



**R.C.S. Luxembourg: B 24 784**

67, Boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg

Audited annual accounts  
for the year ended  
31 December 2013 and  
report of the  
réviseur d'entreprises agréé



**BNP Paribas Fortis Funding**

Public limited company

Registered office: L-1331 Luxembourg, 67 boulevard Grande-Duchesse Charlotte

R.C.S. Luxembourg B 24 784

(hereinafter referred to as the « Company »)

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**Report from the Board of Directors**

Dear Sirs,

We are pleased to submit to you for approval, the annual account for the financial year ended 31 December 2013.

As at December 31, 2013, the total balance sheet amounts to EUR 5,501,021,541 compared to EUR 7,853,435,205 as at December 31, 2012.

The Company issued securities (amongst which retail offers to the public in Belgium and in the Grand Duchy in Luxembourg) which are split as follows:

	December 31, 2013	December 31, 2012
Subordinated notes	1,622,709,431	1,773,357,566
Fixed interest rates notes	1,627,916,361	1,455,618,835
Floating rates notes	452,078,716	2,241,261,301
Variable coupon notes	1,055,268,790	852,515,819
Variable redemption notes Credit Linked	17,234,000	21,227,000
Variable redemption notes Index Linked	252,556,815	366,444,235
Variable redemption notes Other	62,018,398	100,942,470
Zero coupon notes	5,273,038	5,143,274
Commercial Papers	133,629,488	824,873,509
<b>TOTAL</b>	<b>5,228,685,037</b>	<b>7,641,384,009</b>

The sharp decrease in the total issued securities is mainly linked to the redemption of one puttable note of EUR 1,750,000,000 matured in January 2013.

The amounts presented above represent the nominal of the issuances, to which accrued interest payable amounting to EUR 89,985,409 are added (31 December 2012: EUR 98,086,026).

During the year 2013, the Company issued several securities and faced several redemptions and buy-back as follows (excluding the commercial papers issued):

Type of product	Issues			Redemptions/Reductions			Foreign exchange by category	Total
	Number	Ccy	In Euro	Number	Ccy	In Euro	In Euro	In Euro
Subordinated notes	0		0	2	EUR	-114 000 000		
				1	USD	-25 294 517		
<b>Total</b>			<b>0</b>	<b>3</b>		<b>-139 294 517</b>	<b>-11 353 618</b>	<b>-150 648 135</b>
Fixed interest rate notes	2	AUD	17 801 508	1	EUR	-21 936 000		
	2	EUR	165 227 000					
	1	PLN	10 107 034					
	3	NOK	119 661 703					
	3	NZD	30 467 219					
	1	TRY	8 457 326					
<b>Total</b>	<b>12</b>		<b>351 721 790</b>	<b>1</b>		<b>-21 936 000</b>	<b>-157 488 264</b>	<b>172 297 526</b>
Floating rate notes	0		0	2	EUR	-1 785 440 000		
					AUD	-667 778		
<b>Total</b>	<b>0</b>		<b>0</b>	<b>2</b>		<b>-1 786 107 778</b>	<b>-3 074 807</b>	<b>-1 789 182 585</b>
Variable coupon notes	21	EUR	331 057 000	10	EUR	-135 818 000		
	1	USD	8 190 587					
<b>Total</b>	<b>22</b>		<b>339 247 587</b>	<b>10</b>		<b>-135 818 000</b>	<b>-676 616</b>	<b>202 752 971</b>
Credit linked notes	0		0	1	EUR	-3 993 000	0	0
<b>Total</b>	<b>0</b>		<b>0</b>	<b>1</b>		<b>-3 993 000</b>	<b>0</b>	<b>-3 993 000</b>
Index linked notes	8	EUR	95 419 000	14	EUR	-208 335 000		
<b>Total</b>	<b>8</b>		<b>95 419 000</b>	<b>14</b>		<b>-208 335 000</b>	<b>-971 420</b>	<b>-113 887 420</b>
Reversible convertible notes	0		0	0		0		
<b>Total</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
Zero-coupon notes	0	EUR	129 764	0		0	0	0
<b>Total</b>	<b>0</b>		<b>129 764</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>129 764</b>
Other				7	EUR	-22 469 000		
				2	JPY	-5 004 000		
				1	PLN	-2 793 528		
				1	SEK	-5 152 979		
<b>Total</b>	<b>0</b>		<b>0</b>	<b>11</b>		<b>-35 419 507</b>	<b>-3 504 565</b>	<b>-38 924 072</b>
<b>TOTAL GENERAL</b>	<b>42</b>		<b>786 518 141</b>	<b>42</b>		<b>-2 330 903 802</b>	<b>-177 069 290</b>	<b>-1 721 454 951</b>

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As at December 31, 2013, the Company shows a profit amounting to EUR 1,109,807 compared to a profit amounting to EUR 1,583,350 for the year 2012 which is summarized as below:

In EUR	December 31, 2013	December 31, 2012
Interests margin	2,808,219	3,783,003
Exchange result	-10,894	-6,803
Amortization fees 1) +2) +3) +4)	-299,934	-1,248,985
Taxes	-487,192	-647,525
Other operating expenses	-28,017,728	-48,846,747
Other operating income	27,117,336	48,550,407
<b>Total</b>	<b>1,109,807</b>	<b>1,583,350</b>

The increase is mainly explained by the following elements:

- 1) Increase of the global option premium received and paid amounting to EUR -9,784,038 for the year ended December 31, 2013 (2012: EUR -7,898,996) as follows:

In EUR	December 31, 2013	December 31, 2012
Amortization premium paid	-10,970,211	-11,225,909
Amortization premium received	0	1,379,738
Amortization premium equity swap received	1,186,173	1,947,175
<b>Total</b>	<b>-9,784,038</b>	<b>-7,898,996</b>

The option premiums are amortized over the life of the corresponding security issuance retrospectively as from January 1, 2010.

- 2) Decrease of the expenses relating to bond issuances amounting to EUR -12,465,793 for the year ended December 31, 2013 (2012: EUR 14,814,763), which is as follows:

	December 31, 2013	December 31, 2012
Amortization of expenses related to bond issues	-200,541	-252,065
Amortization of syndication commissions	-11,020,332	-11,205,161
Subtotal	-11,220,873	-11,457,226
Amortization of disagio	-1,244,920	-3,357,537
<b>Total</b>	<b>-12,465,793</b>	<b>-14,814,763</b>

The expenses are amortized over the life of the corresponding security's issuance.



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- 3) Decrease of the net amortization of the upfront fees received and paid amounting to EUR 11,398,645 for the year ended December 31, 2013 (2012: EUR 11,837,224), which is as follows:

	December 31, 2013	December 31, 2012
Amortization of upfront fees paid	-80,394	-37,250
Amortization of upfront fees received	11,479,039	11,874,474
Total	11,398,645	11,837,224

The upfront fees are amortized over the life of the corresponding security's issuance. Furthermore, for the upfront fees received the residual life of the corresponding security's issuance is longer than for the upfront fees paid.

- 4) Increase of the amortization of the premiums received on borrowings amounting to EUR 10,551,252 as at December 31, 2013 against EUR 9,627,550 as at December 31, 2012

	December 31, 2013	December 31, 2012
Amortization of premium received on borrowings	10,551,252	9,627,550
Total	10,551,252	9,627,550

- 5) Decrease of the interest margin amounting to EUR 3,783,003 as at December 31, 2012 against 2,808,219 as at December 31, 2013; this variation is due to an issuance of EUR 1,750,000,000 which matured on January 16, 2013 (difference of interests between 31.12.13 and 31.12.12 is around € 487,000) and to maturity of old issuances with a 13.5bps margin which are replaced by issues with a 3bps margin.

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The previous year's profit brought forward amounts to EUR 1,109,807.

Following the release of an amount of EUR 633,550 from the reserve 2008 for the wealth tax, the crediting of the reserve 2013 for the wealth tax for an amount of EUR 162,369 ((€ 35,684 – € 3,210)\*5) derived from the net wealth tax 2013 (€ 35,684) less the minimum wealth tax 2013 required (€ 3,210), the dividends to distribute for EUR 1,200,000 and the result of the year for EUR 1,109,807, an amount of EUR 380,988 representing the result is to be carried forward.

Moreover, the Board of Directors decides to propose to the Shareholders' General Meeting the following allocation:

	<b>Legal reserve EUR</b>	<b>Other reserve* EUR</b>	<b>Profit brought forward EUR</b>
Balance as at 1st January 2013	50,000	3,090,996	2,295,907
Profit for year ended 2013	-	-	1,109,807
Transfer of the 2008 special reserve to profit brought forward	-	(633,550)	633,550
Allocation to the special reserve related to the net worth tax	-	162,369	(162,369)
Dividends	-	-	(1,200,000)
Balance after allocation	50,000	2,619,815	2,676,895

\* In order to take advantage of the provisions of paragraph 8a of the Net Worth Tax Law, the Company has elected to get a tax credit for all or part of the net worth tax due for that year. This tax credit is, however, limited to the amount of the corporate income tax due for the same year before any tax credit. In order to benefit from this provision, the Company commits itself to post to a special reserve (classified in the annual accounts under the caption "Other reserves") before the end of the subsequent year an amount equal to five times the net worth tax to be credited, which has to be maintained for a period of five years.



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### **Reporting obligations**

The Company fulfils its reporting obligations towards the local authorities and, with regard to the law of January 11, 2008 (as supplemented or amended from time to time) on transparency requirements for issuers of securities (the “Transparency Law”), the Company has signed on 2009 an agreement for OAM (Officially Appointed Mechanism) with BNP Paribas Securities Services, Luxembourg Branch (following the transfer on April 1, 2010 of the securities services activities of BGL BNP Paribas - Luxembourg to BNP Paribas Securities Services, Luxembourg branch).

The Board of Directors will also give a general overview, below, of the main inherent risks faced by BNP Paribas Fortis Funding and of the relevant mitigating factors. This overview is given as of the date of this report. The risks applicable to BNP Paribas Fortis Funding and the corresponding risk management methods can change from time to time.

It has to be noted that the Company doesn't provide post issuance information to the investors of its notes. In case of public offers of structured notes in Belgium, it is the relevant distributor of such notes that shall comply with the terms of the Moratorium on particularly complex products proposed by the Belgian FSMA (if such distributor has adhered to such Moratorium). It includes the obligation to publish information on the value of the notes and of the underlying(s) during the life of the notes.

The Belgian FSMA has recently received the power to introduce a ban or impose limitations on the marketing of certain financial products to retail clients. The Belgian FSMA has therefore proposed to ban the distribution of certain products to these clients (such as certain fund linked products or financial products linked to life settlements). The proposal does not consider ending the existing voluntary Moratorium on the sale of particularly complex products.

The Company is concerned by certain obligations set out in Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, commonly referred to as the European Market Infrastructure Regulation (EMIR):

- The Company is classified as a Non-Financial Counterpart (NFC) under EMIR and shall **report** (as from 2014) to a so-called trade repository the entry into, amendment of, and termination of any derivatives contract that is within the scope of EMIR. There is no exemption on this matter for intra-group derivatives contracts.
- Under EMIR, OTC derivatives shall be **cleared** (as from 2015) through a central counterparty if certain thresholds are met. Such thresholds are not expected to be exceeded by the Company (that is classified as NFC- towards its derivatives counterparts) but should it be the case, the Company intends to request to benefit from the exemption of clearing obligation for intra-group transactions.
- EMIR requires the Company to put in place risk-mitigation techniques for OTC derivatives contracts that are not cleared. It has been implemented by the Company mainly via (i) a procedure to ensure timely confirmations and portfolio reconciliation with its derivatives counterparts and (ii) amendments to the existing



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ISDA Master Agreements to cover the dispute resolution and to give certain representations within the framework of EMIR.

**Main inherent risks**

The main inherent risks faced by BNP Paribas Fortis Funding can be broken down into the following categories:

1) Operational risk:

The operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human error, external events or changes in the competitive environment that damage the franchise or operating economics of a business. Furthermore, in order to mitigate the risks, the Company hired two part time employees of BNP Paribas Fortis SA/NV (hereafter “BNPPF”).

Before deciding on the issuance of any debt securities, the Directors have to acknowledge that:

The terms of the paragraphs 1 and 2 of Article 57 of the Luxembourg Law on commercial companies dated 10 August 1915, as amended disclosing that “The Director who has an interest which is opposed to the company’s interest in a transaction submitted to the Board of Directors for authorization, is obliged to disclose such opposed interest to the Board and to procure that the existence of such opposed interest be mentioned in the minutes of the Board meeting. He cannot take part in the vote of the relevant resolutions of the Board. The existence of transactions in relation to which a Director has an opposed interest to that of the company has to be specifically reported to the first succeeding general meeting of shareholders prior to any other resolution is put to vote” are respected.

BNP Paribas Fortis Funding publishes from time to time prospectuses to offer, place or/and list securities within the framework of its business activity as foreseen in its article of association.

As required by the Luxembourg law on prospectuses and the relevant regulations as the case maybe, the Company takes responsibility for the information contained in these prospectuses (with the limitations specified in these ones).

The EMTN base prospectus of the Company (as supplemented from time to time) was updated and approved by the CSSF on 14 June 2013 in order to comply with the amended prospectus directive and its regulations.

A separate base prospectus dated 3 June 2013 (as supplemented from time to time) has been set up by the Company together with other issuers of the BNP Paribas group, the base prospectus of such programme enabling the issuance of warrants, certificates, and notes (the “GECD Securities”).



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The Company acts as issuer of notes under this new Multi issuer Certificate, Note & Warrant (C, N & W) programme (the “**GECD Umbrella Programme**”) with BNP Paribas SA, BNPP Arbitrage IBV, BNP Paribas Fortis Funding, and BGL BNP Paribas as issuers. The GECD Securities issued by the Company under the GECD Umbrella Programme are guaranteed by BNP Paribas Fortis SA/NV under similar terms as under the EMTN Programme.

The description of the Company in the base prospectuses of the 2 programmes is made via the incorporation by reference of a separate registration document.

The French AMF is the competent authority of the base prospectus of the GECD Umbrella Programme, the CSSF being the competent authority of the base prospectus of the EMTN Programme. The EMTN Programme of the Company is mainly used to launch plain vanilla and fixed income products.

The EMTN base prospectus and the base prospectus of the GECD Umbrella Programme are expected to be updated in 2014 on or before their respective anniversary dates.

2) Legal risk:

In case of any potential legal risk (e.g. license requested by a sponsor of an index, claim received from a note holder or an investor), the Company will request advices from the legal department of its parent company and advices from an external legal advisor if it is required by one member of the Board of Directors.

The Luxembourg prospectus law contains administrative sanctions in case of breach. As the Company also makes offers to the public in other jurisdictions, it may be exposed to the penal or/and administrative sanctions foreseen in the relevant local prospectus law.

Furthermore, the Company follows the compliance rules defined by its parent company in term of reputational risk and compliance with laws and regulations applicable to the Company.

3) Tax risk:

In case of any potential tax risk, the Company requests advices from the tax specialists of its parent company and advices from an external tax advisor if it is required by one member of the Board of Directors.

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### 4) Financial risk:

It encompasses two types of risk: credit risk and market risk as defined below:

- Credit risk is the risk that a borrower or counterparty will no longer be able to repay its debt;
- Market risk refers to the potential loss resulting from unfavourable market movements, which can arise from trading or holding positions in financial instruments.

Within the framework of the funding operations, BNP Paribas Fortis Funding hedges with BNPPF or BNP Paribas Arbitrage S.N.C. its exposures to various types of risks by using common OTC/derivatives instruments such as swaps and options from the issue date or strike date of each funding operation, for all the duration of such funding operation, and for the full amount of the related funding operation. As a general rule, the documentation of a derivative transaction of the Company shall refer to the documentation of the related funding transaction. Therefore the structure of each funding operation matches with the various related hedging transactions in terms of economics and in terms of documentation.

BNP Paribas Fortis Funding is currently only exposed to a counterparty risk (i) on BNPPF (as hedging counterpart and as borrower under the loans granted by the Company), and (ii) on BNP Paribas Arbitrage S.N.C. (as hedging counterpart).

To avoid exposure to a credit risk on a paying agent under its debt issuance Programmes, BNP Paribas Fortis Funding has followed the market practice and has included a wording in the documentation of these programmes to be discharged from its payment obligations towards the noteholders as soon as the payments have been made on time to the relevant principal paying agent.

For the avoidance of any doubt, BNP Paribas Fortis Funding does not hold a trading portfolio and is then not exposed to a trading risk, i.e. in case of changes in the market price of positions held in capital market instruments.

### 5) Liquidity risk:

The liquidity risk is the risk that BNP Paribas Fortis Funding, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure or sell its assets only at excessive cost.

This risk is mitigated by the Board that follows the Liquidity Risk Policy published by the parent company of BNP Paribas Fortis Funding by applying it to the Company. Such policy explicitly mentions that the bank must maintain sufficient cash and liquid assets to meet its current and future financial obligations at all times, in normal and in



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stressed circumstances, for all its banking and financial activities, including special purpose vehicles and all legal entities.

#### 6) Settlement risk:

BNP Paribas Fortis Funding is responsible for the cash management on a daily basis by monitoring the cash balances of the Company. Furthermore, the Company has implemented a payment procedure approved by the Board of Directors and agreed by BGL BNP Paribas S.A., which can be summarised as follows:

- Each payment or repayment of principal amounts requires both the signature of one Director and the signature of one proxy holder;
- Each payment of interests to investors requires the signature of two proxy holders;
- Each payment of fees relating to Intertrust Luxembourg S.A. requires the approval of the Board of Directors and then the signature of two proxy holders;
- For other costs:
  - each payment above EUR 10,000 requires the signature of one Director and one proxy holder;
  - other payments require the signature of two proxy holders.
- For payments with value retro-active: a letter has been signed by two directors to authorize them, after the new amendment on 1<sup>st</sup> November 2009 of the PSD (directive on payment services).

#### 7) Internal controls and risk management measures related to the financial reporting system:

In the context of the internal controls and risk management measures related to the financial reporting system, the Company respects the four eyes principles, applies the segregation of tasks and has set up the following reconciliations:

- Monthly cash reconciliation
- Monthly reconciliation for loans, commercial papers and coupons rates
- Quarterly intragroup reconciliation for derivatives

Furthermore, the reports prepared for the board meetings are reviewed by the directors.

#### **Information to be sent to the parent company**

BNP Paribas Fortis Funding is a subsidiary of BNP Paribas Fortis SA/NV.

The National Bank of Belgium, BNPPF's supervisor on a consolidated basis, has granted its approval for using the most advanced approaches for calculating the own funds requirements under Basel II. This means that BNPPF applies the Advanced



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Internal Ratings Based Approach (AIRBA) to credit risk and the Advanced Measurement Approach (AMA) to operational risk for the majority of its portfolio.

Besides, BNPPF uses 'economic capital' as a consistent and comparable measure of risk across all risk types and geographies. It serves as an indicator of Value at Risk (VaR).

BNP Paribas Fortis Funding shall report to its parent company with the relevant information to enable BNPPF to apply these methods on a consolidated basis.

The Board of Directors examined the annual accounts as at 31 December 2013 BNP Paribas Fortis Funding on March, 14 2014 and authorized their publication.

The Board of Directors of BNP Paribas Fortis Funding declares that, to its knowledge, the annual accounts as at December 31, 2013 of BNP Paribas Fortis Funding established in accordance with the body of applicable accounting standards, give a faithful and honest image of the assets and liabilities, financial position and profits or losses of BNP Paribas Fortis Funding. The management report presents the evolution accurately, the results and the situation of BNP Paribas Fortis Funding and a description of the principal risks and uncertainties with which they are confronted.

No material subsequent events occurred to the Company since December 31, 2013.

### **Strategy related to BNP Paribas Fortis Funding**

The issuances that the Company is proposing, via distributors, to different investor types and the lending of the proceeds of these transactions to its parent company is an important element of the funding policy of BNP Paribas Fortis SA/NV.

The selling of structured notes and other types of bonds demanded by the Retail and Private Banking divisions of BGL BNP Paribas S.A. in Luxembourg and BNP Paribas Fortis NV/SA in Belgium is a stable element of the funding mix of BNPPF. On top of this, the Company also proposes tailor made issues (listed or not) for institutional investors.

The Company is independent regarding the issuance decisions.

It is in line with the BNP Paribas group organization to maintain BNP Paribas Fortis SA/NV, directly or via its subsidiaries, in a position of independency concerning its liquidity and funding management. The Company, with a volume of issuances above EUR 5 billion, is an element of diversification in the funding mix of BNPPF. It is a stable element as the demand for this type of investments by the investors has proved to be relatively constant over time.

We also take into consideration that, for the structured notes, the use of the Company remains a practical solution to circumvent the fact that the Belgian National Bank's clearing system cannot handle certain structured financial products.

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**Corporate Governance:**

The articles of association do not provide any restriction regarding the voting rights of the shareholders and therefore said voting rights are exercised in accordance with the legal provisions in force.

Further to the articles of association, the directors shall be elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of the office of a director may not exceed six years and the directors shall hold office until their successors are elected. The directors may be re-elected for consecutive terms of office. The Company does not hold any quoted participations.


The company may, to the extent and under the terms permitted by the Law, purchase its own shares; as of today the Company does not hold any own share. As in the articles of association there is no provision regarding authorized capital, the board of directors is not allowed to issue new shares.

There is no specific provision in the articles of association regarding the possibility of amending the articles of association and therefore the articles of association can be amended according to the legal provision set for in article 67-1 of the Law of August 10, 1915 (as amended) on commercial companies.

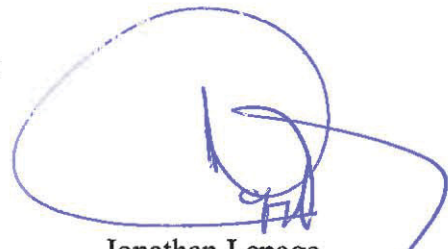
There is no specific provision in the articles of association regarding the rights of controls of the shareholders and therefore the shareholders can exercise their rights of controls to the extent and within the limits provided by the relevant Luxembourg applicable legislation.

Luxembourg, 14 March 2014

For the Board of Directors:



Didier Giblet  
Chairman of the Board of Directors



Jonathan Lepage  
Director

# **BNP Paribas Fortis Funding**

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To the Shareholders of  
BNP Paribas Fortis Funding S.A.  
67, Boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### Report on the annual accounts

We have audited the accompanying annual accounts of BNP Paribas Fortis Funding S.A., which comprise the balance sheet as at December 31, 2013 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Directors for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of BNP Paribas Fortis Funding S.A. as of December 31, 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

## **Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*



Olivier Lefèvre, *Réviseur d'entreprises agréé*  
Partner

Luxembourg, March 14, 2014

## BNP Paribas Fortis Funding

Balance sheet  
as at 31 December 2013  
(in EUR)

	Notes	31.12.2013 EUR	31.12.2012 EUR
<b>ASSETS</b>			
<i>Formation expenses</i>		436,245	622,480
<i>Fixed assets</i>			
Tangible assets			
Plant and machinery		7,511	-
Other fixtures and fittings, tools and equipment		2,369	-
Financial assets			
Loans to affiliated undertakings	3	5,167,738,500	6,763,911,498
<i>Current assets</i>			
Debtors			
Amounts owed by affiliated undertakings			
becoming due and payable after less than one year	4	235,086,058	933,735,013
Other debtors			
becoming due and payable after less than one year		600,000	600,000
		235,686,058	934,335,013
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		13,032,398	7,079,505
<i>Prepayments and accrued income</i>	5	84,118,460	147,486,709
		<u>5,501,021,541</u>	<u>7,853,435,205</u>

The accompanying notes form an integral part of these annual accounts.



# BNP Paribas Fortis Funding

Balance sheet  
as at 31 December 2013  
(in EUR)  
(continued)

	Notes	31.12.2013 EUR	31.12.2012 EUR
<b>LIABILITIES</b>			
<i>Capital and reserves</i>	6		
Subscribed capital		500,000	500,000
Reserves			
Legal reserve		50,000	50,000
Other reserves		3,090,996	3,546,121
Profit or loss brought forward		2,295,907	1,457,431
Result for the financial year		1,109,807	1,583,350
		<u>7,046,710</u>	<u>7,136,902</u>
<i>Subordinated creditors</i>	7	1,656,721,743	1,811,125,851
Provision			
– Provision for taxation		461,017	638,784
<i>Non-subordinated debts</i>	8		
Debenture loans			
Convertible loans			
– becoming due and payable after less than one year		-	18,305,000
– becoming due and payable after less than one year		-	-
Non-convertible loans			
– becoming due and payable within one year		201,683,146	2,043,358,203
– becoming due and payable after more than one year		3,326,487,586	3,040,052,136
		<u>3,528,170,732</u>	<u>5,101,715,339</u>
Amount owed to affiliated undertakings			
– becoming due and payable after less than one year		5,417,743	-
Tax and social security tax		15,285	40,858
Other creditors	13		
– becoming due and payable within one year		144,619,733	836,393,449
<i>Accruals and deferred income</i>	5	<u>158,568,578</u>	<u>96,384,022</u>
		<u>5,501,021,541</u>	<u>7,853,435,205</u>

The accompanying notes form an integral part of these annual accounts.

## BNP Paribas Fortis Funding

Profit and loss account  
for the year ended 31 December 2013  
(in EUR)

	Notes	31.12.2013 EUR	31.12.2012 EUR
<b>CHARGES</b>			
Use of merchandise, raw materials and consumable materials		160	-
Other external charges		1,633,932	3,302,900
Staff costs	16	109,126	27,551
Wages and salaries		71,982	19,978
Social security costs		37,144	7,573
Value adjustments			
– on formation expenses and on tangible and intangible fixed assets		12,467,266	14,814,763
Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities		37,316,255	56,778,899
Interest payable and similar charges	9		
– concerning affiliated undertakings		55,757,376	60,016,382
– other interest payable and similar charges		279,607,207	231,622,192
		<u>335,364,583</u>	<u>291,638,574</u>
Tax on profit or loss	15	457,806	638,782
Other taxes not included in the previous caption		31,944	8,741
Profit for the financial year		1,109,807	1,583,350
		<u>388,490,879</u>	<u>368,793,560</u>
<b>INCOME</b>			
Income from financial fixed assets			
– derived from affiliated undertakings		129,660,813	164,102,344
Income from financial current assets	10		
– derived from affiliated undertakings		2,467,030	4,107,898
– other income		22,000,321	42,778,911
		<u>24,467,351</u>	<u>46,886,809</u>
Other interest and other financial income	11		
– derived from affiliated undertakings		115,858,377	117,523,491
– other interest and financial income		118,039,252	40,280,916
		<u>233,897,629</u>	<u>157,804,407</u>
Extraordinary income		465,086	-
		<u>388,490,879</u>	<u>368,793,560</u>

The accompanying notes form an integral part of these annual accounts.

# **BNP Paribas Fortis Funding**

Notes to the annual accounts for the year ended  
31 December 2013

## **1 General information**

BNP Paribas Fortis Funding (the “Company”) was incorporated on 24 September 1986 in Luxembourg as a limited liability company (Société Anonyme) for an unlimited period under the name GENFINANCE LUXEMBOURG S.A., which was then changed to FORTIS LUXEMBOURG FINANCE S.A. on 12 November 2001 and to BNP Paribas Fortis Funding on 22 February 2010.

The registered office of the Company is established in Luxembourg. The Company’s financial year starts on 1 January and ends on 31 December each year.

The Company’s object is to provide any direct or indirect financing, by any means, to its subsidiaries, to BNP Paribas Fortis and to companies controlled by BNP Paribas Fortis S.A./N.V. and to provide to these companies any assistance, loans, advances or guarantees and/or any services for financial or administrative assistance linked to such assistance, loans, advances, guarantees, and services.

Loans are granted under the same conditions as for borrowings, setting aside an intermediation margin.

The Company may conduct any transaction that it deems necessary to accomplish and develop its object, remaining however within the limits allowed by the Law of 10 August 1915 on corporations.

The Company is included in the consolidated accounts of BNP Paribas S.A. forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The consolidated accounts and the consolidated management report of BNP Paribas S.A. are available at its registered office: 16, Boulevard des Italiens, 75009 Paris, France.

In addition, the Company is also included in the consolidated accounts of BNP Paribas Fortis forming the smallest body of undertakings included in the body of undertakings referred to in the above mentioned paragraph of which the Company forms part as a subsidiary undertaking. The consolidated accounts and the consolidated management report of BNP Paribas Fortis are available at its registered office located at: 3 Montagne du Parc, B-1000 Brussels.

## **2 Significant accounting policies**

The Company prepares its accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the law. The Company applied the “Normalised accounting plan” for the purpose of these audited annual accounts.



# **BNP Paribas Fortis Funding**

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

## **2.1 Premiums on options**

The Company may take hedge positions through options. Premiums on options are accounted for in deferred charges and income and are amortised prorata temporis over the life of the borrowings to which they are related.

## **2.2 Foreign currency translation**

The subscribed capital of the Company is expressed in euros (EUR) and the annual accounts and the interim financial information are established in the same currency.

During the financial year, the transactions, income and expenses denominated in currencies other than the EUR were recorded using the exchange applicable on the transaction date.

At the closing date, the assets and debts expressed in currencies other than EUR are valued on the basis of the exchange rates applicable on that date. Unrealized gains and losses are booked as other financial income / charges in the profit and loss account due to the direct economic link between the transactions. Furthermore, where there is said economic link between two items within a transaction, accounted for in assets and liabilities respectively, and denominated in the same currency, the balance sheet entries are revalued at the closing exchange rate without impacting the profit and loss account.

## **2.3 Debtors**

Debtors are valued at the lower of nominal or estimated net realisable value. A value adjustment is accounted for if, in the opinion of the Board of Directors, a permanent impairment in value has occurred, unless the loss is economically linked to an increase in the value of the loans.

## **2.4 Premiums on amounts receivable**

Premiums on amounts receivable are amortised prorata temporis over the life of the receivable to which they are related.

## **2.5 Prepayments and accrued income**

This asset item includes expenditures incurred during the financial year but relating to a subsequent financial year.

## **2.6 Accruals and deferred income**

This liabilities item includes income received during the financial year but relating to a subsequent financial year.

## **2.7 Creditors**

Creditors are valued at the higher of nominal or repayment value.

## **2.8 Premiums on borrowings**

Premiums on borrowings are accounted for in deferred charges and income, independently of borrowings to which they are associated and are amortised prorata temporis over the life of the borrowings to which they are related.

## BNP Paribas Fortis Funding

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### 3 Loans to affiliated undertakings

No value adjustment has been made on financial fixed assets, following the historical cost model.

The loan structure granted to BNP Paribas Fortis the parent company is as follows:

	31.12.2013 EUR	31.12.2012 EUR
Amounts due within less than one year	522,843,145	2,185,331,476
Amounts due over 1 year		
1 to 5 years	3,529,812,879	3,574,663,028
5 years or more	1,115,082,476	1,003,916,994
	<u>4,644,895,355</u>	<u>4,578,580,022</u>
Total	<u>5,167,738,500</u>	<u>6,763,911,498</u>

### 4 Debtors becoming due and payable after less than one year

The item “debtors becoming due and payable after less than one year” is essentially made up of loans granted to BNP Paribas Fortis S.A./N.V. in the form of commercial papers issued under the “Euro Medium Term Notes” programme, interest receivable on these commercial papers, interest receivable on loans granted and interest receivable on derivatives.

### 5 Prepayments and accrued income, accruals and deferred income

These captions under assets or under liabilities in the balance sheet primarily include the option premiums paid and received, the commissions payable or receivable during the issuance of certain borrowings and the premiums connected to the issuance of certain borrowings, less accumulated amortisation over the expected useful life of the related borrowings. Also, this caption includes the revaluation of the foreign exchange derivative financial instruments at the closing foreign exchange rate.

### 6 Capital and reserves

As at 31 December 2013, the issued and fully paid-up share capital of the Company amounts to EUR 500,000 consisting of 20,000 registered shares each having a nominal value of EUR 25.

## BNP Paribas Fortis Funding

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

The movements for the period ended at December 31, 2013 are as follows:

	<b>Legal reserve</b>	<b>Other reserve*</b>	<b>Profit brought forward</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Balance as at 1 January 2013	50,000	3,546,121	1,457,431
Profit for year ended 2012	-	-	1,583,350
Transfer of the 2007 special reserve to profit brought forward	-	(656,450)	656,450
Allocation to the special reserve related to the net worth tax	-	201,325	(201,325)
Dividends	-	-	(1,200,000)
Balance as at 31 December 2013	<u>50,000</u>	<u>3,090,996</u>	<u>2,295,907</u>

### Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

### Other reserves\*

In order to take advantage of the provisions of paragraph 8a of the Net Worth Tax Law, the Company has elected to get a tax credit for all or part of the net worth tax due for that year. This tax credit is, however, limited to the amount of the corporate income tax due for the same year before any tax credit. In order to benefit from this provision, the Company commits itself to post to a special reserve (classified in the annual accounts under the caption "Other reserves") before the end of the subsequent year an amount equal to five times the net worth tax to be credited, which has to be maintained for a period of five years.

This reserve is non-distributable during the period of five years from the year following that during which the Net Wealth Tax was reduced.



## BNP Paribas Fortis Funding

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### 7 Subordinated creditors

Amounts due and payable for the accounts shown under “Subordinated creditors” are as follows:

	<b>31.12.2013</b> <b>EUR</b>	<b>31.12.2012</b> <b>EUR</b>
Within one year	427,240,663	134,206,103
After one year and within five years	1,161,671,488	1,556,324,557
More than five years	67,809,592	120,595,191
	<u>1,656,721,743</u>	<u>1,811,125,851</u>

This item also includes the accrued interest payable as at 31 December 2013 that amounts to EUR 34,012,312 (EUR 37,768,285 as at 31 December 2012).

### 8 Non-subordinated debts

Amounts due and payable for the accounts shown under “Non-subordinated debts” are as follows:

<b>Convertible loans</b>	<b>31.12.2013</b> <b>EUR</b>	<b>31.12.2012</b> <b>EUR</b>
Within one year	-	18,305,000
	<u>-</u>	<u>18,305,000</u>
<b>Non-convertible loans</b>	<b>31.12.2013</b> <b>EUR</b>	<b>31.12.2012</b> <b>EUR</b>
Within one year	201,683,146	2,043,358,204
After one year and within five years	2,262,377,032	2,131,300,056
After more than five years	1,064,110,554	908,752,079
	<u>3,528,170,732</u>	<u>5,083,410,339</u>

This item also includes the accrued interest payable as at 31 December 2013 that amounts to EUR 55,824,614 (EUR 58,562,405 as at 31 December 2012).

## BNP Paribas Fortis Funding

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### 9 Interest payable and similar charges

Interest payable and similar charges are composed of the following items:

	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>EUR</b>	<b>EUR</b>
Interest on borrowings, commercial papers, interest rate swaps, equity options, equity swaps	242,710,971	277,842,832
Interests on bank accounts	4,178	557
Gain/loss on foreign exchange on securities	92,649,434	13,795,185
	<u>335,364,583</u>	<u>291,638,574</u>

Interest and other financial charges with affiliated undertakings amount to EUR 56,739,190 as at 31 December 2013 (EUR 60,016,939 as at 31 December 2012).

### 10 Income from financial current assets

Income from financial current assets is composed of the following items:

	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>EUR</b>	<b>EUR</b>
Gain on derivatives	2,467,030	4,107,898
Gain on securities	22,000,321	42,778,911
	<u>24,467,351</u>	<u>46,886,809</u>

Income from financial current assets with affiliated undertakings amount to EUR 2,467,030 as at 31 December 2013 (EUR 4,107,898 as at 31 December 2012).

## BNP Paribas Fortis Funding

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### 11 Other interests and other financial income

Other interest and other financial income are composed of the following items:

	31.12.2013 EUR	31.12.2012 EUR
Interests on commercial papers and derivatives	115,858,377	117,523,491
Amortisation of premiums on borrowings	10,551,252	9,627,550
Amortisation of option premiums received	1,186,173	3,326,913
Interest on bank accounts	49,285	45,997
Upfront fees received	11,479,040	11,874,474
Gain/loss on foreign exchange securities	92,638,539	13,788,382
Commissions	2,134,963	1,605,771
Other	-	11,829
	<u>233,897,629</u>	<u>157,804,407</u>

Other interest and other financial income from affiliated undertakings amount to EUR 130,707,837 as at 31 December 2013 (EUR 134,376,646 as at 31 December 2012).

### 12 Extraordinary income

As at 31 December 2013, the item “extraordinary income” was essentially made of some issuances for which the prescription elapsed and for which the cash balance not claimed (within the legally described time frame) by the investors are reimbursed to the Company by the paying agent.

### 13 Other creditors

As at 31 December 2013 and 31 December 2012, the item “other creditors” was essentially made up of commercial papers, interest payable on commercial paper, on interest rate swap contracts and other contracts on derivative products related to certain borrowings and other fees payable.

### 14 Advances and loans granted to the members of the management and supervisory bodies

The Company has not granted any advances or loans to members of administrative or supervisory bodies as at 31 December 2012.



## **BNP Paribas Fortis Funding**

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### **15 Tax position**

The Company is subject to Luxembourg tax laws.

### **16 Staff**

As at 31 December 2012, the Company employed one person on a part time basis and as at 31 December 2013, 6 persons on a part time basis.

### **17 Derivative financial instruments**

The Company uses various derivative instruments contracted with BNP Paribas Fortis S.A./N.V.s and BNP Paribas Arbitrage S.N.C. for hedging purposes as part of its bond issuing and financing activities to hedge against potential market, foreign exchange or interest rate risk.

The nominal of these derivatives financial instruments are as follows:

	<b>31.12.2013</b> <b>Nominal</b> <b>EUR</b>	<b>31.12.2012</b> <b>Nominal</b> <b>EUR</b>
Interest Rate Swap	1,657,880,470	1,620,307,444
Equity Swap	1,278,897,534	1,196,456,524
Interest Rate Swap	863,063,307	990,582,824
Credit Default Swap	-	51,373,105
Cap/Floor	-	3,993,000

## BNP Paribas Fortis Funding

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### 18 Related parties transactions

During the financial year 2013, the following significant transactions were entered into with related parties:

	BNP Paribas Fortis S.A./N.V.(BNPPF)	Other companies of the group BNP Paribas
	EUR	EUR
<b>Assets</b>		
Loans to affiliated undertakings	5,167,738,500	-
Amounts owed by affiliated undertakings becoming due and payable within one year	230,041,480	5,044,578
Cash at bank	-	13,032,398
Prepayments and accrued income	18,347,201	-
	<hr/> 5,416,127,181	<hr/> 18,076,976
<b>Liabilities</b>		
Subordinated creditors*	1,179,496	22,788,536
Non-subordinated debts*	81,626,976	61,231,113
Other creditors	8,448,563	1,979,374
Amounts owed to affiliated undertakings becoming due and payable within one year	-	5,417,743
Accruals and deferred income	19,016,537	363,879
	<hr/> 110,271,572	<hr/> 91,780,645
<b>Charges</b>		
Value adjustments and fair value adjustments on financial current assets.		
Loss on disposal of transferable securities	13,834,312	20,484,237
Interest payable and similar charges**	44,526,448	12,212,742
	<hr/> 58,360,760	<hr/> 32,696,979
<b>Income</b>		
Income from financial fixed assets	129,660,813	-
Income from financial current assets	1,244,033	1,222,997
Other interest and other financial income	108,912,477	21,795,360
	<hr/> 239,817,323	<hr/> 23,018,357

\* These amounts are a result of acquisitions of bonds by the respective related parties on behalf of third parties (investors) for a short period of time.

\*\* From which EUR 57,580 is a result of acquisitions of bonds by BNPPF on behalf of third parties (investors) for a short period of time and EUR 920,057 is a result of acquisitions of bonds by other companies of the group.

## **BNP Paribas Fortis Funding**

Notes to the annual accounts for the year ended  
31 December 2013  
(continued)

### **19 Auditor's fees**

The total auditor's fees, V.A.T. included, are presented as follows:

	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>EUR</b>	<b>EUR</b>
Audit fees	61,837	60,398
Audit related fees	11,831	17,632
Other fees	40,423	28,821
Total	<u>114,091</u>	<u>106,851</u>