as equity risk exposure. The method effect mainly stems from changes in approach used (transition to IRBA) notably following the legal merger of Banque de Bretagne with BNP Paribas SA.

Credit Risk: Internal Ratings Based Approach (IRBA)

The internal rating system developed by the Group covers the entire Bank. The IRBA, validated in December 2007, covers the Corporate and Investment Banking (CIB) portfolio, the French Retail Banking (FRB) portfolio, BNP Paribas Securities Services (BP2S), a part of BNP Paribas Personal Finance as well as the entities of the subgroups BNP Paribas Fortis and BGL BNP Paribas.

Corporate Model [AUDITED]

The IRBA for the Corporate book (i.e. institutions, corporates, specialized financing and sovereigns) is based on a consistent rating procedure in which GRM has the final say regarding the rating assigned to the counterparty and the Global Recovery Rate (GRR) assigned to transactions. Credit Conversion Factors (CCF) of off-balance sheet transactions are assigned according to counterparty and transaction type.

The generic process for assigning a rating to each segment of the Corporate book is as follows:

- for corporates and structured financing, an analysis is carried out by the unit proposing a rating and a Global Recovery Rate to the Credit Committee, using the rating models and tools developed by GRM. The rating and Global Recovery Rate are validated or revised by the GRM representative during the Credit Committee meeting. The committee decides whether or not to grant or renew a loan and, if applicable, reviews the counterparty rating at least once a year;
- for banks, the analysis is carried out by analysts in the Risk Management Function. Counterparty ratings and Global Recovery Rates are determined during review committees by geographical area to ensure comparability between similar banks;
- for sovereigns, the ratings are proposed by the Economic Research Department and approved at Country Committee meetings which take place several times a year. The committee comprises members of Executive Management, the Risk Management Department and the Business Lines;
- for medium-sized companies, a score is assigned by the business line's credit analysts and GRM has the final say;
- for each of these sub-portfolios, the risk parameters are measured using a model certified and validated by the GRM teams, based mainly on an analysis of the Bank's historical data. The model is supported as far as possible by tools available through a network to ensure consistent use. However, expert judgment remains an indispensable factor. Each rating and recovery rate is subject to an opinion which may differ from the results of the model, provided it can be justified.

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

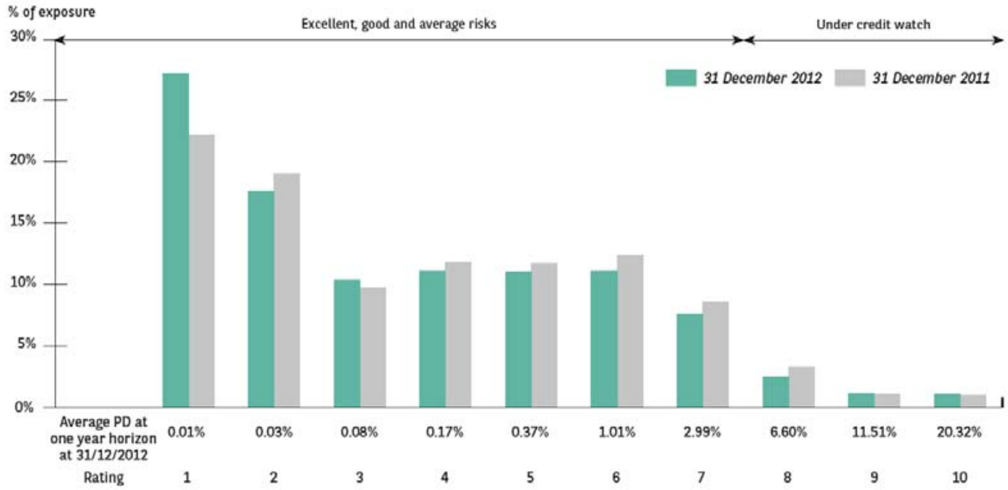
The same definition of default is used consistently throughout the Group for each asset class. For local counterparties (SMEs, local authorities), this definition may be adapted slightly to meet any specific local regulatory requirements, particularly as regards the length of past-due or the materiality threshold.

The chart below shows a breakdown by credit rating of performing loans and commitments in the Corporate book (asset classes: corporates, central governments and central banks, institutions) for all the Group's business lines, measured using the Internal Ratings-Based Approach.

This exposure represented €587 billion of the gross credit risk at December 31, 2012 compared with €627 billion at December 31, 2011.

The majority of commitments are towards borrowers rated as good or excellent quality, reflecting the heavy weighting of large multinational groups and financial institutions in the Bank's client base. A significant proportion of commitments to non-investment grade borrowers are highly structured or secured by high quality guarantees implying a high recovery rate in the event of default. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

Breakdown of IRBA Corporate* Exposures by Credit Rating



(*) The Corporate book shown in the chart above includes central governments and central banks, corporates, and institutions.

The breakdown of Corporate exposures in the IRBA scope remained broadly steady, with the exception of exposures rated 1, due to the sharp increase in central bank deposits prompted by the global liquidity policy.

Corporate Portfolio by Class and Internal Rating

The tables below present the breakdown by internal rating of the corporate loans and commitments (asset classes: central governments and central banks, corporate and institutions) for all the Group's business lines using the advanced IRB Approach. This exposure represented €600 billion of the gross credit risk at December 31, 2012, including €587 billion of performing loans and 13 billion of non-performing loans, compared with €643 billion at December 31, 2011, including €627 billion of performing loans and 15 billion of non-performing loans, and concerns CIB and business units French Retail Banking (FRB), Belgian Retail Banking, Luxembourg Retail and Corporate Banking as well as BNP Paribas Securities Services (BP2S) within the Investment Solutions division.

The tables also give the weighted averages of the main risk parameters in the Basel framework:

- average probability of default weighted by Exposure At Default: average PD[75];
- weighted average of Credit Conversion Factor (CCF) for off-balance sheet items: average CCF[76];
- average Loss Given Default weighted by Exposure At Default: average LGD[77];
- as well as the average risk weight: average RW[78] defined as the ratio between risk-weighted assets and Exposure At Default (EAD).

The column "Expected loss" presents the expected loss at a one-year horizon.

[75] Average PD: "Probability of Default" - average probability of default weighted by Exposure At Default.

[76] Average CCF: "Credit Conversion Factor" - ratio of the Exposure At Default divided by the off-balance sheet exposure.

[77] Average LGD: "Loss Given Default" - average Loss Given Default weighted by Exposure At Default.

[78] Average RW: "Risk Weight" - average risk weight.

Breakdown of IRBA Corporate Exposures by Asset Class and Internal Rating

											December 31, 2012
In millions of euros	**Internal rating**	**Average PD**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Central governments and central banks	1	0.01%	141,432	140,884	548	75%	141,285	1%	0%	0	270
	2	0.02%	26,275	26,083	192	64%	26,206	1%	0%	0	98
	3	0.08%	2,666	2,595	71	56%	2,635	14%	11%	0	296
	4	0.21%	2,678	1,306	1,372	55%	2,061	7%	7%	0	154
	5	0.47%	1,773	1,698	75	55%	1,739	27%	48%	3	842
	6	1.17%	743	628	115	56%	690	15%	39%	1	268
	7	3.48%	897	742	155	62%	838	11%	36%	3	298
	8	6.31%	720	517	203	58%	634	9%	35%	4	225
	9	12.91%	240	164	76	53%	204	59%	282%	16	576
	10	16.80%	163	125	38	67%	150	26%	145%	7	217
	11	100.00%	23	23	0		23		2%	26	0
	12	100.00%	2	2	0		2		0%	1	0
TOTAL		**0.11%**	**177,612**	**174,767**	**2,845**	**60%**	**176,467**	**2%**	**2%**	**61**	**3,244**
Institutions	1	0.03%	5,759	4,310	1,449	93%	5,656	25%	9%	0	523
	2	0.03%	30,969	22,861	8,108	72%	28,701	15%	5%	1	1,367
	3	0.08%	8,439	6,982	1,457	75%	8,067	26%	15%	2	1,231
	4	0.14%	5,497	4,033	1,464	49%	4,745	23%	21%	2	979
	5	0.39%	5,729	3,774	1,955	54%	4,823	25%	31%	4	1,513
	6	1.05%	1,982	1,460	522	52%	1,730	40%	76%	7	1,315
	7	2.76%	839	619	220	44%	715	41%	108%	8	769
	8	7.20%	853	591	262	34%	679	36%	124%	15	840
	9	11.46%	339	156	183	28%	208	38%	171%	9	354
	10	19.75%	530	129	401	50%	330	39%	205%	26	678
	11	100.00%	709	626	83	91%	701		107%	283	754
	12	100.00%	169	169	0		169		2%	71	3
TOTAL		**1.93%**	**61,814**	**45,710**	**16,104**	**67%**	**56,524**	**21%**	**18%**	**428**	**10,326**
Corporates	1	0.03%	11,651	5,397	6,254	56%	8,903	20%	6%	1	518
	2	0.04%	45,511	9,104	36,407	60%	30,882	35%	13%	4	3,992
	3	0.08%	49,519	15,642	33,877	58%	35,145	36%	22%	10	7,789
	4	0.17%	56,592	23,682	32,910	58%	42,910	32%	29%	23	12,432
	5	0.36%	56,978	31,443	25,535	56%	45,705	29%	39%	47	17,713
	6	1.01%	62,108	38,843	23,265	56%	51,753	25%	53%	129	27,655
	7	2.98%	42,390	28,184	14,206	53%	35,681	25%	73%	265	26,202
	8	6.58%	12,575	8,958	3,617	56%	10,978	24%	89%	171	9,820
	9	11.46%	5,580	4,350	1,230	58%	5,066	26%	125%	154	6,321
	10	20.47%	5,271	4,343	928	56%	4,805	29%	156%	270	7,484
	11	100.00%	8,816	7,799	1,017	64%	8,499		23%	3,417	1,950
	12	100.00%	3,251	3,077	174	94%	3,240		3%	2,543	110
TOTAL		**5.60%**	**360,242**	**180,822**	**179,420**	**57%**	**283,567**	**29%**	**43%**	**7,034**	**121,986**
TOTAL		**3.32%**	**599,668**	**401,299**	**198,369**	**58%**	**516,558**	**19%**	**26%**	**7,523**	**135,556**

In millions of euros	Internal rating	Average PD	Total exposure	Balance sheet exposure	Off-balance sheet exposure	Average off-balance sheet CCF	Exposure at Default (EAD)	Average LGD	Average RW	Expected Loss	Risk-weighted assets
											December 31, 2011
Central governments and central banks	1	0.01%	115,188	109,596	5,592	75%	112,751	2%	0%	0	279
	2	0.02%	26,255	25,537	718	69%	25,914	3%	1%	0	275
	3	0.09%	1,034	1,006	28	53%	1,024	19%	16%	0	160
	4	0.20%	4,318	2,720	1,598	55%	3,601	9%	8%	1	291
	5	0.40%	1,744	1,686	58	70%	1,825	36%	59%	3	1,068
	6	0.76%	1,017	744	273	56%	899	14%	28%	1	249
	7	2.85%	1,441	973	468	57%	1,241	5%	14%	2	177
	8	6.01%	668	428	240	63%	579	15%	56%	6	325
	9	12.96%	309	231	78	55%	272	40%	195%	14	529
	10	18.22%	12	7	5	50%	8	76%	427%	1	35
	11	100.00%	3,619	3,619	0		3,618		25%	1,946	922
TOTAL		**2.48%**	**155,605**	**146,547**	**9,058**	**69%**	**151,732**	**3%**	**3%**	**1,974**	**4,310**
Institutions	1	0.03%	12,546	9,648	2,898	84%	12,112	17%	6%	1	706
	2	0.05%	38,766	28,259	10,507	75%	36,191	17%	6%	2	2,115
	3	0.12%	10,033	5,828	4,205	71%	8,736	26%	15%	2	1,278
	4	0.16%	5,202	3,324	1,878	59%	4,402	34%	26%	2	1,155
	5	0.36%	4,600	3,181	1,419	59%	3,994	33%	39%	5	1,572
	6	1.13%	3,727	2,595	1,132	58%	3,256	32%	64%	12	2,070
	7	2.58%	1,870	1,455	415	54%	1,689	26%	74%	13	1,253
	8	6.65%	1,419	999	420	51%	1,221	25%	92%	21	1,119
	9	12.23%	848	399	449	51%	632	43%	210%	33	1,328
	10	18.92%	688	89	599	62%	467	32%	167%	28	778
	11	100.00%	566	483	83	96%	565		3%	171	16
	12	100.00%	310	310	0		312		0%	289	1
TOTAL		**1.71%**	**80,575**	**56,570**	**24,005**	**71%**	**73,577**	**21%**	**18%**	**579**	**13,391**
Corporates	1	0.03%	11,083	4,627	6,456	60%	8,525	19%	6%	0	531
	2	0.03%	53,904	13,245	40,659	60%	36,967	34%	13%	5	4,660
	3	0.08%	49,455	16,007	33,448	59%	35,052	37%	23%	10	7,931
	4	0.18%	63,907	26,893	37,014	58%	47,744	32%	29%	27	13,871
	5	0.36%	66,587	33,994	32,593	59%	51,162	31%	42%	57	21,423
	6	1.11%	72,534	42,264	30,270	61%	57,971	25%	54%	165	31,209
	7	2.93%	50,028	31,077	18,951	61%	41,118	25%	73%	300	30,042
	8	6.46%	18,111	13,125	4,986	59%	15,668	22%	84%	227	13,219
	9	11.72%	4,981	3,620	1,361	57%	4,332	26%	122%	129	5,276
	10	19.37%	5,103	3,936	1,167	74%	4,608	28%	153%	250	7,034
	11	100.00%	8,052	6,852	1,200	72%	7,863		21%	2,826	1,649
	12	100.00%	2,872	2,717	155	86%	2,856		2%	2,489	44
TOTAL		**4.87%**	**406,617**	**198,357**	**208,260**	**60%**	**313,866**	**29%**	**44%**	**6,485**	**136,889**
TOTAL		**3.77%**	**642,797**	**401,474**	**241,323**	**61%**	**539,175**	**21%**	**29%**	**9,038**	**154,590**

Most of the Group's central government and central bank counterparties are of very high credit quality and based in developed countries, meaning that they have very good internal ratings and very low average Loss Given Default.

The majority of the Group's corporate commitments concerns counterparties of excellent or good quality, reflecting the large part of multinationals in BNP Paribas' customer base. Others exposures are mainly structured transactions or transactions secured by high-quality assets, reflected in their average LGD levels.

Retail Banking Operations [AUDITED]

Retail banking operations are carried out by the BNP Paribas network of branches in France and by various subsidiaries, particularly in Italy, Belgium and Luxembourg, as well as by BNP Paribas Personal Finance.

The Standard Ratings Policy for Retail Operations (SRPRO) provides a framework allowing Group core businesses and Risk Management Departments to assess, prioritize and monitor credit risks consistently. This policy is used for transactions presenting a high degree of granularity, small unit volumes and a standard risk profile. Borrowers are assigned scores in accordance with the policy, which sets out:

- standard internal ratings based principles, underlining the importance of a watertight process and its ability to adapt to changes in the credit environment;
- principles for defining homogeneous pools of credit risk exposures;
- principles relative to credit models, particularly the need to develop discriminating and understandable models, and to model or observe risk indicators downstream in order to calibrate exposures. Risk indicators must be quantified based on historical data covering a minimum period of five years, and in-depth, representative sampling. All models must be documented in detail.

The majority of FRB's retail borrowers are assigned a behavioral score which serves as a basis to determine the probability of default and, for each transaction, the Global Recovery Rate (GRR) and Exposure at Default (EAD). These parameters are calculated monthly on the basis of the latest available information. They are drilled down into different scores and made available to the Commercial function, which has no involvement in determining risk parameters. These methods are used consistently for all retail banking customers.

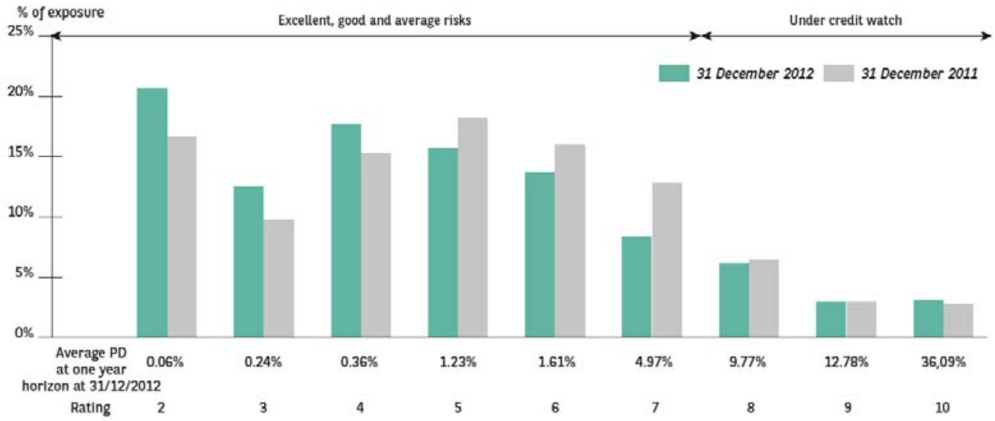
For the portion of the BNP Paribas Personal Finance book eligible for the IRBA, the risk parameters are determined by the Risk Management Department on a statistical basis according to customer type and relationship history.

Scoring techniques are used to assign retail customers to risk groups presenting the same default risk characteristics. This also applies to the other credit risk inputs: Exposure at Default (EAD) and Loss Given Default (LGD).

The chart below shows a breakdown by credit rating of performing loans and commitments in the retail book for all the Group's business lines, measured using the internal ratings based approach.

This exposure represented €188 billion of the gross credit risk at December 31, 2012, lightly decreased compared with December 31, 2011 (€192 billion).

Breakdown of IRBA Retail Exposures by Credit Rating



Trends in probabilities of default in the retail banking book were affected in 2012 by the implementation of a different methodology for taking account of regulatory adjustments required by the supervisor. However, these trends do not affect the book's risk-weighted assets..

Retail Portfolio by Class and Internal Rating

The following table gives the breakdown by internal rating of the retail loans and commitments for all of the Group's business lines using the advanced IRB Approach. This exposure represented €196 billion at December 31, 2012, compared with €200 billion at December 31, 2011, and primarily concerns French Retail Banking (FRB), Belgian Retail Banking, Luxembourg Retail and Corporate Banking and consumer loan subsidiaries of BNP Paribas Personal Finance in Western Europe.

Breakdown of IRBA Retail Exposures by Asset Class and Internal Rating

										December 31, 2012
In millions of euros	**Internal rating**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Mortgages	2	29,562	28,699	863	91%	29,490	11%	2%	2	445
	3	17,620	17,219	401	96%	17,606	11%	4%	3	661
	4	20,014	19,501	513	101%	20,019	11%	6%	7	1,223
	5	14,372	13,883	489	100%	14,375	9%	15%	21	2,177
	6	8,160	7,850	310	99%	8,158	10%	19%	16	1,512
	7	4,334	4,239	95	101%	4,336	9%	33%	31	1,434
	8	2,481	2,433	48	107%	2,484	10%	42%	42	1,047
	9	1,671	1,637	34	100%	1,671	12%	61%	27	1,022
	10	1,296	1,279	17	100%	1,296	10%	47%	59	605
	11	955	950	5	99%	955		68%	50	646
	12	593	593	0		594		0%	17	0
TOTAL		**101,058**	**98,283**	**2,775**	**97%**	**100,984**	**11%**	**11%**	**275**	**10,772**
Revolving exposures	2	506	81	425	86%	2,046	52%	1%	0	29
	3	1,208	104	1,104	78%	962	49%	3%	0	26
	4	2,892	128	2,764	71%	2,086	44%	4%	1	82
	5	3,963	83	3,880	57%	2,286	50%	10%	5	225
	6	4,254	1,538	2,716	47%	2,828	44%	20%	15	580
	7	2,109	814	1,295	45%	1,403	49%	44%	21	622
	8	2,665	1,869	796	60%	2,346	45%	71%	74	1,671
	9	801	667	134	107%	709	51%	110%	43	783
	10	1,085	963	122	86%	1,068	44%	127%	140	1,361
	11	1,035	1,006	29	37%	1,119		42%	772	472
	12	493	493	0		494		0%	203	0
		21,011	**7,746**	**13,265**	**72%**	**17,347**	**47%**	**34%**	**1,274**	**5,851**
Other exposures	2	8,576	7,307	1,269	93%	8,486	27%	4%	2	351
	3	4,603	3,866	737	89%	4,524	25%	7%	3	336
	4	10,048	8,725	1,323	96%	9,998	32%	14%	9	1,410
	5	11,045	9,639	1,406	98%	11,025	28%	21%	23	2,314
	6	13,211	12,017	1,194	106%	13,290	29%	31%	51	4,153
	7	9,057	8,311	746	107%	9,115	27%	40%	90	3,661
	8	6,181	5,837	344	125%	6,268	26%	42%	110	2,661
	9	2,980	2,853	127	99%	3,019	32%	61%	119	1,850
	10	3,233	3,179	54	91%	3,275	23%	56%	261	1,824
	11	2,881	2,847	34	63%	2,920		54%	1,611	1,566
	12	2,007	2,002	5	99%	2,075		0%	781	0
TOTAL		**73,822**	**66,583**	**7,239**	**102%**	**73,995**	**28%**	**27%**	**3,060**	**20,126**
TOTAL		**195,891**	**172,611**	**23,279**	**84%**	**192,326**	**20%**	**19%**	**4,609**	**36,749**

										December 31, 2011
In millions of euros	**Internal rating**	**Total exposure**	**Balance sheet exposure**	**Off-balance sheet exposure**	**Average off-balance sheet CCF**	**Exposure at Default (EAD)**	**Average LGD**	**Average RW**	**Expected Loss**	**Risk-weighted assets**
Mortgages	2	21,961	21,178	783	90%	21,643	12%	1%	1	274
	3	13,263	12,842	421	96%	13,259	12%	3%	1	334
	4	16,946	16,431	515	97%	16,832	12%	5%	4	835
	5	15,791	15,058	733	99%	15,592	11%	11%	11	1,782
	6	13,001	12,711	290	96%	13,704	10%	21%	17	2,876
	7	5,431	5,363	68	97%	5,536	10%	30%	18	1,684
	8	1,837	1,781	56	98%	1,779	13%	50%	19	882
	9	1,238	1,219	19	99%	1,234	13%	68%	20	843
	10	892	881	11	100%	900	13%	67%	44	601
	11	161	159	2	100%	161		124%	16	200
	12	1,102	1,099	3	100%	1,096		0%	258	0
TOTAL		**91,623**	**88,722**	**2,901**	**95%**	**91,736**	**12%**	**11%**	**409**	**10,311**
Revolving exposures	2	1,611	103	1,508	47%	2,249	54%	1%	0	34
	3	1,338	99	1,238	35%	828	50%	3%	0	23
	4	2,124	150	1,974	40%	1,382	47%	5%	1	71
	5	6,012	116	5,896	41%	2,695	52%	11%	6	294
	6	3,710	549	3,161	36%	1,995	48%	20%	10	396
	7	4,838	1,831	3,008	42%	3,159	42%	39%	42	1,232
	8	2,671	1,588	1,083	47%	2,130	44%	63%	56	1,352
	9	1,141	849	292	33%	974	49%	103%	54	1,008
	10	1,480	965	514	22%	1,086	49%	141%	174	1,527
	11	1,003	962	42	8%	1,166		51%	673	593
	12	469	469	0		469		0%	302	0
TOTAL		**26,397**	**7,681**	**18,716**	**40%**	**18,135**	**48%**	**36%**	**1,318**	**6,530**
Other exposures	1	5	5	0		5	21%	10%	0	1
	2	8,301	6,924	1,377	91%	8,370	28%	3%	1	291
	3	4,035	2,923	1,112	91%	3,455	30%	7%	1	232
	4	10,057	8,542	1,515	90%	9,893	31%	13%	6	1,293
	5	12,914	10,657	2,257	97%	12,583	28%	22%	15	2,823
	6	13,831	12,364	1,467	87%	13,887	24%	27%	34	3,786
	7	14,134	12,996	1,138	93%	14,141	23%	35%	90	4,923
	8	7,613	7,136	477	89%	7,486	21%	37%	95	2,743
	9	3,087	2,935	152	89%	3,119	31%	60%	116	1,870
	10	2,796	2,717	79	98%	2,757	26%	63%	248	1,750
	11	2,772	2,737	35	100%	2,955		53%	1,569	1,574
	12	2,005	1,995	10	100%	2,063		0%	1,231	0
TOTAL		**81,550**	**71,931**	**9,619**	**92%**	**80,714**	**26%**	**26%**	**3,406**	**21,286**
TOTAL		**199,570**	**168,334**	**31,236**	**61%**	**190,586**	**21%**	**20%**	**5,133**	**38,127**

Most of the mortgage exposures concern the French Retail Banking business, Belgian Retail Banking, Luxembourg Retail Banking and BNP Paribas Personal Finance. Mortgages are issued according to strict and well-defined procedures. The low average Loss Given Default level reflects the guarantees put in place when the mortgages were granted.

Most of the revolving exposures and other exposures relate to consumer loans subsidiaries that have a wide range of customers in terms of credit quality and a lower level of guarantees.

For the scope under the IRB Approach, the Group believes that publishing a comparison between Expected Losses (EL) at one year and realized cost of risk (as requested by article 384-4 i. of the Regulation) is not relevant for the following reasons:

- risk parameters used to calculate Expected Loss (EL) at a one-year horizon according to Basel committee principles, displayed in the previous tables, are statistical estimates through the cycle;
- realized losses, on the other hand, refer to the past period, therefore at a particular point in time.

Credit Risk: STANDARDIZED Approach

For exposures in the standardized approach, BNP Paribas uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings. These ratings are mapped into equivalent credit quality levels as required by the regulation framework in accordance with the instructions issued by the French banking supervisor (Autorité de Contrôle Prudentiel).

When there is no directly applicable external rating, the issuer's senior unsecured rating may, if available, be obtained from external databases and used for risk-weighting purposes in some cases.

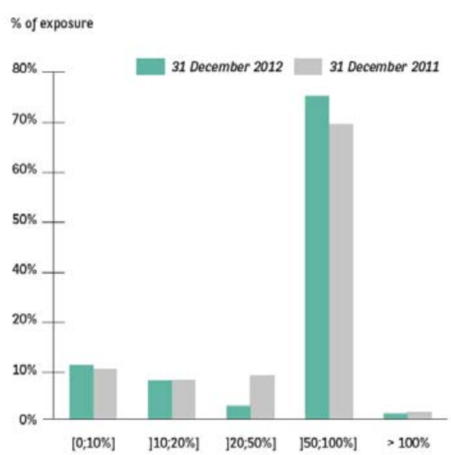
At December 31, 2012 standardized approach exposure represents 32% of the BNP Paribas Group's total gross exposures, compared with 30% at December 31, 2011. The main entities that used the standardized approach at December 31, 2012 are BNL, BancWest, BNP Paribas Personal Finance (consumer finance outside Western Europe and all mortgage lending), BNP Paribas Leasing Solutions (BPLS), TEB and others emerging country subsidiaries, private banking entities, and Banque de la Poste in Belgium.

Corporate Portfolio [AUDITED]

The opposite chart shows a breakdown by credit rating of performing loans and commitments in the Corporate book (exposure classes: corporates, central governments and central banks, institutions) for all the Group's business lines, measured using the standardized approach.

This exposure represented €188 billion of the gross credit risk at December 31, 2012 compared with €197 billion at December 31, 2011.

Breakdown of Corporate* Exposure by Weighting in the Standardized Approach



(*) The Corporate book shown in the chart above includes central governments and central banks, institutions and corporates.

Retail Portfolio [AUDITED]

The total exposure of retail loans and commitments for all of the Group's business lines using the standard approach represented €167 billion at December 31, 2012, compared with €174 billion at December 31, 2011.

Total Portfolio

The following table gives the breakdown by counterparty credit rating of the loans and commitments for all the Group business lines using the standardized approach. This exposure represented €367 billion of the gross credit risk at December 31, 2012, compared with €381 billion at December 31, 2011.

Credit Risk Exposure by Class and External Rating in the Standardized Approach

		December 31, 2012			December 31, 2011		
In millions of euros	External rating*	Gross exposure**	Exposure at Default (EAD)	Risk-weighted assets (RWA)	Gross exposure**	Exposure at Default (EAD)	Risk-weighted assets (RWA)
Central governments and central banks	AAA to AA-	11,227	11,216	13	12,533	12,503	58
	A+ to A-	746	746	38	2,707	2,675	66
	BBB+ to BBB-	1,823	1,753	508	933	919	451
	BB+ to BB-	2,628	2,626	1,133	2,591	2,587	835
	B+ to B-	898	888	888	1,221	1,206	1,206
	No external rating	1,503	1,486	1,162	1,026	1,014	842
TOTAL		**18,825**	**18,715**	**3,742**	**21,011**	**20,904**	**3,458**
Institutions	AAA to AA-	13,723	12,960	1,590	16,821	15,890	2,292
	A+ to A-	240	211	100	6,504	6,037	2,566
	BBB+ to BBB-	9,424	7,279	4,956	537	463	438
	BB+ to BB-	975	801	801	811	621	621
	B+ to B-	269	245	176	361	314	315
	CCC+ to D	6	5	8	7	6	8
	No external rating	2,128	1,996	877	1,990	1,822	1,042
TOTAL		**26,765**	**23,497**	**8,508**	**27,031**	**25,153**	**7,282**
Corporates	AAA to AA-	80	79	16	200	184	37
	A+ to A-	1,875	1,295	648	3,217	2,669	1,332
	BBB+ to BBB-	2,498	1,736	1,709	791	632	628
	BB+ to BB-	337	213	212	427	321	314
	B+ to B-	308	252	378	113	76	114
	CCC+ to D	17	14	20	1	1	1
	No external rating	149,871	113,043	109,926	155,013	118,789	114,657
TOTAL		**154,986**	**116,632**	**112,909**	**159,762**	**122,672**	**117,083**
Retail	No external rating	166,865	142,534	80,589	173,654	147,635	82,922
TOTAL		**166,865**	**142,534**	**80,589**	**173,654**	**147,635**	**82,922**
TOTAL		**367,440**	**301,378**	**205,748**	**381,458**	**316,364**	**210,745**

(*) According to Standard and Poor's.
(**) Balance sheet and off-balance sheet.

The downgrading of some eurozone countries, particularly Italy, has led to a shift from the two best categories to the third for the Institutions exposure class.

Group entities that use the standardized approach to calculate their capital requirement typically have a business model focused primarily on individuals or SMEs or are located in a region of the world with an underdeveloped credit rating system (Turkey, Ukraine, Middle East, etc.). As a result, most of corporate counterparties do not have an external rating under the standardized approach.

Exposure in Default, Provisions and Cost of Risk

Loans With Past-Due Instalments, Whether Impaired or Not, and Related Collateral or Other Security

See Note 5 to the Financial Statements: Notes to the balance sheet at December 31, 2012.

Exposure in Default by Geographic Breakdown

		December 31, 2012				
			Exposure in default*			
In millions of euros		**Gross exposure**	**Standardized approach**	**IRBA approach**	**Total**	**Specific provisions**
Domestic markets		**654,951**	**18,036**	**11,592**	**29,628**	**14,450**
	France	354,050	3,485	7,175	10,660	5,496
	Belgium	139,897	128	3,449	3,577	1,410
	Luxembourg	19,880	26	705	731	300
	Italy	141,124	14,397	263	14,660	7,244
Other Europe		**201,101**	**3,318**	**4,768**	**8,086**	**4,812**
	United Kingdom	42,706	118	1,110	1,228	694
	Netherlands	30,673	92	45	137	69
	Other West European countries	98,068	1,524	2,851	4,375	2,462
	Central Eastern Europe	29,654	1,584	762	2,346	1,587
Africa & Mediterranean		**64,955**	**1,322**	**1,879**	**3,201**	**1,872**
	Turkey	24,570	261	2	263	171
	Mediterranean	18,210	530	183	713	480
	Gulf States & Africa	22,175	531	1,694	2,225	1,221
Americas		**172,695**	**663**	**2,200**	**2,863**	**1,162**
	North America	156,193	482	1,926	2,408	843
	Latin America	16,502	181	274	455	319
Asia & Pacific		**69,298**	**110**	**495**	**605**	**242**
	Japan & Australia	22,415	2	257	259	141
	Emerging Asian countries	46,883	108	238	346	101
Total		**1,163,000**	**23,449**	**20,934**	**44,383**	**22,538**

(*) Gross exposure (balance sheet and off-balance sheet) before collateral and other security.

In millions of euros		December 31, 2011				
			Exposure in default[*]			
		Gross exposure	Standardized approach	IRBA approach	Total	Specific provisions
Domestic markets		**667,881**	**16,196**	**10,480**	**26,676**	**13,514**
	France	349,390	3,888	6,387	10,275	5,650
	Belgium	156,483	121	3,457	3,578	1,410
	Luxembourg	19,870	29	490	519	286
	Italy	142,138	12,158	146	12,304	6,168
Other Europe		**222,489**	**3,322**	**8,864**	**12,186**	**7,111**
	United Kingdom	40,075	78	1,352	1,430	805
	Netherlands	35,519	89	129	218	106
	Other West European countries	114,150	1,471	6,727	8,198	4,613
	Central Eastern Europe	32,745	1,684	656	2,340	1,587
Africa & Mediterranean		**68,978**	**1,388**	**1,437**	**2,825**	**1,474**
	Turkey	21,084	282	2	284	195
	Mediterranean	18,830	617	217	834	515
	Gulf States & Africa	29,064	489	1,218	1,707	764
Americas		**194,714**	**1,209**	**1,878**	**3,087**	**1,172**
	North America	172,137	1,007	1,526	2,533	789
	Latin America	22,577	202	352	554	383
Asia & Pacific		**69,763**	**93**	**272**	**365**	**141**
	Japan & Australia	19,327	2	72	74	40
	Emerging Asian countries	50,436	91	200	291	101
Total		**1,223,825**	**22,208**	**22,931**	**45,139**	**23,412**

(*) Gross exposure (balance sheet and off-balance sheet) before collateral or other security.

Exposures in Default, Provisions, and Cost of Risk by Basel Asset Class

The cost of risk in the table below relates to credit risk only and does not include impairments of counterparty risk on market financial instruments. *(See note 2.f to the Financial Statements, Cost of risk)* Elements pertaining to banking book securitizations exposures are presented in "Securitization in the Banking Book".

	December 31, 2012						
		Exposure in default*					
In millions of euros	**Gross exposure**	**Standardized approach**	**IRBA**	**Total**	**Specific provisions**	**Collective provisions**	**Cost of risk**
Central governments and central banks	196,437	27	24	51	63		
Corporates	515,228	11,621	12,068	23,689	11,963		
Institutions	88,579	367	878	1,245	618		
Retail	362,756	11,434	7,964	19,398	9,894		
Total	**1,163,000**	**23,449**	**20,934**	**44,383**	**22,538**	**4,336**	**(3,895)**

	December 31, 2011						
		Exposure in default*					
In millions of euros	**Gross exposure**	**Standardized approach**	**IRBA**	**Total**	**Specific provisions**	**Collective provisions**	**Cost of risk**
Central governments and central banks	176,616	79	3,619	3,698	1,972		
Corporates	566,379	10,398	10,923	21,321	10,537		
Institutions	107,606	470	876	1,346	708		
Retail	373,224	11,261	7,513	18,774	10,195		
Total	**1,223,825**	**22,208**	**22,931**	**45,139**	**23,412**	**4,660**	**(6,767)**

(*) Gross exposure (balance sheet and off-balance sheet) before collateral or other security.

Unimpaired Exposures With Past Due Instalments by Basel Asset Class And Calculation Approach

	December 31, 2012				
	Maturities of unimpaired past-due loans*				
In millions of euros	**Up to 90 days**	**Between 90 days and 180 days**	**Between 180 days and 1 year**	**More than 1 year**	**Total**
Central governments and central banks	31	0	0	2	33
Corporates	5,783	59	19	46	5,907
Institutions	380	0	0	0	380
Retail	4,779	159	5	6	4,949
Total Standardized Approach	**10,973**	**218**	**24**	**54**	**11,269**
Central governments and central banks	135	5	0	2	142
Corporates	1,538	343	20	20	1,921
Institutions	59	20	0	0	79
Retail	3,109	39	1	3	3,152
Total IRB Approach	**4,841**	**407**	**21**	**25**	**5,294**
Total Prudential Scope	**15,814**	**625**	**45**	**79**	**16,563**

(*) Based on FINREP, gross exposure (balance sheet) before edlateral or other security.

In millions of euros	December 31, 2011				
	Maturities of unimpaired past-due loans*				
	Up to 90 days	Between 90 days and 180 days	Between 180 days and 1 year	More than 1 year	Total
Central governments and central banks	53	14	2	3	72
Corporates	5,665	307	20	6	5,998
Institutions	253	0			253
Retail	6,400	182	2	4	6,588
Total Standardized Approach	**12,371**	**503**	**24**	**13**	**12,911**
Central governments and central banks	208	163	3	13	387
Corporates	1,552	0	87	17	1,656
Institutions	133	0			133
Retail	2,780	36	5	1	2,822
Total IRB Approach	**4,673**	**199**	**95**	**31**	**4,998**
Total Prudential Scope	**17,044**	**702**	**119**	**44**	**17,909**

(*) Based on FINREP, gross exposure (balance sheet) before collateral or other security.

Credit Risk Mitigation Techniques

Credit risk mitigants (CRM) are taken into account according to the Basel 2 rules. In particular, their effect is assessed under conditions characteristic of an economic downturn. The CRM fall into two main categories.

Guarantees on the one hand, and collateral on the other hand.

- A guarantee (surety) is the commitment by a third party to replace the primary obligor in the event of default. By extension, credit insurance and credit derivatives (purchased protection) fall into this category;
- Collateral pledged to the Bank are used to secure timely performance of a borrower's financial obligations.

For the scope under the IRB Approach, guarantees and collaterals are taken into account, provided they are eligible, by decreasing the Loss Given Default (LGD) parameter that applies to the transactions of the banking book.

For the scope under the standardized approach, guarantees are taken into account, provided they are eligible, by applying the more favorable risk weight of the guarantor to a portion of the secured exposure adjusted for currency and maturity mismatches. Collateral is taken into account as a decrease in the exposure, after adjustment for any currency and maturity mismatches.

Guarantors are subject to the same rigorous credit risk assessment process as primary obligors.

The assessment of credit risk mitigating effect follows a methodology that is approved for each activity and is used throughout the Group. In the CIB division, risk mitigation effects take account of possible correlation between the guarantor and the borrower (for example, whether they belong to the same industry sector). Credit committees must approve the mitigation effects attributed to each loan at inception and at each subsequent annual review.

Collateral is divided into two categories: financial collateral and other collateral:

- financial collateral consists of cash amounts (including gold), equities (listed or unlisted) and bonds;
- other collateral can take the form of real estate mortgage, pledge on vessel or aircraft, pledge on stock, assignment of contracts or any other right with respect to an asset of the obligor.

To be eligible, collaterals must fulfill the following conditions:

- the value of the collateral must not be highly correlated with the risk on the obligor (in particular, shares of the obligor are not eligible);
- the pledge must be documented;
- the Bank must be able to assess the value of the collateral security under economic downturn conditions;
- the Bank must have reasonable comfort in the potential appropriation and realization of the asset concerned.

In the CIB division, each collateral is evaluated using appropriate techniques, and the mitigating effect is evaluated individually for each case.

As part of its role of optimizing credit risk management for Corporate Investment Banking (CIB), Resource & Portfolio Management sets up hedges using credit derivatives, and mainly credit default swaps (CDS).

These CDS are used as part of an active management policy, the main aim being to hedge migration and concentration risks and manage major exposures. The underlying assets are loans made to large corporates by CIB Corporate Banking, and occasionally those made by Retail Banking.

CDS hedges are treated as guarantees and fall within the IRBA approach. Provided they are eligible, they have the effect of decreasing the estimated Loss Given Default (or enhancing the Global Recovery Rate) for the underlying asset and, therefore, reducing its consumption in terms of risk-weighted assets.

In the Retail Banking business, the presence or absence of a particular type of collateral may, depending on the coverage ratio, lead to assigning the exposure to particular LGD class on a statistical basis.

Guarantees are granted by the obligor's parent company or by other entities such as financial institutions. Other examples of guarantees are credit derivatives, guarantees from public or private insurers.

A guarantee cannot be eligible to improve the risk parameters of a transaction unless the guarantor is rated better than the counterparty, and the guarantor is subject to same requirements as the primary debtor in terms of prior credit analysis.

In accordance with general rating policy, collateral and guarantees are taken into account at their economic value and are only accepted as the principal source of repayment by exception. In the context of commodities financing, for example, the repayment capacity of the obligor must be assessed on the basis of its operating cash flow.

The economic value of the collateralized assets must be assessed with great objectivity and the Bank has to document it. It may be a market value, a value appraised by an expert, a book value. The economic value is the current value at the date of appraisal and not a value on default date.

Lastly, Group procedures require a re-evaluation of collaterals at least annually for the CIB perimeter.

IRB Approach – Corporate Portfolio

The following table gives for the Corporate portfolio the breakdown by Basel asset class of the risk mitigation resulting from collateral and guarantees relating to the portfolio of loans and credit commitments for all the Group's business lines using the advanced IRB Approach.

	December 31, 2012				**December 31, 2011***			
		Risk mitigation				**Risk mitigation**		
In millions of euros	**Total exposure**	**Guarantees and credit derivatives**	**Collateral**	**Total guarantees and collaterals**	**Total exposure**	**Guarantees and credit derivatives**	**Collateral**	**Total guarantees and collaterals**
Central governments and central banks	177,612	4,695	240	4,935	155,605	5,427	393	5,820
Corporates	360,242	60,875	55,744	116,619	406,617	73,904	68,470	142,374
Institutions	61,814	4,021	899	4,920	80,575	6,161	3,102	9,263

Total	**599,668**	**69,591**	**56,883**	**126,474**	**642,797**	**85,492**	**71,965**	**157,457**

(*) Adjusted amounts compared with pillar 3 published at December 31, 2011.

Standardized Approach – Corporate Portfolio

The following table gives for the Corporate portfolio the breakdown by Basel asset class of the risk mitigation resulting from collateral and guarantees relating to the portfolio of loans and credit commitments for all the Group's business lines using the standardized approach.

	December 31, 2012				**December 31, 2011**			
		Risk mitigation				**Risk mitigation**		
In millions of euros	**Total exposure**	**Guarantees and credit derivatives**	**Collateral**	**Total guarantees and collaterals**	**Total exposure**	**Guarantees and credit derivatives**	**Collateral**	**Total guarantees and collaterals**
Central governments and central banks	18,825	0	7	7	21,011	401	7	409
Corporates	154,986	821	5,673	6,494	159,762	1,653	6,528	8,181
Institutions	26,765	4,933	8	4,942	27,031	4,816	8	4,824
TOTAL	**200,575**	**5,754**	**5,688**	**11,442**	**207,804**	**6,870**	**6,543**	**13,413**

Securitization in the Banking Book

The BNP Paribas Group is involved in securitization transactions as originator, sponsor and investor as defined by Basel 2.5.

The securitization transactions described below are those defined in the CRD (Capital Requirement Directive) and described in Title V of the Decree of February 20, 2007. They are transactions in which the credit risk inherent in a pool of exposures is divided into tranches. The main features of these securitization transactions are:

- there is a significant transfer of risk;
- payments made depend upon the performance of the underlying exposures;
- subordination of the tranches as defined by the transaction determines the distribution of losses during the risk transfer period.

As required by the CRD, assets securitized as part of proprietary securitization transactions that meet Basel eligibility criteria, particularly in terms of significant risk transfer, are excluded from the regulatory capital calculation. Only BNP Paribas' positions in the securitization vehicle, and any commitment subsequently granted to the securitization vehicle, are included in the capital requirement calculation using the external ratings based approach.

Proprietary securitization exposures that do not meet the Basel eligibility criteria remain in the portfolio to which they were initially assigned. The capital requirement is calculated as if they had not been securitized and is included in the section on credit risk.

Consequently, the securitization transactions discussed below only cover those originated by the Group deemed to be efficient under Basel 2.5, those arranged by the Group in which it has retained positions, and those originated by other parties to which the Group has subscribed.

Accounting Methods [AUDITED]

See Note 1.d to the Financial Statements – Summary of significant accounting policies applied by the Group.

Proceeds from the sale of securitization positions are recognized in accordance with rules for the category of origin of positions sold.

Therefore, for positions classified as loans and receivables and as available-for-sale assets, proceeds from asset sales are deducted from cost of risk in an amount equal to the net amount previously recognized. Any remaining amount is recognized as net gains on available-for-sale assets and other financial assets not stated at fair value.

For positions classified at fair value through profit or loss, proceeds from asset sales are recognized as net gains on financial instruments measured at fair value through profit or loss.

1) Securitization positions classified as "Loans and receivables" are measured according to the amortized cost method as described in note 1.c.1 to the financial statements. The effective interest rate used to recognize interest income is measured on the basis of an expected cash flow model.

   For assets that have been transferred from another accounting category (see note 1.c.6), upward revisions of recoverable estimated flows are recognized as an adjustment to the effective interest rate as of the date the estimate is changed. Downward revisions are reflected by an adjustment in the carrying value. The same applies to all revisions of recoverable estimated flows of assets not transferred from another accounting category. Impairment losses are recognized on these assets in accordance with the principles set out in note 1.c.5 concerning Loans and Receivables.

2) Securitization positions classified on an accounting basis as available-for-sale assets are measured at their fair value (see note 1.c.3 and 1.c.10). Any changes to this amount, excluding accrued income, are presented in a specific sub-section of equity. On the sale of these securities, these unrealized gains or losses previously recognized as equity are recognized in the income statement. The same applies to impairment losses. The fair value is determined in accordance with the principles set out in note 1.c.10.

Assets pending securitization are recognized in the "loans and receivables" category and in the prudential banking portfolio in the case of exposures resulting from the bank's balance sheet, for which the bank will be originator in the future securitization within the meaning of Basel 2.

Meanwhile, assets pending securitization are recognized in the "fair value through profit or loss" category and in the prudential banking portfolio in the case of exposures purchased and put into warehousing, for which the bank will be arranger in the future securitization within the meaning of regulation.

Securitization Risk Management [AUDITED]

The monitoring of the securitized assets includes Credit, Market and Liquidity Risk on the underlying assets, and Counterparty Risk on hedge counterparties of unfunded protections.

Procedure for Credit Risk on Securitized Assets

Approval of securitization assets outside of the trading book are subject to specific Securitization Credit Committees. For new transactions a pre-screening may be called prior to the committee in order to identify areas of further analysis to be performed. All approvals are subject to an annual review. Exposures are monitored daily against the limits set by the relevant Securitization Credit Committees.

The performance of the underlying assets is closely monitored by region and by collateral type and securitization positions may be added to the Watchlist and Doubtful list should the credit quality of their collateral deteriorate. Such positions are then subject to the Asset Securitization Watchlist and Doubtful process, which requires review at least twice a year in addition to the regular Securitization Credit Committees. The process is held quarterly for assets where BNP Paribas is investor. If a shortfall of assets relative to liabilities seems plausible under likely scenarios, then impairments are taken.

Re-securitization originated by BNP Paribas are subject first to specific Transaction Approval Committees. The resulting assets are subsequently monitored under the Securitization processes described above.

Reporting

Positions are closely monitored by asset type, seniority and in terms of rating migration. The distance between the Net Book Value after provisions and the Fair Value (Level 2) is also monitored, and reported on a quarterly basis.

Market Risks Within the Banking Book

On fixed rate ABS positions, a macro hedge consisted of fixed/variable rate swaps was put in place to cover interest rate risk. The hedge is recorded in accordance with the rules of accounting for hedges.

Liquidity risk

The funding of securitized assets is secured by ALM Department, on the basis of their weighted average lifetime.

Counterparty risk

Derivatives on unfunded ABS positions are captured as Derivatives Counterparty exposures to the hedge counterparties. The Counterparty risk on hedge counterparties is monitored within the regular derivative counterparty framework.

BNP Paribas Securitization Activity ***[AUDITED]***

The Group's activities in each of its roles as originator, sponsor and investor, are described below:

Securitized Exposures and Securitization Positions (Held or Acquired) by Role

In millions of euros	**December 31, 2012**		**December 31, 2011**	
BNP Paribas role	**Securitized exposures originated by BNP Paribas***	**Securitization positions held or acquired (EAD)****	**Securitized exposures originated by BNP Paribas***	**Securitization positions held or acquired (EAD)****
Originator	11,669	2,227	13,332	3,086
Sponsor	384	12,731	251	16,544
Investor	0	17,651	0	25,535
Total	**12,053**	**32,609**	**13,583**	**45,165**

(*) Securitized exposures originated by the Group correspond to the underlying exposures recognized on the Group's balance sheet which have been securitized.

(**) Securitization positions correspond to tranches retained in securitization transactions originated or arranged by the Group, tranches acquired by the Group in securitization transactions arranged by other parties, and facilities granted to securitization transactions originated by other parties.

Securitization positions retained or acquired by the Group has been reduced by -€12.6 billion in 2012, mainly due to the exercise by issuers of early redemption options (-€5.5 billion), portfolio amortization (-€2.5 billion) or end of positions (-€5.8 billion).

Proprietary Securitization (Originator Under Basel 2.5)

Exposures retained in securitization positions originated by BNP Paribas amounted to €2.2 billion at December 31, 2012, including €1.5 billion in positions in efficient securitization vehicles and €0.7 billion in the dedicated SPV, Royal Park Investment.

As part of the day-to-day management of liquidity, the Group's least liquid assets may be swiftly transformed into liquid assets by securitizing loans (mortgages and consumer loans) granted to retail banking customers, as well as loans granted to corporate customers. Only six transactions, representing a total securitized exposure of €3.2 billion, are efficient under Basel 2.5 due to significant risk transfer, and are included in the table above. Securitization positions retained in these transactions amounted to €1.5 billion at December 31, 2012, stable compared with December 31, 2011.

In addition, when BNP Paribas acquired the Fortis Group entities, the riskiest portion of their structured asset portfolio was sold to a dedicated SPV, Royal Park Investment. Its securitized exposures at December 31, 2012 amounted to €8.3 billion, versus €9.1 billion at December 31, 2011. The Group retained €0.7 billion in securitization positions in the SPV at December 31, 2012 compared with €1.4 billion at December 31, 2011, including €0.2 billion of the equity tranche and €0.5 billion of financing corresponding to a senior tranche (the super senior tranche of €0.6 billion was repaid during the year).

During 2012, two securitization transactions were carried out by BNP Paribas Personal Finance: securitized customer assets totaled €1.1 billion, with €0.9 billion of notes issues on the markets. These two transactions have no reducing effect on the calculation of regulatory capital because they do not give rise to any significant risk transfer. The relevant exposures are therefore included in the section on credit risk (see "Credit Risk").

35 transactions, totaling a securitized exposure (Group BNP Paribas' share) of €60.4 billion, were outstanding at December 31, 2012. They include €18.8 billion for BNP Paribas Personal Finance, €0.2 billion for Leasing Solutions, €5.9 billion for BNL, €34.5 billion for BNP Paribas Fortis and €1 billion for French Retail Banking. As these transactions are inefficient under Basel rules, the exposures are included in customer loans.

Securitization as Sponsor on Behalf of Clients

CIB Fixed Income carries out securitization programs on behalf of its customers. Under these programs, liquidity facilities and, where appropriate, guarantees are granted to special purpose entities. These entities over which the Group does not exercise control are not consolidated. Commitments and positions retained or acquired by BNP Paribas on securitizations as sponsor on behalf of clients, rise to €12.7 billion at December 31, 2012, of which 384 million correspond to originated exposures. They are distributed such as below.

Short-Term Refinancing

At December 31, 2012, three non-consolidated multiseller conduits (Starbird, J Bird and Matchpoint) were managed by the Group on behalf of customers. These entities are refinanced on the local short-term commercial paper market. Liquidity facilities granted to the three conduits amounted to €7.2 billion at December 31, 2012, compared to €9.7 billion at December 31, 2011.

BNP Paribas Fortis has also granted liquidity facilities to the Scaldis multiseller conduit, totaling €3.3 billion at December 31, 2012 compared with €4.7 billion at December 31, 2011.

Medium/Long-Term Refinancing

In Europe and Northern America, the BNP Paribas Group's structuring platform remained active in providing securitization solutions to its clients, based on products adapted to current conditions in terms of risk and liquidity. "Technical" liquidity facilities, designed to cover maturity mismatches are also granted, where appropriate, to non consolidated funds, arranged by the Group for receiving securitized customer assets. The total of these facilities, including the few residual positions retained, amounted to €1.9 billion at December 31, 2012, unchanged compared with December 31, 2011.

During 2012, BNP Paribas continued to manage CLO (Collateralized Loan Obligation) conduits for third-party investors. Securitization positions retained amounted to €24 million as at December 31, 2012, unchanged compared with December 31, 2011.

Securitization as Investor

The BNP Paribas Group's securitization business as an investor (within the meaning of the regulations) fell sharply from €25.5 billion at December 31, 2011 to €17.7 billion at December 31, 2012, mainly due to the exercise of calls on the BNP Paribas Fortis portfolio. This business is mainly carried out by CIB, Investment Solutions and BancWest. It also includes positions held by BNP Paribas Fortis.

CIB Fixed Income is responsible for monitoring and managing an ABS portfolio (Asset Backed Securities), which represented a total of €2.7 billion at December 31, 2012 compared with €2.9 billion at December 31, 2011. Fixed Income also manages liquidity facilities granted by banking syndicates to ABCP (Asset Backed Commercial Paper) conduits managed by a number of major international industrial groups that are BNP Paribas clients representing a total of €0.3 billion at December 31, 2012, compared with €0.6 billion at December 31, 2011.

In addition, Fixed Income also houses Negative Basis Trade (NBT) positions representing an exposure at default of €4.5 billion, compared with €5.2 billion at December 31, 2011.

CIB Resource & Portfolio Management (RPM) also managed securitization programs as an investor in 2012, The exposure of the RPM-managed portfolio has become very low following the arrival to the maturity of several programs (€0.04 billion at December 31, 2012, compared with €0.5 billion at December 31, 2011).

During 2012, Investment Solutions reduced securitization exposure from €1.4 billion on December 31, 2011 to €1 billion on December 31, 2012 primarily thanks to the portfolio amortization.

BancWest invests exclusively in securitization positions in listed securities as a core component of its refinancing and own funds investment policy. At December 31, 2012, BancWest's securitization positions amounted to €0.4 billion compared with €0.3 billion at December 31, 2011.

BNP Paribas Fortis' portfolio of structured loans, which was not assigned to a business line and is housed in "Corporate Center", is worth €4.7 billion, compared with €6.1 billion at December 31, 2011. This portfolio does not carry a guarantee by the Belgian State on the second level of losses anymore.

In addition, BNP Paribas Fortis' investments in Dutch RMBS came to €3.9 billion, compared with €8.1 billion at December 31, 2011, following call exercise in 2012.

Securitized Exposures

Securitized Exposures Originated by BNP Paribas by Securitization Type

In millions of euros		**Securitized exposures originated by BNP Paribas**	
Securitization type	**Calculation approach**	**December 31, 2012**	**December 31, 2011**
Traditional	IRBA	8,644	9,978
	Standardized	2,389	2,548
SUB-TOTAL		**11,033**	**12,526**
Synthetic	IRBA	1,020	1,057
Total		**12,053**	**13,583**

Securitized Exposures by BNP Paribas by Securitization Type and Underlying Asset Category*

	December 31, 2012				
	Originator		**Sponsor*****		
In millions of euros	**Traditional**	**Synthetic**	**Traditional**	**Synthetic**	**Total****
Residential mortgages	10,467		8,393	96	18,956
Commercial real-estate properties			744		744
Credit card receivables			1,125		1,125
Finance leases			3,311		3,311
Loans to corporates		1,020	4,912	4	5,936
Consumer loans			370		370
Commercial and industrial loans			2,681		2,681
Other assets	182		1,269		1,451
Total	**10,649**	**1,020**	**22,805**	**100**	**34,574**

	December 31, 2011				
	Originator		**Sponsor*****		
In millions of euros	**Traditional**	**Synthetic**	**Traditional**	**Synthetic**	**Total****
Residential mortgages	11,509		12,516	15	24,040
Commercial real-estate properties			867		867
Credit card receivables			630		630
Finance leases			2,469		2,469
Loans to corporates	570	1,057	7,214	12	8,853
Consumer loans			2,449		2,449
Commercial and industrial loans			2,866		2,866
Other assets	196		711		907
Total	**12,275**	**1,057**	**29,722**	**27**	**43,081**

(*) This breakdown is based on the predominant underlying asset of the securitization.
(**) Of which €4.7 billion for Scaldis multiseller conduit in BNP Paribas Fortis perimeter.
(***) Within the securitized exposures on behalf of clients, €384 million corresponds to originated exposures (from BNP Paribas balance sheet) at December 31, 2012 (compared with €251 million at December 31, 2011).

The securitized exposures from BNP Paribas balance sheet are essentially made up of residential mortgages.

At December 31, 2012, six securitizations were efficient from a Basel 2.5 perspective:

- four operations on residential mortgages (Vela Home 2, Vela 3, Vela Home 4 and Vela ABS) originated by BNL for a total exposure of €2 billion;
- one on residential mortgages originated by UCI, a subsidiary of BNP Paribas Personal Finance, for a total exposure of €0.2 billion;
- one on SME loans originated by French Retail Banking, with a guarantee from the European Investment Bank, for a total of securitized exposures of €1 billion.

Furthermore, the securitization exposures of the special purpose vehicle Royal Park Investment (RPI), €8.3 billion, are essentially made up of residential mortgages as final underlying asset.

At the same date, no consumer loan securitization transaction was efficient from a Basel 2.5 perspective. In addition, BNP Paribas did not securitized for its own account revolving exposures subject to early amortization treatment.

Two-thirds of securitized exposures are on behalf of clients, especially through multiseller conduits.

Assets Awaiting Securitization

In millions of euros	**December 31, 2012**		**December 31, 2011**	
Asset category	**BNP Paribas exposures awaiting securitization**	**Exposures awaiting securitization in warehousing**	**BNP Paribas exposures awaiting securitization**	**Exposures awaiting securitization in warehousing**
Residential mortgages	-	-	1,800	-
Consumer loans	600	-	5,900	-
Loans to corporates	800	-	-	-
Total	**1,400**	**-**	**7,700**	**-**

Securitization Positions

Securitization Positions Held or Acquired, by Underlying Asset Category

In millions of euros		**Securitization positions held or acquired (EAD)**					
		December 31, 2012			**December 31, 2011**		
BNP Paribas role	**Asset category***	**Balance sheet**	**Off-balance sheet**	**Total**	**Balance sheet**	**Off-balance sheet**	**Total**
Originator	Residential mortgages	1,126	47	1,173	1,828	65	1,893
	Loans to corporates	1,052		1,052	1,182	9	1,191
	Other assets	2		2	2	-	2
Total Originator		**2,180**	**47**	**2,227**	**3,012**	**74**	**3,086**
Sponsor	Residential mortgages	1,010	354	1,364	985	457	1,442
	Consumer loans	143	462	605	266	3,075	3,341
	Credit card receivables	600	518	1,118	630	-	630
	Loans to corporates	2,538	842	3,380	2,924	1,605	4,529
	Commercial and industrial loans		3,326	3,326	8	4,036	4,044
	Commercial real-estate properties	52	494	546	180	494	674
	Finance leases	813	773	1,586	864	729	1,593
	Other assets	163	643	806	114	177	291
Total Sponsor		**5,319**	**7,412**	**12,731**	**5,971**	**10,573**	**16,544**
Investor	Residential mortgages	6,645	399	7,044	12,005	373	12,378
	Consumer loans	2,752	304	3,056	3,204	707	3,910
	Credit card receivables	4		4	14	-	14
	Loans to corporates	4,696		4,696	5,846	-	5,846
	Commercial real-estate properties	2,484	43	2,527	3,014	43	3,057
	Finance leases	144		144	53	-	53
	Other assets	180		180	277	-	277
Total Investor		**16,905**	**746**	**17,651**	**24,412**	**1,123**	**25,535**
Total		**24,404**	**8,205**	**32,609**	**33,396**	**11,769**	**45,165**

(*) Based on the predominant asset class in the asset pool of the securitization in which the position is held. In the case of the underlying asset is a position of securitization or of re-securitization, CRD 3 Regulation prescribes to report the ultimate underlying asset of the program concerned.

Securitization Position, Exposure in Default and Provisions by Underlying Asset's Country

	December 31, 2012						
		EAD in default					
In millions of euros	EAD	Standardized approach	IRB approach	Total	Specific provisions	Collective provisions	Cost of risk
Domestic markets	**5,272**	**75**	**744**	**819**	**460**		
France	*3,079*		*37*	*37*	*0*		
Belgium	*705*		*678*	*678*	*385*		
Italy	*1,488*	*75*	*29*	*104*	*75*		
Other European countries	**13,544**	**26**	**213**	**239**	**73**		
Americas	**12,830**	**6**	**101**	**108**	**28**		
Asia & Pacific	**923**				**0**		
Other	**40**	**0**	**6**	**6**	**6**		
Total	**32,609**	**107**	**1,064**	**1,172**	**567**	**174**	**129**

	December 31, 2011						
		EAD in default					
In millions of euros	EAD	Standardized approach	IRB approach	Total	Specific provisions	Collective provisions	Cost of risk
Domestic markets	**5,848**	**84**	**751**	**835**	**451**		
France	*2,523*				*0*		
Belgium	*1,570*		*719*	*719*	*385*		
Italy	*1,755*	*84*	*32*	*116*	*66*		
Other European countries	**21,199**	**200**	**392**	**592**	**140**		
Americas	**16,825**	**15**	**335**	**350**	**80**		
Asia & Pacific	**1,087**				**0**		
Other	**206**	**0**	**0**	**0**	**0**		
Total	**45,165**	**299**	**1,478**	**1,777**	**671**	**336**	**102**

Banking Book Securitization Position Quality

In millions of euros	Securitization positions held or acquired (EAD)	
Tranche quality	**December 31, 2012**	**December 31, 2011**
Senior tranche	29,892	41,746
Mezzanine tranche	2,227	2,910
First-loss tranche	490	509
Total	**32,609**	**45,165**

At December 31, 2012, 92% of the securitization positions held or acquired by the Group were senior tranches, unchanged compared with December 31, 2011, reflecting the high quality of the Group's portfolio. The corresponding Exposures at Default (EADs) and risk weights are given in the following tables.

Risk-Weighted Assets

Under the standardized approach, risk-weighted assets are calculated by multiplying Exposure at Default by a risk weight based on an external rating of the securitization position, as required by article 222 of the French Decree of February 20, 2007. In a small number of cases, a look-through approach may be applied. Securitization positions rated B+ or lower or without an external rating are given a risk weighting of 1,250%. The standardized approach is used for securitization positions originated by BNL or UCI and for securitization investments made by BancWest and the Investment Solutions division.

Under the IRB Approach, risk-weighted assets are calculated according to one of the following methods:

- if the securitization position has an external rating, the Group uses an external rating-based method whereby the position's risk weight is determined directly from a correspondence table provided by the banking supervisor that matches risk weights to external ratings;
- if the securitization position does not have an external rating, and if BNP Paribas is the originator or sponsor, the Group uses the Supervisory Formula Approach. In this approach the risk weight is calculated from a formula provided by the banking supervisor that factors in the internal credit rating of the underlying asset portfolio, as well as the structure of the transaction (most notably the amount of credit enhancement subscribed out by the Group);
- the internal ratings approach is applied for liquidity facilities in the ABCP programs of the BNP Paribas Fortis and BGL BNP Paribas portfolios for which there are no external ratings. This approach has been approved by the BNB;
- a look-through approach may be applied to derive the risk weight in a very small number of cases.

At December 31, 2012, the IRB Approach is used for positions held by the CIB division and BNP Paribas Fortis.

For rated securitization positions, the Group uses external ratings from the Standard & Poor's, Moody's, and Fitch rating agencies. These ratings are mapped to equivalent credit quality levels in accordance with the instructions of the French banking supervisor.

Securitization Positions and Risk Weight by Calculation Approach

IN MILLIONS OF EUROS	**December 31, 2012**		**December 31, 2011**		**Variation**	
Calculation approach	**Securitization positions held or acquired (EAD)**	**Risk-weighted assets**	**Securitization positions held or acquired (EAD)**	**Risk-weighted assets**	**Securitization positions held or acquired (EAD)**	**Risk-weighted assets**
IRBA	30,131	17,153	42,985	22,665	(12,853)	(5,512)
Standardized	2,478	1,923	2,180	1,711	298	212
Total	**32,609**	**19,076**	**45,165**	**24,376**	**(12,555)**	**(5,300)**

Risk-weighted assets corresponding to securitization positions held or acquired by the Group amounted to €19.1 billion at December 31, 2012, or 3% of BNP Paribas total risk-weighted assets, compared with €24.3 billion at December 31, 2011 (4% of Group total risk-weighted assets).

The decline in risk-weighted assets is due to asset sales, amortizations and redemption options exercised by issuers (-€9.4 billion) offset by a downgrade of the external ratings of some positions (+€4.2 billion).

Securitization Positions by Approach, Calculation Method, and Risk Weight

IRB Approach

In millions of euros	December 31, 2012			
	Exposure at default		Risk-weighted assets	
Calculation method	**Securitization positions**	**Re-securitization positions ***	**Securitization positions**	**Re-securitization positions ***
7% – 10%	12,804		992	
12% – 18%	778		115	
20% – 35%	1,056	1,380	294	382
40% – 75%	509	1,528	275	651
100%	367	72	361	76
150%		0		1
225%		235		561
250%	36		23	
350%		255		947
425%	55		92	
500%		61		107
650%	42	42	100	271
750%				
850%		334		2,771
External ratings based method	**15,647**	**3,907**	**2,252**	**5,767**
1,250%	**287**	**506**	**2,468**	**3,643**
Internal Assessment Approach	**719**		**114**	
[0% – 7%]	6,192	0	411	0
[7% – 100%]	1,975	77	514	21
[100% – 350%]	10	247	26	510
[350% – 1,250%]	86	478	635	792
Supervisory Formula Approach	**8,263**	**802**	**1,586**	**1,323**
TOTAL	**24,916**	**5,215**	**6,420**	**10,733**

In millions of euros	December 31, 2011			
	Exposure at default		**Risk-weighted assets**	
Calculation method	**Securitization positions**	**Re-securitization positions ***	**Securitization positions**	**Re-securitization positions ***
7% – 10%	18,684		1,371	
12% – 18%	864		79	
20% – 35%	2,857	336	526	60
40% – 75%	733	2,677	301	741
100%	310	78	36	82
225%		105		249
250%	262		633	
350%		257		817
425%	77		133	
650%	27	122	30	559
750%		197		1,561
850%		250		2,253
External ratings based method	**23,814**	**4,022**	**3,109**	**6,322**
1,250%	**844**	**369**	**7,609**	**1,852**
Internal Assessment Approach	**1,307**		**31**	
[0% – 7%]	7,606	0	532	0
]7% – 100%]	2,773	1,528	812	363
]100% – 350%]	14	153	27	358
]350% – 1,250%]	36	519	456	1,193
Supervisory Formula Approach	**10,429**	**2,200**	**1,827**	**1,914**
TOTAL	**36,394**	**6,591**	**12,576**	**10,088**

(*) CRD 3 definition.

Out of the €20 billion of securitization positions with an external ratings:

- 65% by EAD are rated above A+ and therefore have a risk weight of less than 10% at December 31, 2012, compared with 67% at December 31, 2011;
- the great majority (82% by EAD) are rated above BBB+ at December 31, 2012 (82% at December 31, 2011).

Standardized Approach

In millions of euros	December 31, 2012			
	Exposure at default		**Risk-weighted assets**	
Calculation method	**Securitization positions**	**Re-securitization positions ***	**Securitization positions**	**Re-securitization positions ***
20%	820		164	
40%		44		17
50%	770		354	
100%	554	11	553	11
225%		38		87
350%	22		73	
External ratings based method	**2,166**	**93**	**1,144**	**115**
1,250%	**170**		**644**	
Weighted Average method	**47**		**18**	
Look-through approach	**2**		**2**	
TOTAL	**2,385**	**93**	**1,808**	**115**

In millions of euros	December 31, 2011			
	Exposure at default		**Risk-weighted assets**	
Calculation method	**Securitization positions**	**Re-securitization positions***	**Securitization positions**	**Re-securitization positions***
20%	1,421		284	
40%		2		1
50%	215		107	
100%	116	27	110	27
225%		92		45
350%	65		212	
External ratings based method	**1,817**	**121**	**713**	**73**
1,250%	**175**		**900**	
Weighted Average method	**65**		**24**	
Look-through approach	**2**		**2**	
TOTAL	**2,059**	**121**	**1,639**	**73**

(*) CRD 3 definition.

Guarantees on securitization positions amounted to €4.44 billion at December 31, 2012. The Belgian government's guarantee held by BNP Paribas Fortis on the RPI senior debt accounts for €4.33 billion.

The only one re-securitization position guaranteed is the senior debt of the Royal Park Investments portfolio held by BNP Paribas Fortis. It is ensured by the Belgian government, rated AA (Standard & Poor's).

Counterparty Risk

Exposure to Counterparty Risk [AUDITED]

The table below shows 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 of Derivatives and Securities Lending/Borrowing Instruments

	December 31, 2012				**December 31, 2011**				**Variation**	
In millions of euros	**IRBA**	**Standardized Approach**	**Total**	**2012 Average EAD**	**IRBA**	**Standardized Approach**	**Total**	**2011 Average EAD**	**Total**	**Average EAD**
Central governments and central banks	14,160	34	14,194	12,669	11,142	2	11,144	10,073	3,050	2,596
Corporates	49,531	1,808	51,339	49,574	45,324	2,484	47,808	46,288	3,531	3,286
Institutions*	25,078	605	25,683	31,324	35,803	1,163	36,966	37,750	(11,283)	(6,426)
Retail	-	13	13	16	-	19	19	15	(6)	
TOTAL EAD	**88,769**	**2,460**	**91,229**	**93,583**	**92,269**	**3,668**	**95,937**	**94,126**	**(4,708)**	**(544)**

(*) Institutions asset class comprises credit institutions and investment firms, including those recognized 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.

For counterparty risk, the share of exposures under the IRB approach represents 97% at December 31, 2012, almost unchanged compared with December 31, 2011 (96%).

BNP Paribas is exposed to counterparty risk on its capital markets 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 credit value adjustment process.

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 ("collateralization") granted as collateral: cash, securities or deposits.

The Bank also applies settlement netting in order to mitigate counterparty credit risk in case of currency-settlements. This corresponds to the netting of all payments and receipts between the bank and one counterparty in the same currency to be settled in 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 Fédération Bancaire Française (FBF) and on an international basis by 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 weighting system. It is based on Monte-Carlo simulations which assess the possible exposure movements. The stochastic processes used are sensitive to parameters including volatilities, correlations, and are calibrated on historical market data. The potential future counterparty risk exposures are measured using an internal model ("ValRisk") which can simulate thousands of potential market scenarios and does the valuation of each counterparty trading portfolio at several points in the future (from 1 day 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 risk exposures are characterized 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 analyze their potential changes in the future.

For non modelized counterparty risk exposures, the Exposure at Default (EAD) is based on market price evaluation (Net Present Value + Add On).

Supervision and Monitoring of Counterparty Risk

Future potential exposures calculated by ValRisk are compared with the limits assigned to each counterpart on a daily basis. In addition, ValRisk can simulate new transactions and measure their impact on the counterparty portfolio. It is therefore an essential tool of the risk approval process. The following Committees (sorted by ascending authority scale): Regional Credit Committee, Global Credit Committee, General Management Credit Committee, set the limits according to their delegation level.

Credit Value Adjustments on Financial Instruments Traded Over-the-Counter (OTC)

The valuation of financial OTC-trades carried out by BNP Paribas as part of its trading activities (Fixed Income, Global Equity & Commodity Derivatives) includes credit value adjustments. A "Credit Value Adjustment" (or CVA) is an adjustment of the trading portfolio valuation to take into account the counterparty 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, the credit quality migration, and the estimated recovery rate.

Dynamic Management of Counterparty Risk

The credit value adjustment is a variable of the existing exposure movements and the credit risk level of the counterparty, which may be linked to the movements of the Credit Default Swaps (CDS) spread used in the default probability calculation.

In order to reduce the risk associated with the credit quality deterioration embedded in a financial operations portfolio, BNP Paribas may use a dynamic hedging strategy, involving the purchase of market instruments such as credit derivative instruments.

Counterparty risk exposures on derivative instruments cover all derivative portfolio exposures of BNP Paribas, all underlying and all combined poles. Fixed Income exposures represent the large majority of these exposures.

The exposure on securities financing transactions and deferred settlement transactions concern the Fixed Income business (primarily bonds), the Equity and Advisory business, primarily equity (stock lending and borrowing) and BNP Paribas Securities Services (BP2S), both bonds and equity.

Exposures at Default (EAD) by Calculation Approach

Exposures at Default (EAD) by Calculation Approach

	December 31, 2012						
	Internal model (EEPE)*			NPV** + Add-On			
In millions of euros	IRBA	Standardized	Sub-total	IRBA	Standardized	Sub-total	Total
Derivatives	69,597	29	**69,626**	0	2,355	**2,355**	**71,981**
Securities financing transactions and deferred settlement transactions	19,172	2	**19,174**	0	74	**74**	**19,248**
TOTAL	**88,769**	**31**	**88,800**	**0**	**2,429**	**2,429**	**91,229**

	December 31, 2011						
	Internal model (EEPE)*			NPV** + Add-On			
In millions of euros	IRBA	Standardized	Sub-total	IRBA	Standardized	Sub-total	Total
Derivatives	65,540	8	**65,548**	12,693	3,650	**16,343**	**81,891**
Securities financing transactions and deferred settlement transactions	11,415	4	**11,419**	2,621	6	**2,627**	**14,046**
TOTAL	**76,955**	**12**	**76,967**	**15,314**	**3,656**	**18,970**	**95,937**

(*) Effective Expected Positive Exposure.
(**) Net Present Value.

The measure of the Exposure at Default (EAD) for counterparty risk is based mainly on the internal model method and takes into account directly the derivative trade guarantees for the calculation of the Effective Expected Positive Exposure (EEPE). Exposure at default (EAD) included in the internal model represents 97% of total EAD and now covers the BNP Paribas Fortis perimeter following the Belgian and French regulators (BNB and ACP) agreement to extend the BNP Paribas Valrisk model to BNP Paribas Fortis.

For the perimeter not covered by internal models (now limited mainly to subsidiaries BNL, BancWest, TEB and BGL), EAD is calculated using the market price valuation method (Net Present Value + Add-On). The decrease in EAD during 2012 is mainly related to a decrease across the BNP Paribas Fortis perimeter due to the change of model enabling EAD to be measured more accurately by taking account of collateral received (whereas previously collateral was decreasing the LGD), partially cleared by an increase across the BNP Paribas perimeter due to regulatory changes in the calculation parameters.

For exposures corresponding to credit derivative transactions, the modeling of the correlation between market data and probability of default is included in the internal model. The exposure is therefore conditional upon default, and includes wrong-way correlation risk. On a case-by-case basis, for significant transactions, a specific remodeling of the exposure in case of default is performed including the wrong-way correlation risk. Moreover, additional specific stress tests are performed to monitor transactions presenting a wrong-way correlation risk.

Collateral guarantees used in the standard method to reduce the EAD increased to €837 million on December 31, 2012, compared with €313 million on December 31, 2011.

Risk-weighted assets linked to counterparty credit risk are computed by multiplying the EAD by an appropriate weighting according to the approach used (standard approach or IRB Approach).

When EAD is modeled and weighted according to the IRB Approach, the LGD (Loss Given Default) is not adjusted according to the existing collateral-guarantees since they are already taken into account in the "Effective Expected Positive Exposure" computation.

Risk-Weighted Assets

Counterparty Risk-Weighted Assets

In millions of euros	Risk-weighted assets Counterparty risk December 31, 2012	December 31, 2011	Variation
Counterparty risk - IRBA	**18,633**	**20,863**	**(2,230)**
Central governments and central banks	222	180	42
Corporates	15,117	16,344	(1,227)
Institutions	3,294	4,339	(1,045)
Counterparty risk - Standardized approach	**1,900**	**2,761**	**(861)**
Central governments and central banks	27	1	26
Corporates	1,610	2,426	(816)
Institutions	254	320	(66)
Retail	9	14	(5)
Other exposures	9	14	(5)
TOTAL COUNTERPARTY RISK	**20,533**	**23,624**	**(3,091)**

The decline in counterparty risk-weighted assets was predominantly due to decreases in EEPE caused by a fall in credit spreads and the inclusion of the BNP Paribas Fortis scope in ValRisk internal model.

Notional Derivatives Exposure

See Note 5 to the Financial Statements: Notes to the balance sheet at December 31, 2012.

Market Risk

Market Risk Related to Trading Activities

Introduction [AUDITED]

Market risk, as defined in "Risk Management", arises mainly from trading activities carried out by the Fixed Income and Global Equity & Commodity Derivatives 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 volatilities of equity shares and/or equity indices;
- commodities risk arises from changes in the market prices and volatilities 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 carry by nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

Organization Principles [AUDITED]

Governance

The market risk management system as well as financial products pricing aims to track and control market risks whilst ensuring that the Control functions remain totally independent from the business lines.

In terms of market risk management, Risk-Investment and Markets (Risk-IM)'s responsibility is to define, monitor and analyze risk sensitivities and risk factors, and to measure and control Value at Risk (VaR), which is the global indicator of potential losses. Risk-IM ensures that all business activity complies with the limits approved by the various committees and approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters (MAP review) in association with the Valuation and Risk Control Department (V&RC).

Market Risk monitoring and pricing 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 follows the evolution of the main exposures and stress risk and sets the high level trading limits. It meets approximately monthly and is chaired by either the Group CEO or by one of the Bank's COOs;
- the Product and Financial Control Committee (PFC) is the arbitration and pricing decision-making Committee. It meets quarterly and discusses the conclusions of the CIB Financial Control teams and their work to enhance control effectiveness and the reliability of the measurement and recognition of the results of market transactions. It is chaired by the Group Chief Financial Officer and brings together the Directors of Group Finance-Accounting, Corporate Investment Banking and Group Risk Management;
- at business unit level, the Valuation Review Committee (VRC) meets monthly to examine and approve the results of Market parameters review (MAP review) and any changes in reserves. The Valuation Review Committee also acts as the referee in any disagreements between trading and Control functions. The committee is chaired by the Senior Trader and other members include representatives from trading, GRM, Valuation and Risk Control Group, and Group Finance. Any disagreement is escalated to the PFC;
- the Valuation Methodology Committee (VMC) meets 2 to 3 times a year per business line to monitor model approvals and reviews, follow up relevant recommendations and present model governance improvements.

Risk Monitoring Set Up and Limit Setting

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 detailed positions and sensitivities to market parameters based on various simultaneous criteria (currency, product, counterparty). MRX is also configured to include trading limits, reserves and stress tests.

Responsibility for limit setting and monitoring is delegated at three levels, which are, in decreasing order, CMRC, Business Line and Activity (Head of a Trading Book). Limits may be changed either temporarily or permanently, in accordance with the level of delegation and the prevailing procedures. Appropriate escalation mechanisms are in place to ensure that the independent view from the Risk Function on the level of limits is heard.

Core Risk Analysis and Reporting to Executive Management

Risk-Investment and Markets reports, through various risk analysis and reports, to Executive Management and business lines Senior Management on its risk analysis work (limit, VaR monitoring, core risk analysis…). The Global Risk Analysis and Reporting team is responsible for compiling/circulating main global risk reports.

The following risk reports are generated on a regular basis:

- weekly "Main Position" reports for each business line (equity derivatives, commodities, credit, fixed income and currency derivatives), summarizing all positions and highlighting items needing particular attention; these reports are mainly intended for business line managers;
- monthly local "bottom up" stress testing report for Executive Management identifying key risk concentrations around the globe;
- supporting documentation for the core capital markets risk committee comprising markets and risk event summaries, global counterparty exposure summary, VaR/Stressed VaR evolution, Stress Testing and Capital evolution summaries, market and counterparty risk backtesting);
- geographical and global risk dashboards;
- Credit Valuation Adjustment Reporting for coverage of the core CVA market and counterparty risk sensitivities.

Valuation Control [AUDITED]

The financial instruments that are part of the prudential Trading Book are valued and reported at market or models value through P/L, in compliance with applicable accounting standards. Such can also be the case of financial instruments classified in the banking book.

The valuation control is insured within the Charter of Responsibility on Valuation, defining how responsibilities are split as well as the creation of a dedicated Valuation and Risk Control team (V&RC) who shares the control of market parameters with Risk-IM. These policies and governance applies to all CIB Market Activities (Fixed Income, GECD, RPM) and is being extended to ALM Treasury.

In addition to the Charter of Responsibilities, the relevant valuation controls are detailed in specific policies. We detail below the main processes that form together the valuation control governance.

Transaction Accounting Control

This control is under the responsibility of Middle-Office within the Operations Department. However, certain complex transactions are controlled by Risk-IM.

Market Parameter Review – Independent Price Verification

Price Verification is managed and shared by Risk-IM Department and Valuation and Risk Control Department (V&RC), daily controls are performed on the most liquid parameters and a comprehensive and formal review of all the market parameters is performed at month end. The types of parameters controlled by V&RC are precisely listed, these are essentially the parameters for which an automatic control against external sources can be implemented (security prices, vanilla parameters), this may include the use of consensus price services. Risk-IM is in charge of controlling valuation methodologies as well as the most complex parameters that are very dependent on the choice of models.

The general principles of the Market parameter reviews are described in the Charter of responsibility on Valuation as well as specialized global policies such as the Global marking and Independent Price Verification Policy. The specific methodologies are described in documents known as the MAP Books organized by product lines and regularly updated. The responsibilities of Risk-IM and V&RC are defined for each point of time and the conclusions of the Market Parameter reviews are documented in the MAP review finding documents.

The outcome of the market parameter review is the estimation of valuation adjustments communicated to Middle-Office who enters it in the book of account. The results are communicated to the Trading management during the Valuation review Committees, where arbitrations can be made. The opinion of the Control functions prevails, however, significant and persistent disagreement can be escalated to the PFC.

Model Approval and Reviews

The governance of model controls is described in the valuation Methodology Control Policy. Activity specific guidelines are detailed in the model review guidelines documents for each product lines.

Front-Office quantitative analysts design and propose the methodologies used to value the product and measure the risks that are used to take trading decisions. Research team and IT are responsible for the implementation of these models in the systems.

The independent control of the valuation models is under the responsibility of Risk-IM. The main processes are:

- the approval of models, by which a formal decision to approve or reject a model is taken following any modification of the valuation methodology called a “Valuation Model Event”. In any cases, the approval decisions is taken by a senior Risk-IM analyst. The review required by the approval decision can be fast track or comprehensive; in the latter case, the reasons and conditions of approval are detailed in a model approval document. If the approval requires a public discussion, a Model Approval Committee can be gathered;
- the review of models can be conducted at inception (linked to an approval) or during the life of a model (re-review); it consists of an investigation on the suitability of the model used to value certain products in the context of a certain market environment;

- the control of the use of set up of models, which is a continuous control of the correct parameterization or configuration of the models as well as the adequacy of the mapping between products and models.

Reserve and Other Valuation Adjustments

Risk-IM defines and calculates reserves. Reserves are market or models value accounting adjustments. They take into account the exit cost of a position (cost to sell or to hedge) as well as a risk premium that market participant would charge for positions containing non hedgeable or non diversifiable risks.

The reserves cover mainly:

- the bid-offer and liquidity spreads;
- the model or market parameters uncertainties;
- the elimination of non hedgeable risks (smoothing digital or barrier pay-offs).

A general valuation adjustment policy exists. Reserve methodologies are documented by Risk-IM for each product lines and these documentations are updated regularly. The analysis of reserve variations is reported at the monthly VRC.

Reserve methodologies are improved regularly and any change is a Valuation Model event. Reserve improvements are generally motivated by the conclusion of a model review or by the calibration to market information during the Market parameter review process.

"Day One Profit or Loss"

Some transactions are valued with "non observable" parameters. IAS 39 requires to differ any initial P/L for non observable transactions as the initial model value needs to be calibrated with the transaction price.

Risk-IM works with Group Finance, middle-offices, and business lines on the process of identifying and handling these profit and loss items, in order to determine whether a type of parameter or transaction is observable or not in accordance with the observability rules, in addition duly documented.

The P/L impact of the P/L deferral is calculated by the Middle-Office.

Observability rules are also used for the financial information required by the IFRS 7 reporting.

Market Risk Exposure [AUDITED]

Market risk is first analyzed by systematically measuring portfolio sensitivity to various market parameters; The results of these sensitivity analyses are compiled at various aggregate position levels and compared with market limits.

VaR ("Value at Risk")

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), as well as 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.

Following the Belgian and French regulators (BNB and ACP) agreement, BNP Paribas internal model has been extended since the second quarter of 2011 to Fortis Bank SA/NV. VaR internal model is also used by BNL.

Historical VaR (10 days, 99%) in 2012

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

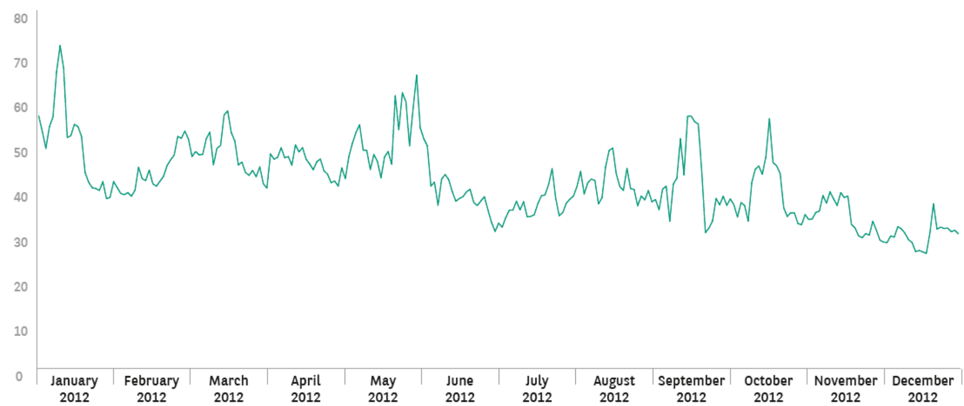
(“Supplement to the Capital Accord to Incorporate Market Risks”). They are based on a ten day time horizon and a 99% confidence interval.

In 2012, total average VaR for BNP Paribas is €132 million (with a minimum of €81 million and a maximum of €228 million), after taking into account the €-163 million netting effect between the different types of risks. These amounts break down as follows:

Value at Risk (10 Days – 99%): Breakdown by Risk Type

	Year to 31 Dec. 2012				Year to 31 Dec. 2011	
In millions of euros	**Minimum**	**Average**	**Maximum**	**December 31, 2012**	**Average**	**December 31, 2011**
Interest rate risk	59	101	188	76	101	81
Credit risk	42	74	120	43	118	121
Foreign exchange risk	21	44	95	34	33	44
Equity price risk	26	61	164	55	51	58
Commodity price risk	10	15	26	16	19	13
Netting Effect	*(77)*	*(163)*	*(365)*	*(128)*	*(178)*	*(148)*
TOTAL VALUE AT RISK	**81**	**132**	**228**	**95**	**144**	**169**

Change in VAR (1 Day-99%) in Millions of Euros in 2012



GRM 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.

The standard VaR backtesting method makes a comparison of the daily global trading book VaR to the one-day changes of the portfolio’s value. 2012 backtesting demonstrates that there were no days observed during the period where any P&L losses were greater than the VaR level.

New CRD 3 requirements

Since December 31, 2011, the European directive CRD 3 (also called “Basle 2.5”), applies and amends the Capital Requirements for market risk: Stressed VaR, Incremental Risk Charge (IRC), Comprehensive Risk Measure (CRM) and trading book securitization.

Stressed VaR

A Stressed VaR (SVaR) is calibrated on a fixed one year period including a crisis period to keep a minimum level to the VaR. A 12 month period (March 31, 2008 to March 31, 2009) has been considered as a reference period for the calibration of the Stressed VaR. This choice is subject to annual review. For the calculation of the capital requirement, this is on top of the VaR to correct the “short memory” of the VaR.

Stressed Value at Risk (10 Days – 99%)

In millions of euros	Year to 31 Dec. 2012 Minimum	Average	Maximum	December 31, 2012	4th quarter 2011 * Average	December 31, 2011
Stressed Value at Risk	145	201	325	220	296	267

(*) The first CRD 3 application date was December 31, 2011.

Incremental Risk Charge (IRC)

The IRC approach measures losses due to default and ratings migration 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 capture 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 securitization positions and n-th-to-default credit derivatives.

The model is currently used in the risk management processes. This model was approved by the French banking supervisor (Autorité de Contrôle Prudentiel).

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 as well as the risk of rating migration. The dependence 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. It has been internally validated by an independent unit. The review considered the consistency of the proposed methodologies, the scope of the risk factors and the consistency between the calibration of model parameters and their usage in the course of simulations with a further focus on the production and on the definition of perimeter.

Incremental Risk Charge Capital Requirements

In millions of euros	Year to 31 Dec. 2012 Minimum	Average	Maximum	December 31, 2012	4th quarter 2011 * Average	December 31, 2011
Incremental Risk Charge	148	258	561	274	515	381

(*) The first CRD 3 application date was December 31, 2011.

Correlation Portfolio (Comprehensive Risk Measure - CRM)

The corporate correlation activity is an activity that consists of trading and risk managing mainly corporate CDO, to less extent corporate CDO^2 and their hedges using single name CDS, CDS indices and index tranches.

The valuation framework use both market observable prices (CDS, index and index tranche) and model prices to value the bespoke CDO which are less observable than the previously mentioned products.

This activity falls under the structured credit activity trading within BNP Paribas Fixed income.

The model used is an internally validated and market standard model that prices the value of the bespoke CDO using market CDS spread and implied correlation levels of the observed Index CDO tranches.

Comprehensive Risk Measure Capital Requirements

	Year to 31 Dec. 2012				4th quarter 2011 *	
In millions of euros	**Minimum**	**Average**	**Maximum**	**December 31, 2012**	**Average**	**December 31, 2011**
Comprehensive Risk Measure	161	238	305	161	325	290

(*) The first CRD 3 application date was December 31, 2011.

Securitization Positions in Trading Book Outside Correlation Portfolio

For the positions of securitization treated as financial assets at fair value through profit and loss for accounting purposes, the variations of market values, except accrued interest of the fixed income securities, are stored as "net gain on financial instruments at fair value by P/L" of the profit and loss account.

ABS in the trading book are subject to limits as defined by the Debt Trading Risk Policy (DTRP). The DTRP defines a global envelope along with concentration limits. Limits are monitored daily and Trading is notified of any breaches.

For Trading Book ABS positions outside the correlation book, the standardized capital charge applies (as per the standard method for banking books). The capital requirements are hence calculated as a weighting of the Risk-Weighted Assets (RWA), which is determined based on the rating of the asset. Capital calculations are based on the second worst rating of the three rating agencies.

Breakdown of Trading Book Securitization Positions Outside Correlation Book by Asset Type

In millions of euros	Securitization positions held or acquired (EAD)			
	December 31, 2012		**December 31, 2011**	
Asset category	**Short positions**	**Long positions**	**Short positions**	**Long positions**
Residential mortgages	-	372	-	208
Consumer loans	-	20	-	23
Credit card receivables			-	13
Loans to corporates	-	78	-	141
Commercial real-estate properties	-	1	-	5
Finance leases	-	36	-	28
Other assets	-	9	-	0
TOTAL BALANCE SHEET	**-**	**516**	**-**	**417**
Other assets	131	1	514	20
TOTAL OFF-BALANCE SHEET	**131**	**1**	**514**	**20**
TOTAL	**131**	**517**	**514**	**437**

Quality of Trading Book Securitization Positions Outside Correlation Book

In millions of euros	Securitization positions held or acquired (EAD)			
	December 31, 2012		**December 31, 2011**	
Tranche quality	**Short positions**	**Long positions**	**Short positions**	**Long positions**
Senior tranche	-	490	-	404
Mezzanine tranche		21	393	13
First-loss tranche	131	6	121	21
TOTAL	**131**	**517**	**514**	**437**

Capital Requirement for Market Risk

The market risk calculated using the standardized approach covers the market risk of some entities of the Group that are not covered by internal models.

The standardized approach is used to calculate foreign exchange risk for banking book.

See "Market Risk Related to Banking Activities".

Capital Requirement for Market Risk

Calculation approach	**Type of risk**	**December 31, 2012**	**December 31, 2011**	**Variation**
	VaR	*435*	*659*	*(223)*
	Stressed VaR	*894*	*1,328*	*(434)*
	IRC	*274*	*515*	*(242)*
	Correlation portfolio	*208*	*325*	*(118)*
TOTAL INTERNAL MODEL		**1,811**	**2,827**	**(1,016)**
	Commodity risk	-	-	-
	Interest rate risk	*4*	*13*	*(8)*
	Equity position risk	*1*	-	*1*
	Foreign exchange risk	*207*	*178*	*29*
TOTAL STANDARDIZED APPROACH		**212**	**191**	**21**
TRADING BOOK SECURITIZATION POSITIONS		**21**	**62**	**(41)**
TOTAL		**2,044**	**3,080**	**(1,036)**

A reduction in market risk capital requirement of €1 billion (-€13 billion of RWA) between 2011 and 2012 is observed across all market risk capital measures. This reduction mainly corresponds to the active de-risking of CIB metiers over 2012 and to the decrease of sensitivities to market parameters.

Breakdown of Trading Book Securitization Positions Outside Correlation Book by Type, Approach and Risk Weight

In millions of euros									December 31, 2012
	Securitization positions held or acquired (EAD)						**Capital requirement**		
	Short positions			**Long positions**					
Calculation method	**Securitization**	**Re-securitization**	**Total**	**Securitization**	**Re-securitization**	**Total**	**Short positions**	**Long positions**	**Total**
7% – 10%	-		-	420		420	-	3	3
12% – 18%	-		-	38		38	-		
20% – 35%	-	-	-	9	18	27	-	1	1
40% – 75%	-	-	-	9	1	10	-	1	1
100%	-	-	-	1	1	2	-	0	
250%	-		-	1		1	-		
350%		-	-		4	4	-	1	1
425%	-		-	0			-		
External ratings based method	**-**	**-**	**-**	**478**	**24**	**502**	**-**	**6**	**6**
1,250%	**-**	**131**	**131**	**12**	**3**	**15**	**16**	**15**	**15**
TOTAL	**-**	**131**	**131**	**491**	**26**	**517**	**16**	**21**	**21**

In millions of euros									December 31, 2011
	Securitization positions held or acquired (EAD)						**Capital requirement**		
	Short positions			**Long positions**					
Calculation method	**Securitization**	**Re-securitization**	**Total**	**Securitization**	**Re-securitization**	**Total**	**Short positions**	**Long positions**	**Total**
7% – 10%	-	-	-	399	-	399	-	3	-
12% – 18%	-	-	-	12	-	12	-		-
20% – 35%	-	-	-		-		-		-
40% – 75%	-	-	-	4	-	4	-		-
425%	-	-	-	2	-	2	-	1	-
External ratings based method	**-**	**-**	**-**	**417**	**-**	**417**	**-**	**3**	**-**
1,250%	**-**	**514**	**514**		**20**	**21**	**62**	**21**	**62**
TOTAL	**-**	**514**	**514**	**417**	**20**	**437**	**62**	**24**	**62**

Stress Testing

Market Risk Stress Testing Framework

A range of stress tests are performed to simulate the impact of extreme market conditions on the value on the global trading books. Stress tests cover all market activities applying a range of stressed market conditions.

The fundamental approach of the current trading book stress testing framework combines “bottom up” and “top down” stress testing:

- Macro Scenarios or “top down”: which comprise the evaluation of a set of macro “top down” global level stress tests. These scenarios assess the impact of severe market moves on BNPP trading positions related to large global or major regional market shock events. They can be based on historical events or forward-looking hypothetical scenarios. Scenarios include events such as an emerging markets crisis, credit crunch and a stock markets crash.

The official macro stress tests scenarios currently comprise a range of 8 different stress tests. The results of these scenarios are reviewed at each Capital Markets Risk Committee.

- Scenario 1: unexpected rate hike by central banks, driving short-term rates higher with a flattening of the interest rate curve.
- Scenario 2: stock market crash, with a flight to quality leading to a drop and a steepening of the interest rate curve.
- Scenario 3: generic emerging market crisis designed to test global risk of these markets.
- Scenario 4: credit crunch, leading to a general risk aversion.
- Scenario 5: Euro crisis, progression of the current Euro Crisis with low GDP, potential threat of a country leaving the Euro and a significant weakening of the currency.
- Scenario 6: Oil shock scenario driven by severe geopolitical turmoil within the Middle East region with severe consequences on energy markets.
- Scenario 7: US crisis scenario, mostly based on a structural US crisis spreading towards close economic partners.
- Scenario 8: Risk-on scenario: rally in equity and emerging markets, low realized volatility and drop in implied volatility in all markets (effectively a return to risky assets).
- Micro Level Scenarios or "bottom up": instead of looking at the effect on the global portfolio, these types of scenarios aim to highlight risk exposures on specific trading desks, regions or risk concentrations. This "bottom-up" approach enables the use of more complex stress scenarios and hence allows the detection of areas of potential losses which may not be easily achieved under the global macro scenarios (such as complex market dislocations or idiosyncratic risk). This process facilitates the classification of risk areas into less liquid or structural exposures.

It is the analysis of the above scenarios which enables the Adverse Scenario for the trading books to be constructed. These official global stress scenarios are presented at each capital markets risk committee along with the Adverse Scenario and any bottom up stress test yielding significant results.

The results of all stress tests are reviewed regularly by Executive Management and sent to the Board of Directors. Compared with the previous year, the results of the macro tests revealed lower impacts. They simulate directional shocks which only make up a small part of an overall set of more sophisticated stress tests. It is no longer meaningful to present the results of the macro tests in isolation and they have therefore been removed from this document.

The scenarios take market liquidity into account by simulating the drying up of certain assets or product liquidity as the stress event unfolds. To understand this process, it can be simplified by considering an approach where the time horizon for the stress shock can vary between different instruments/assets (hence more advanced scenarios can take certain idiosyncratic factors into account). Moreover, it may sometimes be required to quantify the impact of a stress event occurring with re-hedging assumptions factored into part of the exposure under stress.

Stress Testing is governed by the Capital Markets Stress Testing Steering Committee (STSC). The committee meets monthly and sets the direction of all internal risk departmental stress scenario developments, infrastructure, analysis and reporting. The STSC governs all internal stress testing matters relating to both market and counterparty risk and decides upon the detailed definition of the CMRC official Stress Tests.

Whilst stress testing is the core element of the tail risk analysis of the books, it complements the analysis of the change in sensitivities of the portfolios following market movements.

Market Risk Related to Banking Activities

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

Interest rate and foreign exchange risks related to banking intermediation activities and investments are managed by the ALM-Treasury Department.

At Group level, ALM-Treasury reports directly to one of the Chief Operating Officers. 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's activities. These committees have been set up at Group, division and operating entity level.

Equity Risk

The following table gives a breakdown of the Group's equity risk exposures by investment objective.

Breakdown of Risk Exposure by Investment Objective

In millions of euros	Exposure* December 31, 2012	Exposure* December 31, 2011
Strategic objective	2,891	2,068
Return on investment objective	5,249	4,798
Equity investments related to business	6,075	5,849
TOTAL	**14,215**	**12,715**

(*) Fair value (balance sheet + off-balance sheet).

Exposures at December 31, 2012 amounted to €14.2 billion, versus €12.7 billion at December 31, 2011. Off-balance sheet items amounted to €4.5 billion at December 31, 2012, versus €3.8 billion at December 31, 2011. Guarantees given to UCITS shareholders amounted to €3.3 billion.

Exposure ***[Audited]***

Scope

The shares held by the Group outside trading portfolios are securities conferring residual and subordinated rights on issuer's assets or income, or securities representing a similar economic nature.

They encompass:

- listed and unlisted shares, including shares in investment funds;
- embedded options of convertible bonds, redeemable or exchangeable for shares;
- equity options;
- super-subordinated securities;
- private funds commitments;
- equity holdings hedge;
- consolidated entities using the equity method.

Accounting Principles and Valuation Methods

Accounting principles and valuation methods are set out in note 1 of the financial consolidated statement – Summary of significant accounting policies applied by the BNP Paribas Group - 1.c.9 Determination of market value.

Exposure* to Equity Risk

In millions of euros	December 31, 2012	December 31, 2011
Internal model method	**12,385**	**11,198**
Listed equities	3,813	3,111
Other equity exposures	5,906	5,343
Private equity in diversified portfolios	2,666	2,744
Simple risk weight method	**788**	**622**
Listed equities	7	5
Other equity exposures	127	34
Private equity in diversified portfolios	654	584
Standardized approach	**1,042**	**895**
TOTAL	**14,215**	**12,715**

(*) Fair Value.

Growth in equity risk exposures despite asset sales was mainly due to Klépierre being accounted for by the equity method as of March 2012, coupled with an increase in unrealized gains.

Total Gains and Losses

Total gains and unrealized losses recorded in shareholders' equity are set out in note 5.c. of the financial consolidated statement – Available-for-sale financial assets.

Risk-Weighted Assets

Equity Risk Model

On the historical perimeter of BNP Paribas, the Group uses an internal model, derived from the one used for the calculation of daily Value-at-Risk of trading portfolios. However, the application of horizon parameters and confidence interval differ in accordance with article 59-1-c section ii of the Decree on February 20, 2007 of the French Ministry of Economy, Finance and Industry. This model allows estimating on this perimeter the value at risk of the Group at a 99% confidence level on a 3 months horizon.

Risk factors selected for estimating equity holdings risk depend on the level of availability and usability of securities prices data:

- listed securities whose historical prices series are long enough are directly selected as risk factors;
- for other listed securities and for unlisted securities, each investment line is attached to a systemic risk factor representative of the business sector and geographic zone where the issuer operates, plus an equity-specific risk factor;
- for equity holdings of companies operating outside the Euro zone, a risk factor corresponding to the exchange rate is added.

This model was validated by the French banking supervisory authorities in the context of approval for the calculation of capital requirements for equity risk. Temporarily, pending method convergence, the approach used for BNP Paribas Fortis's scope and BGL BNP Paribas is the one approved by the Belgian regulator, the BNB.

Equity Risk-Weighted Assets

			Risk-weighted assets Equity risk
In millions of euros	**December 31, 2012**	**December 31, 2011**	**Variation**
Internal model	**21,496**	**23,461**	**(1,965)**
Listed equities	*7,734*	*8,670*	*(395)*
Other equity exposures	*7,321*	*8,576*	*(1,796)*
Private equity exposures in diversified portfolios	*6,441*	*6,215*	*226*
Simple weighting method	**1,733**	**1,248**	**485**
Listed equities	*21*	*14*	*7*
Other equity exposures	*468*	*125*	*343*
Private equity exposures in diversified portfolios	*1,244*	*1,109*	*135*
Standardized approach	**1,148**	**1,066**	**82**
TOTAL EQUITY RISK	**24,377**	**25,775**	**(1,398)**

The change in risk-weighted assets in 2012 stemmed primarily from the sale of listed equity interests, while the recovery in the equity markets in the second half led furthermore to an increase in unrealized gains. The partial disposal of Klépierre led to a loss of control; the residual interest is now accounted for by the equity method, which has offset much of the positive impact of other disposals.

Foreign Exchange Risk

Calculation of Risk-Weighted Assets

Foreign exchange risk relates to all transactions part of the banking book.

Group 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), less 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 on the reporting date and aggregated to give the Group'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 Group 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 foreign exchange 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;
- CFA and CFP francs are matched with the euro, and are not subject to a capital requirement;
- 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.

Foreign Exchange Risk and Hedging of Earnings Generated in Foreign Currencies ***[Audited]***

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

Foreign Exchange Risk and Hedging of Net Investments in Foreign Operations ***[Audited]***

The Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests denominated in foreign currencies, financed by purchasing the currency in question.

The Group's policy consists in hedging portfolio exposure to liquid currencies. This policy is implemented by borrowing amounts in the same currency as the one of equity investments. Such borrowings are documented as hedges of net investments in foreign operations.

Interest rate risk ***[AUDITED]***

Organization of the Group Interest Risk Management

Interest rate risk on the Bank's equity and investments is also managed by ALM-Treasury, in the equity and investments book. Interest rate and foreign exchange risks related to the banking intermediation activities and investments are managed by the ALM-Treasury Department.

Transactions initiated by each BNP Paribas 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 for each business line. These meetings are attended by the management of the business line, ALM-Treasury, Group Development and Finance and GRM.

Measurement of Interest Rate Risk

Interest rate positions in the banking book are measured in terms of interest rate gaps, with embedded behavioral options translated into delta equivalents. In the interest rate gaps, the maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behavior. For retail banking products, behavioral models are based on historical data and econometric studies. The models deal with early repayments, current accounts in credit and debit and savings accounts. Theoretical maturities of equity capital are determined according to internal assumptions.

Options-based positions are also shown in a specific indicator that reflects the convexity effects. This indicator is used for client products with underlying behavioral options, in order to fine-tune hedging strategies.

In the case of retail banking activities, structural interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items, 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 behavioral options, rotation of balance sheet items generates a structural sensitivity of revenues to interest rate changes.

The choice of indicators and risk modeling are controlled by dedicated Group Risk Management teams. The results of these controls are presented regularly to ad hoc 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 nominal and real interest rates and in inflation. The limit is based on annual revenues, in order to control uncertainty about future fluctuations in revenues caused by changes in interest rates. This limit is supplemented beyond the three-year time frame by an interest-rate gap limit, expressed as a percentage of customer deposits. This percentage is a declining function of the management period. This limit is used to manage long-term interest-rate risk.

For other businesses, interest-rate risk is controlled by technical interest-rate gap limits.

Sensitivity of Revenues to General Interest-Rate Risk

The sensitivity of revenues to a change in interest rates is one of the key indicators used by the Group in its analysis of overall interest-rate risk. The sensitivity of revenues is calculated across the entire banking book including the customer banking intermediation businesses, equity, excluding market activities, and for all currencies to which the Group is exposed. It relies on reasonable activity assumptions over the same horizon as the indicator.

The indicator is presented in the table below. Over a one-year horizon, the banking intermediation book's exposure to interest-rate risk is limited: an increase of 100 basis points in interest rates right across the yield curve would lead to an increase of about 0.9% in the Group's revenues, all currencies combined.

Sensitivity of Revenues to General Interest-Rate Risk Based on a 100 Basis Point Increase in Interest Rates

			December 31, 2012
In millions of euros	**Euros**	**Other currencies**	**Total**
Sensitivity of 2012 revenues	354	10	364

			December 31, 2011
In millions of euros	**Euros**	**Other currencies**	**Total**
Sensitivity of 2011 revenues	224	119	343

Since the books of financial instruments resulting from the Group's banking intermediation activities are not intended to be sold, they are not managed on the basis of their value. Nonetheless, the sensitivity of the value of these books is calculated in order to measure the overall interest-rate risk over all time horizons. The sensitivity of the value to a 200 basis point increase in interest rates is 6.8% of the Group's regulatory capital, compared with the limit of 20% laid down in the Basel regulations.

Hedging of Interest Rate and Foreign Exchange Risks ***[AUDITED]***

Hedging relationships initiated by the Group mainly consist of interest rate or currency hedges using derivative financial instruments (swaps, options and forwards).

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.

Interest Rate Risk in the Banking Book

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, factoring in all interest-rate 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 by entity and by currency.

The hedges comprising swaps and options are typically accounted for as fair value hedges or cash flow hedges. They may also take the form of government securities and are mostly accounted in the "Available For Sale" category.

The exceptional measures introduced by the ECB in December 2011 (LTROs and sovereign debt buyback plan) had the effect of easing liquidity and credit spreads in 2012. However, the economic outlook in the euro zone remained uncertain, causing interest rates to fall to record lows. When the ECB cut its key rate in July, Eonia fell to below 10 bp, whilst long rates fell relatively regularly throughout the year. In this climate, it is important to note that European inflation remained above 2%.

- In France the deposit to loan ratio improved further in 2012 and the interest rate structure of loans changed gradually following a slowdown in mortgage origination and an increase in the maximum limit on the Livret A passbook account, which is affected by an inflation-related risk.
- The Belgian and Luxembourg branch networks have a deposit to loan ratio in excess of 100%. Their main focus in terms of interest rate risk in 2012 was therefore on hedging savings accounts, volumes of which continued to grow.

Broadly-speaking, the prolonged decline in interest rates put pressure on intermediation margins in the branch networks. This trend was reinforced by the introduction of floor rates on savings accounts due to regulatory constraints (floor inflation on Livret A passbook accounts in France) and very short-term market rates of close to 0%. Against this background, the Group adapted its hedging policy to the environment, either through swaps or options. Special attention was also paid to hedging basis risk due to index differences.

The hedges comprising derivatives and options are typically accounted for as fair value hedges or cash flow hedges. They may also take the form of government securities and are mostly accounted in the "Available For Sale" category.

Structural Foreign Exchange Risk

Currency hedges are contracted by the ALM Department in respect of the Group'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 in subsidiaries and branches financed by foreign currency loans so as to record movements in exchange rates symmetrically and avoid impacts on the profit and loss account. These instruments are designated as net investment hedges.

Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies.

During 2012, no net investment hedge relationship was disqualified.

The Group hedges the variability of components of BNP Paribas' earnings, in particular the highly-probable future revenue streams (mainly interest income and fees) denominated in currencies other than the euro generated by the Group's main businesses, subsidiaries or branches.

Hedging of Financial Instruments Recognized in the Balance Sheet (Fair Value Hedge)

Fair value hedges of interest rate risks relate either to identified 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 instruments to changes in interest rates.

Identified assets consist mainly of available-for-sale securities; identified liabilities consist mainly of debt issued by the Group.

Hedges of portfolios of financial assets and liabilities, constructed by currency, relate to:

- fixed-rate loans (property loans, equipment loans, consumer credit and export loans);
- fixed-rate customer deposits (demand deposits, funds deposited under home savings contracts).

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 behavior (prepayment assumptions and estimated default rates).

Demand deposits, which do not bear interest at contractual rates, are qualified as fixed-rate medium-term financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analyses. No allowance is made prospectively for the effects of potential increases in customer wealth or for the effects of inflation.

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

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

Cash Flow Hedge

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in prepayment assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of foreign exchange risk, the Group hedges against variability in components of consolidated earnings. In particular, the Group may hedge future revenue flows (especially interest and fee/commission income) derived from operations carried out by its main subsidiaries and/or branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity bands.

The table below concerns the scope of BNP Paribas SA's medium- and long-term transactions and shows the amount of hedged future cash flows (split by forecast date of realization), which constitute the majority of the Group's transactions.

Cash Flows Hedged

In millions of euros	December 31, 2012				December 31, 2011			
Period to realization	**Less than 1 year**	**1 to 5 year**	**More than 5 years**	**Total**	**Less than 1 year**	**1 to 5 year**	**More than 5 years**	**Total**
Hedged cash flows	309	888	546	1,743	746	1,796	1,132	3,674

In the year ended December 31, 2012, several hedges of future income representing a non-material impact on profit and loss were requalified as ineligible for hedge accounting on the grounds that the related future event would be no longer highly probable (see Financial Statement note 2.c).

Sovereign risks [Audited]

Sovereign risk is the risk of a State defaulting on its debt, i.e. a temporary or prolonged interruption of debt servicing (interests and/or principal).

The Group holds sovereign bonds as part of its liquidity management process. Liquidity management is based on holding securities eligible as collateral for refinancing by central banks and includes a substantial share of highly rated debt securities issued by governments, representing a low level of risk. Moreover, as part of its assets and liability management and structural interest-rate risk management policy, the Group also holds a portfolio of assets including sovereign debt instruments, with interest-rate characteristics that contribute to its hedging strategies. In addition, the Group is a primary dealer in sovereign debt securities in a number of countries, which leads it to take temporary long and short trading positions, some of which are hedged by derivatives.

Exposures to euro zone sovereign debt in the Group's banking book amounted to €44.0 billion at December 31, 2012, before revaluation and including accrued interest. This compares to an exposure of €58.1 billion at December 31, 2011 and €73.9 billion at June 30, 2011, when the crisis first hit several sovereign issuers in the euro zone.

The €14.2 billion decline in the book during the year was due to the exchange of securities related to the Greek debt restructuring, disposals and redemptions collected (€-17 billion related mostly to securities issued by Italy, France, Belgium, Germany and the Netherlands), partly offset by acquisitions (securities worth €4 billion issued by France, Belgium and Italy).

Securities of non-euro zone sovereign issuers held within the banking book amounted to €19.2 billion as of December 31, 2012 compared with €16 billion at December 31, 2011.

Banking and Trading Books Sovereign Exposures by Geographical Breakdown

December 31, 2012		**Banking Book[1]**				**Trading Book**
		Central Governments		**Central Governments**		**Counterparty**
In millions of euros	**Securities**	**Loans**	**CDS**	**Cash[2]**	**Derivatives[3]**	**risk[2]**
Eurozone						
Austria	105	0	0	564	(672)	22
Belgium	16,493	340	0	(80)	917	188
Cyprus	5	0	0	0	(2)	0
Estonia	0	0	0	0	20	0
Finland	290	0	0	472	(225)	0
France	10,011	133	40	(4,539)	743	11
Germany	547	0	(50)	359	28	312
Italy	11,930	641	102	807	399	4,474
Luxembourg	46	0	0	217	0	0
Malta	0	0	0	0	0	0
Netherlands	3,195	0	0	(217)	359	(2,350)
Slovakia	30	0	0	(4)	(203)	0
Slovenia	38	0	(4)	(2)	(148)	0
Spain	459	0	0	285	(218)	8
Program countries						
Greece[*]	0	5	0	9	0	189
Ireland	212	0	0	(9)	(16)	0
Portugal	590	0	0	22	(3)	0
TOTAL EUROZONE	**43,950**	**1,120**	**88**	**(2,118)**	**977**	**2,854**
Other EEA countries						
Bulgaria	2	0	0	6	(15)	0
Czech Republic	165	0	0	58	(3)	0
Denmark	0	0	0	31	(35)	0
Hungary	66	50	(8)	192	6	0
Iceland	0	0	0	0	12	0
Latvia	0	0	0	17	6	0
Liechtenstein	0	0	0	0	0	0
Lithuania	21	0	4	4	26	7
Norway	68	0	0	3	(1)	0
Poland	889	0	0	(66)	0	0
Romania	0	47	0	53	(27)	0
Sweden	0	0	0	18	15	32
United Kingdom	1,646	0	0	(950)	(69)	0

OTHER EEA COUNTRIES	**2,857**	**97**	**(4)**	**(633)**	**(84)**	**39**
TOTAL EEA 30	**46,807**	**1,217**	**85**	**(2,751)**	**893**	**2,892**
United States	5,593	371	0	6,499	(4,105)	0
Japan	6,655	0	0	173	(220)	15
Others	6,963	2,928	(4)	6,238	2,107	84
TOTAL	**66,017**	**4,515**	**80**	**10,159**	**(1,325)**	**2,992**

December 31, 2011	Banking Book[1]			Trading Book		
	Central Governments			Central Governments		Counterparty
In millions of euros	Securities	Loans	CDS	Cash[2]	Derivatives[3]	risk[2]
Eurozone						
Austria	539	0	0	44	(26)	0
Belgium	17,383	1,826	0	(218)	(369)	12
Cyprus	22	0	0	31	(18)	0
Estonia	0	0	0	0	20	0
Finland	293	0	0	240	(364)	2
France	13,981	161	101	(3,375)	2,898	216
Germany	2,550	0	0	(1,230)	(29)	273
Italy	12,656	552	92	1,063	111	3,242
Luxembourg	31	147	0	0	0	0
Malta	0	0	0	0	0	0
Netherlands	7,423	1,685	0	(919)	600	11
Slovakia	29	0	0	2	(157)	0
Slovenia	41	0	0	230	(188)	0
Spain	457	349	0	58	(59)	6
Program countries						
Greece[*]	1,041	5	0	78	13	167
Ireland	274	0	0	(10)	37	19
Portugal	1,407	0	0	(15)	62	0
TOTAL EUROZONE	**58,127**	**4,726**	**193**	**(4,021)**	**2,531**	**3,948**
Other EEA countries						
Bulgaria	0	0	0	0	0	0
Czech Republic	164	0	0	1	(5)	0
Denmark	0	0	0	(65)	(40)	0
Hungary	201	0	0	161	(9)	0
Iceland	0	0	0	0	42	0
Latvia	0	0	0	0	16	0
Liechtenstein	0	0	0	0	0	0
Lithuania	36	0	7	1	8	0
Norway	51	0	0	4	7	0
Poland	1,650	0	0	33	79	0
Romania	0	59	0	13	1	0
Sweden	0	0	0	(42)	(60)	0
United Kingdom	679	0	0	(664)	(69)	10
OTHER EEA COUNTRIES	**2,781**	**59**	**7**	**(558)**	**(30)**	**10**
TOTAL EEA 30	**60,908**	**4,784**	**200**	**(4,579)**	**2,501**	**3,958**
United States	4,782	378	0	4,226	(3,893)	9
Japan	6,035	0	0	4,530	(733)	19
Others	5,147	3,154	0	4,536	(677)	126
TOTAL	**76,872**	**8,316**	**200**	**8,713**	**(2,803)**	**4,112**

(1) Banking book are reported in accounting value before impairment for depreciation, in particular in the case of Greece.

(2) The issuer risk on trading book sovereign securities and the counterparty risk on the derivatives concluded with sovereign counterparts are reported in market value, representing the maximum loss in the case of an event of default of the sovereign (assuming zero recovery).

(3) Net Issuer Risk on Credit Derivative Products (CDS Single Name/TRS) and on Synthetic Treasury exposures through swaps (CMT). Net Issuer Risk corresponds to the maximum loss which would be incurred in the event of default of the sovereign (assuming zero recovery).

Liquidity and Funding Risk [Audited]

Liquidity and funding risk is the risk of the Group being unable to fulfill current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position. This risk may arise as a result of total or partial lack of liquidity in certain assets or to the disappearance of certain funding sources. It may be related to the bank itself (reputation risk) or to external factors (crisis in certain markets).

Liquidity and funding risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity position is assessed on the basis of internal standards, warning flags and regulatory ratios.

Liquidity Risk Management Policy

Policy Objectives

The objectives of the Group's liquidity management policy are to (i) secure a balanced financing mix for the Group's activities; (ii) ensure that the Group is always in a position to deliver its obligations to its customers; (iii) ensure that it does not trigger a systemic crisis solely by its own actions; (iv) comply with the standards set by the local banking supervisor; (v) cope with any liquidity crises; and (vi) control its cost of funding.

Roles and Responsibilities in Liquidity Risk Management

The Internal Control, Risk and Compliance Committee reports quarterly to the Board of Directors on liquidity policy principles and the Group's position.

The Group's Executive Committee sets the general liquidity risk management policy, including risk measurement principles, acceptable risk levels and internal liquidity pricing rules. Responsibility for monitoring and implementation has been delegated to the Group ALM Committee. Dashboard reports are sent to the Group's Executive Committee monthly, weekly or daily depending on the market environment.

Group ALM Committee authorizes implementation of the liquidity policy proposed by ALM Treasury, which relies on the principles set by the Executive Committee. The Executive Committee is notably informed on a regular basis of liquidity risk indicators, stress tests, and the execution of funding program. 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 validation by Group ALM Committee, ALM-Treasury is responsible for implementing the policy throughout the Group. The business line and entity ALM Committees implement at local level the strategy approved by Group ALM Committee.

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. GRM takes part in the Group ALM Committee and the local ALM Committees.

Centralized Liquidity Risk Management

ALM-Treasury is responsible for managing liquidity for the entire Group across all maturities. In particular, it is responsible for funding and short-term issuance (certificates of deposit, commercial paper, etc.), for senior and subordinated debt issuance (MTNs, bonds, medium/long-term deposits, covered bonds, etc.), preferred share issuance, and loan securitization programs for the retail banking business and CIB's financing activities. ALM-Treasury is tasked with providing internal financing to the Group's core businesses, operational entities and business lines, and investing their surplus cash. It is also responsible for building up and managing liquidity reserves, which comprise assets that can be easily liquidated in the event of a liquidity squeeze.

Liquidity Risk Management and Supervision

Internal liquidity management is underpinned by a full range of standards and indicators at various maturities. The liquidity position is measured regularly by currency and by maturity, at both Group and entity level.

Liquidity risk management and supervision is predicated on the following indicators:

- the Bank's cash balance sheet;
- wholesale funding indicators;
- liquidity reserve;
- internal liquidity pricing;
- regulatory ratios.

The main liquidity risk mitigation techniques are building up a liquidity reserve, diversifying funding sources and extending financing maturities.

Presentation of Indicators and Trends in 2012

Cash Balance Sheet

The Bank's cash balance sheet is a presentation of the balance sheet adapted to provide an analysis of the Group's liquidity.

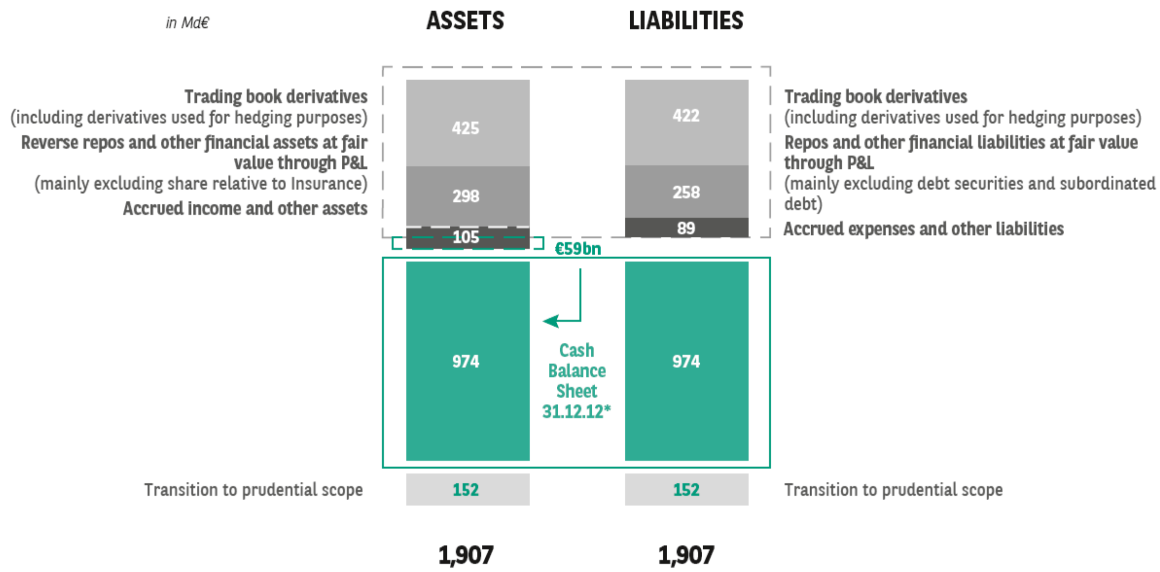
Taking the accounting balance sheet as a basis, the main following adjustments are made:

1) transition from the Group's consolidated accounting balance sheet to the Bank's prudential balance sheet, by accounting for the Group's insurance entities and efficient securitization vehicles as associates (see "Capital Management of the BNP Paribas Group");
2) netting of derivative financial instruments accounts (including hedging instruments), repurchase agreements and other financial instruments measured through profit or loss and payables/receivables, recognized as assets under the heading "Trading assets with clients";
3) netting of some banking book repos mostly with debt securities recognized as assets under the heading "Trading assets with clients";
4) reclassification of certain balance sheet items:
   a. the Group's debt securities placed with retail clients transferred to customer deposits, (see table 50);
   b. funding arising from monetary policy allocated to short-term funding, even if duration can be higher than one year, for example LTRO deals.

The resulting cash balance sheet is shown hereafter.

The diagram below shows the adjustments to the accounting balance sheet made at December 31, 2012 to obtain the Group's cash balance sheet.

Consolidated Balance Sheet to Cash Balance Sheet Reconciliation



** Excluding repurchase agreements (€12bn), mainly netted with fixed income securities on the asset side of the cash balance sheet.*

The cash balance sheet assesses the equilibrium of the balance sheet structure by measuring:

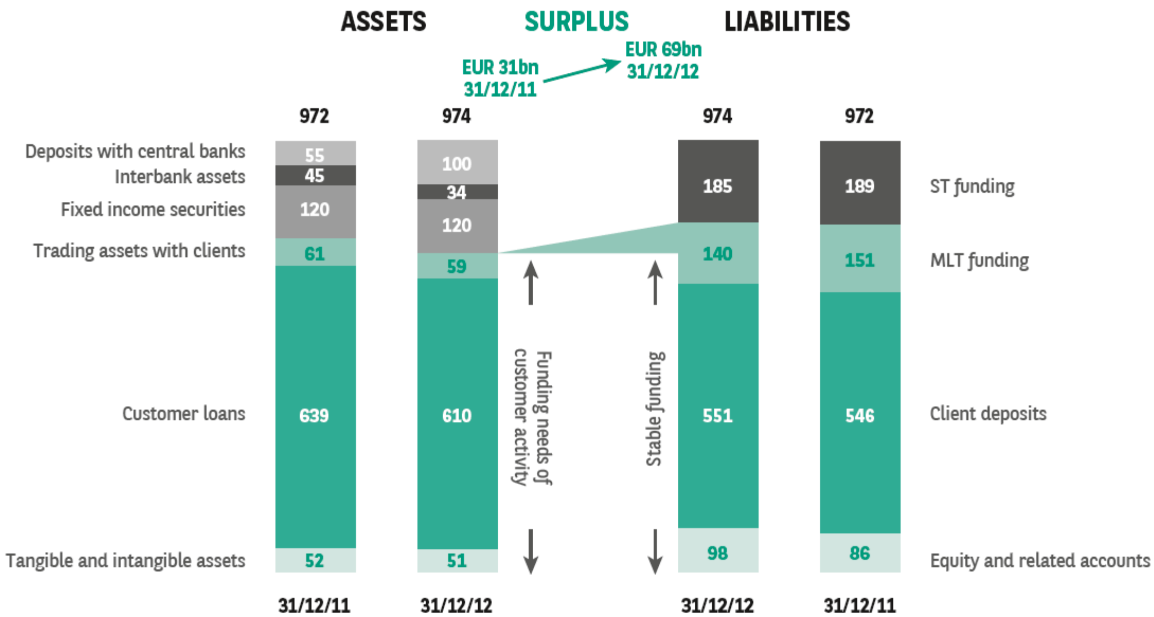
- funding needs of customer activities (customer trading book, customer loans and Group tangible and intangible assets);
- the Group's stable funding broken down into equity and related accounts, client deposits and medium/long-term wholesale funding;
- the excess reflects the Group's surplus of stable funding relative to funding needs of customer activities that can be invested in predominantly liquid assets to contribute to the Bank's liquidity reserve;
- short-term wholesale funding invested in predominantly liquid assets to contribute to the Bank's liquidity reserve.

Cash balance sheet is used as an internal management tool for the Group's business lines and/or entities.

Medium and long-term liquidity management is mainly based on the medium and long-term assets vs. liabilities mismatch analysis.

Trends in the cash balance sheet in 2012 are presented hereafter.

Cash Balance Sheet Trend



Trends in the Group's cash balance sheet reflect the completion of its adjustment plan ahead of the new capital and liquidity requirements.

The main changes on the asset side of the 2012 cash balance sheet were:

- the €29 billion decrease in customer loans mainly due to actions taken under the adjustment plan, particularly by CIB but also by the Group's other entities;
- the increase in central bank deposits which reflects the adaptation plans completed by the business lines and the asset allocation strategy pending clarification of the liquidity classification of various asset types for regulatory liquidity ratios. A portion of interbank assets has thus been reallocated to central bank deposits.
- The main changes on the liability side of the 2012 cash balance sheet were:
- MLT funding decrease by €11 billion due to more maturing deals than new origination, in line with the Group's balance sheet reduction;
- the change in customer deposits due to inflows in the domestic networks;
- the increase in equity and related accounts stemming from the accumulation of Group equity and reserves, an increase in revaluation reserves and an increase in provisions for contingencies and charges.

Wholesale Funding Indicators

Presentation of Trends in MLT Funding in the Bank's Cash Balance Sheet

MLT funding sources depend on conditions in the debt markets (trends in spreads required by the market) and are diversified by type of investor, geographical area and currency.

Funding sources are diversified through the various distribution networks, entities, currencies and collateralized or non-collateralized financing programs.

The financing structure can also be improved by extending maturities, and targeting more stable funding sources.

Trends in MLT Wholesale Funding in the Cash Balance Sheet

In billions of euros	At December 31, 2011	New origination	Redemption	Buy-back	Call exercise	FX impact and other	At December 31, 2012
MLT debt securities issued	141.7	33	(28.1)	(3.3)	(4.0)	0.1	139.4
Other funding	57.3	6.3	(14.2)	(2.8)	(1.4)	2.2	47.4
TOTAL MLT FUNDING	**199.0**	**39.3**	**(42.3)**	**(6.1)**	**(5.4)**	**2.3**	**186.8**
MLT debt placed with clients	(47.6)						(46.8)
MLT funding in the cash balance sheet	151.4						140.0

Funding raised by the Group in the markets with an initial maturity of over 1 year came to €39.3 billion in 2012 (€47.4 billion in 2011), with an average maturity of about 5.3 years.

The amount of debt securities issued classified as MLT funding comprises debt securities measured at fair value through profit or loss, (€41.6 billion) and debt securities measured at amortized cost with an initial maturity of more than one year (€102.2 billion) excluding perpetual subordinated debt, as presented in note 5.i to the financial statements. In the cash balance sheet, these amounts are adjusted for the debt securities taken up by Group entities that do not belong to the Bank's prudential scope.

MLT Collateralized Wholesale Funding

MLT collateralized wholesale funding* is measured by separating out assets representing securities and loans:

MLT Collateralized Wholesale Funding

	December 31, 2012		December 31, 2011	
In billions of euros	Collateral used**	Funding raised***	Collateral used**	Funding raised***
Loans and receivables	53.6	42.1	66.7	49.6
Securities	12.2	10.6	12.2	11.1
TOTAL	**65.8**	**52.7**	**79.0**	**60.7**

(*) Funding obtained from central banks is not considered as MLT wholesale funding in the internal indicators and is therefore not included in this table.
(**) Amounts gross of haircuts.
(***) Amounts net of haircuts.

MLT collateralized wholesale funding represents 28% of the total Group's MLT funding. The Bank carefully manages its proportion of secured funding and the associated overcollateralization.

Liquidity Reserve

In addition to the structural indicators presented above, liquidity stress tests are performed regularly on short maturities, based on market factors and/or factors specific to the Group. The availability of sufficient liquidity reserves to cope with an unexpected surge in liquidity needs is regularly measured at Group and entity level.

The liquidity reserve comprises deposits with central banks, available securities and loans eligible for central bank refinancing and available securities that can be financed through repurchase agreements or immediately sold on the market.

The Bank's treasury position is adjusted by managing the liquidity reserve, which comprises deposits with central banks and highly liquid assets. One way to strengthen the liquidity reserve is to transform less liquid assets into liquid assets by securitizing pools of loans (see "Proprietary Securitization").

The table below shows trends in the liquidity reserve.

Liquidity Reserve

In billions of euros	December 31, 2012	December 31, 2011
Eligible assets	**189**	**203**
Utilizations	68	98
-o/w monetary policy	*42*	*49*
-o/w repos	*22*	*44*
-o/w other	*4*	*5*
Available eligible assets	**121**	**105**
Central bank deposits	**100**	**55**
-o/w mandatory reserves	**9**	**12**
TOTAL LIQUIDITY RESERVE	**221**	**160**

The increase in available eligible securities in 2012 excluding central bank deposits is due to rationalized use of eligible assets. The Bank also significantly increased its central bank deposits during the year. The Group's liquidity surpluses have been allocated to this type of investment pending clarification on what are considered to be liquid assets for the purpose of the regulatory liquidity ratios.

Internal Liquidity Pricing

All of the Group's assets and liabilities are subject to internal liquidity pricing, the principles of which are decided by the Group ALM Committee and aim to take account of trends in the cost of market liquidity and the balance between assets and liabilities.

Regulatory Liquidity Ratios

The 1-month liquidity ratio is calculated monthly for the parent company BNP Paribas SA (French operations and branches).

The average 1-month regulatory liquidity ratio for BNP Paribas SA (parent company and branches) was 163% in 2012 compared with a minimum requirement of 100%.

Operational Risk

***Risk Reduction and Hedging Policy** [AUDITED]*

Risk Management Framework

Regulatory Framework

Operational risk management is governed by a strict regulatory framework:

- Basel Committee Regulation, which requires the allocation of capital to operational risk;
- Regulation CRBF 97-02 as amended, which requires implementation of a risk management system covering all types of risk and an internal control system that ensures the effectiveness and quality of the Bank's internal operations, the reliability of internal and external information, the security of transactions and compliance with all laws, regulations and internal policies.

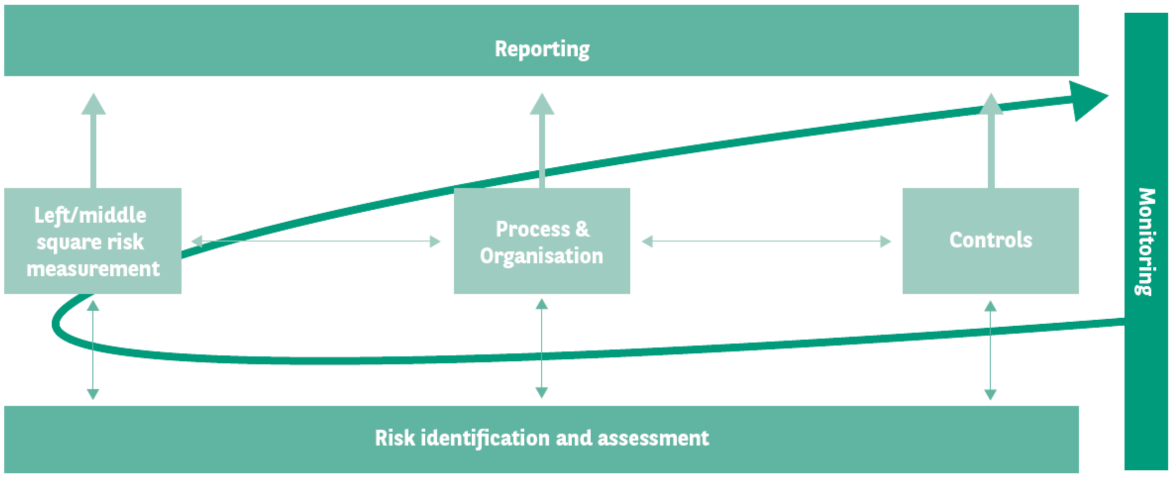
Objectives and Principles

To meet this dual requirement of measuring and managing operational risk, BNP Paribas has developed a five-stage iterative risk management process:

- identifying and assessing operational risks;
- formulating, implementing and monitoring the risk mitigation system, including procedures, checks and all organizational elements designed to help to control risk, such as segregation of tasks, management of access rights, etc.;

- producing risk measures and calculating the capital charge for operational risk;
- reporting and analyzing oversight information relating to the operational permanent control process;
- managing the system through a governance framework that involves members of management, preparing and monitoring action plans.

Evaluation Process of Operational Risk



There are two key components to the system, which are structuring in scope and illustrate the complementary nature of the Group's operational risk and permanent control systems:

- calculating capital requirements for the BNP Paribas scope is based on a hybrid approach that combines an internal model for the majority of entities with the standardized or basic approach for other entities depending on their level of maturity. Under the Advanced Measurement Approach (AMA), loss distributions are modeled and calibrated using two sets of data: historical event data since 2002 for the BNP Paribas Group and the major international banks, and internally constructed potential event scenarios to take better account of the extreme risks to which the Bank is exposed. This model was approved by the French banking supervisor (Autorité de Contrôle Prudentiel) in 2008. It has been gradually extended within the Group and, particularly in 2012, to a large number of entities from the ex-Fortis scope;
- widespread use of control plans: BNP Paribas has rolled out a process of formulating "control plans", which have three objectives: harmonizing practices, rationalizing the system and standardizing controls. This practice will also cover the Group's international operations and thereby support its structure enhancements. It is based on a risk mapping exercise carried out to identify and quantify potential risk scenarios, involving all the Group's core businesses, retail operational entities, business lines and Group functions.

Key Players and Governance

The BNP Paribas Group's objective is to implement a permanent control and operational risk management system organized around two types of participants:

- heads of operational entities, who are on the front line of risk management and implementation of systems to manage these risks;
- specialized teams, who are present at every level of the Group (core businesses, retail operational entities, functions, business lines) and coordinated centrally by the 2OPC team (Oversight of Operational Permanent Control), which is part of Group Compliance and a participant in the Group's risk management process. These teams are, in particular, responsible for:
- coordinating throughout the areas within their remit the definition and implementation of the permanent control and operational risk management system, its standards and methodologies, reporting and related tools,
- acting as a second pair of eyes that is independent of the operational managers to scrutinize operational risk factors and the functioning of the operational risk and permanent control system, and issuing warnings, where appropriate.

About 350 employees on a full-time equivalent basis are responsible for these supervisory activities.

Issues that arise in relation to permanent operational risk management and business continuity are discussed with the Group's Executive Committee on a regular basis, and periodically with the Internal Control Coordination Committee. This committee is chaired by the Internal Control Coordinator and brings together key players in the internal control process. The Group's core businesses, retail operational entities, business lines and functions tailor this governance structure to their own organizations, with the participation of Executive Management. Most other Group entities, particularly the major subsidiaries, have set up a similar structure.

Scope and Nature of Risk Reporting and Measurement

Group Executive Committees, core businesses, retail operational entities, business lines and functions are tasked with overseeing the management of operational and non-compliance risk and permanent control in the areas falling within their remit, in accordance with the Group's operational risk framework. The committees validate the quality and consistency of reporting data, examine their risk profile in light of the tolerance levels set and assess the quality of risk control procedures in light of their objectives and the risks they incur. They monitor the implementation of risk mitigation measures.

Operational risk management has developed a system of data collection of actual or potential incidents using an approach structured by operational process and entity (activities in a country and a single legal entity) focusing on the cause-and-effect chain behind events. This information is used as the basis for risk mitigation and prevention measures.

The most significant information is brought to the attention of staff at various levels of the organization, up to and including executive and decision-making bodies, in line with a predefined information reporting process.

Components of Operational Risk Related to Legal, Tax and Information Security Risks

Legal Risk

In each country where it operates, BNP Paribas is bound by specific local regulations applicable to companies engaged in banking, insurance and financial services. The Group is notably required to respect the integrity of the markets and the primacy of clients' interests.

For many years, the Legal Department has had an overarching information sharing and internal control system designed to anticipate, detect, measure and manage legal risks. More recently, the system has been substantially revised to adapt to changes in the Group and to promote a more proactive approach by the legal officers and their teams, regardless of their business line and geographical territory. The new system is based on:

- governance bodies:
  - Executive Legal Affairs Committee, which defines and oversees compliance with the Legal Function's overall strategy,
  - Global Legal Committee, which coordinates and supervises the activities of the Legal Function throughout the Group in all countries that have their own legal staff, and ensures that the Group's legal policies are consistent and applied in a uniform manner,
  - Global Litigation Practice Group, which brings together legal experts from fourteen countries with a view to improving their ability to look ahead and interact in the areas of litigation, pre-litigation and regulatory;
- specific committees, including:
  - France and Europe Legislation Tracking Committees, which monitor draft legislation, and analyze, interpret and distribute throughout the Group the texts of new laws and regulations, as well as details of changes in French and European case law,
  - Steering Center for European Law, a joint French and Belgian unit responsible for all issues involving European law and competition law for the entire Group,
  - Legal Internal Control Committee, whose focuses include overseeing operational risk and internal audit recommendations;
- Legal Practice Groups by business line and specific-issue working groups aimed at strengthening cooperation between specialist lawyers and proposing cross-functional legal risk management policies;
- internal procedures and databases providing a framework for (i) managing legal risk in liaison with the Compliance function for all matters which also fall under its responsibility, and (ii) overseeing

the activities of the Group's legal staff and operating staff involved in legal areas. At the end of 2004, a procedures database detailing all internal procedures was set up on the Group Intranet and is available to all Group employees;

- a knowledge management system aimed at both legal and operating staff and broader training opportunities for the Group's legal community;
- internal risk reporting tools and analytical models, which are upgraded on an ongoing basis by Group Legal Department and contribute to the identifying, assessing and analyzing operational risk.

In a difficult economic environment marked by increasing regulations and heavier regulatory requirements, as well as an increase in litigation, the Legal function must be able to take a global view and optimize its ability to become involved and take action.

The Legal function's new management and working methods were implemented and tested in 2012. A review is currently in progress on potential changes to its method of involvement in the litigation and regulatory fields and extending the links between the Legal functions of certain specialist business lines and foreign territories. Meanwhile, the Legal function has focused on clarifying its areas of involvement and responsibility levels and on creating new areas of cooperation with the Group's business lines. This work is facilitated by the fact that the Chief Legal Officer (or a representative) sits on both the Internal Control Coordination Committee and the Compliance Committee as a permanent member.

In addition, the Legal function, in liaison with the Purchasing function, has drawn up a pragmatic, broader legal outsourcing policy with a view to combining quality with cost control.

Tax Risk

In each country where it operates, BNP Paribas is bound by specific local tax regulations applicable to companies engaged for example in banking, insurance or financial services.

The Group Tax Department is a global function, responsible for overseeing the consistency of the Group's tax affairs. It also shares responsibility for monitoring global tax risks with Group Finance. The Group Tax Department performs controls to ensure that tax risks remain at an acceptable level and are consistent with the Group's reputation and profitability objectives.

To ensure its mission, the Group Tax Department has established:

- a network of dedicated tax specialists in 16 countries completed by tax correspondents covering other countries where the Group operates;
- a qualitative data reporting system in order to manage tax risks and assess compliance with local tax laws;
- regular reporting to Group Executive Management on the use made of delegations of authority and compliance with internal standards.

The Group Tax Department co-chairs the Tax Coordination Committee with Group Finance. The committee also includes the Compliance function and may involve the core businesses when appropriate. It is responsible for analyzing key tax issues for the Group. In addition, Group Finance is obliged to consult the Group Tax Department on any tax issues arising on transactions processed.

Lastly, the Group Tax Department has drawn up procedures covering all core businesses, designed to ensure that tax risks are identified, addressed and controlled appropriately.

Information Security

Information, and digital data in particular, is a key commodity for banks and effective management of information security risk is vital in an era of near full-scale migration to electronic media, growing demand for swift online processing of ever more sophisticated transactions, and widespread use of the internet or multiple networks as the primary interface between a bank and its individual or institutional customers.

Information security incidents experienced by the banking and credit/payment card industries, their cost and media disclosure in various countries requires the Group to continuously strengthen its ability to anticipate, prevent, protect, detect and react in order to counter the major threats and track regulations and case law on data protection.

The Group's information security policy is set out in a corpus of reference documents geared to its various needs, both functional and technical. These documents include the general security policy; more specific policies for various issues related to information systems security; ISO 27001 requirements; practical guides to security requirements; operational procedures and all documents intended to raise the awareness of employees and users of the Group's information systems.

The security framework is drilled down to each individual business line, taking account of any regulatory requirements, the security risk exposure of the business line in question and the specific threats it faces. Each business line uses the Group's standardized approach to managing information security (the primary methodology used is ISO 27005, supported by the French EBIOS risk analysis methodology), risk assessment indicators, and monitoring action plans. This approach is supported by information security control plans designed to assess its effectiveness (deployment and quality) with regard to all the Group's key assets and to measure the level of maturity of the various structure. It forms part of the permanent and periodic control framework set up for each banking activity pursuant to CRBF regulation 97-02 (amended in 2004) in France or similar regulations in other countries.

Each of BNP Paribas' business lines is exposed to some specific form of information security risk, with some risks common to all businesses. The Group's policy for managing these risks takes into consideration the specific nature of the business, often made more complex by legally and culturally-specific regulations in the different countries in which the Group does business.

The availability of information systems is vital to allow BNP Paribas to continue operating in a crisis or emergency. Although it is impossible to guarantee 100% availability, the Group maintains, improves and regularly verifies the information back-up capabilities and system robustness, in line with its values of operational excellence, in response to tighter regulations and extreme stress scenarios (natural disasters or other catastrophes, health pandemics, etc.). Its action in this area is consistent with the Group's general business continuity plan.

Confidentiality of customer data and transaction integrity are also areas covered by the Bank's continuous progress approach, not only to counter the threats described earlier but also to provide our customers with a service that meets their expectations.

BNP Paribas seeks to minimize information security risk and optimize resources by:

- updating the procedural framework for each business line governing day-to-day practices to take account of developments in business activities and new trends;
- raising employees' awareness of information security imperatives and training key players in the appropriate procedures and behaviors related to information system resources;
- rolling out and developing controls for BNP Paribas entities and external partners, and strengthening support actions;
- strengthening the security of IT developments, better measurement of responsiveness in terms of information security and preventing data leaks;
- monitoring incidents and developing intelligence of technological vulnerability and information systems attacks.

BNP Paribas takes a continuous progress approach to information security. Apart from investing heavily in protecting its information systems assets and information resources, the level of security must be supervised and controlled continuously. This enables the Bank to adjust its security levels to new threats caused by cyber crime. In this respect, the security model has been revised to ensure that it takes account of technological changes that have a strong impact on interactions between users (clients and employees) and their information systems. This requires Group-level action in developing tools to scale up security processes, setting up a security community and continuing the major projects forming part of the Group's information security development plan.

Approach and Scope

The Group Compliance Department has outlined the Group's operational risk management approach, by delegation from the Risk Management Department. This approach uses an operational risk model scaled to be proportionate to the risk being incurred and aims to ensure that the vast majority of operational risks are covered.

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

BNP Paribas uses a hybrid approach combining the Advanced Measurement Approach (AMA), standardized approach, and basic indicator approach.

For the Group, the AMA methodology has been deployed in the most significant entities of each division or Retail Banking Operational entities. This includes most of Retail Banking in France and Italy, CIB, and Investment Solutions. BNP Paribas Fortis and BGL BNP Paribas business lines, as well as a few other ex-Fortis group subsidiaries, have also been using the Group's AMA model since 2012.

Advanced measurement approach (AMA)

Under the Advanced Measurement Approach (AMA) for calculating capital requirements, the bank must develop an internal operational risk model based on internal loss data (historical and potential), external loss data, various scenarios analyses, environmental factors, and internal controls.

BNP Paribas' internal model meets the AMA criteria and includes the following features:

- the model uses an aggregate annual loss distribution, meaning that the frequency and severity of losses from operational risks are modeled using an actuarial approach and according to distributions calibrated with available data;
- it uses historical data as well as scenarii to calculate capital requirements, with a predominance for scenarii because they can be shaped to reflect severe risks;
- the model is faithful to its input data, so that its results can be used easily by each of the Group's business lines. Most of the assumptions are therefore included in the data themselves;
- it is prudent in its capital requirement calculations. The input data are thoroughly reviewed, and any supplemental data are added if needed to cover all relevant risks within the Group.

The AMA uses VaR (Value at Risk), or the maximum potential loss over one year, at a 99.9% confidence level to calculate regulatory capital requirements.

Capital requirements are calculated on an aggregate level using data from all Group entities that have adopted the AMA, then allocated to individual legal entities.

Fixed-Parameter Approaches

BNP Paribas uses fixed-parameter approaches (basic or standardized) to calculate the capital requirements for entities in the Group's scope of consolidation that are not integrated in the internal model.

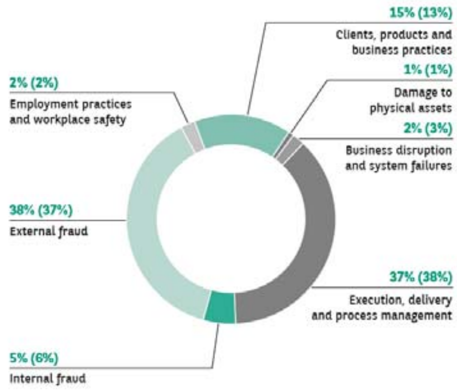
Basic indicator approach: The capital requirement is calculated by multiplying the entity's average net banking income (the exposure indicator) over the past three years by an alpha parameter set by the regulator (15% risk weight).

Standardized approach: The capital requirement is calculated by multiplying the entity's average net banking income over the past three years by a beta factor set by the regulator according to the entity's business category. Therefore in order to use the banking supervisor's beta parameters, the Group has divided all its business lines into the eight business categories, with each business line assigned to these categories, without exception nor overlap.

Operational Risk Exposure

Banking regulation divides operational loss events into seven categories: (i) internal fraud, (ii) external fraud, (iii) employment practices (such as an anomaly in the recruitment process) and workplace safety, (iv) customers, products and business practices (such as product defects, mis-selling, etc.), (v) damage to physical assets, (vi) business disruption and system failures, (vii) failures in execution, delivery and process management (data entry error, error in documentation, etc.).

Operational Losses - Breakdown by Event Type (Average 2008-2012)*



(*) Percentages in brackets correspond to average loss by type of event for the 2008-2011 period.

External fraud and process failures, typically arising from execution or transaction processing errors, represent the two main operational loss event. Fraud of this kind, such as payment and credit fraud, is fairly common in the world of retail banking. In Corporate and Investment Banking, incidents of fraud are rarer but of larger scale.

The third biggest loss event corresponds to events associated with business practices, and the prevalence of these has been tending to stabilize over time after a phase of increase. Internal fraud accounts for about 5% of the Group's operational losses.

The remaining types of incidents account for relatively small amounts of losses.

The BNP Paribas Group pays the utmost attention to analyzing its operational risk incidents in order to improve its already well-structured control system.

Capital Requirement

Operational Risk Capital Requirement

	Capital requirement Operational risk		
In millions of euros	**December 31, 2012**	**December 31, 2011**	**Variation**
Advanced Measurement Approach (AMA)	2,847	3,090	(243)
Standardized approach	761	758	3
Basic indicator approach	484	521	(37)
TOTAL OPERATIONAL RISK	**4,092**	**4,369**	**(277)**

Half of the €277 million fall in the capital requirement for operational risk-weighted assets (down €3.5 billion) stemmed from a method effect caused by the convergence of the Fortis scope with the Group's AMA model in the first quarter of 2012, as well as a scope effect related to the derecognition of a few legal entities, the largest one being Klépierre.

Risk Reduction Through Insurance Policies

Risks incurred by the BNP Paribas Group may be covered by major insurers with the dual aim of protecting its balance sheet and profit and loss account. The Group's insurance policy is based on a risk identification and assessment procedure underpinned by risk mapping, detailed operating loss data and forward-looking analysis.

The Group purchases insurance from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible.

In order to optimize costs and effectively manage its exposure, the Group self-insures some well identified risks whose impact in terms of frequency and cost is known or can be adequately estimated.

In selecting insurers, the Group pays close attention to the credit rating and claims paying ability of the companies concerned.

Detailed information on risks incurred by BNP Paribas as well as risk assessment visits, enable insurers to assess the quality of coverage and risk prevention within the Group, as well as the safeguard measures put in place and upgraded on a regular basis in light of new standards and regulations.

Compliance and Reputation Risk [Audited]

Effective management of compliance risk is a core component of the Bank's internal control framework and covers adherence to applicable laws, regulations, codes of conduct and standards of good practice. Compliance also involves protecting the Group's reputation as well as the reputation of its investors and customers; ensuring that members of staff act in an ethical manner and avoid conflicts of interest; protecting the interests of its customers and the integrity of the market; implementing anti-money laundering procedures, combating corruption and terrorist financing; and respecting financial embargos.

As required by French regulations, the Compliance function manages compliance risk for all of the Group's domestic and international businesses. The Compliance function reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control, Risk and Compliance Committee.

The function includes a central structure in Paris responsible for overseeing and supervising all compliance matters, and local teams within the Group's various core businesses, retail operational entities, business lines and functions acting under delegated authority from the central team. This system is reinforced continuously.

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

- general and specific procedures;
- coordination of action taken within the Group to guarantee the consistency and effectiveness of monitoring systems and tools;
- deployment of tools for detecting and preventing money laundering, terrorist financing and corruption, and detecting market abuses, etc.;
- training, both at Group level and in the divisions and business lines.

Protecting the Bank's reputation is high on the Group's agenda. It requires ongoing revisions to the risk management policy in line with developments in the external environment. The Group has strengthened its anti-money laundering, terrorist financing and corruption techniques due to the international climate, the increasing number of fraudulent practices in the market and the introduction of tighter regulations by many countries.

Insurance Risks [Audited]

BNP Paribas Cardif Risk Management System

BNP Paribas Cardif is exposed to the following risks:

- market risk, risk of incurring a loss of value due to adverse trends in the financial markets, arises mainly from mismatches between assets and liabilities, which for the most part stem from maturity mismatches and the existence of a minimum guaranteed return for policyholders;
- underwriting risk, the risk of incurring a loss of value due to changes in benefits to be paid to policyholders, stems from statistical, macro-economic or behavioral trends as well as the occurrence of catastrophe events, that is low probability, high financial intensity events;
- credit risk, risk of incurring a loss of value due to the impact of changes in the credit quality of the business's obligors, arises on both the issuers of financial instruments in which the various BNP Paribas Cardif entities invest the premiums received from their policyholders, and on receivables representing accrued insurance business due to those entities from distributors and reinsurers;
- operational risk, risk of incurring a loss due to inadequate or failed internal processes, or due to external events.

Management of these risks done within BNP Paribas Cardif's risk profile and its risk preferences:

- insurance risks profile is defined by two indicators: (i) maximum deviation between pre-tax income and budget at the 90% quantile, and (ii) the target solvency ratio in the current regulatory environment, that is Directive 73/239/EC or Solvency I, as transposed into the French Insurance Code;

- at December 31, 2012, The Solvency I ratio stands at 115% before unrealized gains on assets and technical provisions. Including unrealized gains, the Solvency I ratio is superior to 200%. BNP Paribas Cardif's risk preferences can be summarized in three objectives: (a) control the general fund's contribution to growth in savings products in order to limit the proportion of market risk, (b) support growth of Protection products and (c) expand in the P&C market to increase the relative proportion of underwriting risk and the diversification effect.

This risk strategy is implemented and controlled through an organization tailored to the broad risk classes and supported by ad hoc governance structures. The main risk decision-taking or monitoring committees are:

- the Insurance Risk Management Committee covers all risks and is responsible for defining the risk policy and for overseeing the key risks. It monitors progress in BNP Paribas Cardif's transition towards the future Solvency II, alongside "Valor", the dedicated structure for this purpose set up in 2009;
- the various committees that take risk decisions are the Underwriting Committee for risks outside the limits granted to the local and regional entities, New Business Committee for new underwriting risks and underwriting risks that are not new for BNP Paribas Cardif but new for a particular entity, and New Asset Class Committee for investments in new types of asset;
- the Insurance ALM Committee covers market risks and is responsible for defining the strategic asset allocation;
- the Exposure Monitoring Committee oversees underwriting risks and the credit risk on receivables arising from insurance business;
- the Asset Credit Risk Committee monitors credit risk on issuers of financial instruments;
- the Operational Risk Committee monitors actual and potential incidents.

Market Risk and Credit Risk

Market risk and credit risk arise mainly in the Savings business, where technical reserves represent over 95% of the insurance subsidiaries' liabilities.

Interest rate risk management for the general insurance fund and the asset diversification policy have driven investment in real estate assets, equities and fixed-income securities, including government bonds particularly in the euro zone countries. The target strategic allocation of Cardif Société Vie, the main Savings insurance subsidiary, is based mainly on fixed-income securities (80%). The proportion of equities and real estate is significant (10% each).

Market risk and credit risk fall into four categories:

Interest Rate Risk

Policyholder returns on non-unit-linked life insurance policies are based on either a fixed rate specified in the policy or a variable rate, with or without a minimum guaranteed return. All of these policies give rise to an interest rate and asset value risk, corresponding to the risk that the return on admissible assets (i.e. assets acquired by investing premiums) is less than the contractual return payable to policyholders. The average guaranteed return in 2012 fell to 1.41% compared with 1.47% in 2011. 97% of BNP Paribas Cardif's mathematical reserves have guaranteed minimum return commitments with a term of less than or equal to two years.

In France, to cover future potential financial losses, estimated over the lifetime of the policies, a provision for future adverse deviation (provision pour aléas financiers) is booked when total amount of technical interest plus the guaranteed return payable to policyholders through technical reserves is not covered by 80% of the return on the admissible assets. No provision for future adverse deviation was booked at December 31, 2012, 2011 or 2010 as the returns guaranteed by the insurance subsidiaries are low and the guarantees are for short periods, resulting in only limited exposure.

Liquidity Risk

Liquidity risk is managed centrally by the BNP Paribas Cardif Asset/Liability Management unit, which coordinates its activities with the BNP Paribas ALM-Treasury Department. Regular asset-liability matching reviews are performed to measure and manage the financial risks, based on medium and/or long-term income statement and balance sheet projections prepared according to various economic scenarios. The results of these reviews are analyzed in order to determine any adjustments to assets (through strategic allocation, diversification, use of derivatives, etc.) that are required to reduce the risks arising from changes in interest rates and asset values.

Credit Risk

BNP Paribas Cardif has a balanced spread of bond exposure between sovereign risk and corporate risk (respectively 55% and 45% for Cardif Assurance Vie's portfolio). Euro zone portfolios focus on issuers with an average rating of better than A+.

Limits by issuer and rating type (investment grade, high-yield) are monitored regularly. Issuer credit quality is also reviewed frequently. There is little exposure (less than 8%) to sovereign risk in the peripheral euro zone countries.

BNP Paribas's Cardif Bonds Exposures by Country

											December 31, 2012	
In millions of euros	**Govies**		**Agencies & supra sovereign**		**Financial Corporate**		**Covered**		**Other Corporate**		**Total**	
By country	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**
France	8,979	10,805	1,843	2,109	11,959	12,463	4,345	4,889	4,016	4,548	**31,141**	**34,813**
Italy	4,406	4,708	90	89	1,291	1,255	383	412	565	613	**6,734**	**7,078**
Netherlands	1,005	1,227	467	521	2,045	2,257	146	173	1,336	1,506	**4,998**	**5,683**
Spain	1,063	1,045	0	0	248	231	1,161	1,073	330	354	**2,803**	**2,703**
Germany	1,138	1,377	86	94	284	306	273	279	149	170	**1,930**	**2,226**
Austria	1,706	2,048	0	0	3	3	0	0	0	0	**1,708**	**2,051**
Belgium	2,981	3,406	30	30	60	67	0	0	175	187	**3,246**	**3,690**
United Kingdom	0	0	0	0	2,272	2,511	579	676	85	91	**2,935**	**3,278**
Ireland	429	443	0	0	532	491	233	242	331	367	**1,525**	**1,543**
United States of America	0	0	0	0	1,485	1,616	51	57	547	616	**2,083**	**2,289**
Portugal	751	650	153	153	0	0	0	0	95	74	**998**	**878**
Others	1,457	1,647	899	1,020	1,413	1,511	72	80	1,215	1,392	**5,056**	**5,649**
TOTAL	**23,914**	**27,356**	**3,568**	**4,017**	**21,592**	**22,711**	**7,243**	**7,880**	**8,843**	**9,918**	**65,159**	**71,881**

											December 31, 2011	
In millions of euros	**Govies**		**Agencies & supra sovereign**		**Financial Corporate**		**Covered**		**Other Corporate**		**Total**	
By country	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**
France	10,707	11,781	1,952	2,043	9,452	8,713	4,475	4,531	3,834	4,038	**30,421**	**31,106**
Italy	3,521	3,114	0	0	1,415	1,133	167	153	288	284	**5,391**	**4,683**
Netherlands	1,017	1,184	466	495	2,053	2,038	159	177	1,407	1,524	**5,102**	**5,418**
Spain	1,545	1,499	0	0	302	270	1,271	1,047	356	343	**3,474**	**3,158**
Germany	1,482	1,790	118	130	230	238	274	286	139	151	**2,243**	**2,595**
Austria	2,058	2,221	0	0	3	3	0	0	0	0	**2,061**	**2,224**
Belgium	2,604	2,705	0	0	63	62	0	0	98	103	**2,765**	**2,870**
United Kingdom	0	0	0	0	2,219	2,120	578	590	71	77	**2,868**	**2,786**
Ireland	1,063	856	0	0	555	433	234	214	304	321	**2,155**	**1,825**
United States of America	0	0	0	0	1,686	1,560	51	51	577	633	**2,314**	**2,244**
Portugal	1,168	688	163	130	0	0	14	9	95	41	**1,440**	**868**
Others	1,503	1,458	582	629	1,463	1,391	99	105	1,232	1,296	**4,879**	**4,879**
TOTAL	**26,668**	**27,297**	**3,281**	**3,426**	**19,440**	**17,959**	**7,322**	**7,163**	**8,401**	**8,811**	**65,112**	**64,656**

BNP Paribas's Cardif Bonds Exposures by External Ratings

December 31, 2012

In millions of euros	**Govies**		**Agencies & supra sovereign**		**Financial Corporate**		**Covered**		**Other Corporate**		**Total**	
By external rating	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**
AAA	2,460	2,964	1,242	1,425	326	335	4,191	4,787	18	22	**8,236**	**9,532**
AA+	10,684	12,853	1,838	2,083	5	5	273	279	12	14	**12,812**	**15,233**
AA	0	0	30	30	0	0	903	981	941	1,112	**1,874**	**2,123**
AA-	3,074	3,520	7	6	1,736	1,917	51	52	409	480	**5,278**	**5,976**
A+	253	298	13	14	1,456	1,580	51	57	1,876	2,134	**3,649**	**4,082**
A	163	179	174	194	11,542	12,171	374	403	983	1,105	**13,235**	**14,052**
A-	539	613	0	0	1,559	1,710	375	382	1,319	1,507	**3,792**	**4,212**
BBB+	0	0	21	22	1,119	1,185	15	14	1,499	1,659	**2,655**	**2,880**
BBB	4,497	4,791	90	89	1,521	1,481	885	807	1,252	1,343	**8,245**	**8,512**
BBB-	1,063	1,045	85	85	1,677	1,653	126	118	215	235	**3,166**	**3,135**
BB+	429	443	0	0	197	209	0	0	127	132	**753**	**784**
BB	0	0	0	0	379	405	0	0	0	0	**379**	**405**
BB-	751	650	68	69	19	13	0	0	95	74	**932**	**806**
B+	0	0	0	0	7	6	0	0	0	0	**7**	**6**
CCC	0	0	0	0	32	23	0	0	0	0	**32**	**23**
NR	0	0	0	0	18	19	0	0	96	100	**114**	**118**
TOTAL	**23,914**	**27,356**	**3,568**	**4,017**	**21,592**	**22,711**	**7,243**	**7,880**	**8,843**	**9,918**	**65,159**	**71,881**

December 31, 2011

In millions of euros	**Govies**		**Agencies & supra sovereign**		**Financial Corporate**		**Covered**		**Other Corporate**		**Total**	
By external rating	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**	**Net book value**	**Market value**
AAA	15,598	17,353	2,940	3,114	199	198	5,007	5,111	18	21	**23,763**	**25,797**
AA+	0	0	0	0	18	18	1,015	983	630	670	**1,664**	**1,671**
AA	0	0	0	0	1,107	1,116	77	65	636	692	**1,820**	**1,873**
AA-	2,702	2,819	7	5	1,111	1,007	419	386	557	617	**4,797**	**4,835**
A+	1,952	1,899	0	0	8,314	7,830	109	82	1,482	1,596	**11,856**	**11,407**
A	3,521	3,114	163	168	3,670	3,414	75	65	840	905	**8,269**	**7,665**
A-	414	390	8	8	2,042	1,847	383	296	2,143	2,255	**4,990**	**4,797**
BBB+	0	0	0	0	2,026	1,775	55	45	1,005	1,030	**3,086**	**2,850**
BBB	0	0	0	0	343	285	97	64	755	751	**1,195**	**1,100**
BBB-	0	0	95	69	356	295	85	65	153	140	**690**	**570**
BB+	1,063	856	68	61	186	127	0	0	35	37	**1,352**	**1,081**
BB	1,168	688	0	0	21	15	0	0	95	41	**1,284**	**744**
BB-	0	0	0	0	4	4	0	0	0	0	**4**	**4**
B-	0	0	0	0	32	14	0	0	0	0	**32**	**14**
CC	250	178	0	0	0	0	0	0	0	0	**250**	**178**
NR	0	0	0	0	10	14	0	0	52	57	**62**	**71**
TOTAL	**26,668**	**27,297**	**3,281**	**3,426**	**19,440**	**17,959**	**7,322**	**7,163**	**8,401**	**8,811**	**65,112**	**64,656**

Asset Value Risk

BNP Paribas Cardif has limited exposure to the risk of a fall in asset values (fixed-income, credit, equities, real estate). The mechanism involved in insurance contracts with a participation feature consists of passing on most of the change in the value of assets held in the general euro fund to the deferred participation reserve attributable to the policyholders.

Cardif Assurance VIE Unrealized Gains and Losses

In millions of euros		December 31, 2012	December 31, 2011
Bonds	Govies	3,442	629
	Agencies & supra sovereign	449	144
	Financial Corporate	1,119	(1,481)
	Covered	637	(159)
	Other Corporate	1,075	410
TOTAL		**6,722**	**(457)**
	Equity	210	(805)
	Real estate	675	573
	Alternatives	12	27
	Other	20	(36)
TOTAL OTHER ASSETS		**916**	**(241)**
TOTAL		**7,638**	**(698)**

Insurance Underwriting Risk

Underwriting risk arises mainly in the Savings Business Line due to surrender risk, and the Protection business, which accounts for some 5% of the insurance subsidiaries' liabilities. The value at risk over one year at 99.5% amounted to €1,325 million or 28% of BNP Paribas Cardif's total value at risk.

There are three types of underwriting risk:

Savings - Surrender Risk

Savings contracts include a surrender clause allowing policyholders to request reimbursement of all or part of their accumulated savings. The insurer is exposed to the risk of surrender volumes being higher than the forecasts used for ALM purposes, which may force it to sell assets at a loss.

The surrender risk is limited, however, as:

- policyholder behavior is monitored on an ongoing basis, in order to regularly align the duration of assets with that of the corresponding liabilities and reduce the risk of abrupt, large-scale asset sales. Changes in assets and liabilities are projected over periods of up to 40 years, in order to identify mismatches giving rise to a liquidity risk. These analyses are then used to determine the choice of maturities for new investments and the assets to be sold. Short-term (one year) liquidity analyses are also carried out, which include various surrender rate increase assumptions to ensure that the Group can withstand stress situations. In 2012 liquidity study, 60% of Cardif Société Vie's assets were liquid in the short-term, mainly comprising issuers rated AAA to A;
- in addition to the guaranteed return, policyholders are paid dividends that raise the total return to a level in line with market benchmarks. These dividends, which are partly discretionary, reduce the risk of an increase in surrender rates in periods of rising market interest rates. The policyholders' surplus reserve is the mechanism in France that enables the surplus actually paid out to be pooled and spread between generations of policyholders. It is one of Cardif Société Vie's essential strengths;
- the return on financial assets is protected mainly through the use of hedging instruments.

In 2012, despite the adverse environment, BNP Paribas Cardif generated more than €1,436 million of net new business on the general funds.

Average Lapse Rates for BNP Paribas Cardif General Funds

2012	Annual redemption rate
France	7.50%
Italy	14.50%
Luxembourg	15.00%

Savings - Unit-linked Contracts with a Guaranteed Minimum Benefit

The unit linked liabilities are equal to the sum of the market values of the assets held in the unit-linked portfolios. The insurer's liability is therefore covered by corresponding assets. The match between unit-linked liabilities and the related assets is controlled at monthly intervals.

Certain unit-linked contracts include whole life covers providing for the payment of a death benefit at least equal to the cumulative premiums invested in the contract, whatever the conditions on the financial markets at the time of the insured's death. The risk on these contracts is both statistical (probability of a claim) and financial (market value of the units).

The capital guarantee is generally subject to certain limits. In France, for example, most contracts limit the guarantee to one year (renewable annually) and a maximum of €765,000 per insured. In addition, the guarantee is not normally available beyond the insured's 80th birthday.

The minimum guaranteed benefit reserve is (re)assessed every quarter and takes into account the probability of death, based on a deterministic scenario, and stochastic analyses of changing financial market prices. The reserve amounted to €12 million at December 31, 2012 (versus €19 million at December 31, 2011).

Protection

These risks result mainly from the sale of creditor insurance worldwide and other personal risk insurance (individual death and disability, extended warranty, annuity policies in France).

Creditor insurance covers death, total or partial disability, loss of employment and financial loss risks for personal loans and mortgage loans. The insurance book comprises a very large number of individual policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs. The term of these contracts is usually equal to the term of the underlying loan and the premium is either deducted once upon issuance of the policy (single premium) or deducted regularly throughout the term of the policy (regular or periodic premiums).

Other contracts are either for personal risk (death, accidental death, hospitalization, critical illness, healthcare expenses) or property & casualty risk (accidental damage, failure or theft of consumer goods or vehicles). The individual sums insured under these contracts are generally low and the cost of claims predominantly flat rate.

Lastly, through joint ventures in France and Italy, motor contracts (material damage, civil liability) and comprehensive household contracts are also underwritten.

The actuarial oversight system set up to prevent and control actuarial risks in France and internationally is based on guidelines and tools that describe (i) the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, (ii) the tasks to be performed by the actuaries and their reporting obligations and (iii) practices that are excluded or that are allowed only if certain conditions are met.

Risks underwritten must comply with delegation limits set at various local and central levels, estimated maximum acceptable losses, estimated Solvency II capital requirements and estimated margins on the policies concerned. The experience acquired in managing geographically diversified portfolios is used to regularly update risk pricing databases comprising a wide range of criteria such as loan type for creditor insurance, the type of guarantee and the insured population. Each contract is priced by reference to the profitability and return-on-equity targets set by the Executive Management of BNP Paribas Cardif.

Risk exposures are monitored at quarterly intervals by BNP Paribas Cardif's Executive Committee, based on an analysis of loss ratios.

Claims experience for annuity contracts are based on mortality tables applicable under insurance regulations, adjusted in some cases by portfolio specific data which is certified by independent actuaries. Annuity risks are low.

Underwriting risks are covered by various technical reserves, including mathematical reserves in life insurance, the unearned premiums reserves generally calculated on an accruals basis, the outstanding claims reserves, determined by reference to reported claims, and the IBNR (claims incurred but not reported) reserves, determined on the basis of either observed settlements or the expected number of claims and the average cost per claim.

The level of prudence adopted for the overall assessment of claims provisions corresponds to the 90% quantile.

GOVERNMENTAL SUPERVISION AND REGULATION OF BNP PARIBAS IN FRANCE

The French Banking System

The French banking system consists primarily of privately-owned banks and financial institutions, as well as a number of state-owned banks and financial institutions, all of which are subject to the same banking laws and regulations generally.

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions, payment institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. Most registered banks, including BNP Paribas, are members of the French Banking Association (*Fédération Bancaire Française*).

French Supervisory Bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. The committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the Minister of the Economy, any draft bill or regulations, as well as any draft EU regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the *Autorité des marchés financiers*.

The ACP supervises financial institutions and insurance firms and is in charge of ensuring the protection of consumers and the stability of the financial system. The ACP was created in January, 2010 as a result of the merger of the Banking Commission (*Commission bancaire*), the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*) and the Insurance and Pensions Control Authority (*Autorité de contrôle des assurances et des mutuelle*s) and assumed the functions previously exercised by these authorities. The ACP is chaired by the Governor of the *Banque de France*. With respect to the banking sector, the ACP makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions, as well as investment firms, and controls their financial standing. Banks are required to submit periodic (either monthly or quarterly) accounting reports to the ACP concerning the principal areas of their activity. The ACP may also request additional information that it deems necessary and may carry out on-site inspections (including with respect to a bank's foreign subsidiaries and branches, subject to international cooperation agreements). These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use. In addition, French banks are required to publish as an annex to their annual financial statements information on their establishments and activities in certain "non-cooperative" countries. The proposed French banking law will (if adopted) require French financial institutions to publish detailed information about their establishments and activities worldwide.

The ACP may order financial institutions to comply with applicable regulations and to cease conducting activities which may adversely affect the interests of clients. The ACP may also require a financial institution to take measures to strengthen or restore its financial situation, improve its management methods and/or adjust its organization and activities to its development goals. When a financial institution's solvency or liquidity, or the interests of its clients are or could be threatened, the ACP is entitled to take certain provisional measures, including: submitting the institution to special monitoring and restricting or prohibiting the conduct of certain activities (including deposit-taking), the making of certain payments, the disposal of assets, and/or the distribution of dividends to its shareholders.

Where regulations have been violated, the ACP may act as an administrative court and impose sanctions, which may include warnings, fines, suspension or dismissal of managers, and deregistration of the bank, resulting in its winding up. The ACP also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. The decisions of the ACP may be appealed to the French Administrative Supreme Court (*Conseil d'Etat*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the ACP.

New measures such as the proposed French banking law or, at the E.U. level, the Liikanen proposal (if adopted) could require the Bank to ring-fence certain of its activities within a subsidiary that will be required to comply with prudential ratios and raise financing on a stand-alone basis. In addition, the proposed French banking law, as well as the proposed E.U. framework for a single supervisory mechanism and the proposed E.U. framework for the recovery and resolution of financial institutions, will grant increased powers to regulators (including the ACP, the Financial Stability Board, the French deposit guarantee fund and, potentially, the European Central Bank) to prevent and/or resolve banks' financial difficulties, such as the power to require banks to adopt structural changes, issue new securities, cancel existing equity or subordinated debt securities, convert subordinated debt into equity, and, more generally, ensure that any losses are borne by banks' shareholders and creditors (including potentially, on certain conditions, senior creditors and depositors).

Banking Regulations

The BNP Paribas Group must comply with minimum capital ratio requirements. See "Capital Adequacy of the BNP Paribas Group". In addition to these requirements, the principal regulations applicable to deposit banks such as BNP Paribas concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. In the various countries in which BNP Paribas operates, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

In France, the BNP Paribas Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times. French credit institutions are entitled to opt for the "advanced" approach with respect to liquidity risk, upon request to the ACP and under certain conditions. Under the advanced approach, the credit institution is able to use its internal methodologies to determine the liquidity risk and ensure that it has sufficient liquidity at all times to honor its commitments.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer (and related entities) may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. Individual exposures exceeding 10% (and in some cases 5%) of the credit institution's regulatory capital are subject to specific reporting requirements.

French credit institutions are required to maintain on deposit with the *Banque de France* a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

BNP Paribas' commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France*. Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no qualifying shareholding may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such qualifying shareholdings may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a qualifying shareholding for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence"

(*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund *(Fonds de Garantie)*, except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €100,000 per customer and per credit institution. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

Additional Funding

The Governor of the *Banque de France,* as chairman of the ACP, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails.

French credit institutions are required to have a system for analyzing and measuring risks in order to assess their exposition to credit, market, global interest rate, intermediation, liquidity and operational risks. Such system must set forth criteria and thresholds allowing to identify as significant the incidents revealed by internal control procedures. Any fraud generating a gain or loss of a gross amount superior to 0.5% of the tier one capital is deemed significant provided that such amount is greater than €10,000.

With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the ACP regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Compensation Policy

French credit institutions and investment firms are required to ensure that their compensation policy is compatible with sound risk management principles. A significant fraction of the compensation of employees whose activities may have a significant impact on the bank's risk exposure must be performance-based, and a significant fraction of this performance-based compensation must be non-cash and deferred. The aggregate amount of variable compensation must not hinder the bank's capacity to strengthen its capital base if needed. In addition, the aggregate amount of variable compensation of the above-mentioned employees cannot exceed the aggregated amount of their fixed salary (the shareholders' meeting may, however, decide to increase this ceiling to two times their fixed salary). This last rule will first be applicable to variable compensation paid in 2015 with respect to financial year 2014.

Money Laundering

French credit institutions are required to report to a special government agency (TRACFIN) placed under the authority of the Minister of the Economy all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, from unusual transactions in excess of certain amounts, as well as all amounts and transactions that they suspect to be the result of offence punishable by a minimum sentence of at least one-year imprisonment or that could participate in the financing of terrorism. French credit institutions are also required to establish "know your customer" procedures allowing identification of the customer (as well as the beneficial owner) in any transaction and to have in place systems for assessing and managing money-laundering and terrorism financing risks in accordance with the varying degree of risk attached to the relevant clients and transactions.

CAPITAL ADEQUACY OF THE BNP PARIBAS GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

In particular, the BNP Paribas Group is required to comply with the French regulations that transpose European Union capital adequacy directives (Directive on the Capital Adequacy of Investment Firms and Credit Institutions and Financial Conglomerates Directive) into French law. In the various countries in which the Group operates, BNP Paribas also complies with specific regulatory ratios in line with procedures overseen by the relevant supervisory authorities. These ratios mainly address capital adequacy, risk concentration, liquidity and asset/liability mismatches.

Regulatory Background

Basel II Capital Framework

In 1988, the Basel Committee on Banking Supervision (the "Basel Committee"), a committee consisting of representatives of the central banks and supervisory authorities from the "Group of Ten" countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) and Luxembourg that meet at the Bank for International Settlements ("BIS"), adopted a capital accord setting out standards for risk-weighting and minimum levels of regulatory capital for banks. The BIS standards contained in the 1988 accord have been widely adopted by bank regulatory authorities throughout the world, including regulatory authorities in France and the rest of the European Union. They have been amended and applicable to French credit institutions since 1998.

In 2004, the Basel Committee issued a final comprehensive version of a revised framework for the International Convergence of Capital Measurement and Capital Standards (commonly referred to as the "Basel II Accord") intended to update and replace the 1988 BIS capital accord. In 2006, the European Parliament approved a new Capital Requirements Directive (the "EU Capital Requirements Directive") based on Basel II, with certain adaptations in order to take into account the European context. The EU Capital Requirements Directive came into force as of 2007.

Basel II Pillars

The Basel II capital framework consists of three "pillars": minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline.

Under the first pillar, minimum capital requirements consist of capital charges for credit risk, market risk and operational risk.

The second pillar of the Basel II capital framework emphasizes the importance of supervisory review to ensure that a bank's capital position is consistent with its overall risk profile and strategy. Banking institutions are expected to maintain capital at some level in excess of the mandatory minimums, taking into account their own particular circumstances and consideration of certain risks not explicitly addressed in the first pillar (such as interest rate risk in the banking book and credit concentrations). Supervisors must review each bank's own assessment of the required amount of capital and may adjust an individual bank's capital requirements on a case-by-case basis. The second pillar also encourages early supervisory intervention when a bank's capital position deteriorates.

The third pillar of Basel II emphasizes public disclosures to enhance market discipline. The framework calls for disclosure of many details of each bank's capital adequacy calculations, accounting policies, risk exposures and risk management strategies. For the year ended December 31, 2012, this disclosure was included as Chapter 5 (Pillar 3) of BNP Paribas' reference document filed with the French *Autorité des marchés financiers* (available at http://invest.bnpparibas.com); Chapter 5 is incorporated by reference herein.

Since January 1, 2008, the Group's capital adequacy ratio has been calculated in accordance with the decree issued by the French Ministry of the Economy, Finance and Industry on February 20, 2007 introducing the Basel II capital adequacy ratio, i.e., regulatory capital expressed as a percentage of the sum of:

- risk-weighted assets calculated using the standardized approach or the internal ratings based approach (as defined above), depending on the relevant entity or Group business; and
- the regulatory capital requirement for market and operational risks, multiplied by 12.5. The capital requirement for operational risk is measured using the basic indicator, standardized or advanced measurement approach (as defined above), depending on the relevant Group entity.

Breakdown of Regulatory Capital

Regulatory capital is determined in accordance with *Comité de la Réglementation Bancaire et Financière* (the "CRBF") regulation 90-02, dated February 23, 1990. It includes three components – Tier 1 capital, Tier 2 capital and Tier 3 capital – determined as follows:

- core capital (Tier 1) corresponds to consolidated equity (excluding unrealized or deferred gains and losses), adjusted for certain items known as "prudential filters". The main adjustments consist of (i) deducting the planned dividend for the year, as well as goodwill and other intangibles, (ii) excluding consolidated subsidiaries that are not subject to banking regulations – mainly insurance companies – and (iii) applying limits to the eligibility of certain securities, such as undated super subordinated notes;
- supplementary capital (Tier 2) comprises some subordinated debt and any positive credit and counterparty risk valuation differences between provisions for incurred losses taken under the book method and expected losses on credit exposure measured using the internal ratings based approach;
- a discount is applied to subordinated debt with a maturity of less than five years, and dated subordinated debt included in Tier 2 capital is capped at the equivalent of 50% of Tier 1 capital. Total Tier 2 capital is capped at the equivalent of 100% of Tier 1 capital;
- Tier 3 capital comprises subordinated debt with shorter maturities and can only be used to cover a certain proportion of market risks; and
- the following items are deducted for the purpose of calculating regulatory capital, half from Tier 1 capital and half from Tier 2 capital: (i) the carrying amount of investments in credit institutions and finance companies accounted for by the equity method; (ii) the regulatory capital of credit institutions and finance companies more than 10% owned by the Group; (iii) the portion of expected losses on credit exposure measured using the internal ratings based approach which is not covered by provisions and other value adjustments.

BNP Paribas Group Regulatory Capital

The following table sets forth BNP Paribas Group's regulatory capital at December 31, 2012 and 2011.

In millions of euros	**December 31, 2012**	**December 31, 2011**
Consolidated equity (1)	**94,422**	**85,626**
Subordinated debt eligible as equity (2)	**2,122**	**3,435**
Regulatory deductions	**(21,333)**	**(18,068)**
Goodwill	(10,933)	(11,783)
Intangible assets	(2,318)	(2,146)
Deductions of 50% for ineligible items	(1,574)	(1,653)
of which equity investments in non-consolidated credit or financial institutions more than 10%-owned	*(501)*	*(672)*
of which investments in credit or financial institutions associates	*(821)*	*(756)*
of which subordinated loans to credit or financial institutions more than 10%-owned	*(248)*	*(222)*
Positive equity accounting difference on insurance companies	(1,633)	(629)
Changes in fair value of available-for-sale financial assets and reclassified loans and receivables recognized directly in equity	(980)	2,616
Changes in fair value of hedging derivatives recognized directly in equity	(1,665)	(1,099)
Revaluation of own debt	17	(950)
Proposed dividend (3)	(1,858)	(1,430)
Non-eligible minority interests	(384)	(733)
Other	(5)	(261)
CORE TIER 1 CAPITAL	**75,211**	**70,993**
Subordinated debt eligible as equity	10,555	13,874
Deductions of 50% for ineligible items	(1,574)	(1,653)
of which equity investments in non-consolidated credit or financial institutions more than 10%-owned	*(501)*	*(672)*
of which investments in credit or financial institutions associates	*(821)*	*(756)*
of which subordinated loans to credit or financial institutions more than 10%-owned	*(248)*	*(222)*
Positive difference between provisions and expected losses	205	548
TIER 2 CAPITAL	**9,186**	**12,769**
TIER 3 CAPITAL	**1,460**	**2,200**

REGULATORY CAPITAL	85,857	85,962

(1) *Statement of changes in shareholders' equity (financial statements 4.5).*
(2) *Notes to the financial statements 5.a and 5.i.*
(3) *Dividend to be recommended at the Annual General Meeting of Shareholders.*

The following tables set forth changes in the Group's eligible debt and changes in regulatory deductions between December 31, 2011 and December 31, 2012.

Change in Eligible Debt

In millions of euros	December 31, 2011	New issues	Redemptions	Prudential discount	Others	December 31, 2012
T1 eligible debt	3,435	0	(1,409)	0	96	2,122
T2 eligible debt (1)	13,874	112	(2,610)	(993)	172	10,555
T3 eligible debt	2,200			(740)		1,460
TOTAL ELIGIBLE DEBT	**19,509**	**112**	**(4,019)**	**(1,733)**	**268**	**14,137**

(1) *T2 eligible debts before prudential discount amount to €13,117 million as at December 31, 2012.*

Change in Regulatory Deductions

In millions of euros	December 31, 2011	variation	December 31, 2012
Goodwill	(11,783)	850	(10,933)
of which goodwill on fully and proportionately consolidated entities (1)	*(11,192)*	*786*	*(10,406)*
of which goodwill on associates	*(591)*	*64*	*(527)*
Intangible assets	(2,146)	(172)	(2,318)
Deductions of 50% for ineligible items	(1,653)	79	(1,574)
of which equity investments in non-consolidated credit or financial institutions more than 10%-owned	*(672)*	*171*	*(501)*
of which investments in credit or financial institutions more than 10%-owned	*(756)*	*(65)*	*(821)*
of which subordinated loans to credit or financial institutions more than 10%-owned	*(222)*	*(26)*	*(248)*
Positive equity accounting difference on insurance companies (2)	(629)	(1,004)	(1,633)
TOTAL ASSETS DEDUCTED FOR PRUDENTIAL PURPOSES	**(16,211)**	**(247)**	**(16,458)**
Changes in fair value of available-for-sale financial assets and reclassified loans and receivables recognized directly in equity (3)	2,616	(3,596)	(980)
Changes in fair value of hedging derivatives recognized directly in equity (4)	(1,099)	(566)	(1,665)
Revaluation of own debt (5)	(950)	967	17
Proposed dividend	(1,430)	(428)	(1,858)
Non-eligible minority interests	(733)	349	(384)
Other	(261)	256	(5)
TOTAL OTHER REGULATORY DEDUCTIONS	**(1,857)**	**(3,018)**	**(4,875)**
TOTAL REGULATORY DEDUCTIONS	**(18,068)**	**(3,265)**	**(21,333)**

(1) *The decline in the amount of goodwill deductions is due mainly to the impairment of BNL goodwill and the loss of control of the Klépierre group following its partial sale (see note 5.o to the consolidated financial statements).*
(2) *The increase in the positive equity accounting difference on insurance companies is due mainly to the impact of changes in assets and liabilities recognized directly in equity, net income for the year and the 2011 dividend payout.*
(3) *The trend in fair value changes of available-for-sale financial assets and reclassified loans and receivables, which are recognized directly in equity, is due mainly to fixed-income securities.*
(4) *Changes in fair value of derivatives contracted as part of a hedging relationship are excluded from equity.*
(5) *The change in fair value of own debt attributable to the BNP Paribas Group issuer risk is fully deducted.*

Capital Requirements and Risk-Weighted Assets

The Group's capital requirement is calculated in accordance with the transposition into French law of the EU Directive on capital adequacy for investment firms and credit institutions, known as CRD 3 (Decree of February 20, 2007 amended). "Securitization in the Banking Book" describes banking book securitizations exposures.

At December 31, 2012, the total amount of Basel 2 Pillar 1 risk-weighted assets was €552 billion, versus €614 billion at December 31, 2011, broken down as follows by type of risk, calculation approach, and asset class:

Pillar 1 Risk-Weighted Assets and Capital Requirements

In millions of euros	**December 31, 2012**	**December 31, 2011**	**Variation**

	Risk-weighted assets	Capital Requirement	Risk-weighted assets	Capital Requirement	Risk-weighted assets	Capital Requirement
Credit risk	**411,151**	**32,892**	**446,674**	**35,734**	**(35,523)**	**(2,842)**
Credit risk - IRB approach	**172,409**	**13,793**	**192,852**	**15,428**	**(20,443)**	**(1,635)**
Central governments and central banks	3,244	260	4,310	345	(1,066)	(85)
Corporates	121,986	9,759	136,889	10,951	(14,903)	(1,192)
Institutions	10,326	826	13,391	1,071	(3,065)	(245)
Retail	36,749	2,940	38,127	3,050	(1,378)	(110)
Real estate loans	*10,772*	*862*	*10,311*	*825*	*461*	*37*
Revolving exposures	*5,851*	*468*	*6,530*	*522*	*(679)*	*(54)*
Other exposures	*20,126*	*1,610*	*21,286*	*1,703*	*(1,160)*	*(93)*
Other non credit-obligation assets	104	8	134	11	(30)	(3)
Credit risk - Standardized approach	**238,742**	**19,099**	**253,822**	**20,306**	**(15,080)**	**(1,207)**
Central governments and central banks	3,742	299	3,458	277	284	22
Corporates	112,909	9,033	117,083	9,367	(4,174)	(334)
Institutions	8,508	681	7,282	582	1,226	99
Retail	80,589	6,447	82,922	6,634	(2,333)	(187)
Real estate loans	*26,276*	*2,102*	*26,818*	*2,145*	*(542)*	*(43)*
Revolving exposures	*3,137*	*251*	*4,295*	*344*	*(1,158)*	*(93)*
Other exposures	*51,176*	*4,094*	*51,810*	*4,145*	*(634)*	*(51)*
Other non credit-obligation assets	32,994	2,639	43,077	3,446	(10,083)	(807)
Securitization positions	**19,076**	**1,526**	**24,376**	**1,950**	**(5,300)**	**(424)**
Securitization positions - IRB approach	17,153	1,372	22,665	1,813	(5,512)	(441)
Securitization positions - Standardized approach	1,923	154	1,712	137	211	17
Counterparty risk	**20,533**	**1,643**	**23,624**	**1,890**	**(3,091)**	**(247)**
Counterparty risk - IRB approach	**18,633**	**1,491**	**20,863**	**1,669**	**(2,230)**	**(178)**
Central governments and central banks	222	18	180	14	42	4
Corporates	15,117	1,209	16,344	1,308	(1,227)	(99)
Institutions	3,294	264	4,339	347	(1,045)	(83)
Counterparty risk - Standardized approach	**1,900**	**152**	**2,761**	**221**	**(861)**	**(69)**
Central governments and central banks	27	2	1	0	26	2
Corporates	1,610	129	2,426	194	(816)	(65)
Institutions	254	20	320	26	(66)	(6)
Retail	9	1	14	1	(5)	0
Other exposures	*9*	*1*	*14*	*1*	*(5)*	*0*
Equity risk	**24,377**	**1,950**	**25,775**	**2,062**	**(1,398)**	**(112)**
Internal model	21,496	1,720	23,461	1,877	(1,965)	(157)
Listed equities	*7,734*	*619*	*8,670*	*694*	*(395)*	*(32)*
Other equity exposures	*7,321*	*586*	*8,576*	*686*	*(1,796)*	*(143)*
Private equity exposures in diversified portfolios	*6,441*	*515*	*6,215*	*497*	*226*	*18*
Simple weighting method	1,733	138	1,248	100	485	38
Listed equities	*21*	*2*	*14*	*1*	*7*	*1*
Other equity exposures	*468*	*37*	*125*	*10*	*343*	*27*
Private equity exposures in diversified portfolios	*1,244*	*99*	*1,109*	*89*	*135*	*10*
Standardized approach	1,148	92	1,066	85	82	7
Market risk	**25,548**	**2,044**	**38,501**	**3,080**	**(12,953)**	**(1,036)**
Internal model	22,633	1,811	35,338	2,827	(12,705)	(1,016)
VaR	*5,440*	*435*	*8,230*	*659*	*(2,790)*	*(224)*
Stressed VaR	*11,179*	*894*	*16,605*	*1,328*	*(5,426)*	*(434)*
Incremental Risk Charge	*3,421*	*274*	*6,440*	*515*	*(3,019)*	*(241)*
Comprehensive Risk Measure	*2,593*	*208*	*4,063*	*325*	*(1,470)*	*(117)*
Standardized approach	2,652	212	2,386	191	266	21
Trading book securitization positions	263	21	777	62	(514)	(41)
Operational risk	**51,154**	**4,092**	**54,617**	**4,369**	**(3,463)**	**(277)**
Advanced Measurement Approach	35,586	2,847	38,628	3,090	(3,042)	(243)

(AMA)						
Standardized approach	9,518	761	9,470	758	48	3
Basic indicator approach	6,050	484	6,519	521	(471)	(37)
TOTAL	**551,839**	**44,147**	**613,567**	**49,085**	**(61,728)**	**(4,938)**

Capital Adequacy and Capital Planning

Capital Adequacy Under Current Regulation

Under the European Union regulation transposed into French law by regulation 91-05, the Group's capital adequacy ratio must be at least 8% at all times, including a Tier One ratio of at least 4%. Under United States capital adequacy regulations, BNP Paribas is qualified as a financial holding company and as such is required to have a capital adequacy ratio of at least 10%, including a Tier 1 ratio of at least 6%.

Ratios are monitored and managed centrally, on a consolidated basis. Where a French or international entity is required to comply with banking regulations at its own level, its ratios are also monitored and managed directly by the entity.

Solvency Ratios

In millions of euros	**December 31, 2012**	**December 31, 2011**
TIER 1 CAPITAL	**75,211**	**70,993**
Tier 2 capital	**9,186**	**12,769**
Tier 3 capital	**1,460**	**2,200**
REGULATORY CAPITAL	**85,857**	**85,962**
Credit risk	411,151	446,674
Securitization	19,076	24,376
Counterparty risk	20,533	23,624
Equity risk	24,377	25,775
Market risk	25,548	38,501
Operational risk	51,154	54,617
RISK-WEIGHTED ASSETS(*)	**551,839**	**613,567**
TIER 1 RATIO	**13.6%**	**11.6%**
TOTAL CAPITAL RATIO	**15.6%**	**14.0%**

(*) Until December 31, 2011, the transitional regulatory Decree was setting the floor for Basel 2.5 risk-weighted assets at 80% of the Basel 1 risk weighted assets. The floor had no impact at December 31, 2011. These transitional arrangements were not renewed in 2012.

BNP Paribas Group is also subject to additional supervision as a financial conglomerate, in accordance with a European Directive transposed into French law by the Order of September 19, 2005. Under this regulation, a financial conglomerate engaged in the insurance business must comply with an additional requirement with respect to consolidated capital adequacy: the margin requirement for entities with an insurance business – known as the solvency margin – is added to the bank capital requirement and the sum of the two is compared to the total equity of the financial conglomerate to determine a surplus or a shortfall of capital.

As of December 31, 2012, the capital surplus of the conglomerate was estimated at €37.9 billion (compared to €32.5 billion as of December 31, 2011).

Capital Planning

As the sovereign debt crisis escalated during the summer of 2011 and in accordance with Basel 3 regulations as transposed in the CRD 4 Directive and CRR Regulation published by the European Commission on July 20, 2011, the BNP Paribas Group set a target of 9% for the fully loaded Common Equity Tier 1 ratio as of January 1, 2013. The fully loaded scenario assumes that CRD 4/CRR will become effective with no phasing-in arrangements. The target ratio is based on a Core Tier 1 ratio of at least 4.5%, a 2.5% capital conservation buffer and an additional margin for the Group of 2%.

At end December 2012, the pro forma fully loaded CRD 4 CET 1 ratio was 9.9% versus 11.8% under CRD 3, ahead of the target set in September 2011. This was achieved through completion of the asset reduction plan announced in Autumn 2011 combined with strong organic capital generation and an improvement in market conditions for available-for-sale assets during 2012, following the mid-year resolution of the European sovereign debt crisis.

Recovery and Resolution Plan

In early August 2012, BNP Paribas submitted a second update of its Recovery and Resolution Plan (RRP) to the French banking regulator (Autorité de Contrôle Prudentiel). The plan is prepared at Group level and outlines possible recovery options if the Group were to find itself in a distressed situation. It also contains all the information the financial authorities would need to manage the Group's resolution if necessary.

The updated RRP was prepared in accordance with the recommendations of the Financial Stability Board ahead of expected regulatory requirements. The Board's Internal Control, Risk Management and Compliance Committee approved its main outlines on July 27, 2012. The Committee Chair presented this work to the Board of Directors on August 1, 2012.

The new version of the RRP includes updated figures and takes account of changes in the Group's organization and activities. It has also been further fleshed out compared with the 2011 version to take account of comments made by the authorities represented on the resolution board.

The resolution board comprises the relevant authorities of Belgium, the United States and Italy, under the aegis of the French banking regulator (Autorité de Contrôle Prudentiel). It met four times during 2012.

Capital Management

Objectives

BNP Paribas capital management policy objectives consist in guaranteeing solvency at all times and complying with supervisory requirements at global and local levels, meeting expectations both of debt investors and clients, while optimizing the return generated for shareholders, who provide the henceforth required capital.

To achieve these objectives, the main principles underlying the implementation of the policy – anticipation, caution, reactivity and good judgment – are articulated simultaneously along the consolidated and local levels.

Capital Management at Central Level

Capital planning has become in the last years a key driver of the Bank's strategic planning process, and even more so, as the implementation of the upcoming Basel 3 regulation has become one of the key strategic objectives for the Group.

Such capital-related targets are built on the Bank's Senior Management expert judgment, which integrates especially anticipated regulatory requirements, evaluation of the market expectations in terms of capitalization, targeted high quality external rating for the Group and return on Equity objectives.

Consolidated capital targets are directly monitored at central level, through a governance described hereafter, based on bottom-up information flows. This allows defining the level of desirable capital and the means by which to achieve it, feasibility being always evaluated from a cautious point of view.

Capital management at central level relies on two main processes that are closely linked:

- detailed quarterly analysis of actual capital consumption by divisions/business lines through the reporting process and quarterly update of capital planning process throughout the year;

- the yearly budget process, which plays a central role in the Bank's strategic planning process, and integrates a capital planning component.

The development, approval and update of the capital plan process are based, as far as governance is concerned, on two committees:

- Risk-Weighted Assets Committee: created in early 2007, it is jointly chaired by the Chief Financial Officer and the Chief Risk Officer, with divisions and operational units CFOs attending. Held on a quarterly basis, it reviews RWA and the upcoming quarterly solvency ratio trends;

- Capital Committee: created in June 2009, it is chaired quarterly by the Chief Executive Officer, and addresses the following topics:

- monitoring and anticipations of RWA and solvency ratio evolutions on a 12 to 18 months time span,

- identifying of the required adjustments and optimization (based e.g. on business models, processes and IT), and assessment of the associated impacts,

- define short and medium term capital use guidelines, and propose options to the Executive Committee,

- monitoring ACP recommendations implementation that impact Group's RWAs and solvency.

Moreover, capital is also integrated into the Bank's risk decision processes, through the criteria of risk-weighted assets consumption:

- RWA are embedded within risk policy setting and risk decision processes;

- RWA limits are set for country risk management as well as for individual concentration policy;

- as far as market risk is concerned, risk limits expressed in market Value at Risk translate directly into capital metrics.

Capital Management at Local Level

The Group has to allocate available capital among its different entities. To ensure a free and efficient flow of capital throughout the Group, the capital allocation process within the Group is centralized at head office level and mainly driven by two principles: compliance with local regulatory requirements and analysis of the local business needs and growth prospects; this exercise is always conducted with the objective of minimizing capital dispersion.

With respect to the first principle, the CFOs are responsible for the daily management and reporting of their subsidiaries' capital requirements. When a capital need arises, it is analyzed on a case-by-case basis by the Finance Department, taking into consideration the subsidiary's present position and future strategy. Furthermore, each year the Group monitors the earnings repatriation process. Regarding dividend distributions, the Group policy stipulates that the entire distributable profit of every entity, including retained earnings, must be paid out, with exceptions reviewed on a case-by-case basis. This policy ensures that the capital remains centralized at Group level and also contributes to reducing the currency risk at Group level.

Local CEOs are responsible for ensuring the subsidiary's ongoing financial viability and competitiveness in terms of capital, where relevant. However, any capital action requested by a subsidiary is assessed by and subject to authorization from head office.

As regards the branches, the Group reviews their capital allocation annually. Here again, the policy is to maintain the level of capital at the adequate level, the principle being that capital ratios of the branches must not exceed that of their parent company, unless required for tax or regulatory reasons, which are analyzed by the relevant departments.

With respect to the second principle, the needs of each entity are analyzed by dedicated teams in light of the Group's strategy in the relevant country, the entity's growth prospects and the macroeconomic environment.

Pillar 2 Process

The second pillar of the Basel Agreement, as transposed in the CRD, provides that the Autorité de Contrôle Prudentiel, the "home" supervisor of BNP Paribas, shall determine whether the policies, strategies, procedures and arrangements implemented by the Group on the one hand, and the equity held on the other hand, are adequate for risk management and risk coverage purposes. Pillar 2 also provides that the supervisor may, in the event of non-compliance with CRD requirements, request the Group promptly to take the necessary actions or moves to address the situation. To enforce these provisions, Article L.13-16 of the Monetary and Financial Code allows the supervisor to ask a credit institution to hold more capital than the regulatory minimum.

The Pillar 2 approach thus structures the dialogue between the Group and the supervisor regarding the adequacy of its capital ratios using two complementary processes, whose guidelines have been published by the Committee of European Banking Supervisors (CEBS) in 2006: ICAAP and SREP (Supervisory Review Process).

The Group's internal capital adequacy assessment process (ICAAP) is based on two key pillars: risk review and capital planning.

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

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

Based on current regulations, Pillar 1 exposures are covered by regulatory capital, calculated on the basis of the methods defined in the current regulation. Pillar 2 risks addressed, are based on qualitative approaches, dedicated monitoring frameworks and, if necessary, quantitative assessments. The review of Pillar 2 risks reveals that they do not require any additional capital, mainly due to the effects of diversification, which are not completely taken into account in Pillar 1. Management of the Group's capital adequacy is therefore systematically based on regulatory requirements.

SREP or Supervisory Review Process conducted by the supervisor: this is a review of the Group's intrinsic position based on criteria set out in the CRD (strategy and quality of the overall organization of the institution and its corporate governance, type, volume and complexity of the businesses, degree of exposure to the major types of risk, e.g. credit, concentration, market, operations, liquidity and interest-rate risk, quality of the organization of internal control procedures, performance and profitability of current operational, level, structure and sustainability of equity), based on both quantitative and qualitative data. The regular contact maintained throughout the year between the Group and the supervisor through on-site visits, "close monitoring" interviews, quarterly presentations of operations and results by the Executive Management to the supervisor's General Secretariat, and regular short and medium-term projections of capital ratios allow the supervisor to form an opinion on the adequacy of the Group's strategy, risk management policies, organization and governance. Upon completion of the review, the supervisor assigns a rating on a scale of one to five, and requires a minimum core-capital ratio (Tier 1) to be complied with under Pillar 2.

All the exchanges between the Group and the supervisor and the level of the prescribed minimum capital ratio remain confidential.

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the by-laws of the Bank, the business affairs of the Bank are administered by the Board of Directors, which is composed of a total of not less than nine nor more than 18 directors (excluding directors elected by employees). The Board of Directors currently comprises 14 directors, plus two additional directors elected, in accordance with the terms of the by-laws, by employees of the Bank. In accordance with French law, the directors of the Bank may be removed at any time, with or without cause. Each director is elected or appointed for a term of three years. The Board of Directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the Board of Directors.

The aggregate compensation paid to members of the Board of Directors, in their capacity as such, during the year ended December 31, 2012 was €814,997.

The following table sets forth the names of the members of the Board of Directors as of June 3, 2013, their current function at the Bank, their business address and their principal business activities[79] outside of the Bank as at December 31, 2012:

Name	Function	Business Address	Principal Outside Activities
Baudouin Prot	Chairman of the Board of Directors, BNP Paribas	3, rue d'Antin 75002 Paris, France	**Director of:** Pinault-Printemps-Redoute, Veolia Environnement, Lafarge, *Pargesa Holding SA(Switzerland), Institute for International Finance (IIF)* **Chairman of:** International Monetary Conference (IMC) **Member of:** *International Advisory Panel of the Monetary Authority of Singapore (MAS), International Business Leaders' Advisory Council (IBLAC) of the city of Shanghai*
Michel Pébereau	*Honorary Chairman*, BNP Paribas	3, rue d'Antin, 75002 Paris, France	**Director of:** AXA, Compagnie de Saint-Gobain, Total, *BNP Paribas (Switzerland) SA, Eads N.V. (Netherlands), Pargesa Holding SA (Switzerland)* **Member of the Supervisory Board of:** *Banque Marocaine pour le Commerce et l'Industrie (Morocco)* **Non-voting Director of:** *Société Anonyme des Galeries Lafayette* **Chairman of:** *Management Board of Institut d'Études Politiques de Paris, Fondation BNP Paribas* **Honorary Chairman of:** *Crédit Commercial de France, Supervisory Board of Institut Aspen, Institut de l'entreprise* **Member of:** *Académie des sciences morales et politiques, Executive Committee of Mouvement des Entreprises de France, Steering Committee of Institut de l'entreprise, Fondation Nationale des Sciences Politiques, Fondation ARC*
Claude Bébéar[80]	*Honorary Chairman* of	25, avenue Matignon, 75008 Paris,	**Director of:** A*XA Assurances Iard Mutuelle, AXA Assurances Vie Mutuelle*

[79] The directorships shown in italics are not governed by provisions of the French Commercial Code (Code de Commerce) concerning multiple directorships.

[80] Mr. Claude Bébéar's mandate ended on May 23, 2012.

Name	Function	Business Address	Principal Outside Activities
	AXA	France	**Member of the Supervisory Board of:** Vivendi **Non-voting Director of:** *Schneider Electric* **Chairman of:** *IMS-Entreprendre pour la Cité, Institut Montaigne* **Member of:** *International Advisory Panel of the Monetary Authority of Singapore*
Jean-Laurent Bonnafé	Director and Chief Executive Officer, BNP Paribas	3, rue d'Antin, 75002 Paris, France	**Director of:** Carrefour, *Banca Nazionale del Lavoro (Italy), BNP Paribas Fortis (Belgium), Erbé S.A.(Belgium)*
Pierre-André de Chalendar	Chairman and Chief Executive Officer, Compagnie de Saint-Gobain	Les Miroirs 92096 La Défense Cedex France	**Chairman of:** *Verallia* **Director of:** Veolia Environnement, Saint-Gobain Corporation*, GIE SGPM Recherches*
Christophe de Margerie[81]	Chairman and Chief Executive Officer, Total	2, place Jean Millier – La Defense 6 92078 Paris La Defense Cedex France	**Director of:** Shtokman Development AG (Switzerland) **Chairman of:** Total E&P Indonésie **Member of:** Supervisory Board of Vivendi **Manager of:** CDM Patrimonial SARL
Jean-Marie Gianno	*Sales Associate*, BNP Paribas	21, avenue Jean Médecin 06000 Nice France	**Member of:** Confrontations (a European think tank)
Marion Guillou[82]	Chairman, Agreenium	1, Avenue du Général-De-Gaulle 92074 Paris La Défense Cedex France	**Director of:** Veolia Environment, Sciences-Po Foundation, Imerys, Apave, CGIAR **Chairman of:** Board of Directors of École Polytechnique, JPI FACCE (Joint initiative of research on agriculture and climate change), **Member of**: National Council of the Legion of Honour, Supervisory Board of Areva as a Representative of the State
Denis Kessler	Chairman and Chief Executive Officer, SCOR SE	1, avenue du Général-de-Gaulle 92074 Paris La Défense Cedex France	**Director of:** Bolloré, Dassault Aviation, Fonds Stratégique d'Investissement, *Invesco Ltd (United States)* **Member of the Supervisory Board of:** *Yam Invest N.V. (Netherlands)* **Member of:** *Commission Économique de la Nation, Board of Directors of Association de Genève, Board of Directors of Association du Siècle, Global Reinsurance Forum, Reinsurance Advisory Board, Laboratoire d'Excellence Finance et Croissance Durable (LABEX FCD)*
Jean-François Lepetit	Director of companies	30, boulevard Diderot, 75572 Paris Cedex 12 France	**Director of:** Smart Trade Technologies SA, Shan SA **Member of:** *Board of the Qatar Financial*

[81] During the Bank's Annual General Meeting on May 15, 2013, Mr. de Margerie was elected to the Board of Directors of BNP Paribas. His term ends in 2016.

[82] During the Bank's Annual General Meeting on May 15, 2013, Ms. Guillou was elected to the Board of Directors of BNP Paribas on May 15, 2013. Her term ends in 2016.

Name	Function	Business Address	Principal Outside Activities
			Center Regulatory Authority (QFCRA), Doha (Qatar), Conseil de régulation financière et du risque systémique (COREFRIS)
Nicole Misson	*Customer Advisor*, BNP Paribas	22, rue de Clignancourt 75018 Paris France	*Judge at the Paris Employment Tribunal, Management Section,* Member of the Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission)
Thierry Mouchard	*Administrative Assistant, Customer Transactions Department*, BNP Paribas	41, boulevard du Maréchal Foch 49000 Angers France	None.
Laurence Parisot	Vice-Chairman of the Board of Directors, IFOP SA	6/8, rue Eugène-Oudiné 75013 Paris, France	**Chairman of:** *Mouvement des Entreprises de France (MEDEF)* **Director of:** Coface SA **Member of the Supervisory Board of:** *Compagnie Générale des Établissements Michelin (SCA)*
Hélène Ploix	*Chairmain*, Pechel Industries SAS, Pechel Industries Partenaires SAS and FSH SAS	162, rue du Faubourg Saint Honoré 75008 Paris, France	**Director of:** Lafarge, *Ferring SA (Switzerland), Sofina (Belgium*), *Genesis Emerging Markets Fund Limited (Guernsey)* **Permanent Representative of:** Pechel Industries Partenaires SAS: Ypso Holding (Luxembourg), Goëmar Holding (Luxembourg), Store Electronic Systems (France) **Member of the Supervisory Board of:** Publicis Groupe, Goëmar Développement, Laboratoires Goëmar **Manager of:** *Hélène Ploix SARL, Hélène Marie Joseph SARL, Sorepe Société Civile* **Member of:** *Insitut Français des Administrateurs (IFA), Organisation Métrologique Mondiale (OMM)*
Michel Tilmant	*Manager*, Strafin sprl (Belgium)	Rue du Moulin 10 B – 1310 La Hulpe Belgium	**Chairman of:** *Guardian Holdings Limited (Jersey), Guardian Acquisitions Limited (United Kingdom)* **Director of:** *Sofina SA (Belgium), Groupe Lhoist SA (Belgium), Foyer Assurances SA (Luxembourg), CapitalatWork Foyer Group SA (Luxembourg), Université Catholique de Louvain (Belgium), Royal Automobile Club of Belgium (Belgium)* **Senior Advisor:** *Cinven Ltd (United Kingdom)*
Emiel Van Broekhoven	*Economist, Honorary Professor*, University of Antwerp (Belgium)	Zand 7 – 9 B – 2000 Antwerp Belgium	None.

Name	Function	Business Address	Principal Outside Activities
Daniela Weber-Rey	*Partner*, Clifford Chance, Frankfurt (Germany)	Mainzer Landstraße 46 D 60325 Frankfurt am Main Germany	**Member of:** *German Government's Code of Corporate Governance Commission, Stakeholder Group of the European Insurance and Occupational Pensions Authority (EIOPA), Clifford Chance Partnership Council*, *Board Member European Corporate Governance Institute (ECGI), Brussels (Belgium), Advisory Board member International Institute for Insurance Regulation (ICIR), Frankfurt (Germany)*
Fields Wicker-Miurin	*Co-Founder and Partner*, Leaders' Quest (United Kingdom)	3 - 5 Richmond Hill Richmond, Surrey TW10 6RE United Kingdom	**Director of:** *CDC Group Plc, Ballarpur International Graphic Paper Holdings* **Member of:** *Board of Battex School of Leadership – University of Virginia (United States)*

Conflicts of Interests

To the knowledge of the Bank, none of the members of the Board of Directors of the Bank has any conflicts of interest between any of their duties to the Bank and such members' private interests or other duties.

Committees of the Board of Directors

The Board of Directors of the Bank has established several committees in order to facilitate its work. These committees—the Financial Statements Committee, the Internal Control, Risk Management and Compliance Committee, the Compensation Committee and the Corporate Governance and Nominations Committee—are described below.

- ***Financial Statements Committee***

This Committee's duties involve, among other things, (i) reviewing and analyzing, in the presence of the auditors, the quarterly, semi-annual and annual financial statements to be published by the Bank, (ii) reviewing all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, accounting standards, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues, and (iii) managing relations with the auditors. Its current members are Denis Kessler, Fields Wicker-Miurin and Thierry Mouchard.

- ***Internal Control, Risk Management and Compliance Committee***

This Committee's duties involve, among other things, (i) reviewing the reports on internal control and on risk measurement and monitoring systems, as well as reports prepared by the General Inspection department and their main findings, and correspondence with the French banking regulator (*Commission bancaire*), (ii) reviewing the Group's overall risk policy, based on risk and profitability indicators made available to the Committee in accordance with the applicable regulations, as well as any specific related issues, (iii) holding discussions, occasionally outside the presence of executive management, with the heads of the General Inspection and Internal Audit departments, Ethics and Group Risk Management, (iv) reviewing the Group's compliance policy relating to reputation risk and professional ethics, and (v) presenting to the Board of Directors the Committee's assessment of the Group's methods and procedures. Its current members are Jean-François Lepetit (Chairman), Michel Tilmant, Nicole Misson and Hélène Ploix.

- ***Compensation Committee***

Among its duties, this Committee is charged with studying all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and retirement or severance provisions; reviewing the terms and amount of stock option plans, and the list of grantees; and preparing employee stock option plans. The Committee, in conjunction with the Chairman, is also qualified to assist the Chief Executive Officer on any issue related to executive management compensation referred by him to the

Committee. The Committee's current members are Denis Kessler (Chairman), Jean-François Lepetit and Hélène Ploix.

- ***Corporate Governance and Nominations Committee***

Among its duties, this Committee is charged with addressing all issues related to corporate governance. It assists the Board of Directors in assessing the performance of the Board and of its Chairman; acting jointly with the Chairman of the Board, it assists in assessing the performances of the Chief Executive Officer and Chief Operating Officers. It proposes recommendations for the post of Chairman of the Board for consideration by the Board of Directors. Acting jointly with the Chairman of the Board, the Committee also proposes recommendations for the post of Chief Executive Officer for consideration by the Board of Directors, and acting on the recommendation of the Chief Executive Officer, it proposes candidates for Chief Operating Officer. Acting jointly with the Chairman of the Board, the Committee advises the Board on resolutions to be submitted to the shareholders concerning the election of directors and non-voting directors. It makes recommendations to the Board on the appointment of Committee chairpersons when their terms of office are up for renewal. It also evaluates the independence of directors and makes its findings known to the Board. The Committee's current members are Michel Pébereau (Chairman), Laurence Parisot and Daniela Weber-Rey.

Executive Committee

The Executive Committee of BNP Paribas is a management committee composed of senior executive officers, one of whom (as indicated below) is also a Board member. The Executive Committee currently consists of the following members:

Name	Position
Jean-Laurent Bonnafé	Chief Executive Officer and Director
Philippe Bordenave[83]	Chief Operating Officer
Georges Chodron de Courcel[84]	Chief Operating Officer
François Villeroy de Galhau[85]	Chief Operating Officer
Jacques d'Estais	Deputy Chief Operating Officer and Head of Investment Solutions, Personal Finance and International Retail Banking
Alain Papiasse	Deputy Chief Operating Officer and Head of Corporate and Investment Banking
Jean Clamon	Managing Director and Head of Compliance and Internal Control
Marie-Claire Capobianco	Head of French Retail Banking
Stefaan Decraene	Head of International Retail Banking
Fabio Gallia	Head of BNP Paribas Italy
Yann Gérardin	Head of Global Equities and Commodity Derivatives
Maxime Jadot	Chief Executive Officer of BNP Paribas Fortis
Frédéric Janbon	Head of Fixed Income
Michel Konczaty	Head of Group Risk Management
Theirry Laborde	Head of BNP Paribas Personal Finance
Eric Lombard	Chief Executive Officer of BNP Paribas Cardif
Yves Martrenchar	Head of Group Human Resources
Eric Raynaud	Head of Asia-Pacific Region

[83] Mr. Bordenave does not have any significant outside activities.

[84] Mr. Chodron de Courcel's principal outside activities include the following: Director of Alstom; Director of Bouygues; Director of Société Foncière, Financière et de Participations SA; Director of Nexans; Director of Compagnie Nationale à Portefeuille; Director of Erbé SA; Director of Groupe Bruxelles Lambert; Director of SCOR Holding (Switzerland) AG; Director of SCOR Global Life Rückversicherung Schweiz AG; Director of SCOR Switzerland AG; Director or Verner Investissements SAS; Member of the Supervisory Board of Lagardère SCA; and Non-Voting Director of SCOR SE.

[85] Mr. Villeroy de Galhau's principal outside activities include the following: Member of Supervisory Board of Bayard Presse; and Member of Supervisory Board of Villeroy-Boch AG.

INDEPENDENT STATUTORY AUDITORS

The Group's consolidated financial statements as of December 31, 2012 and for the year ended December 31, 2012 incorporated by reference herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars as joint independent statutory auditors (*Commissaires aux comptes*).

The Group's consolidated financial statements as of December 31, 2011 and for the year ended December 31, 2011 incorporated by reference herein have been audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars as joint independent statutory auditors (*Commissaires aux comptes*).