BNP PARIBAS (Canada)

Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

BNP PARIBAS (Canada)

Consolidated Financial Statements

Index

Notes to Consolidated Financial Statements

April 8, 2014

Independent Auditor's Report

To the Shareholder of BNP Paribas (Canada)

We have audited the accompanying consolidated financial statements of BNP Paribas (Canada), which comprise the consolidated statement of financial position as at December 31, 2013 and 2012 and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BNP Paribas (Canada) as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Other matter

The statement of financial position as at January 1, 2012 has been derived from the statement of financial position as at December 31, 2011 (not presented herein). The financial statements of BNP Paribas (Canada) for the years ended December 31, 2011 and 2010 (prior the restatement described in note 4 to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on May 4, 2012 respectively.

As part of our audits of the consolidated financial statements of BNP Paribas (Canada) for the years ended December 31, 2013 and 2012, we also audited the adjustments described in note 4 that were applied to the statement of financial position as at January 1, 2012. In our opinion, such adjustments are appropriate and have been properly applied to the financial statements taken as a whole. We were not engaged to audit, review, or apply any procedures to the financial statements of BNP Paribas (Canada) for the year ended December 31, 2011 or to the statement of financial position as at January 1, 2012 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2011 or the consolidated statement of financial position as at January 1, 2012 taken as a whole.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A127593

BNP PARIBAS (Canada)

Consolidated Balance Sheet

(in thousands of Canadian dollars)

	Note	**As at December 31, 2013**	As at December 31, 2012 Restated *(Note 4)*	As at January 1, 2012 Restated *(Note 4)*
		$	$	$
ASSETS				
Cash and cash equivalent		**8,167**	6,447	99,271
Interest-bearing deposits with banks		**179,393**	74,478	179,888
Securities	5			
Securities available for sale		**1,657,768**	1,047,200	960,465
Securities at fair value through profit or loss		**194,291**	309,099	65,639
		1,852,059	1,356,299	1,026,104
Securities purchased under resale agreements		**295,671**	170,063	-
Loans and acceptances	6			
Mortgage loans		**6,632**	12,059	15,536
Business, government and other loans		**1,208,648**	1,383,860	2,160,099
		1,215,280	1,395,919	2,175,635
Allowance for credit losses		**(51,674)**	(47,637)	(49,201)
Customers' liabilities under acceptances		**695**	256	4,356
		1,164,301	1,348,538	2,130,790
Other				
Derivative financial instruments at fair value	19	**55,487**	53,093	138,610
Interest and dividends receivable		**3,787**	5,413	6,485
Properties and equipment	7	**7,924**	4,260	5,431
Goodwill	8	**-**	3,400	3,400
Deferred tax	16	**12,110**	13,671	7,657
Other assets	9	**119,855**	119,472	104,415
		199,163	199,309	265,998
Total assets		**3,698,754**	3,155,134	3,702,051
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits	10			
Personal		**139**	129	135
Business and government		**2,305,413**	1,727,348	2,077,425
Deposit-taking institutions		**185,219**	196,964	306,336
		2,490,771	1,924,441	2,383,896
Other				
Derivative financial instruments at fair value	19	**50,559**	47,676	133,509
Interest and commissions payable		**843**	806	1,405
Acceptances		**695**	256	4,356
Other liabilities	11	**66,603**	94,450	121,685
		118,700	143,188	260,955
Subordinated debt	12	**170,000**	188,000	188,000
Total liabilities		**2,779,471**	2,255,629	2,832,851
Shareholder's equity	13			
Share capital		**532,733**	532,733	532,733
Reserve		**1,095**	1,041	933
Retained earnings		**394,878**	377,003	343,697
Accumulated other comprehensive income		**(9,423)**	(11,272)	(8,163)
Total shareholder's equity		**919,283**	899,505	869,200
Total liabilities and shareholder's equity		**3,698,754**	3,155,134	3,702,051

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Chairman of the Board

President and Chief Executive Officer

BNP PARIBAS (Canada)

Consolidated Statement of Income

For the Years Ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	Note	**2013**	2012 Restated *(Note 4)*
		$	$
Interest and dividend income			
Loans		**29,240**	40,962
Securities available for sale	5c)	**17,266**	13,123
Securities at fair value through profit or loss	5c)	**3,556**	2,374
Deposits with banks		**1,004**	890
		51,066	57,349
Interest expense			
Deposits and other liabilities		**20,549**	29,455
Subordinated debt		**3,213**	3,474
		23,762	32,929
Net interest and dividend income		**27,304**	24,420
Other income			
Commissions on signature commitments		**23,131**	28,958
Service income		**6,512**	8,468
Commissions on securities investment		**506**	1
Net gain on securities available for sale		**2,754**	3,262
Net loss or gain from trading activities		**7,789**	(1,488)
Gain on sale of a loan portfolio	6f)	**-**	17,647
Revenue from operation on behalf of affiliate and other		**14,814**	8,279
		55,506	65,127
Net banking income		**82,810**	89,547
Recovery for credit losses	6d)	**(1,261)**	(3,516)
		84,071	93,063
Non-interest expenses			
Salaries and employee benefits		**31,874**	29,427
Property and equipment, including depreciation		**7,491**	7,299
Impairment on goodwill	8	**3,400**	-
Other expenses	24b)	**17,335**	15,875
		60,100	52,601
Profit before income tax		**23,971**	40,462
Income tax	16	**6,096**	7,156
Profit for the year		**17,875**	33,306

The accompanying notes are an integral part of the consolidated financial statements.

BNP PARIBAS (Canada)

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	Note	**2013**	2012 Restated *(Note 4)*
		$	$
Profit of the year		**17,875**	33,306
Other comprehensive income, net of income tax	16		
Items that may be subsequently reclassified to profit or loss:			
Unrealised gain (loss) on currency translation of the financial statements of a subsidiary		**(1,016)**	354
Unrealised net (loss) gain on securities available for sale		**2,103**	(906)
Reclassification to net income of loss (gain) realised on securities available for sale		**(2,017)**	2,512
Total items that may be reclassified subsequently to profit or loss		**(930)**	1,960
Items that will not be reclassified to profit or loss:			
Remeasurements of post employment benefit obligations		**2,779**	(5,069)
Total items that will not be reclassified to profit or loss		**2,779**	(5,069)
		1,849	(3,109)
Total comprehensive income for the year		**19,724**	30,197

The accompanying notes are an integral part of the consolidated financial statements.

BNP PARIBAS (Canada)

Consolidated Statement of Changes in Equity

For the Years Ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	Share capital-Common	Share capital-Preferred	Reserve	Accumulated other comprehensive income	Retained earnings	Total equity
	$	$	$	$	$	$
Balance as at January 1, 2012 before restatement	**532,533**	**200**	**933**	**850**	**343,697**	**878,213**
Effect of the retroactive application of the modification with the norm IAS 19	**-**	-	-	(9,013)	-	**(9,013)**
Balance as at January 1, 2012 (restated, note 4)	**532,533**	**200**	**933**	**(8,163)**	**343,697**	**869,200**
Profit of the year	**-**	-	-	-	33,306	**33,306**
Other comprehensive income, net of income tax for the year	**-**	-	-	(3,109)	-	**(3,109)**
Total comprehensive income for the year	**-**	-	-	(3,109)	33,306	**30,197**
Transactions with equity holder, recognised directly in equity						
Share-based compensation	**-**	-	108	-	-	**108**
Balance as at December 31, 2012 (restated, note 4)	**532,533**	**200**	**1,041**	**(11,272)**	**377,003**	**899,505**
Share-based compensation	-	-	54	-	-	**54**
Profit of the year	-	-	-	-	17,875	**17,875**
Other comprehensive income, net of income tax for the year	-	-	-	1,849	-	**1,849**
Total comprehensive income for the year	**-**	**-**	**-**	**1,849**	**17,875**	**19,724**
Balance as at December 31, 2013 (note 13)	**532,533**	**200**	**1,095**	**(9,423)**	**394,878**	**919,283**

The accompanying notes are an integral part of the consolidated financial statements.

BNP PARIBAS (Canada)

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2013 and 2012

(in thousands of Canadian dollars)

	2013	2012 Restated *(Note 4)*
	$	$
Cash flows from operating activities		
Profit for the year	**17,875**	33,306
Adjustments to determine net cash flows from operating activities:		
Depreciation and write offs of property and equipment	**1,492**	1,681
Depreciation of intangible assets	**135**	313
Share-based compensation	**54**	108
Provisions for credit losses (recovery)	**(1,261)**	(3,516)
Impairment on securities available for sale	**-**	925
Impairment on goodwill	**3,400**	-
Deferred income tax	**870**	(4,170)
Gain on disposal of securities available for sale	**(2,754)**	(3,426)
Net gain on sale of loans and acceptances	**-**	(17,647)
Net change in operating assets and liabilities		
Proceeds from sale of loans and acceptances	**-**	401,160
Net change in loans and acceptances	**209,042**	390,067
Net change in deposits	**514,500**	(454,879)
Securities purchased under resale agreements	**(125,608)**	(170,063)
Net change in derivative instruments at fair value - Assets	**(2,394)**	85,517
Net change in derivative instruments at fair value - Liabilities	**2,883**	(85,833)
Net change in securities at fair value through profit or loss	**114,808**	(243,460)
Other, net amount	**(41,255)**	(55,388)
	691,787	(125,305)
Cash flows from investing activities		
Net decrease in interest-bearing deposits with Banks	**(104,915)**	105,410
Purchase of securities available for sale	**(4,076,473)**	(4,787,154)
Maturity of securities available for sale	**1,270,548**	1,113,792
Proceeds from sale of securities available for sale	**2,217,484**	3,595,839
Net acquisition of property and equipment	**(5,156)**	(510)
Net acquisition of intangible assets	**(15)**	(34)
	(698,527)	27,343
Cash flows from financing activities		
Repayment of subordinated debt	**(18,000)**	-
Impact of exchange rate fluctutations on cash and cash equivalents	**26,460**	5,138
Net change in cash and cash equivalents	**1,720**	(92,824)
Cash and cash equivalents at beginning of year	**6,447**	99,271
Cash and cash equivalents at end of year	**8,167**	6,447
Cash and cash equivalents represented by:		
Cash and non interest-bearing deposits with Bank of Canada and other banks	**8,167**	6,447

Supplemental disclosure of cash flow information		
Interest paid	**23,724**	33,527
Income tax paid	**14,735**	6,830
Interest and dividends received	**52,692**	58,420

The accompanying notes are an integral part of the consolidated financial statements.

1. Corporate Information

BNP Paribas (Canada) (the "Bank") is a subsidiary of BNP PARIBAS S.A. (France) (the "Parent Bank") and carries out its banking operations in Canada under letters patent issued by the Minister of Finance of Canada, in accordance with the Bank Act (the "Act"). The Bank is listed in Schedule II of the Act.

The address of the Bank's registered office is 1981 McGill College, Montreal, Quebec, H3A 2W8. The consolidated financial statements of the Bank as at and for the years ended December 31, 2013 and 2012, comprise the Bank and its subsidiaries as described in the "Information on the Subsidiaries" section (together referred to as the "Bank" and individually as "Group entities"). The Bank is primarily involved in corporate and investment banking, and energy trading activities.

The main subsidiary activities are described in the "Information on the Subsidiaries" section.

2. Basis of Preparation

2.1 General

a) Statement of compliance

The consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved and authorised for issue by the Board of Directors on April 8, 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars ($), which is also the functional currency of the Bank. Each entity in the Bank determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates, judgements and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

This applies in particular to :

- use of internally developed models to measure positions in financial instruments that are not quoted in active markets, calculations of the fair value of unquoted financial instruments classified as "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss", and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement;

2. Basis of Preparation (continued)

2.1 General (continued)

d) Use of estimates, judgements and assumptions (continued)

- whether a market is active or inactive for the purposes of using a valuation technique;
- impairment losses on variable-income financial assets classified as “available-for-sale”;
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments such as fair value hedges, and the assessment of hedge effectiveness;
- measurement of provisions for contingencies and expenses;
- allowances for credit losses; and
- measurement of the accrued benefit obligation and other employee benefits.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 3.

2.2 IFRS issued but yet effective

The Bank has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 9 *Financial Instruments*

IAS 32 *Financial Instruments : Presentation*

IAS 36 *Impairment of Assets*

IAS 39 *Financial Instruments : Recognition and Measurement*

These standards will be effective in future years.

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments and equity instruments are measured at their fair values at the end of subsequent accounting periods. However, an exposure draft issued in November 2012 proposes the use of a third category of financial instruments for debt instruments, that is the fair value through other comprehensive income.

2. Basis of Preparation (continued)

2.2 IFRS issued but yet effective (continued)

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.
- In December 2013, the IASB decided to postpone the effective date of IFRS 9. A new effective date will be determined when all the phases of the project have been finalized. Management has not yet determined if the application of IFRS 9 would have a material impact on the reported amount of the Bank's financial assets and liabilities. It will not be possible to provide a reasonable estimate of this impact until a detailed review has been performed.

The amendments to IAS 32 are effective for annual periods beginning on or after January 1st, 2014. The amendments clarify the requirements for offsetting financial assets and financial liabilities to minimize differences with current practice.

In May 2013, the IASB issued amendments to IAS 36, *Impairment of Assets*. The objective of these amendements is to limit the requirement to disclose to non-financial assets for which an impairment loss has been recognised or reversed during the period. These amendments also enhance and clarify the disclosures required when the recoverable amount is determined based on fair value less costs of disposal. These amendements, which are effective for annual periods beginning on or after January 1st, 2014, will be applied retrospectively.

In June 2013, the IASB issued amendments to IAS 39, *Financial Instruments : Recognition and Measurement*. According to these amendments, hedge accounting should be continued when a derivative financial instrument designated as a hedging instrument is novated from one counterparty to a central counterparty or an entity acting in that capacity and certain conditions are met. These amendments, which are effective for annual periods beginning on or after January 1st, 2014, will be applied retrospectively.

3. Significant Accounting Policies

These financial statements of the Bank have been prepared in accordance with IFRS. These financial statements also comply with the Bank Act which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada ("OSFI"), the financial statements are to be prepared in accordance with IFRS. The significant accounting policies used to prepare these financial statements are summarized below. These accounting policies conform, in all material respects, to IFRS and have been applied consistently for all periods presented in these financial statements.

3.1 Basis of consolidation

The financial statements include the assets, liabilities and profit or loss items of the Bank and its subsidiaries after eliminating intercompany transactions and balances.

3. Significant Accounting Policies (continued)

3.1 Basis of consolidation (continued)

Business combinations are accounted for using the acquisition method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the Consolidated Statement of Income in the year of acquisition.

Income and expenses of subsidiaries acquired or disposed of during the year are included in Consolidated Statements of Income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Bank.

3.2 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents consist of cash and non-interest bearing deposits with banks, including deposits with the Bank of Canada.

b) Interest-bearing deposits with Banks

Interest-bearing deposits with banks are recognised at amortised cost. Interest income earned on these deposits is recorded on an accrual basis.

3.3 Financial assets and financial liabilities

a) Recognition date

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

b) Classification

The accounting treatment applied to financial instruments depends on the category in which the instrument is classified. The classification of financial instruments depends primarily on the purpose and management’s intention for which the assets or liabilities were acquired and their characteristics. Except in exceptional circumstances, the initial classification cannot be changed.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Consolidated Statements of Income.

3. Significant Accounting Policies (continued)

3.3 Financial assets and financial liabilities (continued)

c) Financial instruments at fair value through profit or loss

i. Financial instruments classified as fair value through profit or loss

These are financial assets and financial liabilities that were purchased or incurred with the primary purpose of generating profit in the short term. These financial instruments are recorded at fair value. Realised gains and losses as well as any change in fair value are recorded in the Consolidated Statements of Income under “Net gain (loss) from trading activities” in the period in which they occur. Transaction costs are expensed as incurred. Interest and dividend income is recorded in the Consolidated Statements of Income under “Interest and dividend income”.

ii. Financial instruments designated as fair value through profit or loss

Under the accounting standards, the Bank is allowed to designate financial instruments that were not purchased or incurred with the primary purpose of generating a profit in the short term as financial instruments at fair value through profit or loss. The financial instruments must have been designated as such upon initial acquisition. This choice is irrevocable. In addition to requiring that reliable fair values be available, OSFI imposes other restrictions regarding the use of this designation.

Financial instruments designated as at fair value through profit and loss in accordance with the fair value option are recognised at fair value, and any changes in fair value are recorded in the Consolidated Statements of Income under “Net gain (loss) from trading activities” in the period in which they occur.

The Bank has elected to designate equity-linked notes as at fair value through profit or loss since the risk associated with the change in the fair value of the notes due to variation of underlying equity is economically hedged by derivative financial instruments. As such, the designation of equity-linked notes using the fair value option provides better alignment of the accounting profit or loss with the manner in which the portfolio is managed. These notes are classified as business and government deposits. Interest expense is recognised in the Consolidated Statements of Income under “Interest expense”.

d) Loans and receivables and other financial liabilities

Loans and receivables are recorded at amortised cost using the effective interest method, except when the Bank chooses to carry the loans and receivables at fair value through profit or loss as part of a fair value hedge strategy. Deposits, other than those designated as at fair value through profit or loss, and other financial assets and liabilities, are accounted for at amortised cost.

e) Securities available for sale

Financial instruments not classified as fair value through profit or loss or as loans and receivables are classified as financial assets available for sale. Available-for-sale assets are recorded at fair value. The change in fair value for the year is recorded in “Other comprehensive income”, net of income taxes.

Gains or losses realised on the disposal of available-for-sale financial instruments are recorded in the Consolidated Statements of Income under “Net gain on securities available for sale” in the period in which they occur. Transaction costs are expensed as incurred. Interest and dividend income is recorded in the Consolidated Statements of Income under “Interest and dividend income”. Interest is recognised using the effective interest method.

3. Significant Accounting Policies (continued)

3.3 Financial assets and financial liabilities (continued)

e) Securities available for sale (continued)

When there is objective evidence of impairment, the unrealised loss is immediately recorded in the Consolidated Statements of Income. The factors used to determine whether there is a decline in fair value include the duration and significance of the decline, the financial position and outlook of the issuer and the Bank's intention and capacity to hold the investment long enough to recover the fair value.

Any subsequent recovery in the fair value of an impaired available-for-sale financial asset is recognised in "Other comprehensive income".

f) Securities purchased under resale agreements

Securities purchased under resale agreements represent the amounts that the Bank will receive as a result of its commitment to resell securities that it has purchased back to the original seller, on a specified date at a specified price. The Bank recognise these instruments as if they were loans.

g) Determination of fair value for financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations, into the spread for bid and ask prices without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted using the bid-ask spread to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

3. Significant Accounting Policies (continued)

3.4 Loans

Loans are recorded at their principal amount less the allowance for credit losses. Interest income is recognised using the effective interest method.

A loan is considered impaired when, in management's opinion, there is reasonable doubt as to whether the principal or interest will ultimately be recovered in whole or in part or when an interest or principal payment is contractually 90 days past due, unless the loan is fully secured and in the process of collection. In all circumstances, loans are classified as impaired when a payment is more than 180 days past due, except for loans guaranteed or insured by the Government of Canada, a provincial government, or a Canadian government agency, which are classified as impaired when the interest or principal is 365 days past due.

Management judgment is involved in assessing whether a loan is impaire and estimating the amount and timing of future cash flows used to calculate the allowance for credit losses.

Allowances for credit losses reduce the carrying amount of loans through the provisions for credit losses account, and loan losses are recognised in the Consolidated Statements of Income under “Provision for credit losses”.

Impaired loans are carried at their estimated realisable values, which are determined by discounting the expected future cash flows at the interest rate inherent to the loan. A loan ceases to be considered impaired when principal and interest payments are up to date.

Commissions earned with respect to new, restructured or renegotiated loans are considered as adjustments to the loan yield and are deferred and recognised as “Interest and dividend income” over the expected term of such loans using the effective interest method. Commitment fees are recognised in “Other income” over the commitment period if it is unlikely that a loan will result. Otherwise, such fees are recognised in “Interest and dividend income” over the term of the loan using the effective interest method. Loan syndication fees are recognised in “Other income” at the time the syndication agreement is signed.

3.5 Allowance for credit losses

At the reporting date, the Bank determines whether there is an objective evidence of impairment of a financial asset or a group of financial assets.

The Bank maintains allowances for credit losses of which the amounts are deemed adequate to absorb probable losses in its loan portfolios. Allowances for credit losses are related to loans and to credit instruments.

Allowances for credit losses are increased by the provisions for credit losses charged to profit or loss and reduced by write-offs net of recoveries. Loans are written off when all possible restructuring or recovery activities have been completed and it is unlikely that other amounts can be recovered. Allowances for credit losses consist of specific allowances and the collective allowance.

The collective allowance methodology incorporates different factors such as probability of default, loss given default and the conversion factor, as appropriate.

The collective allowance reflects management’s best estimate of potential losses, attributable to the deterioration of credit quality, related to loans and to credit instruments that have not yet been identified as impaired. The collective allowance is estimated quarterly based on management’s best estimate, statistical analyses of the historical loss experience of the previous years, the current level of allowances, economic and market conditions, and the change in portfolio makeup.

3. Significant Accounting Policies (continued)

3.5 Allowance for credit losses (continued)

Assets acquired by way of settlement of a loan and classified as at fair value through profit or loss are initially measured at fair value less cost to sell. The difference between the carrying amount of the loan prior to foreclosure and the amount at which the foreclosed assets are initially measured is recognised under “Provision for credit losses”. Any future change in their fair value, but not in excess of the previously recognised cumulative losses, is recognised under “Other income”.

3.6 Acceptances and customers' liabilities under acceptances

Acceptances are short-term negotiable instruments issued by the Bank’s customers to third parties and guaranteed by the Bank. The Bank’s contingent commitments under bankers’ and documentary acceptances are recorded in liabilities under “Acceptances” in the Consolidated Balance Sheets. The Bank’s recourse against its customers in the event that it is obliged to honour these commitments is reported as a corresponding asset of the same amount. Commissions earned are recorded under “Other income” in the Consolidated Statements of Income. These financial instruments are recorded at amortised cost.

3.7 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

a) Bank as a lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Consolidated Statements of Income on a straight-line basis over the lease term. Contingent rental payments are recognised as an expense in the period in which they are incurred.

b) Bank as a lessor

Leases contracted by the Bank as lessor are categorised as finance leases. In a finance lease, the lessor transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is recognised in the Consolidated Statements of Income under “Interest income”. The lease payments are spread over the lease term, and are allocated to reducing the principal and to interest such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

Unearned income on finance leases is recorded as a reduction of loans in the Consolidated Balance Sheets and applied on a monthly basis to produce a constant rate of return over the lease term. Finance leases are included in business and government loans in the Consolidated Balance Sheets.

3. Significant Accounting Policies (continued)

3.8 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Furniture and equipment	6 years
Computer equipment	3 to 5 years

Leasehold improvements are depreciated over the shorter of the related lease term or their estimated useful lives. Gains and losses resulting from the sale of property and equipment are recorded under "Other income".

Depreciation methods, useful lives and the residual values of property and equipment are reviewed annually for any change in circumstances and are adjusted if appropriate.

Property and equipment are tested for impairment when there is an indication that those assets may be impaired.

3.9 Goodwill

Upon the acquisition of subsidiaries, the purchase price is attributed to assets acquired, including identifiable intangible assets, and to liabilities assumed. Goodwill is the excess of the amount paid over the fair value of net assets acquired.

Goodwill is carried at cost as established on the date of acquisition less any accumulated impairment losses. Goodwill is not amortised; however, it is tested for impairment annually or more often if there are indications of impairment. This test involves comparing the carrying amount of the cash-generating unit, including the goodwill, to its recoverable amount, which is the higher of its fair value less costs to sell, and its value in use. The excess of the carrying amount of goodwill over its recoverable amount is recorded as an impairment loss during the year in which the impairment is determined.

3.10 Intangible assets

Intangible assets include computer software used by the Bank. They are amortised on a straight-line basis over their estimated useful lives not exceeding 5 years. These intangible assets are tested for impairment when circumstances indicate that the carrying amounts may not be recoverable by comparing its carrying amount with its recoverable amount. The amortisation of intangible assets is recorded in "Other expenses" in the Consolidated Statements of Income.

3.11 Natural gas activity

a) Revenue recognition on natural gas activity

One of the business purposes of a subsidiary is to enter into park and loan ("PAL") contracts for trading purposes in which natural gas is injected and withdrawn at a predetermined price for a predetermined period. Natural gas revenue is accounted for in the period from which physical gas injection is realised and is recognised on a straight-line basis. The forward contracts of natural gas are recorded as derivatives until the physical withdrawal.

3. Significant Accounting Policies (continued)

3.11 Natural gas activity (continued)

b) Accounts receivable on natural gas activity

Accounts receivable are related to the sale of natural gas by a subsidiary that carries out credit checks on potential clients prior to any initial transaction and to physical injection of gas under PAL contracts.

c) Inventory of natural gas

Inventory of a subsidiary is made up of natural gas held off site and acquired primarily for the purpose of selling it in the short term and making a profit as a result of price fluctuations. Inventory is recorded at its fair value based on the bid price at the year-end date, net of selling expenses. Since IAS 2 does not apply to the measurement of this inventory, changes in fair value are recognised in Consolidated Statements of Income.

3.12 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in Consolidated Statements of Income except to the extent that they relate to items recognised directly in “Shareholder’s equity” or in “Other comprehensive income”.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rates prevailing at year-end. Revenues and expenses in foreign currencies are translated at the average rates prevailing during the year. Gains and losses arising from foreign currency translation are included in “Other income” in the Consolidated Statements of Income.

3. Significant Accounting Policies (continued)

3.13 Foreign currency translation (continued)

The assets and liabilities of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars at the rates in effect at year-end whereas revenues and expenses are translated at the average rates prevailing during the year. Unrealised gains and losses arising from the translation of the accounts of these subsidiaries are recorded after taxes in “Other comprehensive income”.

3.14 Derivative financial instruments

In the normal course of business, the Bank enters into derivative instrument contracts, including foreign exchange contracts, interest rate futures, forward rate agreements, cross-currency interest rate swaps, options and commodity swaps. The Bank enters into such contracts for trading purposes and for asset and liability management purposes.

Trading derivatives are those which the Bank enters into in order to assist customers in managing their foreign exchange or interest rate exposures and to generate income from proprietary trading positions exposed to market fluctuations. These derivative financial instruments are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Realised and unrealised gains and losses are recognised under “Net gain (loss) from trading activities” and the offsetting amount is recorded in “Derivative financial instruments at fair value” as an asset or liability, as applicable.

Derivatives held for other-than-trading purposes and that do not qualify for hedge accounting are recorded at fair value in “Derivative financial instruments at fair value” as assets or liabilities. Any changes in fair value are recorded in “Net gain (loss) from trading activities”.

a) Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At inception of the hedging relationship, the Bank documents all relationships between hedging instruments and hedged items as well as its risk management objective and strategy. The Bank also establishes the date when the hedging transaction will come into effect and how the derivative instruments used as part of the hedging transactions effectively contribute to offsetting the changes in fair value of the hedged items, both at the time of inception and throughout their term.

Effectiveness is reviewed on a quarterly basis using correlation analysis between the hedging instruments and the hedged items. A derivative product ceases to be designated as a hedge in the following circumstances:

- The hedged item is sold or matures;
- The hedge ceases to be effective; or
- The Bank discontinues its designation when it is no longer probable that the forecast transaction will take place in essentially the same manner or time indicated when the hedging relationship was implemented.

The gain or loss resulting from the discontinuance of the hedging relationship must be recognised in the Consolidated Statements of Income under “Net gain (loss) from trading activities”.

3. Significant Accounting Policies (continued)

3.14 Derivative financial instruments (continued)

b) Fair value hedge

Derivative financial instruments designated as fair value hedges primarily comprise interest rate swaps that the Bank uses to manage the fluctuation related to interest rates in Consolidated Balance Sheet items. To meet hedge accounting requirements, the derivatives must offset a major portion of the risk associated with the hedged item and must be designated as such when the derivatives agreement is concluded.

Any changes in the fair value of the hedged item and the hedging financial instrument are recognised in profit or loss for the year under “Net gain (loss) from trading activities” in the period in which they occur.

c) Embedded derivatives

Derivatives may be embedded in other financial instruments. Embedded derivatives are treated as separate financial instruments when their economic characteristics or risks are not closely related to those of the host instrument, when the terms of the embedded derivative are the same as those of a stand-alone derivative, and when the combined contract is not designated as at fair value through profit and loss. Embedded derivatives are measured at fair value and any subsequent change is recognised in the Consolidated Statements of Income under “Net gain (loss) from trading activities”.

3.15 Equity-linked deposit contracts

Some of the Bank’s deposits, such as equity-linked notes, the obligation for which differs based on the performance of shares or stock indexes, provide investors with a guarantee on the value of their initial investment upon maturity. Obligations of the variable payment embedded in these contracts are recorded at fair value, with any changes in fair value recognised in “Net gain (loss) from trading activities” as they occur.

3.16 Fees and commissions

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

3.17 Employee benefits

The Bank offers its employees a pension plan that has a defined benefit component and a defined contribution component.

Defined contribution plans do not give rise to an obligation for the Bank. The amount of the employer’s contributions payable during the period is recognised as an expense. Only the defined benefit component gives rise to an obligation and is measured and recognised as a liability.

The Bank accrues its obligations under employee benefit plans and the related costs, net of plan assets. Accordingly, the Bank follows these accounting policies:

3. Significant Accounting Policies (continued)

3.17 Employee benefits (continued)

- The net defined benefit plan asset or liability is actuarially determined using the projected credit unit method prorated on years of service and management's best estimate of expected plan investment performance, salary increases, retirement ages of employees and expected healthcare costs;
- The defined benefit plan expense recognised includes current service cost, past service cost and net interest related to discounting for plan;
- Plan obligations are discounted using current market interest rates for high-quality corporate bonds with equivalent maturities;
- Past service costs are recognised in profit or loss as they occur;
- Actuarial gains and losses are recognised in other comprehensive income, and the full value of the plans' deficit or surplus is presented in the Consolidated Balance Sheets.

The Bank offers its employees short-term benefits, such as salaries, annual leaves, profit-sharing and fringe benefits, and long-term benefits, which include paid leaves, seniority bonuses and certain deferred compensation paid in cash.

Short-term benefits:

The Bank recognises an expense when it has used the services rendered by employees in exchange for the benefits awarded to them.

Long-term benefits:

Long-term benefits comprise benefits, other than short-term benefits, and post-employment benefits. They specifically include compensation that is deferred over a period exceeding twelve months, paid in cash and not indexed to the BNP Paribas share price. Such deferred compensation is provisioned in the accounts for the year to which it relates. The actuarial valuation method used is similar to that applied to defined post-employment benefits, but remeasurement items are recognised in profit or loss instead of other comprehensive income.

The Bank follows the instructions of BNP Paribas Group with respect to the compensation process for all employees. The Human Resource Director reviews salary recommendations and then submits them to the approval of the various review committees.

The variable compensation level is determined by how individual and group performance for the year compares against the stated objectives.

3.18 Shared-based compensation

Share-based compensation is composed of payments based on shares issued by the Parent Bank, whether they are closed out by a share remittance or by a cash payment for which the amount depends on the changes in share value.

The Bank offers its employees share option plans and deferred share-based compensation, in addition to the possibility of subscribing for shares of the Parent Bank issued for this purpose, with a discount relating to a period of non-transferability for such shares.

a) Share options

The expense relating to the share options granted is recognised as soon as the option has been granted if the beneficiary has immediate enjoyment of the share option, or is spread out over the vesting period if the benefit is subject to service conditions.

3. Significant Accounting Policies (continued)

3.18 Shared-based compensation (continued)

a) Share options (continued)

This expense, which is recognised under “Salaries and employee benefits” on the Consolidated Statements of Income, is calculated based on the overall value of the share options as determined on the grant date.

Mathematical valuation models are used since there is no market for these instruments. The total expense for the share option plan is determined by multiplying the unit value of the option by the estimated number of options vested at the end of the vesting period considering the service conditions for the beneficiaries.

Only those assumptions relating to the departure of beneficiaries and to performance conditions that are not related to the value of BNP Paribas S.A. share are re-estimated during the vesting period and result in an adjustment to the expense.

The recognition of deferred compensation paid in the form of BNP Paribas S.A. shares follows similar accounting principles.

b) Share options offered to employees under the bank savings plan

The share options offered to employees with a discount in relation to the average market price for a given period of time as part of the Bank Savings Plan have no vesting period although they do include a legal prohibition from transfering such shares for a period of five years. This benefit is therefore measured as the difference, at the date on which the plan is announced to employees, between the market value of the share acquired considering the condition of non-transferability and the acquisition cost paid by the employee, in relation to the number of shares actually acquired.

3.19 Tax Incentives

Since January 1, 2013, the Bank has benefited from tax incentives related to the new Montreal International Financial Centre (IFC) program, under which a credit equal to 30% of the salary of an employee working in an IFC may be claimed, up to a maximum of $20,000 per employee. As at December 31, 2013, 61 eligibility certification requests had been submitted to the Ministry.

The Bank records the credits when expenses are incurred. The tax incentives are recognised under “Salaries and employee benefits” on the Consolidated Statements of Income.

4. Changes of accounting methods

a) Presentation of the Financial Statements

On January 1, 2013, the Bank applied the amendments to IAS 1, *Presentation of Financial Statements.* These amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section so that items included in other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on other comprehensive income must be allocated on the same basis.

The retrospective application of these amendments resulted in changes to the presentation of the Consolidated Statements of Comprehensive Income but had no impact on amounts reported in the financial statements.

4. Changes of accounting methods (continued)

b) Basis of consolidation

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (amended in 2011) and IAS 28 (amended in 2011). Key requirements of these five standards are described as follows :

- IFRS 10, *Consolidated Financial Statements*, replaces the parts of IAS 27, *Consolidated and Separate Financial Statements*, that deal with consolidated financial statements. SIC-12, *Consolidation - Special Purpose Entities*, has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, the sole basis for consolidation is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure or rights to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.
- IFRS 11, *Joint Arrangements*, replaces IAS 31, *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified.
- IFRS 12, *Disclosure of Interests in Other Entities*, is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

On January 1, 2013, the Bank applied those five standards. The retrospective application of these standards had no significant impact on amounts reported in the financial statements.

c) Evaluation of fair value

On January 1, 2013, the Bank applied IFRS 13, *Fair Value Measurement*.

The retrospective application of this new standard had no impact on amounts reported in the financial statements regarding fair value measurement. The new disclosures required by IFRS 13 are presented in note 20, “Fair Value of Financial Instruments”.

d) Compensation of assets and financial liabilities

On January 1, 2013, the Bank applied the amendments to IFRS 7, *Financial Instruments: Disclosures*. The amendments enhance the disclosures related to offsetting financial assets and liabilities. Their objective is to help financial statement users better assess the impact of netting arrangements on the balance sheet of an entity and understand how the entity manages the credit risk associated with such arrangements.

“Amounts set off on the Balance Sheet” were determined using the criteria set out in IAS 32. Accordingly, a financial asset and a financial liability are offset and the net amount presented in the Balance Sheets when, and only when, the Bank has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. For the most part, amounts set off arise from repurchase agreement and derivative transactions carried out with clearing houses.

The “Impact of master netting and similar arrangements” represents amounts subject to a master netting arrangement that do not meet the IAS 32 offsetting criteria for accounting purposes. This applies in particular to transactions for which the rights to set off are exercisable only in the event of default, insolvency or bankruptcy of any of the counterparties.

“Financial instruments pledged or held as collateral” encompasses margin deposits and collateral in the form of securities at market value. Using these guarantees is subject to the insolvency, default or bankruptcy of any of the counterparties.

(in thousands of Canadian dollars)

4. Changes of accounting methods (continued)

d) Compensation of assets and financial liabilities (continued)

For transactions with master arrangements, margin deposits held or pledged for the positive or negative market value of financial instruments are recognised under “Other assets” or “Other liabilities” in the Balance Sheets.

The relevant transactions are carried out under bilateral or multilateral arrangements that comply with the general principles of the national or international regulatory framework. The main bilateral arrangement forms used are those of the International Swaps and Derivatives Association (“ISDA”).

Offsetting does not have a material impact on the financial statements of the Bank.

The Bank applied these amendments retrospectively. These amendments, which specifically concern disclosures, had no impact on the Bank's profit or loss or its balance sheet.

The following table presents the amounts of financial assets and liabilities before and after offsetting:

	2013					
	Gross amounts of financial instruments	**Gross amounts set off on the financial position**	**Net amounts of financial assets presented on financial position**	**Impact of netting and similar agreements**	**Financial instruments received or given as collateral[1]**	**Net amounts according to IFRS 7**
	$	**$**	**$**	**$**	**$**	**$**
Assets						
Interest-bearing deposits with banks	187,560	-	187,560	-	-	187,560
Securities	1,852,059	-	1,852,059	-	-	1,852,059
Securities purchased under resale agreements	295,671	-	295,671	-	(295,671)	-
Loans and acceptances	1,164,301	-	1,164,301	-	-	1,164,301
Derivative financial instruments at fair value	55,487	-	55,487	(19,634)	-	35,853
Other assets	143,676	-	143,676	-	-	143,676
	3,698,754	-	3,698,754	(19,634)	(295,671)	3,383,449
Liabilities						
Deposits	2,490,771	-	2,490,771	-	-	2,490,771
Derivative financial instruments at fair value	50,559	-	50,559	(19,634)	(2,432)	28,493
Other liabilities	238,141	-	238,141	-	-	238,141
	2,779,471	-	2,779,471	(19,634)	(2,432)	2,757,405

1. Financial instruments received as collateral on assets and Financial instruments given as collateral on liabilities.

(in thousands of Canadian dollars)

4. Changes of accounting methods (continued)

d) Compensation of assets and financial liabilities (continued)

	2012					
	Gross amounts of financial instruments	Gross amounts set off on the financial position	Net amounts of financial assets presented on financial position	Impact of netting and similar agreements	Financial instruments received or given as collateral[1]	Net amounts according to IFRS 7
	$	$	$	$	$	$
Assets						
Interest-bearing deposits with banks	80,925	-	80,925	-	-	80,925
Securities	1,356,299	-	1,356,299	-	-	1,356,299
Securities purchased under resale agreements	170,063	-	170,063	-	(170,063)	-
Loans and acceptances	1,348,538	-	1,348,538	-	-	1,348,538
Derivative financial instruments at fair value	53,093	-	53,093	(28,561)	-	24,532
Other assets	146,216	-	146,216	-	-	146,216
	3,155,134	-	3,155,134	(28,561)	(170,063)	2,956,510
Liabilities						
Deposits	1,924,441	-	1,924,441	-	-	1,924,441
Derivative financial instruments at fair value	47,676	-	47,676	(28,561)	(846)	18,269
Other liabilities	283,512	-	283,512	-	-	283,512
	2,255,629	-	2,255,629	(28,561)	(846)	2,226,222

1. Financial instruments held as collateral for assets and financial instruments pledged as collateral for liabilities.

e) Employee Benefits

On January 1, 2013, the Bank applied the amendments to IAS 19, *Employee Benefits*. These amendments change the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and require the immediate recognition of past service costs when they occur.

The amendments require all actuarial gains and losses to be recognised immediately in other comprehensive income so that the net pension asset or liability recognised in the balance sheet reflects the full value of the plan deficit or surplus.

(in thousands of Canadian dollars)

4. Changes of accounting methods (continued)

e) Employee Benefits (continued)

These amendments, which were required to be applied retrospectively, had the following impact on the Bank's Statements of Income and Balance Sheets:

	As at December 31, 2012	As at January 1, 2012
	$	$
Assets		
Increase of Deferred income tax	**5,080**	3,280
Decrease of Other assets	**(3,488)**	(2,153)
	1,592	1,127
Liabilities and shareholder's equity		
Increase of Other liabilities	**15,553**	10,140
Increase of Retained earnings	**121**	-
Decrease of accumulated other comprehensive income	**(14,082)**	(9,013)
	1,592	1,127

	2012
	$
Consolidated Statement of Income	
Decrease in salaries and employee benefits expense	**165**
Increase in income tax expense	**(44)**
Increase of Profit for the year	**121**

(in thousands of Canadian dollars)

5. Securities

a) Maturity and effective average rates

	2013							
	Under 1 year		**1 to 5 years**		**Over 5 years**		**No maturity date**	**Carrying value**
	$	**%**	**$**	**%**	**$**	**%**	**$**	**$**
Securities issued or guaranteed by:								
Government of Canada:								
Treasury bills	779,233	1.04	110,186	1.06	-	-	-	**889,419**
Canadian provinces:								
Treasury bills	254,318	1.02	18,467	1.14	-	-	-	**272,785**
Other securities	-	-	115,411	1.46	293,984	1.39	-	**409,395**
Other securities:								
Canadian Debt securities	34,986	1.01	45,034	1.42	-	-	-	**80,020**
Shares of Canadian companies	-	-	-	-	-	-	6,149	**6,149**
Securities available for sale	1,068,537		289,098		293,984		6,149	**1,657,768**
Mutual Funds	-	-	-	-	-	-	210	**210**
Shares	-	-	-	-	-	-	53,144	**53,144**
Securities issued or guaranteed by:								
Canadian provinces:								
Treasury bills	140,937	1.14	-	-	-	-	-	**140,937**
Securities at fair value through profit or loss	140,937		-		-		53,354	**194,291**
Total securities	1,209,474		289,098		293,984		59,503	**1,852,059**

(in thousands of Canadian dollars)

5. Securities (continued)

a) Maturity and effective average rates (continued)

	2012							
	Under 1 year		1 to 5 years		Over 5 years		No maturity date	Carrying value
	$	%	$	%	$	%	$	$
Securities issued or guaranteed by:								
Government of Canada:								
Treasury bills	551,661	1.05	-	-	-	-	-	551,661
Canadian provinces:								
Treasury bills	26,961	1.15	-	-	-	-	-	26,961
Other securities	70,044	1.28	320,633	1.46	71,056	1.49	-	461,733
Other securities:								
Shares of Canadian companies	-	-	-	-	-	-	6,191	6,191
Shares of foreign companies	-	-	-	-	-	-	654	654
Securities available for sale	648,666		320,633		71,056		6,845	1,047,200
Mutual Funds	-	-	-	-	-	-	14,695	14,695
Shares	-	-	-	-	-	-	56,375	56,375
Securities issued or guaranteed by:								
Government of Canada:								
Treasury bills	152,944	1.14	-	-	-	-	-	152,944
Canadian provinces:								
Treasury bills	85,085	1.21	-	-	-	-	-	85,085
Securities at fair value through profit or loss	238,029		-		-		71,070	309,099
Total securities	886,695		320,633		71,056		77,915	1,356,299

As at the end of 2013 and 2012, no investment represents more than 10% of portfolio.

Average effective rates included in the table above are calculated using the carrying amount of the securities at year-end and the contractual interest rates adjusted for amortisation of premiums and discounts.

In 2013 and 2012, no net losses were reported in “Net gain (loss) from trading activities” for debt securities designated as at fair value through profit and loss under the fair value option. The fair value of some of these securities was partly determined using a valuation method based on assumptions that are not tied to observable current market transactions. In management’s opinion, the use of potential alternative assumptions would not have generated significantly different fair values.

b) Unrealised gains and losses on securities available for sale

The following table shows the unrealised gains (losses) on available-for-sale securities established using the most recent bid price at the year-end date. These gains or losses may not be realised at the time of sale. When a quoted price is not readily available, other valuation techniques may be used to estimate fair value. These unrealised gains and losses are recognised in “Unrealised net gain (loss) on securities available for sale” on the Consolidated Statements of Comprehensive Income.

(in thousands of Canadian dollars)

5. Securities (continued)

b) Unrealised gains and losses on securities available for sale (continued)

	2013			
	Amortised Cost	**Unrealised Gains**	**Unrealised Losses**	**Carrying Value**
	$	**$**	**$**	**$**
Securities issued or guaranteed by:				
Government of Canada:				
Treasury bills	889,203	216	-	**889,419**
Canadian provinces:				
Treasury bills	272,802	13	(30)	**272,785**
Other securities	408,886	553	(44)	**409,395**
Other securities:				
Canadian Debt securities	79,987	34	(1)	**80,020**
Shares of Canadian companies	3,100	3,049	-	**6,149**
Securities available for sale	**1,653,978**	**3,865**	**(75)**	**1,657,768**

	2012			
	Amortised Cost	Unrealised Gains	Unrealised Losses	Carrying Value
	$	$	$	$
Securities issued or guaranteed by:				
Government of Canada:				
Treasury bills	551,546	120	(5)	551,661
Canadian provinces:				
Treasury bills	26,961	-	-	26,961
Other securities	460,840	898	(5)	461,733
Other securities:				
Shares of Canadian companies	4,130	2,061	-	6,191
Shares of foreign companies	377	277	-	654
Securities available for sale	**1,043,854**	**3,356**	**(10)**	**1,047,200**

(in thousands of Canadian dollars)

5. Securities (continued)

c) Interest and dividends on securities

	2013	2012
	$	$
Interest income	**19,152**	14,677
Dividend income	**1,670**	820
	20,822	15,497

d) Impairement on securities available for sale

Available-for-sale securities are assessed periodically to determine whether there is objective evidence of impairment. The analyses performed on shares in Canadian and foreign companies take into account the economic slowdown, the business perspectives such as the demand reduction on the market and plant closures. As at December 31, 2013, the Bank recognised no impairment ($3,108 in 2012) upon objective evidence of impairment.

6. Loans and Acceptances

a) Loans and customer's liabilities under acceptances, net of allowance for credit losses

	Canadian customers		**Foreign customers**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	$	$	**$**	$	**$**	$
Mortgage loans	**6,632**	11,506	**-**	553	**6,632**	12,059
Business and government loans and acceptances by industry segment:						
Manufacturing	**213,414**	130,671	**26,761**	15,841	**240,175**	146,512
Mines, quarries and petroleum	**118,023**	148,496	**-**	-	**118,023**	148,496
Services	**86,290**	146,264	**9**	5	**86,299**	146,269
Wholesale and retail	**38,975**	111,915	**2,597**	1	**41,572**	111,916
Real estate	**251,796**	393,240	**-**	-	**251,796**	393,240
Construction	**137,065**	148,671	**-**	-	**137,065**	148,671
Transportation	**232,688**	177,728	**-**	-	**232,688**	177,728
Communications	**49,835**	46,626	**-**	-	**49,835**	46,626
	1,134,718	1,315,117	**29,367**	16,400	**1,164,085**	1,331,517
Loans to regulated financial institutions	**8,479**	8,801	**43,411**	55,857	**51,890**	64,658
	1,143,197	1,323,918	**72,778**	72,257	**1,215,975**	1,396,175
Allowances for credit losses	**(50,747)**	(47,537)	**-**	-	**(50,747)**	(47,537)
Collective allowance on loans and acceptances	**(927)**	(100)	**-**	-	**(927)**	(100)
Total allowance for credit losses	**(51,674)**	(47,637)	**-**	-	**(51,674)**	(47,637)
	1,091,523	1,276,281	**72,778**	72,257	**1,164,301**	1,348,538

(in thousands of Canadian dollars)

6. Loans and Acceptances (continued)

b) Finance lease

The Bank arranges equipment leases to customers under finance leases primarily which are related to structured financing transactions involving transportation industry assets. As at December 31, 2013, loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Bank is the lessor:

	Minimum payments		Present value of minimum lease payments receivable	
	2013	2012	**2013**	2012
	$	$	**$**	$
Less than one year	**5,195**	32,312	**5,187**	32,281
More than one year, but less than five years	**20,621**	20,935	**20,426**	20,365
More than five years	**24,797**	30,435	**24,208**	29,221
	50,613	83,682	**49,821**	81,867
Less: unearned finance income	**792**	1,814	**-**	-
Net investment in finance leases	**49,821**	81,868	**49,821**	81,867

The unguaranteed residual values accruing to the benefit of the lessor at the end of the year 2013 are estimated at $800 ($8,660 in 2012).

The interest rate implicit in the leases is the discount rate at the inception of the lease for all contract term. The following table shows the average implicit rate:

	2013	2012
Effective interest rate	1.28 %	1.34 %

During 2013 and 2012, variable rents, representing the interest portion of the lease payment, were $893 and $1,247 respectively.

At year-end 2013 and 2012, no finance lease receivables were impaired.

(in thousands of Canadian dollars)

6. Loans and Acceptances (continued)

c) Impaired loans

	2013			2012		
	Gross amount	Specific allowance	**Net amount**	Gross amount	Specific allowance	Net amount
	$	$	$	$	$	$
Canadian:						
Mortgage loans, business and government loans by industry segment:						
Communications	49,834	49,834	**-**	46,625	46,625	-
Wholesale	915	913	**2**	912	912	-
	50,749	50,747	**2**	47,537	47,537	-

As at December 31, 2012, foreclosed assets representing shares of a Canadian corporation totalling $1,686 were presented in available-for-sale securities on the Consolidated Balance Sheets.

"Interest and dividend income" in the Consolidated Statements of Income comprises no interest income on loans classified as impaired in 2013 and in 2012.

d) Allowance for credit losses

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

(in thousands of Canadian dollars)

6. Loans and Acceptances (continued)

d) Allowance for credit losses (continued)

		2013				
	Note	**Balance at beginning**	**Recoveries**	**Provision for credit losses (recovery)**	**Foreign exchange fluctuation**	**Balance at end**
		$	**$**	**$**	**$**	**$**
Personal loans		-	3	(3)	-	**-**
Business and government loans by industry:						
-Manufacturing		-	401	(401)	-	**-**
-Communications		46,625	25	(25)	3,209	**49,834**
-Wholesale		912	-	1	-	**913**
-Other		-	168	(168)	-	**-**
Specific allowance		47,537	597	(596)	3,209	**50,747**
Collective allowance on loans and acceptances		100	-	827	-	**927**
Collective allowance on credit instruments	11	9,600	-	(1,492)	-	**8,108**
Collective provision		9,700	-	(665)	-	**9,035**
Total provision		57,237	597	(1,261)	3,209	**59,782**

(in thousands of Canadian dollars)

6. Loans and Acceptances (continued)

d) Allowance for credit losses (continued)

	Note	Balance at beginning	Recoveries	Provision for credit losses (recovery)	Foreign exchange fluctuation	Balance at end
		2012				
		$	$	$	$	$
Business and government loans by industry:						
-Communications		47,790	-	(131)	(1,034)	46,625
-Wholesale		911	-	1	-	912
-Other		-	86	(86)	-	-
Specific allowance		48,701	86	(216)	(1,034)	47,537
Collective allowance on loans and acceptances		500	-	(400)	-	100
Collective allowance on credit instruments	11	12,500	-	(2,900)	-	9,600
Collective provision		13,000	-	(3,300)	-	9,700
Total provision		61,701	86	(3,516)	(1,034)	57,237

e) Loans past due but not impaired

As at December 31, 2013 and 2012, the amount of total loans included an insignificant amount of loans past due that are not classified as impaired because they are less than 90 days past due and their guarantees are such that it is reasonable to expect a full recovery.

f) Sale of loans and acceptances

On February 21, 2012, the Bank signed a definite agreement to sell its reserved-based lending loans in Canada. This transaction, completed from April 20, 2012 to July 19, 2012, comprises $818,004 of total commitments including $390,744 in funded balances.

The Bank remains committed to its Energy and Commodities business and therefore continues to serve its energy clients in Canada. In 2012, the Consolidated Statement of Income includes a gain of $17,647 related to this transaction, which is presented under “Other” in the segmented information (note 15).

(in thousands of Canadian dollars)

7. Property and Equipment

	Computer equipment	Furniture and equipment	Leasehold improvements	Total
	$	$	$	$
Cost				
As at December 31, 2011	6,721	2,254	5,260	**14,235**
Additions	237	2	271	**510**
Write offs	(42)	(1)	(1,143)	**(1,186)**
As at December 31, 2012	6,916	2,255	4,388	**13,559**
Additions	920	1,572	2,664	**5,156**
Write offs	(2,278)	(257)	(142)	**(2,677)**
As at December 31, 2013	**5,558**	**3,570**	**6,910**	**16,038**
Depreciation				
Accumulated as at December 31, 2011	5,488	1,653	1,663	**8,804**
Write offs	(9)	-	(800)	**(809)**
Depreciation charge for the year	607	198	499	**1,304**
Accumulated as at December 31, 2012	6,086	1,851	1,362	**9,299**
Write offs	(2,275)	(257)	(104)	**(2,636)**
Depreciation charge for the year	440	379	632	**1,451**
Accumulated as at December 31, 2013	**4,251**	**1,973**	**1,890**	**8,114**
Net Book Value				
As at December 31, 2011	1,233	601	3,597	**5,431**
As at December 31, 2012	830	404	3,026	**4,260**
As at December 31, 2013	**1,307**	**1,597**	**5,020**	**7,924**

(in thousands of Canadian dollars)

8. Goodwill and Intangible Assets

	Goodwill	Intangible assets	Total
	$	$ (Note 9)	$
Cost			
As at December 31, 2011	3,400	4,684	**8,084**
Additions	-	34	**34**
Write offs	-	(140)	**(140)**
As at December 31, 2012	3,400	4,578	**7,978**
Additions	-	15	**15**
Impairment during the year	(3,400)	-	**(3,400)**
Write offs	-	(1,074)	**(1,074)**
As at December 31, 2013	**-**	**3,519**	**3,519**
Depreciation			
As at December 31, 2011	-	4,106	**4,106**
Impairment during the year	-	173	**173**
As at December 31, 2012	-	4,279	**4,279**
Write offs	-	(1,074)	**(1,074)**
Impairment during the year	-	135	**135**
As at December 31, 2013	**-**	**3,340**	**3,340**
Net Book Value			
As at December 31, 2011	3,400	578	**3,978**
As at December 31, 2012	3,400	299	**3,699**
As at December 31, 2013	**-**	**179**	**179**

All goodwill is related to BNP Paribas Energy Trading Canada Corp., the results of which are presented under “Capital market” in the segmented information (note 15). It is essentially made up of expected synergies with the Bank’s existing clients.

Goodwill is tested for impairment and an analysis of the recoverable amount is done by the management on a yearly basis.

In 2012, the recoverable amount has been determined based on value in use calculations, using cash flow projections based on financial budgets approved by senior management covering a five–year period. The following rates are used by the Bank: discount rate of 7% and projected growth rate of 5%. The calculation of value in use is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period, and natural gas price.

(in thousands of Canadian dollars)

8. Goodwill and Intangible Assets (continued)

Interest margins are based on current fixed–interest yields and discount rates reflect the current market assessment of the risk specific to the cash-generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the banking industry, determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to the cash-generating unit for which future estimates of cash flows have not been adjusted.

The projected growth rates are based on the natural gas price curves published by industry research. It also takes into consideration reduction in operating costs based on the centralisation of operations in one location. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the units to further exceed their recoverable amount.

During its 2013 annual recoverable amount assessment, management concluded that the market situation in which BNP Paribas Energy Trading Canada Corp. operates no longer justifies the full value of goodwill. Consequently, the full amount was written off during the year. Goodwill is not deductible for tax purposes.

9. Other Assets

	2013	2012
	$	$
Prepaid expenses	**2,262**	1,072
Amounts receivable from the Parent bank and others affiliated	**19,073**	9,390
Accounts receivable	**81,027**	81,766
Amounts receivable and other	**11,245**	26,863
Income tax receivable	**6,070**	82
Intangible	**179**	299
	119,855	119,472

Accounts receivable are mainly composed of accruals on oil and gas contracts.

As of December 31, 2013, based on the evaluation of accounts receivable, no allowance for bad debt is required or recorded (nil in 2012).

(in thousands of Canadian dollars)

10. Deposits

	2013 On demand	2013 Fixed term	**2013 Total**
	$	$	$
Canadian:			
Businesses and governments	200,193	2,014,403	**2,214,596**
Deposit-taking institutions	3,065	106,724	**109,789**
	203,258	2,121,127	**2,324,385**
Foreign:			
Personal	-	139	**139**
Businesses and governments	90,817	-	**90,817**
Deposit-taking institutions	48,292	27,138	**75,430**
	139,109	27,277	**166,386**
	342,367	2,148,404	**2,490,771**

	2012 On demand	2012 Fixed term	2012 Total
	$	$	$
Canadian:			
Businesses and governments	239,048	1,305,487	1,544,535
Deposit-taking institutions	26	76,921	76,947
	239,074	1,382,408	1,621,482
Foreign:			
Personal	-	129	129
Businesses and governments	32,596	150,217	182,813
Deposit-taking institutions	78,679	41,338	120,017
	111,275	191,684	302,959
	350,349	1,574,092	1,924,441

Deposits on demand consist of deposits in respect of which the Bank is not authorized to require a notice at the time of withdrawal by the customer. These deposits are primarily made up of chequing accounts.

Fixed-term deposits include deposits that mature on a specific date, particularly term deposits and guaranteed investment certificates.

Liabilities designated as at fair value through profit or loss

As at December 31, 2013, business and government deposits included equity-linked notes that contain embedded derivatives having a notional amount of $70,014 ($202,022 in 2012), that are classified as instruments designated as at fair value through profit or loss. The fair value of these deposits as at December 31, 2013 was $71,116 ($201,066 in 2012). The fair value was partly determined using a valuation technique based on assumptions that are not supported by observable current market transactions.

(in thousands of Canadian dollars)

10. Deposits (continued)

The principal valuation techniques involve discounting the deposit based on zero-coupon yield curves and adjusting the amount based on the value of the underlying instrument and the credit risk. In management's opinion, the use of potential alternative assumptions would not have generated significantly different fair values. Interest expenses on deposits designated as at fair value through profit or loss and totalling $1,728 ($10,325 in 2012) were recorded in interest expense on deposits in the Consolidated Statements of Income.

The decrease of $2,058 in fair value for the year ($12,039 in 2012) was recognised under "Net gain (loss) from trading activities" in the Consolidated Statements of Income. The fluctuation in fair value is attributable to factors other than interest rate fluctuations. The amount at maturity, which the Bank will be bound to pay to holders, is variable and will differ from the fair value as at December 31, 2013. In order to reduce the risk associated with these derivative instruments, the Bank enters into contracts that hedge the risk in question.

The decrease in fair value for the year includes unrealised losses of $985 ($22,352 in 2012) attributable to credit risk. The change in fair value attributable to changes in credit risk has been calculated by reference to the change in the credit spread implicit in the market value.

Using another valuation model based on other assumptions could give other results. In management's opinion, using alternative assumptions would not have resulted in significant differences.

11. Other Liabilities

	Note	**2013**	2012
		$	$
Accrued liabilities and other		**22,511**	19,371
Accounts payable on commodities		**22,754**	41,124
Accrued benefit liabilities	17)	**13,143**	20,389
Collective allowance on credit instruments	6d)	**8,108**	9,600
Income taxes payable		**87**	3,966
		66,603	94,450

(in thousands of Canadian dollars)

12. Subordinated Debt

The terms and conditions of the subordinated debt issued are as follows:

	2013		2012[1]	
	$	**%**	$	%
Subordinated debt in CDOR rate at 3 months increase by 0.52% (0.55% in 2012) matured on November 25, 2013	**-**	**-**	18,000	1.80
Subordinated debt in CDOR rate at 3 months increase by 0.52% (0.55% in 2012) maturing on October 25, 2015	**10,000**	**1.80**	10,000	1.80
Subordinated debt in CDOR rate at 3 months increase by 0.42% (0.45% in 2012) maturing on November 25, 2015	**40,000**	**1.70**	40,000	1.70
Subordinated debt in CDOR rate at 3 months increase by 0.52% (0.55% in 2012) maturing on December 18, 2015	**20,000**	**1.80**	20,000	1.80
Subordinated debt in CDOR rate at 3 months increase by 0.37% (0.40% in 2012) maturing on December 28, 2015	**20,000**	**1.65**	20,000	1.60
Subordinated debt in CDOR rate at 3 months increase by 0.52% (0.55% in 2012) maturing on December 29, 2015	**10,000**	**1.80**	10,000	1.80
Subordinated debt in CDOR rate at 3 months increase by 0.32% (0.35% in 2012) maturing on March 27, 2017	**30,000**	**1.60**	30,000	1.60
Subordinated debt in CDOR rate at 3 months increase by 0.32% (0.55% in 2012) maturing on December 4, 2017	**10,000**	**1.60**	10,000	1.60
Subordinated debt in CDOR rate at 3 months increase by 0.57% (0.60% in 2012) maturing on December 14, 2017	**30,000**	**1.85**	30,000	1.80
	170,000		188,000	

1. For the year ended December 31, 2012, the subordinated debt bore interest at 3-month LIBOR plus rate specified between brackets.

The subordinated debt is due to the Parent Bank and is unsecured and subordinated to deposits and other indebtedness of the Bank. Any repurchase or cancellation of subordinated debt is subject to approval by OSFI. At the inception date, the interest rate reflected market values which are reset every three months. Therefore, the carrying amount of the subordinated debt at inception date represents its fair value.

The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated debt during the years ended December 31, 2013 and 2012.

The contractual maturities of subordinated debt are as follows:

	2013	2012
	$	$
2013	**-**	18,000
2015	**100,000**	100,000
2017	**70,000**	70,000
	170,000	188,000

(in thousands of Canadian dollars)

13. Share Capital and Reserve

a) Share capital

The Bank's capital share is as follows:

	2013	2012
	$	$
Authorized:		
Unlimited number of common shares, one voting right per share, without par value	**-**	-
Unlimited number of preferred shares, non-voting, without par value, issuable in series. Series 1 pays an 8% annual non-cumulative dividend and is redeemable at the option of the Bank	**-**	-
Issued and fully paid:		
85,937,049 Common Shares (85,937,049 as at December 31, 2012)	**532,533**	532,533
2000 Series 1 Preferred shares	**200**	200
	532,733	532,733

i. Capital management

The Bank's capital management framework consists of maintaining a capital level that satisfies the regulatory capital ratios consistent with the OSFI's minimum requirements and of ensuring financing of banking activities and an appropriate return to the shareholder.

The Bank reviews its capital management policy annually, taking into consideration income forecasts as well as projected growth in credit outstanding. The capital management policy is approved by the Board of Directors. Management tracks changes in ratios on a monthly basis and presents these changes to the Board on a quarterly basis.

ii. Regulatory capital

OSFI implemented a new regulatory framework with which the Bank had to comply since January 1st, 2013. This new regulatory framework (Basel III) enhances the new capital requirements, namely the minimum levels to be met. Although this framework provides for a transition period from 2013 to 2019 to mitigate the impact of the new capitalisation rules, management was able to comply with the levels set out for 2019 in the first quarter of 2013. The "all-in" method presents amounts calculated regardless of the transition period.

The capital ratio is the relationship between regulatory capital and risk-weighted assets (Note 21.2). Regulatory capital consists essentially of share capital, retained earnings, subordinated debt and the collective allowance on loans and acceptances. Common share capital and retained earnings are part of Tier 1 capital, whereas preferred share capital, subordinated debt and the collective allowance on loans and acceptances are part of Tier 2 capital.

The minimum Tier 1 capital ratio that institutions must maintain to meet regulatory requirements is now 8.5%. In addition, the Common Equity Tier 1 ratio, implemented under the new Basel III framework, must exceed 7% at a minimum, including a 2.5% capital conservation buffer. Finally, the total capital ratio must exceed 10.5%, including the 2.5% capital conservation buffer. The Bank's ratios complied with these regulations for the years 2013 and 2012.

(in thousands of Canadian dollars)

13. Share Capital and Reserve (continued)

a) Share capital (continued)

The Bank chose the standardised approach for credit risk and the basic indicator approach for operational risk. The OSFI capital standard also requires that an assets-to-capital ratio be maintained at all times. For the purpose of calculating this ratio, the Bank's total assets, including certain off-balance sheet items, cannot exceed 20 times the capital. The Bank's ratios complied with these requirements as at December 31, 2013 and 2012.

	2013 [1]	2012 [2] Restated *(Note 4)*
	$	$
Tier 1 Capital (and Common Equity Tier 1)		
Common shares	**532,533**	532,533
Surplus	**1,095**	1,041
Retained earnings	**394,878**	377,003
Accumulated net gain at fair value, net of income tax, arising from changes in the Bank's own credit risk	**(220)**	(1,285)
Unrealised gain on currency translation of the financial statements of a subsidiary	**-**	357
Software considered as intangible assets	**(179)**	-
Goodwill	**-**	(3,400)
Accumulated other comprehensive income for the calculation of shareholder's equity	**(9,423)**	-
	918,684	906,249
Tier 2 Capital		
Non-qualifying tier 2 capital include in a phase-out from 2013 to 2022	**62,200**	-
Preferred shares	**-**	200
Collective allowance on loans and acceptances	**927**	100
Subordinated debt	**-**	188,000
Unrealised net gain on securities available for sale	**-**	1,715
Accumulated depreciation for capital adequacy purposes	**-**	(92,000)
	63,127	98,015
Total Regulatory capital	**981,811**	1,004,264
Risk-Weighted assets	**3,904,829**	3,938,992
Capital ratio (%)		
Tier 1 capital ratio under common shares	**23.5**	23.0
Tier 1 capital ratio	**23.5**	23.0
Total capital ratio	**25.1**	25.5
Asset-to-capital multiple	**6.2**	5.4

1. Amounts calculated using the “all-in” method, in accordance with the Basel III regulatory framework.
2. Amounts calculated in accordance with the Basel II regulatory framework.

(in thousands of Canadian dollars)

13. Share Capital and Reserve (continued)

b) Reserve

The reserve is an equity-settled employee benefits reserve that relates to share options granted by the Bank to its employees under its employee share option plan. Further information about share-based payments to employees is set out in note 14.

c) Accumulated other comprehensive income

Accumulated other comprehensive income is summarised in the following table:

	2013	2012
	$	$
Items that may be subsequently reclassified to profit or loss:		
Currency translation reserve of financial statements of a subsidiary	**(659)**	357
Available-for-sale reserve	**2,539**	2,453
	1,880	2,810
Items that will not be reclassified to profit or loss:		
Reserve for Remeasurement of post employement benefit obligations	**(11,303)**	(14,082)
Accumulated other comprehensive income	**(9,423)**	(11,272)

14. Share-Based Compensation

For certain employees, the Bank has provided share-based compensation, share options and free share allotments that are included in the employee retention plans and the overall share incentive plan.

As part of the variable compensation policy implemented by the Bank, employee retention plans have been created for certain individuals having a significant performance or newly recruited employees. These retention plans provide for specific compensation over several years, subject to service conditions and payable in various forms, including shares or cash amounts indexed to share prices. The compensation expense is recognised over the vesting period.

Overall stock incentive plan

The stock option plans were put in place to associate various categories of managers with the Bank's development.

The conditions for exercising a fraction of the options allotted, beyond a minimum number of options not subject to this condition, depend upon the relative performance of the Parent Bank's shares on the Dow Jones Euro Stoxx Bank index. Relative performance is measured at the end of the second, third and fourth years in the period of unavailability and applies to one third of the options subject to this condition at each calculation date. The relative performance of the Parent Bank on this index is recognised by comparing the percentage ratio between average opening prices of the Parent Bank's shares for each year of unavailability and those for the preceding year of unavailability, as well as the percentage ratio between the average opening prices on the index for the same periods.

(in thousands of Canadian dollars)

14. Share-Based Compensation (continued)

The free share allotments made are permanently vested, subject to certain service conditions following a four-year vesting period. The performance condition is achieved if the BNP Paribas Group's earnings per share increase by 5% or more compared to the preceding year or, if this condition is not met, based on the relative performance of the Parent Bank's shares on the Dow Jones Euro Stoxx Bank index. This relative performance is measured based on the same provisions applicable to the share option plans. If this condition is not met, the fraction of the corresponding free share allotments will be terminated. All plans that have not expired will result in the eventual subscription or delivery of shares by the Parent Bank.

Share-based payment expense

For the year ended December 31, 2013, an amount of $54 ($134 in 2012) was recognised under "Salaries and employee benefits" in respect of all of the plans granted.

Share option activity is summarised in the following table:

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding at beginning	12,840	109.36	13,584	109.92
Exercised or cancelled	(777)	75.84	(744)	119.56
Outstanding at end	**12,063**	**111.52**	12,840	109.36
Exercisable at end	**10,823**	**115.77**	11,600	113.09

Options outstanding as at December 31, 2013 are summarized in the following table:

Characteristics of the plan				Outstanding options at end of year	
Number of options granted	Starting exercice date of options	Expiry date of options	Adjusted exercice price[1] $	Number of options	Remaining life in year until maturity
6,191	March 6, 2010	April 4, 2014	115.65	1,948	0.26
11,189	March 3, 2011	March 6, 2015	119.56	4,258	1.17
9,693	April 18, 2012	April 15, 2016	112.32	4,617	2.25
1,240	March 4, 2015	March 4, 2019	74.47	1,240	5.20
28,313				12,063	

1 The adjusted exercise price represents the counter value in Canadian dollars of the exercise price stated in Euros at the option allocation date.

(in thousands of Canadian dollars)

14. Share-Based Compensation (continued)

The following table summarizes the free share allotment plan:

	2013	2012
	Number of shares	Number of shares
As at January 1st	**6,395**	4,755
Granted	**-**	1,640
Exercised	**(1,033)**	-
Cancelled	**(542)**	-
As at December 31	**4,820**	6,395

Number of options granted	Date of full vesting of shares	Number of current shares
1,620	March 5, 2014	1,620
1,560	March 4, 2015	1,560
1,640	March 6, 2016	1,640
4,820		4,820

a) Value attributed to share options and free share allotments

The Bank measures share options and free share allotments and recognises an expense, which is determined at the grant date and calculated based on the market value of the options or shares, respectively. Only those assumptions relating to the beneficiary population (disentitlement) and to performance conditions may be reviewed during the vesting period and result in an expense readjustment.

i. Valuing share options

The models used to value share options are binomial or trinomial tree algorithms able to take into account the possibility that options will not be exercised in an optimal manner starting on the availability date. The so-called Monte Carlo method was also used to value features of certain secondary allotments relating to the relative performance of Parent Bank with respect to a sector-based index. The implicit volatility used to value the plans was estimated based on a series of quotes by various trading rooms. The level of volatility used reflects changes in historical volatilities measured on the reference index as well as for shares of the Parent Bank over a 10-year period. No share options have been granted in 2013 and 2012.

(in thousands of Canadian dollars)

14. Share-Based Compensation (continued)

a) Value attributed to share options and free share allotments (continued)

ii. Valuing free stock allotments

The unit value of the free share allotments is the value at the end of the retention period, plus dividends subsequent to the vesting date, discounted at the date of allotment. The unit value of the free share allotments in 2012 is between 27.46 Euros and 32.36 Euros. No free share was allotted in 2013.

The following assumptions were used for accounting purposes:

	2012
	%
Risk-free interest rate	1.16
Rate of loss of rights	2.00
Expected dividends	4.00

b) Subscription or purchase of shares by employees as part of the business savings plan

	2012
Price of the BNP Paribas S.A. share at the plan announcement date (in euros)	30.15
Number of shares issued or transferred	1,694
Subscription or transfert price (in euros)	25.00
Five-year risk free interest rate	1.67 %
Fair value of non-transferability	29.00 %

In 2013, there were no subscription or purchase of shares by employees as part of the business savings plan.

15. Segmented Information

The Bank has four reportable segments, as described below, which are the Bank's operating groups. The "Commercial bank" segment includes all the traditional banking activities such as loans, deposits and other credit instruments offered to customers, along with the short-term import/export, energy and project finance activities. The "Capital market" segment consists of rate and liquidity risk management, swaps and options. The "Regional servicing" segment relates to the back office and accounting activities for the North America regional platform of BNP Paribas Group. The "Other" segment includes notional return on equity and all other income related to customers. It also includes general expenses not assumed by the other segments. The accounting policies of the Bank's reportable segments are the same as those described in the note on significant accounting policies.

(in thousands of Canadian dollars)

15. Segmented Information (continued)

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed globally and are not allocated to operating segments.

Income before income taxes by business segment is as follows:

	2013				
	Commercial bank	**Capital market**	**Regional services**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Net interest and dividend income	(1,046)	10,244	-	18,106	**27,304**
Other income	32,438	8,952	14,798	(682)	**55,506**
Net banking income	31,392	19,196	14,798	17,424	**82,810**
Non-interest expenses	20,603	17,339	13,756	8,402	**60,100**
Operating income	10,789	1,857	1,042	9,022	**22,710**
Credit losses recovery	(596)	-	-	(665)	**(1,261)**
Profit before income tax	11,385	1,857	1,042	9,687	**23,971**
Income tax					**6,096**
Profit of the year					**17,875**
Balance sheet					
Average interest-bearing assets	899,252	1,468,149	-	906,485	**3,273,886**

	2012				
	Commercial bank	Capital market	Regional services	Other	Total
	$	$	$	$	$
Net interest and dividend income	6,202	2,688	-	15,530	24,420
Other income	37,836	24,697	8,273	(5,679)	65,127
Net banking income	44,038	27,385	8,273	9,851	89,547
Non-interest expenses	21,661	19,987	7,969	2,984	52,601
Operating income	22,377	7,398	304	6,867	36,946
Credit losses recovery	(216)	-	-	(3,300)	(3,516)
Profit before income tax	22,593	7,398	304	10,167	40,462
Income tax					7,156
Profit of the year					33,306
Balance sheet					
Average interest-bearing assets	1,210,733	1,393,244	-	559,769	3,163,746

(in thousands of Canadian dollars)

15. Segmented Information (continued)

The geographical analysis of interest and dividend income for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
	$	$
Canada	**49,561**	55,314
International operations	**1,505**	2,035
	51,066	57,349

All non-current assets are located in Canada.

16. Income Taxes

The components of income tax expense for the years ended December 31, 2013 and 2012 are:

Consolidated Statement of Income

	2013	2012 Restated *(Note 4)*
	$	$
Current income tax for the year	**5,173**	12,306
Adjustement for previous years	**53**	(980)
Current income tax	**5,226**	11,326
Deferred income tax for the year	**1,102**	(4,440)
Adjustement for previous years	**(232)**	270
Deferred income tax	**870**	(4,170)
Income tax expense	**6,096**	7,156
Consolidated Statement of Comprehensive Income		
Other comprehensive income:		
Unrealised net gain (loss) on securities available for sale	**737**	(439)
Reclassification to income of gain realised on securities available for sale	**(1,095)**	914
Income tax expense charged to the Consolidated Statement of Comprehensive Income (recovery)	**(358)**	475
Total income tax expense	**5,738**	7,631

(in thousands of Canadian dollars)

16. Income Taxes (continued)

a) Reconciliation of total tax charge

	2013	2012 Restated *(Note 4)*
	$	$
Income tax at the combined federal and provincial statutory rate of 26.7% (26.7% in 2012)	**6,427**	10,815
Increase (decrease) due to:		
Non-taxable expense (Non-taxable income)	**402**	(2,149)
Tax benefit not recognised on loss of a subsidiary	**(46)**	128
Changes in income tax rate	**(36)**	(66)
Prior years adjustment	**(179)**	(1,441)
Other differences	**(472)**	(131)
Tax expense in the Consolidated Statement of Income	**6,096**	7,156

The effective income tax for 2013 is 25.6% (17.6% in 2012).

b) Deferred Tax

The following table shows deferred taxes recorded on the Consolidated Balance Sheet:

	2013	2012 Restated *(Note 4)*	**2013**	2012 Restated *(Note 4)*
	Balance on balance sheet		Amount recognised to income	
	$	$	**$**	$
Provision for credit losses	**3,686**	3,860	(174)	(805)
Financial leases	**5,493**	5,448	45	1,628
Financial instruments	**(63)**	(343)	280	5,822
Adjustment to the fair value of assets acquired	**679**	751	(72)	(823)
Property and equipement and other	**(2,186)**	(1,237)	(949)	(1,652)
Relative to incomes	**7,609**	8,479	(870)	4,170
	Balance on balance sheet		Amount recognised to comprehensive income	
	$	$	**$**	$
Accured employee benefits liability	**4,501**	5,192	(691)	1,844
Relative to comprehensive income	**4,501**	5,192	(691)	1,844
Total deferred income tax assets	**12,110**	13,671	(1,561)	6,014

16. Income Taxes (continued)

b) Deferred Tax (continued)

Since it is not probable that future taxable profit will be utilised, a tax benefit on losses of previous years totalling $43,818 ($41,422 in 2012) was not recognised in 2013. These losses of a subsidiary may be deducted for tax purposes as an offset to future years' revenues until 2026.

17. Employee Benefits

Group Pension Plans

Group pension plans are plans whose risks are shared by entities under common control. The Bank offers eligible employees a group pension plan. Employees of a company controlled by the Parent Bank also participate in a defined benefit pension plan. The group pension plan offered includes a defined benefit component whose risks are shared by the participating employers.

This plan provides for the payment of benefits based on the final average earnings of the employees' five best years. The Bank measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at each year-end. The most recent actuarial valuation of the pension plan for funding purposes was conducted as at December 31, 2013 and the next valuation on the pension plan status shall take place as at December 31, 2014.

The pension plan is governed by the Pension Benefits Standards Act, 1985 (PBSA). The PBSA requires that a retirement committee that assumes the role of administrator and trustee for the plan be formed. The Bank assumes the responsibilities of the plan sponsor and ensures that the plan is well administered in accordance with the laws and regulations in effect.

Other Group Plan

The Bank also offers medical, dental and life insurance plans to retiring employees and their dependents through unfunded defined benefit group plans.

Pension And Other Plan Risks

Actuarial calculations are made based on management's best estimate assumptions primarily concerning the plan obligation discount rate, and also, but to a lesser extent, salary increases, the retirement age of employees, the mortality rate, the rate of increase in pension benefits and the participants' future contributions that will be used to make up the deficit. The participants' estimated discounted contributions required to make up the deficit decrease the defined benefit plan obligation. A complete actuarial valuation is performed each year by a qualified actuary. The discount rates used have been determined by reference to the rates of high quality corporate bonds whose terms are consistent with those of the plans' cash flows.

The terms of the other group plans and other plans are such that changes in salary levels or healthcare costs will have an impact on the amount of future benefits. The cost of these benefits is accrued over the service lives of employees using accounting policies similar to those used for defined benefit pension plans.

(in thousands of Canadian dollars)

17. Employee Benefits (continued)

Funding requirements

The pension plan is funded by both employee and employer contributions, which are determined based on the financial position and the funding policy of the plan. Employers' contributions must be equal to the amount that, added to the employees' contributions, is sufficient to cover the value of the obligations that currently accrue in the plan, including fees paid by the plan as well as special contributions required to amortize any deficit.

Pursuant to the PBSA, deficits must be funded over a maximum period of 15 years for a funding deficit and 5 years for a solvency deficit.

Since January 1, 2006, the contributions of new particpants are made to a defined contribution plan. As for the participants of the defined benefit pension plan, the administration of the benefit obligation and the plan assets remain in that plan.

The employees of the Bank are members of a state-managed retirement benefit plan operated by federal and provincial governments. The only obligation of the Bank is to make the specified contributions as they fall due, as prescribed by governments.

Change in the fair value of the accrued benefit obligation:

	Pension Plan		Other Plans	
	2013	2012 Restated *(Note 4)*	**2013**	2012 Restated *(Note 4)*
	$	$	**$**	$
Present value of defined obligation				
Balance at beginning	**61,870**	51,111	**6,109**	5,130
Current service cost	**1,047**	898	**167**	150
Interest expense	**2,424**	2,669	**244**	274
Incidence on the net income	**3,471**	3,567	**411**	424
Remeasurement:				
(Profit) loss corresponding of change in the demographic assumptions	**-**	-	**168**	-
(Profit) loss corresponding of change in the financial assumptions	**(2,158)**	8,626	**323**	694
Remeasurement - Effect of experience adjustments	**(11)**	-	**(794)**	(1)
Incidence of the revaluations on the other items of the total income	**(2,169)**	8,626	**(303)**	693
Participants' contributions to the plan	**430**	487	**-**	-
Benefit paid and refunds	**(1,695)**	(1,921)	**(132)**	(138)
Transfers	**(4,722)**	-	**(480)**	-
Balance at end	**57,185**	61,870	**5,605**	6,109

(in thousands of Canadian dollars)

17. Employee Benefits (continued)

Change in the fair value of the accrued benefit plan assets:

	Pension Plan		Other Plans	
	2013	2012 Restated *(Note 4)*	**2013**	2012 Restated *(Note 4)*
	$	$	**$**	$
Fair value of plan assets				
Balance at beginning	**47,590**	41,499	**-**	-
Interest income on plan assets	**1,897**	2,218	**-**	-
General and administration expenses	**(100)**	-	**-**	-
Incidence on the net income	**1,797**	2,218	**-**	-
Remeasurement:				
Remeasurements on plan assets (Losses)/Gains	**1,327**	2,386	**-**	-
Incidence of the revaluations on the other items of the total income	**1,327**	2,386	**-**	-
Employer contributions	**4,920**	2,921	**132**	139
Participants' contributions to the plan	**430**	487	**-**	-
Benefit paid and refunds	**(1,695)**	(1,921)	**(132)**	(139)
Transfers	**(4,722)**	-	**-**	-
Balance at end	**49,647**	47,590	**-**	-

Composition of the accrued benefit asset:

	Pension Plan		Other Plans	
	2013	2012	**2013**	2012
	%	%	%	%
Category of assets				
Equities	**54**	49	**-**	-
Government bonds	**29**	32	**-**	-
Corporate bonds	**13**	14	**-**	-
Real Estate	**4**	5	**-**	-
	100	100	**-**	-

(in thousands of Canadian dollars)

17. Employee Benefits (continued)

Reconciliation of the funding status of the defined benefit plans recognised in the Consolidated Balance Sheet:

	Pension Plan		**Other Plans**	
	2013	2012 Restated *(Note 4)*	**2013**	2012 Restated *(Note 4)*
	$	$	**$**	$
Fair value of plan assets	**49,647**	47,590	**-**	-
Present value of defined obligation	**57,185**	61,870	**5,605**	6,109
Accrued benefit liabilities	**(7,538)**	(14,280)	**(5,605)**	(6,109)

Total cash payments for employee benefits, consisting of cash contributed by the Bank to the defined benefit plan and of cash paid directly to beneficiaries for its other benefit plans, totalled $5,708 in 2013 ($3,563 in 2012).

For the purpose of other plan valuations, the estimated annual growth rate of healthcare costs covered, by participant, was set at 5% in 2013 (5% in 2012). Based on the assumption used, this rate should decrease gradually to 2% in 2033 and subsequently remain at that level. The mortality rate assumptions come from the standard actuarial table in usage in Canada.

Total employee benefits expense:

	Pension Plan		**Other Plans**	
	2013	2012 Restated *(Note 4)*	**2013**	2012 Restated *(Note 4)*
	$	$	**$**	$
Current service cost	**1,047**	898	**167**	150
Interest expense	**2,424**	2,669	**244**	274
Income from interest on the assets	**(1,897)**	(2,218)	**-**	-
Immediate recognition of (gain)/loss for other long term benefit plans	**-**	-	**(5)**	20
General and administration expenses	**100**	-	**-**	-
Defined benefit plan expense	**1,674**	1,349	**406**	444
Defined contribution pension expense	**656**	504	**-**	-
Total benefit expense	**2,330**	1,853	**406**	444

The overall expected rate of return on assets is determined based on the market prices including published brokers' forecasts prevailing on the date of valuation and applicable to the period over which the obligation is to be settled.

(in thousands of Canadian dollars)

17. Employee Benefits (continued)

Contributions paid by the company under common control are recorded by the Bank as a reduction of the defined benefit plan expense.

	Pension Plan		Other Plans	
	2013	2012	**2013**	2012
	%	%	%	%
Significant acturial assumptions (weighted average)				
Accrued benefit obligation				
Discount rate	**4.50**	4.25	**4.50**	4.25
Rate of compensation increase	**4.00**	4.00	**4.00**	4.00
Underlying price inflation	**3.00**	3.00	**3.00**	2.00
Pension increases in deferment	**1.50**	1.50	**-**	-
Defined benefit plan expense				
Expected rate of return on assets	**4.25**	6.00	**-**	-
Rate of compensation increase	**4.00**	4.00	**4.00**	4.00
Average remaining service life of active employees	**11**	12	**-**	-

A one percentage point change in key assumptions used to calculate the accrued benefit obligation would have the following effects, with all other assumptions remaining constant:

	Pension Plan		Other Plans	
	Increase of 1%	**Decrease of 1%**	Increase of 1%	Decrease of 1%
Discount rate	(7,449)	9,503	(478)	965
Wage rates of increase	1,626	(1,482)	-	-
Cost of the health care	-	-	376	(359)

The Bank expects to pay $3,661 in contributions to defined benefit plans during the year 2014.

18. Guarantees, Commitments and Contingencies

a) Guarantees

A guarantee is defined as a contract that contingently requires the guarantor to make payments to the beneficiary of the guarantee based on (i) changes of an economic nature in an underlying asset, liability or equity security of the beneficiary of the guarantee; (ii) failure of a third party to perform under a contractual obligation agreement; or (iii) failure of a third party to pay its indebtedness when due.

18. Guarantees, Commitments and Contingencies (continued)

a) Guarantees (continued)

The Bank has provided the following major guarantees to third parties:

- Guarantees and standby letters of credit represent irrevocable assurance that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, and they carry the same credit risk, recourse and additional guarantees as loans extended to customers.
- Documentary letters of credits are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Bank up to a certain amount subject to specific terms and conditions. The Bank is at risk for any drafts drawn that are not ultimately settled by the customer, and the amounts are collateralized by the goods to which they relate.
- Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, customers' liabilities under acceptances, guarantees and letters of credit.
- Put options are contractual agreements under which the Bank grants the purchaser the right but not the obligation to sell to the Bank, at a pre-determined date, a specific amount of foreign currencies or financial instruments at a price agreed to when the option was contracted. As at December 31, 2013 and 2012, all the contracts had expired. In order to reduce the risk related to these derivative financial instruments, the Bank enters into contracts that hedge the risk in question.
- Fair value guarantees are provided to protect certain holders of equity-linked notes recorded as liabilities in the Bank's Consolidated Balance Sheets. The maximum potential amount of future payments in respect of these notes is $70,014 ($202,022 in 2012). In order to reduce the risk related to these derivative financial instruments, the Bank enters into contracts that hedge the risk in question.

b) Credit instruments

In the normal course of business, the Bank enters into various off-balance sheet commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. The Bank's policy for requiring collateral security with respect to these contracts and the types of collateral security held is generally the same as for loans made by the Bank.

The credit instruments reported below represent the maximum amount of additional credit that the Bank could be obligated to extend should contracts be fully utilized.

(in thousands of Canadian dollars)

18. Guarantees, Commitments and Contingencies (continued)

b) Credit instruments (continued)

	2013			2012		
	Contract amount	Credit equivalent	**Risk-weighted equivalent**	Contract amount	Credit equivalent	Risk-weighted equivalent
	$	$	**$**	$	$	$
Guarantees and standby letters of credit	2,419,800	1,425,680	**839,481**	2,171,905	1,294,946	837,013
Documentary letters of credit	39,137	7,827	**7,684**	43,332	8,666	8,109
Commitments to extend credit:						
One year or less	50,000	10,000	**5,000**	11,024	2,205	2,205
Over one year	3,636,176	1,800,763	**1,462,810**	3,710,527	1,854,757	1,418,686
	6,145,113	3,244,270	**2,314,975**	5,936,788	3,160,574	2,266,013

c) Lease commitments

The Bank has entered into commercial leases on premises and equipment. The aggregate future minimum rental payments under long-term leases in effect as at December 31 are as follows:

	2013	2012
	$	$
In one year	**1,783**	1,534
In two years	**1,765**	1,493
In three years	**1,823**	1,541
In four years	**1,823**	1,599
In five years	**1,815**	1,599
In six years and thereafter	**3,967**	4,546
	12,976	12,312

d) Legal proceedings

The Bank is involved in various legal actions in the normal course of business. In management’s opinion, the total amount of contingent liabilities resulting from these legal actions should not have a material negative impact on the Bank’s Balance Sheets.

(in thousands of Canadian dollars)

18. Guarantees, Commitments and Contingencies (continued)

e) Pledget assets

In the normal course of business, the Bank pledges securities as collateral for various types of funding transactions in order to participate in clearing and payment systems and with depositories. These guarantees are pledged under the usual terms attributable to these types of transactions and amounted to $267,863 in 2013 ($267,906 in 2012).

The Bank is committed to contributing additional guarantees in the event of a decline in its credit rating.

19. Derivative Financial Instruments

In the normal course of business, the Bank enters into derivative contracts for trading purposes and for asset and liability management ("ALM") purposes. Trading activities comprise instruments enabling customers to manage their risk exposure and instruments included among the Bank's transactions to generate income from market fluctuations. Asset and liability management derivatives are contracts used to manage the Bank's own exposures to risk regarding Consolidated Balance Sheet items.

The analysis of derivative financial instruments and the related credit exposure is as follows:

	2013				
	Notional amount				
	Trading	ALM	Total	Credit equivalent	Risk-weighted equivalent
	$	$	$	$	$
Over the counter:					
Interest rate contracts:					
Interest rate swaps	164,100	6,414	170,514	68	**20**
Index swaps	70,014	-	70,014	2,414	**483**
	234,114	6,414	240,528	2,482	**503**
Foreign exchange:					
Spot and forward contracts	2,552,648	-	2,552,648	63,103	**51,034**
Other contracts:					
Swaps on commodities	1,578,203	-	1,578,203	179,172	**165,060**
Equity swaps	50,688	-	50,688	-	**-**
Total	4,415,653	6,414	4,422,067	244,757	**216,597**

(in thousands of Canadian dollars)

19. Derivative Financial Instruments (continued)

	2012				
	Notional amount				
	Trading	ALM	Total	Credit equivalent	Risk-weighted equivalent
	$	$	$	$	$
Over the counter:					
Interest rate contracts:					
Interest rate swaps	401,898	10,883	412,781	703	285
Index swaps	234,337	-	234,337	4,346	870
	636,235	10,883	647,118	5,049	1,155
Foreign exchange:					
Spot and forward contracts	2,550,280	-	2,550,280	40,207	25,359
Other contracts:					
Swaps on commodities	1,996,118	-	1,996,118	224,567	202,426
Equity swaps	55,340	-	55,340	-	-
Total	5,237,973	10,883	5,248,856	269,823	228,940

Notional amount: the amount used to calculate the cash flows to be exchanged.

Risk-weighted equivalent: the risk-weighted amount based on the creditworthiness of the counterparty as prescribed by the OSFI. The risk-weighted amount represents the replacement cost plus an amount for future credit exposure.

Credit equivalent: Potential credit risk related to potential changes in exchange and interest rates is calculated according to a prescribed OSFI formula.

At year-end, the value of derivative financial instruments at fair value through profit or loss represented 100% (100% in 2012) of total notional amounts and the value of instruments held for asset and liability management purposes represented 0% (0% in 2012). A net exchange loss from foreign exchange activities totalling $4,453 (gain of $151 in 2012) is recorded under “Net gain (loss) from trading activities” in the Consolidated Statements of Income.

(in thousands of Canadian dollars)

19. Derivative Financial Instruments (continued)

The following table summarizes the maturities of the notional amounts of derivative financial instruments:

	2013		
	Under 1 year	**1 to 5 years**	**Total**
	$	**$**	**$**
Interest rate contracts:			
Interest rate swaps	164,100	6,414	**170,514**
Index swaps	38,209	31,805	**70,014**
Foreign exchange:			
Spot and forward contracts	2,011,185	541,463	**2,552,648**
Other contracts:			
Swaps on commodities	1,467,141	111,062	**1,578,203**
Equity swaps	50,688	-	**50,688**
	3,731,323	690,744	**4,422,067**

	2012		
	Under 1 year	1 to 5 years	Total
	$	$	$
Interest rate contracts:			
Interest rate swaps	320,627	92,154	412,781
Index swaps	157,688	76,649	234,337
Foreign exchange:			
Spot and forward contracts	2,284,258	266,022	2,550,280
Other contracts:			
Swaps on commodities	1,905,678	90,440	1,996,118
Equity swaps	55,340	-	55,340
	4,723,591	525,265	5,248,856

20. Fair value of financial instruments

a) Fair value of derivative financial instruments

The fair value of derivative financial instruments is the amount at which a financial instrument could be traded between unrelated willing parties who are under no compulsion to act, and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Bank's derivative financial instruments. Consequently, the fair values presented are estimates that have been established using discounting or other valuation techniques, which may not be representative of the net realisable value. Valuation methods mainly take into consideration the change in exchange rates and interest rates, which are the main causes of changes in value.

(in thousands of Canadian dollars)

20. Fair value of financial instruments (continued)

a) Fair value of derivative financial instruments (continued)

The fair value of index contracts was partly determined using a valuation technique based on assumptions that are not supported by observable current market transactions. In management's opinion, the use of potential alternative assumptions would not have generated significantly different fair values. For the year ended as of December 31, 2013, an unrealised loss of $1,090 ($12,017 in 2012) on these contracts was recorded in "Net gain (loss) from trading activities" of Consolidated Statements of Income.

Unrealised gains of $200 ($3,964 in 2012) on derivatives held in qualifying fair value hedging relationships and a decrease of $201 ($3,048 in 2012) in the fair value of the hedged item attributable to the hedged risk are recognised in "Net gain (loss) from trading activities" on the Consolidated Statements of Income.

The fair value of park-and-loan and storage contracts was partly determined based on brokers' quotes. An unrealised gain of $4,310 ($17,647 in 2012) on these contracts is recorded in "Net gain (loss) from trading activities" in the Consolidated Statement of Income. The unrealised gain would be of $4,930 if there were an increase of 1% on the contracts on goods (gain of $3,690 if there were a decrease of 1%).

The following table presents the fair value of derivative financial instruments at year-end:

	2013						
	ALM			Trading			Total
	Receivable position	Payable position	Net position	Receivable position	Payable position	Net position	Net position
	$	$	$	$	$	$	$
Interest rate contracts:							
Interest rate swaps	-	218	(218)	36	30	6	**(212)**
Index swaps	-	-	-	2,255	910	1,345	**1,345**
Foreign exchange contracts:							
Spot and forward contracts	-	-	-	34,066	32,487	1,579	**1,579**
Other contracts:							
Swaps on commodities	-	-	-	19,130	14,482	4,648	**4,648**
Equity swaps	-	-	-	-	2,432	(2,432)	**(2,432)**
Total	-	218	(218)	55,487	50,341	5,146	**4,928**

(in thousands of Canadian dollars)

20. Fair value of financial instruments (continued)

a) Fair value of derivative financial instruments (continued)

	2012						
	ALM			Trading			Total
	Receivable position	Payable position	Net position	Receivable position	Payable position	Net position	Net position
	$	$	$	$	$	$	$
Interest rate contracts:							
Interest rate swaps	-	419	(419)	242	319	(77)	(496)
Index swaps	-	-	-	3,963	3,382	581	581
Foreign exchange contracts:							
Spot and forward contracts	-	-	-	25,219	21,289	3,930	3,930
Other contracts:							
Swaps on commodities	-	-	-	23,669	20,811	2,858	2,858
Equity swaps	-	-	-	-	1,456	(1,456)	(1,456)
Total	-	419	(419)	53,093	47,257	5,836	5,417

b) Fair value of financial assets and liabilities

The fair value of cash and cash equivalents, as well as other assets and liabilities representing financial instruments, is deemed to be equivalent to the carrying amount.

The fair value of loans is determined by discounting cash flows determined under contract using the year-end market rate. The fair value of acceptances is deemed to be equivalent to the carrying amount.

Securities are reported at fair value in the Consolidated Balance Sheets. The fair value of securities is determined based on the most recent quote at the year-end date. When it is impossible to obtain a share price, other methods may be used to estimate fair value.

The fair value of deposits other than equity-linked notes and subordinated debt is determined by discounting cash flows established under contract using the year-end market rate.

The fair value of equity-linked notes was determined using a valuation technique that is based in part on assumptions that are not tied to observable current market transactions.

Fair value is determined based on (i) quoted prices in an active market or using valuation techniques involving mathematical calculation methods based on accepted financial theories; and (ii) parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods in the absence of an active market.

The following table presents the carrying amount and fair value of the Bank's financial assets and financial liabilities. Accordingly, it does not reflect the value of assets and liabilities that are not considered as financial instruments.

(in thousands of Canadian dollars)

20. Fair value of financial instruments (continued)

b) Fair value of financial assets and liabilities (continued)

		2013						
		Carrying value						
	Note	Classified as fair value through profit or loss	Designated as fair value through profit or loss	Available for sale financial assets	Loans and receivables	Other amortised cost	Total	Fair Value
		$	$	$	$	$	$	$
Financial assets								
Cash and cash equivalents		-	-	-	8,167	-	**8,167**	**8,167**
Interest-bearing deposits with banks		-	-	-	179,393	-	**179,393**	**179,393**
Securities		194,291	-	1,657,768	-	-	**1,852,059**	**1,852,059**
Securities purchased under resale agreements		-	-	-	295,671	-	**295,671**	**295,671**
Loans and acceptances								
At amortized cost		-	-	-	1,157,669	-	**1,157,669**	**1,156,847**
At fair value	6a)	6,632	-	-	-	-	**6,632**	**6,632**
Derivative instruments at fair value		55,487	-	-	-	-	**55,487**	**55,487**
Interest and dividends receivable		-	-	-	3,787	-	**3,787**	**3,787**
Other assets		-	-	-	117,414	-	**117,414**	**117,414**
Total financial assets		256,410	-	1,657,768	1,762,101	-	**3,676,279**	**3,675,457**
Financial Liabilities								
Deposits	10	-	71,116	-	-	2,419,655	**2,490,771**	**2,489,142**
Derivative financial instruments at fair value		50,559	-	-	-	-	**50,559**	**50,559**
Interest and commissions payable		-	-	-	-	843	**843**	**843**
Acceptances		-	-	-	-	695	**695**	**695**
Other liabilities		-	-	-	-	45,352	**45,352**	**45,352**
Subordinated debt		-	-	-	-	170,000	**170,000**	**169,912**
Total financial liabilities		50,559	71,116	-	-	2,636,545	**2,758,220**	**2,756,503**
Total interest income		3,556	-	17,266	30,244	-	**51,066**	
Total interest expense		-	1,788	-	-	21,974	**23,762**	
Gain (loss) realised and unrealised		6,457	1,332	2,754	-	-	**10,543**	

(in thousands of Canadian dollars)

20. Fair value of financial instruments (continued)

b) Fair value of financial assets and liabilities (continued)

		2012						
		Carrying value						
	Note	Classified as fair value through profit or loss	Designated as fair value through profit or loss	Available for sale financial assets	Loans and receivables	Other amortised cost	Total	Fair Value
		$	$	$	$	$	$	$
Financial assets								
Cash and cash equivalents		-	-	-	6,447	-	6,447	6,447
Interest-bearing deposits with banks		-	-	-	74,478	-	74,478	74,478
Securities		309,099	-	1,047,200	-	-	1,356,299	1,356,299
Securities purchased under resale agreements		-	-	-	170,063	-	170,063	170,063
Loans and acceptances								
At amortized cost		-	-	-	1,337,213	-	1,337,213	1,322,834
At fair value	6a)	11,325	-	-	-	-	11,325	11,325
Derivative instruments at fair value		53,093	-	-	-	-	53,093	53,093
Interest and dividends receivable		-	-	-	5,413	-	5,413	5,413
Other assets		-	-	-	118,101	-	118,101	118,101
Total financial assets		373,517	-	1,047,200	1,711,715	-	3,132,432	3,118,053
Financial Liabilities								
Deposits	10	-	201,066	-	-	1,723,375	1,924,441	1,910,968
Derivative financial instruments at fair value		47,676	-	-	-	-	47,676	47,676
Interest and commissions payable		-	-	-	-	806	806	806
Acceptances		-	-	-	-	256	256	256
Other liabilities		-	-	-	-	64,461	64,461	64,461
Subordinated debt		-	-	-	-	188,000	188,000	187,909
Total financial liabilities		47,676	201,066	-	-	1,976,898	2,225,640	2,212,076
Total interest income		3,259	-	11,865	42,225	-	57,349	
Total interest expense		-	10,325	-	-	22,603	32,928	
Gain (loss) realised and unrealised		(8,379)	7,295	2,858	-	-	1,774	

(in thousands of Canadian dollars)

20. Fair value of financial instruments (continued)

b) Fair value of financial assets and liabilities (continued)

As at December 31, 2013, the fair value of hedging derivatives that hedge some loans and securities and included in “Derivative financial instruments” totalled $218 ($419 in 2012) and the fair value of its hedged component amounted to $218 ($419 in 2012).

c) Fair value measurement hierarchy

The Bank classifies its financial instruments at fair value according to a fair value measurement hierarchy. This hierarchy reflects the significance of inputs used to perform these valuations. The fair value measurement hierarchy includes the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: Fair value established directly, namely via quoted prices in active markets for similar financial instruments and quoted prices in inactive markets for similar or identical financial instruments. Fair value may also be established indirectly by modeling, in which case several significant inputs are observable in active markets.

Level 3: Financial instruments valuation technique using significant inputs that are not observable on the market.

A financial instrument is classified at the lowest level for the classification of the principal underlying inputs.

The following table presents financial instruments at fair value classified according to the measurement hierarchy.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
ASSETS				
Securities				
Available for sale	1,162,204	495,564	-	**1,657,768**
At fair value through profit or loss	194,081	210	-	**194,291**
Loans	-	1,163,479	-	**1,163,479**
Derivative financial instruments	2,831	50,423	2,233	**55,487**
Total financial assets at fair value	1,359,116	1,709,676	2,233	**3,071,025**
LIABILITIES				
Deposits				
Designated at fair value through profit or loss	-	-	71,116	**71,116**
Derivative financial instruments	5,780	43,872	907	**50,559**
Total financial liabilities at fair value	5,780	43,872	72,023	**121,675**

(in thousands of Canadian dollars)

20. Fair value of financial instruments (continued)

c) Fair value measurement hierarchy (continued)

	2012			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
ASSETS				
Securities				
Available for sale	1,042,040	5,160	-	1,047,200
At fair value through profit or loss	294,404	14,695	-	309,099
Loans	-	1,334,159	-	1,334,159
Derivative financial instruments	3,392	45,737	3,964	53,093
Total financial assets at fair value	1,339,836	1,399,751	3,964	2,743,551
LIABILITIES				
Deposits				
Designated at fair value through profit or loss	-	-	201,066	201,066
Derivative financial instruments	2,293	42,001	3,382	47,676
Total financial liabilities at fair value	2,293	42,001	204,448	248,742

No amounts were transferred among the levels within the hierarchy during the years ended December 31, 2013 and 2012.

d) Change in fair value of Level 3 financial instruments

	2013		2012	
	Derivatives net amounts	**Indexed deposits**	Derivatives net amounts	Indexed deposits
	$	**$**	$	$
Fair value at beginning	**(582)**	**201,066**	(14,238)	549,661
Realised and unrealised losses (gains) included in “Net gain (loss) from trading activities”	**(744)**	**2,058**	13,656	12,039
Sales and redemptions	**-**	**(132,008)**	-	(360,634)
Fair value as at year-end liabilities (asset)	**(1,326)**	**71,116**	(582)	201,066
Unrealised gain (loss) related to financial instruments held at year-end and recognised in “Net gain (loss) from trading activities”	**1,802**	**(2,179)**	(15,216)	(11,407)

20. Fair value of financial instruments (continued)

e) Significant unobservable input of Level 3 financial instruments

As at December 31, 2013, Level 3 financial instruments are comprised of indexed deposits and index swaps hedging the market risk related to these deposits. They have been measured using a volatility option model. Share or stock index volatility, ranging from 5% to 16%, is the main unobservable input used in the valuation model.

21. Risk Management Related to Financial Instruments

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, market risk, liquidity risk and operational risk. It is also subject to various operating risks. The risk control process does not include business risks such as changes in the environment, technology and industry.

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Audit and Conduct Review Committee, the Risk Committee and the Human Resources Committee, which are responsible for reviewing and monitoring Bank risk management policies in their specified areas. All board committees have only directors as members and executive and non-executive employees are invited to report to them. Each board committee reports regularly to the Board on their activities.

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, to help all employees understand their roles and obligations.

The Risk Committee and the Audit and Conduct Review Committee of the Bank are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank by being informed of all results of both regular and ad hoc reviews of risk management controls and procedures undertaken by internal audit functions.

Periodic Control within the Bank's Internal Control Framework is the overall process by which the Parent Bank's General Inspection, including Internal Audit, verifies, independently and a posteriori, that the Bank operates soundly, especially that the Permanent Control process is effective and of quality.

The Bank is exposed to several types of risks arising from the financial instruments it holds.

21. Risk Management Related to Financial Instruments (continued)

21.1 Credit risk

Credit risk is defined as the possibility for the Bank to incur a loss due to a counterparty defaulting on its obligations.

The value exposed to counterparty risk is measured using an internal exposure measurement system, and this value in then integrated into the credit risk measurement system. This measurement is based on Monte-Carlo-type simulations that help assessing the likely movements of exposure values. The stochastic processes used are sensitive to certain parameters, including volatility, that are calibrated to historical market data. Future potential exposures to counterparty risk are measured using an internal model that simulates several thousands of potential market change scenarios and reevaluates the trading portfolio of each counterparty at several points in time in the future (from 1 day to over 30 years for the longest transactions). Changes in value are calculated up to the transactions' maturity. In aggregating exposures, the system takes into account the legal environment of each transaction and counterparty and, accordingly, potential netting and margin call arrangements. Exposures to counterparty risk are characterized by their high variability over time as a result of the constantly changing market parameters that affect the value of underlying transactions. It is therefore essential to go beyond monitoring the transactions' current values and to analyse their future potential changes.

In coordination with head office and regional management, Group Risk Management manages corporate and investment banking risks. The Corporate Risk Team manages the credit risks of corporate clients and monitors all transactions and assesses their credit risks. The Credit Risk Control team reviews authorisations and ensures quality of data used to monitor the clients’ activities.

Credit risk is managed by:

- a credit policy oriented toward counterparties selected on the basis of strict financial criteria, with preference given to products in which the Bank has recognised expertise;
- diversification of the Bank’s loan portfolio according to sector-related risks and economic conditions, as well as the establishment of limits on risk concentration;
- clear communication of credit requirements through guidance and methods, as well as through training programs;
- delegation of credit approval authorities, based on the skills of all staff to whom such authority is delegated, such delegation of authority being clearly documented;
- differentiated classification and management of commitments according to their risk ratings;
- ongoing risk examination, through computerized monitoring tools and appropriate committees to allow for quick identification of any deterioration, and application of adequate rates;
- periodic tests of credit and management processes conducted by internal auditors;
- guidance concerning authorization, making it possible to limit the Bank’s risk exposure in the event of default by counterparty.

In addition, the Bank uses settlement netting to mitigate the counterparty risk resulting from settlements in foreign currencies, under which all disbursements and receipts in one currency occuring on the same day between the Bank and a single counterparty are set off. Such netting results in a single amount payable in each currency either by the Bank or the counterparty.

Credit risk concentration exists when a given number of customers are involved in similar activities or activities that have comparable economic traits that can influence their ability to meet contractual obligations in a similar manner. Note 6 to the consolidated financial statements provides information on the Bank’s loan and acceptance portfolio.

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.1 Credit risk (continued)

With respect to derivative financial instruments, the Bank's highest credit concentration is in the energy sector. In addition, the Bank negotiates master netting arrangements with the stakeholders with which it incurs derivative financial instruments. These arrangements reduce the credit risk by ensuring netting of all transactions with a given counterparty.

The Bank has identified the circumstances under which it may be exposed to a wrong-way risk. This type of risk is generally associated with an exposure to counterparty risk and increases when the probability of default of the counterparty increases (adverse positive correlation). A frequent risk of this type results from trading with counterparties derivative product contracts whose underlying assets may include equity securities issued by such counterparties. The Bank has implemented processes to manage exposure to this risk.

The gross credit risk to which the Bank is exposed is divided among the financial assets in the Bank's Consolidated Balance Sheets, its credit commitments and other off-balance sheet items.

a) Exposure to credit risk

As at December 31, 2013, the Bank's maximum exposure in the event of default, without taking into account any guarantees held or credit enhancements, was as follows:

	2013	2012
	$	$
Financial Assets		
Securities purchased under resale agreements	**295,671**	170,063
Other assets	**176,688**	176,607
	472,359	346,670
Off-financial position		
Unused credit commitments(1)	**7,481,158**	7,719,631
Derivative financial instruments	**207,296**	236,601
	7,688,454	7,956,232
Total credit exposure	**8,160,813**	8,302,902

1. The gross risk on credit commitments to which the Bank is exposed is the unused portion of credit authorisations offered, including those that are unconditionally revocable, letters of guarantee and documentary letters of credit.

b) Quality of assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality for financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented is net of impairment allowances.

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.1 Credit risk (continued)

b) Quality of assets (continued)

	Securities	**Loans and acceptances**	**2013**	Securities	Loans and acceptances	2012
	$	**$**	**$**	$	$	$
Excellent	1,845,700	68,472	**1,914,172**	1,324,352	136,244	1,460,596
Good	-	702,199	**702,199**	10,407	674,796	685,203
Satisfactory	6,359	392,358	**398,717**	21,540	536,647	558,187
Substandard	-	1,272	**1,272**	-	851	851
Total credit risk	1,852,059	1,164,301	**3,016,360**	1,356,299	1,348,538	2,704,837

The internal credit ratings used by the Bank to assess credit risk are based on the following external ratings:

Internal Ratings	**External Ratings**			
	S & P		**Moody's**	
	From	***To***	***From***	***To***
Excellent	AAA	A-	Aaa	a3
Good	BBB+	BBB	Baa1	Baa2
Satisfactory	BBB-	B+	Baa3	B1
Substandard	B	C	B2	C
Default	D	D	D	D

c) Financial assets pledged and held as collateral

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held against loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2013 and 2012.

The need to hold collateral against credit commitments is assessed on a case-by-case basis using multiple criteria, including the type of borrower, its external and internal credit ratings and the characteristics of the requested commitment. The Bank is aligned both with the credit policies issued by BNP Paribas Group and banking practices prevailing in the Western world.

As at December 31, 2013, the fair value of financial assets pledged as collateral that the Bank is authorized to sell or repledge totalled $4.2 billion ($3.9 billion in 2012). These financial assets held as collateral were obtained as a result of loans to customers and transactions on derivative financial instruments. The Bank's right to resell or repledge assets depends on the specific agreements under which they were pledged as collateral.

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.1 Credit risk (continued)

d) Risk-weighted assets

Risk-weighted assets established according to OSFI standards as at December 31, 2013 were as follows:

				2013	
			Carrying amount	**Risk-weighted rate**	**Risk-weighted balance**
			$	%	$
Assets					
Cash and cash equivalents and Interest-bearing deposits with Banks			187,560	20-50-100	**37,899**
Securities issued or guaranteed by Canada and provinces			1,792,556	0-20	**25,753**
Other securities			59,503	100	**59,503**
Loans, acceptances and securities purchased under resale agreements			1,459,972	20-50-100-150	**920,397**
Other assets			199,163	0-20-100-250	**156,542**
			3,698,754		**1,200,094**
	Notional amount			**Risk-weighted rate**	**Risk-weighted equivalent**
	$			%	$
Credit instruments (contract amount)	6,145,113			20-50-100-150	**2,314,975**
Derivative financial instruments	**Notional amount**	**Remplacement cost**	**Credit equivalent**	**Risk-weighted rate**	**Risk-weighted equivalent**
	$	$	$	%	$
Interest rate contracts	240,528	2,291	2,482	20-50	**503**
Foreign exchange contracts	2,552,648	34,066	63,103	20-50	**51,034**
Other contracts	1,628,891	19,130	179,172	20-50	**165,060**
	4,422,067	55,487	244,757		**216,597**
Total credit risk					**3,731,666**
Operational risk					**173,163**
Risk-weighted assets					**3,904,829**

Replacement cost represents the estimated replacement cost at the market rates of all the contracts that have a positive fair value.

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.1 Credit risk (continued)

d) Risk-weighted assets (continued)

Risk-weighted assets established according to OSFI standards as at December 31, 2012 were as follows:

			2012		
			Carrying amount	Risk-weighted rate	Risk-weighted balance
			$	%	$
Assets					
Cash and cash equivalents and Interest-bearing deposits with Banks			80,925	0-20-100	17,265
Securities issued or guaranteed by Canada and provinces			1,278,384	0-20	13,232
Other securities			77,915	20-100	77,915
Loans, acceptances and securities purchased under resale agreements			1,518,601	0-20-50-100	1,004,579
Other assets			199,309	0-20-100	141,223
			3,155,134		1,254,214
	Notional amount			Risk-weighted rate	Risk-weighted equivalent
	$			%	$
Credit instruments (contract amount)	5,936,788			20-50-100	2,266,013
	Notional amount	Remplacement cost	Credit equivalent	Risk-weighted rate	Risk-weighted equivalent
	$	$	$	%	$
Interest rate contracts	647,118	4,205	5,049	20-50	1,155
Foreign exchange contracts	2,550,280	25,219	40,207	20-50	25,359
Other contracts	2,051,458	23,669	224,567	20-50	202,426
	5,248,856	53,093	269,823		228,940
Total credit risk					3,749,167
Operational risk					189,825
Risk-weighted assets					3,938,992

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.2 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and natural gas prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank's policies, developed in accordance with the OSFI's guidelines, establish the intervention strategy and the framework for operations involving market risks.

This framework sets out:

- the guidelines concerning the selection of on and off-balance sheet instruments;
- the position limits intended to restrict the Bank's losses in the event of a downturn in market conditions. To assess potential losses, the Bank applies risk ratios that it determines on the basis of models that consider historical market behaviour.

Market activities are independently controlled at various levels by operations staff, by the market risk controller and by a treasury committee that includes senior management members.

Finally, the Bank's policies, procedures and their implementation are examined from time to time by different control bodies, both internal and external.

a) Interest rate risk

The bank uses various methods of risk assessment to measure the impact of interest rate fluctuations. Based on the Bank's matching position as at December 31, 2013, the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates would be as follows:

	2013	2012
	$	$
Increase in interest rates by 1%		
Impact on net interest income over the next 12 months	**3,007**	2,481
Decrease in interest rates by 1 %		
Impact on net interest income over the next 12 months	**(9,954)**	(5,068)

There is no impact on other comprehensive income.

b) Foreign exchange risk

Foreign exchange risk corresponds to losses the Bank could incur as a result of unfavourable exchange rate fluctuations. Risk arises primarily from trading activities and by not matching foreign currency assets and liabilities on the Consolidated Balance Sheets. This risk is monitored using notional limits. The Bank enters into derivative financial instrument contracts in order to mitigate this risk. As at December 31, 2013, a 5% increase in the Canadian dollar would decrease before-tax net income by $1,923 ($355 in 2012). The impact on "Other comprehensive income" would be insignificant.

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.2 Market risk (continued)

b) Foreign exchange risk (continued)

Assets and liabilities in foreign currencies are described in detail in the following table:

	2013			
	USD	**EUR**	**Other currencies**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash and cash equivalents and Interest-bearing deposits with Banks	91,393	15,890	8,154	**115,437**
Loans and acceptations	327,663	4,132	-	**331,795**
Derivative financial instruments at fair value	7,017	-	-	**7,017**
Other assets	15,392	35	480	**15,907**
	441,465	20,057	8,634	**470,156**
Liabilities and Shareholder's equity				
Deposits	880,005	87,366	18,152	**985,523**
Derivative financial instruments at fair value	9,956	-	-	**9,956**
Other liabilities	7,684	320	1	**8,005**
	897,645	87,686	18,153	**1,003,484**

	2012			
	USD	EUR	Other currencies	Total
	$	$	$	$
Assets				
Cash and cash equivalents and Interest-bearing deposits with Banks	35,999	22,554	18,822	77,375
Securities	11,393	-	-	11,393
Loans and acceptations	290,398	-	-	290,398
Derivative financial instruments at fair value	10,140	-	-	10,140
Other assets	32,271	11	76	32,358
	380,201	22,565	18,898	421,664
Liabilities and Shareholder's equity				
Deposits	642,582	23,879	111,227	777,688
Derivative financial instruments at fair value	15,323	-	-	15,323
Other liabilities	21,217	30	21	21,268
	679,122	23,909	111,248	814,279

(in thousands of Canadian dollars)

21. Risk Management Related to Financial Instruments (continued)

21.2 Market risk (continued)

c) Stock market price risk

The Bank holds securities whose value fluctuates according to stock market prices. The risk related to stock market prices is equivalent to the financial losses that may be incurred by the Bank following unfavourable stock market fluctuations. The Bank enters into derivative financial instrument contracts to mitigate this risk. As at December 31, 2013, a 5% reduction in share prices would have had no significant impact on profit before tax (no significant impact in 2012).

21.3 Liquidity risk

Liquidity risk refers to the possibility of incurring losses if the Bank is unable to meet its financial commitments at reasonable prices when they mature. The Bank's policy is to ensure that it always has sufficient liquid assets on hand and enough financing capacity to meet its financial commitments.

The Bank's liquidity risk management framework includes:

- monitoring by the Treasury Committee which is composed of Bank management, in accordance with the liquidity policy;
- use of liquidity indicators that comply with the established limits;
- maintenance of a stable volume of core deposits and diversification of financing sources;
- emergency plan in the event of a crisis.

The following table shows the Bank's liabilities by contractual maturities as at December 31, 2013.

	2013					
	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Deposits	2,056,359	369,669	32,221	32,522	-	**2,490,771**
Derivatives financial instruments	4,451	15,221	19,766	11,121	-	**50,559**
Other liabilities	52,496	4	170	7,300	8,171	**68,141**
Subordinated debt	-	-	-	170,000	-	**170,000**
Total Liabilities	2,113,306	384,894	52,157	220,943	8,171	**2,779,471**

The maximum amount the Bank could be required to pay in less than one year if all confirmed credit commitments were used totalled $3,686,176 ($3,721,551 in 2012).

21. Risk Management Related to Financial Instruments (continued)

21.4 Operational risk

The operational risk is inherent to the Bank's activities. It constitutes the risk of loss resulting from an insufficiency or failure attributable to persons, procedures, technology or external events. Although this risk cannot be eliminated, its management is integrated in the decision-making processes of the Bank.

The operational risk management policy, reviewed annually, defines the roles and responsibilities of the various parties. The Permanent Control Service establishes the standards and procedures for detecting, measuring and monitoring operational risks and assists the other departments in implementing these standards and procedures. It collects and compiles data related to the risk level of services and reports its findings to the Operational Risk Management Committee.

The Bank has defined an operational risk management general policy that has been submitted to its Board and which defines the overall objectives, principles and framework that should apply throughout the BNP Paribas Group. This policy can then be refined and developed in more focused policies covering a specific domain of operational risk, such as fraud, IT security, outsourced activities or business continuity for instance.

Key objectives targeted by the operational risk management policy are:

- To mobilize everyone within the Bank with regard to control risk management.
- To reduce the probability of the occurrence of operational risk events that could threaten : the reputation of the Bank; the confidence that it enjoys from customers and employees; the quality of the services and products that it markets; the profitability of its business activities; the efficiency of the processes that it manages.
- A good balance between the accepted risks and the cost of the operational risk management system.

The operational risk management framework is aligned with the principles defined in the BNP Paribas Group Internal Control Charter, while notably functioning with first and second levels of defence, under the control provided by General Inspection, and as part of the dynamic risk management approach defined by Permanent Control.

22. Interest Rate Gap Position

The determination of the interest rate gap position is based on the earlier of the repricing or maturity date of assets and shareholder's equity items as well as derivative financial instruments used to manage interest rate risk. As at December 31, 2013, the gap position was as follows:

(in thousands of Canadian dollars)

22. Interest Rate Gap Position (continued)

	2013					
	Floating rate	0 to 3 months	3 to 12 months	1 to 5 years	Non-interest sensitive	Total
	$	$	$	$	$	$
Canadian dollars						
ASSETS						
Cash and cash equivalents and Interest-bearing deposits with Banks	123	72,000	-	-	-	**72,123**
Securities	-	1,419,131	367,814	-	65,114	**1,852,059**
		1.18 %	1.06 %			
Securities purchased under resale agreements	-	-	-	-	295,671	**295,671**
Loans and acceptances	38,583	787,696	428	5,846	(48)	**832,505**
		2.32 %	4.97 %	5.14 %		
Derivative financial intruments at fair value	-	12	1,309	970	46,179	**48,470**
Other assets	-	-	-	-	127,770	**127,770**
	38,706	2,278,839	369,551	6,816	534,686	**3,228,598**
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits	221,242	1,217,462	24,850	32,522	9,172	**1,505,248**
		1.09 %	0.68 %	0.53 %		
Derivative financial instruments at fair value	-	22	2,707	651	37,223	**40,603**
Other liabilities	-	-	-	-	60,136	**60,136**
Subordinated debt	-	170,000	-	-	-	**170,000**
		1.78 %				
Shareholder's equity	-	-	-	-	919,283	**919,283**
	221,242	1,387,484	27,557	33,173	1,025,814	**2,695,270**
Net assets (liabilities)	(182,536)	891,355	341,994	(26,357)	(491,128)	**533,328**
Off-financial position instruments	-	1,927	(27,318)	25,391	-	**-**
	(182,536)	893,282	314,676	(966)	(491,128)	**533,328**
Other currencies						
ASSETS						
Cash and cash equivalents and Interest-bearing deposits with Banks	33,540	81,897	-	-	-	**115,437**
Loans and acceptances	20,343	300,310	10,468	-	674	**331,795**
		1.29 %	1.66 %			
Derivative financial intruments at fair value	-	-	-	-	7,017	**7,017**
Other assets	-	-	-	-	15,907	**15,907**
	53,883	382,207	10,468	-	23,598	**470,156**
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits	111,067	867,293	7,371	-	(208)	**985,523**
		0.15 %	0.29 %			
Derivative financial instruments at fair value	-	162	47	-	9,747	**9,956**
Other liabilities	-	-	-	-	8,005	**8,005**
	111,067	867,455	7,418	-	17,544	**1,003,484**
Net assets (liabilities)	(57,184)	(485,248)	3,050	-	6,054	**(533,328)**
Off-financial position instruments	-	(7,232)	7,232	-	-	**-**
Total other currencies	(57,184)	(492,480)	10,282	-	6,054	**(533,328)**
Total interest gap position	**(239,720)**	**400,802**	**324,958**	**(966)**	**(485,074)**	**-**

(in thousands of Canadian dollars)

22. Interest Rate Gap Position (continued)

	2012				*(Restated, Note 4)*	
	Floating rate	0 to 3 months	3 to 12 months	1 to 5 years	Non-interest sensitive	Total
	$	$	$	$	$	$
Canadian dollars						
ASSETS						
Cash and cash equivalents and Interest-bearing deposits with Banks	3,550	-	-	-	-	3,550
Securities	-	568,296	710,088	-	66,522	1,344,906
		1.25 %	1.12 %			
Securities purchased under resale agreements	-	-	-	-	170,063	170,063
Loans and acceptances	53,462	933,812	14,367	55,695	804	1,058,140
		2.43 %	1.37 %	0.59 %		
Derivative financial intruments at fair value	-	371	1,433	1,570	39,579	42,953
Other assets	-	-	-	-	113,858	113,858
	57,012	1,502,479	725,888	57,265	390,826	2,733,470
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits	259,810	668,707	125,004	69,049	24,183	1,146,753
		0.90 %	0.56 %	0.65 %		
Derivative financial instruments at fair value	-	1	2,000	2,117	28,235	32,353
Other liabilities	-	-	-	-	74,244	74,244
Subordinated debt	-	188,000	-	-	-	188,000
		1.71 %				
Shareholder's equity	-	-	-	-	899,505	899,505
	259,810	856,708	127,004	71,166	1,026,167	2,340,855
Net assets (liabilities)	(202,798)	645,771	598,884	(13,901)	(635,341)	392,615
Off-financial position instruments	-	(118,232)	58,287	59,945	-	-
	(202,798)	527,539	657,171	46,044	(635,341)	392,615
Other currencies						
ASSETS						
Cash and cash equivalents and Interest-bearing deposits with Banks	65,305	12,070	-	-	-	77,375
Securities	-	-	-	-	11,393	11,393
Loans and acceptances	16,374	229,214	44,810	-	-	290,398
		1.14 %	0.91 %			
Derivative financial intruments at fair value	-	1	589	-	9,550	10,140
Other assets	-	-	-	-	32,358	32,358
	81,679	241,285	45,399	-	53,301	421,664
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits	77,213	682,110	9,067	9,298	-	777,688
		0.24 %	0.55 %	0.21 %		
Derivative financial instruments at fair value	-	944	-	195	14,184	15,323
Other liabilities	256	-	-	-	21,012	21,268
	77,469	683,054	9,067	9,493	35,196	814,279
Net assets (liabilities)	4,210	(441,769)	36,332	(9,493)	18,105	(392,615)
Off-financial position instruments	-	(13,907)	4,157	9,750	-	-
Total other currencies	4,210	(455,676)	40,489	257	18,105	(392,615)
Total interest gap position	(198,588)	71,863	697,660	46,301	(617,236)	-

(in thousands of Canadian dollars)

23. Related Party Transactions

Balances and transactions between the Bank and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Bank and other related parties are disclosed below.

a) Oustanding balances

			2013			2012
	Parent Bank	Others	**Total**	Parent Bank	Others	Total
	$	$	**$**	$	$	$
Assets						
Interest-bearing deposits with banks	178,825	4,513	**183,338**	69,165	2,482	71,647
Derivative financial instruments at fair value	8,679	5,116	**13,795**	27,638	4,893	32,531
Securities purchased under resale agreements	295,671	-	**295,671**	50,037	-	50,037
Business, government and other loans	35,217	257	**35,474**	39,690	12,001	51,691
Other assets	19,464	1,814	**21,278**	10,443	-	10,443
Liabilities						
Derivative financial instruments at fair value	28,252	7,768	**36,020**	31,115	3,549	34,664
Deposits	12,696	36,140	**48,836**	84,560	35,260	119,820
Interest and commissions payable	457	-	**457**	540	-	540
Other liabilities	8,401	-	**8,401**	6,473	-	6,473
Subordinated debt	170,000	-	**170,000**	188,000	-	188,000

The above-mentioned outstanding balances arose from the ordinary course of business. Interest charged to and by related parties is at normal commercial rates.

For the years ended December 31, 2013 and 2012, the Bank has not recorded any allowance for doubtful accounts for amounts owed by related parties.

(in thousands of Canadian dollars)

23. Related Party Transactions (continued)

b) Income and expenses with related parties

Income and expenses paid to related parties were recognised at the Bank's usual conditions:

	Parent Bank	Others	**2013 Total**	Parent Bank	Others	2012 Total
	$	$	**$**	$	$	$
Interest income on loans	1,340	63	**1,403**	941	129	1,070
Interest income on deposit with regulated financial institutions	467	136	**603**	272	129	401
Interest expenses	2,965	133	**3,098**	5,857	70	5,927
Other income (expenses)	25,463	340	**25,803**	53,990	13,004	66,994
Non-interest expenses	3,527	87	**3,614**	3,197	108	3,305

c) Other commitments with the Parent Bank and affiliated banks

	Parent Bank	Others	**2013 Total**	Parent Bank	Others	2012 Total
	$	$	**$**	$	$	$
Interest rate swaps (notional amount)	94,400	-	**94,400**	81,049	-	81,049
Index swaps (notional amount)	-	70,014	**70,014**	-	234,337	234,337
Spot and forward foreign exchange contracts (notional amount)	1,100,384	8,985	**1,109,369**	1,562,651	14,743	1,577,394
Swaps on commodities	136,647	1,024,116	**1,160,763**	1,608,896	-	1,608,896
Guarantees and documentary credits	689,492	85,902	**775,394**	808,068	189,444	997,512

d) Guarantees of the Parent Bank and affiliated banks

As at December 31, 2013, the Parent Bank guaranteed the repayment of principal and interest on personal deposits, business and government deposits and acceptances up to a maximum amount of $6 billion ($6 billion in 2012).

The Parent Bank has also specifically and unconditionally guaranteed the payment of any U.S. dollar denominated note with a term not exceeding 270 days issued by the Bank on the U.S. commercial paper market, up to a maximum of seven hundred and fifty million U.S. dollars (US $750 million). As at December 31, 2013, no note in U.S. dollars was issued and classified in foreign business and government term deposits ($124,349 in 2012).

As at December 31, 2013, the Parent Bank and affiliated banks guaranteed loans, guarantees and documentary letters of credit granted by the Bank amounting to $4,654 ($20,151 in 2012).

(in thousands of Canadian dollars)

23. Related Party Transactions (continued)

e) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsability for planning, directing or controlling the activities of the Bank, being the directors of the Board and 14 more senior executives (13 in 2012).

	2013	2012
	$	$
Salaries	**3,222**	3,072
Short-term employee benefits	**2,641**	2,537
Post-employment benefits (defined contribution)	**81**	89
Post-employment benefits (defined benefit)	**101**	97
Share-based payments	**-**	2
	6,045	5,797

The non-executive directors do not receive pension entitlements from the Bank.

Key management interest in an employee share incentive scheme

At as December 31, 2013, key management held 8,985 options to purchase ordinary shares of the Parent Bank under this scheme as follows:

Starting exercise date of options	Expiry date of options	Adjusted exercise price[1]	Outstanding options
March 6, 2010	April 4, 2014	115.65	1,948
March 3, 2011	March 6, 2015	119.56	3,232
April 18, 2012	April 15, 2016	112.32	2,565
March 4, 2015	March 4, 2019	74.47	1,240
			8,985

1. The adjusted exercise price represents the counter value in Canadian dollars of the exercise price stated in Euros at the option allocation date.

During 2013, there were no options granted to executive members of the Board of Directors under this scheme.

f) Confirmed credit

The Parent Bank granted a line of credit to the Bank. As at year-end, no credit was available ($171,986 in 2012).

(in thousands of Canadian dollars)

24. Non-Interest Expenses

a) Salaries and employee benefits

The Bank has a reasonable assurance that it complies with the conditions attached to the grants under IAS 20 and that the grants will be received.

Accordingly, for the year 2013, "Salaries and employee benefits" include an amount of $1,537 recognised as tax incentive as a reduction of salaries.

b) Other Expenses

	2013	2012
	$	$
Commercial, communication and marketing	**2,826**	1,811
Consulting, insurance, information technology and legal	**11,085**	5,871
Capital tax	**917**	2,618
Administrative expenses	**2,471**	2,089
Other operating expenses	**36**	3,486
	17,335	15,875

25. Subsequent Events

On November 27, 2013, the Minister of Finance of Canada authorised the Parent Bank to operate a branch in Canada. On December 18, 2013, the OSFI granted an operating licence for the branch effective January 1, 2014. On January 27, 2014, the Bank applied to the OSFI to dispose the major part of its client commitment portfolio to the branch of the Parent Bank in Canada.

The Bank continues to operate in Canada and will accordingly continue to carry out certain banking operations as a subsidiary of BNP Paribas S.A., its Parent Bank.

BNP PARIBAS (Canada)

Information on the Subsidiaries

As at December 31, 2013

(in thousands of Canadian dollars)

Name of subsidiary	Head offices' address	Carrying value of voting shares held by the Bank (at cost)	Percentage of issued and paid-up capital stock held by the Bank
BNP Paribas (Canada) Securities Inc.[1]	1981 McGill College Montréal, Québec H3A 2W8	$1,500	100%
BNP Paribas Energy Trading Canada Corp.[2]	335 - 8th Avenue SW Suite 1230 Calgary, Alberta T2P 1C9	$34,353	100%

1. BNP Paribas (Canada) Securities Inc. is a broker dealer with licenses in all provinces in Canada.
2. BNP Paribas Energy Trading Canada Corp. operates an activity of energy trading in Canada.

BNP PARIBAS (Canada)

Supplementary Information

As at December 31, 2013

(in thousands of Canadian dollars)
(Unaudited)

Net interest income and average balances:

	Average balance	Interest and dividends	Rate
	$	$	%
ASSETS			
Deposits with other regulated financial institutions	177,231	1,004	0.57
Securities	1,769,634	20,556	1.16
Mortgage loans	7,472	393	5.26
Business and government loans and other loans	1,319,549	27,478	2.08
Interest-bearing assets	3,273,886	49,431	1.51
Customers Liabilities under accceptances	750	-	-
Other assets	95,501	2,910	3.05
	3,370,137	52,341	1.55
LIABILITIES			
Deposits			
Businesses and governments	1,914,219	20,240	1.06
Deposit-taking institutions	314,930	1,285	0.41
Subordinated debt	186,471	3,213	1.72
Interest-bearing liabilities	2,415,620	24,738	1.02
Acceptances	750	-	-
Other liabilities	33,051	299	0.90
Shareholder's equity	920,716	-	-
	3,370,137	25,037	0.74
Total	3,370,137	27,304	0.81

The accompanying information has been prepared by the Bank and is presented for purposes of supplementary analysis.

BNP PARIBAS (Canada)

Supplementary Information

As at December 31, 2013

(in thousands of Canadian dollars)
(Unaudited)

Weighted assets risk by bracket rate:

	0 %	20 %	50 %	100 %	Other	Total
	$	$	$	$	$	$
Assets (Carrying Value)						
Cash and cash equivalents and Interest-bearing deposits with Banks	-	186,446	1,009	105	-	**187,560**
Securities issued or guaranteed by Canada and provinces	1,663,792	128,764	-	-	-	**1,792,556**
Other securities	-	-	-	59,503	-	**59,503**
Loans, acceptances and securities purchased under resale agreements	-	324,699	81,622	1,035,051	18,600	**1,459,972**
Other assets	57,714	-	-	131,387	10,062	**199,163**
Total assets	**1,721,506**	**639,909**	**82,631**	**1,226,046**	**28,662**	**3,698,754**
Off Balance						
Credit instruments (contract amount)	106,360	794,219	609,083	4,576,051	59,400	**6,145,113**

Financial assets held as collateral schedule:

	Governments	Financial institutions	Corporations	Total
	$	$	$	$
On-balance sheet	297,658	400	33,524	**331,582**
Off-balance sheet	3,611,723	4,515	225,859	**3,842,097**
Total	3,909,381	4,915	259,383	**4,173,679**